



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

Date: Monday, 26 March 2018
Time: 9am
Meeting Room: Council Chambers
Venue: 15 Forth Street
Invercargill

Finance and Audit Committee Agenda OPEN

MEMBERSHIP

Chairperson Ebel Kremer
Mayor Gary Tong
Councillors John Douglas
Paul Duffy
Bruce Robertson

IN ATTENDANCE

Chief Financial Officer Anne Robson
Committee Advisor Fiona Dunlop

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Full agendas are available on Council's Website
www.southlanddc.govt.nz

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 – Finance and Audit Committee

The Finance and Audit Committee is responsible for:

- Ensuring that Council has appropriate financial, risk management and internal control systems in place that provide:
 - An overview of the financial performance of the organisation.
 - Effective management of potential opportunities and adverse effects.
 - Reasonable assurance as to the integrity and reliability of Council's financial and non-financial reporting.
- Exercising active oversight of information technology systems.
- Exercising active oversight of "Council's health and safety policies, processes, compliance, results and frameworks"
- Relationships with External, Internal Auditors, Banking Institutions and Insurance brokers.

The Finance and Audit Committee will monitor and assess the following:

- The financial and non-financial performance of Council against budgeted and forecasted outcomes
- Consideration of forecasted changes to financial outcomes
- Council's compliance with legislative requirements
- Council's risk management framework
- Council's Control framework
- Council's compliance with its treasury responsibilities.

The Finance and Audit Committee shall have the following delegated powers and be accountable to Council for the exercising of these powers and will operate within:

- policies, plans, standards or guidelines that have been established and approved by Council;
- the overall priorities of Council;
- the needs of the local communities; and
- the approved budgets for the activity.

The Finance and Audit Committee will have responsibility and delegated authority in the following areas:

Financial and Performance Monitoring

- (a) Monitoring financial performance to budgets;
- (b) Monitoring service level performance to key performance indicators.

Internal Control Framework

- (a) Reviewing whether Council's approach to maintaining an effective internal control framework is sound and effective;
- (b) Reviewing whether Council has taken steps to embed a culture that is committed to probity and ethical behaviour;
- (c) Reviewing whether there are appropriate systems, processes and controls in place to prevent, detect and effectively investigate fraud.

Internal Reporting

- (a) To consider the processes for ensuring the completeness and quality of financial and operational information being provided to the Council;
 - (b) To seek advice periodically from internal and external auditors regarding the completeness and quality of financial and operational information that is provided to the Council.
-

External Reporting and Accountability

- (a) Agreeing the appropriateness of the Council's existing accounting policies and principles and any proposed change;
- (b) Enquiring of internal and external auditors for any information that affects the quality and clarity of the Council's financial statements and statements of service performance, and assess whether appropriate action has been taken by management in response to the above;
- (c) Satisfying itself that the financial statements and statements of service performance are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal control (ie, letters of representation), and recommend signing of the financial statements by the Chief Executive/Mayor and adoption of the Annual Report, Annual Plans, Long Term Plans;

Risk Management

- (a) Reviewing whether Council has in place a current, comprehensive and effective risk management framework and associated procedures for effective identification and management of the Council's significant risks;
- (b) Considering whether appropriate action is being taken to mitigate Council's significant risks.

Health and Safety

- (a) Review, monitor and make recommendations to Council on the organisations health and safety risk management framework and policies to ensure that the organisation has clearly set out its commitments to manage health and safety matters effectively.
- (b) Review and make recommendations for Council approval on strategies for achieving health and safety objectives.
- (c) Review and recommend for Council approval targets for health and safety performance and assess performance against those targets.
- (d) Monitor the organisation's compliance with health and safety policies and relevant applicable law.
- (e) Ensure that the systems used to identify and manage health and safety risks are fit-for-purpose, being effectively implemented, regularly reviewed and continuously improved. This includes ensuring that the Council is properly and regularly informed and updated on matters relating to health and safety risks.
- (f) Seek assurance that the organisation is effectively structured to manage health and safety risks, including having competent workers, adequate communication procedures and proper documentation.
- (g) Review health and safety related incidents and consider appropriate actions to minimise the risk of recurrence.
- (h) Make recommendation to the Council regarding the appropriateness of resources available for operating the health and safety management systems and programmes.
- (i) Any other duties and responsibilities which have been assigned to it from time to time by the Council.

Internal Audit

- (a) Approve appointment of the internal auditor, internal audit engagement letter and letter of understanding.
- (b) Reviewing and approving the internal audit coverage and annual work plans, ensuring these plans are based on the Council's risk profile;
- (c) Reviewing the adequacy of management's implementation of internal audit recommendations;
- (d) Reviewing the internal audit charter to ensure appropriate organisational structures,

authority, access, independence, resourcing and reporting arrangements are in place.

External Audit

- (a) Confirming the terms of the engagement, including the nature and scope of the audit, timetable and fees, with the external auditor at the start of each audit;
- (b) Receiving the external audit report(s) and review action(s) to be taken by management on significant issues and audit recommendations raised within;
- (c) Enquiring of management and the independent auditor about significant business, political, financial and control risks or exposure to such risks.

Compliance with Legislation, Standards and Best Practice Guidelines

- (a) Reviewing the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards, and Best Practice Guidelines as applicable.
- (b) Conducting and monitoring special investigations, in accordance with Council Policy, and reporting the findings to Council.
- (c) Monitoring the performance of Council organisations, in accordance with the Local Government Act.

Business Case Review

- (a) Review of the business case of work, services, supplies, where the value of these or the project exceeds \$2million or the value over the term of the contract exceeds \$2million.

Insurance

- (a) Consider Council's insurance requirements, considering its risk profile
- (b) Approving the annual insurance renewal requirements

Treasury

- (a) Oversee the treasury function of Council ensuring compliance with the relevant Council policies and plans
- (b) Ensuring compliance with the requirements of Council's trust deeds are met
- (c) Recommending to Council treasury policies.

The Finance and Audit Committee is responsible for considering and making recommendations to Council regarding:

- (a) Policies relating to risk management, rating, loans, funding and purchasing.
- (b) Accounting treatments, changes in generally accepted accounting practice, and new accounting and reporting requirements.
- (c) The approval of financial and non-financial performance statements including adoption of the Annual Report, Annual Plans and Long Term Plans.

The Finance and Audit Committee is responsible for considering and making recommendations to the Services and Assets Committee on business cases.

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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

Notification to speak is required by 5pm at least two days before the meeting. Further information is available on www.southlanddc.govt.nz or phoning 0800 732 732.

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 Finance and Audit Committee, 11 December 2017

Finance and Audit Committee

OPEN MINUTES

Minutes of a meeting of Finance and Audit Committee held in the Council Chambers, 15 Forth Street, Invercargill on Monday, 11 December 2017 at 8.31am.

PRESENT

Chairperson	Ebel Kremer
	Mayor Gary Tong
Councillors	John Douglas
	Paul Duffy
	Bruce Robertson

IN ATTENDANCE

Councillor Keast (8.31am – 9.33am)

Chief Executive	Steve Ruru
Chief Financial Officer	Anne Robson
Group Manager - Community and Futures	Rex Capil
Group Manager – Services and Assets	Ian Marshall
Group Manager – Customer Support	Trudie Hurst
Committee Advisor	Fiona Dunlop

1 Apologies

There were no apologies.

2 Leave of absence

There were no requests for leave of absence.

3 Conflict of Interest

There were no conflicts of interest declared.

4 Public Forum

There was no public forum.

5 Extraordinary/Urgent Items

There were no Extraordinary/Urgent items.

6 Confirmation of Minutes

Resolution

Moved External Member Robertson, seconded Cr Douglas **and resolved:**

That the Finance and Audit Committee confirms the minutes of the meeting held on 16 November 2017 as a true and correct record of that meeting.

Reports

7.1 Health and Safety

Record No: R/17/11/28694

People and Capability Manager – Janet Ellis was in attendance for this item.

Mrs Ellis advised that the purpose of the report was to update the Committee on health and safety at Southland District Council.

Resolution

Moved Chairperson Kremer, seconded Mayor Tong **and resolved:**

That the Finance and Audit Committee:

- a) Receives the report titled “Health and Safety” dated 5 December 2017.**

7.2 Core Systems Review Scoping Report

Record No: R/17/11/28615

Chief Information Officer – Damon Campbell was in attendance for this item.

Mr Campbell advised that the purpose of the report was to provide introduction to the Committee on the planned approach and activities relating to the Core Systems Review project.

Resolution

Moved Mayor Tong, seconded External Member Robertson **and resolved:**

That the Finance and Audit Committee:

- a) **Receives the report titled “Core Systems Review Scoping Report” dated 3 December 2017.**
- b) **Endorses the development of the Core Systems Review Scoping Project and Work stream development.**

7.3 Digitisation Project Update

Record No: R/17/11/27817

Team Leader Knowledge Management – Gillian Cavanagh and Chief Information Officer – Damon Campbell were in attendance for this item.

Mrs Cavanagh advised that the purpose of the report was to provide an update to the Committee on the status of the Property file digitisation project.

Resolution

Moved Chairperson Kremer, seconded Cr Douglas **and resolved:**

That the Finance and Audit Committee:

- a) **Receives the report titled “Digitisation Project Update” dated 1 December 2017.**

7.4 Financial Report for the month ended 31 October 2017

Record No: R/17/11/29012

Management Accountant – Robert Tweedie was in attendance for this item.

Mr Tweedie advised that the purpose of the report was to update the Committee on the financial results for the four months to 31 October 2017 or 33% of the 2017/2018 financial year.

The Meeting noted that the monthly and year to date actual results are compared to the full year budget (projection) in the summary monthly financial report.

Resolution

Moved Chairperson Kremer, seconded Cr Duffy **and resolved:**

That the Finance and Audit Committee:

- a) Receives the report titled “Financial Report for the month ended 31 October 2017” dated 30 November 2017.**

7.5 Forecasted Financial Position for the year ending 30 June 2018

Record No: R/17/12/29582

Management Accountant – Robert Tweedie was in attendance for this item.

Mr Tweedie advised that the purpose of the report was to inform and obtain approval from Council of the forecasted changes to the 2017/2018 Annual Plan budget which includes unbudgeted expenditure in the forecasts.

(During discussion on this item, Councillor Keast left the meeting at 9.33am.)

Executive Summary

Forecasting the financial position for the year ended 30 June 2018 is intended to provide information at an early stage of the year of any variations from the Annual Plan and approved 2016/2017 Carried Forward items.

Forecasting enables the organisation to understand the anticipated year end position at all levels. It will also assist with decisions and priorities for spending across Council.

The budgeted expenditure included in the Annual Plan for the 2017/2018 year was adopted in June 2017. Forecasting allows a formal process to communicate to Council and the Executive Leadership Team (ELT) any known changes to the Annual Plan. The net amount by business units is shown in Attachment A.

Approval is also sought for unbudgeted expenditure that has been identified as part of this process that has not been advised to Council previously.

This report is included in the Council agenda for the meeting on 13 December 2017. Council staff will update Council on any discussions and recommendations made by this committee.

Resolution

Moved Chairperson Kremer, seconded Cr Douglas **and resolved:**

That the Finance and Audit Committee:

- a) Receives the report titled “Forecasted Financial Position for the year ending 30 June 2018” dated 5 December 2017.**

- 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) Note the forecasted changes to Council's year-end financial performance and position as detailed in attachment C of the officers report
- e) Recommends to Council to approve the changes as detailed in Attachment A and Attachment B. of the officers report
- f) Recommends to Council to approve the following unbudgeted expenditure for the 2017/18 financial year with changes as indicated (with ~~strikethrough~~ and underline):

Business Unit	Expense	Funding Source	Amount
Pound Maint - Stock	New Shed at the pound	Dog & Animal Control Reserve	\$13,000
Gorge Road – Administration	Install bell from Oteramika Church at War memorial	Gorge Road General Reserve	\$10,000
Gorge Road – Recreation Reserve	Complete the walking track loop	Gorge Road General Reserve	\$10,000
Operating Costs - Winton	New hopper for Winton Pool	Winton General Reserve	\$10,000
Around the Mountain Cycle Trail	Capital works not carried forward from last year	ATMCT Reserve	\$249,000
Operations and Community Service	3 Vehicles for Area Engineers carried forward from 16/17	Depreciation Motor Vehicle Reserve	\$68,405
Around the Mountain Cycle Trail	Increased spraying <u>Track realignment as approved by Council</u>	Roading Rates	\$25,000 <u>\$10,000</u>
Venture Southland	2 Vehicles carried forward from 16/17	Depreciation Motor Vehicle Reserve	\$20,053
Customer Services	New vehicle for operations manager	District Operating Reserve	\$16,700

Ohai Forest	Costs associated with additional harvesting	Forestry Sales	\$500,918
Waikaia Forest	Costs associated with additional harvesting	Forestry Sales	\$576,425

7.6 Around the Mountains Cycle Trail Stage 2 Business Case

Record No: R/17/12/29546

Group Manager, Services and Assets – Ian Marshall was in attendance for this item.

Mr Marshall advised that the purpose of the report was to update the Committee on the development of a business case for options to progress the Cycle Trail project.

The Meeting noted that the report was a covering report for the Cycle Trail Stage Two business case. The substantive body of work is the business case itself. The options, of which there are three, are all detailed in the business case.

Executive Summary

The

The options range from a Do Minimum option estimated to be \$200,000 to a construction cost option for option 3 of \$4.1M.

The economic appraisal of the options shows Option 1 gives the best benefit to cost ratio however Option 2 gives better safety benefits.

Resolution

Moved Chairperson Kremer, seconded Mayor Tong **and resolved:**

That the Finance and Audit Committee:

- a) **Receives the report titled “Around the Mountains Cycle Trail Stage 2 Business Case” dated 5 December 2017.**
- b) **Determines that this matter or decision be recognised as 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) **Recommends to Council that the preferred option for completion of Stage Two of the Around the Mountains Cycle Trail be consulted on in the 2018-2028 Long Term Plan.**

- e) **Endorses the Around the Mountains Cycle Trail Stage 2 Business Case and agree to a preferred option to recommend to Council for inclusion in the 2018-2028 Long Term Plan.**

Public Excluded

Exclusion of the Public: Local Government Official Information and Meetings Act 1987

Resolution

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

That the public be excluded from the following part(s) of the proceedings of this meeting.

C8.1 Risk Register - December 2017

C8.2 Corporate Performance Report for period one - 1 July to 31 October 2017

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Risk Register - December 2017	<p>s7(2)(e) - The withholding of the information is necessary to avoid prejudice to measures that prevent or mitigate material loss to members of the public.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Corporate Performance Report for period one - 1 July to 31 October 2017	<p>s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied.</p> <p>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</p>	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.

That the Chief Executive Officer, Group Manager, Services and Assets, Group Manager, Community and Futures, Chief Financial Officer, Group Manager, Customer Support, Governance and Democracy Manager, Committee Advisor, Strategy Development Analyst and Planning and Reporting Analyst be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the items C8.1 Risk Register - December 2017 and C8.2 Corporate Performance Report for period one - 1 July to 31 October 2017. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because of their knowledge on the issues discussed and meeting procedure.

The public were excluded at 9.54am.

Resolutions in relation to the confidential items are recorded in the confidential section of these minutes and are not publicly available unless released here.

The meeting concluded at ???

CONFIRMED AS A TRUE AND CORRECT RECORD AT A
MEETING OF THE FINANCE AND AUDIT COMMITTEE
HELD ON MONDAY 11 DECEMBER 2017.

DATE:.....

CHAIRPERSON:.....

Risk Management Framework Project Development

Record No: R/18/2/4483

Author: Rex Capil, Group Manager Community and Futures

Approved by: Steve Ruru, Chief Executive

☐ Decision

☒ Recommendation

☐ Information

Purpose

- 1 The purpose of the report is to update the Finance and Audit Committee on the status of the Risk Management Framework (RMF) project and provide a recommendation to Council as to next steps in the project development.

Executive Summary

- 2 The Finance and Audit Committee at the 15 March 2017 meeting resolved that “a risk management review project to be established to develop a project scope and terms of reference to be considered at the June 2017 Finance and Audit Committee meeting.”
- 3 Subsequent to this the project scope and terms of reference for the Southland District Council (SDC) risk management review project was endorsed by the Finance and Audit Committee at the 7 June 2017 meeting.
- 4 The RMF project is now at a stage to progress the development of the RMF and undertake a review of the SDC Risk Management Policy.
- 5 The project involves the design and development of a RMF that can be applied across all activities and areas of Council business.
- 6 SDC provides a wide range of services to its communities directly and indirectly which can include a number of potential risks, hazards, uncertainties and unforeseen events that could impact on Council’s ability to deliver both the range and level of service required.
- 7 Council recognises the need for a robust and operative RMF and acknowledges the importance of and need to invest and resource the next stages of this RMF project.

Recommendation

That the Finance and Audit Committee:

- a) Receives the report titled “Risk Management Framework Project Development” dated 9 March 2018.**
- 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) Endorse the approach to engage Structured Conversations Ltd on a preferred supplier basis to undertake the Risk Management Framework project.**
- e) Recommends to Council to support the approach to engage Structured Conversations Ltd on a preferred supplier basis to undertake the Risk Management Framework project.**
- f) Recommends to Council a request for approval for unbudgeted expenditure of up to \$60,000 exclusive of GST to be split evenly over the two financial years of 2017-2018 and 2018-2019 and to be sourced from the Council District Operations Reserve to undertake the Southland District Council Risk Management Framework project.**

Background

- 8 The Finance and Audit Committee at the 15 March 2017 meeting resolved that “a risk management review project to be established to develop a project scope and terms of reference to be considered at the June 2017 Finance and Audit Committee meeting.”
- 9 The project scope and terms of reference for the Southland District Council (SDC) risk management review project was endorsed by the Finance and Audit Committee at the 7 June 2017 meeting.
- 10 In accordance with the SDC Finance and Audit Committee Terms of Reference and scope of activities:

“The Finance and Audit Committee is responsible for

Ensuring that Council has appropriate financial, risk management and internal control systems in place that provide:

- An overview of the financial performance of the organisation.*
- Effective management of potential opportunities and adverse effects.*

- *Reasonable assurance as to the integrity and reliability of Council's financial and non financial reporting.*

The Finance and Audit Committee will monitor and assess the following:

- *Council's risk management framework."*

- 11 In accordance with the SDC Finance and Audit Committee Terms of Reference and power to act:

"The Finance and Audit Committee will have responsibility and delegated authority in the following areas:

- *Risk Management*

(a) Reviewing whether Council has in place a current, comprehensive and effective risk management framework and associated procedures for effective identification and management of the Council's significant risks;

(b) Considering whether appropriate action is being taken to mitigate Council's significant risks."

- 12 It is based on these points from the SDC Finance and Audit Committee Terms of Reference that the RMF and Risk Management Policy review project comes before this Finance and Audit Committee meeting.

- 13 Over recent times it has been acknowledged that Council needs to invest in and further develop its risk management processes and approach.

- 14 It is acknowledged that an organisation wide approach to risk management is important.

- 15 In developing the RMF the objective is to create a framework to effectively understand, plan for and mitigate risk across all levels and activities within SDC.

- 16 Understanding and mitigating risks is central to safeguarding Southland District's critical community assets and services and other activities it is responsible for.

- 17 Risk management is a core enabling function that adds value to the activities of Council and supports the achievement of the strategic framework and Council's objectives and vision.

- 18 A comprehensive RMF will inform Council's Risk Management Policy and will:

- Provide a consistent, structured approach to identifying and managing risk
- Support the achievement of Council's strategic and operational objectives by managing risks that would otherwise impede success
- Encourage an open and transparent organisational culture where risk discussion and awareness are supported
- Facilitate better decisionmaking practices that support risk informed choices, prioritise actions and distinguish between potential options

- Provide assurance to Council, the Southland district community and stakeholders that critical risks are identified and are being managed effectively.

- 19 It is recommended that the Finance and Audit Committee endorse the approach to engage Structured Conversations Ltd on a preferred supplier basis to undertake the design and development of the RMF project for Council.
- 20 Structured Conversations Ltd has been engaged by Council on a number of projects and has a strong track record of high quality deliverables and understands the business of SDC.
- 21 Structured Conversations Ltd has recently completed the SDC Corporate Performance Framework project, developed the business case for the second stage of the Around the Mountains Cycle Trail project, prepared service delivery recommendations for regulatory services and facilitated a workshop with Council and contractor representatives for roading alliance governance and management options.

Issues

- 22 It is recognised by Council and staff that a RMF needs to be developed. To do this development of the RMF unbudgeted expenditure is required to be approved.
- 23 The current Risk Management Policy is currently overdue for review – being approved and effective from 29 October 2014.
- 24 It is appropriate to review this policy as part of the RMF project development and have Council staff work alongside and align the policy development with the RMF development.
- 25 It is also important to note, that to ensure success of the development and implementation of the RMF that elected representatives, stakeholders and staff are engaged in this process to ensure that the objective of assisting Council to better understand and manage risk is achieved.

Factors to Consider

Legal and Statutory Requirements

- 26 There are no direct or specific legal or statutory requirements for Council to meet with regards the development of the RMF project.

Community Views

- 27 Wider community views have not been sort in relation to the RMF project.
- 28 The RMF project relates to organisation wide operational practices.

Costs and Funding

- 29 The RMF project is an additional project to be added to the existing work programme of the Strategy and Policy Team in the Community and Futures Group.
- 30 The Finance and Audit Committee has previously endorsed the RMF project and recommended to Council the project scope and terms of reference for the RMF.
- 31 As an additional project there is no allocation of funding for the project and it will require Council to approve unbudgeted expenditure to deliver the RMF project.

- 32 Council officers have received a proposal based on preliminary discussions with Structured Conversations Ltd to deliver on an inclusive methodology involving stakeholders, elected representatives and staff and clearly defined milestones.
- 33 This will require recommending to Council approval for unbudgeted expenditure of up to \$60,000 exclusive of GST to be split evenly over the two financial years of 2017-2018 and 2018-2019 and to be sourced from the District Operations Reserve.

Policy Implications

- 34 The RMF project and review of Risk Management Policy supports the practice of assisting Council in operating with a current policy.
- 35 The current SDC Risk Management Policy was approved and effective from 29 October 2014 and was identified as being due for review in November 2015.
- 36 The Risk Management Policy review is therefore overdue but this should be considered on the understanding that the RMF project is an identified priority project. It is deemed appropriate to review and update the Risk Management Policy alongside and in conjunction with the RMF project.

Analysis

Options Considered

- 37 The Committee is requested to consider two options to recommend to Council for approval.

Analysis of Options

Option 1 – Endorse the approach to engage Structured Conversations Ltd on a preferred supplier basis to undertake the RMF project and recommend to Council a request for approval for unbudgeted expenditure of up to \$60,000 exclusive of GST to be split evenly over the two financial years of 2017-2018 and 2018-2019 and to be sourced from the Council District Operations Reserve

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Provides the ability to advance the RMF project as soon as is practicable.• Preferred supplier is a high performing external resource with a proven track record of delivery.• Has existing knowledge of Council systems, processes and can build on existing staff, elected representatives and stakeholder relationships across the organisation.• Provides experience, technical and professional knowledge and expertise to add value for Council.• Provides for alignment to other corporate and strategic projects.	<ul style="list-style-type: none">• Loss of opportunity to ‘test’ the market.• Loss of opportunity to consider alternative external resourcing provider options.

Option 2 – Request staff call for request for proposals by way of a tender process to undertake the RMF project and report back to Council with preferred contractor and the required amount of expenditure requesting approval for unbudgeted expenditure to be sourced from the Council Operations Reserve in 2018-2019.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Provides the opportunity to ‘test’ the market.• Provides an opportunity to consider alternative external resourcing provider options.	<ul style="list-style-type: none">• Requires additional time and internal resource commitment to progress the tender process• Delay in project start time

Assessment of Significance

- 38 This decision is not considered significant in relation the Council’s Significance and Engagement Policy.

Recommended Option

- 39 It is recommended that the Finance and Audit Committee endorse the approach to engage Structured Conversations Ltd on a preferred supplier basis to undertake the Risk Management Framework project and recommend to Council a request for approval for unbudgeted expenditure of up to \$60,000 exclusive of GST to be split evenly over the two financial years of 2017-2018 and 2018-2019 and to be sourced from the Council District Operations Reserve.

Next Steps

- 40 If the Finance and Audit Committee supports the recommended option a report will be presented to the Council for consideration and decision at its 20 April 2018 meeting.
- 41 If the Finance and Audit Committee does not support the recommended option staff will assess the appropriate approach to be undertaken based on the Committee’s decision.

Attachments

There are no attachments for this report.

Annual Report Audit Plan for year ending 30 June 2018

Record No: R/18/3/5772
Author: Jacobus Meyer, Financial Accountant
Approved by: Anne Robson, Chief Financial Officer

☒ Decision ☐ Recommendation ☐ Information

Purpose

- 1 The purpose of this report is to provide the committee with a copy of the annual report audit plan proposed by Audit NZ for the year ending 30 June 2018 and provide some commentary around the annual report process.

Executive Summary

- 2 Audit New Zealand has provided Council with an audit plan for the Annual Report for the year ending 30 June 2018.
- 3 This report provides a summary of the audit plan for the Council. A copy of this plan is attached to this report for your information. This audit plan outlines the audit risks, issues, audit process, reporting protocols and logistics relating to the upcoming audit.
- 4 Audit NZ Director, Ian Lothian, will be present at the meeting to discuss the plan in detail and answer any questions.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled "Annual Report Audit Plan for year ending 30 June 2018" dated 19 March 2018.**
- 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 plan as set out in the attached document.**

Background

- 5 The purpose of this report is to provide an overall summary of the audit plan, received from Audit New Zealand, for the year ending 30 June 2018.

- 6 The four key areas discussed in the plan are:
- Audit risks and issues;
 - Audit NZ's audit process;
 - Reporting protocols; and
 - Audit logistics
- 7 To work through the report in more detail, Audit NZ Director, Ian Lothian will also be present at the meeting to answer any questions and provide further clarity.
- 8 To ensure that Council is able to meet the timelines indicated in this plan, Council staff are developing a more comprehensive plan of the steps need to be completed to ensure the timelines discussed in this plan are met. The timelines indicated are not significantly different from past years so Council staff are confident in meeting the dates proposed.
- 9 Additional to the Audit NZ audit timetable, this year we are also planning to have two finance and audit committee meetings in September 2018, the first on the 30th August 2018 will receive the draft Annual Report for the committees review, discussion and approval for audit review on the 3 September 2018. The second meeting planned for the afternoon of the 24th of September 2018 will be to receive the final Annual Report (subject to any final adjustments leading up to approval), for recommendation to adopt by Council the following day.

Audit risks and issues

Focus areas

- 10 Specific details of the risks/issues are included in the audit plan (Attachment A). These risks and issues are principally the same as previous years.
- 11 The key areas are:
- The risk of management override of internal controls. As there is an inherent risk in every organisation of fraud resulting from management override of internal controls, this is considered a risk on all audits.
 - Revaluation of property, plant and equipment. Council revalues its infrastructure assets on an annual basis. These revaluations are considered a significant risk as they involve the use of complex valuation methods as well as significant judgements and assumptions.
 - Valuation of Forestry Assets. Forestry valuations are conducted annually to ensure values included in the financial statements are reflective of the assets fair value.

Areas of interest for all Local Authorities

- 12 In addition to the Council specific issues discussed above, Audit NZ will also focus on project management (Council has several high value or high profile capital projects underway), rates, the control environment, group consolidation, non-financial performance reporting, related parties and conflict of interests, sensitive expenditure and fraud risk.

The audit process

- 13 This section of the plan provides further detail in relation to: the various stages of the annual report audit, materiality, professional judgement and professional scepticism, compliance with laws and regulations, as well as wider public section considerations.

Reporting protocols

- 14 Audit NZ commits to communicating with management and Council and will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.
- 15 Draft reports will be provided to management for discussion and clearance purposes. Management are requested to provide their comments on any draft within 10 working days to enable timely reporting.

Audit logistics

- 16 Senior audit team members are Ian Lothian (Director), Jenna Hills (Audit Manager) and Cynthia Jani (Audit Supervisor).
- 17 Proposed timeline for the audit is:

Date	Process
16 April 2018	Interim audit begins
17 May 2018	Draft interim management report issued
27 August 2018	Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures
3 September 2018	Final audit begins
3 September 2018	Annual report available, including any Chair’s and Chief Executive’s overview or reports
20 September 2018	All amendments agreed to between us provided to SDC
24 September 2018	Verbal audit clearance given
25 September 2018	Audit opinion issued
25 September 2018	Draft final detailed management report issued

Issues

- 18 Council staff have no issues with the content of the audit plan.

- 19 The purpose of an audit is to provide an objective independent examination of the financial statements for Council and the Committee. This increases the value and credibility of the financial statements produced by management thereby increasing user confidence in the financial statements. As such, it is in Council's interest for Audit NZ to define the audit programme of work.
- 20 As part of drafting the audit plan, Audit NZ sought feedback on the draft plan from Council staff. The feedback wanted was in regards to the clarity and understanding of the draft plan and if Council staff, for the purposes of transparency, believe that any additional business risks/issues should be included.

Factors to Consider

Legal and Statutory Requirements

- 21 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 and this is required to be adopted by 31 October 2018.
- 22 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

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

Policy Implications

- 24 There are no policy implications

Analysis of Options

Option 1 - Accept audit plan as provided

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">Allows the Annual Report process to continue as proposed.	<ul style="list-style-type: none">None

Option 2 - Request clarification or inclusion of any issue that Committee wants included in the audit plan from Audit NZ.

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

Assessment of Significance

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

Recommended Option

- 26 Accept the audit plan as provided.

Next Steps

- 27 Council staff will work with Audit New Zealand to ensure that all necessary work is completed within the required timeframes to enable the Annual Report to be adopted at the meeting on 25 September 2018.

Attachments

- A Audit Plan for year ended 30 June 2018 [↓](#)

Audit plan

Southland District Council

For the year ending 30 June 2018

Audit plan

I am pleased to present the arrangements for the audit of Southland District Council for the year ending 30 June 2018. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Our audit process	6
Reporting protocols	9
Audit logistics	10

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

We are committed to delivering a high-quality audit. Our audit is risk based, which means that we focus on the areas that matter. Every member of the audit team will contribute to achieving the highest standard of professional excellence.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely



Ian Lothian
Director
14 March 2018

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, this table sets out the main audit risks and issues.

Your business risk or accounting issue	Our audit response
The risk of management override of internal controls	
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.
Revaluation of Property, plant and equipment	
<p>For assets that are revalued <i>PBE IPSAS 17 Property, Plant and Equipment</i> requires that the valuations are carried with sufficient regularity to ensure that the carrying amount of an asset class does not differ materially from its fair value.</p> <p>The District council has a policy that the infrastructural asset class is revalued on an annual basis.</p> <p>The revaluation has been deemed a significant risk as it involved the use of complex valuation methods as well as significant judgements and assumptions.</p> <p>Where an asset class that applies the revaluation model is not</p>	<p>For asset classes which are not revalued this year, we will:</p> <ul style="list-style-type: none"> • review management's assessment of whether the estimated fair value of an asset class has materially changed from its carrying value. <p>Where the District Council conducts a valuation of its assets at balance date, we will review the valuation whether the valuation complies with relevant valuation and accounting standards, the assumptions applied are reasonable, and the revaluation movement has been accounted for correctly in the financial statements.</p>

Your business risk or accounting issue	Our audit response
revalued at balance date, the District Council will need to undertake an assessment as to whether the estimated fair value of the asset class is materially different from the carrying value.	
Valuation of Forestry Assets	
Under PBE IPSAS 27: Agriculture, the District Council's forestry assets are accounted for, and recognised at, fair value less estimated point-of-sale costs. Forestry valuations are conducted annually to ensure values included in the financial statements are reflective of their fair value.	<p>We will:</p> <ul style="list-style-type: none"> review whether the valuation complies with relevant valuation and accounting standards, the assumptions applied are reasonable, and the revaluation movement has been accounted for correctly in the financial statements.

