

Notice is hereby given that a Meeting of the Activities Performance Audit Committee will be held on:

**Date:** Wednesday, 27 April 2016  
**Time:** 10.30am  
**Meeting Room:** Council Chambers  
**Venue:** 15 Forth Street, Invercargill

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## Activities Performance Audit Committee Agenda OPEN

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### MEMBERSHIP

<b>Chairperson</b>	Lyall Bailey
<b>Mayor</b>	Gary Tong
<b>Councillors</b>	Stuart Baird
	Brian Dillon
	Rodney Dobson
	John Douglas
	Paul Duffy
	Bruce Ford
	George Harpur
	Julie Keast
	Ebel Kremer
	Gavin Macpherson
	Neil Paterson

### IN ATTENDANCE

<b>Chief Executive</b>	Steve Ruru
<b>Committee Advisor</b>	Alyson Hamilton

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**Full agendas are available on Council's Website**  
**[www.southlanddc.govt.nz](http://www.southlanddc.govt.nz)**

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**Note:** The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.

## **Terms of Reference for the Activities Performance Audit Committee**

This committee is a committee of Southland District Council and has responsibility to:

- Monitor and review Council's performance against the 10 Year Plan
  - Examine, review and recommend changes relating to Council's Levels of Services.
  - Monitor and review Council's financial ability to deliver its plans,
  - Monitor and review Council's risk management policy, systems and reporting measures
  - Monitor the return on all Council's investments
  - Monitor and track Council contracts and compliance with contractual specifications
  - Review and recommend policies on rating, loans, funding and purchasing.
  - Review and recommend policy on and to monitor the performance of any Council Controlled Trading Organisations and Council Controlled Organisations
  - Review arrangements for the annual external audit
  - Review and recommend to Council the completed financial statements be approved
  - Approve contracts for work, services or supplies in excess of \$200,000.
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**1 Apologies**

At the close of the agenda no apologies had been received.

**2 Leave of absence**

At the close of the agenda no requests for leave of absence had been received.

**3 Conflict of Interest**

Committee Members are reminded of the need to be vigilant to stand aside from decision-making when a conflict arises between their role as a member and any private or other external interest they might have.

**4 Public Forum**

Greg Buzzard and Neil Boniface will be in attendance for a presentation on the Southland Warm Home Trust.

**5 Extraordinary/Urgent Items**

To consider, and if thought fit, to pass a resolution to permit the committee to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) the reason why the item was not on the Agenda, and
- (ii) the reason why the discussion of this item cannot be delayed until a subsequent meeting.

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting, -

- (a) that item may be discussed at that meeting if-
  - (i) that item is a minor matter relating to the general business of the local authority; and
  - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- (b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”

**6 Confirmation of Minutes**

6.1 Meeting minutes of Activities Performance Audit Committee, 06 April 2016

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# Activities Performance Audit Committee

## OPEN MINUTES

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Minutes of a meeting of Activities Performance Audit Committee held in the Council Chambers, 15 Forth Street, Invercargill on Wednesday, 6 April 2016 at 1.00pm.

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### PRESENT

<b>Chairperson</b>	Lyall Bailey
<b>Mayor</b>	Gary Tong
<b>Councillors</b>	Brian Dillon
	Rodney Dobson
	Paul Duffy
	Bruce Ford
	George Harpur
	Julie Keast
	Ebel Kremer
	Gavin Macpherson
	Neil Paterson

### IN ATTENDANCE

Chief Executive, Steve Ruru, Group Manager Environmental Services, Bruce Halligan, Group Manager Community and Futures, Rex Capil, Group Manager, Services & Assets, Ian Marshall, Chief Financial Officer, Anne Robson, Communications Manager, Louise Pagan, People and Capability Manager, Janet Ellis, Team Leader Governance, Chris Dolan, Committee Advisor, Alyson Hamilton, Press, Briar Babbington.

**1 Apologies**

**Apologies for non-attendance were lodged from Crs Douglas and Baird.**

Moved Cr Dillon, seconded Cr Macpherson and **resolved:**

**That apologies received from Cr Douglas and Cr Baird be sustained.**

**2 Leave of absence**

There were no requests for leave of absence received.

**3 Conflict of Interest**

There were no conflicts of interest declared.

**4 Public Forum**

There were no members of the public seeking speaking rights in the Public Forum section of the meeting.

**5 Extraordinary/Urgent Items**

There were no Extraordinary/Urgent items.

**6 Confirmation of Minutes**

**Resolution**

Moved Cr Dobson, seconded Cr Keast **and resolved:**

**That the minutes of Activities Performance Audit Committee, held on 9 March 2016 be confirmed as a true and correct record subject to the resolution of Item 7.7 be amended to read; Moved Mayor Tong.**

**Reports**

**7.1 Financial Report for the period ended 31 January 2016**

**Record No: R/16/3/4254**

Report by Susan McNamara, Management Accountant, regarding the financial report for the period ended 31 January 2016, was tabled.

**Ms McNamara, Management Accountant, was in attendance for this item.**

It was pointed out to the Committee 58% of the financial year is complete and that no significant issues have been identified that raise any concerns for Council.

Ms McNamara then spoke on matters relating to the income, operating expenditure, capital expenditure, forestry revenue, roading and transport, chief executive's account and the balance sheet.

Ms McNamara commented that Services and Assets income is under budget by \$1.03million due to a number of items of which the largest being forestry revenue which is currently \$853,000 under budget due to the timing of harvesting activities which have commenced in February.

In regards to the forestry revenue Cr Bailey queried the methodology of payment.

Ms McNamara confirmed harvesting costs are to be shown in further detail in future reports.

### **Resolution**

Moved Cr Kremer, seconded Cr Keast **and resolved:**

**That the Activities Performance Audit Committee:**

- a) Receives the report titled “Financial Report for the period ended 31 January 2016” dated 23 March 2016.**

## **7.2 Follow-up on Outstanding Pre-2004 Building Consents Project**

**Record No: R/16/3/3919**

Report by Kevin O'Connor, Manager-Building Control, regarding the follow-up on outstanding pre-2004 Building Consent Projects, was tabled.

**Bruce Halligan, Group Manager, Environment and Community spoke to this item.**

Mr Halligan reported the purpose of this report is to inform the Committee of progress made in the six year project to reduce outstanding pre-2004 building consents.

Mr Halligan advised this issue was previously discussed at the October 2015 Committee meeting with the project scheduled to start in early 2016.

Mr Halligan explained this report outlines the Code Compliance Certificate (CCC) status of building consents which have been issued by the Southland District Council under the Building Act 1991.

The Committee noted that Building Control administration began sending out letters to pre-2004 building consent owners on 22 February 2016.

Mr Halligan advised that with being only three weeks into the project it is difficult to determine the effectiveness at this early stage. Of the 30 letters having gone out so far response numbers have been muted with only four applications for CCC received and two requests for extension to complete necessary remedial work.

Members were informed the remaining 24 will be given “refused CCC status” if no feedback is received from the owners in a further week.

Cr Duffy queried whether it was correct that if a property did not hold a CCC for completed building work and there was an insurance claim that the insurance companies can withhold payment.

Mr Halligan responded this can be an issue particular with fireplace installation.

Cr Keast queried whether included in the letters Council are sending to property owners is a note regarding possible insurance issues.

Mr Halligan responded the letters did not specifically mention this point.

Mayor Tong commented of good work from building control staff stating that Council is not obliged to follow-up on outstanding consents.

### **Resolution**

Moved Cr Macpherson, seconded Cr Paterson **and resolved:**

**That the Activities Performance Audit Committee:**

- a) Receives the report titled “Follow-up on Outstanding Pre-2004 Building Consents Project” dated 6 April 2016.**

## **7.3 Health and Safety**

**Record No: R/16/3/4282**

Report by Janet Ellis, People and Capability Manager, providing an update on health and safety activity within the Southland District Council, was tabled.

**Mrs Ellis was in attendance for this item.**

Mrs Ellis advised the new Health and Safety legislation, the Health and Safety Act Work Act 2015 has been passed and comes into effect on 4 April 2016.

Cr Paterson reported of his and Mrs Ellis attendance at the Health and Safety Roadshow in February 2016 run by the Society of Local Government Managers (SOLGM).

Cr Paterson explained the Roadshow outlined the key changes to the Act, Governance responsibilities and different strategies that Council can undertake to ensure “workers are free from harm”.

Mrs Ellis informed under due diligence requirements in the new Act, Councillors are required to keep up to date with health and safety matters, ensure the person running the business has appropriate resources and processes to manage risks to health and safety, understand the nature of the business, audit its hazards and risks, ensure there are appropriate reporting and investigation processes in place, monitor and verify that appropriate actions are being taken.

Mrs Ellis advised training on health and safety responsibilities for elected members will be included in the 2016 Council Induction Programme.

Cr Harpur sought clarification on the comment relating to councillors required to “audit its hazards and risks”.

Mrs Ellis responded that as a requirement under the act Councillors are to be aware of safety matters within the District and to query the matter if an issue is noted.

In regards to this statement Cr Kremer sought clarification on what is the Councillors role if an issue is identified.



Mr Marshall responded that if a Health and Safety issue is noted by Councillors onsite it would be prudent to discuss this with the onsite supervisor and ensure the matter is recorded with council.

Mrs Ellis confirmed drug/alcohol testing is undertaken by Contractors.

### **Resolution**

Moved Cr Dobson, seconded Cr Kremer **and resolved:**

**That the Activities Performance Audit Committee:**

- a) **Receives the report titled “Health and Safety” dated 30 March 2016.**
- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Notes that provision will be included in the 2016 Council Induction Programme for health and safety training for elected members.**
- e) **Endorses the Health and Safety Improvement Plan for 2016.**
- f) **Notes the findings of the Health and Safety audit completed on the Riverton Stormwater works being undertaken by Te Anau Earthworks.**

## **7.4 Bylaw Review Process**

**Record No: R/16/3/4348**

Report by Tamara Dytor, Policy Analyst, outlining the proposed approach for the review of bylaws in 2016, was tabled.

**Tamara Dytor was in attendance for this item.**

Ms Dytor reported in 2016, officers are proposing to review the Cemetery Bylaw 2006, the Keeping of Animals, Poultry and Bees Bylaw 2010 and the Control of Advertising Signs Bylaw 2008.

Ms Dytor advised this report details the timeline outlining key milestones in the process of the review and details the approach to public engagement.

Ms Dytor explained the drivers for each of these reviews are as follows;

- The Cemetery Bylaw 2006 requires review in 2016 to remain current.
- A review of the Keeping of Animals, Poultry and Bees Bylaw 2010 is recommended to address local issues. This bylaw was reviewed in 2010 however, since this time additional issues have arisen. The keeping of animals in urban areas has become an area of contention in the Nightcaps and Riversdale communities.

- A review of the Control of Advertising Signs Bylaw 2008 is recommended to align with the District Plan, to provide clarity for the public and to address issues across the District which relate to signage. The proposed bylaw review would address the placement of signs in the road reserve, for example sandwich boards on footpaths. Changes to the bylaw are intended to increase the ease of doing business with Council and provide clarity and consistency.

Following discussion the Committee commented on the issues that have arisen in regard to the Nightcaps and Riversdale communities stating the review process is timely.

### **Resolution**

Moved Cr Macpherson, seconded Cr Duffy **and resolved:**

**That the Activities Performance Audit Committee:**

- a) Receives the report titled “Bylaw Review Process” dated 23 March 2016.**
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) Agrees to review the Cemetery Bylaw 2006, Keeping of Animals, Poultry and Bees Bylaw 2010 and the Control of Advertising Signs Bylaw 2008.**
- e) Endorses the approach to bylaw review and consultation outlined in this report.**

The meeting concluded at 1.55pm

CONFIRMED AS A TRUE AND CORRECT  
RECORD AT A MEETING OF THE ACTIVITIES  
PERFORMANCE AUDIT COMMITTEE HELD  
ON 6 APRIL 2016.

**DATE:**.....

**CHAIRPERSON:**.....

## Library Services - Service Delivery Review

Record No: R/16/3/4146

Author: Bruce Halligan, Group Manager Environmental Services

Approved by: Steve Ruru, Chief Executive

☒ Decision

☐ Recommendation

☐ Information

### Purpose

- 1 A service delivery review has been undertaken for the Southland District Council library services in accordance with section 17A of the Local Government Act 2002.

### Executive Summary

- 2 Section 17A of the Local Government Act 2002 requires all councils to review the delivery of services by mid-2017.
- 3 Having regard to this, Southland District Council has undertaken a review of the delivery of its library services, this being the first formal structured review of library services since the creation of the Southland District Council in 1989 (although incremental changes and improvements to the service have been made during this time).
- 4 This service delivery review is now presented to the Committee for its consideration.

### Recommendation

**That the Activities Performance Audit Committee:**

- a) **Receives the report titled “Library Services - Service Delivery Review ” dated 8 April 2016.**
- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Considers the content of, and recommendations from, the review and provides any feedback which it may have to officers.**
- e) **Notes that officers will report back with the actions proposed to be taken in response to each of the recommendations made in the review.**

### Content

#### Background

- 5 All local authorities have a statutory requirement to review the delivery of their services in accordance with section 17A of the Local Government Act 2002. It is also considered good practice to review the way in which services are delivered from time to time.

**Item 7.1**

- 6 In this context, a review of the delivery of Council's library services has been undertaken, and is now presented for the Committee's information and consideration.
- 7 The review document was prepared partly by Council officers, who outlined the current arrangements and state of current Council service delivery and staffing; but also with significant input from Nicki Moen and Associates, an experienced external libraries consultancy based in Christchurch.
- 8 Nicki Moen and Associates has extensive experience with reviewing and making recommendations in relation to the delivery of library services by councils, both nationally and internationally.
- 9 It was considered important that external input was provided for this review, and the brief given to Nicki Moen and Associates was to challenge the status quo and provide recommendations for future improvement.
- 10 The review outlines a range of possible delivery options under Section 3, with Section 3.4 outlining the recommended option, being retaining operations in-house but with partial outsourcing of some aspects of service delivery.
- 11 A series of 24 recommendations for future changes and improvements are made on pages 2 and 3 of the report and the rationale for each of these changes is explained in the body of the report.
- 12 The Group Manager responsible for library services has shifted to the new Group Manager Customer Support, Mrs Trudie Hurst, following the organisational review.
- 13 Mrs Hurst and Libraries Manager Mrs Lynda Hodge have discussed the contents of this review and will be developing an action plan in relation to each of the recommendations. No specific comment is hence provided at this stage on the extent to which each of these recommendations may or may not be implemented, but these recommendations will provide a useful focus for future service delivery improvements.
- 14 Mrs Hurst, Mrs Hodge, Libraries Team Leader Roslyn Gray and Nicki Moen, Principal of Nicki Moen and Associates will be present at the meeting when this matter is discussed, should Committee members have any queries. Ms Moen will also speak briefly to the recommendations made in the report.

**Factors to Consider**

**Legal and Statutory Requirements**

- 15 The requirement to undertake a service delivery review is a statutory requirement under Section 17A of the Local Government Act 2002, as outlined above.

**Community Views**

- 16 It can be expected that the community would expect Council to carefully consider the recommendations made in the review.
- 17 If significant changes to levels of service or the method of service delivery were to be proposed as a result of the consideration of the review findings then there may be a need to undertake a community consultation process. Officers will consider this issue further as they consider the review recommendations.

### Costs and Funding

- 18 Some of the recommendations if adopted, such as Recommendation 3 to join the Kotui national network, would involve additional costs and would hence need to be factored into the Library Service budgets.
- 19 While these types of initiatives could involve up-front and ongoing costs, they would also offer benefits such as improved business resilience and continuity and access to support services, as outlined in the report.

### Policy Implications

- 20 There are no policy implications.

### Analysis

#### Options Considered

- 21 The report outlines in Section 3 the options considered for the future provision of Southland District Council library services, and the reasons why Option 3.4 is the recommended option.

#### Assessment of Significance

- 22 This review is not considered significant in terms of Section 76 of the Local Government Act 2002. If it was proposed to make significant changes in the future to the delivery of Council's services then the provisions of the Council's Significance and Engagement Policy would need to be considered.

### Recommended Option

- 23 The report recommends that Option 3.4 - Retain operations with partial outsourcing - be adopted. It also makes 24 recommendations for future delivery of library services. For the reasons as outlined above, no formal recommendations are being made at this stage.
- 24 An action plan will be developed and reported back to the Committee in due course. It is therefore not appropriate that the Committee adopts these recommendations at this stage, as some would have resourcing implications which need to be assessed. The recommendations will, however, provide a useful focus for future consideration of the delivery of library services within the District.

### Next Steps

- 25 The review and its recommendations will be factored into future consideration of the Library Service service delivery, and an action plan reported back to the Committee in due course.

### Attachments

- A FINAL Southland District Council Service Delivery Review Library Services - March 2016 [View](#)



## Southland District Council Service Delivery Review Library Services



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## Executive summary

This review of library services is the first formal overall review since the District was created in 1989 although incremental changes have been made over time. The review is driven by the requirement in Section 17A of the Local Government Act 2002 which requires the Southland District Council (SDC) to consider the best option for the governance, funding and operations of the Southland District Libraries (SDL). Five options have been considered and the preferred option is to retain the direct governance and management of libraries with partial outsourcing of some functions. The following recommendations are based on this option.

Library services need to fit with the Council's vision for thriving, healthy Southland communities. More people are needed to ensure economic growth, better lifestyle and improved education and social services. Attracting additional people will require a focus on more enterprise and quality of life aspects. Libraries, along with Southland's other social, recreational and community facilities, contribute to the lifestyle that makes the District a place where people choose to live. Libraries provide creative recreation, lifelong learning opportunities and connect the people of Southland with local, national and global information, business and knowledge networks.

Digital connectivity will drive community and economic development throughout Southland. Venture Southland's Digital Strategy sees libraries as central to ensuring Southlanders have the skills and knowledge to make the most of the broadband and mobile connectivity and have access to the tools and content to realise the benefits for life and work.

Southland region has a number of unique demographic characteristics:

- It is the largest local authority in New Zealand by physical area having 11% of New Zealand's landmass.
- Population density is sparse and maintenance of the roading network is the District's largest cost.
- 53% of the District's population live in rural areas, the remaining 47% in one of the District's 30 townships.
- Five of these towns have greater than 20% of their population aged 65 years and over and only three of the towns have populations greater than 1,000 people.
- 2.4% of New Zealanders live in Southland yet it produces 15% of New Zealand's exports largely from the land and value-added production.

These local factors coupled with the trends occurring in libraries, both nationally and internationally, will have an impact on how SDL delivers services into the future. We are seeing libraries shifting from being primarily lending and book focused institutions to being places for people engagement (helping to build and strengthen communities), and places that provide a wide range of resources and activities that help everyone to fully participate in society (resulting in lifelong learning, innovation and knowledge).

The move to mobile means that a person is never more than a click away from being able to search for an answer to a question; and while the support of reading and functional literacy remains a core role for public libraries a growing area is that of digital literacy. New disruptive technologies<sup>1</sup> and different service innovations are emerging all the time; virtual reality, smart homes, massive open online courses (MOOCs), big data manipulation, drones, robotics and others not yet invented. Libraries are responding by providing opportunities for people to try out technologies and create their own content and innovations.

<sup>1</sup> Term coined by Clayton Christensen meaning those technologies that shake up existing technologies or ways of doing things <http://whatis.techtarget.com/definition/disruptive-technology>

SDL currently provides services from eight staffed libraries, a Bookbus and three voluntary libraries. Seven of the eight libraries provide access to the internet and free Wi-Fi. Five of the libraries are combined library and service centres. Hours of opening vary across the District and the larger libraries provide programmes and other services as well as a wide range of collections. The SDL's digital services are in their infancy and the range and extent of eBooks and other digital resources are small. The SDL's catalogue is online but the website is basic.

The benchmarking work indicates that Southland is at the lower end of per capita funding and its staffing is also at the lower end of staff per 1,000 population. Its issues per capita are good given the geographic spread of its libraries and members clearly appreciate the collections as the issues per member is high in comparison to all other libraries except Queenstown Lakes. Again, given the spread of its population a membership rate of 56% of population is very good. It is much easier to build a membership base when the population is concentrated in a significantly sized town.

The biggest improvements to how the business operates will come from taking advantage of the consortia opportunities available for the running of the library management system (LMS) (Kōtui) and procuring collections to provide shelf ready, catalogued items. Both of these require modest additional investment but the benefits in terms of effective and efficient operations and the customers benefit in easier search options, improved website and direct to shelf acquisitions will return value on the investment.

Other investment recommended includes funding for the eventual move to RFID (Radio Frequency Identification) technologies within three years and funding for a new Winton premise within the next 10 years. We fully understand the need for prudent use of ratepayer funds and recommend that a 10 year investment plan for both operational and capital improvements is put together as soon as practical.

There are 24 recommendations in the report which detail a range of strategic, policy and operational suggestions for change. They are:

### **Recommendations**

1. In conjunction with Invercargill City Council (ICC) and Gore District Council (GDC) develop a strategy that looks to promote the notion of "Southland Libraries for all" brought to you by ICC, SDC and GDC.
2. Grow the depth and range of digital content and promote this service to rural residents as broadband spreads through the District.
3. Join Kōtui for provision of the LMS and to take advantage of collaborative opportunities; connect Stewart Island to the LMS at the time of going live with Kōtui or earlier if this is not likely to happen in 2016/2017.
4. Use Enterprise discovery layer (the catalogue for the LMS) as the SDL's website and link this from the Council's website; budget \$15,000 for a one-off design cost to get the template properly designed.
5. Plan for and fund the introduction of RFID within the next three years.
6. Introduce Wi-Fi on the Bookbus and use with tablets to promote access to eBooks and databases, and provide access to the internet for users of the Bookbus.
7. Investigate the slow connections to Council systems.
8. Increase the range of available eBooks and eMagazines and begin to promote this as a viable option particularly for those remote from libraries. This will need a sustainable campaign and good education and training of SDL's staff to be effective. As part of this campaign have tablet and/or eBook readers available for use in libraries so that staff can demonstrate these to customers.

9. Outsource up to 80% of collection supply to shelf ready and develop standing orders for fiction and selected non-fiction based on community profiles. Phase this in over a two-three year period if necessary.
10. Reduce excessive duplication of fiction titles after consultation with affected Community Boards.
11. Get comparative pricing from two or three magazine suppliers, including the local bookseller such as Paper Plus.
12. Reduce stack collections in branches and return to central stack for selection by other libraries.
13. Seek opportunities to develop a new community hub and library/service centre in Winton in partnership with other community, commercial, health or educational organisations. Fund for this redevelopment in the next 10 Year Plan.
14. Consult with the Stewart Island community to investigate whether a self-service model in some form would be worth trialling at this library.
15. In collaboration with the Nightcaps school and community investigate whether alternative service models would be acceptable.
16. At such time as the Council may be reviewing the community and service needs of Tuatapere and surrounding districts, work with the community and the Waiau Memorial Trust to see how a wider range of library services could be offered. In the meantime instigate a regular annual meeting with the Trust to support and review the agreement.
17. The District Libraries Manager develops service delivery standards in collaboration with the Customer Support Team Leader and produces an Annual Plan for clarity around priorities.
18. A realignment of roles is done to clarify the responsibilities and skills needed to deliver the service following the Customer Support restructure and the out sourcing of collection supply.
19. Ensure staff have the opportunity to participate in professional development and receive ongoing training.
20. Be open to partnership opportunities that are aligned with SDL's objectives and bring new users to libraries, eg partnership with rural education institutions to provide resources and services from various library locations.
21. Develop a more comprehensive and systematic system for collecting, using and reporting on library data, particularly around electronic use.
22. Use focus groups of non-users, telephone surveys, use data and other mechanisms to gather information on user and non-user needs for the various communities of interest to inform service development.
23. Consider reviewing the current funding mechanism for libraries to determine whether the mix of uniform annual charge and targeted local rate is the most equitable way of funding libraries.
24. Develop a 10 Year Investment Plan, both operational and capital for the next 10 years to phase in the recommendations in this report.

## 1 Introduction

The SDC contracted Nicki Moen and Associates to provide professional consultant input into their review of the library services. The report has been researched and written by her associate Sue Sutherland of Sue Sutherland Consulting.

This is the first structured review of library services since the District was created in 1989. In preparation for the review staff had prepared a paper outlining the current service and emerging issues identified by Libraries staff.

The review was to:

- Recommend a future structure for the delivery of service in the context of Section 17A of the Local Government Act 2002, considering the governance, management, operational and funding parameters.
- Critically review the services and benchmark against other councils and LIANZA standards as appropriate.
- Recommend areas for future improvement in order to maintain and enhance the delivery of services to the customers, meeting both current and future demands.

Nicki Moen met with the Chief Executive, Steve Ruru, the Group Manager Community and Environment, Bruce Halligan and the District Libraries Manager, Lynda Hodge in early January 2016. This was followed by a visit to the District by Sue Sutherland in mid-January. During this visit Sutherland met with Marianne Foster, Invercargill City Library Manager and paid a number of visits to libraries (Te Anau, Riverton, Otautau and Winton). She also met with Bruce Halligan, Lynda Hodge and a number of the SDL team, gathering information and insights into the District's library services. In addition to the visits, key documents were scanned and a benchmarking exercise completed.

The report looks at five options for the governance and delivery of library services and recommends a preferred option (Section 3). The strategic context is outlined and trends in libraries described (Sections 4 and 5). The current situation (Section 6) draws heavily on the report written by SDC staff. The benchmarking section (Section 7) compares SDL against five other libraries across a range of key performance indicators. The section on challenges and opportunities (Section 8) draws from the preceding data and analyses the main strategic, policy and operational challenges facing SDL. It offers a series of recommendations for the future which address the specific challenges experienced by the Southland District and those experienced by libraries in general as they look to deal with the impact of the digital world on content and services.

## 2 Statutory Drivers

This document is the SDC Libraries Service Delivery Review 2016, undertaken in terms of Section 17A of the Local Government Act 2002.

There are both statutory and non-statutory drivers for the libraries service delivery review as follows:

### Statutory:

The Local Government Act 2002 imposes an important statutory duty on all councils with regard to service delivery reviews.

Section 17A of the Act - Delivery of Services - requires that:

- (1) *A local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.*
- (4) *A review under subsection (1) must consider options for the governance, funding, and delivery of infrastructure, services, and regulatory functions, including, but not limited to, the following options:*
  - (a) *responsibility for governance, funding, and delivery is exercised by the local authority;*
  - (b) *responsibility for governance and funding is exercised by the local authority, and responsibility for delivery is exercised by—*
    - (i) *a council-controlled organisation of the local authority; or*
    - (ii) *a council-controlled organisation in which the local authority is one of several shareholders; or*
    - (iii) *another local authority; or*
    - (iv) *another person or agency;*
  - (c) *responsibility for governance and funding is delegated to a joint committee or other shared governance arrangement, and responsibility for delivery is exercised by an entity or a person listed in paragraph (b)(i) to (iv).*
- (5) *If responsibility for delivery of infrastructure, services, or regulatory functions is to be undertaken by a different entity from that responsible for governance, the entity that is responsible for governance must ensure that there is a contract or other binding agreement that clearly specifies—*
  - (a) *the required service levels; and*
  - (b) *the performance measures and targets to be used to assess compliance with the required service levels; and*
  - (c) *how performance is to be assessed and reported; and*
  - (d) *how the costs of delivery are to be met; and*
  - (e) *how any risks are to be managed; and*
  - (f) *what penalties for non-performance may be applied; and*
  - (g) *how accountability is to be enforced.*

Therefore, this section of the Local Government Act 2002 requires, as a minimum, that the review must consider:

- Governance and funding by council alone or in a 'joint committee' of one or more councils
- Delivery by: either a council; or the following alternative delivery structures:
  - (a) A CCO owned by council or jointly owned with another shareholder; or
  - (b) Another council; or
  - (c) Another person or agency (noting that a "person" could be a contractor, corporate and "agency" could be some form of joint arrangement).

Non-Statutory:

While as outlined above there is a statutory driver to undertake this review, there are also other important drivers such as:

- Ensuring that Council is delivering what matters to its communities in terms of library services.
- Ensuring that the modes and form of delivery are dynamic, effective and efficient, consistent with Council's drive towards achieving this organisation-wide.
- Closely scrutinising current and future emerging trends in library services and configuring the services provided accordingly.
- Closely scrutinising services such as procurement of items for the library services to ensure these represent best value for money, and have appropriate levels of transparency and contestability.

### 3 Service Delivery Options

Under Section 17A of the Local Government Act 2002, the Council is required to review the cost-effectiveness of current arrangements for good quality governance, funding and delivery of services. We have considered six possible options and these are summarised below:

Option	1: Volunteer Management	2: Outsource to Invercargill City Council	3. Regional Library Service	4: Retain Operations with Partial Outsourcing	5. Establish a Trust	6: Fully Online Digital Model
Strategic approach	Divestment - cost saving. No strategic value in library services for SDC.	Drive efficiency and cost saving through entire outsourcing of operations.	Take a Southland wide view of library services and combine ICC, SDC and GDC into a jointly owned CCO.	Drive efficiencies through collaborative approaches and reinvest savings into service development .	Hold or reduce costs by requiring Trust to find funds to top up fixed Council grant.	Transform through a mix of investment/ divestment. Significant development costs.
Role of library	Libraries are viewed as book lending clubs managed by community. Libraries have run their course.	Libraries become branches of Invercargill City Library.	Libraries developed as part of a regional service, with own CE and reporting to a Board.	Libraries developed as a valuable strategic asset and part of community infrastructure.	Libraries development dependent on the Trust sourcing new funding from other sources.	Library services and content all online - no or limited physical presence. Value is in transforming services to a 21st century medium.
Governance retained	No.	Limited through contract.	Limited through the appointment of Board member.	Yes.	No.	Yes.
Financial	\$\$\$\$ Significant savings.	\$ Unknown. Could in fact cost more. ICC cost per capita ca. \$70.	\$\$ unknown. May have one off set up costs. Could be savings after this.	\$\$ savings reinvested; modest new investment.	\$\$ Some savings expected through fixed fee contract.	\$\$\$ Unknown but could require significant investment upfront.
Impact on Council customer service	Council services no longer offered in conjunction with libraries.	May be able to retain Council services but would require separate management.	May be able to retain Council services but would require separate management.	Council customer services retained through proposed CE model.	May be able to retain Council services but would require separate management.	Council customer services would be run separately as no longer physical libraries.
Customer impact	Customers dissatisfied. Significant drop in service.	Library customers probably satisfied but no longer the 'one stop shop'.	Library customers probably satisfied but no longer the 'one stop shop'.	Council and Library customer service enhanced. Growth in customer base through new services.	Library customers probably satisfied but no longer the 'one stop shop'.	Drop in service to most customers in the medium term. Customers dissatisfied.
Outcome	Loss of strategic asset for social and educational wellbeing.	Possible loss of identity relevant over time; service development may not meet rural needs.	Could be improved service for residents; more difficult for SDC to influence strategic development.	Libraries remain core integrated service of SDC developing to meet local needs.	Libraries separate from Council which has little ability to influence development.	Libraries as community spaces of learning and connection disappear; digital divide issues.