Our areas of interest for all Local Authorities

In addition to the issues discussed above, we also intend to focus attention on the following areas:

Your business risk or accounting issue	Our audit response
Project management	
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>We will:</p> <ul style="list-style-type: none"> update our understanding of significant projects; and review the accounting treatment applied to expenditure for compliance with relevant accountings standards and in line with the District Council's accounting policy.
Rates	
Rates are the District Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge. The District Council should ensure it has appropriate processes in place, including	We will again consider the District Council's compliance with these aspects of the LGRA that potentially materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS). We may also

Your business risk or accounting issue	Our audit response
seeking legal advice where appropriate, to ensure compliance of their rates and rating processes with legislation.	<p>review a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.</p> <p>Our review of compliance with legislation is for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The District Council is responsible for ensuring that it complies with applicable laws and regulations.</p>
Control environment – probity and transparency	
<p>Under our audit mandate, we are required be alert for and review matters of effectiveness and efficiency, waste, and a lack of probity or financial prudence. These matters could include the following:</p> <ul style="list-style-type: none"> • Situations where those in governance or management roles have conflicts of interest. • The payment of unusually high or unjustifiable fees to those in a governance role. • Excessive or unusual ex gratia payments made to employees. • Frequent overriding of policies for sensitive expenditure. 	<p>In the course of our usual audit work we will remain alert for matters of performance, waste and probity. Specifically, we will:</p> <ul style="list-style-type: none"> • Remain alert for conflicts of interest. It is important that both the District Council and councillors identify and manage compliance with the Local Government (Members' Interests) Act 1968. • Confirm that the District Council has complied with the relevant Local Government Elected Members Determination and disclosed the remuneration of each member in the annual report. • Review a sample of severance payments (if any) made by the District Council and confirm that these payments are disclosed appropriately in the annual report. • Review a sample of sensitive expenditure transactions for compliance with the District Council's internal policies.
Group consolidation	
The District Council holds investments in other entities such as joint venture arrangements. Each year the District Council must present the audited financial results of both the parent and the entire consolidated group. Currently the	<p>We will:</p> <ul style="list-style-type: none"> • review the District Council's arrangements with other entities and assess whether Council has consolidated or equity accounted for all its relevant investments;

Your business risk or accounting issue	Our audit response
District Council does not produce group accounts.	<ul style="list-style-type: none"> review the consolidation workings to gain assurance that it is prepared in accordance with accounting standards including specifically, that there is full elimination of all inter-entity transactions; and check that the accounting policies and other financial information are prepared on a consistent basis across the group and appropriately disclosed.
Non-financial performance reporting	
<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 Annual Plan. This year will be the third year of reporting against the mandatory performance measures mandated by the Non-Financial Performance Measures Rules 2013.</p> <p>We expect the District Council will continue to embed and refine its performance reporting processes this year.</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"> the reliability of systems; the operation of controls (including policies, procedures and monitoring); the appropriateness of the information reported; and the presentation of the information.
Related parties and Conflict of Interest	
<p>Related party transactions represent a particular area of risk in most public sector audits. Conflicts of interest are an area of concern from two perspectives; probity and the potential for a conflict of interest that is not well managed to create significant legal and reputation risks.</p> <p>During 2007, the Office of the Auditor General (OAG) published two sets of guidance for entities in this area:</p> <ul style="list-style-type: none"> Managing conflicts of interest: guidance for public entities, explains how to understand conflicts of interest in the public sector, and how to identify, disclose, and manage them. It also considers both the legal and ethical dimensions of conflicts of interest. Guidance for members of local authorities about the law on conflicts of interest provides more specific guidance 	<p>We will:</p> <ul style="list-style-type: none"> update our understanding of how the District Council identifies, discloses, and manages related parties. This will include following up on our previous recommendation to develop a formal process to capture senior management's related party interests. <p>We will review the related party information included in the financial statements and test the completeness of related party transactions by considering relevant external information.</p> <p>While it is primarily the responsibility of the Council to identify and manage conflicts of interest, in the course of our usual audit work we will remain alert for conflicts of interest.</p> <p>If we identify particular risks related to the management of conflicts of interest, we may</p>

Your business risk or accounting issue	Our audit response
<p>for Councillors. This is an updated version of previously published guidance about the legal requirements that apply to Council members in formal decision making at meetings of their authority.</p> <p>The Local Authorities (Members' Interests) Act 1968 controls the making of contracts between Councillors and the Council and prevents Councillors from participating in Council matters in which they have a pecuniary interest.</p>	<p>carry out further work to review the Council's systems and processes.</p>
Sensitive Expenditure	
<p>Sensitive expenditure is an area that continues to undergo significant public scrutiny.</p> <p>In February 2007 the Auditor General published: Controlling sensitive expenditure: Guidelines for public entities (the Sensitive Expenditure Guidelines). It is an expectation that the sensitive expenditure policies, of all public entities, cover the principles in these best practice guidelines. It is also expected that the policies are applied in practice.</p>	<p>We will test a sample of transactions from the sensitive expenditure areas that were incurred during 2018 for compliance with best practice and any policies which have been put in place.</p> <p>We will review any new, or changes to, policies to ensure they cover best practice in the public sector.</p>

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?

- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's the investigation been reported to Council? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.govt.nz/reports/fraud-reports.

Our audit process



Materiality

In performing our audit, we apply the concept of materiality. In the public sector, materiality refers to something that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers' in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

Accounting standards also require the District Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. 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, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of the District Council that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- Southland District Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by Southland District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Southland District Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Southland District Council or by one of more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



We will meet with management and the District Council throughout the audit.
We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Reports to governors



We will provide a draft of all reports to governors 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 District Council.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team



Our senior audit team members are:

Ian Lothian	Director
Jenna Hills	Audit Manager
Cynthia Jani	Audit Supervisor

Timetable



Our proposed timetable is:

16 April 2018	Interim audit begins
17 May 2018	Draft interim management report issued
27 August 2018	Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures
3 September 2018	Final audit begins
3 September 2018	Annual report available, including any Chair's and Chief Executive's overview or reports
20 September 2018	All amendments agreed to between us provided to SDC
24 September 2018	Verbal audit clearance given
26 September 2018	Audit opinion issued
26 September 2018	Draft final detailed management report issued

Expectations



For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter dated 3 May 2017.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

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. We have also published information to explain what to expect from your audit:



Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Level 1, Moray Place, PO Box 232
Dunedin 9016
www.auditnz.govt.nz

Health and Safety

Record No: R/18/2/4223
Author: Janet Ellis, People and Capability Manager
Approved by: Steve Ruru, Chief Executive

☐ Decision ☒ Recommendation ☐ Information

Purpose

- 1 To provide an update on Health and Safety activity within the Southland District Council to enable the Finance and Audit Committee to endorse the work that is being undertaken and recommend to Council the continuation of the focus on Health and Safety training and critical risk.

Executive Summary

- 2 In February 2017, Council contracted Simpson Grierson to undertake a Health and Safety Gap Analysis. The analysis identified a number of improvement opportunities.
- 3 As part of the improvement recommendations a Health and Safety Plan for 2017/18 and a Health and Safety Policy was finalised and approved by Council.
- 4 As part of the implementation of the plan a Health and Safety framework including procedures was approved and implemented. The Health and Safety Framework, contains standard procedures that enables a risk based approach to managing Health and Safety.
- 5 The Health and Safety Plan also requires staff to be trained in the procedures, Council has developed a series of e-learning modules to do this. The intention with this training is to guide staff through the process of understanding their responsibilities under the procedures but also to support the Council from moving to a more proactive Health and Safety culture.

Critical risks and the development of bowties and control plans continues as a focus of the work being progressed. Once these controls are finalised and an action plan is developed there may well be additional costs which will need to be resourced in accordance with the Long Term Plan.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled “Health and Safety” dated 14 March 2018.**
- 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) **Endorses the work that is being undertaken in Health and Safety within Council.**
- e) **Recommends to Council that there is a continued focus on Health and Safety and the implementation of the Health and Safety Plan including training and focus on critical risks.**

Background

- 6 In February 2017, Council contracted Simpson Grierson to undertake a Health and Safety Gap Analysis. The analysis included a review of Southland District Council’s Health and Safety Management System, discussions with key operational leaders, visits to operational locations and discussions with workers and key contractors. The result of the Gap Analysis was a written report detailing findings and recommendations for improvement. The report was presented to the March 2017 Finance and Audit Committee meeting.
- 7 The Gap Analysis determined that Council had a “developing maturity” in Health and Safety, some processes had been developed and good work had been undertaken in the identification and management of key risks. However, there were a number of recommendations made that indicated that our Health and Safety systems were more reactive and that we had significant opportunity to further develop our overall Health and Safety systems.
- 8 The recommendations made included:
 - That the Executive Leadership Team needed to develop a statement of intent for Health and Safety that expressed their ambition and direction in this area.
 - The Executive Leadership Team needed to look for opportunities to express their support and leadership of Health and Safety, including site visits and more interaction with key contractors.
 - The Executive Leadership Team should consider Health and Safety Leader training to support them and their direct reports in their roles. The training should cover key aspects of Health and Safety culture development, safety observations and conversations and behavioural safety elements.

- Development of a Health and Safety Plan that details specific improvement initiatives for the following year. It was also recommended that the plan be approved by the Executive Leadership Team and ratified by both Council and the Finance and Audit Committee.
 - Establishment of a Health and Safety Governance Framework.
 - Review current procedural gaps and draft new procedures to ensure a full management system over time.
 - Ensure employees are involved in the change process and development of new procedures.
 - Create clarity on critical risks and what these are. In addition create control plans that indicate how we control risk and who is responsible, using a 'bow tie' methodology.
 - Review hazard and risk procedures to create one process for management of risks and the risk registers.
 - Develop a reporting process that conveys how Council will report its Health and Safety performance, set targets and who details, who receives this information and when they receive the information.
 - Ensure measures include lead and lag indicators and provide a view of actual performance, so that Council can measure its progress.
- 9 Following the March Finance and Audit committee meeting, a plan, including objectives and targets was developed and was signed off by Council in July 2017.
- 10 Attachment A to this report details progress made to the plan as of 31 January.

Training

- 11 Council's responsibility is to ensure all our staff and workers are informed of and understand their responsibilities with Health and Safety.
- 12 The Health and Safety framework sets a clear expectation and targets via procedures for ongoing conversations about Health and Safety and reporting incidents in a timely and accurate manner.
- 13 Eight of the procedures form the foundation of the framework and have been converted into a series of e-learning modules. Each module covers the requirement of a single procedure with the intent to guide staff through the process of understanding their responsibilities under the law with regard to Health and Safety in the workplace. The intention with the training is to guide staff through the process of understanding their responsibilities under the procedures but also to support the Council from moving to a more proactive Health and Safety culture.
- 14 The e-learning approach will enable Council to communicate immediately, effectively and has measurable results. This training is a new approach for Council and it is expected that team and operational leaders will fully support staff in pursuing knowledge contained in the e-learning modules and encourage the innovative ideas that are likely to be generated.
- 15 All e-learning modules end with a short survey that takes the pulse of the staff and enables them to communicate freely their views with regard to the training. This data will be anonymously collated and be a great indicator of the shift of the culture from reactive to generative over the duration of the training period.

- 16 The implementation of the e-learning modules will roll out in March 2018 and will enable sufficient time for staff to individually or in teams complete each module and put into practice the learnings from it. Attachment B to this report details the Communication and Engagement Plan that is envisaged to ensure that this training is a success. It is expected that there will be a module will be released every month and that time to do the training could range from 1 hour to 3-4 hours per month dependant on levels of involvement needed.
- 17 It is not the intent that the Health and Safety training will impact on delivery of projects and provision of customer support as it is part of everyday business. However, it does need to be noted that there is time involved for every staff member and more so for leaders of people and operational leaders responsible for projects/contractors.
- 18 The staged approach will enable Council to monitor the impact and effect of the training and to adapt it to better suit staff based on feedback and results.

Critical Risks

- 19 Work continues on managing our critical risks. The new Critical Risk and Management procedure outlines clearly how Council will identify and manage its most critical risks, including the development of a control plan and assessment against the effectiveness of these controls.
- 20 Development of critical risk control plans (bow ties) is well underway with three workshops held in early August 2017 and one in October 2017.
- 21 A workshop was held with the Executive Leadership Team and Terry Johnson from Simpson Grierson in February 2018 confirming the critical risk control plan for Motor Vehicle Accidents. Additional workshops will be held with the Executive Leadership Team and critical risk teams to continue to make progress in this. Attachment C is a copy of the slides from the workshop. A copy of the current critical risk bow tie for a Motor Vehicle Accident is included in the attachment.
- 22 Once the critical risk control plans are finalised action plans will be developed to prioritise the work that needs to be undertaken to ensure Council makes progress on minimising risk and ensuring all our staff and workers return safe home every night.
- 23 In the June 2017 report to the Finance and Audit Committee some of the additional costs were highlighted. This included costs for additional equipment needed, education costs, Health and Safety system costs and recruitment of additional resources to ensure compliance with the Health and Safety framework and Health and Safety legislation. Examples of additional costs include \$15,000 per annum for Audit and Assurance requirements; \$10,000 per annum for a Health and Safety system; \$10,000 for education and training on Health and Safety, cost of GPS \$20,000 per annum and security cameras in our area offices \$10,000 per annum.
- 24 All the above costs are indicative only and the majority of these costs have been budgeted as part of the Long Term Plan process.

Factors to Consider

Legal and Statutory Requirements

- 25 Council has an obligation to manage the safety of workers under Health and Safety legislative requirements in New Zealand.

- 26 The Health and Safety Framework, containing a single policy with clear standard procedures is enabling a risk based approach to managing Health and Safety based within its undertakings.
- 27 The Health and Safety at Work Act (2015) provides guidance that if cost is the reason for not implementing a safety system, the provision of safety equipment or the changing of a process, to enable work to be done safely, then that cost must be something deemed to be grossly disproportionate to the risk being managed.
- 28 There is no further guidance in the Act on what grossly disproportionate means however it does give us an indication that we need to be very clear if we limit taking action or providing equipment or implementing improvements based on costs that there is significant risk to breaching the Act.

Policy Implications

- 29 There are no policy implications

Analysis

Options Considered

- 30 The options considered are to recommend to Council that there is a continued focus on Health and Safety and the implementation of the H&S plan (Option 1), recommend them subject to some minor amendments (Option 2) or Do Nothing (Option 3).

Analysis of Options

Option 1 – Agrees to recommend to Council that there is a continued focus on Health and Safety and the implementation of the H&S Plan

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Robust framework• Improvement of Health and Safety Culture• Illustration that Council and ELT are committed to caring for the wellbeing and safety of our people• Staff have a very good understanding of procedures and understand their responsibilities• Decline in the number of injuries• Meet legislative requirements• Continue to communicate the importance of Health and Safety ensuring all staff get home safe	<ul style="list-style-type: none">• Financial implications• May have an impact on the delivery of projects or expectations with the additional time needed for training

Option 2 – Modifies the focus on Health and Safety

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Save some initial costs in the short term	<ul style="list-style-type: none">• Inconsistency in procedures• No clear guidelines• Health, safety and wellbeing of our people in jeopardy• May not be consistent with legislative obligations• Our Health and Safety culture does not move to a more proactive state remains static

Option 3 – Do nothing

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Avoids short term cost implications	<ul style="list-style-type: none">• Inconsistency in procedures• No clear guidelines• Health, safety and wellbeing of our people in jeopardy• May not be consistent with legislative obligations• Our Health and Safety culture does not move to a more proactive state remains static

Assessment of Significance

- 31 The matter being considered is of an administrative matter and hence is not considered to be significant.

Recommended Option

- 32 Agrees to recommend to the Council that there is a continued focus on Health and Safety and the implementation of the H&S Plan including training and critical risks.

Next Steps

- 33 Seek approval from Council and continue with the Health and Safety initiatives including the training and critical risk work.

Attachments

- A Update on Health and Safety Action Plan as of 31 January 2018 [↓](#)
- B Health and Safety Framework Communication and Engagement Plan 2018 [↓](#)
- C Southland District Council Leadership Workshop 20 February 2018 [↓](#)

Update on Health and Safety Action Plan 31 January 2018

In July 2017, Council agreed to the Health and Safety Plan 2017/18. Below is an update as of 31 January 2018.

Key Focus Areas for H&S	Steps to complete	Sponsor	Complete by date	Update
<u>Complete implementation of H&S Framework</u> In February Terry Johnson from Simpson Grierson completed a review of our current H&S processes and provided recommendations. Terry has since helped us develop a framework and governance process for H&S, this will include the development of key procedures and review of some current process to ensure we have a robust and clearly documented H&S framework to move forward with.	Drafting of procedures, including consultation with workers.	SR	Aug 2017	Complete
	Develop education on our key H&S processes and ensure our people are trained in what we are doing.		Nov 2017	Development is completed Training will start in February/March 2018
	New framework implemented.		Dec 2017	Framework finalised
<u>Critical Risk</u> Prioritise the development of the Risk and Hazard Management Procedure above, and progress work on critical risk already underway. Educate and train our people on risk and hazard management. Prioritise Critical Risks and allocate resources based on the priorities. Complete the development of control plans, and assessment of effectiveness of the controls for the risks. On-going monitoring and management of critical risks seen as part of the audit and assurance process.	Development of Risk and Hazard procedure, including prioritisation of critical risk.	IM	July 2017	Complete
	Development of critical risk control plans (bowties) and approval from ELT sponsor.		Aug 2017 – June 2018	Ongoing work
	Assess the effectiveness of the controls for the each of the control plans and create corrective actions for any deemed not effective.		Dec 2018	Not started yet scheduled first session with ELT in February 2018
	Monitor closing out of corrective actions in Monthly reporting.		Aug 2017 onwards	Developing template and monitoring corrective actions from three investigations

r/17/8/19046

Key Focus Areas for H&S	Steps to complete	Sponsor	Complete by date	Update
<u>H&S Participation an HSC Committee Review</u> Consider current arrangements for participation and ensure that the Leadership and Participation Procedure reflects our HS Policy intentions. Review the role of the H&S Committee, including the make-up of the Committee and the overall consultation and participation arrangements for SDC. Rewrite the terms of reference for the HSC and move the focus of the HSC towards more proactive advocacy of H&S.	Draft procedure and undertake consultation.	BH	Aug 2017	Complete
	Review terms of reference with HSC		Aug 2017	Complete
	Transition and monitor progress.		From Oct 2017	Ongoing
<u>Incident Management</u> Escalation process for ensuring notification of events is clear and occurs. Define what level of investigation is required determined by the potential of the event, ensuring all have corrective actions and these are monitored to completion. Ensure this process is an important input into our monitoring and measuring and our audit and assurance. It provides our lag measures and opportunity to improve our systems.	Draft procedure and undertake consultation.	JE	June 2017	Complete
	Educate our people and train resources (as required). Implement new processes.		Sep 2017	New processes being used for incident management. Training for staff developed and will be implemented Feb 2018 onwards

r/17/8/19046

Key Focus Areas for H&S	Steps to complete	Sponsor	Complete by date	Update
Measuring & Monitoring Seek understanding of elected representatives' requirements for information that supports their due diligence obligations. Develop consistent and accurate reporting processes that measure progress and enable future decision making on H&S initiatives.	Define lead and lag measures that enable the delivery of our H&S objectives, and demonstrate progress against these.	RC	Aug 2017	Complete
	Draft procedure and undertake consultation.		Sept 2017	Complete
	Educate our people and implement.		Dec 2017	Training developed. Implementing in Feb 2018

r/17/8/19046



Health & Safety Framework (HSF)

Communication & Engagement Plan

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Document Revision

Date	Amendment	Amended by	Approved by	Approval date
19/02/2018	Initial Draft	Lesley Catterall	Janet Ellis	
05/3/2018	Changes following Comms Manager advice	Janet Ellis	Janet Ellis	

Health & Safety Framework (HSF) Communications & Engagement Plan

Purpose of the Plan

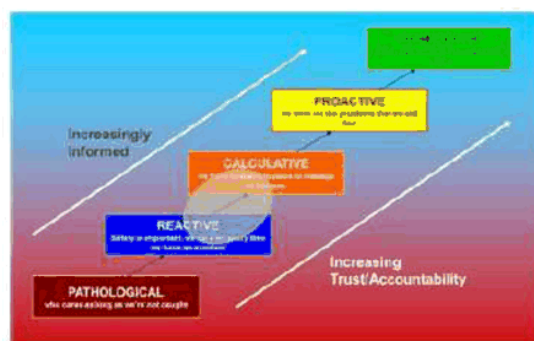
- Engage effectively with all our staff, contractors, partners and elected members
- Ensure people understand the purpose of the HSF, what we're doing in relation to it and why we are doing it this way
- Demonstrate that we take our primary objective "to ensure all staff get home safe every night" very seriously
- Communicate with all staff the importance of making Health and Safety a core part of all we do at Council
- Demonstrate that continuing to work on critical risks is crucial to ensuring all staff get home safe

HSF Vision

Safety Differently and Healthier You



In accordance with the Health and Safety Plan 2017/2018 and our Health & Safety Policy (Appendix 1) People and Capability has developed a series of 14 procedures and supporting tools which make up the Health and Safety Framework. Eight of these procedures form the foundation of the Framework and have been converted into a series of e-Learning modules. Each module covers the requirement of a single procedure with the intent to guide staff through the process of understanding their responsibilities and the requirements under the law with regard to Health and Safety in the workplace.



Our intention with the HSF Plan, Procedures and e-Learning is to move the organization from the current reactive/calculative state (according to the Hearts and Minds Culture ladder developed by Hudson) to a proactive/generative state.

This process is one that will take time and the commitment of our staff and the engagement of all teams across the organization. For this to happen and for the ultimate success of our mission to ensure all staff get home safe every

night this plan will require the full support of the Chief Executive and Leadership Team.

Background – Relevant background work done to date

February 2017	Review of current H&S processes and a H&S gap analysis was completed by Simpson Grierson
May 2017	Draft of Health and Safety Plan 2017/2018 completed
19 July 2017	Council approved Health and Safety Plan 2017/2018
August 2017	Drafting of Health and Safety Framework and procedures with consultation
Oct – Nov 2017	Development of the training draft content for the first 8 procedures of the HSF.
Dec 2017 – Feb 2018	Commenced user testing and review of Module 1 of the HSF e-Learning

Proposed Timeline/Schedule

The training will be undertaken in stages to allow sufficient time for staff to assimilate the ideas and requirements of the procedures. The following timeline is proposed:

Date		To do
Week beginning 26 th February	Team Leader meeting booked	Janet
Week beginning 5 March	Team Leader meeting introducing the Health and Safety Framework Training	Janet/ELT member to support
Week ending 12 March	e-mail by Steve to all staff saying that we will be releasing Health and Safety Framework Training and starting our e-learning journey at Council	Draft e-mail to all staff from Steve
	Introduction to e-learning released	
	Health and Safety Framework Module 1 released	Ready to be released
	Advertise for HS Coaches	One page document of what a HSC will do and what is a requirement (this is already in training – just need to document on one page)
Ending March 2018	Health and Safety Coaches and HSR appointed	Janet
April to October	All other modules released – on per month	Janet
November 2018	Review of training	Janet

Values

Corporate Values - Working Together, Taking Ownership, Being Proud to Belong and Creating Opportunities.

Council Brand Values - Leadership, Honesty and Respect

Key Messages – Health and Safety Matter

1. We want all staff to feel their health and safety is our first concern at Council.
2. Our intention is to ensure health and safety is at the heart of building a strong, caring, and safety conscious culture at Council.
3. The proposed e-Learning approach to training will enable us to communicate immediately, effectively and with measurable results the responsibilities and requirements of the Health and Safety Plan and the HSF.
4. The proposed e-learning modules enable us to not just track who has done the training, but to measure whether learning is taking place – a critical part of our HSF.
5. As ALL staff, including the leadership team will be required to complete the training, there will be opportunity for all our staff to express their views on the effectiveness, relevance and appropriateness of the training.

Key Messages – Health and Safety is everyone's responsibility

1. Our responsibility is to ensure all our staff and workers are informed of and understand their responsibilities with health and safety.
2. Our HSF sets a clear expectation and targets for ongoing conversations about health and safety and reporting of incidents in a timely and accurate manner.
3. We expect all staff and workers at Council to have a responsibility to prevent harm to themselves and to others.
4. All staff have a responsibility to be aware of and comply with relevant health and safety legislation, regulations, codes of practice and safe operating procedures. Our e-Learning modules ensure that this is the case through the monitoring of course completion and knowledge assessment results.
5. A key part of the e-Learning process is to ensure health and safety becomes a core value in our organization and an integral part of our culture.

Key Messages – Our People Matter

1. The implementation of the training of the Health and Safety Framework (HSF) will roll out through 2018 to enable staff sufficient time to complete each module and put into practice the learnings from it.
2. This staged approach will enable us to monitor the impact and effect of the training and adapt it to better suit staff based on the feedback and results we receive.
3. Giving our staff the power to control when, where and how they do their training is a new approach for Council. Because it is new we realise there is likely to be some push back in the initial stages, and we have developed a coaching role to assist staff with completing the training in other ways.

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4. E-Learning is the foundation training tool for the HSF because of its capacity to track who has done the training and how well they did – critical data for any future audit that is likely to occur.
5. The use of e-Learning does not prohibit other training methods like coaching, small group sessions, or team sessions using the information contained therein. On the contrary many of the modules actively encourage working together, discussing the information in the procedure and feeding back ideas, initiatives, issues or innovations that arise as a result.
6. It is expected that as a result of the HSF and the related training, staff will actively change the way they do their work to make it easier and better for them to do and safer for all involved. This empowerment is a positive development that inherently comes from a safety differently approach.
7. Our expectation is that team and operational leaders will fully support their staff in pursuing the knowledge contained in the e-Learning modules and encourage the innovative ideas that are likely to be generated as a result – a step towards a more generative culture.
8. Engaging with health and safety initiatives is the best measure we will have of the success of our proposed plan. Our intent is that staff will actively engage before an incident occurs and therefore contribute significantly to establishing SDC as a zero-harm workplace that gets its people home safe every single night.

Key Audiences

Audience	Role/Impact
All staff and workers including contractors	Health and safety impacts everyone and because of the eclectic range of work within council it is critical to communicate information about the procedures to the worker in terms that are relevant to where they do their work. The HSF suite of e-Learning and the incorporated case study work is the most effective means for achieving this.
Team and Operational Leaders	Critical to the success of the implementation of our Health and Safety Framework; our leaders need to show support for the Framework and for their staff engaging with health and safety in the workplace by leading through example.
All visitors and volunteers	When engaging in Council business at any of Council's sites these people need to adhere to and comply with the procedures put in place as part of the Health and Safety Framework.
Leadership Team	As a group that has the ability to significantly influence the management of Council, this group must share in the Duty of Due Diligence when the CE delegates them to do so. They must also fully support the HSF and assist their groups in meeting and complying with the requirements of the HSF.
Chief Executive	Needs to exercise a duty of Due Diligence to make sure the business understands and manages its key risks. Achieves this through leadership of and delegation to the Leadership team of SDC.
Elected Representatives	Representing the board of Southland District Council, they have a Duty of Due Diligence to exercise governance over health and safety.
Southland District Council	PCBU with the primary duty of care to look after the health and safety of its workers including any workers that Council influence or direct.

Audience	Role/Impact
	Also responsible for the health and safety of any people at risk from any work being carried out by Council at any Council or Council-operated location, worksite or event.

Activities and Tools – Proposed Schedule for Bringing Our Health and Safety Framework Alive

Refer to Appendix 2 for an overview of each of the e-Learning modules to support each of the HSF procedures.

Scheduled Release	Activity	Description
March 2018	Introduction to e-Learning	A short fun e-Learning module that shows staff how to get the best out of e-Learning and works as an advanced organiser for all the tools being used such as quizzes, knowledge assessments, and feedback surveys.
March 2018	Introducing Our HSF	A comprehensive introduction to the HSF that takes between 60 and 90 minutes to complete (including the Knowledge Assessment and Survey)
April 2018	HSF Training and Development	An overview of all the elements of the Training for all staff that takes from 30 – 40 minutes to complete inclusive.
	Initial Training for HSCs and HSRs	Coaching training – How to be a good coach– with an external facilitator Health and Safety Procedure Training to Level 2 by the required dates Ongoing mentoring from a Senior coach / HSR
May 2018	Seeking Opportunities and Involvement (Levels 1 - 3)	An introduction for all staff and a more detailed explanation for team and operational leaders. Each module takes 20-30 minutes to complete inclusive.
	Detailed training for HSRs	Health and Safety Procedure Training to Level 3 by the required dates External Health and Safety Representative Training at a basic (general) or advanced (Investigator) level Other training as required
June 2018	Setting and Reviewing Objectives (Levels 1 – 4)	An introduction for all staff followed by progressively detailed levels for team and operational leaders, HSRs and the ELT.

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30 June 2018	Review of training so far and the impact on lead indicators for year to date.	This includes a review of the performance of staff in the training and the feedback received.
July 2018	Reporting, Investigating and Learning (Levels 1 – 3)	An introduction for all staff followed by progressively detailed levels for team and operational leaders.
August 2018	Managing Risk	A practical overview for all staff followed by progressively detailed levels for team and operational leaders, HSRs and the ELT.
September 2018	Ensuring a Healthy You	Practical insight and application of this procedure for all staff followed by more on the how for team and operational leaders, HSRs and the ELT.
October 2018	In An Emergency... (Levels 1 – 3)	An introduction for all staff followed by progressively detailed levels for team and operational leaders on what to do in an emergency..
November 2018	Review of training and the impact on lead indicators for year to date.	This includes a review of the performance of staff in the training and the feedback received.

Communication	Message Content	Audience	Delivery Mechanism	Sender	Date and Time
Weekly Updates	Full report on the results of who has done what training to what level and with what results. Collated feedback from training	Leadership Team	Email	P&C Administrator	Weekly on Monday
Weekly Stats Board	Report Analysis Dashboard (Example in Appendix 3) for each e-Learning Module	All Staff	HSF Poster boards, email, HSF Bulletin (see below)	P&C Administrator	Weekly on Monday
Staff meeting updates	People and Capability Manager to attend and update on regular basis to complement weekly updates and gauge feedback.	All Staff	In person	Steve P&C Manager	Monthly
Health and Safety Team Workshops	In line with the challenges and team assignments in the training,	All Staff	Team meetings or small group standups	Team leaders HSC / HSRs	As scheduled
HSF Bulletin	Advertising what's been happening, what's in the wind, how we are doing, what our next focus is on	All staff	Email Bulletin, Post on HSF Poster board	P & C Administrator	As scheduled
Staff Stuff	Reiterate key messages/progress	All Staff Leaders	Email newsletter	P & C Administrator	Every second month
Feedback Survey Reports	Collate data from feedback surveys showing the pulse of the organisation with regard to the HSF training to date	All Staff Leaders Council	HSF Poster Board Intranet	P & C Administrator	Monthly update
Invited speakers, health programs and initiatives	Following on from the success of the Dr Tom seminars, as part of the strategy we will host further sessions in conjunction with other Councils as well as continue to support the use of	All Staff Leaders	Staff meetings (in-person) Or external venue for combined presentations	P & C Manager	As scheduled

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Communication	Message Content	Audience	Delivery Mechanism	Sender	Date and Time
	the KYND application				
Rewards and Recognition	Recognising those staff who have made the effort to learn the content of the HSF well as demonstrated by their success in the Knowledge Assessments and Quizzes	All Staff Leaders	Morning/ Afternoon Tea for any staff who received a certificate for that procedure	P & C Manager	Monthly
HSF Quizzes	Separate to the e-Learning and available for all staff all the time, these quizzes are time-based games where staff need to answer as many questions correctly as possible about H&S at SDC.	All Staff Leadership	Email	P & C Administrator	As scheduled.

Review and Evaluation

Once data is available through both the LMS reports and from the H&S register, People and Capability along with the HSRs will establish a schedule of review and evaluation of the HSF, its procedures, the training, performance and skills and capability statistics and lead indicators for each month.

Appendix 1: Health & Safety Plan 2017/2018 and Policy

Health and Safety Plan 2017/2018

Date Drafted:	May 2017
Date Approved:	19 July 2017
Approved By:	Council

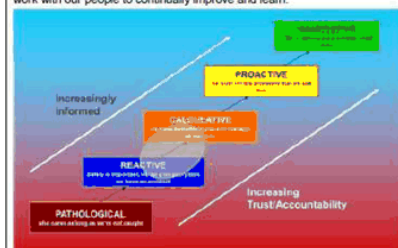
Our H&S Commitment - developed by the Leadership Team 16 May 2017

We care for the wellbeing and safety of our people and those who interact with us. Our goal is for our people to be bold and actively think about their own and others safety and wellbeing, so that we deliver safe and effective services to our community and that everyone gets home safe and well.

Current State

We feel we have made good progress on H&S over the last few years and there are definite signs that our people believe we take accountability for their safety and want them to go home safe and well at the end of the day.

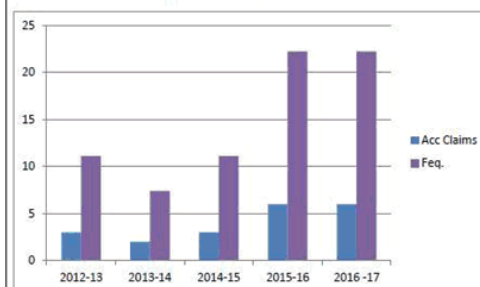
We have reviewed our progress using an external organisation and have used this to refocus our intentions and develop this plan to continue our H&S Journey. While we do not experience a large number of significant injuries, we know our people are managing and working with risk every day that has potential to cause a significant injury. Our aim is to ensure we manage and control these risks and work with our people to continually improve and learn.



As an Executive Leadership Team we have discussed our current culture in H&S against the Hearts and Minds culture ladder developed by Hudson. The diagram below shows what our belief in our current organisational culture. To move up this ladder towards a more PROACTIVE culture we need to have a plan that will deliver a different focus on H&S. We have developed this plan, as a way to ensure we measure and progress our H&S journey.

The table below shows our current injury rates since 2012. This is based on the hours worked by our 135 FTE workforce and the numbers of injuries come from our ACC data. While most of the injuries recorded here are minor in nature, we accept this doesn't guarantee a serious injury cannot occur at any time. We can also see an increase in the number of work injuries in the last two years, with 2016-17 not yet completed. Contemporary

organisations use a less than 5 frequency rate as a benchmark target.



Currently, we are limited in the information we capture for H&S, and there is inconsistency with our definitions and reporting. We will begin to capture more, including our contractors, with a focus on three levels of incident information. These are Serious Injuries – those requiring hospital admittance and treatment (and would be notifiable to Worksafe), ACC Claims – all work injuries with medical treatment accepted as ACC claims, and near-miss and first aid level incidents. We will begin to collate this information using a frequency rate to indicate our performance.

We will continue to track and use incident information along with other measures identified to track our progress.

Action Plan

As part of our commitment as a Leadership Team we will co-sponsor a key activity within the H&S plan, this sponsorship commitment is to supporting the roll-out of the initiative or objective and keep each other and our teams honest in undertaking the objectives within SDC. The focus areas were identified at the Executive Leadership Team H&S Workshop on the 16 May 2017.

Key Focus Areas for H&S	Steps to complete	Sponsor	Complete by date
Complete implementation of H&S Framework	Drafting of procedures, including consultation with workers.	SR	August 2017
In February Terry Johnson from Simpson Grierson completed a review of our current H&S processes and provided recommendations.	Develop education on our key H&S processes and ensure our people are trained in what we are doing.		Nov 2017
Terry has since helped us develop a framework and governance process for H&S, this will include the development of key procedures and review of some current process to ensure we have a robust and clearly documented H&S framework to move forward with.	New framework implemented.		Dec 2017
Critical Risk	Development of Risk and Hazard Management Procedure above, and progress work on critical risk already underway. Educate and train our people on risk and hazard management.	IM	July 2017
Prioritise the development of the Risk and Hazard Management Procedure above, and progress work on critical risk already underway. Educate and train our people on risk and hazard management.	Development of critical risk control plans (bowties) and approval from ELT sponsor.		August 2017 – June 2018
Prioritise Critical Risks and allocate resources based on the priorities. Complete the development of control plans, and assessment of effectiveness of the controls for the risks.	Assess the effectiveness of the controls for the each of the control plans and create corrective actions for any deemed not effective.		Dec 2018
On-going monitoring and management of critical risks seen as part of the audit and assurance process.	Monitor closing out of corrective actions in Monthly reporting.		August 2017 onwards
H&S Participation an HSC Committee Review	Draft procedure and undertake consultation.	BH	Aug 2017
Consider current arrangements for participation and ensure that the Leadership and Participation Procedure reflects our HS Policy intentions.	Review terms of reference with HSC		Aug 2017
Review the role of the H&S Committee, including the make-up of the Committee and the overall consultation and participation arrangements for SDC.	Transition and monitor progress.		From Oct. 2017.
Rewrite the terms of reference for the HSC and move the focus of the HSC towards more proactive advocacy of H&S.			
Incident Management	Draft procedure and undertake consultation.	JE	June 2017
Escalation process for ensuring notification of events is clear and occurs. Define what level of investigation is required determined by the potential of the event, ensuring all have corrective actions and these are monitored to completion.	Educate our people and train resources (as required).		Sep 2017
Ensure this process is an important input into our monitoring and measuring and our audit and assurance. It provides our lag measures and opportunity to improve our systems.	Implement new processes.		
Measuring & Monitoring	Define lead and lag measures that enable the delivery of our H&S objectives, and demonstrate progress against these.	RC	Aug 2017
Seek understanding of elected representatives' requirements for information that supports their due diligence obligations.			
Develop consistent and accurate reporting processes that measure progress and enable future decision making on H&S initiatives.	Draft procedure and undertake consultation.		Sept 2017
	Educate our people and implement.		Dec 2017

Health & Safety

POLICY

We care for the wellbeing and safety of our people and those who interact with us. Our goal is for our people to be bold and actively think about their own and others safety and wellbeing, so that we deliver safe and effective services to our community and that everyone gets home safe and well.

Build Culture
Ensure health and safety is a core value in our organisation by building a strong health and safety culture.

Communicate
Ensure all workers are informed and understand this policy and any other health and safety documentation and initiatives. Consult and communicate in an honest and considerate manner with workers

Investigate and Learn
Accurately report, record, investigate and take the initiative to improve work practices and learn from all workplace incidents, injuries, near misses and critical events. Employees are also encouraged to report discomfort, pain and injury as early as possible.

Take Practicable Steps
Workers have a responsibility to prevent harm to themselves, fellow workers and visitors

Develop Knowledge
Workers are aware of and comply with relevant health and safety legislation, regulations, codes of practice and safe operating procedures.

Fit for Work
Ensure all workers are mentally and physically fit for work.

Use Targets
Establish, implement and review measurable health and safety objectives and targets to ensure continual best practice by improvement of practices, procedures and performance.

Induct
Workers are inducted and understand their health and safety responsibilities and obligations.

Train and Refresh
Provide appropriate resources and training to achieve and maintain a safe and health work environment.

In an Emergency
All staff take a proactive approach to emergency management and are willing to assist when required.

Rehabilitate
Actively and respectfully manage the early rehabilitation and return to work of any employee who has suffered an injury or illness.

Managing Risk
Aim to eliminate work related injuries by identifying and controlling workplace hazards, managing risks, monitoring employee health and implementing appropriate programmes.

Manage Contractors
Develop and maintain open communication and effective relationships and processes with contractors and suppliers of goods and services.

Encourage Participation
Encourage active participation and personal responsibility in matters relating to health, safety and wellness, including hazard management, and early reporting of incidents, injuries, and near misses.

Authorised by: _____

Steve Ruru
Chief Executive

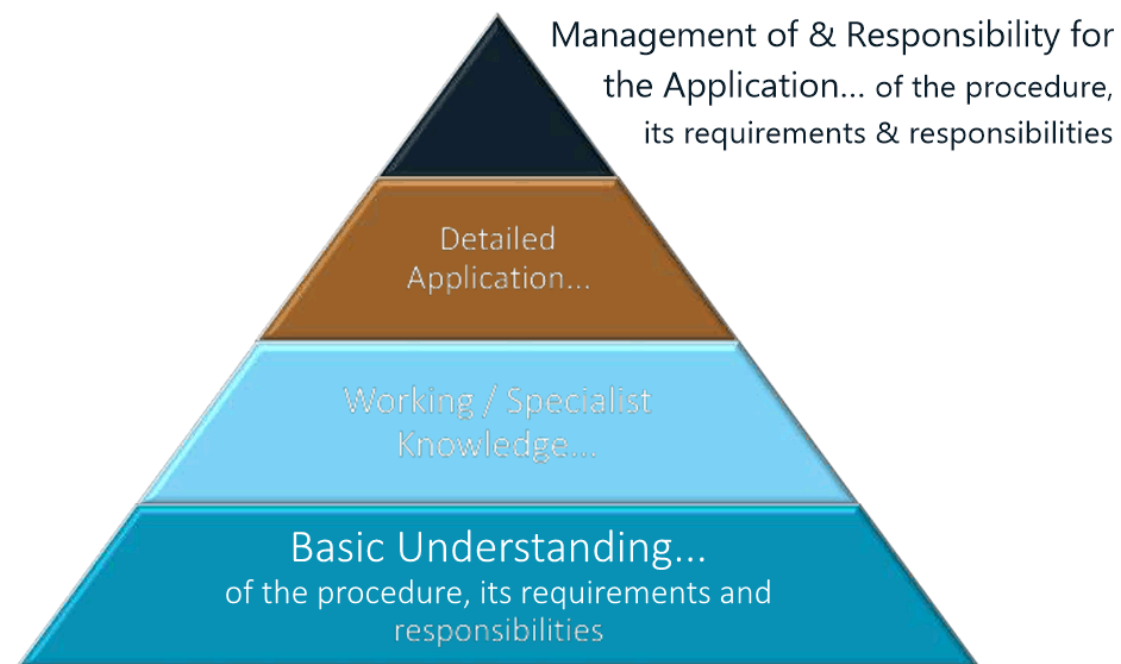
Date

SOUTHLAND
DISTRICT COUNCIL
Te Rohe Pōtae o Murihiku



Appendix 2 – Bringing Our HSF Alive

Bringing Our Health and Safety Framework (HSF) Alive – the Levels of Involvement



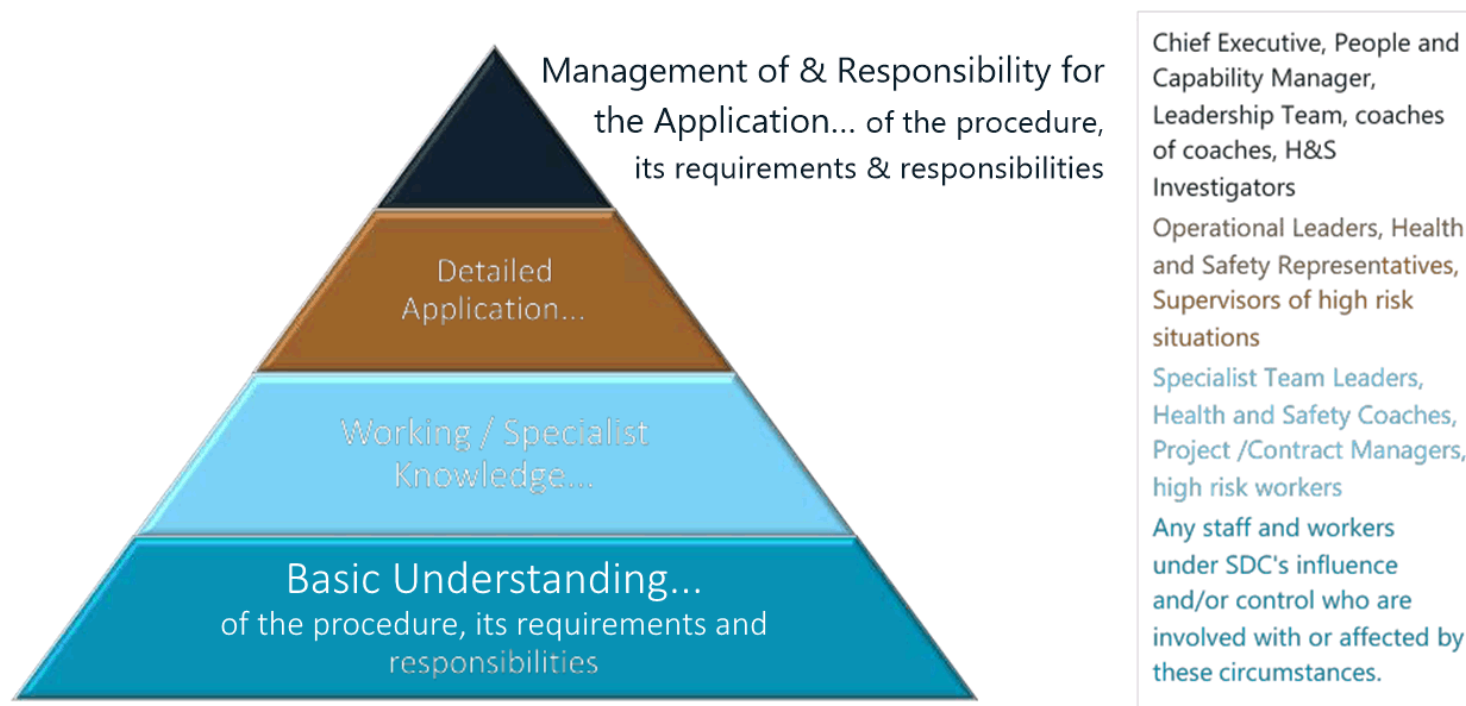
Health & Safety Framework (HSF) - Lesley Catterall and Janet Ellis

Bringing Our Health and Safety Framework (HSF) Alive – What's covered in the Core e-Learning Modules

Module / HSF Procedure	Level 1 – Basic Understanding of the procedure, its requirements and responsibilities	Level 2 – Working or specialist knowledge of the procedure...	Level 3 – Detailed Application of the procedure...	Level 4 – Management of and Responsibility for the Application of the procedure...
Who does it apply to?	<i>All Staff and workers under SDC's influence and/or control</i>	<i>Specialist Team Leaders, Health and Safety Coaches, Project / Contract Managers, high risk workers</i>	<i>Operational Leaders, Health and Safety Representatives, Supervisors of high risk situations</i>	<i>Chief Executive, People and Capability Manager, Leadership Team, coaches of coaches, H&S Investigators</i>
HS01 – Our Health and Safety Framework	What it is, why we have it and what's involved			
HS02 – Training and Development	How to ensure all staff know their responsibilities with regard to the HSF			
HS03 - Seeking Opportunities and Involvement	Introduces how to seek opportunities for involvement, consultation and agreement	Discusses the responsibilities of this procedure for those in the leadership	Explores the elements of leadership required to promote involvement with the HSF and leading the way to a healthier and safer SDC.	
HS04 - Setting and Reviewing Objectives	Defines the language of H&S and guides through an effective review process	Discusses responsibilities involved with expectations and targets of the HSF and ways to meet these.	Details the responsibility and process for ensuring the successful application of this procedure.	Discusses the responsibility and process for the setting of KPIs against which each Business Group will be measures.
HS05 - Reporting, Investigating and Learning	Explains terminology, the importance of reporting and the required process for doing so	Discusses responsibilities of leaders to demonstrate support, set the example and keep records pertaining to an investigation.	Details the responsibility of leaders to hold each other accountable for effective reporting, incident management, investigation and learning from past mistakes.	
HS06 - Managing Risk	Introduces staff to the procedure and process for understanding and managing risk	Discusses leadership role in risk management and how to effectively assess risk at their place of work	Introduces the Critical Risk Processes and the role of the CRA team and how to work with the teams to identify and implement Critical Control checks	Discusses the GOAL approach to leadership, the requirement of due diligence, and responsibilities when rules change or things go wrong.
HS07 - Ensuring a Healthy You	Introduces facts about our health and what Council is doing to support this procedure	Discusses the role of leadership in supporting the initiatives of Council and how to do it	Details how to determine the needs of staff health and matching to appropriate solutions	Discusses the role of leadership in building a healthy and safe working environment for all.
HS08 - In an Emergency...	Introduces the emergency procedures and what to do in the event of an emergency.	Discusses how to create an Emergency Response Plan for their work area.	Details how to comply with the ultimate responsibility for ensuring all SDC controlled sites are well maintained and fit for purpose.	

Page | 14

Bringing Our Health and Safety Framework (HSF) Alive – the Levels of Involvement and who they impact



Bringing Our Health and Safety Framework (HSF) Alive – What's covered in the Supporting e-Learning

Modules

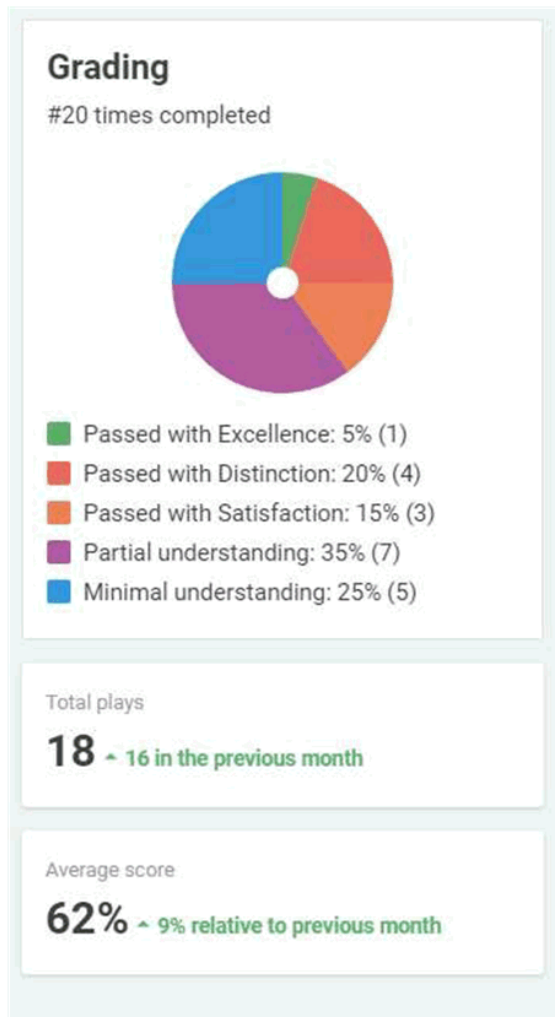
The training for these procedures only applies to the select groups affected by it. All operational leaders will be required to be familiar with and cognisant of these procedures. Any training will cover...

Module / HSF Procedure	Level 1 – Basic Understanding of the procedure, its requirements and responsibilities	Level 2 – Working or specialist knowledge of the procedure...	Level 3 – Detailed Application of the procedure...	Level 4 – Management of and Responsibility for the Application of the procedure...
<i>Who does it apply to?</i>	<i>Any staff and workers under SDC's influence and/or control who are involved with or affected by these circumstances.</i>	<i>Specialist Team Leaders, Health and Safety Coaches, Project / Contract Managers, high risk workers</i>	<i>Operational Leaders, Health and Safety Representatives, Supervisors of high risk situations</i>	<i>Chief Executive, People and Capability Manager, Leadership Team, coaches of coaches, H&S Investigators</i>
HS09 – Improving Continuously			The responsibility for delivering expectations and milestones within the approved annual HS Plan	The responsibility for reviewing the information and providing insight and feedback Mgr P&C – ultimate responsibility.
HS10 – Building a Safe Workplace	How to maintain a safe and healthy work environment – builds on HS03, 04, 05, and 07	Specific responsibilities for the effective implement of the procedure.	Implement appropriate arrangements and expectations to support the preparation of safe work practices under the HSF	
HS11 – Returning to Work (after an Injury)	What to do after an injury or event that requires a period of rehabilitation.	The key responsibilities for delivering expectations within this procedure.	The responsibility for ensuring the successful implementation of the procedure	
HS12 – Acquiring and Managing Contractors	What is expected of the contractors and suppliers engaged by SDC	The role of the council engaging supervisors with regard to this procedure.	The role of P&C in managing this procedure.	
HS13 - Managing Events and Volunteers	What is expected of individual staff members involved in this activity	Specific requirements that apply to external event stakeholders and users	The specific responsibilities for staff meet the requirements of the procedure	
HS14 – Getting It Right – Assessing and Auditing Our Framework			The responsibilities including meeting requirements, providing coaching and mentoring, communicating findings, and monitoring closure.	The responsibilities for reviewing information, providing insight and feedback, taking appropriate action Mgr P&C – ultimate responsibility and accountability for presenting and appraising Council of findings.

Appendix 3 – Reporting Tools

Example of Dashboard for Completion of Knowledge Assessment

How Did We Do with the Knowledge Assessment for “Introducing Our HSF”





Leadership Team – Critical Risk Review

Terry Johnson, Director H&S Advisory Services



PLANNING
 REHABILITATION
 YOU MATTER
 PREVENTION
EVACUATION
 ASSISTANCE
 ACCIDENT
 SAFETY
 WARDEN
 INCIDENT
 HAZARD
HEALTH & SAFETY ADVISORY
 AWARENESS
 CRITICAL RISK
 SAFE HOME
 MINIMISE
 WE CARE
 INJURY
 SECURITY
 EMERGENCY
 COMMITTEE
 FIRST AID

Contents

1. Quick Refresher
2. Safety Leaderships in Leadership Teams
3. Critical Risk Review
 - Role of the CR panels
 - Role of the SDC ELT
 - Review of Risk –
 - Actions and decisions
4. Wrap-up

Policy Statement

Health & Safety POLICY

We care for the wellbeing and safety of our people and those who interact with us. Our goal is for our people to be bold and actively think about their own and others safety and wellbeing, so that we deliver safe and effective services to our community and that everyone gets home safe and well.

Build Culture
Ensure health and safety is a core value in our organisation by building a strong health and safety culture.

Communicate
Ensure all workers are informed and understand this policy and any other health and safety documentation and initiatives. Consult and communicate in an honest and considerate manner with workers

Investigate and Learn
Accurately report, record, investigate and take the initiative to improve work practices and learn from all workplace incidents, injuries, near misses and critical events. Employees are also encouraged to report discomfort, pain and injury as early as possible.

Take Practicable Steps
Workers have a responsibility to prevent harm to themselves, fellow workers and visitors

Develop Knowledge
Workers are aware of and comply with relevant health and safety legislation, regulations, codes of practice and safe operating procedures.

Fit for Work
Ensure all workers are mentally and physically fit for work.

Use Targets
Establish, implement and review measurable health and safety objectives and targets to ensure continual best practice by improvement of practices, procedures and performance.

Induct
Workers are inducted and understand their health and safety responsibilities and obligations.

Authorised by: Steve Ruru Date: _____
Chief Executive

Train and Refresh
Provide appropriate resources and training to achieve and maintain a safe and health work environment.

In an Emergency
All staff take a proactive approach to emergency management and are willing to assist when required.

Rehabilitate
Actively and respectfully manage the early rehabilitation of workers who have been injured.

Manage
Aim to monitor and control risks to health and safety.

Manage
Develop effective and sustainable health and safety systems.

Encourage
Encourage responsible reporting of incidents and near misses.

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Health & Safety POLICY

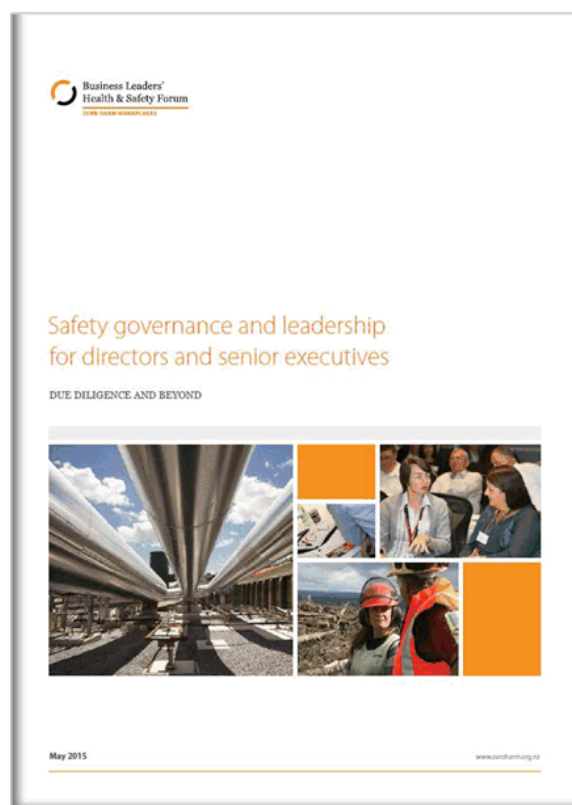
We care for the wellbeing and safety of our people and those who interact with us. Our goal is for our people to be bold and actively think about their own and others safety and wellbeing, so that we deliver safe and effective services to our community and that everyone gets home safe and well.

Safety Leadership in Leadership Teams

PLANNING
REHABILITATION
YOU MATTER
PREVENTION
EVACUATION
ASSISTANCE
ACCIDENT
SAFETY
WARDEN
INCIDENT
HAZARD
HEALTH
& SAFETY
ADVISORY
INJURY
SECURITY
EMERGENCY
COMMITTEE
FIRST AID
AWARENESS
CRITICAL RISK
SAFE HOME
MINIMISE
WE CARE

Safety Leadership in Leadership Teams

The NZ Business Leaders' Health & Safety Forum, with research and advice from Dr Kristin Ferguson a leading Australian expert in the area of H&S governance, board and senior executive behaviour propose the following actions of Senior Leaders in their publication Safety governance and leadership for directors and senior executives.



VISION

The ability to publicly articulate shared safety goals that resonate across all levels of the organisation. Set high Standards for safety behaviour, establish safety expectations and solicit commitments to safety from others.

PERSONAL COMMITMENT

Exhibit a personal commitment to workplace safety, have a sincere, visible and genuine dedication to safety that demonstrates care for the welfare of others.

DECISION-MAKING

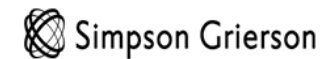
Need to promote a sound assessment of safety issues when decisions are being made, ensure H&S concerns are heard and workers are included in the safety planning process.

TRANSPERENCY

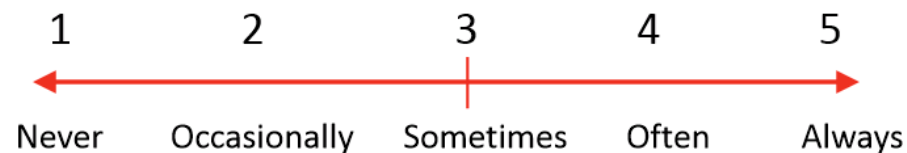
Senior Executives need to communicate in a way that celebrates successes, and openly deals with challenges as they emerge.

Practical Examples

- CEO and Senior Execs regularly reinforce the organisations commitment to H&S
- All Senior Execs take an active role in leading H&S
- Executive Team decisions support safe working practices
- Demonstrate safety leadership from all Executives visiting sites
- Safety should be part of performance management for all executives
- Senior Executives support the leader with the most H&S risk
- Report openly about H&S
- Publicly recognise all key contributors (including contractors)



Safety Leadership in Leadership Teams



Self – assessment scores

Individual Score (ave)	Leadership Team Score (ave)
------------------------	-----------------------------

VISION

The ability to publicly articulate shared safety goals that resonate across all levels of the organisation. Set high Standards for safety behaviour, establish safety expectations and solicit commitments to safety from others.

PERSONAL COMMITMENT

Exhibit a personal commitment to workplace safety, have a sincere, visible and genuine dedication to safety tat demonstrates care for the welfare of others.

DECISION-MAKING

Need to promote a sound assessment of safety issues when decisions are being made, ensure H&S concerns are heard and workers are included in the safety planning process.

TRANSPERENCY

Senior Executives need to communicate in a way that celebrates successes, and openly deals with challenges as they emerge.



What does this tell us?

- Lets discuss

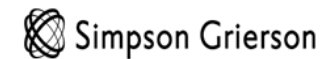
Safety Leadership in Leadership Teams

Key principles for success

- H&S is an SLT responsibility
- All Executives are equally responsible for the safety outcomes of the organisation
- H&S is not an HS issue. Just as the organisations finances is not just a Finance issue, reputation and customer satisfaction is not just the CEO's issue, and HR is not responsible for how people behave.
- Resourcing for H&S requires commitment from all executives
- Challenge unsupportive behaviour or lack of ownership.

Critical Risk Review – Motor Vehicle Accident causing Injury

PLANNING
REHABILITATION
YOU MATTER
PREVENTION
EVACUATION
ASSISTANCE
ACCIDENT SAFETY
WARDEN INCIDENT
HAZARD
HEALTH & SAFETY
ADVISORY
INJURY SECURITY
EMERGENCY COMMITTEE
FIRST AID
AWARENESS
CRITICAL RISK
SAFE HOME
MINIMISE
WE CARE



Work completed to date

1. SDC has developed a Motor Vehicle Policy
2. Bowtie control plan developed by working group

Next Steps

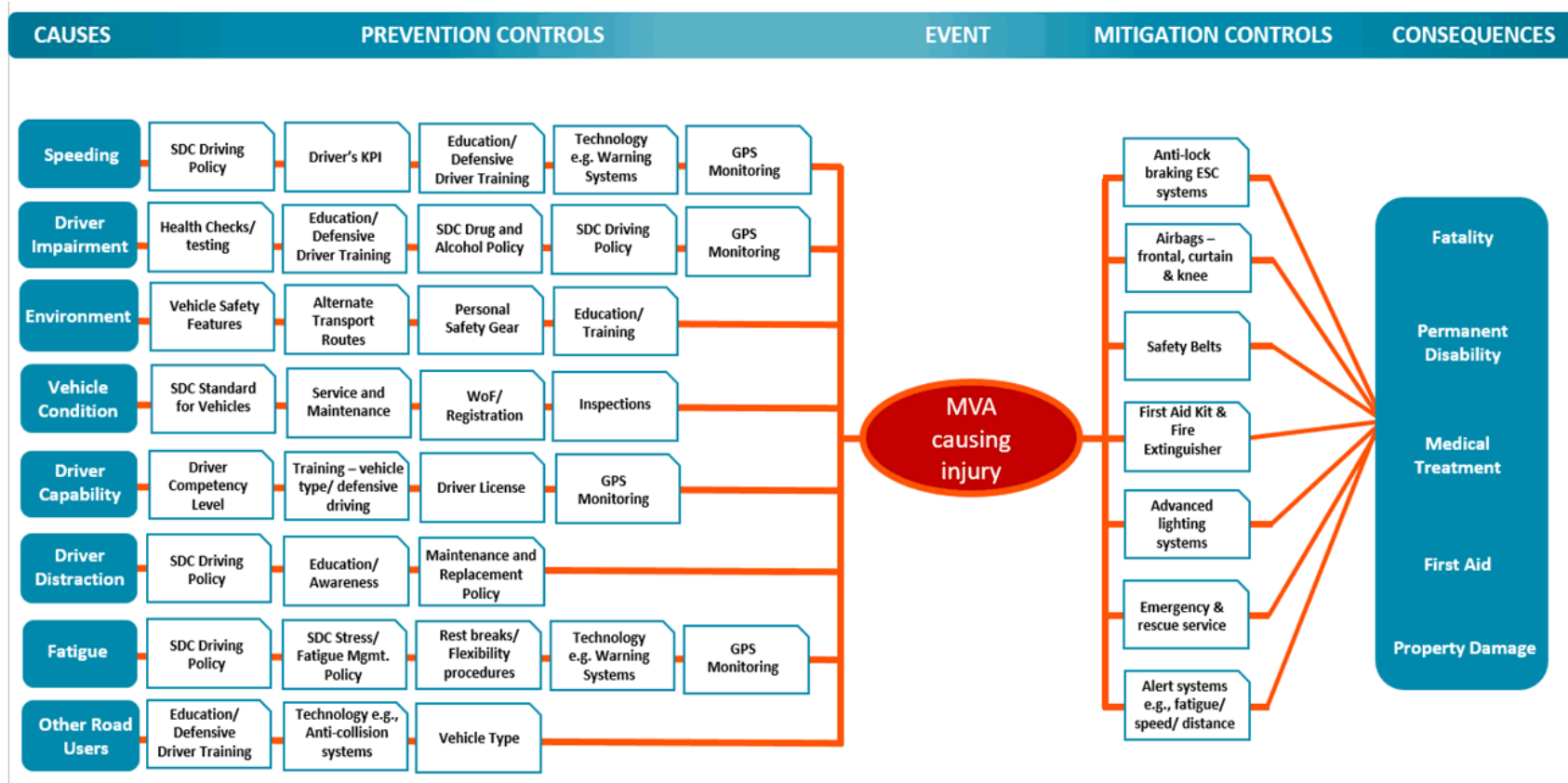
1. SLT discussion and agreement on Bowtie - TODAY
2. Complete assessment on current state
3. Provide assurance report to CEO and Council on status of Driving Critical Risk

Role of Panels and SLT

- Panels - Develop Bowties
 - Consider current knowledge of topic and practices -done
 - Consider best or industry practice - done
 - Develop controls based on desired practice - done
 - Complete Assessments and action plans – to be completed
- SLT – Approve Bowties
 - Review Causes and Controls
 - Propose changes or approve controls
 - Review Assessments once completed by Panels
 - Approve action plans

TODAY

Bowtie Review – MVA causing Injury.



Bowtie Review – MVA causing Injury.