Item 7.1 Attachment A

#### 3.1 Volunteer management

The Council already supports three voluntary run libraries at Tuatapere, Manapouri and Gropers Bush. This model would see the Council hand over responsibility for the running of all its libraries to local community groups of volunteers. While this would be a cost saving it would be a significant drop in service from that currently offered. There would be no co-ordination across the District as each library would be run by an autonomous committee.

This would mean no collection sharing, no inter-library loan from other libraries around the country and no access to eContent, Wi-Fi and the internet.



Libraries would be no more than book lending clubs. This is a model that is being implemented in some parts of the UK as central government and local governments slash funding for public services, to huge public outcry. It places no value on the professional skills of librarians in supporting the information and learning needs of communities.

This option is not recommended.

### 3.2 Outsource operations to Invercargill City Council

This option would see the Council contracting service provision under Section 17A (4b(iii)) to the ICC. The Invercargill City Library would run SDC's libraries as branches or community libraries of their city library. An advantage of this would be more seamless service across the whole of Southland. However, this is already possible in that anyone in Southland can join Invercargill City Library without additional cost, and use their services, under the current reciprocal agreement through SouthLib. Another reason SDC might consider this option is as a cost saving mechanism. However the per capita cost for Invercargill City Library is in the vicinity of \$70-\$72 per capita which is considerably more than the current per capita cost of \$45 for SDC. A disadvantage of this option is that currently SDC provides an integrated library and customer service experience at all except for the Te Anau library (and excluding the voluntary libraries). This is unlikely to be possible if library service was outsourced to ICC. Further, ICC has little experience of operating community libraries in rural locations.

This option is not recommended.

### 3.3 Regional Library Service

Library services, where several councils combine to deliver a seamless library service for a region is common in parts of Australia. Governance is by a Board appointed from the contributing councils. The Board engages a Chief Executive/Library Manager who is then responsible for running the combined service. The Council's basically contract for service from this entity (possible a CCO of the combined councils). The Regional Library service operates all the libraries and the individual councils provide the buildings and maintain them. All other aspects become the responsibility of the Regional Library service. It is important that this Regional Library service is separately set up and is not just run by one of the three combining councils. So in the short term it may have additional set up costs. This option has some attractions as it would almost certainly improve the extent and range of services available to rural members. However, it would also make it more difficult for SDC to operate its combined library/service model. The Regional Library service has not been tried in New Zealand and the time and cost to bring it about and persuade the other councils of the merits means it is not an option in the short term. We do believe there is merit in having discussion with the other two councils to ascertain their interest in such a model and if there was it would require a strong business case before proceeding.

This option is not recommended.

### 3.4 Retain operations with partial outsourcing

This option is a development of the status quo and seeks to maximise efficiency of the operations through outsourcing certain functions to get economies of scale and to enable reinvestment of any savings into developing new or improving existing services. It retains the governance and management of a strategic community asset within the Council's responsibility. In some of the District's smaller towns it is the only Council facility and provides a face for the organisation that has its headquarters out of the District in Invercargill. It is the only option that enables the Chief Executive's vision for improved, more seamless customer service to be delivered. It enables a shared approach to be taken to promote library services across the region but keeps the strategic accountability within Council. A large number of councils, both large and small, have adopted this type of strategy.



This is the preferred option and recommendations contained in this report are based on this option.

### 3.5 Establish a Trust

This option would see the formation of a Trust to govern and run the library service under contract to the SDC. There is currently only one model in New Zealand and that is the Te Horowhenua Trust which is responsible for Te Takere in Levin and libraries in Shannon, Foxton and one voluntary library in Tokomaru. The main purpose for putting the library services into a Trust is the perceived benefit of greater access to funding available for charitable purposes. The core funding is still provided by the local Council but there is more ability to seek funding for projects or additional technology, or to run specific new services. While this model has some appeal it does mean setting up a whole new governance structure. The Council becomes one step removed from a strategic asset and tensions can evolve around the decisions made by the Trust's strategic direction. This option would also impact on Council's ability to run an integrated customer service model for libraries and Council customer service.

This option is not recommended.

### 3.6 Fully online digital model

This option is based on the assumption that the 'always on' access to the internet via cell or broadband on a mobile device is changing the way people access content and services. Given the huge geographical spread of Southland District and the distance that some people are from a fixed service point this option is seen as providing the most equitable service via a 21st century medium - online. SDC retains governance and management of the operation but no longer needs to provide physical library locations. No library service in the western world has yet moved to a fully digital service model with no physical locations. There are disadvantages currently to implementing this model including the range of material in eBook format, the variable quality of broadband in the District and aptitude and skill level of potential users. However, the online digital model as an option alongside the physical library model is a good way to reach customers in more remote parts of the District and the report contains recommendations on how to strengthen this service. As a fully digital only model it is not viable in the foreseeable future.

This option is not recommended.

## 4 Strategic Context

### 4.1 Southland District Council

The Libraries Future Directions investigation is part of SDC's broader strategic planning process. The recommendations for the development of library services in the District need to fit with Council's over-arching vision for the District and contribute to the outcomes sought by Council. In SDC's 2015-2025 Long Term Plan, Libraries sit within Community Services and play an important role in contributing to Council's vision and mission<sup>2</sup>

**"To have thriving, healthy Southland communities"  
"Working together for a better Southland"**

The Council has identified three community outcomes:

Supporting our communities	Making the most of our resources	Being an effective Council
We want Southland's communities to be desirable places to grow up, work, run a business, live, raise a family, retire and enjoy a safe and satisfying life	We will strive to be good custodians of the environment to ensure that people living here now and in the future can grow and prosper, while retaining the natural beauty of Southland	We will endeavour to be prudent, innovative and be an enabler to our communities

SDC, along with ICC, GDC and Environment Southland, has developed the Southland Regional Development Strategy 2015. The central goal of the strategy is:

**"More people"**

The strategy identified that the greatest threat to the region is the lack of people. With more people comes "economic growth, talent, social interaction, lifestyle enhancement, improved health, education and social services."<sup>3</sup> Attracting additional people will require a focus on more enterprise and quality of life aspects. Three activity streams are proposed: People and Place (lifestyle), Commercial Enterprise (jobs) and Community Enterprise (quality of life). Each pathway requires building on the foundations that already exist in Southland, making the most of what they have and attracting innovative talent and new skills and industries.

Libraries, along with Southland's other social, recreational and community facilities, contribute to the lifestyle that makes the District a place where people choose to live. Libraries provide creative recreation, lifelong learning opportunities and connect the people of Southland with local, national and global information and knowledge networks.

### 4.2 Venture Southland

Venture Southland is the economic development arm of SDC, ICC and GDC. The recently published Digital Strategy 2015<sup>4</sup> identifies the strategic vision as:

**"Digital connectivity drives community and economic development throughout Southland"**

<sup>2</sup> <http://www.southlanddc.govt.nz/assets/Uploads/Southland-District-Council-Long-Term-Plan-2015-2025.pdf>

<sup>3</sup> <http://www.southlanddc.govt.nz/assets/Southland-Regional-Development-Strategy.pdf>

<sup>4</sup> <http://www.venturesouthland.co.nz/Portals/0/Documents/Southland%20Digital%20Strategy%202015.pdf>

The strategy has three outcomes:

Connection	Capability	Content
Southlanders can enjoy a world-class, affordable, ubiquitous telecommunications service at a universal price	Southlanders have the skills, knowledge and security they need to leverage the benefits of broadband and mobile connectivity	Southlanders benefit from improved services, efficiency and innovation from digitising and sharing content, undertaking real time monitoring and leveraging the potential of big data

Each of these outcomes has a number of strategic goals which have direct relevance to services provided by SDL:

- Southlanders have free access to the internet from public libraries and/or community hubs in their local communities.
- The viability of public Wi-Fi networks, including library based services ... is analysed with a view to expanding the availability of Wi-Fi for the benefit of residents and tourists alike.
- Digital enablement training and advisory service supports Southland residents to gain the skills and confidence they need to access the internet, connect with others and use digital technology to achieve their goals.
- The sustainability of rural communities is supported through enabling residents, community groups and businesses to access and use digital technology.
- Community groups are supported to use and engage with digital technology to make efficiency gains, create connections.
- Older people are supported to develop and grow their digital skills to enable them to continue to participate and contribute fully in their community and employment.

#### 4.3 District Libraries Activity in the Annual Plan

The District Libraries Activity is described in the Annual Plan for 2014/2015.<sup>5</sup>

Aim: To connect residents to local, national and global communities, information and ideas.

##### What we do

The library service includes 12 local community libraries, spread across the District, a mobile library service, educational programmes and activities and access to a range of library and information resources via the internet. A reciprocal membership agreement known as the *SouthLib* consortium gives all residents reciprocal membership to any library in the lower South Island.

##### Why we do it

The library service activity primarily contributes to the Council outcome '*Supporting our Communities*'. The activity contributes to this outcome by providing people with quality places to enjoy reading, listening, viewing and interacting. As a free community recreational facility, libraries are accessible and have a range of resources and information which encourages learning. Libraries act as community hubs, providing social spaces where people can meet and relax in a warm, comfortable, safe and neutral environment. Individuals can engage with library services and with other people in their communities; they can participate in community life and decision-making. Libraries assist communities to value their heritage and to embrace diversity and creativity and to value the Treaty of Waitangi. Library spaces foster a sense of connection and belonging and support strong local engagement.

Two major projects are identified in the Annual and 10 Year Plans for the Te Anau Library, with the first project reconfiguring and refurbishing the building. This upgrade will enable better utilisation of the space formerly occupied by Destination Fiordland in the same

<sup>5</sup> <http://www.southlanddc.govt.nz/assets/Uploads/Annual-Plan-2014-2015.pdf> page 67

building and assist with improving the user experience. The second project is to upgrade the LED lighting in the building.

The activity is funded primarily through a universal general charge with a smaller targeted rate and a contribution from user fees and charges. The targeted rate varies from community to community and is designed to reflect that these communities receive a greater level of service than those which do not have a physical library. This applies to Te Anau, Winton, Lumsden, Wyndham, Riverton and Otautau.

Key performance indicators for SDL are provided in Appendix 2.

#### 4.4 Key demographic, social and economic drivers for the future

Southland region has a number of unique characteristics:

- SDC is the largest council by geographic size and the region is geographically diverse encompassing 11% of New Zealand's landmass. Population density is sparse and maintenance of the roading network is the District's largest cost.
- 53% of the District's population live in rural areas, the remaining 47% in one of the District's 30 townships. Five of these towns (Manapouri, Nightcaps, Tuatapere, Winton and Riverton) have greater than 20% of their population aged 65 years and over<sup>6</sup>. Only three of the towns have populations greater than 1,000 people (Te Anau 2,628, Winton 2,436 and Riverton 1,506). A table of the current population of towns and their project growth is attached as Appendix 1.
- 2.4% of New Zealanders live in Southland yet it produces 15% of New Zealand's exports largely from the land and value-added production. The economy grew by 11% in 2013/2014, the highest rise in GDP within New Zealand but the high reliance on dairy farming makes Southland vulnerable to market changes.
- It has high employment and participation rates compared to the rest of New Zealand but has an ageing workforce. The Southland Workforce Strategy 2014-2031 identifies "that Southland faces significant labour market contraction, forecast to begin in 2018 and quickly deepen, due primarily to structural ageing within the population. This will be compounded by changing skill requirements in the workforce"<sup>7</sup>.
- The population of the District is growing slowly but the Regional Strategy identifies a greater rate of growth is needed. While growth is happening some of the smaller towns in the District have static or declining populations, eg Ohai and Nightcaps.
- There is strong recognition by Southland leadership that economic wellbeing is strongly linked to quality of life and lifestyle benefits which will attract new people to the region, and retain existing populations. Quality infrastructure, particularly broadband and cellular networks have both economic and social benefits in attracting and retaining people and business to the region.

<sup>6</sup> Asset Management Plan Part A. Southland District Council 2015-2025.

<sup>7</sup> <http://www.venturesouthland.co.nz/Portals/0/Documents/Southland%20Workforce%20Strategy%202014-2031.PDF>

## 5 Trends In Libraries

### 5.1 Key trends

In order to plan for future library services it is important to understand the key trends in libraries. Nationally and internationally, we are seeing libraries shifting from being primarily lending and book focused institutions to being places for people engagement (helping to build and strengthen communities), and places that provide a wide range of resources and activities that help everyone to fully participate in society (resulting in lifelong learning, innovation and knowledge).

In summary the most significant trends are:

- The move to mobile means that a person is never more than a click away from being able to search for an answer to a question.
- The rise in importance of local knowledge and content in the face of globalisation. In response, public libraries are collecting born digital material and working with local communities to both digitise photos and other documents and research and write about events as they happen.
- The importance of libraries as a civic and community space has not diminished with the move of content online. New libraries are still being built with more space for people activities: learning centres, small theatre or performing spaces, digital and music making studios, maker spaces, meeting spaces and areas for sitting, reading and individual study.
- Libraries are being integrated and/or co-located with other services: educational, cultural, recreational or retail services such as shopping malls, which provide a 'one stop shop' approach for citizens.
- The maker space, or fab lab<sup>8</sup> is just one example of libraries providing access to new technologies which the ordinary person would not normally have access to. This can be as simple as providing opportunities to use a 3D printer to more sophisticated learning labs that provide workshop and domestic tools; tablets, laptops and access to Wi-Fi are standard.
- There is a renewed focus on reading in the education and library sectors. Children who read for pleasure do significantly better in school, and those who were read to before the age of five had better vocabularies and language skills.<sup>9</sup> Libraries are making greater impact by linking up in nationwide projects such as the summer reading programme to counteract the slide in reading skills when children are on the long summer holiday from school.
- While the support of reading and functional literacy remains a core role for public libraries a growing area is that of digital literacy. The American Library Association defines it as "the ability to use information and communication technologies to find, evaluate, create and communicate information, requiring both cognitive and technical skills"<sup>10</sup>.
- New disruptive technologies and different service innovations are emerging all the time; virtual reality, smart homes, massive open online courses (MOOCs), big data manipulation, drones, robotics and others not yet invented.

<sup>8</sup> A library makerspace is a designated area in a library where patrons of varying ages can work together, alone, or with librarians on special projects. These spaces often give community members access to tools or technology that are not easily accessible in their homes or to purchase.  
[https://en.wikipedia.org/wiki/Library\\_makerspace](https://en.wikipedia.org/wiki/Library_makerspace)

<sup>9</sup> <http://www.ioe.ac.uk/89938.html>

<sup>10</sup> <http://connect.ala.org/node/181197>



## 5.2 Strengthening communities

Today throughout the world good public libraries are highly valued as “community living-rooms” in that they promote social inclusion and provide spaces for a wide range of social, recreational and learning activities. People are using them in new ways and they have become increasingly busy places. More space is given over to seating, study, activities and access to technology, as well as books and other materials.



Te Takere, Levin.



**Great local libraries have a reputation for being welcoming quality destinations that are attractive, convenient and easy to use, and are a focal point for local community activity**

New libraries are often no longer standalone facilities but will be part of community complexes that bring together other community, educational or commercial facilities, for customer convenience. The most recent community library in Halswell, Christchurch is co-located with a recreation centre and swimming pool; the Botany Downs community library in South Auckland is in a shopping mall; and the Ruataniwha Centre in Kaiapoi houses the library, museum, art space and Council service centre and meeting rooms.

## 5.3 Knowledge economy and innovation

Modern libraries are still providing books and magazines that promote the enjoyment of reading. However, the move of content and services online means the role of libraries has broadened to support the development of literacy in all its forms, and in the fullest possible sense. Today's libraries provide people of all ages with a wide range of resources, tools, and experiences that support the development of literacy skills, promote reading, develop digital literacy and facilitate life-long learning.

Although there is a vast quantity of information and data online not all of it is free. More quality content is going behind paywalls. Libraries subscribe to electronic databases such as Ancestry.com, Press Display and Encyclopaedia Britannica so that users continue to have access to the items they used to be able to get in print. EBooks, eMagazines and eAudio books are becoming more common in libraries. Issues of supply in New Zealand are slowly being resolved. Publisher's Weekly reported that in 2014 eBook sales accounted for 27.2% of adult trade sales, but print trade paperback sales also increased. It seems likely that print and digital formats for books, magazines and newspapers will sit alongside each other for the foreseeable future and libraries will need to continue to supply both formats.

**The challenge for librarians (and also for funders) is to ensure that libraries remain relevant to all sectors of the community and are responsive to rapidly changing technologies**

The technology environment will continue to evolve and libraries will be key places to visit to try out new technologies, access the internet for free, use Wi-Fi, explore and create content and connect and collaborate with others.

#### 5.4 Doing things more efficiently and effectively

With the fast pace of change influenced by technology developments, it is inevitable that libraries must take stock of how they are currently utilising resources (including technology, digital resources, staffing resources, and the actual physical space of the library).

Libraries are no longer places for primarily housing collections - but also are places for people engagement, places for sharing and creating new knowledge, and for enriching lives - in a way we might never have imagined even 20 years ago.

**Making this strategic shift requires libraries to be operating in an environment that is responsive to change - with staff able to constantly assess the needs of their community as well as being aware of what is happening in the wider professional environment**

The future of libraries is likely to continue to see digital resources and technology experiences seamlessly integrated with the physical resources. The local library will expand beyond its walls so that working alongside of others, or providing a 24 hour personalised digital library, will be as important as providing a place for all of the community to use as their social hub.

In addition to being ready for change, this will require:

- Rethinking the key skills and capabilities needed within the SDL team.
- Constantly adopting and adapting to new technology and improving opportunities to connect people to the digital world.
- Ensuring the physical library environment remains relevant to all sectors of the community, is accessible and can easily accommodate a changing and wider range of activities.
- Regularly reviewing and refining processes.
- Establishing new connections within the community.
- Working together - within the community but also regionally, nationally and even internationally.

The best way for libraries and their funders to remain relevant is to be rooted in their communities, be flexible and ready to adapt and change services as needs change, and to experiment and pilot new ideas and services.



## 6 Current Situation

(Note: This section draws heavily on the draft report by SDL staff)

### 6.1 Location and hours

The current locations and hours of operation of SDC libraries are as outlined below. As can be seen there is quite a bit of variability, which reflects the differing staffing levels and demands at the various libraries throughout the District. There are voluntary libraries at Manapouri and Gropers Bush, and the Waiau Memorial Library at Tuatapere, which is also voluntary, is run by a Trust, and receives a greater level of support than the other two. The Nightcaps Library is a joint service with the primary school. The Bookbus operates on a monthly timetable.

Library and Location	Opening Hours	
Winton Library 1 Wemyss Street Winton 9720	Mon, Wed, Thurs Tues, Fri Tues, Fri Sat	8.30 am - 5.00 pm 8.30 am - 6.00 pm (Winter) 8.30 am - 7.00 pm (Summer) 9.30 am - 1.00 pm
Te Anau Library 24 Milford Crescent Te Anau 9600	Mon  Tues - Fri  Fri Sat	1.00 pm - 5.00 pm (May - Aug) 1.00 pm - 6.00 pm (Sep - Apr) 9.00 am - 5.00 pm (May - Aug) 9.00 am - 6.00 pm (Sep - Apr) 9.00 am - 7.00 pm (Labour Weekend - Easter) 10.00 am - 1.00 pm
Riverton Library 117 Palmerston Street Riverton 9822	Mon - Thurs Fri	8.00 am - 4.30 pm 8.00 am - 6.00 pm
Otautau Library 176 Main Street Otautau 9610	Mon - Fri	8.00 am - 5.00 pm
Lumsden Library 18 Diana Street Lumsden 9730	Mon, Wed, Fri	10.00 am - 5.00 pm
Wyndham Library 41 Balaclava Street Wyndham 9831	Tues Thurs	2.00 pm - 5.00 pm 2.00 pm - 5.00 pm 6.30 pm - 8.00 pm
Stewart Island Library 10 Ayr Street Stewart Island 9846	Mon Wed Fri Sat	12.30 pm - 1.30 pm 2.30 pm - 3.30 pm 12.30 pm - 1.30 pm 11.00 am - 12.00 noon
Nightcaps Library C/- Takitimu Primary School 15 Evan Street Nightcaps 9630	Every first and third Tuesday of each month	3.15 pm - 5.00 pm

We were advised that the inconsistency of hours has been identified as a barrier in previous Council surveys. Certainly the small number of hours at libraries such as Nightcaps and Wyndham could be considered inadequate. The lack of Saturday opening at Riverton could also be considered a barrier given that the library is only open until 4.30 pm four days of the week.



## 6.2 Current approach to delivery of services

Since the creation of Southland District in 1989 as a result of the 1989 local government reorganisation, one of the key approaches to the delivery of Council services has been to have a devolved network of local offices/libraries, consistent with Council's "People First" mission statement.

This devolved network recognises that the Southland District covers the largest physical land area of any council in New Zealand, being over 11% of the total land area of New Zealand. If all services were based at the Invercargill Head Office for instance, this could involve travel times of up to four hours for some customers.

This approach was reaffirmed by the previous Council in 2012, when this network was raised as an area for reconsideration as part of an overall financial sustainability review undertaken at that time.

## 6.3 Mix of self-service versus face to face

Currently most library services are delivered to customers via face to face physical interactions with a librarian.

This contrasts with some other libraries, both in the Otago/Southland locality and nationally, where self-service terminals have been deployed much more heavily (eg Invercargill and Dunedin City central libraries) generally with RFID (Radio Frequency Identification) - an electronic tagging system for resources. There has been some limited deployment of self-service, with self-issue terminals at Winton and Te Anau.

Recent Council customer surveys have signalled strong customer support for the human contact approach however some of this reaction may be tempered by the thought that self-service equates to job losses and there is no doubt many of SDC borrowers value the interaction with SDL staff. However, it is also important to recognise that some customers do prefer self-issue and that using this technology can also free up staffing resources for utilisation in other areas of the library services. It also brings an anonymity to library transactions and this is valued by a number of library users.

## 6.4 Bookbus - route, stops and usage

The SDC has operated a single Bookbus service for over 25 years.

While this was previously a full-size bus, in 2013 this was replaced with a customised Mercedes Sprinter van which also doubles as a mobile office for taking rates payments etc.

The decision for moving to a smaller vehicle was to assist with usability, safety and running costs, and to focus the service more on provision of popular items rather than transporting a larger book stock around the District - of which often only a small proportion was issued. The amended service has generally been well received by both customers and staff and the Bookbus currently issues the second highest number of items, slightly ahead of Te Anau. Winton issues twice the number of items of the Bookbus.

The Bookbus operates on a rotation around approximately 48 stops throughout the District. These stops are regularly reviewed and altered if patronage does not warrant continuation, after consultation with the relevant communities. In the main stops are located within local communities, near the hub of business, however some are based at primary schools and the focus in those instances is on supplying an extended range of reading resources for the students. Members of the public are welcome to borrow during the latter part of these school visits.

In the past there have been some issues with IT connectivity in certain locations in the District, however changed parking spots and technology advances have altered this. Weather and topography still plays a small part in connectivity however the LMS does have an option to deal with this.

### 6.5 Procurement methods for library items

Procurement for library items is primarily managed by the Manager of Library Services and the Team Leader Library Support. The 2015/2016 budget for library acquisitions is \$120,000 and this will remain at this base level with CPI linkage for the duration of the 2015-2025 SDC Long Term Plan.

Some library items are also received via friends of the library groups in some of the SDC communities, although these do not always ideally fit with the library services collection management in terms of content. On occasions these items may be disposed of in a variety of ways and the income returned as library recoveries.

Procurement has been a mix of local providers and national/international providers, including use of ordering off-shore via the internet. There has been an ongoing focus on ensuring that procurement maximises “bang for buck”. Southland District has received some good discounts from some local providers which has enabled Council to support local business, without the ratepayer being financially disadvantaged. An agreement was negotiated approximately three years ago with a local book retailer store regarding supply and for items purchased and billed through that business. A satisfactory level of discount is given.

Selection and ordering is generally done independently with publishers’ representatives on a monthly basis and goods are supplied via the local retailer. This certainly gives a better coverage than local purchase only, but it does not match what is available internationally. Selection is made by three staff members and is based upon reading lists, items/resources requested, popular titles and authors and the use of branch profiles to ensure a “local” flavour is maintained. There is considerable duplication of stock and the introduction of Collection HQ is helping to rationalise this, particularly for items other than bestsellers.

The demographics of Southland District show an ageing population and this is recognised in the amount of resources held which are in special formats - mainly large print or audio. An extensive collection of large print titles is housed at Winton and these are regularly rotated to all branches. This collection is personally selected to meet all tastes and is heavily read. In addition SDL are part of the CIRCOS (circulating collections in Otago/Southland) consortium which purchases and circulates a second tier selection of both large print and audio titles throughout Otago and Southland.

‘Books on Prescription’ collections are held at Winton, Te Anau and Stewart Island to provide materials dealing with mental health issues.

Magazines were previously purchased through TMMC (The Magazine Marketing Company) however, with the loss of almost a year’s subscriptions following their liquidation, they are being ordered in a rather piecemeal fashion either through a local retailer or by direct subscription. A better solution needs to be found. No eMagazines are provided currently. Providing a range of magazines on-line (commonly known as e.zines), could bring in a whole new group of users.

An extensive genealogy collection is housed at Winton and covers a variety of formats including print, microfilm and DVD. Where known, all local history publications are purchased, and donations of local family histories are gratefully received. An ongoing partnership with the Central Southland Genealogy Society sees its members providing assistance to interested parties on a regular basis.

The basic range of EPIC databases, including Ancestry.com, are available at all branches and access to GivUS and GivME is provided in partnership with ICC and GDC. These are philanthropic funding databases and were previously known as Fundview and Breakout.

It is very important to recognise that overall the procurement budget for collections is a significant amount, and that procurement must meet the requirements of Council's Procurement Policy and be appropriate for full external scrutiny.

## 6.6 Cataloguing/technical processes methodology

Acquisition and cataloguing of all stock is undertaken locally at the Brandon Street premises. Most of the cataloguing is done by copy-cataloguing which usually involves electronically uploading full catalogue records from Te Puna and OCLC (a global library co-operative available through Te Puna). SDC currently has three members of staff, with basic cataloguing qualifications, who can produce a simple catalogue record if required.

Currently all items are processed on-site at the libraries at Winton and Te Anau. Various staff members are involved in processing and all follow the same processing procedures. Materials needed for this are sourced in bulk and provided, as needed, to branches.

## 6.7 IT support/business intelligence

SDC was previously a participant in the Southern Libraries consortium of councils from Waitaki south, and a number of shared services were undertaken. However, in recent years this has fragmented. At the time of this fragmentation, SDC had the choice of connecting to the National consortia, Kōtuiti, or continuing with a more local shared service arrangement with ICC still using the Symphony software. As this issue had not been identified in advance and budgeted for, the decision was made to continue with a shared arrangement with ICC, leaving SDC as the only other library in the arrangement with ICC.

## 6.8 Staffing

The Manager of Library Services, Lynda Hodge, has over 25 years' experience with SDC, and her service and experience was recently recognised by the awarding of a LIANZA fellowship. She has the technical ability and credibility to provide a high standard of professional mentoring to staff. Ten staff, including the Team Leader Library Support have completed or are studying towards professional library qualifications, mostly through the Open Polytechnic of New Zealand. Currently three members of staff are Registered Members of the Library and Information Profession (RLIANZA).

Training days for all SDL staff are held at Winton on a quarterly basis and are a good opportunity for staff, who often work in isolation, to come together. Features of the days are:

- Dissemination of ideas/reports from recent conferences
- Promotion of any system changes
- General update on SDC policies and practices
- Practical tips and techniques - specifically relating to library routines
- Promotion of special events and planning for same
- Networking opportunities
- General sharing of successes and concerns
- Often a guest speaker from a related library field.

These days are an opportunity for those staff who are currently studying to assist and support others and also to ensure a freshness and vibrancy is maintained in their work. The majority of staff have a low level of digital experience and exposure which is needed in a modern library and training in this area is vital.

Libraries staff also often perform the role of Area Officer and other customer service roles in each Library/Area Office. This is seen as a positive, as having multi-skilled officers in small offices of less than 10 staff and sometimes only one or two staff makes for much better consistency of customer services and can provide a broad level of cover in times of sickness, leave and training. The recent proposal by the Chief Executive to strengthen customer service and to bring the library/customer services staff in Wyndham, Riverton, Lumsden, Otautau and Winton under the leadership of a new role of Customer Support Team Leader will require excellent relationships to ensure that library services are maintained at a quality standard through good training and clarity of service levels.

### 6.9 Internet provision

Based upon the very successful United Kingdom model of The People's Network, the New Zealand government introduced free internet provision to the majority of New Zealand Libraries commencing 2007 as a way to address the digital divide - with many homes, at that time, not having internet access. This is commonly known as APNK - Aotearoa People's Network Kaharoa.

Free internet access has since become the industry standard for libraries worldwide and for both travellers, and locals alike, there is an expectation to find both high speed internet and 24/7 Wi-Fi at any public library. The APNK is installed in seven libraries. Currently the Bookbus does not have internet access.

SDC now makes a contribution towards the cost of the internet provision - approximately \$10,000 per annum; however this is about 25% of what it would cost to provide standalone access if SDC was not part of the national initiative.

### 6.10 Level of cross-libraries consistency of service provision

With a large number of service points across a very geographically spread area it is difficult to provide exactly the same level of service to all residents. However every endeavour is made to ensure, dependent upon staffing and hours of opening, that as wide a range of consistency as possible is achieved.

The seven fixed branches (Winton, Te Anau, Lumsden, Otautau, Riverton, Wyndham and Stewart Island) to a greater or lesser degree, all have a similar range of book and non-book resources available - access to interloan and request services, high-speed free internet and Wi-Fi, copying and scanning and the option of making a range of SDC payments by EFTPOS. EFTPOS has recently been installed at both the Bookbus and Wyndham Library, following customer requests, and both are able to accept a range of Council payments - as do other service points.

Community activities are not so easy to organise district-wide. The timing of author visits is not always the right fit with opening hours, the cost of appearance fees and travel has to be balanced against potential numbers attending and the same applies to specific programmes. Registration is strongly encouraged for holiday programmes and where numbers are marginal, or non-existent, programmes are not run and unfortunately this has been the case in some of our smaller branches.

For the range of consistency offered across the District see Appendix 3.

### 6.11 Community engagement programmes

An important focus in the library services area has been community services and community outreach programmes.

These aim to:

- Take library services to certain sectors of the community who may not be able to readily access a physical library or Bookbus eg rest homes.
- Expand the programmes available at the Libraries to capture new user groups and provide new opportunities to communities.

The following are a range of those offered throughout the District:

- Bookworms - Winton - running for approximately 10 years and regularly attended by around 16 patrons. This number has fallen of late due to illness and relocation of members. Scheduled for the second Tuesday of every month except January, at 10.00 am.
- Newly formed book discussion group at Riverton hosts five-six people on the last Thursday of every month at 10.00 am and one has also just formed in Te Anau.
- Wriggle and Rhyme - Introduced in 2013 at Winton, Riverton, Lumsden, Otautau and Te Anau Libraries, attendance has varied and ceased at all but two branches. Seven babies plus parents (total 14) is considered a good sized group - manageable and sustainable. Below two babies the caregivers become anxious at being viewed as odd whereas there is a confidence in numbers to be able to sing out loud in a Library. Over 10 babies and some caregivers fall into chatting rather than joining in as a whole.
- Te Anau and Winton Libraries have succeeded with Wriggle and Rhyme because they have floor space available, dedicated facilitators, and the parents involved have found real value in this learning preparation programme.
- Pre-school visits at Winton and Te Anau. Classes of up to 30 children visit or are visited in a fortnightly pattern.
- School visits Te Anau - regular story time sessions; Lumsden - regular library visits by Lumsden primary school while the school library was being renovated during 2014 increased the usage of collections there significantly.
- Makerspace/Craft Clubs at Winton and Te Anau - eight to 15 children offered an afterschool hour of access to materials and skills training. These sessions are often themed on current happenings such as Matariki, Māori Language Week, Te Anau light festival, etc.
- School holiday programmes at all branches in various forms. At Te Anau these events often attract more than 20 children. At smaller branches, where space and staffing are both at a premium, it is necessary to limit numbers. Historically these have been themed on popular children's culture such as The 52 Story Tree House by Terry Denton and Andy Griffith, or the recent Stop/Go Animation Workshop utilising the public access computers.
- Southland Summer Reading Challenge - offered at all branches and in collaboration with the ICC Library. Developed in-house and offered to families around the District to motivate children to keep up their reading skills over the long summer break. Upwards of 300 children enrolled in 2014.
- Outreach visits to rest homes and senior day care centres have fallen. Winton Rest Home closed in 2014. Only Rata Park Rest home remains in Winton. Winton Vickery Daycare, a senior citizen drop-in group, is visited quarterly by



invitation. Upwards of 10 people might attend to hear talks about what has happened at the library, view a selection of resources and share stories.

- Wyndham Rest Home has 50 items delivered three times per year. In the past Longwood Rest Home at Riverton has also been the recipient of circulating collections and with the changes there to a retirement village situation an opportunity may exist to further explore this.
- Home bound deliveries are on an “as requested” basis. However a partnership with a local service group such as Lions or Probus may provide a much better uptake of this. There is certainly plenty of content available, particularly in terms of large print and audio books. However unless a direct approach is made, the needs of residents are not always known.
- Author visits - offered by touring writers as available but also arranged by the New Zealand Book Council group annually. Visits are secured for both Winton and Te Anau Libraries in this manner once a year with 150-200 children able to attend at each branch due to space available.
- Educative programming for adults as required. A very successful scholarships and funding workshop was held at Winton Library in 2013. E-book tuition is offered at Winton and Te Anau Libraries by appointment.
- ‘Appy Hour’ - weekly at Winton Library, 11.00 am. An informal session where patrons bring their devices and are helped to navigate loading and using apps. The first lesson covers using Overdrive and Bolinda e-book and audiobook apps because these companies supply to SDC library customers.
- ‘Tech Club’ - another ‘bring your own device’ initiative operates at Lumsden Library. This is facilitated by a member of the public and has been operating on a Wednesday afternoon; five-six people attend.
- One of the more popular library activities at both Winton and Te Anau is the hosting of the works of local artists. At Te Anau one wall is dedicated to displaying objet d’art on a monthly rotating basis and this has led to a number of commissions for various artists. At Winton displays are arranged in a variety of ways however one of the most popular would have been the 30 days of creativity organised last winter when >30 artists displayed either 30 pieces or 30 days of work.
- The vast majority of library programmes and special activities are based in the two biggest centres in the District - Winton and Te Anau - and this really relates to staffing, space and sometimes hours of opening. Whilst it would be desirable to be able to provide exactly the same level of interaction at each branch the practicality of doing so would require, as a minimum, additional staffing, some travel costs and possibly extending opening times.



Riverton Library

## 7 Benchmarking

In this section, SDL has been benchmarked against the libraries of Queenstown Lakes District, Selwyn District, South Taranaki District, Clutha District and Waitaki District. These libraries were chosen as having populations of 20,000-30,000, or having a similar number of small libraries with no central library. Benchmarking against the average for all public libraries is not useful in most categories because the size of public libraries in New Zealand is so variable.

Queenstown and South Taranaki have similar populations to Southland; South Taranaki provides combined service centre/libraries; Selwyn, while larger in population, has a well-developed city library close by and services some small rural libraries as does Queenstown. Waitaki and Clutha, although smaller in population have a number of smaller libraries as does Southland. None covers the land area of Southland which is 3.5 to 4 times greater than Queenstown or Selwyn.

The Association of Public Library Managers (APLM) collects statistics about usage, resources and expenditure from all New Zealand public libraries.<sup>11</sup> The statistics from the 2013/2014 financial year have been used. Although the 2014/2015 statistics have just become available the format has changed in some areas and we were not confident that the data was accurate for all libraries benchmarked against. The benchmarking provides a snapshot of the high level performance of SDL with its peer libraries on a range of measures that are commonly used amongst public libraries. Benchmarking with other libraries has some limitations as each council's priorities, their communities and libraries are all different.

### 7.1 Public libraries statistics - base data

Fig 1: Table of performance comparisons 2013/2014

	Southland	Clutha	Queenstown Lakes	Selwyn	South Taranaki	Waitaki
<b>Base data</b>						
Population	29,814	16,890	28,224	44,595	26,580	20,826
Land area (km <sup>2</sup> )	29,552	6,335	8,467	6,381	3,575	7,109
Total libraries	9 <sup>1</sup>	5	7	5	7	6
Total opening hours per annum	12,425	9,718	8,684 <sup>2</sup>	10,244	14,742	6,136
FTE's (40 hr)	14	8.4	14	14.7	19	9.5
Holdings	133,200	85,452	107,377	104,560	77,825	88,726
Registered members	16,804	9,311	14,071	24,543	12,962	13,993
Total issues	292,000	156,825	419,227	378,427	212,721	232,266
Total operating expenditure	\$1,346,000	\$636,216	\$2,102,000 <sup>3</sup>	\$1,643,000	\$2,465,000	\$1,296,800
Total sundry income	\$31,990	\$105,289	n/a	\$127,054	\$70,341	\$67,800
Visits to libraries	145,000	73,967	n/a	317,324	295,007	191,457

<sup>1</sup> Excludes Manapouri, Gropers Bush and Waiau Memorial Library (all voluntary), but includes Bookbus

<sup>2</sup> Calculated from published opening hours

<sup>3</sup> From Annual Report rather than Public Stats

<sup>11</sup> <http://www.publiclibrariesofnewzealand.org.nz/about-us/public-library-statistics/>

It is clear from the base data shown in the above table, the major differences between Southland and its peers are its vast land area coverage relative to its population and the higher number of libraries. The latter reflects SDC's commitment to a devolved network of local offices/libraries consistent with Council's "People First" mission statement.

## 7.2 Opening hours

In general, the higher the number of libraries, the higher the total opening hours. However, Southland's total opening hours is the second highest behind South Taranaki (see Fig 2 below), reflecting the fact the several of Southland's smallest libraries have very limited opening hours.

Fig 2: Opening hours

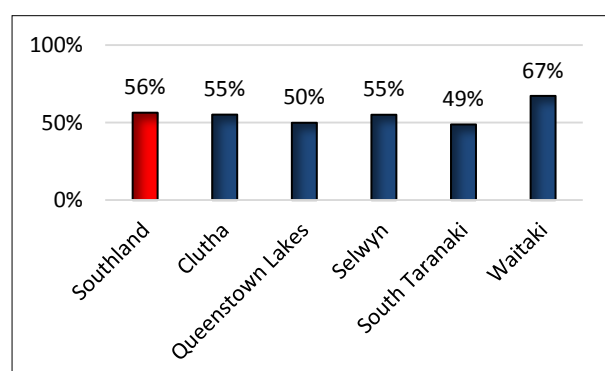
	Total opening hours of all libraries per week	Total opening hours of all libraries per annum	No of libraries
Southland	249	12,425	9
Clutha	196	9,718	5
Queenstown	167	8,684	7
Selwyn	197	10,244	5
South Taranaki	284	14,742	7
Waitaki	118	6,136	6

## 7.3 Members

Southland has the second highest members per capita with 56% of the population registered as members. Given the geographic spread of its members, this is a good achievement and reflects good coverage of its services.

Membership comparisons need to be made with some caution as the practice of culling members who have not been active in the past two years does vary between libraries. While in the past membership of the SDL was primarily for the purpose of borrowing items, increasingly, membership is needed for using online services such as accessing databases from home and downloading eBooks. Culling of members who have not used their card to borrow a physical item can mean that an active member using online services could be negatively impacted.

Fig 3: Members Per Capita





## 7.4 Issues

Southland's issues per capita and issues per member were the third highest behind Queenstown Lakes and Waitaki. Relative to its peers Southland is performing well. The difference with Queenstown and Waitaki reflects the fact that those districts have larger concentrations of population in main towns which makes it easier for people to access and use services.

Issues per capita and per member are quantitative measures for how well the collection meets customer needs. Customer satisfaction, a qualitative measure, is gathered through user surveys. In the 2012/2013 and 2014/2015 two yearly user surveys, Southland achieved 92% and 91% respectively against a target of 95% for satisfaction with the "choice of books and other resources available". Further analysis is needed to understand whether the target is unrealistically too high, or whether changes need to be made to what is purchased. Weeding collection to remove materials which are no longer being read can make it easier for users to find what they want. Buying fewer duplicate copies of material and extending the depth and range of materials is also a possibility. Southland does have an extensive collection of large print titles for its ageing population and other specific resources tailored to its community so we are talking of "fine tuning" the collections to increase satisfaction.

Fig 4: Issues per capita

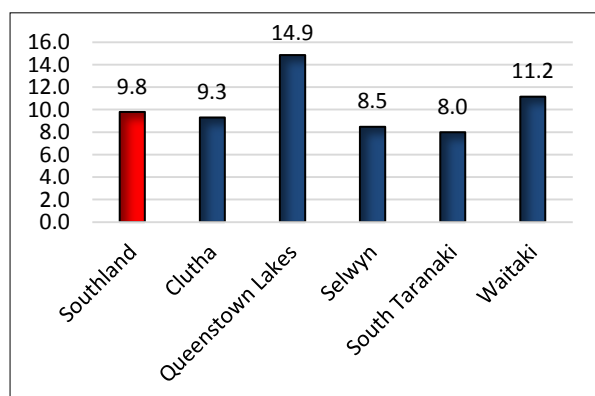
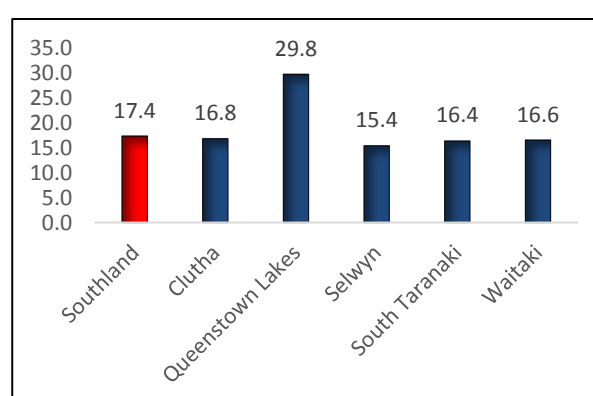


Fig 5: Issues per member



## 7.5 Visits

While books lending is a major service of a library, increasingly, the role of libraries as a community place for creativity, learning and social interaction is growing. Physical visits (door count) and number of transactions including electronic visits are means of measuring the wider usage of libraries. However, not all libraries capture this information and it was not possible to benchmark this as door counters are only installed at six branches in Southland with unacceptable error rate, and not all Queenstown Lake branches have door counters either.

Although SDC door counters give very inconsistent results, data captured by SDL staff and also on surveys reveal that a significant number of people use libraries for many functions other than borrowing books. These activities include reading newspapers and magazines, researching family histories, using internet and Wi-Fi services, checking reference books, meeting friends, attend holiday and other special programmes, using toilet facilities and finding a warm spot to sit and wait. The level of this activity in New Zealand public libraries is thought to be around 40% of foot traffic.

## 7.6 Collection

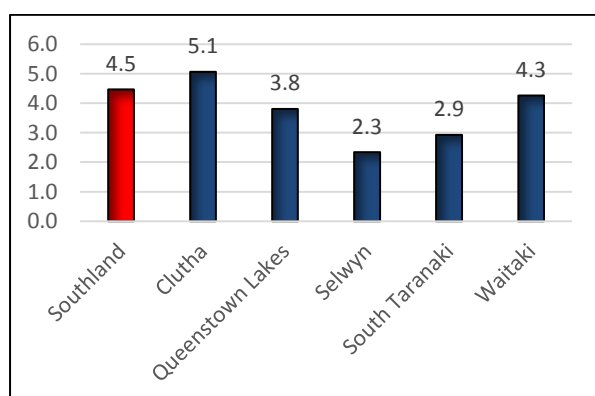
Southland's collections per capita at 4.5 (Fig 6) was the second highest amongst its peers. There is a considerable duplication of stock given the high number of libraries as compared to its peers. The recent introduction of Collection HQ, a well-recognised stock management

system, is providing data about collection use which will enable staff to better match collections with customers' needs.

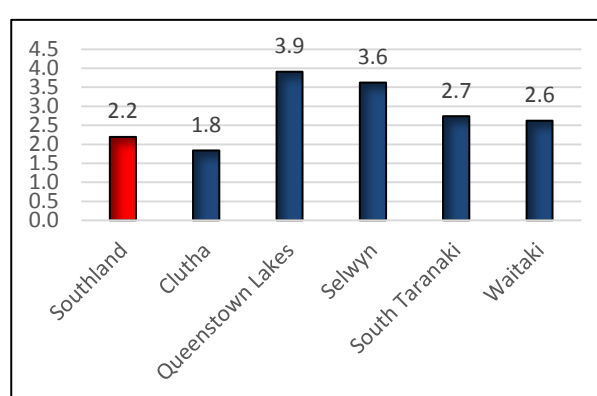
Southland's higher stock level was also reflected in its stock turn. Stock turn measures how hard the collection works and is calculated by dividing the total issues for the year by the total number of collection items held. In general, a higher stock turn indicates better utilisation of stock. Southland's stock turn at 2.2 was at the lower end<sup>12</sup> and lower than the average for New Zealand which was 3.78 in 2013/2014.

However, the current weeding of stock is not reflected in these figures and we would anticipate that the stock turn will have improved since this data was collected.

**Fig 6: Collections per capita**

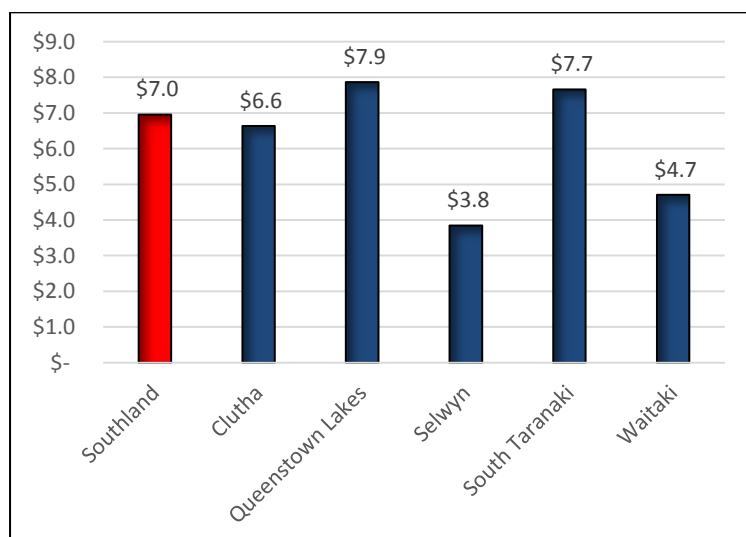


**Fig 7: Stock turn**



Southland's acquisition costs per capita (Fig 7a) was slightly behind Queenstown Lakes and South Taranaki even though it has more libraries. Selwyn is significantly lower which would suggest their acquisition budget has not kept pace with their rapid growth in population.

**Fig 7a: Collection costs per capita**

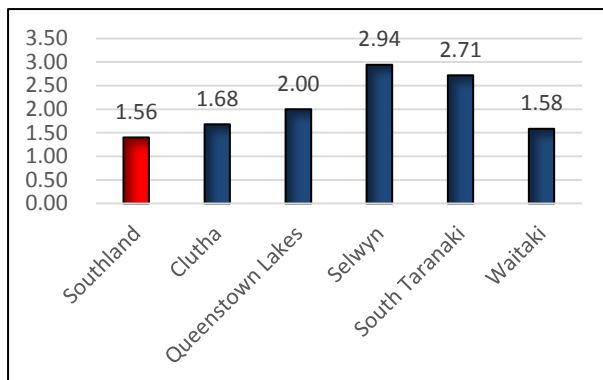


<sup>12</sup> Queensland Public Library Standards and Guidelines suggest any stock turn above five is a good utilisation.

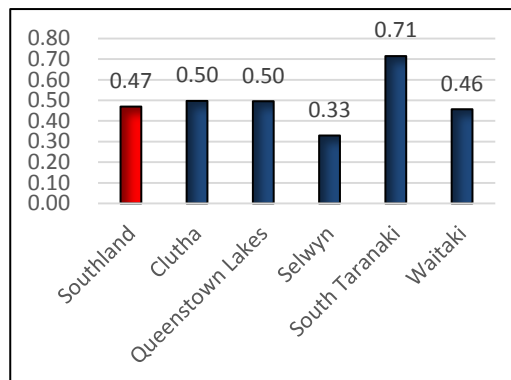
## 7.7 Staffing

Staff numbers in SDL are slightly lower compared with peer libraries and the resources are thinly spread across services points. Staff per service point for Southland was the lowest at 1.56 (Fig 8) reflecting the larger number of small service points with restricted hours. With staff per 1,000 population (Fig 9) Southland had a similar ratio to Waitaki. The national average of staff per capita is 0.52.

**Fig 8: FTE staff per service point**



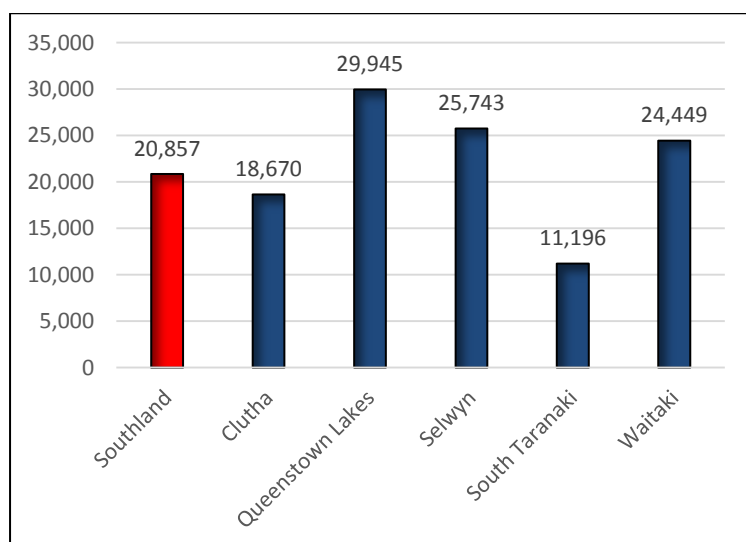
**Fig 9: FTE staff per 1,000 population**



Selwyn has a low staff per capita having fewer libraries serving a much bigger population. The rapid growth in population in Selwyn has not yet been met by growth in library service. South Taranaki has the highest staff per capita reflecting the extent of other Council services its libraries provide.

This latter is also reflected in the Issues per FTE staff graph (Fig 10) where South Taranaki has the lowest Issues per FTE staff number.

**Fig 10: Total issues per FTE staff**



## 7.8 Operating expenditure

Southland's operating expenditure (excluding materials acquisitions costs) per capita was the third lowest behind Selwyn and Clutha despite having the highest number of libraries. The national average expenditure per capita in 2013/2014 was \$57.37. This indicates that Southland is operating relatively efficiently given the higher number of libraries and its geographic spread; it is also likely to indicate a lesser range of services offered compared with other libraries who serve more urban populations. South Taranaki cost per capita was the highest, again probably due to the extent of the other council services it provides through its libraries. Operating expenditure per issues follows similar trends although the gap between Southland and Queenstown Lakes was much narrower due to the high number of issues in Queenstown Lakes.

Fig 11: Operating expenditure per capita

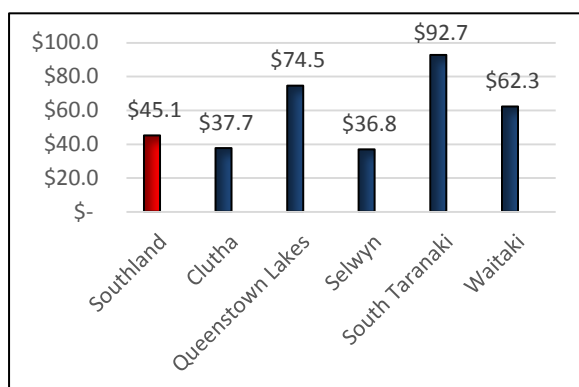
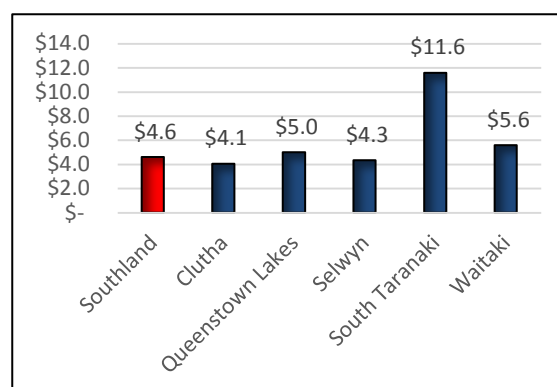


Fig 12: Operating expenditure per issue



## 7.9 Number of PCs and internet use

The provision of computers for public use in libraries has become part of the core offering of libraries over the past decade. Southland provides 23 public terminals or 3.85 PCs per 5,000 population, free to users through the Aotearoa People's Network Kaharoa. The guidelines in the New Zealand Public Library standards are for a minimum of two per 5,000 population. For 2013/2014 financial year, it has recorded 144,000 Wi-Fi sessions, the highest amongst its peers, and driven to a large extent by the use of Wi-Fi by visitors and tourists.

Fig 13: Number of public PCs and internet use

	No. of Public PCs	No. of PCs per 5,000 pop	Sessions per annum	Average use per PC
Southland	23	3.35	144,000	7,200
Clutha	6	1.78	1,029	172
Queenstown Lakes	7	2.07	n/a	n/a
Selwyn	20	3.54	27,600	1,380
South Taranaki	30	3.36	74,640	2,488
Waitaki	13	3.12	21,346	1,642

## 7.10 Programmes, events and outreach

Statistical data was not available for many of the libraries so it was not possible to benchmark this area of service. A list of the types of activities that Southland provides was given in Section 4.11 above.

### 7.11 Benchmarking against the LIANZA Standards for Public Libraries

The New Zealand Public Library Standards, 6th edition<sup>13</sup>, was last updated in 2004. The Standards provide a framework for understanding the responsibilities of local authorities and library managers in providing a library service. They are primarily descriptive standards that outline the requirements in relation to areas such as management, finance, staff, resources, buildings, operations and technology.

The Standards do provide recommendations for how a library's performance should be measured. In the benchmarking exercise we have used many of these measures to compare Southland's performance against selected peer libraries of similar size, type or geographical closeness. However, the Standards themselves provide very few concrete indicators or quantitative measures that allow for Southland to benchmark against national minimum standards. Where this is possible we have outlined the results below.

#### Staffing<sup>14</sup>

The desired **minimum** levels of staffing can be assessed in the following ways:

- twice that of the total opening hours
- 1 staff member per 2,000 population in addition to the Library Manager
- 1 staff member per 30,000 circulation transactions

Southland District Libraries has 14 FTE, it is open for 12,425 hours per annum, and circulated 292,000 items in 2013/2014. The District has a population of 29,814. On the basis of the three indicators above the FTE should be as a minimum:

Twice that of the total opening hours	13 FTE
1 staff member per 2,000 population in addition to the Library Manager	16 FTE
1 staff member per 30,000 circulation transactions	10 FTE

It is now eight years since the Standards were produced and the nature of library services has changed considerably with more staff time given over to activities other than circulation of materials and providing service at a public counter. Given the dispersed nature of Southland's libraries and their small size, the staffing level of 14 FTE is a minimum and a level nearer 16 FTE would probably serve the District better.

Training and development of staff is recommended to be 1.5% of the annual salaries and wages. Southland's salary budget for 2015/16 financial year is \$703,759. 1.5% of that figure is \$10,566. The training budget for the same year, including fees for library training is \$6,840 (0.97% of salaries) which is well below the recommended LIANZA Standard.

#### Resources

The Standards recommend that for populations under 50,000 a minimum of 3.5 items per capita be provided. In 2013/2014 Southland had a collection of 133,200 items which was 4.4 items per capita. Over the past two years there has been a weeding programme to reduce some of the older, duplicate stock and this per capita figure will have declined to probably nearer the Standard. A further check should be made at the end of the financial year in June 2016 to check against this Standard.

<sup>13</sup> New Zealand Public Library Standards. 6th ed 2004 Retrieved from: <http://www.lianza.org.nz/standards-new-zealand-public-libraries>

<sup>14</sup> Ibid p13

The Standards also recommended that 350 new items per 1,000 population be added to the collection each year. This would amount to approximately 10,435 items being purchased annually. In 2013/2014 9,720 items were added to the collection which equates to 326 items per annum per 1,000 population. In the current environment with a reduction in some areas of publishing this is probably not unreasonable. However, it will be important to maintain a level both of physical items and electronic items into the future and anything less than what is currently being supplied would be below the standard required.

### *Users*

The Standards suggest that libraries with large rural populations should aim for at least 35% of the population as registered members. Southland had 56% of the population as registered members in 2013/2014 and are therefore well ahead of the recommended standard.

### *Buildings*

The Standards recommend a space standard of 70 m<sup>2</sup> per 1,000 population. With a total population of almost 30,000 people this would mean that Southland would have 2,100 m<sup>2</sup> of library space in the District. However, caution needs to be taken with this standard as there are other factors to consider, including the number of locations, the other activities that occur in the space, eg Council services. Te Anau Library is 406 m<sup>2</sup> and Winton Library is 459 m<sup>2</sup>. Both of these libraries draw bigger catchments than the residents of the town only. The space standard can only be taken as a guide and the Standards recommend a thorough analysis of each of the spaces required for different functions as a better method of working out the overall space required.

## 8 Challenges and Opportunities

SDL face a number of challenges: some are strategic, some more policy related and some are operational. Some of the challenges arise from its unique geographical situation, the low density of population and its largely rural and small town population. Others are the challenges faced by most libraries as they look to navigate the digital age. Finding innovative ways to deal with these challenges and take advantage of opportunities provided by technology sometimes means thinking laterally about solutions.

### 8.1 Relationship to Invercargill City

Many SDC residents see Invercargill City as their major community of interest and travel there frequently to conduct business. At the same time they also take advantage of the many recreational activities on offer at Splash Palace, the velodrome, the museum, movie theatres and a wide variety of other attractions, many of which SDC make substantial financial contributions to. Many Southland District residents who live in the areas surrounding Invercargill, or who have young people attending secondary schools in the city also take advantage of the range of library services offered free by Invercargill City Library through the reciprocal agreement with SouthLib. This can lead to residents of SDC querying why they need to pay rates to fund libraries in their district which they do not use. People living on the outskirts of the Gore District may experience the same issues.

It is difficult for SDL to compete with the extent and range of services that Invercargill is able to provide because of its larger, more concentrated population, a good sized purpose built building and more resources including staff. Rather than try and replicate on a smaller scale a better strategy may be to market the whole of the library service of Invercargill, Gore and Southland under one banner as “Libraries Southland brought to you by the three councils”. As there is already an open border between the three library services, allowing people to join for free and use the services wherever best suits them, this is already in effect. It is just not marketed in a way that helps people see that their rate contribution is buying access to a much bigger range of services and is therefore very good value for money. Achieving this approach would require support at the CE level in each local authority and a campaign to lift the level of awareness of services across the whole region. It is not all one way traffic. Invercargill people who holiday in Te Anau, Manapouri and Riverton are able to take advantage of the open border as well. The overall purpose behind this approach is to demonstrate the interdependence of the city, towns (both big and small) and the rural area on one another for their economic and social well-being.

This approach would free SDL to focus on the services it does best and the populations who are less mobile particularly those at both ends of the age demographic - older, retired people, and children and young people and their families who attend school in the District. Tourists, local businesses, rural workers and new comers to the District can also be a focus.

**Recommendation:** In conjunction with ICC and GDC develop a strategy that looks to promote the notion of “Southland Libraries for all” brought to you by ICC, SDC and GDC.

### 8.2 Tyranny of distance

Providing library services across a geographic area of more than 30,198 square kilometres where 53% live in rural areas rather than in small and medium size settlements is difficult. Currently Southland District does this through a mix of seven fixed service points providing a full range of professional library service, one school community library open two afternoons a month, three voluntary libraries and a Bookbus. The SDL's catalogue for physical materials is online and members can reserve an item or renew an item online.