Cause: SPEEDING



SDC Driving Policy	SDC shall ensure a Policy is in place to demonstrate the organisation's commitment towards the safety of its drivers. The Policy must include SDC standards, purchasing requirements, maintenance and service, training, legal driving status of drivers and safety behaviours expected of drivers.
KPI's for Drivers	SDC shall ensure they have set key performance indicators (KPIs) to measure the safety behaviour of drivers. This could include speeding tickets, vehicle inspections, completion of trainings and awareness programs, on-time servicing, vehicle damage reports and, no. of incidents (minor to significant).
Driving Training	SDC shall ensure a process is in place to identify roles/individual personnel who may require training to operate vehicles over and above the NZTA licencing requirements for eg driver training for high use drivers or off road users.
Technology - Warning/ Alert Systems	SDC shall ensure they have specific safety requirements when purchasing, hiring or using any third party vehicles. SDC shall ensure all vehicles are road worthy, have seat-belts with active reminders, head restraints, speed warning devices fitted in the car. The preferred choice of vehicles must be those that achieve a minimum ANCAP, ESC systems to detect if the driver is going out of control and, airbags.
GPS Monitoring	GPS fleet management systems installed in vehicles, tracks and monitors individual routes taken, as well as driver behaviours. This includes speed of the vehicle at any time during the journey, the speed limit of the road being driven on, harsh braking, sharp corners - these will be monitored and a driver feedback programme developed. This may determine potential impact and duration of operation. Repeated speeding may warrant Council investigation into the behaviour that has occurred.

Bowtie Review – MVA causing Injury.



Cause: DRIVER IMPAIRMENT



Health Checks/ testing	SDC shall ensure they have a health monitoring process that shall incorporate checks to establish driver suitability e.g. eyesight
Driving Training	SDC shall ensure a process is in place to identify roles/individual personnel who may require extra training to operate vehicles over and above the basic country of domicile legal requirements such as defensive driver training for high use drivers.
SDC Drug & Alcohol Policy	SDC shall ensure all staff required to drive for work purposes are physically fit to drive. SDC shall ensure a Drug and Alcohol Policy is in place to support these requirements. It is recommended to conduct a pre-employment test and random drug and alcohol testing for positions who have key safety roles such as driving.
SDC Driving Policy	SDC shall ensure a Policy is in place to demonstrate the organisation's commitment towards the safety of its drivers. The Policy must include SDC standards, purchasing requirements, maintenance and service, training, legal driving status of drivers and safety behaviours expected of drivers.
GPS Monitoring	GPS fleet management systems installed in vehicles, tracks and monitors individual routes taken, as well as driver behaviours. This includes speed of the vehicle at any time during the journey, the speed limit of the road being driven on, harsh braking, sharp corners - these will be monitored and a driver feedback programme developed. This driving behaviour may indicate driving with impairment, and may warrant Council investigation into the the behaviour that has occurred.

Bowtie Review – MVA causing Injury.



Cause: ENVIRONMENT



Vehicle Safety Features	SDC shall ensure they have specific safety requirements when purchasing, hiring or using any third party vehicles. SDC shall ensure all vehicles are road worthy, have seat-belts with active reminders, head restraints, speed warning devices fitted in the car. The preferred choice of vehicles must be those that achieve a minimum ANCAP, ESC systems to detect if the driver is going out of control and, airbags.
Alternative transport routes	SDC shall ensure that staff are aware of all alternative transport routes where road or weather conditions are unsuitable
Personal Safety Gear	SDC shall ensure that all SDC vehicles are outfitted with the appropriate personal safety equipment. For example crash kits
Defensive Driving Training/ Education on Road Conditions	SDC shall ensure a process is in place to identify roles/individual personnel who may require training to operate vehicles over and above the NZTA licencing requirements for eg driver training for high use drivers or off road users.

Bowtie Review – MVA causing Injury.



Cause: VEHICLE CONDITION



SDC Standard for Vehicles	SDC shall ensure they have specific safety requirements when purchasing, hiring or using any third party vehicles. SDC shall ensure all vehicles are road worthy, have seat-belts with active reminders, head restraints, speed warning devices fitted in the car. The preferred choice of vehicles must be those that achieve a minimum ANCAP, ESC systems to detect if the driver is going out of control and, airbags.
Service & Maintenance	SDC shall ensure that all vehicles are serviced and maintained to a minimum of vehicle manufacturer's specifications
WoF and Registration	SDC shall ensure that all vehicles are warranted and registered in accordance with the law
Inspections	SDC shall ensure internal inspections are carried out frequently and in accordance with the vehicle policy

Bowtie Review – MVA causing Injury.



Cause: DRIVER CAPABILITY



Driver competence level	SDC shall ensure a process is in place to assess driver competence while driving SDC vehicles as part of their work functions
Training- Defensive Driving / Vehicle Type	SDC shall ensure a process is in place to identify roles/individual personnel who may require training to operate vehicles over and above the NZTA licencing requirements for eg driver training for high use drivers or off road users.
Driver License	SDC shall ensure a process for capturing and monitoring a staff members drivers licence to ensure correct and current licencing
GPS Monitoring	GPS fleet management systems installed in vehicles, tracks and monitors individual routes taken, as well as driver behaviours. This includes speed of the vehicle at any time during the journey, the speed limit of the road being driven on, harsh braking, sharp corners - these will be monitored and a driver feedback programme developed. This information may indicate the driver's performance and skills in manoeuvring the vehicle. It also monitors aggressive driving which may warrant Council investigation into the behaviour that has occurred.

Bowtie Review – MVA causing Injury.



Cause: DRIVER DISTRACTION



SDC Driving Policy	SDC shall ensure a Policy is in place to demonstrate the organisation's commitment towards the safety of its drivers. The Policy must include SDC standards, purchasing requirements, maintenance and service, training, legal driving status of drivers and safety behaviours expected of drivers.
Education - Phones, Food, Passengers	SDC shall ensure that all Drivers are aware of the requirements in the vehicle policy on use of phones, eating and drinking whilst driving and the carrying of passengers and there is regular awareness programmes
Maintenance & Replacement Policy	SDC shall ensure they have specific safety requirements when purchasing, hiring or using any third party vehicles. SDC shall ensure all vehicles are road worthy, have seat-belts with active reminders, head restraints, speed warning devices fitted in the car. The preferred choice of vehicles must be those that achieve a minimum ANCAP, ESC systems to detect if the driver is going out of control and, airbags.

Bowtie Review – MVA causing Injury.



Cause: FATIGUE



SDC Driving Policy	SDC shall ensure a Policy is in place to demonstrate the organisation's commitment towards the safety of its drivers. The Policy must include SDC standards, purchasing requirements, maintenance and service, training, legal driving status of drivers and safety behaviours expected of drivers.
Fatigue mgmt. policy	SDC shall ensure that there is a Fatigue Management Policy that includes and demonstrates SDC's commitment towards the safety of its drivers.
Rest Breaks/ Flexibility procedures	SDC shall ensure there are policies and provisions in place to demonstrate the organisation's commitment towards the safety of its drivers in relation to rest breaks and flexibility procedures.
Technology - Warning/ Alert Systems	SDC shall ensure they have specific safety requirements when purchasing, hiring or using any third party vehicles. SDC shall ensure all vehicles are road worthy, have seat-belts with active reminders, head restraints, speed warning devices fitted in the car. The preferred choice of vehicles must be those that achieve a minimum ANCAP, ESC systems to detect if the driver is going out of control and, airbags.
GPS Monitoring	GPS fleet management systems installed in vehicles, tracks and monitors individual routes taken, as well as driver behaviours. This includes speed of the vehicle at any time during the journey, the speed limit of the road being driven on, harsh braking, sharp corners - these will be monitored and a driver feedback programme developed. This driving behaviour may indicate driving under fatigue, and may warrant Council investigation into the the behaviour that has occurred.

Bowtie Review – MVA causing Injury.



Cause: OTHER ROAD USERS



Training- Defensive Driving / Vehicle Type	SDC shall ensure a process is in place to identify roles/individual personnel who may require training to operate vehicles over and above the NZTA licencing requirements for eg driver training for high use drivers or off road users.
Technology - Anti-collision Systems	SDC shall ensure they have specific safety requirements when purchasing, hiring or using any third party vehicles. SDC shall ensure all vehicles are road worthy, have seat-belts with active reminders, head restraints, speed warning devices fitted in the car. The preferred choice of vehicles must be those that achieve a minimum ANCAP, ESC systems to detect if the driver is going out of control and, airbags.

Actions Review and Next Steps

1. Agree actions or changes from today's review
2. Complete assessment against controls
3. Develop action plan for gaps
4. Report to SLT and Board
5. Monitor actions for close-out.

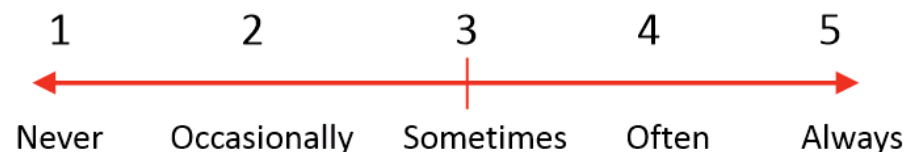


Terry Johnson
Director, H&S Advisory
Services

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Mob: +64 21 705 1917
Email: terry.johnson@simpsongrierson.com

Thank You

Safety Leadership in Leadership Teams – quick assessment



VISION

The ability to publicly articulate shared safety goals that resonate across all levels of the organisation. Set high Standards for safety behaviour, establish safety expectations and solicit commitments to safety from others.

PERSONAL COMMITMENT

Exhibit a personal commitment to workplace safety, have a sincere, visible and genuine dedication to safety that demonstrates care for the welfare of others.

DECISION-MAKING

Need to promote a sound assessment of safety issues when decisions are being made, ensure H&S concerns are heard and workers are included in the safety planning process.

TRANSPERENCY

Senior Executives need to communicate in a way that celebrates successes, and openly deals with challenges as they emerge.

Practical Examples

- CEO and Senior Execs regularly reinforce the organisations commitment to H&S
- All Senior Execs take an active role in leading H&S

- Its not about my part of the business its about keeping people safe
- Executive Team decisions support safe working practices
- Demonstrate safety leadership from all Executives visiting sites

- Safety should be part of performance management for all executives
- Senior Executives support the leader with the most H&S risk

- Report openly about H&S
- Publicly recognise all key contributors (including contractors)

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OTHERS

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11

Health and Safety Update

Record No: R/18/2/4221
Author: Janet Ellis, People and Capability Manager
Approved by: Steve Ruru, Chief Executive

☐ Decision ☐ Recommendation ☒ Information

Purpose

- 1 To provide an update on Health and Safety related incidents and general health and safety initiatives.

Content

Review of Health and Safety related incidents

Incidents/Near Misses – Southland District Council

- 2 As part of the Health and Safety Plan for 2017/2018 we will be ensuring that we have consistency of reporting on both lead and lag indicators.
- 3 Lagging indicators are typically “output” oriented, easy to measure but hard to improve or influence while leading indicators are typically input oriented, hard to measure and easy to influence.
- 4 Lead indicators include Near Misses, Audits and Inspections and progress to the Health and Safety Plan. Lag indicators include Medical Treatment Interventions (MTI), Incidents, Lost time due to injury, Worksafe notifications and Number of Incident Investigations completed.
- 5 Please find below a summary of these indicators for the year from 1 January 2017 to 31 December 2017. Please note we currently do not record the number of Audits and inspections carried out.

Key Performance Indicator	1 May – 31 July 2017	1 August – 31 October 2017	1 November - 31 December 2017	1 January – 31 December 2017
Worksafe Notifications	0	0	0	0
Medical Treatment Injury (MTI) as reported to ACC	0	0	1	2
Incidents	7	11	5	31
Lost time due to injury	0	1*	1	3
Near misses	4	9	1	18
Investigations completed	7	7	5	27

- 6 The Medical Treatment Injury (MTI)/Lost time Injury is related to an incident that occurred on Stewart Island while undertaking bush clearing work. The employee needed to see an eye specialist but the outcome was that it was a superficial scratch. Following the incident an

investigation occurred and as a result a number of recommendations were implemented including issuing of additional PPE gear and more thorough hazard/risk identification.

Other Health and Safety Related initiatives

- 7 A Health initiative was run in October with the four councils. Dr Tom Mulholland and Nadia Lim presented to over 500 staff over a two day period on healthy choices.
- 8 As part of this initiative Dr Tom Mulholland introduced the KYND application. The KYND application is a Know Your Numbers Dashboard that enables you to benchmark yourself to see how “well” you are and if your wellness strategies are making a difference to your score. Southland District Council trialled the application with a selected group of staff and after a successful trial has made the application available to all staff in 2018.
- 9 As part of our health initiatives in March 2018 Council will be running Healthy Thinking workshops for our staff. These workshops are designed to help the participants to learn the tools of healthy thinking and to learn simple tools and techniques to control unhealthy emotions such as stress, frustration and anxiety.
- 10 The Health and Safety Committee had their first meeting of 2018 on 28 February 2018. Representation on the committee is from across the organisation including Leaders of people and operational staff. The purpose of the Health and Safety Committee is to actively participate in the formation of our H&S plan and enable the health and safety representatives to formally review progress against plans and to collaboratively discuss and agree any opportunities for improvement. The committee meets quarterly and more often when needed.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled “Health and Safety Update” dated 2 March 2018.**

Attachments

There are no attachments for this report.

Digitisation Project

Record No: R/18/2/2526
Author: Gillian Cavanagh, Team Leader - Knowledge Management
Approved by: Damon Campbell, Chief Information Officer

☐ Decision ☐ Recommendation ☒ Information

Introduction

- 1 The purpose of this report is to provide the Finance and Audit Committee with the final status of the Property File Digitisation Project.
- 2 The vendor has now completed their work and the tables included in this report show the full work completed from pilot in September 2016 to project completion in January 2018.

Reporting

- 3 Table 1 shows the total A4 and large format (LF) pages scanned per month along with the total file volumes and property IDs. The property ID is a subset of the total file volumes. A property ID can be made up of multiple files volumes.

TABLE 1: PAGE AND FILE VOLUME TOTALS PER MONTH

Month	A4 Pages	LF Pages	PDFs	File Volumes	Property IDs
September 2016	24,168	155	2,737	111	106
October 2016	214,510	2,642	22,266	810	791
November 2016	231,683	4,168	19,543	896	842
December 2016	372,312	7,048	32,685	1,363	1,275
January 2017	391,643	7,347	34,251	1,725	1,602
February 2017	364,277	8,334	32,115	1,610	1,556
March 2017	472,596	11,335	40,817	2,115	2,001
April 2017	256,402	4,510	21,359	1,102	1,061
May 2017	563,019	7,681	51,127	2,646	2,592
June 2017	503,183	3,785	47,165	2,349	2,288
July 2017	547,564	4,424	50,501	2,593	2,525
August 2017	589,143	4,087	56,439	2,568	2,498
September 2017	402,025	2,498	37,989	1,852	1,670
October 2017	225,902	2,446	17,179	466	284
November 2017	24,854	279	2,374	154	134
December 2017	19,605	207	2,056	260	117
January 2018	8,011	98	840	52	51
Total	521,0897	71,044	471,443	22,672	21,393

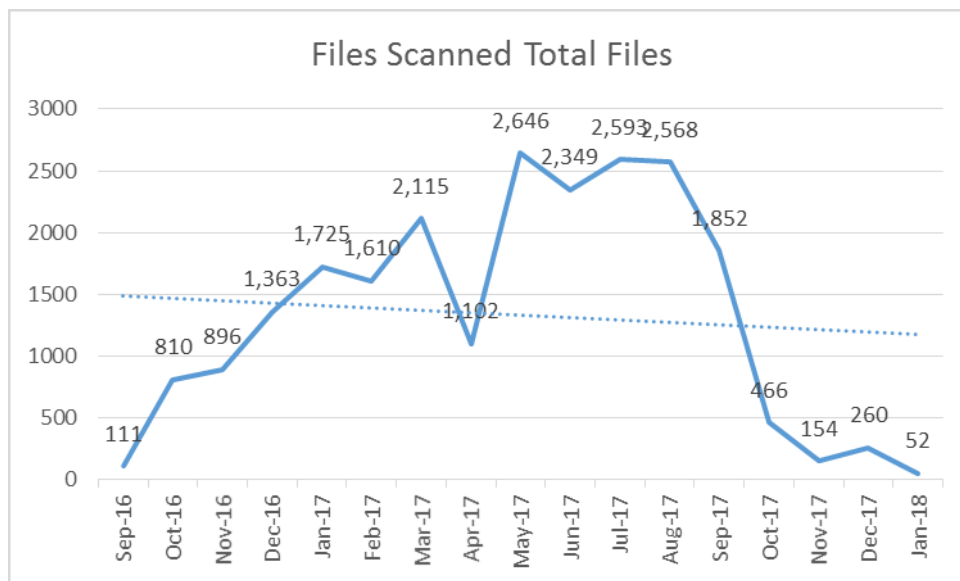
- 4 Table 2 shows the average A4 and large format (LF) pages scanned per month along with total PDFs and file volumes completed.

TABLE 2: PAGE AND FILE VOLUME AVERAGES PER MONTH

Month	A4 Pages	LF Pages	PDFs	File Volumes
September 2016	218	1.4	25	111
October 2016	265	3.3	27	810
November 2016	259	4.6	22	896
December 2016	273	5.2	24	1,363
January 2017	227	4.2	20	1,725
February 2017	226	5.0	20	1,610
March 2017	223	5.0	19	2,115
April 2017	233	4.1	19	1,102
May 2017	213	2.9	19	2,646
June 2017	214	1.6	20	2,349
July 2017	211	1.7	19	2,593
August 2017	229	1.6	22	2,568
September 2017	217	1.3	21	1,852
October 2017	485	5.0	37	466
November 2017	161	1.8	15	154
December 2017	75	0.8	8	260
January 2018	154	1.9	16	52
Overall	230	3.1	21	

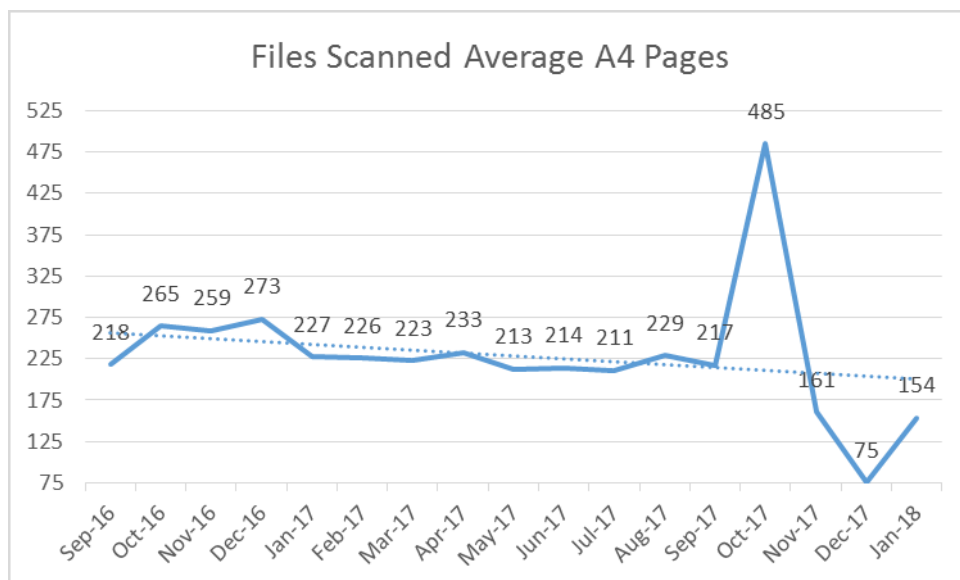
- 5 Chart 1 below shows the total file volumes scanned by month from September 2016 to January 2018. The months of May to August 2017 were high volume months with in excess of 2,000 file volumes scanned per month. In the last 4 months of the project the file volume numbers were considerably lower with less than 500 file volumes scanned per month.

CHART 1: TOTAL FILES SCANNED PER MONTH



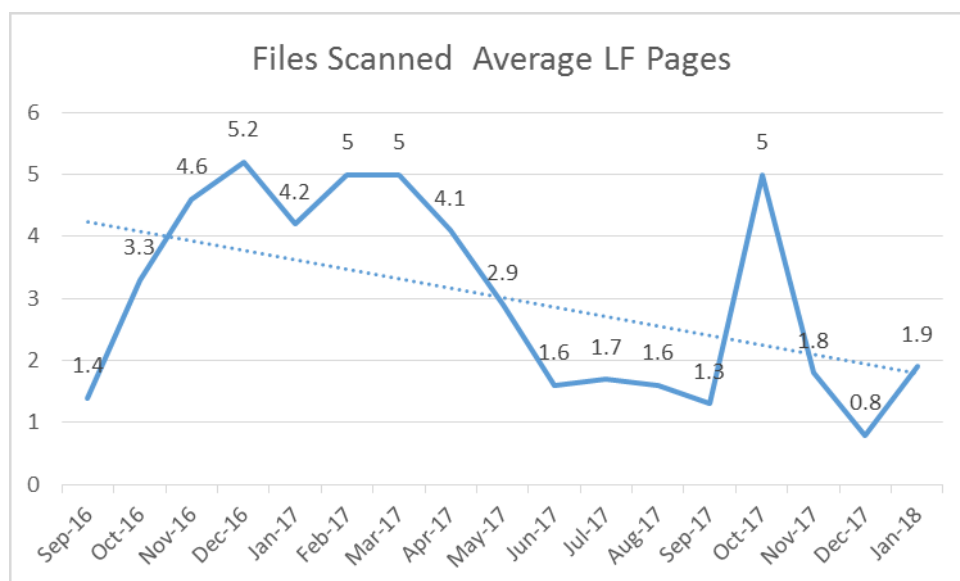
- 6 The average number of A4 pages scanned per month remained in the low to mid 200s for the majority of the project with a large spike in October 2017 due to completion of Fonterra and a number of other large commercial properties in that month. The overall average across the project is 230 A4 pages per file volume, below that of the agreed fixed monthly fee structure of 278.4.

CHART 2: AVERAGE A4 PAGES PER MONTH



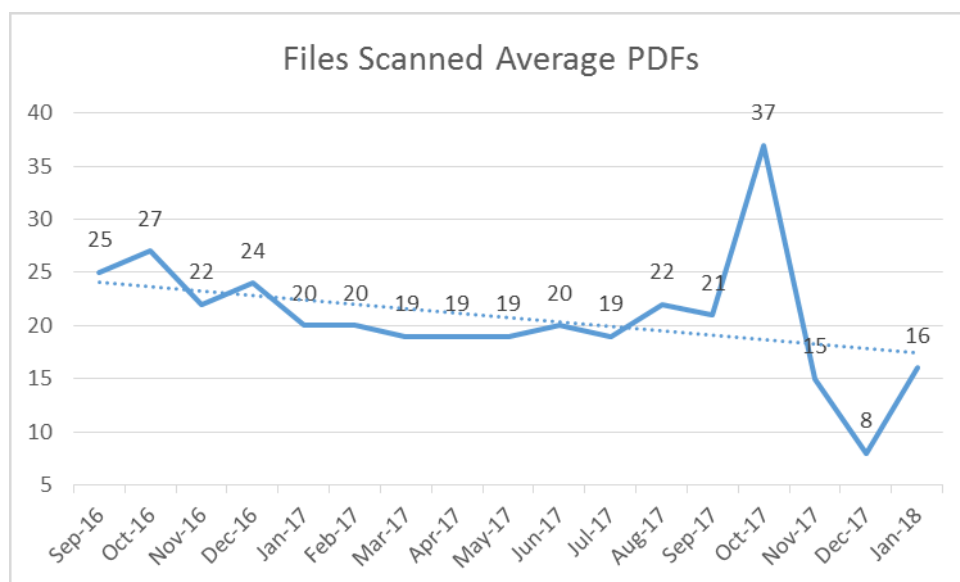
- 7 The average number of large format pages has remained below the agreed fixed monthly fee structure of 6.91 for the duration of the project. The overall average across the project is 3.1.

CHART 3: AVEARGE LARGE FORMAT PAGES PER MONTH



- 8 The average number of PDFs per file volume has remained consistent across the project with the exception of October 2017 (large commercial properties) and the last three months where the overall numbers were low.

CHART 4: AVERAGE PDFS PER FILE VOLUME PER MONTH



Financial Summary

- 9 The fixed price is based on 274.8 A4 pages; 6.91 large format pages and 24,000 file volumes.
- 10 At the end of February 2018 the actual spend is \$1,971,615 with future costs to the end of April set at \$9,241. The forecast for the entire project is \$1,980,856.
- 11 The future costs are solely related to staff and Iron Mountain storage.

- 12 The following table summarises expenditure (as per the original Business Case) to the end of February and forecast for the completion of the project (April 2018).

Description as per Business Case	Amount per Report	Actual Spent (February 2018)	Future Costs	Total Costs (Incl future)
Digitisation of Property Files	1,707,996	1,697,545	1,000	1,698,545
HP TRIM Upgrade	103,426	103,426	-	103,426
File Preparation and QA Resource	99,020	90,779	8,241	99,020
Website Enhancement	27,780	27,780	-	27,780
Shelving Removal	10,000	300	-	300
Offline staff access to files	-	-	-	-
Contingency	51,778	51,778	-	51,778
Total	2,000,000	1,971,615	9,241	1,980,856

Next Steps

- 13 At the time of writing this report we are on track to have completed the upload of all digitised files to Records Manager (Council's Document Management System). The focus of the project then moves to completing the quality assurance and auditing processes and tasks.

Over the coming months the following areas of work will be completed:

- Complete quality assurance of digitised files
- Provision of customer requests
- Implement Public View in Kiosks at Council offices
- Audit Public View against the Privacy Commissioners recommendations in order to implement Public View via Councils website

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled "Digitisation Project" dated 19 March 2018.**

Attachments

There are no attachments for this report.

Financial Report for the month ended 31 January 2018

Record No: R/18/2/4137
Author: Dipal Patel, Project Accountant
Approved by: Anne Robson, Chief Financial Officer

☐ Decision ☐ Recommendation ☒ Information

Background

1. This report outlines the financial results for the seven months to 31 January 2018 or 58.3% of the financial year.
2. The Monthly and YTD Actual results are compared to the Full Year Budget (Projection) in the attached Summary Monthly Financial Report.
3. The projection values include any 2016/2017 carried forward items approved by Council in September 2017 and October forecast changes approved by Council in December 2017.
4. The 2017/2018 Annual Plan budget is shown in the Reports as the Full Year Budget (Budget).

Overview

5. The Summary Monthly Financial Report consolidates the business units within each of the key areas of the Executive Leadership Team (ELT) responsibility. The following commentary focuses on the year to date (YTD) results excluding GST.
6. The Detailed Monthly Financial Report includes more detailed explanations and commentary on variances by the Executive Leadership Team. Commentary generally focuses on the year to date (YTD) results and, where specified, monthly results.
7. In the Council Summary and Detailed Reports, the values in the columns for:
 - The Monthly Budget, is phased where appropriate and is based on the full year projection and includes carry forwards and forecasting.
 - The YTD Budget is based on the full year projection and is a combination of the Annual Plan, carry forwards and forecasting.
 - The Full Year Budget is the Annual Plan budget for the year.
 - The Full Year Projection is the forecasted year end result.
8. Phasing of budgets occurs in the first 2 months of the financial year, at forecasting and when one-off costs have actually occurred. This should reduce the number of variance explanations due to timing.
9. Where phasing of budgets has not occurred, one twelfth of annual budgeted cost is used to calculate the monthly budget.
10. Council staff will continue to refine the format of this report to enhance the financial information reported. We welcome any feedback or suggestions on further improvements that could be made to this report.

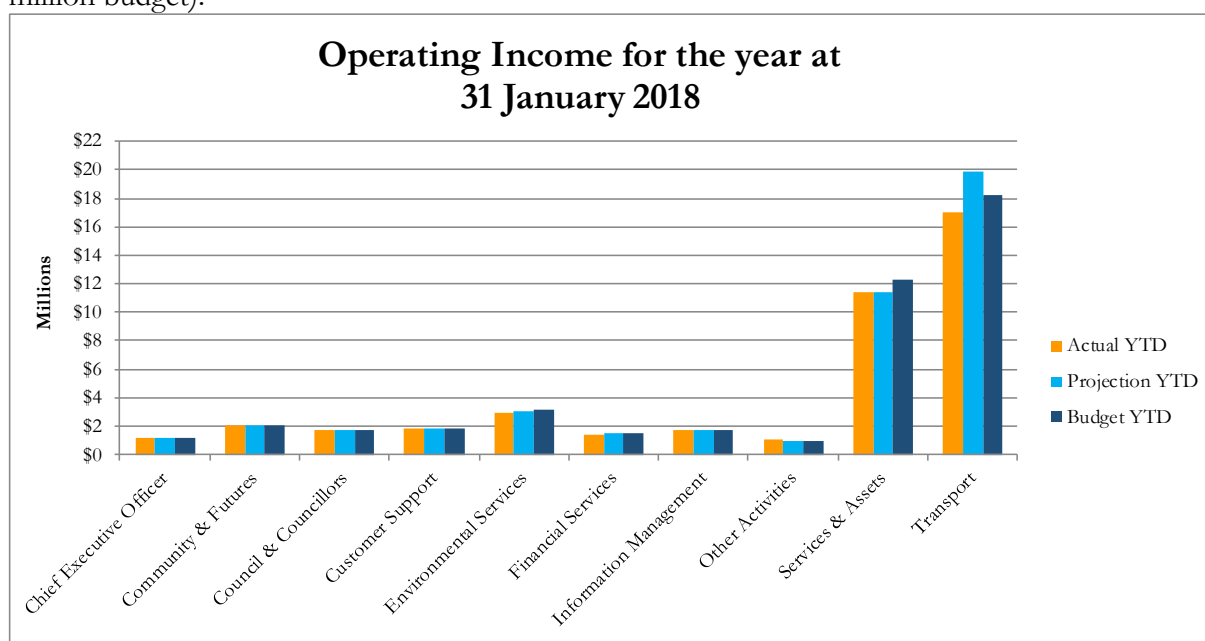
11. The Council Summary Report (actuals vs phased and forecast budget) year to date are as follows:

YEAR TO DATE	Actual	Forecast / Projection	Variance	Actual to Projection	Annual Plan Budget	Variance	Actual to Budget
INCOME	\$ 42.5M	\$ 45.2M	(\$2.7M)	↓ (6%)	\$ 44.6M	(\$2.1M)	↓ (5%)
OPERATING EXPENDITURE	\$ 39.2M	\$ 42.0M	\$2.8M	↓ 7%	\$ 42.3M	\$3.1M	↓ 8%
NET SURPLUS / (DEFICIT)	\$ 3.3M	\$ 3.2M	\$0.1M	↑ 4%	\$ 2.3M	\$1.1M	↑ 49%

YEAR TO DATE	Actual	Forecast / Projection	Variance	Actual to Projection	Annual Plan Budget	Variance	Actual to Budget
CAPITAL EXPENDITURE	\$ 13.5M	\$ 20.5M	(\$7.0M)	↓ (34%)	\$ 18.9M	(\$5.4M)	↓ (40%)

Income

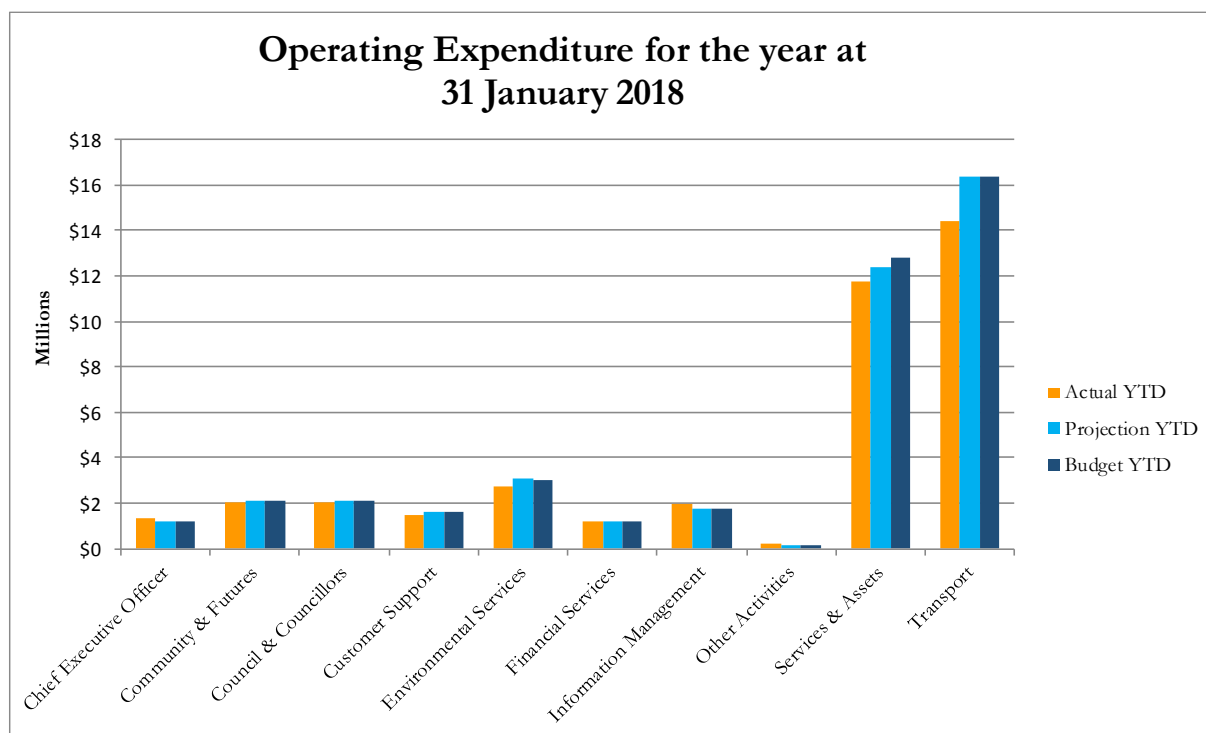
12. Operating Income is \$2.7 million (6%) under budget year to date (\$42.5 million actual vs \$45.2 million budget).