Southland is a member of an eBook buying club with 12 other councils in the South Island and this gives them access to better discounts for the eBooks it purchases. However, the potential for supplying the recreational reading needs and the specialised information needs of people via the SDL's digital channel is not really being realised.

For those unable to get to a physical library the digital channel is an obvious way to get materials in the hands of readers and users. Venture Southland's Digital Strategy has identified that "the sustainability of rural communities is supported through enabling residents, community groups and businesses to access and use digital technology". Although the quality and reliability is not universal across the District we can anticipate that within the next few years broadband will be much more ubiquitous than currently and delivery of content and services to isolated households will become an accepted way to access library services. In order to be ready to meet this potential need libraries need to be growing the depth and range of their digital content and making it easy for users to find and download content to a range of devices. This is also discussed under the sections on content and technology below.

**Recommendation:** Grow the depth and range of digital content and promote this service to rural residents as broadband spreads through the District.

### 8.3 Technology and digital opportunities

Increasing the range of digital services will require robust and improved technology. The LMS and the discovery layer (currently the library catalogue) are fundamental building blocks as is the ability to deliver these services across a range of mobile devices as well as a laptop or PC. The current reliance on Invercargill City Library to supply the LMS has considerable risks. Whilst an excellent working relationship is maintained with ICC Libraries, any unusual event exposes the vulnerability of this arrangement to SDC services. All of the IT/business intelligence support for library services resides with one individual ICC staff member. If, for any reason, he is unavailable there are few options for a fix.

#### *Kōtui*

The opportunity exists to join Kōtui, the national consortium operated by the National Library of New Zealand. By June this year 34 local authorities will be members including Dunedin, Queenstown Lakes and Central Otago who were previously members of SouthLib consortium. Kōtui provides a fully staffed service desk all the hours the library service is open (and longer because it is serving larger libraries with longer opening hours than Southland District). This mitigates the current risk where all of the system's knowledge is held by one person at Invercargill City Library. Because of the scale of the operation Kōtui is able to provide a number of additional features such as better reporting tools (Blue cloud analytics), the integration of digital and physical resources in a single search (customisable to Southland's requirements), an app for mobile users, and the ability to use the discovery layer (enterprise) as the SDL's website making it significantly easier for staff to update the website with information about events and other libraries.

Annual costs in 2015/2016 dollars are \$38,494 plus optional annual fees of \$6,441 for Analytics Statistical package and Collection HQ (SDC already subscribes to this so the cost will not be additional). There are one-time only costs of \$29,005 for the project management and transfer to the Kōtui service and a fee for conversion of data which is passed directly to SirsiDynix. This is either \$18,632 or \$25,619 depending on whether acquisitions data needs to be passed on. The annual costs will be offset by annual savings of approximately \$36,118 from no longer belonging to SouthLib.



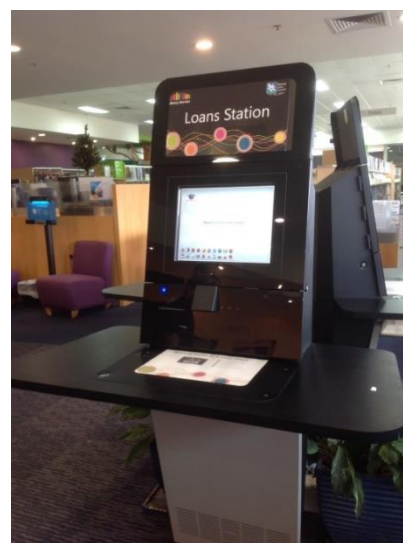
A priority for SDC is to connect Stewart Island to the Symphony system and thus give residents of Stewart Island access to the catalogue on-site and also the same level of service that other residents have enjoyed for many years. This would include being able to renew/reserve/request from home and also give assurance that their details were accurate in terms of issues, due dates and charges. This could be done at the same time as the transfer to Kōtui or earlier if the move to Kōtui is unlikely to happen in 2016/2017.

### Website

The absence of a fully functioning library website hampers communication and access in an increasingly online world. The Enterprise module of Kōtui (the library's OPAC) can be customised as the website and will bring all of the SDL's content and information together into one easy to search and compile place. An example of a library that has used Enterprise in this way is attached as Appendix 4. Using Enterprise, SDL can create a website that is clean and attractive and directs people to all the services SDC can offer them. It can provide places online to give feedback, interact with library staff and enhance physical and electronic collections with reader's advisory services. A one-off design cost of \$15,000 to set up templates would be needed.

### RFID

The use of Radio Frequency Identification (RFID) for collection handling and management is becoming the standard system. It enables easier self-help by customers for loans and payments of library related charges and improves stock management for staff making it easier to find items which may have been mis-shelved and faster return of stock. Over the next three-five years we can expect bar code technology to be phased out in favour of RFID and we recommend that SDC should plan to replace its ageing barcode technology with RFID in the next three years. The minimum requirements would be staff issues and return pads, RFID tags for the collection and self-issue stations at Te Anau and Winton who have the most issues. Approximate one-off capital cost of \$70,000 is required.



RFID self-issue

### Wi-Fi on the Bookbus

The Bookbus plays a significant role in ensuring as many of Southland's residents have access to physical collections on a regular basis. It could play a much bigger role in promoting and providing access to the libraries online collections and showing customers how to download materials to their own devices. This can be easily and relatively cheaply achieved by introducing Wi-Fi for the public to the bus and having a couple of tablets for customers to use.

### Council systems

We were advised that the connection to SDC's computer systems at some libraries is very slow and there is inefficient use of staff time due to lag in computer processing. This may be because of SDC distance from the servers or the way SDC connect to them. Systems are slower than in other SDC departments.

- Recommendations:**
- (a) Join Kōtui for provision of the LMS and to take advantage of collaborative opportunities; connect Stewart Island to the LMS at the time of going live with Kōtui or earlier if this is not likely to happen in 2016/2017.
  - (b) Use Enterprise discovery layer as the SDL's website and link this from the Council's website; budget \$15,000 for a one-off design cost to get the template properly designed.
  - (c) Plan for and fund the introduction of RFID within the next three years.

- (d) Introduce Wi-Fi on the Bookbus and use with tablets to promote access to eBooks and databases, and provide access to the internet for users of the Bookbus.
- (e) Investigate the slow connections to Council systems.

#### 8.4 Content and collections

##### **eBooks and eAudio books**

The main challenge with collections and collection management is to ensure that the right balance of digital and physical collections is maintained. It can be a 'chicken and egg' situation for libraries in moving more fully into eBooks. It may be that users are not asking for the format and those items that SDL does have are not circulating very much. However, without a good size selection of eBook titles it is difficult to grow the use of this format. Experience of other libraries in New Zealand has shown that having a good range of materials and a sustained promotional effort to show people how to access the materials, will pay off in circulation growth. As already noted materials in eformat delivered across the internet is one way of meeting the needs of rural users. Many readers of print books become readers of eBooks as well and use either depending on their situation at the time. EAudio books are a boon for those with a sight impairment as are eBooks with the ability to enlarge the font size.



SDL is part of a South Island group of 12 other councils for the purchase of eBooks through a library supplier called Overdrive. Kōtui enables eBook records from Overdrive and also from Wheelers (a NZ based eBook supplier) to be discoverable through a single search of the catalogue. This would also help take up as anyone searching the catalogue from home could be routed to the eBook with one click. Currently they have to log on to the eBook website separately from the SDL's catalogue.

The other area that SDL should investigate supply is for eMagazines from Zinio, a specialist eMagazine supplier. We suggest investigating whether the South Island consortium for Overdrive could also look to purchase these for a better discount.

##### **Shelf ready collections**

Some 18 months ago public libraries throughout New Zealand formed a consortium to bulk purchase books and the contract for this is with Baker and Taylor - a well-respected international company holding rights with all major publishers. A large number of public libraries have joined the consortium while large libraries such as Auckland and Christchurch have their own direct deals with suppliers. The opportunity for Southland to join the consortium remains open. A New Zealand supplier, Wheelers, also offers this service and it would be wise, given the time since the consortium deal was struck, to get a comparative quote for shelf ready materials.

There are benefits of purchasing in this way. Whilst the actual discount involved is not too much different to that currently received, the base cost price can be, and this can be used to offset the cost of having stock delivered shelf ready, fully processed with RFID tags and the catalogue record already entered into the SDL's system. The approximate costs for processing each item is in the range of \$3-3.50. For every title the cost is \$1.25 to add holdings and \$3.90 for full original cataloguing. If Southland moved to Kōtui experience shows that less than 20-30% of the titles ordered require original cataloguing. As Southland currently buys considerable number of duplicates this cost would only be applied to a small proportion of items ordered.

There could be some negative impact on local business through such an arrangement and for this reason we would suggest phasing in the outsourcing solution over a two-three year period if this a significant concern. The benefits of speed to shelf and staff time which can be reallocated to more direct customer and community engagement services make this beneficial in overall terms.

We would recommend the staff time is retained and applied to other areas of customer service such as improved programming, website and social media development, and building digital services (See Section 8.7 for a fuller discussion).

### **Selection and acquisition**

Selection of materials can also be outsourced but at this stage we do not recommend that as an approach, mostly from a cost point of view. However, more popular fiction and non-fiction can be sourced through standing orders with the preferred supplier which means that they will come automatically from the supplier. As a rule up to 80% of a library's titles could be provided outsourced with a good number of those being supplied on standing order. Those that are not on standing order can be selected from the supplier's database and ordered directly online.

There is a significant amount of duplication of fiction titles with in some instances a copy being purchased for every library. There is an expectation by the branches that they will always have a copy immediately of a new title of the most popular authors because of the funds that are supplied by their community board. This leads to titles being "read out" in a very short space of time and then having to be withdrawn from the shelves and disposed of through book sales and other means. There can be criticism from the public at what they see as very new books being disposed of. We recommend fewer copies are purchased and that libraries take it in turns to receive the first copy of a new book. At the least libraries could be 'twinned' with another library, or the smaller libraries be part of a three way share. This would enable a greater range of titles to be purchased providing more variety. As well some of the funds spent on collections could be assigned to increase eBook materials if no additional operational funding can be found. Before introducing this change in practice SDL need to consult with the various community boards and/or libraries to make them aware of what is proposed, the reasons for it and the anticipated effects on levels of service.

The supply of physical magazines has been problematic since the collapse of a national supplier. Other libraries appear to use a mix of local supply such as a Paper Plus store, Ebsco subscription service and specialist suppliers such as ISubscribe (<https://www.isubscribe.co.nz/>) and AllBooks (<http://www.allbooksnz.com/>). We recommend getting comparative pricing and talking with other libraries about their experiences.

### **Collection management**

The size of the various libraries in Southland District means that the collections need regular weeding and stock rotation to keep a fresh collection. The librarians exchange books from a centrally held collection on a regular roster. However, we did observe in two of the libraries visited that significant collections were being held in the local library out in the workroom. This may be because the books are regarding as 'belonging' to that library rather than viewing the collection as a whole.

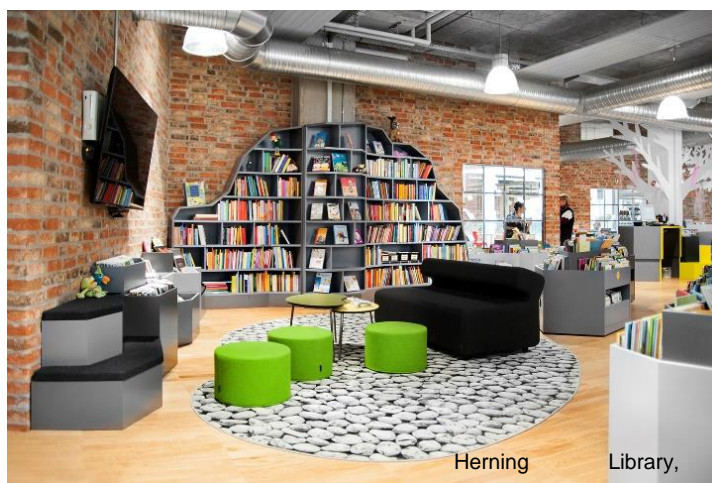
- Recommendations:**
- (a) Increase the range of available eBooks and eMagazines and begin to promote this as a viable option particularly for those remote from libraries. This will need a sustainable campaign and good education and training of staff to be effective. As part of this campaign have tablet and/or eBook readers available for use in libraries so that staff can demonstrate these to customers.
  - (b) Outsource up to 80% of collection supply to shelf ready and develop standing orders for fiction and selected non-fiction based on community profiles. Phase this in over a two-three year period if necessary.

- (c) Reduce excessive duplication of fiction titles after consultation with affected community boards.
- (d) Get comparative pricing from two or three magazine suppliers, including the local bookseller such as Paper Plus.
- (e) Reduce stack collections in branches and return to central stack for selection by other libraries.

### 8.5 Libraries as community hubs

For many in the community, libraries are a place not only to find something to read or get an information need answered, but a place to meet others, do business with the Council, attend a programme or learn a new skill.

The challenge for libraries such as Winton, which does twice the amount of business than any other of the libraries, is the size of the building. There is no community meeting room which can double as an activity space and insufficient seating or study space, or place to use one's own laptop. Winton is the SDL headquarters and the rotational branch collections and library collections store are housed in a separate substandard building. As Winton's population is projected to have a high growth scenario it is advisable for SDC to begin to factor in a new facility in the next 5 to 10 years.



We recognise that a new building is a significant cost to the Council and we would recommend that Council look for opportunities to partner with other community, commercial, educational or health organisations who might also be looking for improved space in the town.

Te Anau is in a purpose built library which originally contained the Council services as well. These are now separate and the whole building of around 400 m<sup>2</sup> is given over to library services. Recent changes have seen the computer area put into a separate room which has eased the pressure in the library from visitors wanting to use the internet and access the free Wi-Fi. Managing this space could prove difficult as the connecting door with the library is not open and it does not enable a free flow from the library to the Wi-Fi area.

**Recommendation:** Seek opportunities to develop a new community hub and library/service centre in Winton in partnership with other community, commercial, health or educational organisations. Fund for this redevelopment in the next 10 Year Plan.

### 8.6 Service delivery challenges

All but two of Southland's towns servicing populations of 500 or more (at the 2013 census) have a library service. The exceptions are Wallacetown which is only 13 km from Invercargill and Edendale which is 4 km from Wyndham where there is a library and service centre. The Bookbus serves both of these towns. A review of Council services in Edendale and Wyndham by Venture Southland is currently underway and library and information requirements need to be factored into the review.



### ***Stewart Island***

Stewart Island is not connected to the LMS and this has already been recommended. Stewart Island already provides access to the internet and Wi-Fi as it has APNK.

Once connected a wider range of services can be offered and we recommend a community meeting to determine their greatest needs, whether that is for recreational reading, community learning opportunities, high speed access to the internet or support children's learning and reading. It may be possible to trial a self-service model in Stewart Island, whereby registered members can access the facility through swiping their membership card and self-issuing materials using an RFID kiosk.

### ***Nightcaps***

Nightcaps is located in the primary school as part of its library. The library is only open two afternoons a month from 3.15 pm to 5.00 pm. A staff member has to drive over to the library to open it (currently done by the District Librarian) and the usage is low with no new members having joined in some time. The issues for 2015 from Nightcaps were only 3,202 items, with the next lowest being Lumsden at 8,249. In exchange for this relatively infrequent use of its premises the school receives considerable benefits: the LMS hardware and software and any necessary support, the library furniture for both the school and public, and cataloguing of all the school stock. They also receive a top up of their collections from time to time. We do understand the political and social ramifications if a different service model was adopted. It could have an impact on a community whose population is declining but this does seem to be an expensive way of providing library services to the community. The Bookbus stops at Ohai and presumably could make a stop at Nightcaps with some rearrangement of the timetable. Alternatively the few users of the service could be accommodated with a personal postal service and a phone call on a regular basis. The situation can probably continue while the current District Librarian is able to drive there and service the stop twice a month but should she leave an alternative arrangement may need to be found.

### ***Voluntary libraries***

SDC has three voluntary run libraries. Manapouri and Gropers Bush are very small and receive book grants each of \$1,250 and \$500 respectively per year. In each case there is a small user group of several families who have access. Tuatapere is run by an independent trust (The Waiau Memorial Trust) and receives much greater support. They receive a grant of \$6,500 per annum and the Council is responsible for all the repairs and maintenance on the building. They also do book exchanges and use the Council's interloan system. However, they are not connected to the LMS (we understand they use a different system) and supply of accurate data on number of issues, membership, new members is not always available. We believe there is a membership fee charged to belong. Services such as access to the internet and PCs for public use which are provided at other libraries are not available. An agreement was set up in 1989 but it does not appear to have been reviewed since that time. The library service at Tuatapere sits in a sort of 'half-way house' - neither a full community library nor a small voluntary library. It may be timely for Council to meet with the people of Tuatapere to determine the level of service needed to meet local needs and certainly should the Council at any time be reviewing what is required for this part of the District by way of community and council services, the library should be included in any such a review.

### ***The number of service points***

As already noted in the benchmarking section Southland has a large number of small service points with short hours of opening and few staff. Winton, Te Anau and Riverton are the three biggest; Wyndham, Otautau and Lumsden form a second tier of libraries and there is a case for bringing Stewart Island into this group with the installation of the LMS. While the second tier libraries serve relatively smaller populations (fewer than 1,000 in the towns) there will be some rural users in the vicinity also using these libraries.

In the interests of greater consistency of service level, aligning the hours of opening of the three biggest libraries may be a good strategy. Similarly aligning hours of the other four may also be appropriate and this might require a small number of additional hours. We have not recommended closing any of the above libraries as the impact of closing a service on small towns is considerable.

There needs to be ongoing monitoring of use however, to ensure that the service provided does not fall below viable levels, as may be the case in Nightcaps.

#### **Other service delivery options**

As noted earlier providing recreational reading and information sources online is considered the best future strategy to meet the needs of Southland's far flung rural population. However, what are the options for those who still prefer their reading to be in hard copy and who do not have easy access to a library or the Bookbus? Two possible options could be explored. One would be using a local store to provide small collections of recently cancelled items still in good condition which could be used on a swap basis and refreshed with new stock from time to time. The other is a more formal scheme which has attained attention recently in New Zealand media<sup>15</sup> - the Little Free Library movement or Lilliput libraries. This requires an energetic local person to be responsible for the small library but it is an option that the library could co-ordinate, again using cancelled books stock, if communities were interested. Before expending too much energy and time on either of these ideas more understanding of local community needs is needed.



- Recommendations:**
- (a) Consult with the Stewart Island community to investigate whether a self-service model would be worth trialling in some form at this library.
  - (b) In collaboration with the Nightcaps school and community investigate whether alternative service models would be acceptable.
  - (c) At such time as the Council may be reviewing the community and service needs of Tuatapere and surrounding districts, work with the community and the Waiau Memorial Trust to see how a wider range of library services could be offered. In the meantime instigate a regular annual meeting with the Trust to support and review the agreement.

### **8.7 Staffing organisation**

With the creation of a new Customer Support Team six library staff (3.16 FTE) from Lumsden, Otautau, Riverton, Wyndham and Winton will have a change in reporting line and be part of a Council wide team focussed on improved and seamless customer experience. Nine specialist staff will continue to report to the District Library Manager (10.95 FTE). Both the District Library Manager and the Customer Support Team Leader will report to a new role of Group Manager, Customer Support who is overall responsible for the Customer Support function.

<sup>15</sup> <http://www.odt.co.nz/news/dunedin/369989/tiny-libraries-becoming-big-success>

Under this model the District Libraries Manager has the responsibility for the strategic development of library services and ensuring the quality and professional standards are maintained. This will require a close working relationship with the Customer Support Team Leader to ensure that all staff who work in a combined library/service centre are able to provide the full range of services.

This will mean regular training for all and the continued opportunity for those staff entitled Library/Customer Support Partner, who have particular collection management responsibilities, to continue with exchange visits. Once the teams are settled into the new structure, we recommend that the District Libraries Manager work out the appropriate service standards in collaboration with the Customer Support Team Leader and develop an annual plan so that everyone is clear what the priorities are for the year.

### ***Staffing realignment***

- With these changes in the staff organisation and the proposed changes in responsibilities following the move to shelf ready collection supply, a realignment of staff roles and tasks will be necessary. A number of new responsibilities which require additional or more in-depth skills will be needed. These include having roles responsible for the relationships with contract suppliers, web development and social media skills, developing expertise in the LMS to get the best from using reporting tools and mobile applications, and a greater level of digital skills to support customers. A possible approach would be to have the following senior roles:
- Manager District Libraries - responsibility for the strategic development of library services and ensuring the quality and professional standards are maintained; setting direction, planning and reporting; relationships with council, community leaders and the library sector; budget, coaching and mentoring of staff.
- Collections and systems role - responsible for contract management, overall collection management, expertise in Symphony (the LMS) and reports from the system, delegated responsibility for resources budget.
- Community engagement and learning role - responsible for programmes and events delivered from libraries and in the community, extension activities out in the community; partnership programmes.
- Customer service and operations role - overall responsible for service delivery standards, training of library/customer support people, the Bookbus, housebound services and online service delivery.
- The Te Anau librarian could report directly to the Manager District Libraries - or the Customer Support Team Leader.
- Other staff members would report in to one of the roles above but would be expected to work across all areas as the need arose. In this way there is good cross fertilisation and an opportunity to grow skills in an area which can be good for skill development.

This is not a restructure but a realignment of responsibilities and tasks amongst existing staff as the nature of the work changes. It is important that the roles identified are done by someone and it makes sense to try and allocate those based on the strengths of the existing team. All staff will need to have strong digital skills as a minimum requirement.

### ***Professional development***

Maintaining a well-qualified and professional staff is an important ongoing focus for SDC library services, although not all staff within the service necessarily require or desire a professional qualification to perform their roles. It is important that staff have the opportunity to participate in professional development which might take the form of formal study but can also be attendance at LIANZA (the library sector professional body) workshops or meetings,



or staff visits to other libraries, etc. The relative isolation of Southland means that it is important to make the time and effort to take advantage of these opportunities.

**Recommendation:**

- (a) The District Libraries Manager develops service delivery standards in collaboration with the Customer Support Team Leader and produces an Annual Plan for clarity around priorities.
- (b) A realignment of roles is done to clarify the responsibilities and skills needed to deliver the service following the Customer Support restructure and the out sourcing of collection supply.
- (c) Ensure staff have the opportunity to participate in professional development and receive ongoing training, particularly in digital skills and technologies.

### 8.8 Partnerships

There is an increasing trend in libraries towards working collaboratively with organisations having similar purposes and in collocating services in one facility. This is the case in Otautau where other community services are located in the same building. In other parts of New Zealand many libraries and Council service centres have formed partnerships with other agencies, particularly in small towns, to provide a “one stop shop” concept and promote themselves as a destination for undertaking a variety of transactions. Whilst this has happened to a small degree in SDC it could be developed on a more extended scale.

Examples of possible opportunities include partnering with one or more of the rurally focussed learning institutions to develop a shared collection and provide the venue and technology for online delivery of learning via the internet.

Another idea is to allow an office service provider to operate within the SDL offering services such as photocopying or typing CVs. Charge them an agreed modest rental for the use of the space. This frees up SDC staff while still offering a service that is valued by SDC users. Alternatively SDL could introduce card paying systems for greater use of photocopiers and scanning, thus freeing up staff time. Many visitors have large quantities of paperwork due to visa and immigration requirements. Advertising the availability of such a service will draw people to SDC facilities and provide them a number of different services in one location. Obviously however, in developing such opportunities it pays to have regard to potential tensions with other existing commercial providers who may feel they are paying rates to have their business undermined by the Council activities.

Working out which partnerships are the best to proceed requires clarity around understanding the value to SDL and Council customers and whether the objectives of the partner are aligned with Council’s overall objectives.

**Recommendation:** Be open to partnership opportunities that are aligned with SDL’s objectives and bring new users to libraries, eg partnership with rural education institutions to provide resources and services from library locations.

### 8.9 Improved business intelligence

The move to Kōtui would provide a much greater ability to use data to drive collection and service development. It will also provide better information around key performance indicators for accountability reporting. It is really important that SDL begin to measure all of its electronic and online use so that trends can be better tracked over time to see the impact and uptake of digital services.

As well, better information about customers, their needs and the needs of potential users is essential. This can be achieved through focus groups, customer surveys, and by talking with like institutions, businesses or groups that represent particular sectors, to leverage from their customer groups.

A survey taken sitting outside the supermarket is another way to get the views of non-users. A number of recommendations in the report point to greater understanding of what people need so that services can be more finely shaped. This requires time and focus to get more comprehensive data gathering and analysis in place.

- Recommendation:**
- (a) Develop a more comprehensive and systematic system for collecting, using and reporting on library data, particularly around electronic use.
  - (b) Use focus groups of non-users, telephone surveys, use data and other mechanisms to gather information on user and non-user needs for the various communities of interest to inform service development.

### 8.10 Funding

As noted earlier the funding for libraries is made up of a uniform charge, a targeted local rate and some user charges. The targeted local rate varies throughout the District, based on various historical formulae which seek to apportion local and district-wide costs. Whilst the rates paid were once, very loosely, based on the cost of providing the Bookbus service as opposed to a branch library, these arrangements have become increasingly vague over time. Staff advise that several communities are now querying why they pay relatively much more per hour towards libraries which are open only parts of each week, than other residents who have ready access to libraries open for much longer periods. It is increasingly difficult to provide a reasonable explanation to this question.

This contrasts to the district-wide funding approach adopted by many other councils, including ICC, where each ratepayer pays a uniform annual charge towards the library service. SDC has adopted this approach with a range of other services such as sewage, water services and public toilets and ratepayers appear to accept that it is more about community good than individual cost.

Queenstown Lakes and Hurunui District Libraries appear to be the only others which have a funding system as complex as Southland and these both involve multiple branches with limited/varying hours and days of opening. In particular, Hurunui has many of its branches associated with schools and often the staffing is by way of volunteers or using school staff. This appears to have a bearing on how costs are set, as Ministry of Education funding does bring another set of conditions.

Despite the large size of the Southland District, the network of physical libraries and the 40 plus Bookbus stops mean that residents generally have reasonably equitable access to the service. As the online services and supply of content grows this will be more so. The argument therefore for varying funding between different parts of the District would become weaker.

- Recommendation:** Consider reviewing the current funding mechanism for libraries to determine whether the mix of uniform annual charge and targeted local rate is the most equitable way of funding libraries.

## 9 Conclusion and Recommendations

In any review of services the focus is on what can be done better and what needs to change. This often means one is left with the impression that the business has not been well managed in the past. This is not the case. SDL has been providing a good quality, well managed library service which is meeting the needs of its current users. Management has a sound understanding of the business and from discussions and written input from staff it is clear they know the trends happening in libraries and want to see their service grow and develop. There is, however, always room for improvement and in any time of disruptive change it is timely to take an outside in look at what needs to happen.

The benchmarking work indicates that Southland is at the lower end of per capita funding and its staffing is also at the lower end of staff per 1,000 population. Its issues per capita are good given the geographic spread of its libraries and members clearly appreciate the collections as the issues per member is high in comparison to all other libraries except Queenstown Lakes. Again, given the spread of its population a membership rate of 56% of the population is very good. It is much easier to build a membership base when the population is concentrated in a significantly sized town.

Given this situation we have recommended that any cost saving in staff time resulting from the proposed outsourcing to shelf ready collections supply be reapplied into other areas as there is a real need for developments in digital collections and services, in learning programmes and planning and reporting.

The biggest improvements to how the business operates will come from taking advantage of the consortia opportunities available for the running of the LMS and procuring collections. Both of these require modest additional investment but the benefits in terms of effective and efficient operations and the customer benefit in easier search options, improved website and direct to shelf acquisitions will return value on the investment.

Other investment recommended includes funding for the eventual move to RFID technologies within three years and funding for a new Winton premise within the next 10 years. We fully understand the need for prudent use of ratepayer funds and recommend that a 10 year investment plan for both operational and capital improvements is put together as soon as practical.

In terms of the best governance and service delivery model our view is that retaining the governance within the Council's direct jurisdiction provides the best option for the ongoing delivery of services. The Council has some unique characteristics and its service model of offering both Council and library services from the same service point, and the recent moves by the Chief Executive to strengthen this service makes this the best option.

### **Recommendations**

1. In conjunction with ICC and GDC develop a strategy that looks to promote the notion of "Southland Libraries for all" brought to you by ICC, SDC and GDC.
2. Grow the depth and range of digital content and promote this service to rural residents as broadband spreads through the District.
3. Join Kōtui for provision of the LMS and to take advantage of collaborative opportunities; connect Stewart Island to the LMS at the time of going live with Kōtui or earlier if this is not likely to happen in 2016/2017.
4. Use Enterprise discovery layer as the SDL's website and link this from the Council's website; budget \$15,000 for a one-off design cost to get the template properly designed.
5. Plan for and fund the introduction of RFID within the next three years.

6. Introduce Wi-Fi on the Bookbus and use with tablets to promote access to eBooks and databases, and provide access to the internet for users of the Bookbus.
7. Investigate the slow connections to Council's systems.
8. Increase the range of available eBooks and eMagazines and begin to promote this as a viable option particularly for those remote from libraries. This will need a sustainable campaign and good education and training of SDL's staff to be effective. As part of this campaign have tablet and/or eBook readers available for use in libraries so that staff can demonstrate these to customers.
9. Outsource up to 80% of collection supply to shelf ready and develop standing orders for fiction and selected non-fiction based on community profiles. Phase this in over a two-three year period if necessary.
10. Reduce excessive duplication of fiction titles after consultation with affected community boards.
11. Get comparative pricing from two or three magazine suppliers, including the local bookseller such as Paper Plus.
12. Reduce stock collections in branches and return to central stack for selection by other libraries.
13. Seek opportunities to develop a new community hub and library/service centre in Winton in partnership with other community, commercial, health or educational organisations. Fund for this redevelopment in the next 10 Year Plan.
14. Consult with the Stewart Island community to investigate whether a self-service model in some form would be worth trialling at this library.
15. In collaboration with the Nightcaps school and community investigate whether alternative service models would be acceptable.
16. At such time as the Council may be reviewing the community and service needs of Tuatapere and surrounding districts, work with the community and the Waiau Memorial Trust to see how a wider range of library services could be offered. In the meantime instigate a regular annual meeting with the Trust to support and review the agreement.
17. The District Libraries Manager develops service delivery standards in collaboration with the Customer Support Team Leader and produces an Annual Plan for clarity around priorities.
18. A realignment of roles is done to clarify the responsibilities and skills needed to deliver the service following the Customer Support restructure and the out sourcing of collection supply.
19. Ensure staff have the opportunity to participate in professional development and receive ongoing training.
20. Be open to partnership opportunities that are aligned with SDL's objectives and bring new users to libraries, eg partnership with rural education institutions to provide resources and services from various library locations.
21. Develop a more comprehensive and systematic system for collecting, using and reporting on library data, particularly around electronic use.
22. Use focus groups of non-users, telephone surveys, use data and other mechanisms to gather information on user and non-user needs for the various communities of interest to inform service development.
23. Consider reviewing the current funding mechanism for libraries to determine whether the mix of uniform annual charge and targeted local rate is the most equitable way of funding libraries.

24. Develop a 10 year investment plan, both operational and capital for the next 10 years to phase in the recommendations in this report.

**Appendices** *Appendix 1: Population of towns*

Township	Ward	Census Actuals			Projections						Growth scenario
		2001	2006	2013	2018	2023	2028	2033	2038	2043	
Browns	Winton Wallacetown	141	123	141	142	150	158	166	174	181	Medium
Dipton		156	144	153	154	163	172	181	188	197	Medium
Limehills		141	162	165	167	176	185	195	203	212	Medium
Wallacetown		633	609	681	680	722	758	802	837	873	Medium
Winton		2256	2295	2436	2430	2506	2593	2671	2814	2963	High
Athol	Mararoa Waimea	51	75	87	91	94	98	102	106	111	Medium
Balfour		135	138	126	145	141	148	157	164	171	Medium
Garston		48	57	51	53	55	57	60	62	65	Medium
Lumsden		492	453	453	465	462	472	472	493	514	Medium
Manapouri		240	306	228	332	348	354	362	378	394	Medium
Mossburn		243	234	201	222	211	210	199	208	217	Medium
Riversdale		411	450	456	505	528	541	572	597	623	Medium
Te Anau		2283	2361	2628	2938	3162	3383	3627	3785	3952	Medium
Waikaia		138	141	162	169	176	182	189	197	206	Medium
Edendale	Waihopai Toetoes	591	513	558	491	502	505	509	532	555	Medium
Fortrose		39	48	48	49	51	52	54	56	59	Medium
Gorge Road		162	171	192	218	231	242	256	267	279	Medium
Tokanui		171	159	150	147	144	141	138	137	135	Low
Waikawa / Curio Bay		66	69	60	62	63	65	67	70	73	Medium
Woodlands		264	243	246	213	213	223	225	235	245	Medium
Wyndham		627	576	594	555	544	546	537	560	585	Medium
Colac Bay		192	174	186	184	188	193	200	208	217	Medium
Nightcaps	Waiau Aparima	354	333	306	299	287	277	268	265	262	Low
Ohai		399	351	303	307	286	276	257	255	252	Low
Orepuki		81	72	54	51	50	48	47	47	47	Low
Otautau		879	891	798	892	894	884	892	931	972	Medium
Riverton		1704	1572	1506	1655	1713	1770	1813	1892	1975	Medium
Thornbury		129	129	126	134	141	150	160	167	174	Medium
Tuatapere		684	576	561	557	560	565	561	585	611	Medium
Oban	Stewart Island/ Rakiura	381	390	378	434	444	450	457	470	474	Medium

## Item 7.1 Attachment A

## Appendix 2: Key Performance Indicators - 2015-2025 Long Term Plan

What we do	Level of Service	Key Performance Indicator	Measurement Source	Actual 2012/2013	Actual 2013/2014	Target 2015/2016	Target 2016/2017	Target 2017/2018	Target 2018-2025
Library Services	<b>Service</b> Provide an overall level of service that meets or exceeds residents' expectations	Number of residents satisfied with library services overall	Triennial residents' satisfaction survey	Not applicable	Not applicable	New measure Not measured	90%	Not measured	90%
	<b>Quality</b> The range, quality and number of resources are relevant to SDC residents' demands and are consistent with national standards	Access to a wide range of quality resources with at least 80% of collections less than 10 years old (excludes local history items)	Complies with the guidelines in LIANZA Standards for NZ Public Libraries. Symphony & Collection HQ reports	Not applicable	Not applicable	New measure 97% 88,200 titles held	97% 88,200 titles held	97% 88,200 titles held	97% 88,200 titles held
	<b>Quality</b> A range of programmes are delivered to meet community needs	Users satisfied with the range of programmes offered.	Programme evaluation forms	Not applicable	Not applicable	New measure 80%	80%	80%	80%
	<b>Relevance</b> Services and resources are well used and libraries remain relevant to the communities they serve	The percentage of the District population who access library services (at least once per annum)	Triennial residents' satisfaction survey as per LIANZA guideline of 52% of the population	Not applicable	Not applicable	New measure Not measured	52%	Not measured	52%



**Appendix 3: Cross-library consistency of service provision**

		LMS	MOB	OTA	RVT	SIL	TEA	WIN	WYN
Book resources:	Adult Fiction	Y	Y	Y	Y	Y	Y	Y	Y
	Adult Non-fiction	Y	Y	Y	Y	Y	Y	Y	Y
	Juvenile Fiction	Y	Y	Y	Y	Y	Y	Y	Y
	Juvenile Non-Fiction	Y	Y	Y	Y	Y	Y	Y	Y
	Young Adult	Y	Y	Y	Y	Y	Y	Y	Y
	Young Adult (STAR)	Y	Y	Y	Y	Y	Y	Y	Y
	Large Print	Y	Y	Y	Y	Y	Y	Y	Y
	Westerns	Y	Y	Y	Y	Y	Y	Y	Y
	Romance	Y	Y	Y	Y	Y	Y	Y	Y
	Mills and Boon	Y	Y	Y	Y	Y	Y	Y	Y
	Picture Books	Y	Y	Y	Y	Y	Y	Y	Y
Non-book resources:		Y	Y	Y	Y	Y	Y	Y	Y
	Magazines								
	Newspapers	N	N	Y	Y	N	Y	Y	Y
	Jigsaws	Y	Y	Y	Y	Y	Y	Y	Y
	DVDs	Y	N	Y	Y	N	Y	Y	Y
	Audio Books	Y	Y	Y	Y	Y	Y	Y	Y
	e-books	Y	N	Y	Y	Y	Y	Y	Y
	e-audiobooks	Y	N	Y	Y	Y	Y	Y	Y
	Databases	Y	N	Y	Y	Y	Y	Y	Y
	Library catalogue	Y	N	Y	Y	Y	Y	Y	Y
Lending services:	Lending	Y	Y	Y	Y	Y	Y	Y	Y
	Requesting	Y	Y	Y	Y	Y	Y	Y	Y
	Interloans	Y	Y	Y	Y	Y	Y	Y	Y
	Paying fees	Y	Y	Y	Y	Y	Y	Y	Y
Council Services:	Area Officer onsite	Y	N	Y	Y	N	N	Y	N
	Payments received	Y	Y	Y	Y	Y	Y	Y	Y
	RFS entered	Y	N	Y	Y	N	N	Y	Y
Community Services:		Y	N	Y	Y	Y	Y	Y	Y
	APNK computers								
	APNK Wi-Fi	Y	N	Y	Y	Y	Y	Y	Y
	APNK-connected printer	Y	N	Y	Y	Y	Y	Y	Y
	Self-issue machine	N	N	N	N	N	Y	Y	N
	Copying	Y	N	Y	Y	N	Y	Y	N
	Scanning	Y	N	Y	Y	N	Y	Y	N
Community Activities		Y	N	Y	Y	N	Y	Y	N
	Wriggle and Rhyme								
	Book Group	N	N	N	Y	N	N	Y	N
	Crafts for children	N	N	N	N	N	Y	Y	N
	Adult workshops	Y	N	N	N	N	Y	Y	N
	Reading programme	Y	Y	Y	Y	Y	Y	Y	Y
	School holiday programme	Y	N	Y	Y	N	Y	Y	Y
	Home/Housebound Service	Y	Y	Y	Y	Y	Y	Y	Y
	School/Childcare visits	Y	Y	Y	Y	N	Y	Y	Y
	Author visits	Y	N	Y	Y	Y	Y	Y	Y
	Genealogy service/support	Y	N	Y	Y	Y	Y	Y	Y

## Notes:

- Y = Service is offered; N = Service is not offered.
- Waiau Memorial Library has been excluded from this chart because it is run as a Trust and they operate under conditions that they feel reflects the needs of their community.
- Nightcaps Library is located in the Takitimu Primary School Library and has been excluded from this chart as the services are mainly determined by the Ministry of Education Standards and are not always the best fit with the public library.

## Appendix 4: Sample website using Enterprise

Item 7.1 Attachment A

Alexandria Library

Log In My Account My Lists Library Information Ask a Librarian

Classic Catalog Locations Events eCollection Kids Teens How do I...? Contact Us

Everything All Fields Search Advanced Search

**All Alexandria Libraries will be closed on Monday, February 15 for Presidents Day.**  
Cancelled Event: Researching Alexandria African Americans During the Reconstruction Era event at Beatley Central today at 11am has been cancelled and will be rescheduled.

**Explore the Library**  
Locations & Hours Go  
Get a Library Card  
Services  
eAudiobooks & eBooks  
Browse our Collection  
About Us  
Support the Library  
**Research Help**  
Subject Guides  
Databases  
eJournal A-to-Z  
**Calendars**  
Events  
Meeting Rooms

**Highlights & News**  
Donate to the Alexandria Library Foundation.  
Buy it NOW Use your Amazon purchase to support Alexandria Library.  
Find out what to read next with help from Alexandria Library.  
[More highlights...](#)

**Alexandria Library celebrates BLACK HISTORY MONTH**  
Missy Elliott Martin Luther King, Jr. Serena Williams Barack Obama Ava DuVernay

**Featured Library Databases**  
**OverDrive** eBooks and audiobooks on OverDrive.  
**OneClickdigital** eAudiobooks for your commute.  
**GALE COURSES** Now offering free online courses.  
[More databases...](#)

**Browse our Collection**  
New Books  
New DVDs  
Staff Picks

**Upcoming Events**  
**SUNDAY SCREENINGS**  
2/14/2016  
2:00 PM  
Beatley Central Library  
**PRESIDENT'S DAY HOLIDAY**  
2/15/2016  
All Day  
All Branches  
**STORIES AND SONGS**  
2/16/2016  
[More events...](#)

**did you know?**  
Alexandria Library can help you find your next read. Tell us five titles you have enjoyed and we'll send you a list of five more that we think you will like.

**About us**  
History  
Policies  
In the Press

**Contact**  
Locations  
Employment Opportunities  
City of Alexandria

**Support the library**  
Friends of the Library  
Donate to the Library  
Volunteer

**Socialize with us**  
Facebook Twitter YouTube Google+ Email

Founded as a subscription library in 1794, Alexandria's public library since 1937.

## Financial Report for the period ended 29 February 2016

**Record No:** R/16/4/5458  
**Author:** Federico Alurralde, Management Accountant  
**Approved by:** Anne Robson, Chief Financial Officer

☐ Decision ☐ Recommendation ☒ Information

### Background

1. This report outlines the financial results to 29 February 2016. At 29 February 2016, 67% of the financial year is complete.
2. Within the report, no significant issues have been identified that raise any concerns for Council relating to the end of year financial position.

### Overview

3. The financial commentary centres on the attached summary sheet which draws the totals from each of the key groups together. Commentary provided focuses on the year to date (YTD) results.
4. More detailed variance explanations for each group can be found in the attached detailed commentary report.
5. As part of the monthly review, finance staff look over the phasing/timing of the budgets and they are revised in conjunction with budget managers where appropriate. Where specific phasing of the budgets has not occurred, one twelfth of budgeted cost is the default to establish the monthly budget.
6. The financial tables include the forecasting data discussed at the Council's December meeting. In summary,
  - The monthly and annual budget columns are the phased full year projection.
  - The FY Budget is the LTP budget for the year.
  - The FY Projection is the forecasted year end result.
7. Staff will continue to refine the format of this report, with additional features being added to enhance the financial information given. Any feedback or suggestions on further amendments that could be made to this report are welcome.

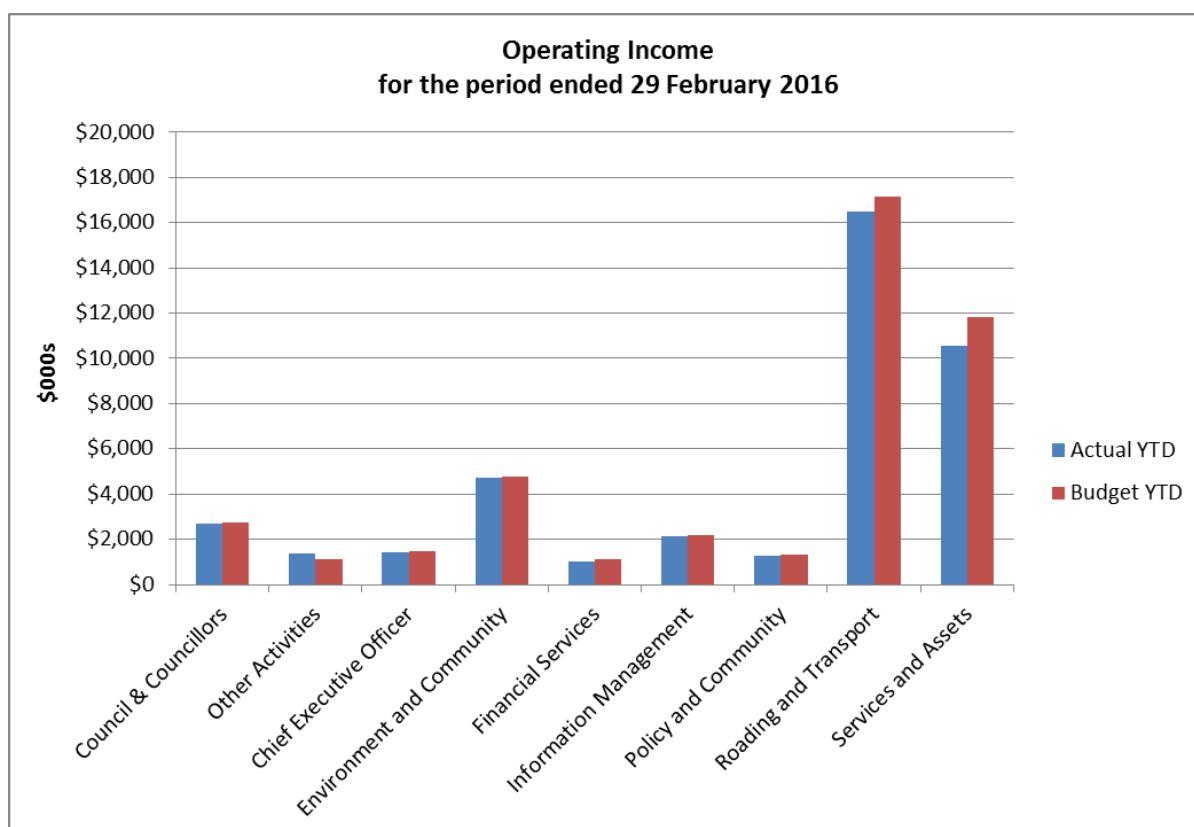
8. Results at a glance, compared to budget year to date. Budget year to date is the phased forecast budget.

INCOME YTD		
Actual	Budget	
\$41.6M	\$43.6M	
Variance	\$2.0M	5%
NET SURPLUS YTD		
Actual	Budget	
\$9.3M	\$10.3M	
Variance	\$1.0M	10%

OPERATING EXPENDITURE YTD		
Actual	Budget	
\$32.3M	\$33.3M	
Variance	\$1.0M	3%
CAPITAL EXPENDITURE YTD		
Actual	Budget	
\$8.2M	\$9.2M	
Variance	\$1.0M	11%

### Income

9. Overall for the YTD, income is 5% (\$2.0M) under budget (\$41.6M actual v \$43.6M budget).



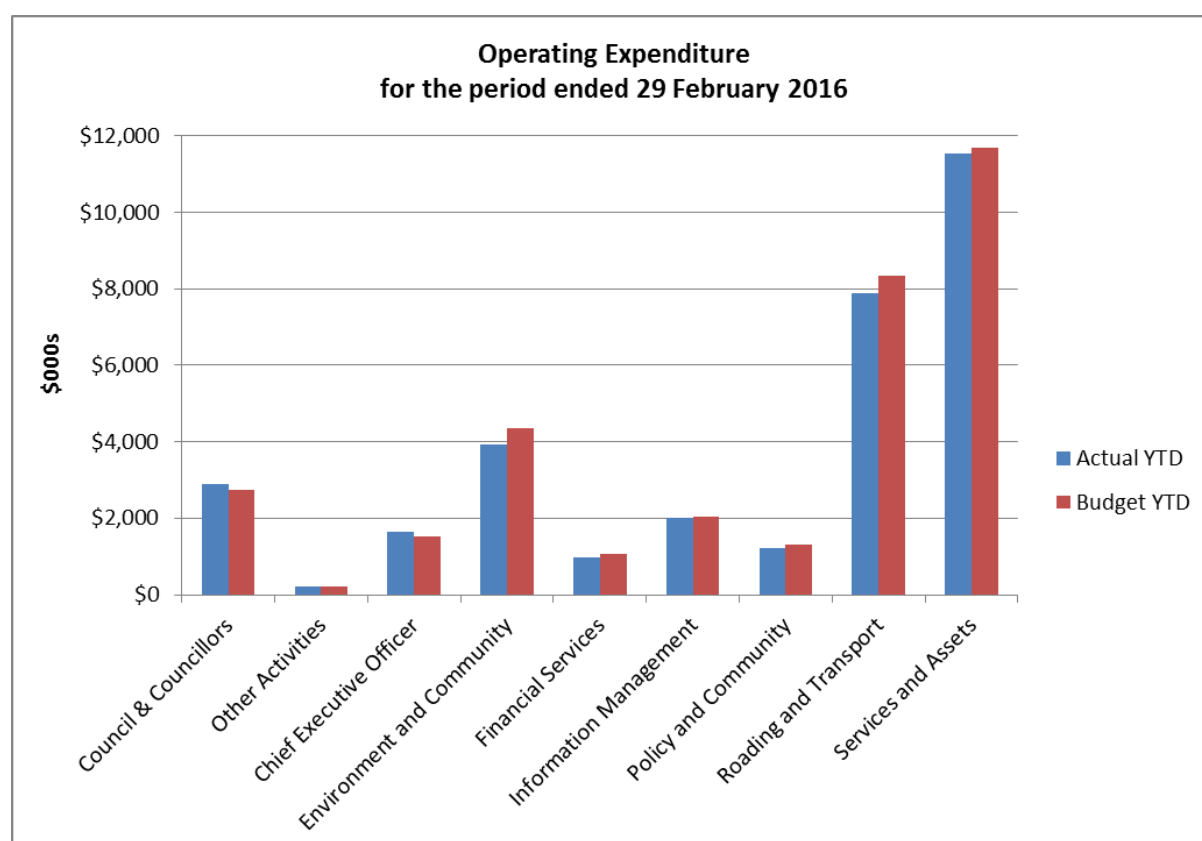
10. Services and Assets income is under budget by \$1.3M due to a number of items.
11. The largest being forestry revenue which is currently \$1M under budget due to the timing of harvesting activities which have commenced in February. Additionally, due to a change in accounting methodology forestry income is expected to be approximately \$1.2M higher than budget at year end. Previously sales income was recorded net of harvesting costs, under the new methodology sales income and harvesting costs are now recorded separately. This change will also result in total forestry expenditure being over budget by approximately \$1.2M at year end.
12. As a result of less expenditure being incurred to date in the Area Engineers and Engineering Consultants business units internal revenue required to balance this business units is also

less than budgeted (\$39k). This is the result of vacancies throughout the year and is expected to remain below budget at year end.

13. Work scheme revenue is \$114K under budget as a result of less work being completed overall due to having one less supervisor. This is partially offset by a reduction in staff costs and material purchases. At year end the business unit is anticipated to be in a deficit. The extent of this deficit will depend on whether approval for probation funding of an estimated \$32K per annum is secured. If it is the deficit is likely to be \$15K. However staff anticipates that this deficit can be made up next year once the supervisor position is filled.

### Operating Expenditure

14. Overall for the YTD, operating expenditure is 3% (\$1M) under budget (\$32.3M actual vs \$33.3M budget).



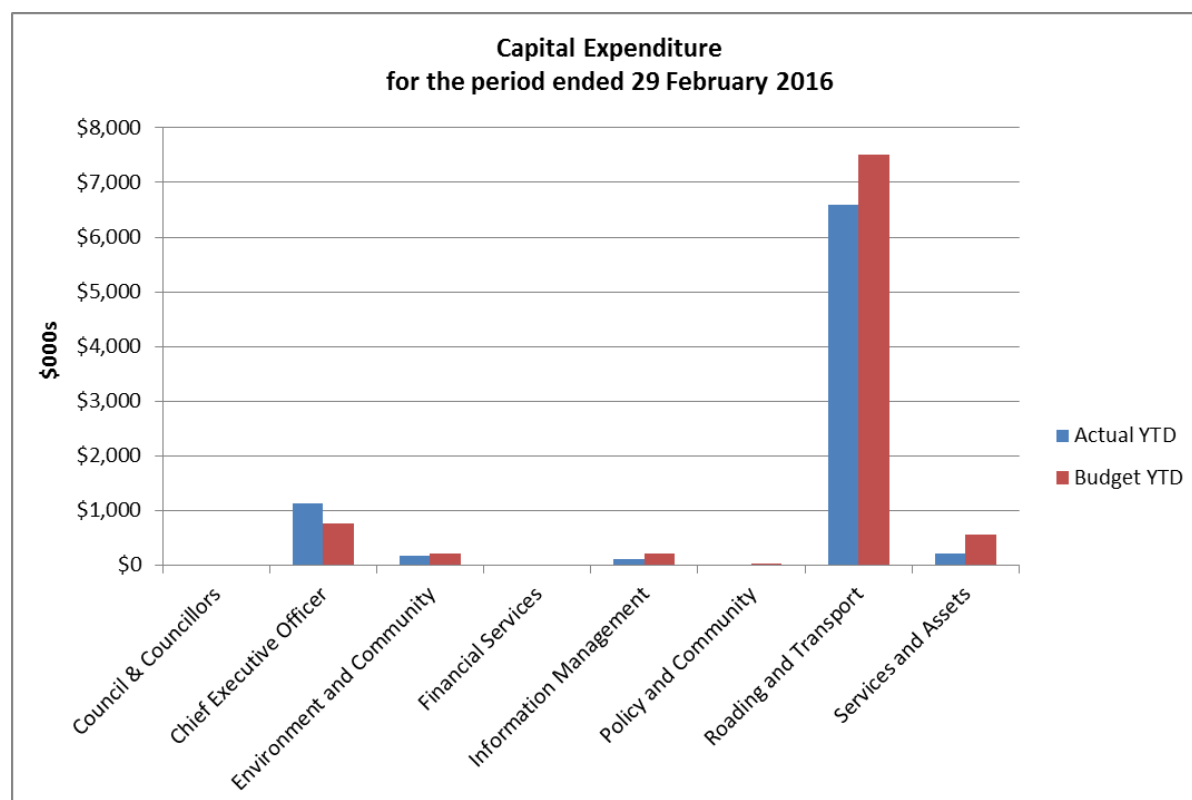
15. Services and Assets expenditure is \$132K under budget due to the timing of forestry costs (\$139K), with harvest costs occurring in February onwards. As mentioned in the income section above, these costs are expected to be well over budget due to the new accounting methodology applied to forestry sales. Work Schemes expenditure is \$84K under budget due to having one less Supervisor, this is reflected in lower staff costs and material costs.
16. Environment and Community expenditure is \$418K under budget. This is mainly in the regulatory areas of building regulation (\$97k), resource consent processing (\$91k) and Resource Planning (\$77K). Current market conditions has resulted in less building and resource consent activity resulting in lower than budgeted income and expenditure in these areas. The District Plan mediation processes have been delayed at the direction of the Environment Court due to the status of Environment Southland's Regional Policy Statement. Until the Regional Policy Statement is progressed the amount of expenditure on the District Plan during this year is uncertain. Overall it is expected that the business units will be in

deficit at year end. Deficit at year end \$296k will be funded from the district operating reserve.

17. The Chief Executive group is currently over budget by \$128K. Within the Around the Mountains Cycle trail \$333K is the result of moving costs relating to the appeal process into a separate code for easy identification. At year end this will be moved back to capital expenditure. It is expected at year end that costs overall in the chief executive group, will be over budget but will be covered by cost savings in other business units.
18. Council & Councillors is \$129k over budget. This is primarily due to a timing error in the council election business unit with costs relating to the outsourced electoral officer position (\$175K) being recorded entirely in the January month. These costs will be corrected in the March financial reports to allocate costs across the duration of the position which is expected to run from July through to October.
19. Financial Services and Information Management are under budget \$128k YTD due to vacancies with the departments. It is projected that the business units will remain under budget at year end \$191k. This saving will be used to fund the cost overspend in the chief executive group.

### **Capital Expenditure**

20. Overall for the YTD, capital expenditure is 11% (\$1M) under budget (\$8.2M actual vs \$9.2M budget).



21. Information management capital expenditure is under budget \$91K due to lesser capital work being undertaken to date. Included in the budget are costs associated with the core systems review and digitisation project. Work has been planned for the digitisation project in the second half of this financial year. There has been \$115K spent to date on both projects with

a forecasted year end budget of \$310. The balance of these projects will be carried forward into the 16/17 year with Council's approval.

22. Services and assets capital expenditure is under budget year to date, \$343K due to lesser capital work being undertaken to date beyond the purchase of Hansen software. The Curio Bay sewerage project is still in progress (\$970k), quotes are being received on the costs to construct and initial contact has been made with DOC and the trust towards a contribution to operating costs. It was planned to report back to Council at this meeting however the Waste-Water team are awaiting some information to complete the report. It is now planned to report to AAC at the 18 May meeting. Public convenience upgrades in Winton (Ivy Russell Park) and Dipton are out for tender, Colac Bay toilets are in design phase, the Waikaia toilets are being built in conjunction with the Waikaia museum rebuild and the Athol toilet is completed.

### **Roading and Transport**

23. The seasonality of the capital works programme directly affects the level of income received from NZTA along with any changes to the programmed works.
24. Operational expenditure is in line with the long term plan budget and the NZTA approved budget for 2015/16 even though weather events over winter put a strain on the budgets.
25. The Roothing and Transport team have forecast that capital expenditure will be under budget at the end of the year. This variance is principally due to the Southern Scenic Route extension and the Mararoa Bridge projects being deferred to the 2016/2017 financial year (\$2.48m). This is offset by additional rehabilitation projects, changes in scope and market prices \$321k.

### **Balance Sheet**

26. Council's financial position as at 29 February 2016 is detailed below and is only for the activities of Council. The balance sheet as at 30 June 2015 represents the audited balance sheet for activities of Council and includes SIESA and Venture Southland.
27. At 29 February 2016, Council had \$5.0M invested in four term deposits ranging from four to six month maturities. The next term deposit will mature in mid-April.

The details at 29 February 2016 are:

Amount	Where Invested	Interest Rate	Term of Investment	Date of Expiry
\$1,000,000	ASB	3.25%	122 days	13 Apr 2016
\$1,000,000	BNZ	3.30%	121 days	18 May 2016
\$1,000,000	BNZ	3.50%	183 days	20 Apr 2016
\$2,000,000	Westpac	3.39%	119 days	10 Jun 2016

28. Funds on call are the result of council rates received at the end of February and held to ensure there is enough cash available to meet commitments as they fall due.

Balance at 29 February	Where Invested	Interest Rate
\$7,055,014	BNZ	1.75%
\$2,500,000	Westpac	2.00%



29. External borrowings have still not been required, with internal funds being used to meet obligations for the year to date. The borrowings shown in current liabilities is the outstanding amount of assets funded by finance leases for computer equipment.

**SOUTHLAND DISTRICT COUNCIL  
STATEMENT OF FINANCIAL POSITION  
29-Feb-16**

Item 7.2

	29-Feb-16	30-Jun-15
<b>Equity</b>		
Retained Earnings	722,737,022	720,895,021
Net Surplus / (Deficit)	(3,132,632)	4,303,656
Asset Revaluation Reserves	627,699,820	627,699,820
Other Reserves	31,942,136	32,428,408
Fair Value Reserve	711,503	711,503
	<b><u>1,379,957,849</u></b>	<b><u>1,386,038,408</u></b>
<b>Represented by:</b>		
<b>Current Assets</b>		
Cash & Cash Equivalents	14,718,052	9,658,223
Trade and Other Receivables	3,459,114	10,825,189
Inventories	77,247	100,560
Other Financial Assets	<u>1,002,036</u>	<u>1,302,036</u>
	19,256,449	21,886,008
<b>Non-Current Assets</b>		
Property, Plant and Equipment	1,356,654,275	1,361,737,478
Intangible Assets	1,033,383	984,949
Forestry Assets	11,331,000	11,331,000
Internal Loans	21,062,274	23,981,966
Other Financial Assets	4,050	4,324
Work in Progress	<u>1,838,106</u>	<u>1,838,106</u>
	1,391,923,088	1,399,877,823
<b>TOTAL ASSETS</b>	<b>1,411,179,537</b>	<b>1,421,763,831</b>
<b>Current Liabilities</b>		
Trade and Other Payables	5,869,915	7,286,483
Contract Retentions and Deposits	613,991	645,991
Employee Benefit Liabilities	1,165,957	1,269,868
Development and Financial Contributions	2,319,378	2,350,943
Borrowings	5,675	5,675
Landfill Contingency	<u>14,000</u>	<u>14,000</u>
	9,988,916	11,572,962
<b>Non-Current Liabilities</b>		
Employment Benefit Liabilities	140,208	140,208
Provision for Decommissioning	30,287	30,287
Internal Loans - Liability	21,062,275	23,981,966
Borrowings	<u>-</u>	<u>-</u>
	21,232,770	24,152,461
<b>TOTAL LIABILITIES</b>	<b>31,221,686</b>	<b>35,725,423</b>
<b>NET ASSETS</b>	<b><u>1,379,957,849</u></b>	<b><u>1,386,038,408</u></b>

## Recommendation

That the Activities Performance Audit Committee:

- a) Receives the report titled “Financial Report for the period ended 29 February 2016” dated 20 April 2016.