13. Transport and Roding income is \$2.8 million below budget year to date as this activity has not been phased the budget represents half of the annual cost. However the majority is received during the second half of the financial year. The Funding Assistance Rate (FAR) from NZTA is 52% of the total spend for approved projects. It is now expected that we will not receive the full NZTA funding for the year. Waipapa Point sealing is now expected to take place at the end of the year resulting in a delay in receiving planned funds. However NZTA will carry forward the related budget/funding to the 18/19 year.
14. Other Activities are \$189 thousand above budget. This is due to more interest being received on higher levels of cash reserves than budgeted. The reason for higher cash reserves is generally about when capital projects are undertaken. A number of projects including the roading activity will occur in the second half of the year.

Operating Expenditure

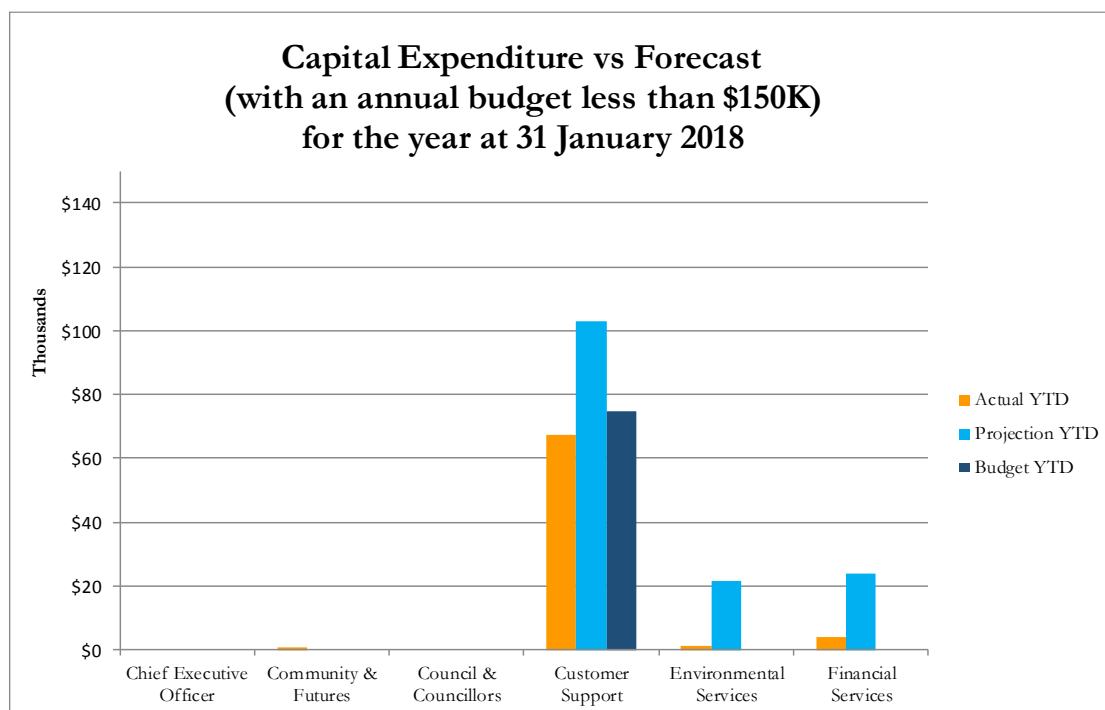
15. Operating Expenditure is \$2.8 million (7%) under budget for the year to date (\$39.2 million actual vs \$42 million budget).



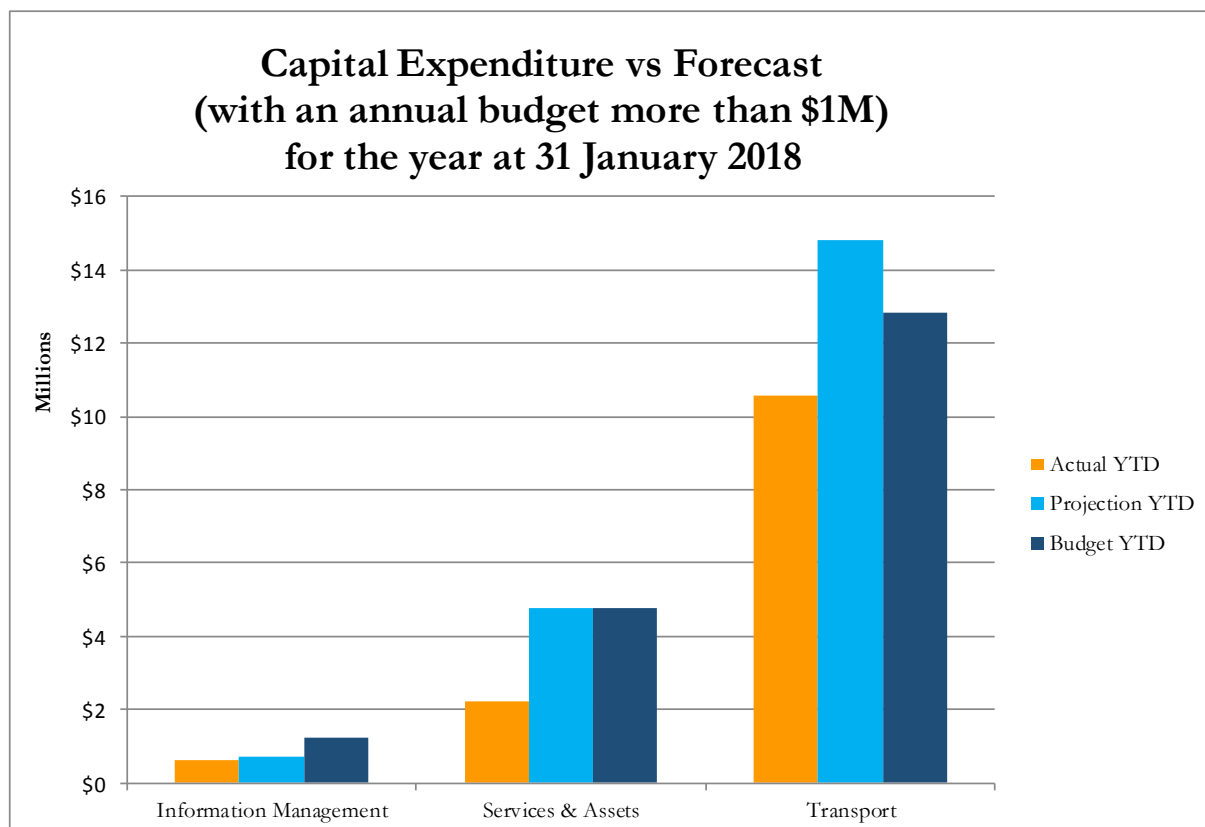
16. Transport (Roding) costs are 12% under budget, a variance of \$2 million compared to the YTD budget of \$16.3 million. This relates to the timing of various works including special purpose roads (lower Hollyford) which have required minimal work this financial year.
17. Services and Assets are 5% under budget. District sewerage depreciation of \$182 thousand was a timing error due to a journal posted for the month of February, this will be corrected during the February month end. District water also contributed to services and assets being under budget, due to less electricity being used than we originally expected. This is likely to continue until the end of the year and will be considered for forecasting. There is also lower interest costs this year due to an overall reduced loan balance required in previous years due to less capital work being completed than budgeted, one of the key projects affecting this is the deferral of the Te Anau wastewater project. Depreciation is under budget by \$120 thousand for the month of January and will be corrected in February. Forestry is showing as 13% under budget, however this is expected to correct by the end of the year with harvesting in Waikaia about to start.

Capital Expenditure

18. Capital Expenditure is \$7 million (34%) under budget year to date (\$13.5 million actual v \$20.5 million budget).



19. Customer Support, Services and Assets, Environmental and Financial Services have vehicle replacements in their budgets which have not been spent yet. 20 vehicles are due for replacement by 30 June 2018, 15 of which were due for replacement by 31 January or earlier. Of these 15, 12 replacement vehicles were ordered in December/January and 11 have been delivered during January/February. Orders for the remaining vehicles are anticipated to be placed in March-April.



20. Capital expenditure for Services and Assets is 53% (\$2.5 million) under budget for the year to date. The budgets for water and wastewater activities have not been phased but will be completed with the forecasting process which will assist with explaining this variance.

Wastewater:

- Winton (\$274thousand) – It is now only expected that \$200thousand of a \$460k project will be spent this year for the wastewater treatment upgrade investigations. The Long Term plan incorporates the expected full cost of the project. The Winton aerator has been procured to budget.
- Te Anau (\$207thousand) – The Te Anau aerators are expected to be \$40k less than budget. It is expected that some budget \$248 thousand of the current year \$623 thousand budget for the oxidation ponds will be carried forward as it is subject to the finalisation of the treatment and disposal project.
- Riversdale (\$224thousand) – The budget in relation to the treatment upgrade \$300thousand will be moved into 18/19 as additional testing is still required prior to any final purchasing done. The sludge removal at Riversdale has begun and it is expected that it will be \$85thousand over budget at year end due to increased costs of disposing to the AB Lime landfill. The funding for this will come from the savings in cost in Winton.
- Otautau (\$169thousand) – Currently \$169k underbudget it is expected all three projects will be completed by year end within current budgets.
- Stewart Island (\$100thousand) – Work in regards to the pumps and additional standby generation is ongoing. Although it is still expected to be completed within budget it is not expected to be completed in this year and as such \$110thousand is proposed to be carried forward to 2018-2019.

Water:

- Mananpouri (\$88thousand) – The survey work in relation to the water treatment plant is completed, with design work in progress, the balance of funds will be carried forward as tanks are unable to be supplied in this financial year. The project to replace the tressels carrying the main over the swamp has been downgraded as a result of an onsite assessment. As such the project is now only expected to cost \$20k compared to a full year budget of \$144thousand.
- Riverton (\$170thousand) – The Riverton water scheme main project has been completed, as part of commission it has been identified that a number of smaller projects need to be included. It is proposed to use the balance of funds to cover these costs which may occur in the next financial year.
- Eastern Bush water supply upgrade (\$0.7million) – the design is being confirmed post receiving the outcome of Havelock North inquiry.

21. Around the Mountain Cycle Trail is currently showing as being over budget by \$133 thousand. This is due to the additional expenditure approved by Council on 27 September 2017 for shelters,

trail realignment and signage, not yet reflected in the forecast projection this will be updated in the second round of forecasting. The majority of funding is to come from MBIE.

22. Overall roading capital expenditure is \$4.3 million less than budgeted for the year to date due to the seasonality of the programmed works. The roading team have committed \$14 million of works out of the current budget with other projects due to go to tender in early 2018. At the last Council meeting staff were forecasting that they would be under budget at year end. At the time they believed that due to Waipapa Point being completed late in the season, the sealing would have to wait till the new financial year. However recently staff met with the contractor and he is still pushing to complete the sealing this year, of course that will be weather dependent. NZTA have indicated that should Council not be able to complete the sealing the funding will be carried forward to next year albeit at 1% less.

Balance Sheet

23. Council's financial position as at 31 January 2018 is detailed below and is for the activities of Council only. The balance sheet as at 30 June 2017 represents the audited balance sheet for activities of Council only.
24. At 31 January 2018, Council had \$15 million invested in five term deposits ranging from three to six month maturities as follows:

Bank	Amount	Interest Rate	Date Invested	Maturity Date
ANZ	\$ 3,000,000	3.32%	24-Nov-17	17-May-18
ASB	\$ 5,000,000	3.45%	30-Nov-17	30-May-18
BNZ	\$ 2,000,000	3.22%	28-Nov-17	19-Mar-18
BNZ	\$ 3,000,000	3.37%	28-Nov-17	19-Apr-18
Westpac	\$ 2,000,000	3.15%	29-Aug-17	19-Feb-18

25. Funds on call are :

Balance at 31 January 2018	Bank	Account	Interest Rate
\$ 591,334	BNZ	Funds on Call	1.00%
\$ 10,000	BNZ	Operating Bank Acc	1.00%
\$ 298,537	BNZ	Restricted Funds Acc	0.25%

26. The movement in Property, Plant and Equipment is due to capital additions during the year less budgeted depreciation.
27. The increase in Non-Current Assets (Intangible Assets) is the continued acquisition costs of Council's digitisation software.

SOUTHLAND DISTRICT COUNCIL
STATEMENT OF FINANCIAL POSITION

31 January 2018

	Actual 31-Jan-18	Actual 30-Jun-17
Equity		
Retained Earnings	724,294,618	721,861,807
Asset Revaluation Reserves	723,523,369	723,523,369
Other Reserves	33,933,148	33,933,148
Share Revaluation	1,916,029	1,916,029
	1,483,667,164	1,481,234,353
Represented by:		
Current Assets		
Cash and Cash Equivalents	7,778,607	9,078,846
Trade and Other Receivables	7,048,858	7,515,826
Inventories	85,148	85,148
Other Financial Assets	8,422,120	8,426,212
	23,334,733	25,106,032
Non-Current Assets		
Property, Plant and Equipment	1,451,336,171	1,448,916,139
Intangible Assets	2,558,632	2,178,648
Forestry Assets	13,724,000	13,724,000
Internal Loans	19,493,988	20,204,077
Work in Progress	1,735,280	1,735,280
Other Financial Assets	3,206	3,542
	1,488,851,275	1,486,761,685
TOTAL ASSETS	1,512,186,009	1,511,867,716
Current Liabilities		
Trade and Other Payables	5,221,455	6,362,991
Contract Rententions and Deposits	359,407	382,615
Employee Benefit Liabilities	1,169,256	1,416,889
Development and Financial Contributions	2,177,030	2,169,083
Borrowings	0	0
Provisions	14,000	14,000
	8,941,148	10,345,578
Non-Current Liabilities		
Employment Benefit Liabilities	63,949	63,949
Provisions	19,759	19,759
Internal Loans - Liability	19,493,988	20,204,077
	19,577,696	20,287,785
TOTAL LIABILITIES	28,518,844	30,633,363
NET ASSETS	1,483,667,164	1,481,234,353

Recommendation

That the Finance and Audit Committee:

- a) Receives the report titled “Financial Report for the month ended 31 January 2018” dated 19 March 2018.**

Attachments

- A Council s District Activities Summary Monthly Financial Report - 31 January 2018 [↓](#)
- B Council s District Activities - Detailed Monthly Financial Report - 31 January 2018 [↓](#)



DISTRICT COUNCIL ACTIVITIES

(ATTACHMENT TO THE REPORT TO COUNCIL)

SUMMARY MONTHLY FINANCIAL REPORT FOR JANUARY 2018



Key Financial Indicators

Indicator	Actual	Target*	Variance	Compliance
External Funding: Non rateable income/Total income	40%	≥42%	2%	⊗
Working Capital: Current Assets/Current Liabilities	2.61	≥0.77	1.84	√
Debt Ratio:** Total Liabilities/Total Assets	0.60%	≤0.76%	(0.16%)	√
Debt To Equity Ratio: Total Debt/Total Equity	0.00%	≤0.00%	0.00%	√

* All target indicators have been calculated using the 2017/18 Annual Plan figures.

** Excludes internal loans.

Financial Ratios Calculations:

External Funding:

$$\frac{\text{Non Rateable Income}}{\text{Total Income}}$$

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. This is a financial prudence benchmark on Rates Income affordability set by Council.

Working Capital:

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

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:

$$\frac{\text{Total Liabilities}}{\text{Total Assets}}$$

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:

$$\frac{\text{Total Debt}}{\text{Total Equity}}$$

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



For the period ending January 2018

Council Summary Report

Income	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive Officer	133,030	126,162	6,868	5%	1,226,836	1,159,554	67,281	6%	2,014,908	2,014,908	-	-
Community & Futures	222,543	286,289	(63,746)	(22%)	2,030,643	2,004,020	26,623	1%	3,435,463	3,435,463	-	-
Council & Councillors	248,973	247,938	1,035	0%	1,746,303	1,742,945	3,358	0%	2,983,875	2,983,875	-	-
Customer Support	236,078	264,672	(28,594)	(11%)	1,804,702	1,852,705	(48,003)	(3%)	3,176,066	3,176,066	-	-
Environmental Services	356,055	363,190	(7,135)	(2%)	2,984,233	3,009,134	(24,901)	(1%)	5,010,641	4,864,774	(145,867)	(3%)
Financial Services	61,308	208,708	(147,400)	(71%)	1,367,439	1,490,275	(122,836)	(8%)	2,570,541	2,570,541	-	-
Information Management	225,886	251,969	(26,084)	(10%)	1,766,260	1,751,124	15,137	1%	3,023,693	3,023,693	-	-
Other Activities	147,197	130,070	17,127	13%	1,110,432	921,324	189,108	21%	1,407,056	1,407,056	-	-
Services & Assets	1,705,145	1,522,796	182,349	12%	11,423,233	11,374,147	49,087	0%	21,634,842	22,813,265	1,178,423	5%
Transport	1,872,239	2,838,998	(966,759)	(34%)	17,045,332	19,872,983	(2,827,652)	(14%)	31,428,724	34,208,540	2,779,815	9%
Total	5,208,453	6,240,792	(1,032,339)	(17%)	42,505,415	45,178,212	(2,672,798)	(6%)	76,685,810	80,498,181	3,812,371	5%
Operating Expenditure	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive Officer	181,870	188,786	6,917	4%	1,310,513	1,170,882	(139,630)	(12%)	1,951,044	1,951,044	-	-
Community & Futures	222,543	276,908	54,365	20%	2,030,643	2,135,804	105,160	5%	3,593,200	3,593,200	-	-
Council & Councillors	490,772	523,586	32,814	6%	2,061,028	2,126,027	64,998	3%	2,991,554	2,991,554	-	-
Customer Support	181,418	223,154	41,737	19%	1,494,805	1,616,741	121,936	8%	2,761,761	2,782,035	(20,274)	(1%)
Environmental Services	302,741	406,642	103,900	26%	2,713,739	3,056,028	342,289	11%	5,124,893	5,230,672	(105,780)	(2%)
Financial Services	128,839	150,498	21,659	14%	1,207,164	1,196,115	(11,048)	(1%)	2,284,124	2,269,571	14,553	1%
Information Management	258,398	239,569	(18,829)	(8%)	1,998,436	1,794,907	(203,530)	(11%)	2,992,876	3,070,681	(77,805)	(3%)
Other Activities	4,660	13,439	8,779	65%	222,422	177,834	(44,587)	(25%)	1,355,611	1,355,611	-	-
Services & Assets	1,098,796	1,609,727	510,931	32%	11,780,220	12,367,131	586,910	5%	20,088,331	20,026,509	61,822	0%
Transport	846,386	2,331,863	1,485,477	64%	14,393,873	16,365,723	1,971,850	12%	20,790,741	20,790,741	-	-
Total	3,716,423	5,964,173	2,247,750	38%	39,212,844	42,007,192	2,794,348	7%	63,934,134	64,061,618	(127,484)	(0%)
Net Surplus/(Deficit)	1,492,030	276,619	1,215,411	439%	3,292,571	3,171,020	121,551	4%	12,751,676	16,436,563	3,684,887	29%

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3



For the period ending January 2018

Council Summary Report

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Capital Expenditure	-	-	-	-	-	-	-	-	59,366	59,366	-	-
Chief Executive Officer	-	-	-	-	-	-	-	-	-	-	-	-
Community & Futures	710	-	(710)	-	822	-	(822)	-	31,296	31,296	-	-
Council & Councillors	-	-	-	-	-	-	-	-	-	-	-	-
Customer Support	12,415	14,740	2,326	16%	67,354	103,181	35,827	35%	127,860	176,882	(49,022)	(38%)
Environmental Services	(1,420)	3,082	4,502	146%	1,238	21,575	20,338	94%	34,140	71,126	(36,986)	(108%)
Financial Services	-	3,398	3,398	100%	3,838	23,788	19,951	84%	-	40,780	(40,780)	-
Information Management	9,162	30,417	21,255	70%	607,324	709,417	102,093	14%	1,995,758	846,629	1,149,129	58%
Services & Assets	79,347	670,614	591,267	88%	2,239,236	4,769,278	2,530,042	53%	8,142,405	8,197,327	(54,922)	(1%)
Transport	2,240,208	2,113,794	(126,414)	(6%)	10,574,142	14,833,316	4,259,174	29%	22,033,509	25,439,043	(3,405,534)	(15%)
Total	2,340,422	2,836,045	495,624	17%	13,493,952	20,460,554	6,966,602	34%	32,424,334	34,862,449	(2,438,115)	(8%)

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4



DISTRICT COUNCIL ACTIVITIES

(ATTACHMENT TO THE REPORT TO COUNCIL)

DETAILED MONTHLY FINANCIAL REPORT FOR JANUARY 2018



2

Chief Executive Officer												
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Chief Executive	20,484	22,428	(1,944)	(9%)	429,138	443,870	(14,732)	(3%)	738,939	738,939	-	-
Civil Defence	21,465	21,414	51	0%	150,169	149,900	269	0%	256,972	256,972	-	-
Community Outcomes	3,750	3,750	-	-	26,250	26,250	-	-	45,000	45,000	-	-
Council Elections	3,580	3,571	9	0%	25,044	24,999	45	0%	42,855	42,855	-	-
People and Capability	60,606	60,493	113	0%	445,631	423,453	22,179	5%	725,919	725,919	-	-
Rural Fire Control	835	833	2	0%	5,844	5,833	10	0%	10,000	10,000	-	-
Shared Services Forum	-	-	-	-	57,314	57,906	(592)	(1%)	57,906	57,906	-	-
SI Visitor Levy	22,309	13,672	8,637	63%	87,446	27,343	60,103	220%	137,317	137,317	-	-
Total	133,030	126,162	6,868	5%	1,226,836	1,159,554	67,281	6%	2,014,908	2,014,908	-	-

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Chief Executive	36,798	56,810	20,011	35%	550,255	415,366	(134,890)	(32%)	717,963	717,963	-	-
Civil Defence	64,263	64,243	(20)	(0%)	192,869	192,729	(140)	(0%)	256,972	256,972	-	-
Community Outcomes	-	3,750	3,750	100%	25,000	26,250	1,250	5%	45,000	45,000	-	-
Council Elections	-	-	-	-	-	-	-	-	-	-	-	-
People and Capability	60,606	58,278	(2,329)	(4%)	445,631	421,674	(23,958)	(6%)	725,919	725,919	-	-
Rural Fire Control	-	833	833	100%	(0)	5,833	5,833	100%	10,000	10,000	-	-
Shared Services Forum	20,202	4,826	(15,376)	(319%)	33,734	33,779	44	0%	57,906	57,906	-	-
SI Visitor Levy	-	47	47	100%	63,022	75,252	12,229	16%	137,284	137,284	-	-
Total	181,870	188,786	6,917	4%	1,310,513	1,170,882	(139,630)	(12%)	1,951,044	1,951,044	-	-

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	(48,840)	(62,624)	13,784	(22%)	(83,677)	(11,328)	(72,349)	639%	63,864	63,864	-	-

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Capital Expenditure												
Chief Executive	-	-	-	-	-	-	-	-	59,366	59,366	-	-
Total	-	-	-	-	-	-	-	-	59,366	59,366	-	-



CHIEF EXECUTIVE COMMENTARY

Chief Executive

Income in this business unit is 3% (\$15 thousand) under budget year to date.

Expenditure year to date is 32% (\$134 thousand) over budget year to date.

- Membership and subscriptions are \$7 thousand overspent. This includes the annual fee to the SOLGM Good Work Programme and LGNZ Managers.
- Training costs of \$9.9 thousand to Harvard studies for the Group Manager Community and Futures was the main contributing factor relating to the \$13 thousand overspend.
- Travel Costs were \$16 thousand over budget. This related to costs associated with staff training and the CE's in August.
- Consultant Fees are \$46 thousand over budget for the Stewart Island Community planning project. These costs are expected to be on budget by year end.
- Wages are also over budget year to date due to a combination of factors. Such as on costs associated with updating templates due to rebranding, acting CEO costs, the payout of annual leave etc.

It is expected that the CEO business unit will go over budget at year end, the forecasting report makes some recommendations for approval.

Civil Defence

Income and expenditure are on budget.

Rates collected are paid as a grant to Environment Southland for emergency management.

Community Outcomes

Income is on target year to date. This activity is internally funded.

The year to date overspend is as a result of \$25K being paid as part of the agreed SDC allocation to the SORDS project transition to the Southland Regional Development Agency. The budget is \$45K budget for the year.

Council Elections

Income and expenditure is on budget. This activity is partly funded from rates and nomination deposits.

People and Capability

Income year to date is 5% (\$22 thousand) over budget. This activity is internally funded and higher expenditure directly impacts on income allocated to this activity.

Expenditure year to date is 6% (\$24 thousand) over budget year to date.



- Recruitment costs are \$38 thousand over budget year to date. Additional recruitment costs in October included of \$34,000 for incurred for the use of external recruitment companies for the positions of Group Manager Services and Assets and Strategy Development Manager.
- Staff uniform costs were \$23 thousand over budget which related to the rebranding project. Uniform costs will be covered from the budget for the year as well as savings in uniforms over the last 5 years.

Increased expenditure impacts directly on the income allocated to this business unit.

Rural Fire Control

Income is on budget.

There has been no expenditure against the budget and all costs should be on charged for this year as this activity is managed by FENZ from 1 July 2017.

Shared Services Forum

Income is 1% (\$1 thousand) under budget year to date. The full amount for the year was invoiced in September to Gore District Council, Invercargill City Council and Environment Southland.

Expenditure is well below budget although consultant fees are expected for the establishment of SORDS.

Stewart Island Visitor Levy

Income is 220% (\$60 thousand) over budget for the year.

- Levies collected for this month was \$9 thousand over budget.
- Last year, the bulk of the levies were collected over the summer months from December through to the end of May.
- Levy collections from visitors are mostly phased to the summer months based on historical trends.

A grant of \$75 thousand was approved for the Golden Bay project early in September.



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For the period ending January 2018

Council Detail Report



	Community & Futures											
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Communications and Engagement	86,788	102,606	(15,817)	(15%)	793,055	718,239	74,816	10%	1,231,266	1,231,266	-	-
Community Leadership	44,059	54,501	(10,442)	(19%)	391,419	381,508	9,911	3%	654,015	654,015	-	-
Governance	35,674	54,223	(18,549)	(34%)	353,588	379,560	(25,973)	(7%)	650,675	650,675	-	-
Strategy & Policy	56,021	74,959	(18,938)	(25%)	492,582	524,713	(32,131)	(6%)	899,508	899,508	-	-
Total	222,543	286,289	(63,746)	(22%)	2,030,643	2,004,020	26,623	1%	3,435,463	3,435,463	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Communications and Engagement	86,788	102,790	16,002	16%	793,055	865,334	72,279	8%	1,398,084	1,398,084	-	-
Community Leadership	44,059	50,207	6,148	12%	391,419	372,878	(18,541)	(5%)	644,869	644,869	-	-
Governance	35,674	51,116	15,442	30%	353,588	375,358	21,770	6%	650,729	650,729	-	-
Strategy & Policy	56,021	72,795	16,774	23%	492,582	522,234	29,652	6%	899,518	899,518	-	-
Total	222,543	276,908	54,365	20%	2,030,643	2,135,804	105,160	5%	3,593,200	3,593,200	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	(0)	9,380	(9,380)	(100%)	0	(131,783)	131,783	(100%)	(157,736)	(157,736)	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Capital Expenditure												
Communications and Engagement	-	-	-	-	-	-	-	-	-	-	-	-
Community Leadership	710	-	(710)	-	822	-	(822)	-	31,296	31,296	-	-
Governance	-	-	-	-	-	-	-	-	-	-	-	-
Strategy & Policy	-	-	-	-	-	-	-	-	-	-	-	-
Total	710	-	(710)	-	822	-	(822)	-	31,296	31,296	-	-



COMMUNITY AND FUTURES COMMENTARY

This group's income is 1% (\$27K) over budget and expenditure is under budget by 5% (\$105K) for YTD. The following commentary explains the variances in more detail.

Communications and Engagement

The level of recoveries is 10% (\$75K) over budget YTD, with 15% (\$16K) under budget for January. The level of expenditure directly impacts on the income recoveries.

Expenditure is 7% (\$41K) under budget YTD, with 19% (\$13K) over budget for January. The under budget expenditure is due the Waimumu Field Day budgeted costs not being realised yet. Waimumu Field Day is taking place in February with actual costs appearing then.

Community Leadership

Income is 3% (\$10K) over budget and expenditure is 4% (\$14K) over budget for YTD. In November, \$12K of Grant income was received, which has contributed to the over budget income YTD.

The over budgeted expenditure as reported previously, is a combination of taxable allowances for staff which had not been included in the budget, professional development costs and in December an additional \$10K of Consultancy costs.

As this activity is internally funded, the expenditure is aligned to the budget YTD.

Governance

Income is 7% (\$26K) under budget YTD and 34% \$19K under budget for January.

Expenditure is 8% (\$24K) under budget YTD. Processing delays of the 16/17 wage accrual for \$9.2K in January has contributed to the expenditure under budget for the month and YTD.



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Strategy and Policy

Income is 6% (\$32K) under budget YTD, with expenditure reporting 6% (\$17K) over budget YTD.

Expenditure is reporting 27% (\$11K) under budget for January, which is due to no actual expenditure reported for Professional Services, but a budget allocation of \$9.7K for the month.



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For the period ending January 2018

Council Detail Report



	Council & Councillors											
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Council and Councillors	69,832	69,217	614	1%	493,042	491,900	1,142	0%	837,987	837,987	-	-
Council Contributions/Gran	31,583	31,508	75	0%	220,955	220,559	396	0%	378,101	378,101	-	-
International Relations Commit	948	946	2	0%	6,632	6,620	12	0%	12,588	12,588	-	-
Venture Southland	146,610	146,267	343	0%	1,025,675	1,023,866	1,809	0%	1,755,199	1,755,199	-	-
Total	248,973	247,938	1,035	0%	1,746,303	1,742,945	3,358	0%	2,983,875	2,983,875	-	-

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Council and Councillors	36,850	63,232	26,382	42%	433,409	503,910	70,501	14%	839,866	839,866	-	-
Council Contributions/Gran	11,722	20,505	8,783	43%	300,876	298,374	(2,502)	(1%)	383,901	383,901	-	-
International Relations Commit	-	1,049	1,049	100%	143	7,343	7,200	98%	12,588	12,588	-	-
Venture Southland	442,200	438,800	(3,400)	(1%)	1,326,600	1,316,399	(10,201)	(1%)	1,755,199	1,755,199	-	-
Total	490,772	523,586	32,814	6%	2,061,028	2,126,027	64,998	3%	2,991,554	2,991,554	-	-

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	(241,799)	(275,648)	33,849	(12%)	(314,725)	(383,082)	68,357	(18%)	(7,679)	(7,679)	-	-

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



COUNCIL AND COUNCILLORS' COMMENTARY

Council and Councillors

The level of recoveries is aligned to budget YTD and for January.

Expenditure is 15% (\$72K) under budget YTD, with 46% (\$26K) over budget for January. The under budgeted expenditure for January is due to no Consultant costs, less Staff costs of \$9K and mileage costs of \$8.2K.

Council Contributions / Grants

The level of income is aligned to the budget YTD.

Grant expenditure is 1% (\$2.5K) over budget YTD, with January expenditure under budget by 43% (\$8.8K). The YTD over budget is due to timing of grants released. No further commentary required.

Venture Southland – Grant

The level of income is aligned to budget for both YTD and January.

Expenditure is 1% \$10K over budget for YTD and 1% (\$3.4K) over budget reported for January. This is due to Grant payments being slight more than what had been included in the budgeted.