## Attachments

- A Summary Financial Report [View](#)
- B Detailed Commentary [View](#)

**Key Financial Indicators**

<i>Indicator</i>	<i>Target*</i>	<i>Actual</i>	<i>Variance</i>	<i>Compliance</i>
External Funding: Non rateable income/Total income	≥ 39%	29%	-10%	⊖
Working Capital: Current Assets/Current Liabilities	≥1.09	1.93	0.84	✓
Debt Ratio:** Total Liabilities/Total Assets	≤0.73%	0.73%	0.00%	✓
Debt To Equity Ratio: Total Debt/Total Equity	≤0.01%	0.00%	-0.01%	✓

\* All target indicators have been calculated using the 2015/25 10 Year Plan figures.

\*\* Excludes internal loans.

**Financial Ratios Calculations:****External Funding:**

Non Rateable Income
Total Income

This ratio indicates the percentage of revenue received outside of rates. The higher the proportion of revenue that the Council has from these sources the less reliance it has on rates income to fund its costs.

**Working Capital:**

Current Assets
Current Liabilities

This ratio indicates the amount by which short-term assets exceed short term obligations. The higher the ratio the more comfortable the Council can fund its short term liabilities.

**Debt Ratio:**

Total Liabilities
Total Assets

This ratio indicates the capacity of which the Council can borrow funds. This ratio is generally used by lending institutions to assess entities financial leverage. Generally the lower the ratio the more capacity to borrow.

**Debt to Equity Ratio:**

Total Debt
Total Equity

It indicates what proportion of equity and debt the Council is using to finance its assets.

## Council Summary Report



For the period ending February 2016

	Monthly				YTD				Full Year Budget			
Income	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive Officer	148,496	143,011	5,485	4%	1,427,423	1,471,930	(44,507)	(3%)	4,902,985	2,197,011	(2,705,974)	(55%)
Council & Councillors	324,512	339,883	(15,371)	(5%)	2,697,294	2,719,064	(21,770)	(1%)	4,079,835	4,079,835	-	-
Environment & Community	499,234	530,377	(31,143)	(6%)	4,707,407	4,754,273	(46,865)	(1%)	7,198,516	6,906,300	(292,216)	(4%)
Financial Services	103,403	137,943	(34,540)	(25%)	997,155	1,128,598	(131,443)	(12%)	1,851,170	1,705,426	(145,744)	(8%)
Information Management	256,300	273,185	(16,885)	(6%)	2,131,599	2,185,480	(53,881)	(2%)	3,324,220	3,278,220	(46,000)	(1%)
Other Activities	155,547	143,635	11,911	8%	1,371,507	1,094,383	277,124	25%	1,799,764	1,799,764	-	-
Policy & Community	154,504	165,247	(10,742)	(7%)	1,267,924	1,321,974	(54,050)	(4%)	2,058,961	1,982,961	(76,000)	(4%)
Roading & Transport	2,613,708	2,144,714	468,994	22%	16,484,354	17,157,715	(673,361)	(4%)	27,918,970	26,170,841	(1,748,129)	(6%)
Services & Assets	1,479,918	1,482,781	(2,863)	-	10,558,018	11,819,993	(1,261,975)	(11%)	18,133,235	17,982,247	(150,988)	(1%)
<b>Total</b>	<b>5,735,622</b>	<b>5,360,776</b>	<b>374,846</b>	<b>7%</b>	<b>41,642,680</b>	<b>43,653,409</b>	<b>(2,010,729)</b>	<b>(5%)</b>	<b>71,267,656</b>	<b>66,102,605</b>	<b>(5,165,051)</b>	<b>(7%)</b>

	Monthly				YTD				Full Year Budget			
Operating Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive Officer	167,525	134,635	(32,890)	(24%)	1,652,599	1,524,923	(127,677)	(8%)	2,017,511	2,392,067	(374,556)	(19%)
Council & Councillors	94,427	146,147	51,720	35%	2,882,624	2,753,944	(128,680)	(5%)	3,807,612	3,857,612	(50,000)	(1%)
Environment & Community	476,747	523,153	46,406	9%	3,942,590	4,360,286	417,695	10%	6,564,838	6,610,925	(46,087)	(1%)
Financial Services	101,465	118,246	16,782	14%	981,650	1,076,658	95,008	9%	1,848,844	1,703,100	145,744	8%
Information Management	243,642	248,907	5,265	2%	2,005,833	2,038,877	33,044	2%	3,127,983	3,081,983	46,000	1%
Other Activities	23,612	11,977	(11,635)	(97%)	218,751	203,966	(14,785)	(7%)	1,762,369	1,762,369	-	-
Policy & Community	147,107	170,943	23,836	14%	1,208,748	1,319,571	110,823	8%	2,060,838	1,984,838	76,000	4%
Roading & Transport	920,109	1,038,750	118,642	11%	7,889,000	8,355,511	466,511	6%	12,540,888	12,540,888	-	-
Services & Assets	1,332,223	1,388,817	56,594	4%	11,554,693	11,686,354	131,661	1%	17,745,659	16,752,026	993,633	6%
<b>Total</b>	<b>3,506,857</b>	<b>3,781,575</b>	<b>274,718</b>	<b>7%</b>	<b>32,336,489</b>	<b>33,320,090</b>	<b>983,601</b>	<b>3%</b>	<b>51,476,542</b>	<b>50,685,808</b>	<b>790,734</b>	<b>2%</b>

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
<b>Net Surplus/(Deficit)</b>	<b>2,228,765</b>	<b>1,579,201</b>	<b>649,564</b>	<b>41%</b>	<b>9,306,191</b>	<b>10,333,319</b>	<b>(1,027,127)</b>	<b>(10%)</b>	<b>19,791,114</b>	<b>15,416,797</b>	<b>(4,374,317)</b>	<b>(22%)</b>

	Monthly				YTD				Full Year Budget			
Capital Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive Officer	6,844	94,400	87,556	93%	1,121,102	755,199	(365,903)	(48%)	4,770,000	1,132,799	3,637,201	76%
Council & Councillors	-	-	-	-	-	-	-	-	-	-	-	-
Environment & Community	7,958	22,104	14,146	64%	163,544	210,873	47,329	22%	260,290	299,290	(39,000)	(15%)

## Council Summary Report



Financial Services	-	-	-	-	-	-	-	-	-	-	-	-
Information Management	71,154	25,833	(45,321)	(175%)	115,448	206,667	91,218	44%	1,750,000	310,000	1,440,000	82%
Policy & Community	-	246	246	100%	-	1,964	1,964	100%	2,946	2,946	-	-
Roading & Transport	1,842,955	937,914	(905,042)	(96%)	6,591,703	7,503,309	911,605	12%	14,269,729	11,254,963	3,014,766	21%
Services & Assets	10,353	69,984	59,632	85%	216,892	559,874	342,983	61%	2,131,447	1,215,357	916,090	43%
<b>Total</b>	<b>1,939,264</b>	<b>1,150,481</b>	<b>(788,783)</b>	<b>(69%)</b>	<b>8,208,689</b>	<b>9,237,885</b>	<b>1,029,196</b>	<b>11%</b>	<b>23,184,412</b>	<b>14,215,355</b>	<b>8,969,057</b>	<b>39%</b>

	Monthly				YTD				Full Year Budget			
Funding Adjustments	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive Officer	(1,384)	110,655	(112,039)	(101%)	(11,074)	885,237	(896,311)	(101%)	1,884,526	1,327,855	(556,671)	(30%)
Council & Councillors	(20,084)	(18,519)	(1,565)	8%	(160,669)	(148,149)	(12,520)	8%	(272,223)	(222,223)	50,000	(18%)
Environment & Community	(25,605)	(1,433)	(24,172)	1686%	(126,587)	9,649	(136,235)	(1412%)	(373,388)	3,915	377,303	(101%)
Financial Services	-	(194)	194	(100%)	-	(1,551)	1,551	(100%)	(2,326)	(2,326)	-	-
Information Management	(16,115)	9,480	(25,595)	(270%)	(128,916)	75,842	(204,758)	(270%)	1,553,763	113,763	(1,440,000)	(93%)
Other Activities	-	(3,116)	3,116	(100%)	-	(24,930)	24,930	(100%)	(37,395)	(37,395)	-	-
Policy & Community	-	402	(402)	(100%)	-	3,215	(3,215)	(100%)	4,823	4,823	-	-
Roading & Transport	(149,366)	(197,916)	48,550	(25%)	(1,194,927)	(1,583,327)	388,400	(25%)	(1,108,353)	(2,374,990)	(1,266,637)	114%
Services & Assets	(14,307)	(118,900)	104,594	(88%)	(59,314)	(951,204)	891,890	(94%)	1,743,871	(14,864)	(1,758,735)	(101%)
<b>Total</b>	<b>(226,860)</b>	<b>(219,542)</b>	<b>(7,318)</b>	<b>3%</b>	<b>(1,681,486)</b>	<b>(1,735,217)</b>	<b>53,731</b>	<b>(3%)</b>	<b>3,393,298</b>	<b>(1,201,442)</b>	<b>(4,594,740)</b>	<b>(135%)</b>



## Council Detail Report



For the period ending February 2016					Chief Executive Officer							
	Monthly				YTD				Full Year Budget			
Income	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Around Mountains Cycle Trail	16,705	18,486	(1,781)	(10%)	135,962	147,889	(11,927)	(8%)	2,927,807	221,833	(2,705,974)	(92%)
Chief Executive	8,673	17,066	(8,393)	(49%)	443,741	409,310	34,431	8%	630,098	630,098	-	-
Civil Defence	22,875	22,853	22	-	182,500	182,825	(325)	-	274,237	274,237	-	-
Human Resources	54,239	49,674	4,564	9%	345,563	397,395	(51,832)	(13%)	596,092	596,092	-	-
Rural Fire Control	24,121	24,098	24	-	192,441	192,783	(342)	-	289,175	289,175	-	-
Shared Services Forum	-	-	-	-	55,062	55,062	-	-	55,062	55,062	-	-
SI Visitor Levy	21,883	10,833	11,050	102%	72,154	86,667	(14,512)	(17%)	130,514	130,514	-	-
<b>Total</b>	<b>148,496</b>	<b>143,011</b>	<b>5,485</b>	<b>4%</b>	<b>1,427,423</b>	<b>1,471,930</b>	<b>(44,507)</b>	<b>(3%)</b>	<b>4,902,985</b>	<b>2,197,011</b>	<b>(2,705,974)</b>	<b>(55%)</b>
	Monthly				YTD				Full Year Budget			
Operating Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Around Mountains Cycle Trail	41,876	16,767	(25,109)	(150%)	354,889	134,137	(220,752)	(165%)	60,000	201,205	(141,205)	(235%)
Chief Executive	48,085	67,974	19,889	29%	462,227	570,483	108,256	19%	629,556	862,907	(233,351)	(37%)
Civil Defence	74	55	(20)	(37%)	193,325	193,165	(160)	-	257,626	257,626	-	-
Human Resources	54,198	45,251	(8,947)	(20%)	345,239	373,548	28,309	8%	596,092	596,092	-	-
Rural Fire Control	-	-	-	-	217,214	216,881	(333)	-	289,175	289,175	-	-
Shared Services Forum	23,292	4,589	(18,704)	(408%)	79,705	36,708	(42,997)	(117%)	55,062	55,062	-	-
SI Visitor Levy	-	-	-	-	-	-	-	-	130,000	130,000	-	-
<b>Total</b>	<b>167,525</b>	<b>134,635</b>	<b>(32,890)</b>	<b>(24%)</b>	<b>1,652,599</b>	<b>1,524,923</b>	<b>(127,677)</b>	<b>(8%)</b>	<b>2,017,511</b>	<b>2,392,067</b>	<b>(374,556)</b>	<b>(19%)</b>
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
<b>Net Surplus/(Deficit)</b>	<b>(19,029)</b>	<b>8,376</b>	<b>(27,405)</b>	<b>(327%)</b>	<b>(225,176)</b>	<b>(52,993)</b>	<b>(172,183)</b>	<b>325%</b>	<b>2,885,474</b>	<b>(195,056)</b>	<b>(3,080,530)</b>	<b>(107%)</b>
	Monthly				YTD				Full Year Budget			
Capital Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Around Mountains Cycle Trail	6,844	94,400	87,556	93%	1,119,978	755,199	(364,779)	(48%)	4,770,000	1,132,799	3,637,201	76%
Chief Executive	-	-	-	-	-	-	-	-	-	-	-	-
Civil Defence	-	-	-	-	-	-	-	-	-	-	-	-
Human Resources	-	-	-	-	1,124	-	(1,124)	-	-	-	-	-
SI Visitor Levy	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>6,844</b>	<b>94,400</b>	<b>87,556</b>	<b>93%</b>	<b>1,121,102</b>	<b>755,199</b>	<b>(365,903)</b>	<b>(48%)</b>	<b>4,770,000</b>	<b>1,132,799</b>	<b>3,637,201</b>	<b>76%</b>

## Council Detail Report



	Monthly				YTD				Full Year Budget			
Funding Adjustments	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Around Mountains Cycle Trail	-	92,681	(92,681)	(100%)	-	741,447	(741,447)	(100%)	1,902,193	1,112,171	(790,022)	(42%)
Chief Executive	-	19,401	(19,401)	(100%)	-	155,206	(155,206)	(100%)	(542)	232,809	233,351	(43054%)
Civil Defence	(1,384)	(1,384)	-	-	(11,074)	(11,074)	-	-	(16,611)	(16,611)	-	-
Human Resources	-	-	-	-	-	-	-	-	-	-	-	-
Rural Fire Control	-	-	-	-	-	-	-	-	-	-	-	-
Shared Services Forum	-	-	-	-	-	-	-	-	-	-	-	-
SI Visitor Levy	-	(43)	43	(100%)	-	(343)	343	(100%)	(514)	(514)	-	-
<b>Total</b>	<b>(1,384)</b>	<b>110,655</b>	<b>(112,039)</b>	<b>(101%)</b>	<b>(11,074)</b>	<b>885,237</b>	<b>(896,311)</b>	<b>(101%)</b>	<b>1,884,526</b>	<b>1,327,855</b>	<b>(556,671)</b>	<b>(30%)</b>

**CHIEF EXECUTIVE COMMENTARY**

For the year-to-date, income is under budget by 3% (\$45K). Expenditure is over budget by 8% (\$128M). The year-to-date position is \$172K under budget.

**Chief Executive**

Income in this business unit is 8% (\$34K) over budget, due to higher rates penalties income (\$29K). Expenditure is 19% (\$108K) under budget. Due to consultant costs (\$120K) under budget with additional costs expected to be incurred later in the financial year. This is offset by higher membership fees (\$14K) due to higher annual SOLGM fees and an unbudgeted joining fee for the Local Government Operational Effectiveness Survey, legal costs (\$10K) project consultant costs (\$8K) and contribution costs (\$5K) as a result of the timing of the contribution to the Shared Services Forum.

**Civil Defence**

Income and expenditure are on budget.

**Human Resources**

Income is 13% (\$52K) under budget. Expenditure year-to-date is 8% (\$28K) under budget due to reduced expenditure on training costs (\$16K), recruitment costs (\$4K) and OSH expenses (\$13K). This is offset by overspends on consultants (\$5K). As this activity is internally funded, the reduced expenditure impacts directly on income.

**Around the Mountains Cycle Trail**

Income is 8% (\$12K) under budget with lower funding received to date than expected. Operating expenditure is over budget by 165% (\$221K) with hearing consent costs (\$334K) being moved to this business unit for easy identification. Operating Expenditure is now forecast to be \$728K at year end as a result of additional hearing consent costs. These costs will be moved back to capital expenditure at year end. Capital expenditure is over budget by 48% (\$365K) with total capital expenditure for 15/16 projected to be \$1.13M due to delays on work on Stage 2.

**Rural Fire Control**

Income and expenditure are on budget.

**Shared Services Forum**

Income is on budget. Expenditure year-to-date is over budget by 117% (\$43K) due to higher consultant costs (\$37K) in relation to the Southland Regional Development Strategy and costs to produce the Regional Strategy Booklet (\$5K). Council's share of additional costs for the Southland Regional Development Strategy is intended to be funded by rates collected for Community Outcomes (previously Our Way Southland).

**Stewart Island Visitor Levy**

Income is 17% (\$15K) below budget. Expenditure is currently on budget with grants expected to be paid in May.

	Council & Councillors											
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Council and Councillors	59,716	59,554	163	-	478,424	476,429	1,995	-	714,643	714,643	-	-
Council Contributions/Gran	32,226	32,194	31	-	257,097	257,554	(457)	-	386,331	386,331	-	-
Council Elections	3,399	3,396	3	-	27,118	27,167	(48)	-	40,750	40,750	-	-
Council Water & Sewerage L	43,506	43,404	102	-	346,594	347,233	(639)	-	520,849	520,849	-	-
International Relations Commit	900	900	1	-	7,184	7,197	(13)	-	12,034	12,034	-	-
Museum	30,340	46,160	(15,820)	(34%)	347,537	369,276	(21,739)	(6%)	553,914	553,914	-	-
Regulatory - Non Recoverab	8,017	8,010	8	-	65,253	64,077	1,176	2%	96,115	96,115	-	-
Venture Southland	146,407	146,267	141	-	1,168,087	1,170,133	(2,046)	-	1,755,199	1,755,199	-	-
<b>Total</b>	<b>324,512</b>	<b>339,883</b>	<b>(15,371)</b>	<b>(5%)</b>	<b>2,697,294</b>	<b>2,719,064</b>	<b>(21,770)</b>	<b>(1%)</b>	<b>4,079,835</b>	<b>4,079,835</b>	<b>-</b>	<b>-</b>
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Council and Councillors	47,173	56,593	9,420	17%	486,475	487,637	1,162	-	714,173	729,173	(15,000)	(2%)
Council Contributions/Gran	17,015	18,667	1,652	9%	304,286	346,546	42,260	12%	386,331	421,331	(35,000)	(9%)
Council Elections	-	833	833	100%	181,625	6,667	(174,958)	(2624%)	10,000	10,000	-	-
Council Water & Sewerage L	23,320	23,321	-	-	186,564	186,564	-	-	279,846	279,846	-	-
International Relations Commit	934	1,003	69	7%	934	8,023	7,089	88%	12,034	12,034	-	-
Museum	5,985	45,731	39,746	87%	358,967	368,469	9,502	3%	553,914	553,914	-	-
Regulatory - Non Recoverab	-	-	-	-	37,174	33,640	(3,534)	(11%)	96,115	96,115	-	-
Venture Southland	-	-	-	-	1,326,600	1,316,399	(10,201)	(1%)	1,755,199	1,755,199	-	-
<b>Total</b>	<b>94,427</b>	<b>146,147</b>	<b>51,720</b>	<b>35%</b>	<b>2,882,624</b>	<b>2,753,944</b>	<b>(128,680)</b>	<b>(5%)</b>	<b>3,807,612</b>	<b>3,857,612</b>	<b>(50,000)</b>	<b>(1%)</b>
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
<b>Net Surplus/(Deficit)</b>	<b>230,084</b>	<b>193,736</b>	<b>36,349</b>	<b>19%</b>	<b>(185,330)</b>	<b>(34,880)</b>	<b>(150,450)</b>	<b>431%</b>	<b>272,223</b>	<b>222,223</b>	<b>(50,000)</b>	<b>(18%)</b>

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Council and Councillors	-	-	-	-	-	-	-	-	-	-	-	-
Museum	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Funding Adjustments	-	1,211	(1,211)	(100%)	-	9,687	(9,687)	(100%)	(470)	14,530	15,000	(3191%)
Council and Councillors	-	2,917	(2,917)	(100%)	-	23,333	(23,333)	(100%)	-	35,000	35,000	-
Council Contributions/Gran	-	(2,563)	2,563	(100%)	-	(20,500)	20,500	(100%)	(30,750)	(30,750)	-	-
Council Elections	(20,084)	(20,084)	-	-	(160,669)	(160,669)	-	-	(241,003)	(241,003)	-	-
Council Water & Sewerage L	-	-	-	-	-	-	-	-	-	-	-	-
International Relations Commit	-	-	-	-	-	-	-	-	-	-	-	-
Museum	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory - Non Recoverab	-	-	-	-	-	-	-	-	-	-	-	-
Venture Southland	-	-	-	-	-	-	-	-	-	-	-	-
Total	(20,084)	(18,519)	(1,565)	8%	(160,669)	(148,149)	(12,520)	8%	(272,223)	(222,223)	50,000	(18%)

**COUNCIL AND COUNCILLORS' COMMENTARY**

For the year-to-date, income is 1% (\$22K) under budget. Expenditure is 5% (\$129K) over budget. The year-to-date position is \$150K under budget.

**Council and Councillors**

Income is on budget. Expenditure is \$1K under budget. Councillor's communication costs are \$8K over budget as a result of the timing a back payment. Additionally councillor's salary costs are \$9K over budget. This is offset by Youth Council costs (\$5K) as a result of timing on youth council activities, cultural acquisitions (\$3K).

**Council Contributions/Grants**

Income is on budget. Expenditure is currently under budget 17% (\$38K) due to the timing of miscellaneous grants and the timing on outward bound costs (\$5K).

**Council Elections**

Income is on budget. Expenditure is 2624% (\$175K) over budget due to an error in the timing of election costs. This will be corrected in the March financial reports. It is likely election costs will be over budget this financial year due to the outsourcing of the electoral officer position. This is likely to result in lower election costs next financial year.

**Council Water and Sewerage Loans**

Income is on budget. Expenditure is on budget for the year-to-date.

**International Relations Committee**

Income is on budget. Expenditure is \$7K under budget with minimal activity year to date.

**Museum**

Income is 6% (\$22K) under budget with a \$15K grant from CTOS yet to be received, and the grant for the current year (\$15K) no longer expected to be received. Expenditure is under budget 3% (\$10K) as a result of Vehicle Operation Lease costs (\$6K) due to the vehicle not yet being replaced as anticipated.

**Regulatory - Non-Recoverable**

Income is on budget. Expenditure is currently 11% (\$4K) over budget.

**Venture Southland**

Income is on budget. Expenditure is currently \$10K over budget and expected to be \$14K over budget at year end.



## Council Detail Report



	Other Activities											
	Monthly				YTD				Full Year Budget			
Income	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Allocation Committees	27,924	25,136	2,788	11%	196,108	146,386	49,722	34%	312,089	312,089	-	-
Operating investments	127,623	118,500	9,123	8%	1,175,399	947,997	227,402	24%	1,487,675	1,487,675	-	-
Total	155,547	143,635	11,911	8%	1,371,507	1,094,383	277,124	25%	1,799,764	1,799,764	-	-
	Monthly				YTD				Full Year Budget			
Operating Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Allocation Committees	20,576	8,830	(11,746)	(133%)	193,309	178,789	(14,520)	(8%)	322,258	322,258	-	-
Operating investments	3,036	3,147	111	4%	25,442	25,177	(265)	(1%)	1,440,111	1,440,111	-	-
Total	23,612	11,977	(11,635)	(97%)	218,751	203,966	(14,785)	(7%)	1,762,369	1,762,369	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	131,935	131,658	276	-	1,152,756	890,416	262,339	29%	37,395	37,395	-	-
	Monthly				YTD				Full Year Budget			
Funding Adjustments	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Allocation Committees	-	847	(847)	(100%)	-	6,779	(6,779)	(100%)	10,169	10,169	-	-
Operating investments	-	(3,964)	3,964	(100%)	-	(31,709)	31,709	(100%)	(47,564)	(47,564)	-	-
Total	-	(3,116)	3,116	(100%)	-	(24,930)	24,930	(100%)	(37,395)	(37,395)	-	-

**OTHER ACTIVITIES COMMENTARY****Allocations Committee**

Income is 34% (\$50K) over budget due to an unbudgeted donation relating to the Men of the Trees Fund (\$28K), the unbudgeted repayment of a loan made by the Community Initiatives Fund (\$10K) and the timing of grant income received. Expenditure is (\$15K) over budget with unbudgeted grants being distributed from the Men of the Trees fund (\$27K), this is offset by the timing on grants made by the Allocations Committee with the next allocations meeting scheduled in May.

**Operating Investments**

Currently, the majority of Council's reserves are internally loaned by Council or its local communities for major projects. Council has set the interest rate to be charged on these loans as part of its 10 Year Plan process and interest is being charged on a monthly basis on all internal loans drawn down at 30 June 2015.

	Environment & Community											
	Monthly				YTD				Full Year Budget			
Income	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Alcohol Licensing	14,355	18,315	(3,961)	(22%)	142,562	146,523	(3,961)	(3%)	237,531	220,315	(17,216)	(7%)
Animal Control	10,962	8,433	2,529	30%	447,532	427,467	20,066	5%	464,295	474,295	10,000	2%
Area Offices	121,324	119,519	1,805	2%	976,898	956,151	20,747	2%	1,434,226	1,434,226	-	-
Building Regulations	106,100	122,544	(16,443)	(13%)	957,242	980,351	(23,109)	(2%)	1,670,526	1,470,526	(200,000)	(12%)
Customer Services	25,485	33,311	(7,827)	(23%)	217,001	266,491	(49,491)	(19%)	363,737	399,737	36,000	10%
District Library	103,340	104,717	(1,377)	(1%)	855,484	837,733	17,751	2%	1,256,600	1,256,600	-	-
Enviro & Com Dev Admin	17,766	19,660	(1,894)	(10%)	146,172	157,279	(11,108)	(7%)	235,919	235,919	-	-
Environmental Health	12,117	12,336	(220)	(2%)	133,655	141,791	(8,136)	(6%)	199,443	199,443	-	-
Health Licensing	491	1,458	(967)	(66%)	114,825	119,823	(4,998)	(4%)	154,243	134,243	(20,000)	(13%)
Resource Consent Processin	57,824	60,640	(2,816)	(5%)	480,908	485,117	(4,210)	(1%)	828,676	727,676	(101,000)	(12%)
Resource Planning/Policy	29,472	29,443	29	-	235,128	235,547	(418)	-	353,320	353,320	-	-
<b>Total</b>	<b>499,234</b>	<b>530,377</b>	<b>(31,143)</b>	<b>(6%)</b>	<b>4,707,407</b>	<b>4,754,273</b>	<b>(46,865)</b>	<b>(1%)</b>	<b>7,198,516</b>	<b>6,906,300</b>	<b>(292,216)</b>	<b>(4%)</b>
	Monthly				YTD				Full Year Budget			
Operating Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Alcohol Licensing	13,403	16,388	2,985	18%	125,518	137,021	11,503	8%	222,847	209,847	13,000	6%
Animal Control	36,445	36,104	(341)	(1%)	312,031	323,868	11,837	4%	472,562	483,562	(11,000)	(2%)
Area Offices	91,162	79,689	(11,473)	(14%)	656,566	656,607	41	-	1,009,750	994,750	15,000	1%
Building Regulations	113,217	128,988	15,771	12%	976,639	1,074,072	97,433	9%	1,654,805	1,633,350	21,455	1%
Customer Services	25,464	31,679	6,214	20%	216,839	263,226	46,387	18%	363,737	399,737	(36,000)	(10%)
District Library	89,366	87,197	(2,169)	(2%)	700,929	729,760	28,831	4%	1,102,073	1,102,073	-	-
Enviro & Com Dev Admin	17,766	17,853	87	-	146,172	153,363	7,191	5%	235,919	235,919	-	-
Environmental Health	13,834	17,516	3,682	21%	116,272	126,816	10,544	8%	191,137	191,137	-	-
Health Licensing	6,748	11,322	4,574	40%	58,845	94,929	36,084	38%	145,656	145,656	-	-
Resource Consent Processin	55,755	74,271	18,516	25%	526,390	617,496	91,106	15%	828,676	937,218	(108,542)	(13%)
Resource Planning/Policy	13,586	22,145	8,559	39%	106,389	183,129	76,740	42%	337,676	277,676	60,000	18%
<b>Total</b>	<b>476,747</b>	<b>523,153</b>	<b>46,406</b>	<b>9%</b>	<b>3,942,590</b>	<b>4,360,286</b>	<b>417,695</b>	<b>10%</b>	<b>6,564,838</b>	<b>6,610,925</b>	<b>(46,087)</b>	<b>(1%)</b>
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
<b>Net Surplus/(Deficit)</b>	<b>22,488</b>	<b>7,225</b>	<b>15,263</b>	<b>211%</b>	<b>764,817</b>	<b>393,987</b>	<b>370,830</b>	<b>94%</b>	<b>633,678</b>	<b>295,375</b>	<b>(338,303)</b>	<b>(53%)</b>

	Monthly				YTD				Full Year Budget			
Capital Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Animal Control	1,370	-	(1,370)	-	7,180	-	(7,180)	-	-	-	-	-
Area Offices	(3,500)	-	3,500	-	-	-	-	-	-	-	-	-
Building Regulations	-	2,826	2,826	100%	29,056	22,604	(6,452)	(29%)	33,906	33,906	-	-
Customer Services	-	-	-	-	-	-	-	-	-	-	-	-
District Library	10,088	13,148	3,060	23%	96,531	139,223	42,691	31%	152,815	191,815	(39,000)	(26%)
Enviro & Com Dev Admin	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Health	-	3,014	3,014	100%	30,777	24,115	(6,661)	(28%)	36,173	36,173	-	-
Health Licensing	-	3,116	3,116	100%	-	24,931	24,931	100%	37,396	37,396	-	-
Resource Consent Processin	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>7,958</b>	<b>22,104</b>	<b>14,146</b>	<b>64%</b>	<b>163,544</b>	<b>210,873</b>	<b>47,329</b>	<b>22%</b>	<b>260,290</b>	<b>299,290</b>	<b>(39,000)</b>	<b>(15%)</b>

	Monthly				YTD				Full Year Budget			
Funding Adjustments	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Alcohol Licensing	-	(872)	872	(100%)	-	(6,979)	6,979	(100%)	(14,684)	(10,468)	4,216	(29%)
Animal Control	1,370	772	598	77%	12,990	6,178	6,812	110%	8,267	9,267	1,000	12%
Area Offices	(25,026)	(36,623)	11,597	(32%)	(200,207)	(292,984)	92,777	(32%)	(424,476)	(439,476)	(15,000)	4%
Building Regulations	-	16,394	(16,394)	(100%)	22,534	131,153	(108,619)	(83%)	18,185	196,730	178,545	982%
Customer Services	-	-	-	-	-	-	-	-	-	-	-	-
District Library	(1,949)	1,348	(3,297)	(245%)	7,320	31,897	(24,578)	(77%)	(1,712)	37,288	39,000	(2278%)
Enviro & Com Dev Admin	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Health	-	2,322	(2,322)	(100%)	30,777	18,578	12,199	66%	27,867	27,867	-	-
Health Licensing	-	4,067	(4,067)	(100%)	-	32,539	(32,539)	(100%)	28,809	48,809	20,000	69%
Resource Consent Processin	-	17,462	(17,462)	(100%)	-	139,695	(139,695)	(100%)	-	209,542	209,542	-
Resource Planning/Policy	-	(6,304)	6,304	(100%)	-	(50,429)	50,429	(100%)	(15,644)	(75,644)	(60,000)	384%
<b>Total</b>	<b>(25,605)</b>	<b>(1,433)</b>	<b>(24,172)</b>	<b>1686%</b>	<b>(126,587)</b>	<b>9,649</b>	<b>(136,235)</b>	<b>(1412%)</b>	<b>(373,388)</b>	<b>3,915</b>	<b>377,303</b>	<b>(101%)</b>

**ENVIRONMENT AND COMMUNITY COMMENTARY**

**Overall February 2016 monthly income for the Environment and Community Group was 10% (\$31K) below budget at \$499K actual versus \$530K budget.**

Key features of this month's income were that Alcohol Licensing and Building Consent processing income were significantly below projected budget by 22% (\$4K) and 13% (\$16K) respectively, reflecting the relatively low level of current development activity and in the case of Alcohol Licensing income the Council's decision to reduce licensing fees by 30% in response to industry submissions.

**Overall February 2016 monthly expenditure for the Environment and Community Group was 9% (\$46K) below budget at \$477K actual v \$523K budget.**

Most departments were below budget expenditure-wise, reflecting a close focus on spending, which is important in the current economic climate having regard to the reduced income referred to above.

The Health Licensing 40% (\$5K), Resource Consent Processing 25% (\$19K) and Resource Planning Policy 39% (\$9K) areas were areas where expenditure was significantly less than budgeted.

**Overall Group YTD Summary as at end of February 2016 of 15/16 financial year:**

**Overall Group YTD Income at the end of February 2016 for the 15/16 financial year is 1% (\$46,865) below full year budget projection, at \$4,707,407 actual versus \$4,754,273 budget.**

It is anticipated that if the current trend regarding levels of incoming development-related work continues, then overall Group income could be approximately \$300,000-\$350,000 below the original 2015/2016 Annual Plan budget at year end. As previously discussed at APAC some resourcing changes are being made to reflect these economic conditions.

**Overall Group YTD Expenditure at the end of February 2016 of the 15/16 financial year is 10% (\$417,695) below budget at \$3.9M actual versus \$4.4M budget.**

While Group income has been less than budgeted reflecting current generally subdued development activity levels within the District; expenditure is also significantly under budget, by a greater extent than income.

Management staff within the Group are closely monitoring incoming work as well as expenditure, and associated resourcing requirements.

Further unbudgeted costs are continuing to be incurred by SDC as regulatory authority (as distinct from SDC as consent holder/applicant) relating to the Around the Mountains Cycleway Environment Court hearing which commenced in mid-February. SDC has a statutory duty to assist the Court in this process as the regulatory RMA consent authority, and hence additional costs will be incurred when this hearing reconvenes.

The Resource Planning/ Policy area expenditure is significantly under budget year to date, 42% (\$77K) but it is likely that further costs will be incurred in District Plan variation processes currently underway in the later part of the 2015/2016 financial year. The number of submissions received is relatively low and are mostly supportive, so this additional expenditure may be less than originally thought.

The Building Control area expenditure is also significantly under budget 9% (\$97) reflecting staffing level changes and reduced expenditure in vehicle running due to fewer inspections.

	Financial Services											
	Monthly				YTD				Full Year Budget			
Income	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Financial Services	103,403	137,943	(34,540)	(25%)	997,155	1,128,598	(131,443)	(12%)	1,851,170	1,705,426	(145,744)	(8%)
Total	103,403	137,943	(34,540)	(25%)	997,155	1,128,598	(131,443)	(12%)	1,851,170	1,705,426	(145,744)	(8%)
	Monthly				YTD				Full Year Budget			
Operating Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Financial Services	101,465	118,246	16,782	14%	981,650	1,076,658	95,008	9%	1,848,844	1,703,100	145,744	8%
Total	101,465	118,246	16,782	14%	981,650	1,076,658	95,008	9%	1,848,844	1,703,100	145,744	8%
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	1,938	19,696	(17,758)	(90%)	15,505	51,940	(36,436)	(70%)	2,326	2,326	-	-
	Monthly				YTD				Full Year Budget			
Capital Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Financial Services	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-
	Monthly				YTD				Full Year Budget			
Funding Adjustments	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Financial Services	-	(194)	194	(100%)	-	(1,551)	1,551	(100%)	(2,326)	(2,326)	-	-
Total	-	(194)	194	(100%)	-	(1,551)	1,551	(100%)	(2,326)	(2,326)	-	-



**FINANCIAL SERVICES COMMENTARY**

Income is 12% (\$131K) under budget. As this activity is internally funded the reduced expenditure impacts directly on income.

Expenditure is 9% (\$95K) under the forecast adjusted budget for the year-to-date. This is primarily due to the following:

- Staff costs (\$25K) are expected to realign towards year end as a result of recent appointments and returning staff.
- Valuation roll maintenance costs (\$12K).
- Consultant costs (\$10K).
- Legal costs (\$7K).
- Debt collection costs (\$5K).
- Visa/MasterCard Charges (\$9K).
- Printing costs (\$11K).

Annual expenditure is forecast to be \$146K below the LTP budget primarily due to:

- Staff costs (\$75K) as a result of maternity leave and a vacant position.
- Valuation Roll Maintenance costs (\$45K) due to lower costs from LINZ and QV.
- Debt collection costs (\$20K) as a result of lower debt collection activity during the year.

	Information Management											
	Monthly				YTD				Full Year Budget			
Income	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Information Management	164,138	169,869	(5,732)	(3%)	1,346,535	1,358,954	(12,419)	(1%)	2,042,431	2,038,431	(4,000)	-
Knowledge Management	54,268	70,049	(15,781)	(23%)	526,753	560,390	(33,637)	(6%)	882,585	840,585	(42,000)	(5%)
Property & Spatial Services	37,894	33,267	4,627	14%	258,310	266,136	(7,826)	(3%)	399,204	399,204	-	-
Total	256,300	273,185	(16,885)	(6%)	2,131,599	2,185,480	(53,881)	(2%)	3,324,220	3,278,220	(46,000)	(1%)
	Monthly				YTD				Full Year Budget			
Operating Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Information Management	152,314	150,901	(1,413)	(1%)	1,227,444	1,226,205	(1,239)	-	1,852,325	1,848,325	4,000	-
Knowledge Management	53,434	66,589	13,155	20%	520,079	552,926	32,847	6%	881,833	839,833	42,000	5%
Property & Spatial Services	37,894	31,417	(6,477)	(21%)	258,310	259,746	1,436	1%	393,825	393,825	-	-
Total	243,642	248,907	5,265	2%	2,005,833	2,038,877	33,044	2%	3,127,983	3,081,983	46,000	1%
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	12,658	24,278	(11,620)	(48%)	125,766	146,603	(20,837)	(14%)	196,237	196,237	-	-
	Monthly				YTD				Full Year Budget			
Capital Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Information Management	-	20,833	20,833	100%	32,454	166,667	134,213	81%	1,000,000	250,000	750,000	75%
Knowledge Management	71,154	5,000	(66,154)	(1323%)	82,994	40,000	(42,994)	(107%)	750,000	60,000	690,000	92%
Total	71,154	25,833	(45,321)	(175%)	115,448	206,667	91,218	44%	1,750,000	310,000	1,440,000	82%
	Monthly				YTD				Full Year Budget			
Funding Adjustments	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Information Management	(16,115)	4,991	(21,106)	(423%)	(128,916)	39,929	(168,845)	(423%)	809,894	59,894	(750,000)	(93%)
Knowledge Management	-	4,937	(4,937)	(100%)	-	39,499	(39,499)	(100%)	749,248	59,248	(690,000)	(92%)
Property & Spatial Services	-	(448)	448	(100%)	-	(3,586)	3,586	(100%)	(5,379)	(5,379)	-	-
Total	(16,115)	9,480	(25,595)	(270%)	(128,916)	75,842	(204,758)	(270%)	1,553,763	113,763	(1,440,000)	(93%)

**INFORMATION MANAGEMENT COMMENTARY**

Income is 2% (\$54K) under budget for the year-to-date. Overall expenditure is 2% (\$33K) under budget. The year-to-date position is \$21K under budget.

**Information Management**

Income is 1% (\$12K) under budget predominantly due to lower internal computer hire income (\$27K). This is offset by higher income from Internal Photocopying (\$16K). Expenditure is (\$1K) under budget. Telephone costs are under budget for calls (\$17K) and rentals (\$5K). Software Licence fees are (\$9K) over budget and anticipated to be \$50K higher at year end than the LTP Budget. Photocopier User Charges are \$20K below budget. Consultants fees are currently (\$27K) overspent with an external Systems Engineer covering a vacancy. Consulting costs are forecast to be \$150K over the LTP budget at year end. This will be offset by underspends in staff costs (\$130K).

**Knowledge Management**

Income is 6% (\$34K) under budget. Expenditure is 6% (\$33K) under budget, due to timing on staff costs (\$21K) which are expected to realign with the February forecast at year end, training costs (\$4K) and consultant costs (\$10K). As this activity is internally funded the decreased expenditure impacts directly on income.

**Property and Spatial Services**

Income is under budget (\$8K). Expenditure is under budget (\$1K) with overspends on consultant costs (\$24K). As this activity is internally funded the decreased expenditure impacts directly on income.

	Policy & Community											
	Monthly				YTD				Full Year Budget			
Income	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Community Outcomes	3,750	3,750	-	-	30,000	30,000	-	-	45,000	45,000	-	-
Corporate Planning	53,280	67,681	(14,401)	(21%)	482,788	541,445	(58,657)	(11%)	834,167	812,167	(22,000)	(3%)
Secreterial Services	28,987	21,343	7,645	36%	221,311	170,740	50,571	30%	315,110	256,110	(59,000)	(19%)
Strategy/Communication	68,487	72,474	(3,987)	(6%)	533,825	579,789	(45,965)	(8%)	864,684	869,684	5,000	1%
<b>Total</b>	<b>154,504</b>	<b>165,247</b>	<b>(10,742)</b>	<b>(7%)</b>	<b>1,267,924</b>	<b>1,321,974</b>	<b>(54,050)</b>	<b>(4%)</b>	<b>2,058,961</b>	<b>1,982,961</b>	<b>(76,000)</b>	<b>(4%)</b>
	Monthly				YTD				Full Year Budget			
Operating Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Community Outcomes	-	3,750	3,750	100%	-	30,000	30,000	100%	45,000	45,000	-	-
Corporate Planning	52,780	63,965	11,185	17%	478,788	533,979	55,191	10%	833,567	811,567	22,000	3%
Secreterial Services	28,969	20,447	(8,522)	(42%)	221,163	168,949	(52,214)	(31%)	315,110	256,110	59,000	19%
Strategy/Communication	65,359	82,781	17,423	21%	508,797	586,643	77,846	13%	867,161	872,161	(5,000)	(1%)
<b>Total</b>	<b>147,107</b>	<b>170,943</b>	<b>23,836</b>	<b>14%</b>	<b>1,208,748</b>	<b>1,319,571</b>	<b>110,823</b>	<b>8%</b>	<b>2,060,838</b>	<b>1,984,838</b>	<b>76,000</b>	<b>4%</b>
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
<b>Net Surplus/(Deficit)</b>	<b>7,397</b>	<b>(5,696)</b>	<b>13,093</b>	<b>(230%)</b>	<b>59,176</b>	<b>2,403</b>	<b>56,773</b>	<b>2362%</b>	<b>(1,877)</b>	<b>(1,877)</b>	<b>-</b>	<b>-</b>
	Monthly				YTD				Full Year Budget			
Capital Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Corporate Planning	-	-	-	-	-	-	-	-	-	-	-	-
Secreterial Services	-	-	-	-	-	-	-	-	-	-	-	-
Strategy/Communication	-	246	246	100%	-	1,964	1,964	100%	2,946	2,946	-	-
<b>Total</b>	<b>-</b>	<b>246</b>	<b>246</b>	<b>100%</b>	<b>-</b>	<b>1,964</b>	<b>1,964</b>	<b>100%</b>	<b>2,946</b>	<b>2,946</b>	<b>-</b>	<b>-</b>
	Monthly				YTD				Full Year Budget			
Funding Adjustments	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Community Outcomes	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Planning	-	(50)	50	(100%)	-	(400)	400	(100%)	(600)	(600)	-	-
Strategy/Communication	-	452	(452)	(100%)	-	3,615	(3,615)	(100%)	5,423	5,423	-	-
<b>Total</b>	<b>-</b>	<b>402</b>	<b>(402)</b>	<b>(100%)</b>	<b>-</b>	<b>3,215</b>	<b>(3,215)</b>	<b>(100%)</b>	<b>4,823</b>	<b>4,823</b>	<b>-</b>	<b>-</b>

**POLICY AND COMMUNITY COMMENTARY**

Income for the year-to-date is 4% (\$54K) under budget. Expenditure for the year-to-date is 8% (\$111K) under budget.

**Community Outcomes**

Income is on budget. Expenditure is under budget by \$30K. Part of this budget has been identified to fund the Southland Regional Development Strategy.

**Corporate Planning**

Income is 11% (\$59K) under budget. Expenditure is 10% (\$55K) under budget due to lower staff costs (\$15K), internal overheads (\$13K), district survey costs (\$10K) legal costs (\$3K) and consultant costs (\$6K).

**Secretarial Services**

Income is 30% (\$51K) over budget. Expenditure is 31% (\$52K) over budget predominantly due to staff costs (\$38K) as a result of timing, additionally advertising costs (\$13K) are over budget. As this activity is internally funded the increased expenditure impacts directly on income.

**Strategy/Communication**

Income is 8% (\$46K) under budget. Expenditure is underspent by 13% (\$78K) communication costs (\$24K), maintenance costs (\$7K), newspaper advertising costs (\$8), software licence costs (\$4K) and Waimumu Field days (\$22K), with the costs relating to this event being incurred in March. This is offset by radio advertising costs (\$10K). As this activity is internally funded the reduced expenditure impacts directly on income.

For the period ending February 2016

Roading Detail Report



	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var%	Budget	Projection	Variance	Var %
<b>Income</b>												
Grants	1,482,781	1,024,887	457,894	45%	7,492,427	8,199,095	(706,668)	(9%)	14,046,771	12,298,642	(1,748,129)	(12%)
Internal Income	-	417	(417)	(100%)	36,330	43,505	(7,176)	(16%)	479,441	479,441	-	-
Other Income	42,755	41,156	1,599	4%	370,171	329,245	40,926	12%	493,868	493,868	-	-
Rates	1,088,172	1,075,730	12,442	1%	8,585,426	8,565,669	19,756	0%	12,868,590	12,868,590	-	-
User Charges and Fees	-	2,525	(2,525)	(100%)	-	20,200	(20,200)	(100%)	30,300	30,300	-	-
<b>Total</b>	<b>2,613,708</b>	<b>2,144,714</b>	<b>468,994</b>	<b>22%</b>	<b>16,484,354</b>	<b>17,157,715</b>	<b>(673,361)</b>	<b>(4%)</b>	<b>27,918,970</b>	<b>26,170,841</b>	<b>(1,748,129)</b>	<b>(6%)</b>
<b>Direct Expenditure</b>												
Advertising	-	63	63	100%	86	500	414	83%	750	750	-	-
Communications	208	632	424	67%	3,424	5,053	1,629	32%	7,580	7,580	-	-
Conferences and courses	2,501	1,383	(1,118)	(81%)	10,906	11,067	160	1%	16,600	16,600	-	-
Electricity	3,272	3,000	(272)	(9%)	29,099	24,000	(5,099)	(21%)	36,000	36,000	-	-
Fees and Charges	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	2,335	2,063	(272)	(13%)	2,063	2,063	-	-
Other Expenditure	(41)	7,583	7,625	101%	48,392	60,667	12,275	20%	91,000	91,000	-	-
Postage and Stationery	43	83	40	48%	1,046	667	(380)	(57%)	1,000	1,000	-	-
Professional Services	-	2,917	2,917	100%	39,230	23,333	(15,897)	(68%)	35,000	35,000	-	-
Rates	120	-	(120)	-	2,451	2,239	(212)	(9%)	2,239	2,239	-	-
Repairs and Maintenance	788,820	891,010	102,190	11%	6,655,824	7,128,077	472,253	7%	10,692,115	10,692,115	-	-
Emergency Reinstatement	-	22,083	22,083	100%	1,143	176,667	175,524	99%	265,000	265,000	-	-
Environmental Maintenance	63,543	87,764	24,221	28%	732,766	702,111	(30,654)	(4%)	1,053,167	1,053,167	-	-
General Projects	-	-	-	-	1,500	-	(1,500)	-	-	-	-	-
Level Crossing Warning Devices	(3,653)	2,500	6,153	246%	4,960	20,000	15,040	75%	30,000	30,000	-	-
Maint - General	(0)	1,667	1,667	100%	695	13,333	12,638	95%	20,000	20,000	-	-
Maint - Unsealed Roads	-	-	-	-	-	-	-	-	-	-	-	-
Network and Asset Management	187,790	187,144	(646)	(0%)	1,354,846	1,497,151	142,305	10%	2,245,727	2,245,727	-	-
Routine Drainage Maintenance	71,551	76,644	5,092	7%	641,344	613,148	(28,196)	(5%)	919,722	919,722	-	-
Sealed Pavement Maintenance	228,553	246,543	17,991	7%	1,799,485	1,972,346	172,861	9%	2,958,519	2,958,519	-	-
Spraying	-	3,583	3,583	100%	14,716	28,667	13,951	49%	43,000	43,000	-	-
Stock Underpasses Minor Improv	-	6,250	6,250	100%	-	50,000	50,000	100%	75,000	75,000	-	-
Street Lighting Transit	1,386	2,292	906	40%	21,891	18,333	(3,558)	(19%)	27,500	27,500	-	-
Structures Maintenance	5,658	14,167	8,509	60%	140,428	113,333	(27,095)	(24%)	170,000	170,000	-	-
Traffic Services Maintenance	27,926	44,579	16,653	37%	274,261	356,633	82,373	23%	534,950	534,950	-	-
Unsealed Pavement Maintenance	206,065	195,794	(10,271)	(5%)	1,667,790	1,566,353	(101,436)	(6%)	2,349,530	2,349,530	-	-
Staff Costs	32,182	37,699	5,518	15%	346,932	327,470	(19,463)	(6%)	504,143	504,143	-	-
Travel and Accommodation	3,659	958	(2,700)	(282%)	13,624	7,667	(5,957)	(78%)	11,500	11,500	-	-
Vehicle Expenses	782	(320)	(1,102)	344%	4,042	(2,561)	(6,603)	258%	(3,842)	(3,842)	-	-
<b>Total</b>	<b>831,545</b>	<b>945,008</b>	<b>113,463</b>	<b>12%</b>	<b>7,157,391</b>	<b>7,590,240</b>	<b>432,849</b>	<b>6%</b>	<b>11,396,148</b>	<b>11,396,148</b>	<b>-</b>	<b>-</b>

## Activities Performance Audit Committee

27 April 2016

Indirect Expenditure

Depreciation (Funded)	1,812	1,391	(421)	(30%)	14,496	11,130	(3,366)	(30%)	16,695	16,695	-	-
Internal Expenses	86,751	92,351	5,600	6%	717,113	754,141	37,028	5%	1,128,045	1,128,045	-	-
<b>Total</b>	<b>88,563</b>	<b>93,743</b>	<b>5,179</b>	<b>6%</b>	<b>731,610</b>	<b>765,271</b>	<b>33,661</b>	<b>4%</b>	<b>1,144,740</b>	<b>1,144,740</b>	<b>-</b>	<b>-</b>
<b>Net Surplus/(Deficit)</b>	<b>1,693,600</b>	<b>1,105,964</b>	<b>587,636</b>	<b>53%</b>	<b>8,595,353</b>	<b>8,802,203</b>	<b>(206,850)</b>	<b>(2%)</b>	<b>15,378,082</b>	<b>13,629,953</b>	<b>(1,748,129)</b>	<b>(11%)</b>

Capital Expenditure

## Capital Expenditure

Assoc Imprvmnts - Acq LOS	68,350	-	(68,350)	-	77,109	-	(77,109)	-	-	-	-	-
Bridges - Renewal	-	4,167	4,167	100%	25,003	33,333	8,330	25%	1,000,000	50,000	950,000	95%
Drainage Renewals - Acq LOS	2,584	50,000	47,416	95%	136,249	400,000	263,751	66%	600,000	600,000	-	-
Drainage Renewals - Renewal	11,076	16,667	5,590	34%	209,460	133,333	(76,126)	(57%)	200,000	200,000	-	-
Improvements - Acq LOS	-	8,333	8,333	100%	-	66,667	66,667	100%	100,000	100,000	-	-
Minor Improvements Acq LOS	96,999	72,885	(24,114)	(33%)	219,032	583,077	364,045	62%	874,615	874,615	-	-
Other Equip - Acq LOS	-	-	-	-	2,385	-	(2,385)	-	-	-	-	-
Pavement Rehab - Acq LOS	-	9,657	9,657	100%	-	77,254	77,254	100%	115,881	115,881	-	-
Pavement Rehab - Renewal	598,904	130,988	(467,916)	(357%)	877,686	1,047,905	170,219	16%	1,250,471	1,571,858	(321,387)	(26%)
Preventive Maint - Renewals	1,057	20,833	19,776	95%	95,210	166,667	71,457	43%	250,000	250,000	-	-
Seal Rd Resurface - Acq LOS	-	16,667	16,667	100%	-	133,333	133,333	100%	2,000,000	200,000	1,800,000	90%
Seal Rd Resurface - Renewal	837,815	316,730	(521,084)	(165%)	3,031,356	2,533,843	(497,513)	(20%)	4,486,917	3,800,764	686,153	15%
Structure Component - Renewal	2,461	31,667	29,206	92%	129,379	253,333	123,954	49%	280,000	380,000	(100,000)	(36%)
Traffic Services - Acq LOS	1,706	5,767	4,060	70%	39,821	46,133	6,313	14%	69,200	69,200	-	-
Traffic Services - Renewal	40,797	60,153	19,356	32%	464,713	481,220	16,507	3%	721,830	721,830	-	-
Unsealed Rd Metal - Renewal	181,207	193,401	12,194	6%	1,284,299	1,547,210	262,911	17%	2,320,815	2,320,815	-	-
<b>Total</b>	<b>1,842,955</b>	<b>937,914</b>	<b>(905,042)</b>	<b>(96%)</b>	<b>6,591,703</b>	<b>7,503,309</b>	<b>911,605</b>	<b>12%</b>	<b>14,269,729</b>	<b>11,254,963</b>	<b>3,014,766</b>	<b>21%</b>
<b>Funding Adjustments</b>												
Loans	(149,366)	(178,370)	29,004	(16%)	1,065,135	(1,426,961)	2,492,096	(175%)	(1,220,441)	(2,140,441)	(920,000)	75%
Reserve Transfers	-	(19,546)	19,546	(100%)	(2,260,062)	(156,366)	(2,103,696)	1345%	112,088	(234,549)	(346,637)	(309%)
<b>Total</b>	<b>(149,366)</b>	<b>(197,916)</b>	<b>48,550</b>	<b>(25%)</b>	<b>(1,194,927)</b>	<b>(1,583,327)</b>	<b>388,400</b>	<b>(25%)</b>	<b>(1,108,353)</b>	<b>(2,374,990)</b>	<b>(1,266,637)</b>	<b>114%</b>



## STRATEGIC TRANSPORT

### Overall Financial Performance

Transport has a continued focus delivering value for money. Construction works have now commenced on all the approved pavement rehabilitation projects with costs arriving in February and further costs expected in March. The business unit's current focus is on the 'lead in – advance work' that is required for our bridge rebuild and renewal programme. The selection of which slip restoration of service option for the large Chaslands Highway and Brydone Glencoe Rd slip is likely be pushed out to either 16/17 Activity Management Plan, due to additional Geotech studies required to offer roading more cost effective options.

### **Overheads**

Unplanned ad-hoc road legal expense requirements have resulted in our professional services budget in this area over extended. This will wash out by the end of year final reconciliation. This forecast was prepared based on our historic average annual expenditure for legal expenditure.

### **Maintenance**

Overall maintenance budgets are in line and will continue to track with actual expenditure year to date. Events over the last winter period, have put a strain on the service resilience budgets. This will be offset in our final operating expenditure and meanwhile will be monitored more closely over the next few months until closure of financial year. Our forecast over spend in environmental and structures maintenance will be offset and rebalanced with expected under expenditure in sealed roads maintenance and Network and Asset Management renewals.

We have noted that our unsealed roads costs are temporarily over budget, primarily due to additional grading and other ad-hoc work due to harsh weather events. This line item will align to a slight (minor) over expenditure that will be offset by our underspend in sealed maintenance.

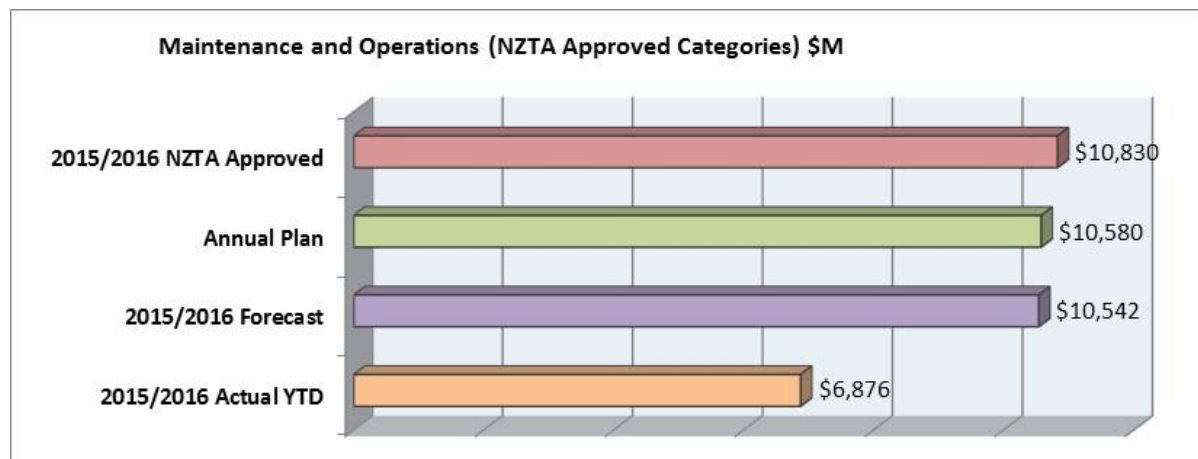
### **Capital Expenditure**

We have forecast, along with key projects being deferred until the next financial year. This is primarily due to the new 25 KM Southern Scenic Route Seal Extension (approved funding) and the Mararoa Bridge, (which has yet qualified for funding Benefit Cost Ratio not viable), these two key capital deferrals will cause our Roading forecast expenditure to be considerably under at year end.

Council's Transport roading programme (excluding special projects) is forecast to be under budget at year end, primarily due to reseals being significantly under budget due to the falling bitumen index.

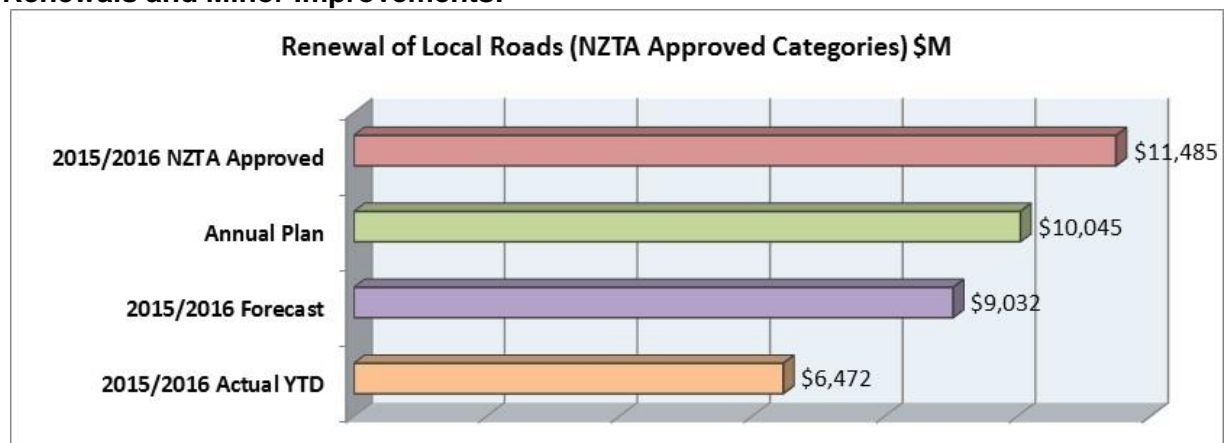
We expect our reseals underspend to be partially reduced with our rehabilitation renewals tendered work being over current forecast. Work is continuing on 'minor Improvements' with several guard rails sites been scheduled for consideration and likely work to be released this financial year.

It is anticipated we will require to reserve some of our expected underspend in capital works this year to assist in the future funding required the emergency capital investment required in restoring the Brydone Glencoe slip and rehabilitation of service.

**Maintenance and Operations (excluding Special Purpose Roads):**

Financial Tracking vs Plans			
YTD	Forecast	Annual Plan	NZTA Approved
67%	65%	65%	63%

Key	
	Largely on Track
	Monitoring
	Action Required

**Renewals and Minor Improvements:**

Financial Tracking vs Plans			
YTD	Forecast	Annual Plan	NZTA Approved
67%	72%	64%	56%

*Other Budgeted Projects:*

Other Budgeted Projects	2015/2016 Budget	Project Status	Notes
Southern Scenic Route Seal Extension	\$ 2,050,000	Indicative Business Case	Transport have completed Indicative business case. Options have been discussed with council. This physical works component of this project will likely advance in the 2016/2017 year.
Mararoa Bridge	\$ 1,000,000	Not Started	Low strategic fit (NZTA). Engineers have held discussions with landowners and are currently assessing options. This will likely include a requirement of contributions from land owners. Physical works will likely start in 2016/2017.