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For the period ending January 2018

Council Detail Report



	Customer Support											
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Area Offices	48,162	46,568	1,594	3%	345,369	325,975	19,394	6%	558,814	558,814	-	-
Customer Services	92,333	122,133	(29,800)	(24%)	783,836	854,930	(71,094)	(8%)	1,465,594	1,465,594	-	-
District Library	95,583	95,972	(388)	(0%)	675,497	671,801	3,697	1%	1,151,658	1,151,658	-	-
Total	236,078	264,672	(28,594)	(11%)	1,804,702	1,852,705	(48,003)	(3%)	3,176,066	3,176,066	-	-

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Area Offices	17,067	19,952	2,885	14%	155,875	140,293	(15,582)	(11%)	236,478	240,051	(3,574)	(2%)
Customer Services	92,333	120,334	28,001	23%	783,836	876,054	92,218	11%	1,495,821	1,512,521	(16,700)	(1%)
District Library	72,018	82,869	10,851	13%	555,095	600,395	45,300	8%	1,029,462	1,029,462	-	-
Total	181,418	223,154	41,737	19%	1,494,805	1,616,741	121,936	8%	2,761,761	2,782,035	(20,274)	(1%)

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	54,661	41,518	13,143	32%	309,897	235,964	73,933	31%	414,305	394,031	(20,274)	(5%)

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Capital Expenditure												
Area Offices	-	-	-	-	-	-	-	-	-	-	-	-
Customer Services	(710)	3,736	4,446	119%	87	26,153	26,066	100%	4,000	44,833	(40,833)	(1021%)
District Library	13,125	11,004	(2,120)	(19%)	67,267	77,029	9,762	13%	123,860	132,049	(8,189)	(7%)
Total	12,415	14,740	2,326	16%	67,354	103,181	35,827	35%	127,860	176,882	(49,022)	(38%)



CUSTOMER SUPPORT

Overall, Customer Support income is down 3% YTD but operational expenditure is under budget by 8% YTD. Capital Expenditure is well within what was forecast.

Area Offices

Income is above the forecast amount due to cemetery internment fees being applied to the Area Offices budgets directly rather than Customer Services which actioned the requests, this will be corrected by finance at a later date, as yet still not confirmed.

Operational expenditure is higher than forecast (11% above budget) YTD due to ordinary time being applied to the Winton office as opposed to our central Customer Services budget. This is to be corrected by Finance at a later date, as yet still not confirmed.

Customer Services

Customer Support's income line is predominantly lower due to less internal overheads received compared to what was budgeted - \$71K less YTD.

Operating Expenditure is within budget even with ordinary time being charged to the Winton Area Office in error.

Capital expenditure is below forecast as the project costs for customer kiosks to view property files is yet to be charged. The reception upgrade project is on hold subject to an external report relating to the estimated cost to upgrade the building being received by the Group Manager, Services and Assets.

Libraries

Income is 1% over YTD as Gore District Council have paid their contribution to the Bookbus. Also recoveries are a little higher than the previous year although not quite reaching budgeted level as yet. No donations of cash have been received.

A number of payments, which are annual amounts, have been made and won't change. These include internet costs, membership fees and grants to our Community Libraries.



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The purchase of new membership cards and some items relating to rebranding have pushed stationery costs up. The staffing budget is underspent however additional training and expenses relating to Kōtui will impact on this.

Operational costs have been held at over 7% under budget

Both Operational and Capital expenditure is well within budget.



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For the period ending January 2018

Council Detail Report



	Environmental Services											
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Alcohol Licensing	17,962	17,065	898	5%	141,474	119,453	22,021	18%	236,677	205,251	(31,426)	(13%)
Animal Control	17,219	15,170	2,050	14%	472,258	486,187	(13,929)	(3%)	636,957	575,764	(61,193)	(10%)
Building Regulations	122,916	142,551	(19,635)	(14%)	983,907	997,856	(13,948)	(1%)	1,718,287	1,727,443	9,156	1%
Enviro & Com Dev Admin	15,981	20,125	(4,144)	(21%)	127,003	140,876	(13,873)	(10%)	232,814	241,502	8,688	4%
Environmental Health	7,915	8,400	(485)	(6%)	64,198	67,740	(3,542)	(5%)	149,283	109,741	(39,542)	(26%)
Health Licensing	23,273	657	22,616	3441%	78,858	82,465	(3,607)	(4%)	125,954	94,404	(31,550)	(25%)
Museum	48,437	48,118	319	1%	361,954	336,827	25,127	7%	577,417	577,417	-	-
Regulatory - Non Recoverab	9,363	9,341	22	0%	65,506	65,388	117	0%	112,094	112,094	-	-
Resource Consent Processin	69,265	78,096	(8,831)	(11%)	523,108	546,673	(23,564)	(4%)	937,153	937,153	-	-
Resource Planning/Policy	23,723	23,667	56	0%	165,967	165,670	297	0%	284,005	284,005	-	-
Total	356,055	363,190	(7,135)	(2%)	2,984,233	3,009,134	(24,901)	(1%)	5,010,641	4,864,774	(145,867)	(3%)

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Alcohol Licensing	13,267	17,987	4,720	26%	126,462	132,230	5,767	4%	229,145	229,145	-	-
Animal Control	24,851	49,743	24,891	50%	411,506	369,754	(41,752)	(11%)	610,820	636,717	(25,897)	(4%)
Building Regulations	112,400	130,314	17,913	14%	817,001	949,790	132,789	14%	1,641,730	1,641,730	-	-
Enviro & Com Dev Admin	15,981	17,998	2,017	11%	127,003	133,896	6,893	5%	232,814	232,814	-	-
Environmental Health	9,974	112,12	1,238	11%	103,191	103,263	71	0%	149,862	159,862	(10,000)	(7%)
Health Licensing	9,089	9,908	819	8%	70,020	72,220	2,200	3%	125,954	125,954	-	-
Museum	45,619	53,278	7,659	14%	395,265	375,820	(19,444)	(5%)	644,816	644,816	-	-
Regulatory - Non Recoverab	-	-	-	-	53,169	78,466	25,297	32%	112,094	112,094	-	-
Resource Consent Processin	57,780	74,514	16,734	22%	460,748	543,484	82,736	15%	937,153	937,153	-	-
Resource Planning/Policy	13,780	41,688	27,908	67%	149,372	297,105	147,733	50%	440,505	510,388	(69,883)	(16%)
Total	302,741	406,642	103,900	26%	2,713,739	3,056,028	342,289	11%	5,124,893	5,230,672	(105,780)	(2%)

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	53,314	(43,451)	96,765	(223%)	270,494	(46,894)	317,388	(677%)	(114,251)	(365,898)	(251,647)	220%



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For the period ending January 2018

Council Detail Report



Environmental Services												
Capital Expenditure	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Animal Control	-	-	-	-	528	-	(528)	-	-	-	-	-
Building Regulations	(1,420)	-	1,420	-	-	-	-	-	34,140	34,140	-	-
Enviro & Com Dev Admin	-	3,082	3,082	100%	-	21,575	21,575	100%	-	36,986	(36,986)	-
Environmental Health	-	-	-	-	710	-	(710)	-	-	-	-	-
Health Licensing	-	-	-	-	-	-	-	-	-	-	-	-
Museum	-	-	-	-	-	-	-	-	-	-	-	-
Resource Consent Processin	-	-	-	-	-	-	-	-	-	-	-	-
Total	(1,420)	3,082	4,502	146%	1,238	21,575	20,338	94%	34,140	71,126	(36,986)	(108%)



ENVIRONMENTAL SERVICES SUMMARY

Overall January 2018 monthly income for the Environmental Services Group was 2% (\$7,135) below budget at \$356,055 actual versus \$363,190 budget.

Key features of this month's income were that Resource Consent processing was 11% (\$8,831) below budget, reflecting relatively subdued levels of consent activity particularly larger scale consents, and Building Control income was 14% (\$19,635) below budget. Conversely, Health Licensing income was \$ 22,616 ahead of budget, which is largely a reflection of timing of invoicing.

Overall January 2018 monthly expenditure was 26% (\$103,900) below budget at \$302,741 actual v \$406,642 budget.

All departments were significantly under budget expenditure-wise. Most departmental costs in the Environmental Services Group are staff costs, and there have been some vacancies which are in the process of being filled, so hence expenditure can be expected to track closer to budget in the coming months.

Overall Group YTD Summary as at end of January 2018 of the 2017/2018 financial year:

Overall Group YTD Income at the end of January 2018 for the 2017/2018 financial year is tracking 1% (\$24,901) below budget at \$2,984,233 actual versus \$3,009, 134 budget, so therefore income is tracking very close to budget.

Large scale development activity in the Southland District continues to remain relatively subdued. Larger scale development activities, such as major subdivisions where hearings may be required, have a significant impact on Group income.

Overall Group YTD Expenditure at the end of January 2018 of the 2017/2018 financial year is 11% (\$342,289) below budget at \$2,713,739 actual versus \$3,056,028 budget.

Hence, while Group YTD income in 2017/2018 has been slightly below budget, reflecting current generally subdued development activity levels within the District; Group YTD expenditure is significantly budget.

There is still some outstanding capital expenditure within the Group from the 2016/2017 financial year which has been carried forward to 2017/2018 relating to overdue vehicle renewals. However, the 3 replacement vehicles on order for the Building Control team have arrived and are being deployed, being identical Mitsubishi Triton double-cab utes.



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For the period ending January 2018

Council Detail Report



Financial Services												
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Financial Services	61,308	208,708	(147,400)	(71%)	1,367,439	1,490,275	(122,836)	(8%)	2,570,541	2,570,541	-	-
Total	61,308	208,708	(147,400)	(71%)	1,367,439	1,490,275	(122,836)	(8%)	2,570,541	2,570,541	-	-

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Financial Services	128,839	150,498	21,659	14%	1,207,164	1,196,115	(11,048)	(1%)	2,284,124	2,269,571	14,553	1%
Total	128,839	150,498	21,659	14%	1,207,164	1,196,115	(11,048)	(1%)	2,284,124	2,269,571	14,553	1%

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	(67,531)	58,210	(125,741)	(216%)	160,275	294,160	(133,884)	(46%)	286,417	300,970	14,553	5%

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Capital Expenditure												
Financial Services	-	3,398	3,398	100%	3,838	23,788	19,951	84%	-	40,780	(40,780)	-
Total	-	3,398	3,398	100%	3,838	23,788	19,951	84%	-	40,780	(40,780)	-



FINANCIAL SERVICES COMMENTARY

Operating expenditure is on budget for the year to date.

Legal fees are \$52K over budget due to costs associated with unexpected legal proceedings currently in progress. Audit fees are also \$20K over budget as a result of the timing of the initial invoice in relation to the Long Term Plan audit. Additionally \$12K more district heritage grants have been allocated than anticipated at this stage of the year, however Council are still within the annual budget for this activity.

These overspends are offset by a number of underspends across various account codes, many of which have arisen due to the timing of the costs being incurred. The key underspends are in staff costs (\$34K), financial expenses (credit card fees, debt collection costs etc) (\$17K) and training (\$8K).



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For the period ending January 2018

Council Detail Report



	Information Management											
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Information Management	152,939	149,479	3,460	2%	1,071,179	1,033,692	37,487	4%	1,793,809	1,793,809	-	-
Knowledge Management	49,971	68,781	(18,810)	(27%)	397,863	481,469	(83,606)	(17%)	825,375	825,375	-	-
Property & Spatial Services	22,977	33,709	(10,732)	(32%)	297,219	235,964	61,255	26%	404,509	404,509	-	-
Total	225,886	251,969	(26,084)	(10%)	1,766,260	1,751,124	15,137	1%	3,023,693	3,023,693	-	-

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Information Management	185,451	151,272	(34,179)	(23%)	1,303,355	1,086,935	(216,420)	(20%)	1,868,421	1,868,421	-	-
Knowledge Management	49,971	58,256	8,286	14%	397,863	418,347	20,484	5%	719,946	719,946	-	-
Property & Spatial Services	22,977	30,040	7,064	24%	297,219	289,625	(7,594)	(3%)	404,509	482,314	(77,805)	(19%)
Total	258,398	239,569	(18,829)	(8%)	1,998,436	1,794,907	(203,530)	(11%)	2,992,876	3,070,681	(77,805)	(3%)

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	(32,513)	12,400	(44,913)	(362%)	(232,176)	(43,783)	(188,393)	430%	30,818	(46,987)	(77,805)	(252%)

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Capital Expenditure												
Information Management	1577	22,917	21,339	93%	65,879	160,417	94,537	59%	1,857,911	275,000	1,582,911	85%
Knowledge Management	7,585	7,500	(85)	(1%)	541,444	549,000	7,556	1%	137,847	571,629	(433,782)	(31%)
Total	9,162	30,417	21,255	70%	607,324	709,417	102,093	14%	1,995,758	846,629	1,149,129	58%



INFORMATION MANAGEMENT COMMENTARY

Overall Income is 1% (\$15 thousand) over budget for the year-to-date
Overall Operating Expenditure is 11% (\$204 thousand) over budget for the year-to-date.
The year-to-date position 430% (\$188 thousand) over budget for the year-to-date.
Capital expenditure is 14% (\$102 thousand) under budget

Information Management

Income is 4% (\$37 thousand) over budget for the year-to-date.
Expenditure is 20% (\$217 thousand) over budget.
The net year-to-date position is \$180K under budget.

Capital Work:

Core Systems Review Scoping Report:

Development of the Core Systems Review scoping project started in December and progressing well with a number of workshops and planning meeting happening. The end result of this work will be a formal business case that will be presented to Council in the first part of 2018.

The project scoping work will include a range of discovery, scoping and validation work that will enable officers to provide Council with a high degree of confidence around the whole Core Systems Review programme.

Further refinement has been completed following work and engagement with Council external vendor Effectus Limited. The core framework that the business case will provide has been redefined into the following areas:

- **Change Management** – This will be a key area for Council to the success of the overall Core Systems Project.
- **Data as an Asset** – The underlying requirement for a number of identified business improvement and system improvements will be having a clear data governance framework. Council is inherently has numerous and large datasets that need to be managed and controlled with a view of gaining greater insight for future projects and activities.
- **Business Capability Building** – Council is using an external model to benchmark our existing processes. Works are/have been scheduled to collect and validate existing processes, the risks, issues and opportunities for improvement. This piece of work will provide Council officers an insight into the areas where risks existing and a structure prioritisation process can be completed
- **Strategic System Implementation** – The larger pieces of defined systems work that relates to the HR/Payroll/Health and Safety, Financial Systems, and Electronic processing systems.
- **BAU (Business as Usual) Improvements** – There are a number of areas where are have already identified improves to systems which will be enabled for other activities. The part of the project will also focus on the improvements to existing processes that will ultimately lead to more effective and efficient service deliver.



Expenditure that has occurred during the last 3 months (December, January, February) have increased the Information Management business unit to be over budget, however this increase will be funded by the core systems review budget.

Currently we have completed nine (10) days of workshops with staff from across the organisation with more planned during February.

Departments and Teams that have been completed are:

- Environmental Health
- Resource Management
- Building Control
- Community Engineers
- Water and Waste
- Transport
- Property
- Customer Support
- Policy and Strategy

Knowledge Management

Income is 17% (\$84 thousand) under budget

Expenditure 5% (\$20 thousand) under budget year to date.

The net year-to-date position is \$64 thousand under budget.

Capital Expenditure is 1% (\$8 thousand) under budget year to date.

Capital Work:

Digitisation Project:

Focus for the digitisation project has moved from sending paper away to starting the setup and changes to the electronic world and how we will be using this new media.

Council will also have available a kiosk option in the Invercargill reception area for members of the public to be able access this information via the Public View software that was part of the project. This work is being done as a pilot to the wider requests that the Customer Support group will be aiming to rollout to the remaining Council sites around the District.

Expenditure to date includes the purchase of Nova software licence and setup of Nova for Council's requirements, project management, and costs associated with packing and transporting files to Power Business Services premises in Auckland and processing up to the end of August.

Council has confirmed that Power Business Systems have completed the process of scanning Council's property files and closing this part of the project. A final project report will be presented to the Finance and Audit committee in March. The project has moved into populating the electronic files into Councils systems for future access.

The last pieces that were completed by PBS related to the following large 'properties'

- Fonterra (132 volumes) was scanned as a scan on demand request although the collection had been prepared at the time of making the request.



- Alliance Lorneville (20 volumes), Alliance Makarewa (10 volumes) were scanned as scan on demand requests.
- Distinction Hotel Te Anau (14 volumes) was scanned in October along with a number of other large properties including Menzies College and hotels in Winton and Riversdale

Council officers will be developing and refining the protocol for public access – These will be available by kiosks initially and then the wider Council website once the QA process has been completed. Council is working through the recommendations outlined by the Privacy commission on best practice for showing this information online.

Council received an update status report at the March meeting of the Finance and Audit Committee.

Property and Spatial Services

Income is 26% (\$61 thousand) over budget.
Expenditure is 3% (\$8 thousand) over budget.
The net year-to-date position is \$53K over budget.

Internal overheads allocation has been over allocated to this business unit. Income is generally allocated internally to recover costs and should be on target by year end.



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For the period ending January 2018

Council Detail Report



	Other Activities											
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Grant Allocation Committees	14,674	15,182	(509)	(3%)	187,788	117,107	70,681	60%	309,644	309,644	-	-
Operating investments	132,523	114,888	17,635	15%	922,644	804,217	118,427	15%	1,097,412	1,097,412	-	-
Total	147,197	130,070	17,127	13%	1,110,432	921,324	189,108	21%	1,407,056	1,407,056	-	-

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Grant Allocation Committees	(150)	10,215	10,365	101%	141,589	155,269	13,680	9%	309,729	309,729	-	-
Operating investments	4,810	3,224	(1,586)	(49%)	80,833	22,565	(58,267)	(258%)	1045,882	1045,882	-	-
Total	4,660	13,439	8,779	65%	222,422	177,834	(44,587)	(25%)	1,355,611	1,355,611	-	-

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	142,537	116,632	25,906	22%	888,010	743,490	144,521	19%	51,445	51,445	-	-



OTHER ACTIVITIES COMMENTARY

Grant Allocation Committee

Year to date Income is 60% over budget (\$71K). This variance predominantly due to a correction on 16/17 year end interest allocations. Income is anticipated to be \$60K over budget at year end. The remainder of the variance is due to the timing of grant funding received.

Year to date Expenditure is on budget.

Operating Investments

Income is \$118 thousand over budget year to date.

- Interest earned on operating investments is \$310 thousand over budget which is offset by \$221 thousand under budget for interest earned on internal loans. Surplus cash has been invested as it has not been needed for the distribution of internal loans. In addition to this, a \$17 thousand dividend was received from Milford Sound Tourism Limited.

Operating Expenditure is \$58 thousand over budget year to date due to internal interest being allocated for prior years on the Ohai Railway Board reserve account not budgeted.



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For the period ending January 2018

Council Detail Report



	Services & Assets											
	Monthly				YTD				Full Year Budget			
Income	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Area Engineers	71,361	94,165	(22,804)	(24%)	580,670	659,155	(78,485)	(12%)	1,139,252	1,163,634	24,382	2%
Around Mountains Cycle Trail	2,376	2,879	(503)	(17%)	22,205	20,154	2,051	10%	34,549	34,549	-	-
Council Property	87,172	82,884	4,288	5%	574,624	580,191	(5,567)	(1%)	998,411	998,411	-	-
District Reserves	56,295	20,608	35,687	173%	163,123	144,255	18,868	13%	247,294	247,294	-	-
District Sewerage	373,078	371,944	1,134	0%	2,243,868	2,236,844	7,025	0%	3,808,992	3,808,992	-	-
District Water	269,881	262,047	7,834	3%	1,940,625	1,983,504	(42,879)	(2%)	3,446,193	3,446,193	-	-
Engineering Administration	33,201	43,470	(10,270)	(24%)	272,391	304,292	(31,902)	(10%)	512,171	521,644	9,473	2%
Engineering Consultants	31,765	65,572	(33,807)	(52%)	444,393	459,005	(14,612)	(3%)	786,866	786,866	-	-
Forestry	-	-	-	-	1,024,739	1,020,164	4,575	0%	3,874,899	5,019,467	1,144,568	30%
Property Administration	44,491	46,678	(2,186)	(5%)	315,176	326,743	(11,566)	(4%)	560,130	560,130	-	-
Public Conveniences	72,090	59,724	12,366	21%	434,607	418,069	16,538	4%	716,690	716,690	-	-
Road Safety Com. Advisor	178,947	3,042	175,905	5782%	179,951	21,297	158,654	745%	36,520	36,520	-	-
Waste Management	376,079	354,390	21,688	6%	2,480,576	2,392,732	87,844	4%	4,081,861	4,081,861	-	-
Water Services	89,534	90,789	(1,255)	(1%)	632,594	635,524	(2,930)	(0%)	1,095,783	1,095,783	-	-
Work Schemes (CTF)	18,875	24,603	(5,728)	(23%)	113,691	172,218	(58,527)	(34%)	295,231	295,231	-	-
Total	1,705,145	1,522,796	182,349	12%	11,423,233	11,374,147	49,087	0%	21,634,842	22,813,265	1,178,423	5%



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For the period ending January 2018

Council Detail Report



	Services & Assets											
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Area Engineers	71,361	88,319	16,959	19%	580,670	651,302	70,632	11%	1,130,127	1,130,127	-	-
Around Mountains Cycle Trail	-	4,962	4,962	100%	27,487	34,737	7,250	21%	34,549	59,549	(25,000)	(72%)
Council Property	44,726	74,604	29,879	40%	694,885	715,744	20,859	3%	1,088,765	1,088,765	-	-
District Reserves	9,684	20,893	11,210	54%	137,619	146,553	8,934	6%	251,020	251,020	-	-
District Sewerage	146,538	365,205	218,667	60%	2,410,917	2,634,831	223,914	8%	3,579,124	3,136,013	443,111	12%
District Water	181,502	328,117	146,615	45%	2,122,141	2,368,589	246,447	10%	3,130,750	3,130,750	-	-
Engineering Administration	33,201	40,472	7,271	18%	272,391	296,318	23,927	8%	512,171	512,171	-	-
Engineering Consultants	31,765	65,572	33,807	52%	444,393	459,005	14,612	3%	786,866	786,866	-	-
Forestry	9,576	53,926	44,351	82%	791,615	912,141	120,526	13%	2,693,302	3,049,591	(356,289)	(13%)
Property Administration	35,148	43,896	8,748	20%	321,322	323,683	2,362	1%	560,130	560,130	-	-
Public Conveniences	53,230	52,045	(1,185)	(2%)	407,393	423,264	15,871	4%	683,488	683,488	-	-
Road Safety Com. Advisor	15,275	3,043	(12,231)	(402%)	186,318	214,76	(17,442)	(81%)	37,889	37,889	-	-
Waste Management	362,739	336,813	(25,925)	(8%)	2,365,403	2,374,390	8,987	0%	4,061,882	4,061,882	-	-
Water Services	93,694	110,445	16,751	15%	873,026	847,330	(25,696)	(3%)	1,263,799	1,263,799	-	-
Work Schemes (CTF)	10,358	214,14	110,56	52%	134,640	157,768	23,128	15%	274,469	274,469	-	-
Total	1,098,796	1,609,727	510,931	32%	11,780,220	12,367,131	586,910	5%	20,088,331	20,026,509	61,822	0%



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For the period ending January 2018

Council Detail Report



	Services & Assets											
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Capital Expenditure	83,339	-	(83,339)	-	83,339	74,980	(8,360)	(11%)	41,227	149,959	(108,732)	(264%)
Area Engineers	-	20,750	20,750	100%	278,859	145,250	(133,609)	(92%)	-	249,000	(249,000)	-
Around Mountains Cycle Trail	-	36,858	36,858	100%	-	258,008	258,008	100%	2,541,499	442,299	2,099,200	83%
Council Property	(2,513)	-	2,513	-	3,082	-	(3,082)	-	-	-	-	-
District Reserves	5,780	232,456	226,676	98%	503,841	1,627,102	1,123,261	69%	1,904,827	2,789,472	(884,645)	(46%)
District Sewerage	(10,320)	375,003	385,323	103%	1,345,116	2,625,018	1,279,901	49%	3,501,636	4,500,030	(998,394)	(29%)
District Water	-	3,361	3,361	100%	-	23,524	23,524	100%	-	40,327	(40,327)	-
Engineering Administration	-	-	-	-	-	-	-	-	-	-	-	-
Engineering Consultants	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-	-	-
Property Administration	-	-	-	-	-	-	-	-	-	-	-	-
Public Conveniences	92	2,187	2,095	96%	92	15,307	15,215	99%	153,216	26,240	126,976	83%
Road Safety Com. Advisor	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	2,969	-	(2,969)	-	24,906	-	(24,906)	-	-	-	-	-
Water Services	-	-	-	-	-	-	-	-	-	-	-	-
Work Schemes (CTF)	-	-	-	-	-	-	-	-	-	-	-	-
Total	79,347	670,644	591,267	88%	2,239,236	4,769,278	2,530,042	53%	8,142,405	8,197,327	(54,922)	(1%)



SERVICES AND ASSETS COMMENTARY

Income

At the end of January income is on budget for services and assets.

Most activities were close to budget, except for Area Engineers, where the reduced income reflects lower expenditure for the year. Work schemes is under budget by \$53 thousand with some work yet to be invoiced out (all invoices for these jobs not yet received) and one less supervisor for part of the year.

Operating Expenditure

At the end of January operating expenditure is 5% under budget.

The significant variations in operating activity are:

District Sewerage is under budget by 8%. The majority of the \$224 thousand is \$182 thousand of depreciation and will be corrected in February.

District water is under budget by 10%. This is due to less electricity being used than expected, this is likely to continue until the end of the year and will be considered for forecasting. There is also lower interest costs this year due to a reduced loan required in previous years due to less capital work being completed than budgeted. Depreciation is under budget by \$120 thousand for the month of January and will be corrected in February.

Forestry is showing as 13% under budget, however this is expected to correct by the end of the year with harvesting in Waikaia about to start.

Road safety is over budget, a limited budget has been included in the Annual Plan as the costs are recovered from all councils involved in this shared service.

Capital Expenditure

Capital expenditure is 53% under the forecasted budget for the year. The project included in the Annual Plan for the Invercargill office has been removed as part of forecasting.

Around the Mountain Cycle Trail is currently \$133 thousand over the projection of the year. This is expenditure approved by Council on 27 September 2017 for signs, realignment of the trail and shelters. \$107 thousand is to be funded by MBIE. The additional approved expenditure will be included in the next round of forecasting.

For district water limited physical construction has occurred. Significant projects for the year include:

- Winton Water Mains renewal (\$1.6M) – contract let for this project with Contract awarded to Fulton Hogan. Construction has commenced and will continue until late in the current financial year.
- Te Anau lateral replacements (\$0.4M) – this contract has been awarded and commenced at the end of October.
- Eastern Bush water supply upgrade (\$1.2M) – design is being confirmed post receiving the outcome of Havelock North inquiry

District sewerage also limited physical construction at the end of January. Significant projects for the year include:

- Desludging (\$500K) – the contractor has established at Riversdale during February and is likely to establish on one other site before the end of the year.
- Te Anau oxidation pond improvement including desludging (\$622K) – will be forecasted to reflect the actual work expected to be completed.



Aerators for the Te Anau and Winton wastewater ponds (\$400K). The aerators have been installed with the final invoices for installation included in February, there will still be some costs for implementation to be incurred over the next few months. These projects have been completed under budget.



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For the period ending January 2018

Council Rooding Report



		Rooding											
		Monthly				YTD				Full Year Budget			
		Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var%	Budget	Projection	Variance	Var %
Income													
Grants		705,639	1,668,705	(963,066)	(58%)	8,812,925	11,680,934	(2,868,009)	(25%)	17,253,030	20,024,458	2,771,428	16%
Internal Income		-	438	(438)	(100%)	35,607	44,307	(8,700)	(20%)	176,179	176,179	-	-
Other Income		39,516	41,531	(2,015)	(5%)	344,023	290,718	53,306	18%	500,873	509,260	8,387	2%
Rates		1,127,084	1,125,668	1,416	0%	7,852,776	7,838,437	14,339	0%	13,466,778	13,466,778	-	-
User Charges and Fees		-	2,655	(2,655)	(100%)	-	18,587	(18,587)	(100%)	31,864	31,864	-	-
Total		1,872,239	2,838,998	(966,759)	(34%)	17,045,332	19,872,983	(2,827,652)	(14%)	31,428,724	34,208,540	2,779,816	9%



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For the period ending January 2018

Council Rooding Report



		Rooding											
		Monthly				YTD				Full Year Budget			
		Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var%	Budget	Projection	Variance	Var %
Direct Expenditure													
Advertising		-	66	66	100%	-	460	460	100%	789	789	-	-
Communications		210	664	454	68%	5,432	4,650	(782)	(17%)	7,972	7,972	-	-
Conferences and courses		450	1360	910	67%	9,784	9,521	(263)	(3%)	16,322	16,322	-	-
Electricity		3,218	3,000	(218)	(7%)	24,326	21,000	(3,326)	(16%)	36,000	36,000	-	-
Financial Expenses		-	-	-	-	(151)	-	151	-	-	-	-	-
Grants		-	-	-	-	20,636	-	(20,636)	-	-	-	-	-
Insurance		-	-	-	-	1,723	1,877	154	8%	1,877	1,877	-	-
Other Expenditure		(28,730)	5,561	34,292	617%	(270,515)	38,928	309,442	795%	66,733	66,733	-	-
Postage and Stationery		53	88	34	39%	1,283	614	(669)	(109%)	1,052	1,052	-	-
Professional Services		-	3,067	3,067	100%	10,550	21,471	10,921	51%	36,808	36,808	-	-
Rates		-	-	-	-	2,045	2,355	310	13%	2,355	2,355	-	-
Repairs and Maintenance	Emergency Reinstatement	-	22,885	22,885	100%	-	180,168	180,168	100%	274,621	274,621	-	-
	Environmental Maintenance	43,287	90,951	47,663	52%	876,902	636,654	(240,248)	(38%)	1,091,406	1,091,406	-	-
	Level Crossing Warning Devices	2,038	2,591	553	21%	3,648	18,135	14,487	80%	31,089	31,089	-	-
	Maint - General	(6)	438	444	10%	1,244	3,067	1,823	59%	5,258	5,258	-	-
	Maint - Unsealed Roads	-	-	-	-	-	-	-	-	-	-	-	-
	Network and Asset Management	155,273	180,566	25,293	14%	1,102,643	1,264,170	161,527	8%	2,167,149	2,167,149	-	-
	Operating Costs	-	-	-	-	(120,357)	-	120,357	-	-	-	-	-
	Routine Drainage Maintenance	23,621	79,335	55,715	70%	498,573	555,347	56,774	10%	952,024	952,024	-	-
	Sealed Pavement Maintenance	310,671	264,064	(46,606)	(18%)	1,567,757	1,848,450	280,694	15%	3,168,772	3,168,772	-	-
	Spraying	-	3,188	3,188	100%	-	22,317	22,317	100%	38,258	38,258	-	-
	Stock Underpasses Minor Improv	-	6,477	6,477	100%	-	45,338	45,338	100%	77,723	77,723	-	-
	Street Lighting Transit	-	2,292	2,292	100%	6,496	13,042	6,546	60%	27,500	27,500	-	-
	Structures Maintenance	13,268	14,881	1,613	10%	234,491	102,768	(131,723)	(128%)	176,173	176,173	-	-
	Traffic Services Maintenance	40,510	35,654	(4,855)	(14%)	293,568	249,580	(43,988)	(18%)	427,852	427,852	-	-
	Unsealed Pavement Maintenance	152,080	202,903	40,823	20%	1,448,859	1,420,322	(28,537)	(2%)	2,434,837	2,434,837	-	-
	Total	750,741	906,055	155,314	17%	5,973,823	6,342,386	368,563	6%	10,872,662	10,872,662	-	-
Staff Costs	Total	40,009	43,950	3,941	9%	353,551	330,147	(23,404)	(7%)	570,572	570,572	-	-
Travel and Accommodation	Total	2,131	998	(1,133)	(114%)	8,272	6,973	(1,299)	(16%)	11,054	11,054	-	-
Vehicle Expenses	Total	1915	81	(1,834)	(2267%)	11,503	568	(10,935)	(1637%)	971	971	-	-
Total		769,998	964,889	194,891	20%	6,152,263	6,780,949	628,687	9%	11,626,067	11,626,067	-	-



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For the period ending January 2018

Council Rooding Report



		Rooding											
		Monthly				YTD				Full Year Budget			
Capital Expenditure													
Capital Expenditure	Bridges - Renewal	(88,341)	77,927	166,268	213%	581,626	545,487	(36,140)	(7%)	935,120	935,120	-	-
	Drainage Renewals - Acq LOS	5,723	93,482	87,759	94%	642,786	654,375	11,588	2%	1,121,785	1,121,785	-	-
	Drainage Renewals - Renewal	32,322	17,272	(15,050)	(87%)	240,512	120,903	(119,610)	(99%)	207,262	207,262	-	-
	Minor Improvements Acq LOS	507,864	225,694	(282,170)	(125%)	642,301	1,579,860	937,559	59%	2,059,917	2,708,331	(648,414)	(31%)
	Minor Improvements Demand	201,692	-	(201,692)	-	201,692	-	(201,692)	-	-	-	-	-
	Minor Improvements Renewals	(44,629)	100,000	144,629	145%	929,167	700,000	(229,167)	(33%)	-	1,200,000	(1,200,000)	-
	Pavement Rehab - Acq LOS	-	33,367	33,367	100%	-	233,567	233,567	100%	400,401	400,401	-	-
	Pavement Rehab - Renewal	193,045	113,687	(79,358)	(70%)	478,601	795,808	317,207	40%	3,950,167	1,364,243	2,585,924	65%
	Preventive Maint - Renewals	-	21,590	21,590	100%	48,624	151,128	102,504	68%	259,077	259,077	-	-
	Seal Rd Resurface - Acq LOS	514,001	719,220	205,219	29%	2,786,044	5,034,541	2,248,496	45%	4,150,000	8,630,641	(4,480,641)	(108%)
	Seal Rd Resurface - Renewal	709,703	396,110	(313,593)	(79%)	2,491,773	2,772,767	280,994	10%	4,753,314	4,753,314	-	-
	Structure Component - Renewal	65,111	18,993	(46,118)	(243%)	64,877	132,953	68,076	51%	227,920	227,920	-	-
	Traffic Services - Acq LOS	3,493	80,188	76,695	96%	13,497	56,131	547,819	98%	962,256	962,256	-	-
	Traffic Services - Renewal	63,595	73,005	9,410	13%	30,195	511,032	209,116	41%	876,054	876,054	-	-
	Unsealed Rd Metal - Renewal	38,451	143,260	104,810	73%	107,1507	1,002,823	(68,684)	(7%)	2,094,125	179,125	375,000	18%
	Vehicles - Renewal	38,179	-	(38,179)	-	79,218	36,757	(42,461)	(115%)	36,111	73,514	(37,403)	(104%)
	Total	2,240,208	2,113,794	(126,414)	(6%)	10,574,142	14,833,316	4,259,174	29%	22,033,509	25,439,043	(3,405,534)	(15%)
Total		2,240,208	2,113,794	(126,414)	(6%)	10,574,142	14,833,316	4,259,174	29%	22,033,509	25,439,043	(3,405,534)	(15%)



TRANSPORT COMMENTARY

Operating Income

YTD Income is \$16.4M versus a Budget of \$18.4M with a variance of \$2M or 10.9%. The variance is predominantly due to the timing of capital expenditure (\$2M).