*Unbudgeted Projects:*

Unbudgeted Projects	2015/2016 Budget/Estimate	Project Status	Notes
Chaslands Highway Slip	NZTA have approved \$444,787 (100% funded by NZTA - Special Purpose Road). More work is required to fully scope	A temporary road has been constructed.	A geo-technical report has been completed on this site. Our Roading Engineers are currently assessing options, and may advance to a business case.

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*Please note that the budgeted numbers for 15/16 have not been apportioned, therefore a number of the variances are as a result of timing issues.*

	Services & Assets											
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Area Engineers	108,995	101,562	7,432	7%	805,977	812,498	(6,521)	(1%)	1,274,747	1,218,747	(56,000)	(4%)
Council Property	96,325	80,561	15,763	20%	681,554	644,491	37,062	6%	899,727	969,664	69,937	8%
District Reserves	10,472	12,128	(1,656)	(14%)	84,865	97,026	(12,161)	(13%)	145,539	145,539	-	-
District Sewerage	269,004	266,441	2,563	1%	2,194,555	2,131,527	63,027	3%	3,258,585	3,258,585	-	-
District Water	220,354	219,919	435	-	1,846,103	1,898,879	(52,776)	(3%)	2,920,325	2,920,325	-	-
Engineering Administration	34,959	38,737	(3,777)	(10%)	297,416	309,895	(12,479)	(4%)	464,842	464,842	-	-
Engineering Consultants	72,929	76,205	(3,276)	(4%)	577,283	609,643	(32,360)	(5%)	914,465	914,465	-	-
Forestry	178,525	180,995	(2,470)	(1%)	178,525	1,266,173	(1,087,648)	(86%)	2,152,057	1,990,152	(161,905)	(8%)
Property Administration	37,916	39,992	(2,076)	(5%)	303,250	319,935	(16,684)	(5%)	479,902	479,902	-	-
Public Conveniences	57,404	54,371	3,034	6%	411,806	434,967	(23,161)	(5%)	643,470	652,450	8,980	1%
Waste Management	308,975	310,070	(1,095)	-	2,484,231	2,480,563	3,667	-	3,726,022	3,726,022	-	-
Water Services	74,610	75,834	(1,223)	(2%)	598,269	606,669	(8,400)	(1%)	929,963	929,963	-	-
Work Schemes (CTF)	9,450	25,966	(16,516)	(64%)	94,185	207,727	(113,542)	(55%)	323,591	311,591	(12,000)	(4%)
Total	1,479,918	1,482,781	(2,863)	-	10,558,018	11,819,993	(1,261,975)	(11%)	18,133,235	17,982,247	(150,988)	(1%)
	Monthly				YTD				Full Year Budget			
Operating Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Area Engineers	109,080	92,025	(17,055)	(19%)	805,977	790,535	(15,442)	(2%)	1,269,595	1,213,595	56,000	4%
Council Property	52,474	55,522	3,048	5%	591,010	628,531	37,521	6%	835,956	850,621	(14,665)	(2%)
District Reserves	5,379	10,125	4,746	47%	52,830	81,282	28,452	35%	121,781	121,781	-	-
District Sewerage	188,932	264,587	75,655	29%	2,283,445	2,190,552	(92,893)	(4%)	4,147,660	3,248,899	898,761	22%
District Water	222,450	272,301	49,851	18%	2,380,388	2,246,234	(134,154)	(6%)	3,454,170	3,335,437	118,733	3%
Engineering Administration	34,959	36,425	1,465	4%	297,416	304,613	7,197	2%	464,842	464,842	-	-
Engineering Consultants	72,929	76,205	3,276	4%	577,283	609,643	32,360	5%	914,465	914,465	-	-
Forestry	149,608	68,429	(81,179)	(119%)	452,711	591,288	138,577	23%	462,739	489,456	(26,717)	(6%)
Property Administration	41,901	41,545	(356)	(1%)	352,143	350,520	(1,624)	-	479,902	536,902	(57,000)	(12%)
Public Conveniences	46,928	47,791	863	2%	362,729	399,132	36,403	9%	553,819	590,298	(36,479)	(7%)
Waste Management	311,379	304,376	(7,002)	(2%)	2,432,114	2,456,918	24,804	1%	3,677,247	3,677,247	-	-
Water Services	82,739	94,546	11,807	12%	841,138	827,207	(13,931)	(2%)	1,039,892	984,892	55,000	5%
Work Schemes (CTF)	13,464	24,940	11,475	46%	125,508	209,899	84,390	40%	323,591	323,591	-	-
Total	1,332,223	1,388,817	56,594	4%	11,554,693	11,686,354	131,661	1%	17,745,659	16,752,026	993,633	6%
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	147,695	93,965	53,730	57%	(996,675)	133,638	(1,130,313)	(846%)	387,576	1,230,221	842,645	217%

	Monthly				YTD				Full Year Budget			
Capital Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Area Engineers	-	1,898	1,898	100%	-	15,183	15,183	100%	22,774	22,774	-	-
Council Property	-	2,000	2,000	100%	-	16,000	16,000	100%	65,500	24,000	41,500	63%
District Reserves	7,104	14,583	7,479	51%	32,761	116,667	83,906	72%	990,000	175,000	815,000	82%
District Sewerage	-	7,587	7,587	100%	4,317	60,694	56,377	93%	154,698	91,041	63,657	41%
District Water	-	8,566	8,566	100%	-	68,526	68,526	100%	183,719	102,789	80,930	44%
Engineering Administration	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Consultants	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	375,546	375,546	-	-
Property Administration	-	-	-	-	-	-	-	-	-	-	-	-
Public Conveniences	1,184	28,017	26,833	96%	70,344	224,138	153,794	69%	219,210	336,207	(116,997)	(53%)
Waste Management	2,064	-	(2,064)	-	21,910	-	(21,910)	-	-	-	-	-
Water Services	-	7,333	7,333	100%	87,560	58,667	(28,893)	(49%)	120,000	88,000	32,000	27%
Work Schemes (CTF)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>10,353</b>	<b>69,984</b>	<b>59,632</b>	<b>85%</b>	<b>216,892</b>	<b>559,874</b>	<b>342,983</b>	<b>61%</b>	<b>2,131,447</b>	<b>1,215,357</b>	<b>916,090</b>	<b>43%</b>

	Monthly				YTD				Full Year Budget			
Funding Adjustments	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Area Engineers	-	1,469	(1,469)	(100%)	-	11,748	(11,748)	(100%)	17,622	17,622	-	-
Council Property	-	(7,920)	7,920	(100%)	-	(63,362)	63,362	(100%)	1,729	(95,043)	(96,772)	(5597%)
District Reserves	-	12,604	(12,604)	(100%)	-	100,828	(100,828)	(100%)	966,242	151,242	(815,000)	(84%)
District Sewerage	(642)	6,780	(7,422)	(109%)	(5,138)	54,237	(59,375)	(109%)	1,043,773	81,355	(962,418)	(92%)
District Water	(6,298)	43,158	(49,456)	(115%)	(50,383)	345,267	(395,651)	(115%)	717,564	517,901	(199,663)	(28%)
Engineering Administration	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	(211,424)	211,424	(100%)	-	(1,691,394)	1,691,394	(100%)	(1,313,772)	(1,125,150)	188,622	(14%)
Property Administration	-	4,750	(4,750)	(100%)	-	38,000	(38,000)	(100%)	-	57,000	57,000	-
Public Conveniences	(4,527)	22,838	(27,365)	(120%)	(36,219)	182,703	(218,922)	(120%)	129,559	274,055	144,496	112%
Waste Management	(2,839)	(4,065)	1,225	(30%)	32,426	(32,517)	64,943	(200%)	(48,775)	(48,775)	-	-
Water Services	-	11,911	(11,911)	(100%)	-	95,286	(95,286)	(100%)	229,929	142,929	(87,000)	(38%)
Work Schemes (CTF)	-	1,000	(1,000)	(100%)	-	8,000	(8,000)	(100%)	-	12,000	12,000	-
<b>Total</b>	<b>(14,307)</b>	<b>(118,900)</b>	<b>104,594</b>	<b>(88%)</b>	<b>(59,314)</b>	<b>(951,204)</b>	<b>891,890</b>	<b>(94%)</b>	<b>1,743,871</b>	<b>(14,864)</b>	<b>(1,758,735)</b>	<b>(101%)</b>

**SERVICES AND ASSETS (EXCLUDING ROADING) COMMENTARY****Overall Financial Performance**

Individual Managers have commented on their areas of responsibility. There are not any significant concerns.

**Key Highlights**

- Works Scheme will struggle to break even this year due to a lack of personnel resources to supervise potential workers.
- Forestry harvesting at Dipton is now underway and producing better than predicted returns.
- The Community Engineers team continues to do what they have always done as the Area Engineers unit. The transition to Community Engineers has not really taken effect yet.
- Roading renewals work is now firmly underway. This is the time of year that the expenditure rate in the Transport department is the highest. The reseal programme is near to completion. Bitumen prices being low is still the major contributor to this and continues to allow more work for less money.
- District Reserves (Recreational) are underspent mainly due to progress with the Curio Bay wastewater project. The detailed planning and procurement is well advanced but the major spend will not happen until the physical work is underway.
- Other departments are generally on budget.

## Audit Arrangements Letter for the Year Ended 30 June 2016

Record No: R/16/1/1108  
Author: Sheree Marrah, Finance Manager  
Approved by: Anne Robson, Chief Financial Officer

☒ Decision ☐ Recommendation ☐ Information

### Purpose

- 1 The purpose of this report is to provide an overall summary of the audit arrangements letter for the Annual Report for the year ended 30 June 2016. This letter was recently received from Audit New Zealand and as usual requires Council to approve.

### Executive Summary

- 2 Audit New Zealand requires Council to confirm the audit arrangements for the 2015/2016 Annual Report of Council. As usual, this is done by way of an audit arrangements letter.
- 3 Once Council has confirmed its acceptance of the proposed arrangements, the letter is required to be signed by the Mayor and returned to Audit New Zealand.
- 4 This report provides a summary of the letter for the Committee's information. A copy of this letter is attached to this report for your information.

### Recommendation

That the Activities Performance Audit Committee:

- a) Receives the report titled "Audit Arrangements Letter for the Year Ended 30 June 2016" dated 8 April 2016.
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) Accepts the audit arrangements as set out in the letter attached.
- e) Authorises the Mayor to sign the audit arrangements letter for the year ended 30 June 2016 on Council's behalf.



## Content

### Background

- 5 The purpose of this report is to provide an overall summary of the audit arrangements letter for the year ended 30 June 2016 recently received from Audit New Zealand.
- 6 The letter outlines the arrangements specific to the 2015/2016 year audit. These are separated into three key areas as follows:
- Business risks/issues and the audit response;
  - Areas of interest for all District Councils; and
  - Logistics (ie audit team, timing and fees).

### Business Risks/Issues and the Audit Response

- 7 The key risks/issues identified for Council by the auditor, and therefore areas of audit focus for the current year is the :
- Revaluation of infrastructural assets. Accounting standards require that the revaluation of assets be carried out at regular intervals to ensure that there are no material differences from fair value at balance date. This is not considered a significant issue for Council as our significant infrastructure (three waters and roading) are valued annually at balance date.
- 8 In addition, Audit NZ will also follow up on progress of its recommendations from the prior year's audit. A list of these recommendations and the current status is attached (**Attachment B**) for your information

### Areas of interest for all District Councils

- 9 The areas identified for all Councils are as follows:
- Project management (specifically Around the Mountains Cycle Trail);
  - Non-financial performance reporting and new mandatory measures;
  - Legislative compliance; and
  - Fraud risk.

Specific details of the risks/issues are included in the letter (**Attachment A**).

### Logistics (ie audit team, timing and fees)

- 10 The key Audit New Zealand staff members are consistent with last year and are:
- Ian Lothian                      Director
  - Chris Kaan                      Audit Manager
  - Alan Sew Hoy                      Audit Supervisor
- 11 The audit fee proposed for the 2015/2016 annual audit is \$113,257 (GST exclusive) plus disbursements, an increase of 1.89% on the 2014/2015 fee. This fee is to be paid in four equal instalments consistent with the timing of the work to be performed by the audit team.

- 12 The audit of the 2015/2016 Annual Report is proposed to be carried out in the following stages:

April 2016	Interim audit visit to: <ul style="list-style-type: none"> <li>Understand control environment.</li> <li>Review and test systems.</li> <li>Review of the systems and process supporting the new mandatory Department of Internal Affairs performance measures.</li> </ul>
June 2016	Draft Interim Management Report issued by Audit New Zealand
July 2016	Council staff to: <ul style="list-style-type: none"> <li>Perform year end close-off.</li> <li>Finalise 30 June numbers.</li> </ul>
August 2016	Council staff to: <ul style="list-style-type: none"> <li>Balance all business units.</li> <li>Executive Leadership Team review business unit reports.</li> <li>Compile unaudited consolidated financial statements.</li> </ul>
September 2016	<ul style="list-style-type: none"> <li>Council staff have prepared draft Annual Report.</li> <li>Executive Leadership Team review draft Annual Report and summary document.</li> <li>Audit New Zealand final visit to audit Annual Report and supporting work papers.</li> <li>Verbal audit clearance given by Audit New Zealand.</li> <li>Council considers draft Annual Report for adoption.</li> <li>Council staff finalise any required adjustments.</li> <li>Council approve final Annual Report.</li> <li>Audit New Zealand issue final audit opinion.</li> <li>Final Management Report issued by Audit New Zealand.</li> </ul>
October 2016	<ul style="list-style-type: none"> <li>Summary and final report advertised and circulated to public.</li> </ul>

### **Issues**

- 13 Council staff have no issues with the content of the audit arrangements letter attached.
- 14 The purpose of an audit is to provide an objective independent examination of the financial statements, which increases the value and credibility of the financial statements produced by management and the public, thus increasing user confidence in the financial statements. As such, it is in Councils interest for Audit NZ to define the audit programme of work.
- 15 As part of drafting the audit arrangements letter, Audit NZ sought feedback on the draft letter from Council staff. The feedback wanted was in regards to the clarity and understanding of the draft letter and if Council staff, for the purposes of transparency, believe that any additional business risks/issues should be included. In reviewing the draft, staff only sought clarification on a couple of points raised. Amendments made by Audit NZ staff have resulted in the attached letter for Council's discussion and approval.

## **Factors to Consider**

### **Legal and Statutory Requirements**

- 16 Section 98(1) of the Local Government Act 2002 requires the Council to prepare and adopt an Annual Report each financial year. Section 99(1) requires the Annual Report to include an Auditor's Report.
- 17 In accordance with Section 14(1) of the Public Audit Act 2001, the Council's Annual Report must be audited by the Office of the Auditor-General. Audit New Zealand is the authorised audit service provider on behalf of the Auditor-General.

### **Community Views**

- 18 As the Annual Report is a report on activities undertaken during the year, no consultation is required.

### **Costs and Funding**

- 19 As noted in paragraph 11 above, the cost associated with the audit of the 2015/2016 Annual Report is \$113,257 (GST exclusive) plus disbursements. This amount has been included in the Finance department's budget.

### **Policy Implications**

- 20 There are no policy implications

## **Analysis**

### **Options Considered**

### **Analysis of Options**

### Option 1 - Accept and sign the letter as provided

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>Allows the Annual Report process to continue as proposed.</li> </ul>	<ul style="list-style-type: none"> <li>None, unless Council requires clarification and this is not sought before signing.</li> </ul>

### Option 2 - Request clarification or inclusion of any issue that Council wants included in the audit arrangements letter from Audit NZ before signing the letter

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>Council is able to seek the clarification it requires or discuss the inclusion of any issue it would like incorporated into the audit.</li> </ul>	<ul style="list-style-type: none"> <li>Could delay the audit process if Council and Audit New Zealand cannot agree to these arrangements.</li> </ul>

### Assessment of Significance

- 21 The audit of the Annual Report is not considered significant in terms of Council's Significance Policy.

### Recommended Option

- 22 Accept and sign the audit arrangements letter as provided.

### Next Steps

- 23 Council staff will work with Audit New Zealand to ensure that the necessary work is completed for the 2015/2016 Annual Report to enable it to be adopted at the meeting on 28 September 2016.

### Attachments

- A Audit arrangement letter from Audit New Zealand, Audit for the year ending 30 June 2015 [View](#)
- B Follow up on 2014/2015 Audit NZ Management Letter points [View](#)

7 April 2016

Level 1, 399 Moray Place  
 Private Box 232, Dunedin 9054

[www.auditnz.govt.nz](http://www.auditnz.govt.nz)

Gary Tong  
 Mayor  
 Southland District Council  
 PO Box 903  
 Invercargill 9840

Phone: 04 496 3099  
 Fax: 03 479 0447

cc Cr Lyall Bailey – Chair of Activities Performance Audit Committee  
 Steve Ruru – Chief Executive  
 Anne Robson – Chief Financial Officer

Dear Gary

### **Audit for the year ending 30 June 2016**

I am writing to outline our arrangements for the audit of Southland District Council for the year ending 30 June 2016. This letter has two main sections – an agreement to be signed, and details of the audit.

### **Agreement to be signed**

On the next page is an agreement for you to sign. Your signature confirms that the details of the audit match your understanding of the arrangements for this year's audit.

Please sign and return one copy of the agreement, along with a copy of the details of the audit, by 30 April 2016.

### **Details of the audit**

Here we set out the proposed arrangements for this year's audit. These include:

- business risks/issues and our audit response;
- areas of interest for all District Councils; and
- logistics (such as our audit team, timing, and fees).

### **Additional information attached**

Additional information about the audit has been included in Appendix 1.

Please take the time to read this document thoroughly before returning the signed agreement. If there are additional matters that should be included, or any matters requiring clarification, please contact me.

Yours sincerely



Ian Lothian  
Director

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**Agreement to be signed**

*I acknowledge that the details of the audit set out here are in keeping with my understanding of the arrangements for the audit.*

Signed \_\_\_\_\_ Date \_\_\_\_\_  
Gary Tong  
Mayor

**Details of the audit****1 Introduction**

This document sets out the arrangements for the audit of Southland District Council (the District Council) for the year ending 30 June 2016. These include:

- business risks/issues and our audit response;
- areas of interest for all District Councils; and
- logistics (such as our audit team, timing, and fees).

**2 Your business risks/issues and our audit response**

Based on the planning work and discussions that we have completed to date, we have identified what we consider to be the main business risks and issues facing the District Council. Many of these risks and issues are relevant to the audit because they affect our ability to form an opinion on your financial statements. As part of the wider public sector audit, we are also required to be alert to issues of effectiveness and efficiency, waste and a lack of probity or financial prudence (as set out in the Audit Engagement Letter dated 25 February 2014).

The table below sets out the business risks and issues that we have identified in line with these requirements, and how we plan to respond to these during the audit.

Your business risks issues	Our audit response
<b>Revaluation of infrastructural assets</b>	
PBE IPSAS 17 Property, Plant and Equipment requires that the revaluation of assets recorded under the revaluation model be conducted with sufficient regularity to ensure that the carrying amounts of qualifying assets do not differ materially from that which would be determined using fair value at the balance sheet date.	<p>Certain classes of the District Council's assets are valued using the revaluation method. Under this valuation methodology an assessment of the carrying values must be conducted each year to ensure that these are reflective of their fair values. Where an assessment is made, we will review the basis and conclusions arrived at, for reasonableness and compliance with the accounting standards.</p> <p>Where the District Council conducts a valuation of its assets at balance date in accordance with its revaluation policy, we will review the valuation report and the alignment of reported values to that report. We will also seek specific representations from the valuer in support of the values reported.</p>



We will also follow up on progress made by the District Council in its response to our previous recommendations.

Please tell us about any additional matters that we should be aware of as your auditor, and any specific significant business risks that we have not covered.

### 3 Our area of interest for all Local Government entities

There are also a number of key matters common to the Local Government sector. The table below outlines our areas of interest for this year's audit.

Area of interest	Our audit response
<b>Project management</b>	
<p>The District Council has several high value or high profile capital projects underway. As a result the District Council needs to perform effective project monitoring, and ensure the associated accounting treatments are appropriately applied.</p> <p><b>Around the mountain cycle trail</b></p> <p>The District Council has placed stage two on hold, while an appeal to the Environment Court is heard.</p> <p>The District Council has also engaged an independent review of the project, following a revised project cost of \$14 million, which is \$6 million more than originally budgeted.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Update our understanding of significant projects.</li> <li>• Review findings of any independent reviews performed.</li> <li>• Review the accounting treatment applied to expenditure for compliance with relevant accountings standards and in line with the District Council's accounting policy.</li> </ul>
<b>Non-financial performance reporting and new mandatory measures</b>	
<p>Each year, we audit the performance information and report on whether it fairly reflects the achievements measured against the targets and other measures in the District Council's Long Term Plan (LTP). This year will be the first year of reporting against the District Council's 2015-25 LTP.</p> <p>In November 2013 the Department of Internal Affairs announced the Non-financial Performance Measures Rules 2013. It requires the District Council to measure and report against a number of new mandatory measures covering water supply, wastewater, stormwater drainage, flood protection and roading and footpath activities. These measures will be reported on in the 2016 annual report for the first time.</p>	<p>We will report our findings on the District Council's reporting against non-financial performance in the management letter (if warranted). In particular we will focus on:</p> <ul style="list-style-type: none"> <li>• The reliability of systems;</li> <li>• The operation of controls (including policies, procedures and monitoring);</li> <li>• The appropriateness of the information reported; and</li> <li>• The presentation of the information.</li> </ul>

Area of interest	Our audit response
<b>Legislative compliance</b>	
To discharge the Auditor-General's mandate, we carry out an audit of legislative compliance. We limit this review to obtaining assurance that you have complied with significant legislative requirements that may directly affect the financial statements or general accountability. Our review does not cover all of the District Council's legislative compliance requirements.	Our approach involves assessing the systems and procedures that the District Council has in place to ensure compliance with significant legislation.  We will also complete our own checklists covering the key requirements of significant legislation.
<b>Fraud risk</b>	
<p>The auditing standard ISA (NZ) 240 The auditor's responsibilities relating to fraud in an audit of financial statements, issued by the External Reporting Board, requires that we make enquiries of:</p> <ul style="list-style-type: none"> <li>• entity management; and</li> <li>• those charged with governance</li> </ul> <p>On matters such as their assessment of the risk of fraud and the accounting and internal control systems designed to prevent and detect frauds.</p> <p>We have previously explained to the District Council, the representation we will ask them to sign near the completion of the audit in relation to fraud. We will continue to require this representation from the District Council.</p>	<p>We will undertake formal discussions with senior management and the Activities Performance Audit Committee, on matters concerning fraud risk awareness, identification of susceptible areas, and the mitigating controls that the District Council has put in place.</p> <p>Please notify us without delay of any serious fraud, whether suspected or discovered.</p> <p>When looking at the District Council's system of internal control to prevent and detect fraud, we will also consider the:</p> <ul style="list-style-type: none"> <li>• quality of documented delegations, authorisation and approval procedures and whether these are followed in practice;</li> <li>• adequacy of procurement policies and procedures particularly around how any conflict of interest is detected and managed; and</li> <li>• quality of documented sensitive expenditure policies and whether these are followed.</li> </ul>

## 4 Logistics

### 4.1 Our audit team

The Audit New Zealand staff involved in the audit are:

Ian Lothian  
Chris Kaan  
Alan Sew Hoy

Director  
Audit Manager  
Audit Supervisor

## 4.2 Important dates in the audit process

Our proposed timetable is:

	<b>Date</b>
Interim audit begins	11 April 2016
Draft interim management report issued	22 June 2016
Draft financial statements available for audit <sup>1</sup>	5 September 2016
Final audit begins	5 September 2016
Verbal audit clearance given	26 September 2016
Annual report <sup>2</sup> available for audit	5 September 2016
Audit opinion issued	28 September 2016
Draft final detailed management report issued	28 September 2016

## 4.3 Our interim audit visit

We will carry out the interim audit during April 2016. During this visit, we will focus on updating our understanding of the District Council's internal control. This includes reviewing the control environment, risk assessment processes and relevant aspects of information systems controls. We will use the results of this assessment to determine how much we can rely on the information produced from your systems during our final audit.

## 4.4 Our final audit visit

Our final audit is scheduled to start on 5 September 2016 and is expected to last two weeks. During this visit we will be auditing the balances, disclosures, and other information included in your financial statements.

## 4.5 Professional fees

Our audit fee estimate for the year ending 30 June 2016 is \$113,257 plus disbursements (GST exclusive). This is as agreed in the Audit Proposal Letter dated 25 February 2014.

The fee is an estimate and assumes that the expectations discussed in Appendix 1 will be met. If this does not occur, or the scope of the audit changes, we will discuss this further with you.

<b>We propose to bill as follows:</b>	<b>Amount</b>
April	28,000
May	28,000
September	28,000
October	29,257
	<u>113,257</u>

<sup>1</sup> Financial statements (including notes to the financial statements) with actual year-end figures.

<sup>2</sup> Annual report, including any Chair's and Chief Executive's overview or reports.

To ensure we can complete the audit within the proposed time frame (see section 4.2) and agreed fee, it is critical that you make appropriate supporting documentation available to us on a timely basis. If this is not the case, it is likely to result in cost overruns, which we may seek to recover. To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.

## Appendix 1: Additional information about the audit

### Our reporting protocols

#### Management reports

We will provide a draft of all management reports to management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the District Council.

#### Reporting of misstatements

We will include details of all uncorrected misstatements in our management report. Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of the District Council's financial statements.

During the audit, we will provide details of any such misstatements we identify to an appropriate level of management. We will ask for each misstatement to be corrected in the District Council's financial statements. Where management does not wish to correct a misstatement we will seek written representations from representatives of the District Council's governing body that specify the reasons why the corrections will not be made.

### Our expectations of you to enable an efficient audit

To enable us to carry out our audit efficiently within the proposed audit fee, we expect that:

- the District Council will provide us with access to all relevant records and provide information in a timely manner;
- your staff will provide an appropriate level of assistance;
- the financial statements will be available at the start of the final audit, include all relevant disclosures, and be fully supported by a detailed workpaper file; and
- the annual report and financial statements (including the statement of service performance) will be subjected to appropriate levels of quality review before submission for audit.

Our audit fee is based on the assumption that we will review no more than two sets of the draft annual report, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report for publication on the District Council's website.

### How we consider your compliance with statutory authority

As part of the Auditor-General's mandate, we carry out an audit of compliance with statutory authority. Our audit is limited to obtaining assurance that you have complied with certain laws and regulations that may directly affect the District Council's financial statements or general accountability. Our audit does not cover all of the District Council's requirements to comply with statutory authority.

Our approach to this aspect of the audit will mainly involve assessing the systems and procedures that are in place to ensure compliance with certain laws and regulations that we consider to be significant. We will also complete our own checklists covering the key requirements of significant legislation. In addition, we will remain alert for any instances of non-compliance that come to our attention. We will evaluate the relevance of any such non-compliance to our audit.

Matters from 2014/2015 Interim Management Report	Responsibility	Status December 2015	Due Date	Updated Status April 2016
<p>NCS purchase order system</p> <ul style="list-style-type: none"> <li>Complete an independent review of purchase orders raised and authorised by the same person.</li> <li>Review core data changes made by administration users.</li> </ul>	<p>Sheree Marrah</p> <p>Sheree Marrah</p>	<p>Complete</p> <p>Complete</p>	<p>October 2015</p> <p>April 2016</p>	<p>A report has been written based on the live data in the purchase order system. This report is able to be run as and when required.</p> <p>An audit trail of all core data changes is automatically generated by the system on a weekly basis. The changes made are reviewed by an independent party of the person making the changes and subsequently reviewed by the manager on an ad hoc basis.</p>
<p>Conflict of interests</p> <ul style="list-style-type: none"> <li>Implement a formal interest register for all senior management members.</li> </ul>	Sheree Marrah / Janet Ellis	In progress	April 2016	An updated process for staff and senior management is currently in development. Declarations are to be completed by all staff late April 2016.
<p>Contract management</p> <ul style="list-style-type: none"> <li>Develop a formal approach to contract management.</li> <li>Develop a contract management policy.</li> </ul>	Ian Marshall	In progress	April 2016	Investigating the scope for this issue identified a larger group of associated issues which need to be dealt with before dealing with Contract Management. The wider scope includes Procurement Strategy, Business Case requirements, Project Management and Contract Management. A workshop was held in April to get this work underway. The deadline for completion of all four elements is Dec 2016.
<p>Risk management</p> <ul style="list-style-type: none"> <li>Implement a risk matrix system that can identify and rank its top risks.</li> </ul>	Damon Campbell	Complete	April 2016	Council adopted a Risk Management policy in December 2014. A risk management register has also been developed and is being report to the APAC committee quarterly – this reporting started in October 2015.



<p>Policies</p> <ul style="list-style-type: none"> <li>Ensure all policies are up to date and periodically reviewed.</li> </ul>	Susan Cuthbert	In progress	April 2016	An electronic system is being developed to allow for easy access for staff to all Council policies and administration by the Strategy and Policy team. An automatic reminder system will be part of the electronic system. Policies due for review have been included into the annual work programme.
<p>Legislative compliance</p> <ul style="list-style-type: none"> <li>Develop a formal system for legislative compliance.</li> </ul>	Susan Cuthbert	Not started	April 2016	Initial work has been completed around developing a legal compliance system which includes developing a business case.
<p>Fixed asset stock take</p> <ul style="list-style-type: none"> <li>Complete fixed asset stock takes to ensure assets exist and have been appropriately recorded in the Fixed Asset Register.</li> </ul>	Sheree Marrah	Not started	April 2016	Vehicle stocktakes are undertaken on a quarterly basis, but process for other assets is not started.
Matters from Final Management Report	Responsibility	Status	Due Date	
<p>Southland Regional Heritage Committee</p> <ul style="list-style-type: none"> <li>Confirm Council's share in the joint committee for future financial reporting purposes.</li> <li>Ensure regular reporting to Council on the Committee's activities and performance.</li> </ul>	<p>Sheree Marrah</p> <p>Bruce Halligan</p>	<p>Not started</p> <p>In progress</p>	<p>April 2016</p> <p>February 2016</p>	<p>Review of SRHC financial statements has been undertaken by finance manager and a proposed approach forwarded to Audit NZ for consideration. The approach will be agreed prior to the finalisation of the 2015/2016 audit.</p> <p>The most report was provided to the APAC Committee in March 2016. Subsequent reports will be provided at regular intervals on an ongoing basis.</p>