Operating Expenditure

YTD Direct Expenditure is \$6.1M versus a Budget of \$6.2M with a variance of \$100K. This is related to the timing of various works and those being weather dependent. Special Purpose Roads Business Unit is tracking \$55K under budget.

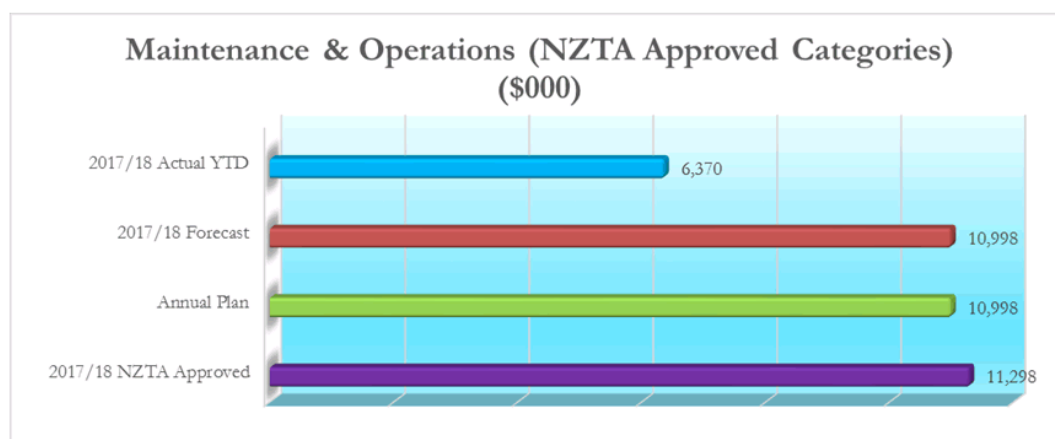
Capital Expenditure

YTD Capital Expenditure is \$10.45M versus a Budget of \$14.32M with a variance of (\$3.87M). The variance is predominately due to the timing of Capital Expenditure in relation to seasonality of programmed works.

Other Comments

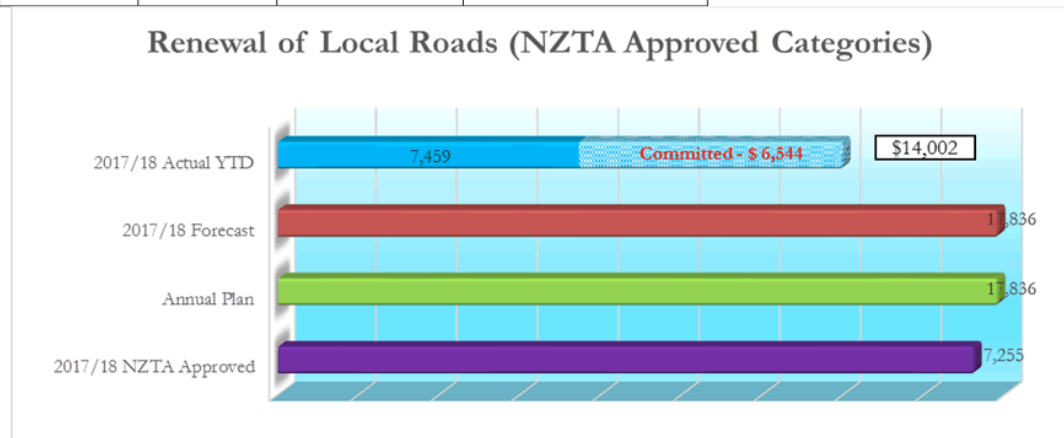
NZTA Performance

The below information includes the main business activity for Council (excluding the Alternative Coastal Route Seal Extension and other Business Units that are fully funded by NZTA).





Financial Tracking vs Plans (Maintenance)			
YTD	Forecast	Annual Plan	NZTA Approved
57.91%	58.33%	58.33%	56.38%



Financial Tracking vs Plans (Capital)			
YTD	Forecast	Annual Plan	NZTA Approved
41.82%	58.33%	58.33%	43.23%



NZTA Commentary

Maintenance is slightly under budget due to contractors taking an extended break over December and January. It is expected that the Alliance contracts will be on budget at year end. A forecast meeting will be held in March to confirm each Alliance's forecasted position this will also involve adjustments to each activity (NZTA category) as required.

Capital Expenditure is tracking below budget, currently the Strategic Roothing team have \$14M of projects already tendered and at various stages of completion. Two bridge replacements were successfully tendered in January with some structural component replacements (replacing of beams and decks) also currently out to tender. The LED project has begun with Edendale currently being upgraded with Network Electrical Services expected to have Wyndham completed by the end of February. At this stage it is estimated that the contractor will have approx. 50% of the network completed by 30th June. Roothing has been in contact with NZTA and are waiting for a response regarding the options post June. The final two guardrail packages have been tendered for the financial year Opus have two more packages to be released if required. With the great weather of late the resealing contractor (Downers) have completed the Eastern reseal programme and 35% of the Western. The Otta Sealing of Ramparts Roads is expected to take place in February with the cost estimated at \$150K with some additional maintenance expected prior to sealing. The pavement marking contractor (Downers) is significantly behind remarking the whole network, Downers are attempting to subcontract to another contractor to complete the project. Roothing have been advised that failure to secure a subcontractor would result in approx. 50% of the network being completed. Downers are due to respond on the 7th February, potentially another drainage package will go to market to ensure full utilisation of the budget. The final rehabilitation will go to tender in early February (Wreys Bush Otautau). Once these projects have been tendered rooding will review the capital budget and tender projects accordingly as generally if a project is not tendered prior to March its construction may not occur in the current financial year.

Roothing invited a prefabricated bridging company (Bridge It NZ) to develop options for bridge renewals on the network in January. A tender document is currently being developed for two bridges with the intention of the project being released to market prior to 2018/19.

Other Commentary

As previously mentioned the drainage and construction items have fallen behind the original construction programme. The weather has been warm and dry through January, which has led to no substantial hold up to drainage, earthworks or construction on the main route. Approximately 5km of AP65 sub-basecourse has been placed to the main route by the end of January. A second crew is placing the AP40 basecourse material which has laid 3km by the end of January and a third crew is completing rock and bulk fill operations ahead of the AP65 and AP40 crews. Mair's Quarry AP65 production is well underway again after the small break near the end of last year, as demand has increased as The Roothing Company continue construction of the main route. M4 AP40 production at Ota Creek Gravels (Edendale) has been quite steady right from the start of



the project. Once Earthworks and drainage are completed on the main route, these crews will establish at Waipapa and start physical works.

Special Purpose Roads are currently under budget due to no invoices being received from NZTA. This Business Unit is 100% funded from NZTA this has no overall impact on SDC. The Lower Hollyford Road has required no emergency works this year however the section down to Marion Falls has been sealed by NZTA, we have not received any invoices for this work. An item will be identified in the Forecast as the sealing is expected to cost in excess of \$400K. A design has been completed in January for the Chaslands Slip with this progressing to tender as the desired result is to have the road reinstated prior to June with the expected cost \$1.2M this is however 100% funded from NZTA.

Transit Recoveries are expected to be on budget at year end, this Business Unit is also 100% funded by NZTA this has no overall impact on SDC.

Forecasted Financial Position for the year ending 30 June 2018

Record No: R/18/3/5114
Author: Kate Westenra, Graduate Accountant
Approved by: Anne Robson, Chief Financial Officer

☒ Decision

☐ Recommendation

☐ Information

Purpose

- 1 To inform the committee of the expected year-end financial result compared to the published 2017/2018 Annual Plan and seek the committee's recommendation to Council to approve the resulting forecasted position.

Executive Summary

- 2 Forecasting the financial position for the year ended 30 June 2018 is intended to provide information about the projected final year end results. In considering the final position staff consider what they planned to do in the Annual Plan, the projects carried forward from 2016/17 that were approved by Council in September 2017, unbudgeted expenditure requests approved by Council during the year and the expected year end position as a result of operational decisions and information.
- 3 Forecasting enables the organisation to understand the anticipated year end position at all levels. It will also assist with decisions and priorities for spending across Council.
- 4 The budgeted expenditure included in the Annual Plan for the 2017/2018 year was adopted in June 2017. Forecasting allows a formal process to communicate to the Executive Leadership Team (ELT), Finance and Audit Committee and Council any known or expected changes. The net amount by business units is shown in Appendix A.
- 5 The effect of the forecast changes on the Statement of Comprehensive Revenue and Expenditure and Statement of Financial Position is shown in Appendix B and C.
- 6 As part of the resolutions the Committee is asked to recommend to Council a number of unbudgeted expenditure requests that have not been advised to Council previously. Additionally there are a number of projects that have been identified as needing to be deferred to future years. This deferral will be undertaken as part of the submission hearing process to the Long Term Plan. The committee are asked to support the deferral. A detailed list of these projects can be found in Appendix D.
- 7 This report is included in the Council agenda for the meeting on 27 March 2018. Council staff will update Council on any discussions and recommendations made by this committee.

Recommendation

That the Finance and Audit Committee:

- a) Receives the report titled "Forecasted Financial Position for the year ending 30 June 2018" dated 19 March 2018.
- 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 the forecasted changes to Council's year-end financial performance and position as detailed in appendix B and C.
- e) Recommends Council approve the changes as detailed in appendix A.
- f) Recommends to Council that it include in the 2018-2028 Long Term Plan the projects indicated to be deferred from the current year as detailed in appendix D.
- g) Recommends Council approve the following unbudgeted expenditure for the 2017/18 financial year:

Business Unit	Expense	Amount	Funding Source
Customer Service	Acquisition of ex roading vehicle	\$15,000	Loan
Financial Services	Increases in valuation contract and legal fees	\$77,500	District Op Reserve
People and Capability	Uniform re-branding	\$24,196	Corporate Uniform reserve
People and Capability	Increased recruitment costs	\$58,425	District Op reserve
Community Leadership	Training and associated costs	\$20,000	District Op Reserve
Community Leadership	Stewart Island/Rakiura Economic Study	\$40,000	Grant
Community Leadership	Purchasing two vehicles instead of leasing.	\$62,592	Loan
Chief Executive	Increased operational costs	\$133,504	District Ops reserve
Operations & Community Service	1 early replacement , 1 vehicle purchased instead of leased and 1 additional team leader vehicle	\$95,041	Loan & Reserve
Communications and Engagement	Increased operational costs	\$20,000	District Ops reserve

Building Regulation	Increased operational costs	\$35,023	District Ops reserve & unused budget
Building Regulation	Purchasing two vehicles instead of leasing.	\$72,258	Loan
Resource Planning/Policy	Increased district plan costs	\$30,000	District Ops reserve
Venture Southland - Grant	Budgeting error, te Anau Destination Fiordland contribution	\$13,601	District Ops reserve
Buildings - Invercargill Office	Office refurbishments	\$13,337	Property Development reserve
Roading - Administration	One early replacement vehicle	\$45,204	Depreciation Motor Vehicle reserve
Roading - Special Purpose	Sealing of lower Hollyford Road	\$286,620	100% NZTA
Hall - Colac Bay	Urgent repairs to building.	\$11,600	Colac Bay Com Centre reserve & unused budgets
SS Riversdale - Sludge Removal	Increase in sludge removal costs	\$84,014	Loan
Stormwater Drainage - Winton	Clyde/Eglington St SW Repairs	\$18,488	Winton General reserve
SIESA - Operations	Increased operational costs	\$103,489	SIESA Operations reserve
SIESA - Waste Recovery	Increased operational costs	\$18,000	SIESA Operations reserve
Water Services	Potential cost allowance for Havelock North drinking water implications	\$100,000	District Water Reserve
Water, Wastewater and Stormwater	Potential cost allowance for Water and Land plan appeals	\$100,000	District Water & Wastewater Reserves and Local reserves

Background

- 8 Forecasting enables transparency and Council to be informed of the anticipated year-end financial result. Forecasting is not intended to involve the time and effort undertaken in the annual budgeting process.
- 9 This is the second round of forecasting for the financial year with the first completed in November 2017.

- 10 Budget managers were requested to undertake forecasts for their business units where the expected overall outcome would vary from the budget in the Annual Plan by specified tolerance levels. These net levels are set at:
- \$1,000 for Council-owned halls;
 - \$1,000 to \$10,000 for townships depending on their operational expenditure in the current year;
 - \$10,000 for all District business units. The maximum limit of \$10,000 was set in line with the delegation held by the Chief Executive in relation to him approving unbudgeted expenditure.
- 11 No changes have been made to depreciation or the revaluation of fixed assets.
- 12 Changes due to forecasting have been included in the attachments as follows.
- Attachment A provides details of changes to revenue and operating expenditure and capital expenditure for each business unit with commentary from the budget manager.
 - Attachment B shows the net effect of the changes to the Statement of Comprehensive Revenue and Expenditure for the year ended 30 June 2018.
 - Attachment C shows the effect of changes to the Statement of Financial Position for the year ending 30 June 2018.
 - Attachment D provides details of the specific projects being deferred to future years as part of the Long Term Plan. The recommendation to Council is that these planned deferrals be included in the 2018-2028 Long Term Plan and be considered as part of the Long Term Plan submission consideration process.
- 13 A breakdown of the movement of capital projects as a result of carry forwards and forecasting for the 2017/2018 year is as follows:

<i>Financial Activity</i>	<i>Amount</i>
Capital projects as per the 2017/2018 Annual Plan	\$35,040,465
Carried forward from 2016/2017	\$6,135,386
October Forecasting movement	(\$3,543,468)
February Forecasting movement	(\$4,140,911)
Expected project costs for 2017/18	\$33,491,472

- 14 Major changes due to forecasting are shown below. Details can be found in Appendix A. Changes in revenue from the budget has increased by \$1M (Appendix B). Major changes are:
- Inclusion of grant income for the Milford opportunities project \$250k
 - Proceeds from the Edendale hall & potential road stoppings \$250k
 - Recognition of MBIE funding for Lumsden \$302k
 - Increase in revenue from gravel extraction at Mairs Pit \$200k
 - \$287k from NZTA for sealing of Hollyford Road
 - Reduction of \$200k in Stewart Is streetworks income as a result of the loss of development contributions \$94k and the movement of a project to 18-19.
- 15 The forecast operating expenditure has decreased from the budget by \$13K overall however as Appendix A shows there are considerable increases offset by decreases. Major changes were:
- District Sewerage – \$500k for the Project Consultant has been decreased to \$150K this was for work for Te Anau sewerage investigation/monitoring/consent
 - Interest on loans for sewerage and water schemes has been decreased \$238k due to less loans than previously budgeted for the year
 - Reduction in Resource Planning/policy costs of \$110k due to cost sharing on the landscape and biodiversity assessments
 - Inclusion of \$146k of costs for the Lumsden toilets
 - Finance costs are forecast to be \$74k above budget, due to increased valuation contract costs and legal fees.
 - Gravel pit costs are forecast to be \$70k higher due to increased royalties due and maintenance.
 - Information management costs are forecast to increase \$210k however \$200k of this is a transfer from a capital cost line to a P&L line due to initial costs in regards to cores systems being classified as an annual expense.
 - Inclusion of \$250k in relation to the Milford Opportunities project.
- 16 The forecast capital expenditure has decreased by \$4.1M. \$2.3M is capital projects being deferred to the LTP.
- 17 The total forecast net surplus for the year is \$2.8M which is \$1.4M more than the original Annual Plan budget.
- 18 Projects for this year which are forecast to be carried forward to the 2018-2028 Long Term Plan amount to \$2.5M.

Issues

- 19 The roading team indicated that the LED lights might not be completed by the end of June, due to delays with NZTA approving the programme. A number of Councils have experienced this delay and all are working with NZTA to ensure that any work not completed is able to be moved forward to 2018-2019. Staff will keep Council informed. No forecast changes have been made for this, with any changes to form part of the carry forward if needed.

- 20 The roading team also indicated that they were still planning to achieve the three year programme by year end. However the end result may be slightly under due to weather conditions, contractor resource etc. To ensure they are as close as they can be the team meets the first Friday after every month end to discuss where they are positioned and what adjustments need to be made.
- 21 Forecasting is part of the ongoing process to encourage better financial behaviours across the organisation. This includes early identification of projects that will not be completed by the end of the current financial year. The intention is that where projects will not be completed this year, there will be sufficient time to include them in the Long Term Plan budgets for future years as opposed to a Carried Forward report to Council. The Carried Forward report is provided to Council after the end of a financial year to request that the work not completed during a year is carried into the next financial year's budget.
- 22 Forecasting also provides an opportunity to approve anticipated unbudgeted expenditure during the year. This should reduce the number of individual requests needed to be handled by Council. Council will still need to approve some expenditure items separately where the expenditure is large enough to require individual approval or where unbudgeted expenditure has been identified between the two rounds of forecasting.
- 23 It is expected that forecasting will improve as the process is refined and it becomes part of the yearly process. In 2016/17, \$6.3M of projects were moved to 2017/18 as part of the Annual Plan consultation process. An additional \$6.1M was carried forward into 2017/18 at year end as a carry forward. This year \$2.5M is proposed to be deferred to the 2018-2028 Long Term Plan as part of the Long Term Plan submission process (Appendix D). As part of the year end process Council finance staff will be checking if any carry forwards are required. These will be reported to Council in September 2018.
- 24 Budget managers were asked if projects being deferred would impact on delivery of the currently planned 2018-19 projects. The response was mixed. The manager of Water and Waste indicated he would know better around the time Council is hearing the 2018-2028 Long Term plan submissions, as it is expected that more detail about the implications of the Havelock North inquiry will be known but it also depends on happens with Te Anau wastewater. The community engineers did not indicate any issues.
- 25 It is expected that forecasting will improve as the process is refined and it becomes part of the yearly process.

Factors to Consider

Legal and Statutory Requirements

- 26 There are no legal or statutory requirements in regards to forecasting Council's end of year position.

Community Views

- 27 Consultation was held with the community for the expenditure included in the 2017/2018 budget as part of the Annual Plan process and estimates meetings.
- 28 Changes proposed to capital and operational expenditure for townships will have been or will be reported to the relevant Community Board or Community Development Area Subcommittee.

- 29 Where increased expenditure is expected to continue into the 2018/2019 financial year, Council will be advised through the Long term Plan consultation process which will be subject to Councils approval.

Costs and Funding

- 30 Forecasting completed shows that overall net operating income and expenditure is expected to increase by \$1,079,981. This is shown by business unit in Attachment A.
- 31 Overall net Capital Expenditure is expected to reduce by \$4,140,911 with the main items being cost removal for the Invercargill building projects, the Core Systems review, Riversdale Sewerage Scheme, SIESA projects, Riverton Water Supply and Eastern Bush Water Supply being proposed to be deferred to 2018/19 and beyond or funds that are no longer required. Council is requested to approve the expenditure, not included in resolutions, shown in Attachment A.
- 32 The impact on the budgeted Statement of Comprehensive Revenue and Expenditure for the 2017/2018 is a \$1.4M increase from the original Annual Plan. This is shown in Attachment B and includes \$236 thousand of approved carried forward amounts less \$564 thousand (October forecast) and \$1.1 million (February forecast).

Policy Implications

- 33 Council staff must ensure that all expenditure is carried out within approved delegations. The current financial delegations only allow the Chief Executive to approve unbudgeted expenditure up to \$10,000.

Analysis of Options

The options are to approve or not to approve, in full or part, the forecasted adjustments to the expenditure in the Annual Plan.

Option 1 - Approve the changes in income and expenditure in Attachment A

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• The Committee and Council is informed of anticipated changes from the Annual Plan for 2017/2018.• Council has had the opportunity to prioritise expenditure to be incurred in the current financial year.• Council staff are able to purchase services as required to provide services to the community in the most appropriate manner.	<ul style="list-style-type: none">• Deferral of projects which are going to be completed later and/or costing more than previously indicated.

Option 2 - Approve the forecast changes recommended

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Council is informed of anticipated changes from the Annual Plan for 2017/2018. • Council has had the opportunity to prioritise expenditure to be incurred in the current financial year • Council considers that the additional expenditure is not a current priority and does not need to be incurred. 	<ul style="list-style-type: none"> • Processes may be delayed where further approval needs to be sought from Council before committing to additional expenditure.

Option 3 – Do not approve, in part or in full, the forecast changes recommended

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Council is informed of anticipated changes from the Annual Plan for 2017/2018. • Council has had the opportunity to prioritise expenditure to be incurred in the current financial year 	<ul style="list-style-type: none"> • Processes may be delayed where further approval needs to be sought from Council before committing to additional expenditure.

Assessment of Significance

- 34 The content of this report is not deemed significant under the Significance and Engagement Policy. The two projects which are of significant value are the deferral to future years of the Invercargill Office which is under investigation and the Core Systems. These projects were included in the 2017/18 Annual Plan which was consulted on. The likely impact and consequences on Councils finances will not significantly alter from that already consulted on.

Recommended Option

- 35 Option 1 to receive the forecasted adjustments to the financial statements and approve the expenditure in Attachment A not included in the Annual Plan for 2017/2018.

Next Steps

- 36 To advise managers of the approval of unbudgeted expenditure for the 2017/2018 financial year.
- 37 Ensure that deferred projects are included in the proposed 2018-28 Long Term Plan.

Attachments

- A Forecasting Financial Report - March 2018 - Attachment A: Forecast net adjustments to revenue, operating expenditure and capital expenditure by business unit [↓](#)
- B Forecasting Financial Report - March 2018 - Attachment B: Statement of Comprehensive Revenue and Expenditure [↓](#)
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APPENDIX A: Forecast adjustments to revenue, operating expenditure and capital expenditure by business unit

Business Unit Name	February Forecast Adjustment	Forecast Balance at 30 June 2018	Increase or (Decrease)	Comment
Income				
Building Regulation	(\$5,862)	\$1,043,580	(Decrease)	Forecasting current trends, Increase Building Charges, Decrease Code Compliance, Increase Building Inspections, till end of Jan '18, to continue for the remainder of the year. Plus increase Internal Vehicle Hire. Overall decrease to business unit.
Community Leadership	\$70,000	\$724,014	Increase	\$40K government grant for SI Economic Study, sale of one vehicle not previously forecast, internal O/heads to fund new role and the associated costs
Customer Service	\$10,916	\$1,203,279	Increase	The nature of Cemetery Interment fees makes it difficult to budget - increase our forecasting income to be more in line with the current trend.
District Library	\$8,000	\$8,000	Increase	Share of the cost of book bus already received for the year – not included in the budget.
District Water	(\$48,351)	\$250,000	(Decrease)	Water volume invoicing in first two rounds significantly lower than previous years. Work being completed advising customers of unusual usage is reducing volume of water being required.
Engineering Administration	(\$9,473)	\$0	(Decrease)	Proceeds on sale of vehicle being deferred as the Vehicle is being kept until Dec 2018
Environment & Com Dev Admin	(\$8,688)	\$0	(Decrease)	Proceeds on sale of vehicle being deferred due to vehicle replacement being deferred
Gravel Pits	\$192,807	\$210,000	Increase	Revenue from metal extraction at Mairs pit.
Financial Services	\$74,000	\$1,663,904	Increase	To fund increase in operational expenditure
Hall - Edendale	\$50,000	\$0	Increase	Funds moving from the Hall reserve to the Edendale Wyndham General Reserve for the footpath project.
Knowledge Management	(\$48,006)	\$625,297	(Decrease)	Being to adjust for wages transferred to digitisation project .
Motor Vehicle Pool	\$7,500	\$7,500	Increase	Sale of pool vehicle
Museum Services	\$2,306	\$2,306	Increase	Actual proceeds received from Sale of vehicle
Ohai Forest	(\$272,193)	\$1,905,517	(Decrease)	Forecast includes actuals for July/ Aug 9,546.54t at \$106.86/t = \$1,020,135. Remaining for Year 11,509t at \$100.58 = \$1,157,631. Forecast revised during February based on 16.95 ha returning 8,729 t (p.rad/d.fir)
Operations & Community Service	\$5,000	\$38,654	Increase	Proceeds on sale of vehicle increase due to one vehicle sold earlier than expected due to high kms and increased maintenance costs
Parks & Reserves General - Te Anau	\$8,000	\$8,000	Increase	\$8K Lions funding for Playground equipment

Business Unit Name	February Forecast Adjustment	Forecast Balance at 30 June 2018	Increase or (Decrease)	Comment
Income				
Property Administration	(\$26,291)	\$0	(Decrease)	Being charged through Internal Property Management Services code as a monthly internal charge.
Property Sales	\$240,005	\$250,000	Increase	For road stoppings and Edenadale hall disposals.
Resource Consent Processing	(\$49,616)	\$24,000	(Decrease)	Volume of limited notified consents lower than originally anticipated. No publicly notified consents anticipated in the next few months.
Roading - Administration	\$8,986	\$19,873	Increase	Additional vehicle sale (x1) to Customer Support
Venture Southland	(\$30,015)	\$0	(Decrease)	All vehicles leased
Waikaia Forest	\$149,480	\$2,991,206	Increase	27,967t x \$101.61 = \$2,841,725. Additional income expected in Feb round based on 52 Ha returning 27,820 tonne (p.rad)
Water Supply Five Rivers	(\$11,359)	\$6,791	(Decrease)	Reduced income reflecting reduced cost of Project RW106
Work Scheme Programme	(\$12,000)	\$20,000	(Decrease)	Application to Department of Corrections for \$20K went through last year, however we are still waiting on a response. It was indicated that the grant would be less than \$20K, but could be anything up to \$20K.
Subtotal Other Revenue	\$305,145		Increase	
Roading - Special Purpose	\$286,620	\$473,064	Increase	Hollyford sealing NZTA funded 100%.
Subtotal NZTA	\$286,620		Increase	
Around the Mountains Cycle Tra	\$53,760	\$53,760	Increase	MBIE funding for the Priority project, refer R/17/9/22143. 50% 17/18 and 50% 18/19.
Beautification - Mossburn	\$4,000	\$4,000	Increase	Ward Councillor agreed to fund \$4,000 for contractor to do styles and add rails on the walking track
Hall - Manapouri	\$12,000	\$12,000	Increase	CTOS grant for prior year project.
Hall - Nightcaps	(\$1,488)	\$30,000	(Decrease)	DOC approved \$30K towards repaint project from the McGregor Park reserve, reducing original budget.
Hall - Orawia	\$10,000	\$10,000	Increase	Donation from the Orawia Fire Brigade.
Milford Opportunities Project	\$250,000	\$250,000	Increase	MBIE funding to undertake initial implementation of the Milford Opportunities Project
Street Works - Lumsden	\$301,737	\$371,737	Increase	MBIE funding 50% (\$220,566) of Lumsden Railway Heritage project. Lumsden Toilets funding \$146,171. Ward funding \$5,000 refer R/17/8/18630.
Street Works - Stewart Island	(\$105,165)	\$41,000	(Decrease)	Project this year expected to be only \$41K, balance to 18/19
Subtotal Grant and Subsidies	\$524,844		Increase	

Business Unit Name	February Forecast Adjustment	Forecast Balance at 30 June 2018	Increase or (Decrease)	Comment
Income				
Cemetery - Winton	(\$15,744)	\$0	(Decrease)	Project CE0011-A Information Kiosk deferred to 18/19
Parks & Reserves General - Te Anau	(\$30,000)	\$0	(Decrease)	\$30K Water Park project moved to 18/19
Street Works - Stewart Island	(\$94,649)	\$0	(Decrease)	Project moved to 18/19 once finalised with Roding.
Subtotal Dev. and Financial Cont.	(\$140,393)		(Decrease)	
Total Revenue adjustment	\$976,216		Increase	
Employee Benefit Expense				
Chief Executive	\$69,925	\$500,000	Increase	Forecast in-line with YTD actual cost incurred.
Dog and Animal Control	(\$49,000)	\$229,326	(Decrease)	Animal Control BU down 1 FTE, contractors used to support the function. Additional spending to be offset against ordinary time savings.□
Information Management	(\$52,000)	\$609,158	(Decrease)	Result of vacancy in business solution analyst. \$12,000 to transfer to 10080 to cover costs of position changes in that business unit.
Knowledge Management	(\$48,006)	\$214,295	(Decrease)	Being to adjust for wages transferred to digitisation project .
Property & Spatial Services	\$12,000	\$201,537	Increase	Being to reflect adjusted positions within team. Funds transferred from underspend in Information Management business unit.
Resource Consent Processing	(\$50,000)	\$490,348	(Decrease)	Saving YTD not to be spent – expect remainder of year to be in line with budget.
Total adjustment	(\$117,081)		(Decrease)	
Operational Expenditure				
Administration - Gorge Road	(\$10,000)	\$2,040	(Decrease)	War memorial Bell project deferred to 18/19, as CDA still discussing.
Administration - Te Anau	\$20,000	\$34,000	Increase	\$20K Council approved GodZone event refer R/17/11/28063 on 23/11/17
Area Office - Otautau	\$3,643	\$14,500	Increase	Cleaning costs have increased with movement to a contract based approach however efficiencies have been realized in staff no longer having to complete admin or manage cleaning supplies.
Area Office - Winton	\$8,600	\$8,600	Increase	Cleaning costs have increased with movement to a contract based approach however efficiencies have been realized in staff no longer having to complete admin or manage cleaning supplies.
Beautification - Mossburn	\$5,263	\$8,103	Increase	Contractor to do styles and add rails on the walking track, Ward Councillor agreed to funds \$4,000, remaining to be funded by Mossburn General reserves.
Beautification - Riversdale	\$9,673	\$10,830	Increase	CDA approved the additional funds for this Main street gardening work.

Business Unit Name	February Forecast Adjustment	Forecast Balance at 30 June 2018	Increase or (Decrease)	Comment
Operational Expenditure				
Beautification -Athol	(\$25,000)	\$4,802	(Decrease)	PR0023-A Athol Railway project awaiting land purchase, deferred to 18/19.
Building - Library	(\$4,500)	\$3,897	(Decrease)	External repaint project completed under budget.
Building Regulation	(\$22,436)	\$138,438	(Decrease)	\$27K decrease due to accreditation process every second year. Due to the significant cost of this, funding is collected over two years. Decrease in demolition costs for YTD as nothing spent. \$35K consultants increase following current trend. \$5K increase to training budget due to four new staff members.
Buildings - Invercargill Offic	(\$37,079)	\$100,236	(Decrease)	Increased planned maint \$13K for reception and knowledge refurbishment. Increased in Cleaning and Security costs. Exterior paint project deferred pending outcome of LTP regarding funding for new building.
Buildings - Te Anau Library	(\$33,587)	\$0	(Decrease)	Internal Paint project deferred, project on hold at this point in time.
Campervan Dump Stn - Manapouri	(\$5,889)	\$0	(Decrease)	PC0010-A Manapouri Hillside Road Dump Station project deleted due to work being completed using outside funding.
Cemetery - Stewart Island	(\$1,578)	\$8,000	(Decrease)	CE0006-A New Ashes Beam project deleted, no longer required.
Chief Executive	\$57,882	\$212,000	Increase	Forecast subscriptions, training, travel, consultants and legal costs in-line with YTD actual cost incurred.
Clifden Recreation Reserve Com	\$29,000	\$29,000	Increase	Council approved funding towards automated irrigation system at the Tuatapere Golf Course. Funded from Clifden Recreation reserve.
Communications and Engagement	\$20,000	\$44,108	Increase	Increase due to the change in approach to advertising
Community Leadership	\$60,000	\$99,000	Increase	\$40K SI Economic Study grant funded, training increase for new role and the associated costs
Customer Service	(\$26,917)	\$347,500	(Decrease)	Decrease mainly due to reception area upgrade put on hold till decision is made what is going to happen with the building. Increases in mileage due to additional training required on new library systems.
District Sewerage	(\$463,759)	\$169,491	(Decrease)	Budget allowed for investigation/monitoring/additional consent application re Kepler. Funds allowed for the investigation/design required around the SDI option. Note this was intended to have a short loan period (eg 5 years rather than the standard 30). Also decrease reflecting actual interest charges.

Business Unit Name	February Forecast Adjustment	Forecast Balance at 30 June 2018	Increase or (Decrease)	Comment
Operational Expenditure				
District Water	(\$210,116)	\$728,584	(Decrease)	Decreasing Material Damage Insurnace, Electricity & Internal Loan interest to reflect atctual charges for the year.
Dog and Animal Control	\$49,000	\$49,000	Increase	Animal Control BU down 1 FTE, contractors used to support the function. Additional spending to be offset against ordinary time savings.
Environmental Health	(\$4,999)	\$40,100	(Decrease)	Decrease to Mileage claims due to Te Anau Ranger now using an SDC ute. Community Pool testing budget is being removed. Increase to Freedom Camping Contractors due to a new Catlins freedom camping service with DOC and CDC.
Financial Services	\$74,000	\$362,876	Increase	Increase to Valuation Roll Maint for QV contract and VG fees. Increase in legal costs for High Court claim and water/sewerage recalculation advice. Decrease to Insurance Broker fee based on actual costs.
Gravel Pits	\$70,000	\$75,784	Increase	Royalties on rock extraction at Mairs pit. Fencing also required at Mairs Pit in relation to Health and Safety.
Hall - Browns	(\$3,827)	\$11,173	(Decrease)	Hall upgrade completed less than budget.
Hall - Clifden	(\$10,445)	\$0	(Decrease)	CC029-A Hall repaint project to be deferred to 18/19
Hall - Colac Bay	\$10,000	\$16,723	Increase	Urgent repairs to roof and ridge cap, CDA approved work on 24 October 2017. \$10K funded from reserve, \$1,600 funded from unused expenditure accounts.
Hall - Fortrose	\$1,200	\$2,339	Increase	Additional budget to fund the painting of the hall, painting was organised locally by the Fortrose Domain Board. Reserve funded.
Hall - Mokoreta/Redan	(\$15,744)	\$0	(Decrease)	Exterior repaint project deferred.
Hall - Nightcaps	(\$1,488)	\$30,000	(Decrease)	Repaint exterior, quote plus contingency. Funded from McGregor Park reserve, approved by DOC.
Hall - Tuatapere	\$9,020	\$9,020	Increase	CB approved funds to upgrade the RSA rooms at the Tuatapere Hall
Harbour	(\$21,033)	\$20,000	(Decrease)	Portion of project to be completed this year with balance to 18/19
Information Management	\$200,822	\$399,469	Increase	\$41,719 unbudgeted expenditure approved by Council on 18/10/17 for changes to Fulcrum Budget Application. \$200K transferred from Software to cover Core system costs being incurred in consulting lines. \$26K video conferencing decrease due to no costs anymore.

Business Unit Name	February Forecast Adjustment	Forecast Balance at 30 June 2018	Increase or (Decrease)	Comment
Operational Expenditure				
Manapouri Airport	(\$65,000)	\$0	(Decrease)	Project to be moved to 18/19. Program of works still to be completed
McGregor Park	\$30,000	\$30,000	Increase	Grant to Nightcaps hall for repaint project, approved by DOC.
Milford Opportunities Project	\$250,000	\$250,000	Increase	MBIE funding to undertake initial implementation of the Milford Opportunities Project
Ohai Forest	(\$146,404)	\$842,070	(Decrease)	Lower harvest, decreasing the associated costs
Operating Costs - WaiauAparima	\$10,000	\$10,000	Increase	Approved unbudgeted grant to the Waiau Star Rugby Club for lawnmower refer R/17/6/13752 dated 10 July 2017.
Operating Costs - Winton Wallacetow	\$10,000	\$10,000	Increase	Ward Committee approved grant to the Central Southland swimming pool
People and Capability	\$76,071	\$174,196	Increase	Recruitment increase due to staff turnover in senior roles. Corporate Uniform increase, funded from the uniform reserve.
Recreation Reserve -Gorge Road	(\$5,000)	\$5,000	(Decrease)	Completion of the Gorge Road loop track planting, bark, signage and removal of hedge over drain from Reserves. Now expected to only incur \$5k with \$5k to carry forward, CDA still discussing options.
Resource Consent Processing	(\$4,486)	\$17,959	(Decrease)	Allow for additional consultants to be use. Decrease to Doubtful Debts reflecting actual recovery YTD.
Resource Planning/Policy	(\$109,482)	\$150,517	(Decrease)	Decrease to General Projects based on the landscape and biodiversity assessments - cost-shares. Increase legal costs due to legal fees incurred to finalise the District Plan.
SIESA - Operations	\$112,320	\$480,542	Increase	Increase Consultants \$20K for review and renewal of management contract required. Management Fee increase based on actual cost of historic inflation on contract not previously paid, Minor adjustment to scope of contract. Other movements on insurances and General projects are based on actual costs incurred.
SIESA - Waste Recovery	\$23,727	\$23,727	Increase	Increase to travel based on actual costs incurred, Consultants for the share of contractor on the Island and Internal Work schemes service for recovery of costs for staff member transitioning roles.
Stewart Island Jetties	\$6,624	\$25,370	Increase	Golden Bay Maint \$15K as agreed with the SIVL Allocations Committee.Report and repairs on Millars Beach jetty (Port Maintenance)
Stormwater Drainage - Winton	\$18,488	\$95,056	Increase	Clyde/Eglington St SW Repairs - Total quote of \$34K including 15% contingency, forecasting additional budget required.

Business Unit Name	February Forecast Adjustment	Forecast Balance at 30 June 2018	Increase or (Decrease)	Comment
Operational Expenditure				
Street Works - Mossburn	\$7,000	\$18,568	Increase	Additional refuse collections due to the increased tourism, to be funded by General reserves.
Toilets - Lumsden	\$146,171	\$146,171	Increase	Council funding for the toilet aspect of the Lumsden Railway Heritage project refer R/17/5/18630. MBIE funding other 50%.
Toilets - Tokanui	(\$3,149)	\$7,347	(Decrease)	\$10496 project, of which \$7347 budget to be spent in 17/18 with balance to 18/19
Toilets - Waikawa	(\$2,198)	\$2,000	(Decrease)	Project now expected to only cost \$2K
Venture Southland - Grant	\$13,601	\$1,768,800	Increase	Grant not adjusted with extra contribution from Te Anau getting paid out. Budgeting error.
Waikaia Forest	(\$79,523)	\$0	(Decrease)	No longer required Access road and Silviculture Pruning budgets
Winton Maternity Centre	(\$5,150)	\$3,850	(Decrease)	Project CB0028-A was completed under budget
Total adjustment	\$13,316		Increase	
Capital Expenditure				
Around the Mountains Cycle Tra	\$83,760	\$332,760	Increase	50% of the Priority Improvements Projects (\$107,519) approved by Council 20 September 2017 subject to MBIE agreeing to fund 100% of the project, 50% to be deferred to 18/19. Plus Centre Hill Improvement (\$30K) refer R/17/9/22143.
Beautification - Manapouri	(\$25,000)	\$0	(Decrease)	Moved to 18/19. CDA looking at various options including flying fox in Frasers beach.
Beautification - Te Anau	(\$20,992)	\$0	(Decrease)	Project Town Entrance Signs \$41K forecast out to 18/19, this is in relation to electronic noticeboard planned outside the events centre.
Building Regulation	\$72,258	\$106,398	Increase	Replace 3 vehicles, 1 budgeted and 2 previously leased vehicles replaced with owned vehicles
Buildings - Invercargill Offic	(\$438,092)	\$0	(Decrease)	Building upgrade projects deferred pending outcome of LTP regarding funding for new building.□
Chief Executive	(\$3,755)	\$55,611	(Decrease)	Actual cost of replacement vehicle
Community Leadership	\$62,592	\$93,888	Increase	Replace 3 vehicles, 1 budgeted and 2 previously leased vehicles replaced with owned vehicles
Customer Service	\$15,000	\$15,000	Increase	Acquisition of ex roading vehicle

Business Unit Name	February Forecast Adjustment	Forecast Balance at 30 June 2018	Increase or (Decrease)	Comment
Capital Expenditure				
District Library	\$55,000	\$175,940	Increase	Kotui Implementation: Licence Fee - once-off \$30K, Data migration - \$25K, IT Network & cabling \$10K. \$10K decrease to Library Book Acq budget.
District Sewerage	(\$36,018)	\$0	(Decrease)	An amount allowed for Staff Costs during 15-25 LTP preparation to ensure there was funds in capital to cover SDC time, but has only been required in a limited way in the last two years
District Water	(\$137,098)	\$0	(Decrease)	An amount allowed for Staff Costs during 15-25 LTP preparation to ensure there was funds in capital to cover SDC time, but has only been required in a limited way in the last two years
Engineering Administration	\$9,167	\$49,494	Increase	Actual cost of replacement vehicle
Environment & Com Dev Admin	(\$36,986)	(\$36,986)	(Decrease)	Vehicle replacement being deferred to 18/19
Frasers Beach	(\$4,939)	\$45,736	(Decrease)	\$15K project now budgeted to be completed for \$10K, Otta sealing budgeted to cost \$30K actually cost \$25K, Commemorative Rock project was \$6K however the turbine was included in this project so added costs make total project \$11K.
Hall - Ohai	(\$26,000)	\$0	(Decrease)	Replacing Windows and Painting project deferred, awaiting assessment of options.
Hall - Thornbury	\$5,181	\$9,277	Increase	Heating system project, unexpected work arose once project began resulting in the overspend.
Holt Park Camping Ground	(\$169,305)	\$50,000	(Decrease)	Scope of the Holt Park camping ground project has changed significantly (\$100K required), 50% of work to be completed in the 17/18, remaining 50% deferred to 18/19.
Holt Park Extension	(\$12,112)	\$0	(Decrease)	Sealing of car park at sports complex at Holt Park. Budgeted at \$18K in 16/17 to come from reserves. Removed as now undertaken as part of the roading programme
Information Management	(\$200,000)	\$50,000	(Decrease)	\$200K transferred to consultants to cover costs actually being incurred; project still projected to spend \$250,000 in 17/18.
Motor Vehicle Pool	(\$10,780)	\$30,000	(Decrease)	Indicative price of replacement vehicle
Operations & Community Service	\$95,041	\$245,000	Increase	7 vehicles in total being replaced, 4 budgeted and 3 additional vehicles to be replaced. 1 vehicle previously leased replaced with owned vehicle, 1 vehicle replaced early due to high kilometres and excess maintenance charges, and addition of team leader vehicle.

Business Unit Name	February Forecast Adjustment	Forecast Balance at 30 June 2018	Increase or (Decrease)	Comment
Capital Expenditure				
Parks & Reserves General - Te Anau	(\$27,600)	\$22,400	(Decrease)	Project 842-A budget to cost \$20K actual cost \$22,400, \$30K project moved to 18/19 as waiting for MOU over DOC land.
Roading - Administration	\$45,204	\$118,718	Increase	3 vehicles being replaced, 2 budgeted and 1 due to it not being fit for purpose.
Roading - District Wide	\$0	\$1,200,000	Increase	LED renewal project
Roading - Special Purpose	\$286,620	\$286,620	Increase	Sealing of lower Hollyford down to Marion falls - NZTA
Sewerage Scheme Manapouri	(\$145,094)	\$20,000	(Decrease)	WW220 - when tressels where inspected significantly less work was required to be completed; will need to be checked in a number of years to confirm if additional work needed. WW179 carried forward in error from 16/17
Sewerage Scheme Ohai	(\$64,148)	\$0	(Decrease)	Project WW336 deferred to 18/19 as additional consent required
Sewerage Scheme Riversdale	(\$300,000)	\$0	(Decrease)	Project WW509 deferred to 18/19. Land purchase is unlikely to occur this year.
Sewerage Scheme Stewart Island	(\$109,255)	\$101,071	(Decrease)	WW355 to be completed for \$28,246 in current year. PLW150A to have \$51,754 (budget \$103,468) in current year, WW363 to be completed in 18/19, difficulty getting contractors and physical work is being completed primarily by SDC staff.
Sewerage Scheme Te Anau	(\$287,902)	\$685,082	(Decrease)	Project WW1718_1 money saved by sourcing aerator directly from supplier. WW634 forecasting for current costs and an estimate of \$200,000 for work in relation to consented option (additional costs mainly re pipeline design and requirements).
Sewerage Scheme Tokanui	\$65,000	\$107,766	Increase	Project WW687 still with intended budget of \$42,766, Project WW688 approved by Council (27 September 2017) for \$90,678 (including contingency); only \$65,000 required with no flow meter.
Sewerage Scheme Winton	\$2,674	\$52,674	Increase	WW1718_2 reflects actual cost of aerator and installation
SIESA - Operations	(\$466,000)	\$65,000	(Decrease)	7 of 9 projects to be deferred to 18/19. 1 project being deleted and 1 complete.
SIESA - Staff House	\$6,515	\$6,515	Increase	Actual costs incurred to furnish staff house
SS Riversdale - Sludge Removal	\$84,014	\$200,000	Increase	Project 26173 - To reflect expected cost for sludge removal and disposal directly to landfill (rather than leaving on site to dry). Using surplus funds not required for 29491d
SS Winton Treatment Upgrade D	(\$260,441)	\$200,000	(Decrease)	Project 29491 funds carried forward in relation to desludging required. Winton will not require funds for a number of years when the sludge is disposed of. Funds being used to cover additional required at Riversdale and one extra site of \$200,000

Business Unit Name	February Forecast Adjustment	Forecast Balance at 30 June 2018	Increase or (Decrease)	Comment
Capital Expenditure				
Street Works - Colac Bay	(\$5,000)	\$0	(Decrease)	Information Board to be moved to 18/19 as CDA still to contact communications team.
Street Works - Lumsden	\$212,905	\$352,905	Increase	65173 - MBIE funding 50% (\$220,566) of Lumsden Railway Heritage project. Lumsden Toilets funding \$146,171. CDA and Ward funding \$74,395 refer R/17/8/18630. Project scope has changed since last forecast round, moved capital codes. 20% of funds being deferred to 18/19.
Street Works - Manapouri	(\$16,620)	\$14,413	(Decrease)	Project was budgeted at \$10K but the turbine part of this project was moved into Frasers Beach. Lighting Project Budgeted at \$21K, cost \$10K.
Street Works - Riverton	(\$155,256)	\$80,628	(Decrease)	Community contribution to walker street is estimated to be \$70,628. This is based on actual costs to date with only \$2,000 potentially outstanding. Havelock St project \$120K to be moved to 18/19 as still in investigation.
Street Works - Stewart Island	(\$199,814)	\$41,000	(Decrease)	Original component of project in 16/17 funded by SIVL, remainder to go to 18/19. Peterson Hill project to move to 18/19 once finalised with Roding.
Street Works - Te Anau	(\$16,985)	\$51,723	(Decrease)	Community board still considering options for \$20K project on Wong Way, deferred to 18/19. Reverse negative \$4061 for Kerb & Channel Roding renewals from 16/17 carried forward staff submission 1325A. Amend 769-A to \$44548 from \$41533 as quote just in, still to be discussed with board.
Street Works - Winton	(\$138,770)	\$0	(Decrease)	837-A Florence Road sealing, kerb and channelling project has been funded by the Roding dept. 720-A Concrete Kerb Project deferred to 18/19
Venture Southland	(\$123,420)	\$0	(Decrease)	All vehicles leased
Water Supply - Eastern Bush	(\$1,157,180)	\$100,000	(Decrease)	Deferral of WAT59, WAT60 & WAT62 to 2018/19. Projects will be completed together as part of the upgrade. Tenders previously received with a preferred tender determined, was put on hold pending Havelock North report. Consultants have been asked to review the design and tender received to ensure that it is still feasible post Havelock North report and to negotiate with preferred tender. Costs this year will only be for the consultant with construction in 18/19.
Water Supply Five Rivers	(\$11,359)	\$5,500	(Decrease)	Project RW106 Resource Consent was budgeted to be completed by external consultant; however work has been completed in house.

Business Unit Name	February Forecast Adjustment	Forecast Balance at 30 June 2018	Increase or (Decrease)	Comment
Capital Expenditure				
Water Supply Kakapo	(\$72,587)	\$173,907	(Decrease)	RW136 still to be completed for \$85,000 per AP. RW1617_100 will be completed for \$88,907, the budget carried forward from 16/17 has approval from Council to be used against a new project in current year RW1617_103; also tender received for RW1617_100 lower than expected.
Water Supply Manapouri	(\$160,371)	\$0	(Decrease)	Project WAT241 deferred to 18/19. Extension of tank farm is designed but required a specific tank that only one company produces. Company cannot provide until 18/19 financial year.
Water Supply Mossburn	(\$106,914)	\$0	(Decrease)	WAT291 no longer required post investigation
Water Supply Ramparts	(\$25,060)	\$39,044	(Decrease)	RW1617_101 tender received for RW1617_101 lower than expected; Council to be used against a new project in current year RW1617_103;
Water Supply Riverton	(\$57,342)	\$56,880	(Decrease)	Project WAT561 (Carried forward from 16/17) & WAT563 (Annual Plan) still to be completed. Project PL163A carried forward funds no longer required. Funds carried forward in case of additional costs post commissioning plant. Project WAT576 - Advised that job has been completed although no costs specifically assigned. It is likely that the costs have been included as part of the upgrade costs over the last few years.
Water Supply Takitimu	\$93,275	\$198,801	Increase	Tender received for RW1617_102, lower than budgeted; Council to be used against a new project in current year RW1617_103. Council approved \$156K for project RW1617_103, however expected to be completed for \$140K. Overall increase due to 103 project.
Water Supply Te Anau	(\$98,711)	\$400,000	(Decrease)	Project WAT650 deleted as no longer required. Project WAT1718_4 lower tender price received than budgeted (now \$400,000 original budget \$427,656)
Winton Maternity Centre	(\$1,963)	\$14,037	(Decrease)	CB0029-A Project was completed under budget
WS Riverton Scheme Improvement	(\$206,247)	\$50,000	(Decrease)	Project 26362A carried forward funds only partially required. Funds carried forward in case of additional costs post commissioning plant.
Total adjustment	(\$4,140,911)		(Decrease)	

SEE PAGE 59 OF THE ANNUAL PLAN 2017-2018 FOR OPENING FIGURES
REFER TO PROJECTS CARRIED FORWARD IN THE APPROVED C/F REPORT RM8 R/17/7/15285

APPENDIX B:

FORECAST STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE (DISTRICT AND LOCAL)

	Note	Annual Plan 2017-2018 (adopted in June 2017) (\$000)	Amounts Carried Forward from 2016-2017 (\$000)	Forecast Changes from October 2017 (\$000)	Forecast Changes from February 2018 (\$000)	Forecasted Result for 2017- 2018(\$000)
Revenue						
Rates		45,122	-	-	-	45,122
Other revenue	3	9,890	43	981	305	11,219
Interest and Dividends		29	-	-	-	29
NZTA	3	17,386	-	-	287	17,673
Grants and Subsidies		1,475	-	240	525	2,240
Other Gains/(Losses)		70	-	-	-	70
Vested Assets		-	-	-	-	-
Development and Financial Contributions	3	110	30	-	(140)	0
		74,082	73	1,221	976	76,352
Expenditure						-
Employee Benefit Expenses	3	11,698	-	-	(117)	11,581
Depreciation and Amortisation	2	22,658	-	-	-	22,658
Finance Costs		20	-	-	-	20
Other Council Expenditure	2 & 3	38,324	308	657	13	39,302
		72,700	308	657	(104)	73,561
OPERATING SURPLUS/(DEFICIT)		1,382	(236)	564	1,080	2,791
Share of Associate Surplus/(Deficit)		-	-	-	-	-
SURPLUS/(DEFICIT) BEFORE TAX		1,382	(236)	564	1,080	2,791
Income Tax Benefit		-	-	-	-	-
SURPLUS/(DEFICIT) AFTER TAX		1,382	(236)	564	1,080	2,791
Gain/(Loss) on Property, Plant and Equipment Revaluations	2	30,067	-	-	-	30,067
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		31,449	(236)	564	1,080	32,858

Note:

- 1) The Annual Plan for 2017-2018 is the consolidated result of Council, Venture and SIESA. This includes any adjustments to the 10 year plan which have been approved by Council up to 30 June 2017.
- 2) No adjustment has been made to the budgeted amount in the 10 Year Plan for depreciation, revaluation of infrastructure assets and re-valuation of forestry assets in the forecasting process.
- 3) Further details of the revenue or expenditure is provided in Attachment A for the February 2018 round of Forecasting.

ATTACHMENT C:

**SOUTHLAND DISTRICT COUNCIL
FORECAST STATEMENT OF FINANCIAL POSITION
30 JUNE 2018**

		Forecast 2017/2018 '000	Consolidated Annual Plan 2017/2018 '000
Equity			
Retained Earnings		729,645	730,314
Asset Revaluation Reserves		753,590	679,900
Fair Value Reserves		1,916	1,980
Other Reserves		34,241	28,649
		1,519,392	1,440,843
Current Assets			
Cash and Cash Equivalents		10,582	(2,128)
Trade and Other Receivables		11,604	5,820
Inventories		95	83
Work in Progress		-	-
Other Financial Assets		334	4,600
		22,614	8,375
Non Current Assets			
Property, Plant and Equipment		1,493,248	1,425,744
Intangible Assets		2,453	4,770
Forestry Assets		13,724	12,951
Internal Loans		25,510	-
Investments in Associates		822	-
Other Financial Assets		4	4
		1,535,761	1,443,469
TOTAL ASSETS		1,558,375	1,451,844
Current Liabilities			
Trade and Other Payables		10,138	7,543
Contract Retentions and Deposits		(51)	(19)
Employee Benefit Liabilities		1,452	1,393
Development and Financial Contributions		1,867	1,854
Provision for Decommissioning		7	58
		13,414	10,829
Non-Current Liabilities			
Employee Benefit Liabilities		67	154
Provision for Decommissioning		20	18
Internal Loans - Liability		25,510	-
		25,597	172
TOTAL LIABILITIES		39,011	11,001
NET ASSETS		1,519,363	1,440,843

ATTACHMENT D: Projects planned to be deferred to the 2018-28 Long Term Plan

Town	Project Name	Financial Year	Funded From	Total 17/18 Budget	LTP Submission \$ to be carried forward	Status	Report period 2 - 1 November 2017 to 28 Feb 2018 comment
Airport	Manapouri Airport	2016/2017	Loan & Reserves	65,000	65,000	Not started	We have flown the drone to establish the repair extent of cracking ,a program of works is to be planned
Athol	Railway Project	2016/2017	Reserves	25,000	20,000	Not started	Still waiting on land purchase, \$5K is in 19/20 year, \$20K deferred to 18/19 year
Clifden	Hall repaint	2016/2017	Reserves	10,445	10,445	Deferred	Deferred, hall committee still in discussion
Colac Bay	Information Board	2016/2017	Reserves	5,000	5,000	In progress - Investigation	CDA working with SDC communications team.
Colac Bay	Colac Bay Playground Toilets	2016/2017	Loan	126,976	126,976	Deferred	Deferred to 18/19
Finance & Admin	Refurbishment of reception and telephonist area	2016/2017	Reserves	32,000	31,000	Not started	Deferred pending outcome of LTP regarding funding for new building
Finance & Admin	Project 3.3 Complaints & Compliments	2016/2017	Rates/Reserves	2,000	2,000	Not started	Project will need to be deferred to 18/19 as Smart Client upgrade is the priority for 17/18.
Gorge Road	Install bell at war memorial	2017/2018	Reserves	10,000	10,000	Not started	To be discussed in March CDA meeting
Gorge Road	Loop track	2017/2018	Reserves	10,000	5,000	Not started	To be discussed in March CDA meeting
Invercargill	Invercargill Office External repaint	2016/2017	Reserves	60,416	60,416	Deferred	Deferred pending outcome of LTP regarding funding for new building
Invercargill	Invercargill Office Reception upgrade	Multi-year 16/17	Reserves	93,312	93,312	Deferred	Deferred pending outcome of LTP regarding funding for new building
Invercargill	Invercargill Office Re roof tower block	2016/2017	Reserves	41,500	41,500	Deferred	Deferred pending outcome of LTP regarding funding for new building
Invercargill	Invercargill Office External cladding replacement.	2016/2017	Reserves	122,880	122,880	Deferred	Deferred pending outcome of LTP regarding funding for new building
Invercargill	Invercargill Office - Seismic upgrade for roof portion of original block.	2016/2017	Reserves	174,080	174,080	Deferred	Deferred pending outcome of LTP regarding funding for new building
Invercargill	Invercargill Office - Upgrade fire and accessibility requirements to current standards.	2016/2017	Reserves	6,320	6,320	Deferred	Deferred pending outcome of LTP regarding funding for new building
Lumsden	Upgrade Railway Heritage Area	2017/2018	Grant & Reserves	441,132	88,226	Not started	Awaiting MBIE contract.
Manapouri	Playground Equipment	2017/2018	Reserves	25,000	25,000	In progress - Investigation	Awaiting decision on equipment options from CDA

Town	Project Name	Financial Year	Funded From	Total 17/18 Budget	LTP Submission \$ to be carried forward	Status	Report period 2 - 1 November 2017 to 28 Feb 2018 comment
Manapouri	Extend Water Treatment Plant for pH correction system	2017/2018	District Funding	160,371	160,371	In progress - Construction	Survey completed - Design work continues; Tanks unable to be provided by supplier in current year
Mokoreta/Redan	Hall repaint (not roof)	2017/2018	Loan & Reserves	15,744	15,744	Deferred	Awaiting status of ownership and project from hall committee.
Mossburn	Extend Water Treatment Plant for pH correction system	2020/2021	District Funding	160,371	- 100,000	Deleted	Project to be deleted given the demand is no longer needed. As such we will put in a - \$100k project in the staff submission to remove in the LTP 20/21.
Ohai	Hall Replacing Windows & painting	2016/2017	Reserves	26,000	26,000	Deferred	Awaiting assesment of options
Otautau	Upgrade camping ground	2015/2016	Reserves	219,305	50,000	Not started	Change to the Project scope, only require \$100K. \$50K 17/18 and \$50K 18/19
Riverton Harbour	SDC wharves upgrade	Multi-year 16/17	Reserves	41,033	21,033	In progress - Construction	Some minor work has been done
Riverton/ Aparima	Scheme Improvements	2012/2013	Reserves	256,247	206,247	In progress - Construction	In progress
Riverton/ Aparima	Kerb work on Havelock Street	2015/2016	Loan	130,000	120,000	In progress - Investigation	OPUS scoping project
SIESA	Replacement Generator/Turbine	2017/2018	Reserves	110,000	110,000	Not started	Prices obtained from Goughs. Need direction from Powernet. Defer to 18/19
SIESA	Replace circuit breakers on 400V Main switchboard	2017/2018	Reserves	80,000	80,000	Not started	Not high priority; will be carried out when coordination with other works creates an ideal opportunity. Defer to 18/19
SIESA	Fuel tanks (2x20,000L) replacement	2015/2016	Reserves	85,000	85,000	In progress - Investigation	In discussion with Allied Petrollium regarding tank supply. Defer to 18/19
SIESA	Exhaust System renewal/service	2016/2017	Reserves	20,000	20,000	Not started	Coordinate with Replace Generator. Defer to 18/19
SIESA	Replacement of one transformer/switch yard	2016/2017	Reserves	35,000	35,000	Not started	Need input from Powernet. Defer to 18/19
SIESA	Ringfeed Project - Stage 3	2016/2017	Reserves	46,000	46,000	In progress - Investigation	Defer to 18/19 and combine with stage 4 to gain effeciencies
SIESA	Upgrade for Power Station	2016/2017	Reserves	30,000	30,000	Not started	Defer to 18/19. No plans or scope developed at present

Town	Project Name	Financial Year	Funded From	Total 17/18 Budget	LTP Submission \$ to be carried forward	Status	Report period 2 - 1 November 2017 to 28 Feb 2018 comment
Stewart Island	New footpath - Rankin St to end of Fushia Walkway	Multi-year 16/17	Grants	146,165	105,165	In progress - Construction	First section completed. Awaiting development of large project possibly funded by TIF for a parking area at the top of Golden Bay. This may change the end point for the footpath.
Stewart Island	New footpath - Elgin Terrace	2017/2018	Dev Cont	94,649	94,649	In progress - Design	Has been scoped. Being priced by contractors now
Stewart Island	Pumps to stage 1 sewer pump stations	2017/2018	District Funding	78,612	57,541	In progress - Construction	Onsite work being carried out by SDC
Stewart Island	Scheme Capacity Upgrade	2012/2013	District Funding	103,468	51,714	In progress - Construction	Onsite work being carried out by SDC
Te Anau	Town Entrance Signs	Multi-year 16/17	Rates & Reserves	20,992	20,992	Not started	This is for an electronic sign most likely in front of the events centre.
Te Anau	Te Anau Library - Internal repaint	2017/2018	Reserves	33,587	33,587	Deferred	On hold at this point in time.
Te Anau	Streetlights on Wong Way	2017/2018	Rates	20,000	20,000	In progress - Investigation	Light options being investigated
Te Anau	Oxidation Pond	2015/2016	District Funding	622,984	247,902	In progress - Investigation	This project subject to finalisation of Treatment and Disposal project.
Te Anau	Water Park - New Track	2015/2016		30,000	30,000	Not started	Awaiting MOU for access over DOC land
Tokanui	Tokanui Toilets	2017/2018	Loan	10,496	3,149	Not started	Seeking pricing for toilet upgrade including, water bore, electrical supply and facility improvement
Winton	Concrete kerbs	Multi-year 15/16	Rates	8,770	8,770	Deferred	Grange Street identified for resal 18/19. \$ to be added to 18/19 budget to be more cost effective.
Winton	New Information Kiosk at East Winton Cemetery	2017/2018	Dev Cont	-	15,744	Deferred	Project will be done in next financial year as this part of project is progressed by Communications Team. Project budget of \$15,744 was removed on October forecast round but wasn't put into the LTP.
				3,835,855	2,481,763		

Audit NZ report of Council's LTP Consultation Document for the period 1 July 2018 to 30 June 2028

Record No: R/18/3/5297

Author: Nicole Taylor, Project Co-ordinator Corporate Planning

Approved by: Rex Capil, Group Manager Community and Futures

☐ Decision

☐ Recommendation

☒ Information

Purpose

- 1 To receive the report from Audit New Zealand on the audit of Council's 2018-2028 Long Term Plan Consultation Document.

Executive Summary

- 2 As part of the audit process for the Long Term Plan, Audit New Zealand provides Council with a report on its consultation document and final Long Term Plan.
- 3 Attached is the report received from Audit New Zealand in relation to the audit of the LTP Consultation Document (LTP CD) as part of the 2018-28 Long Term Plan (Attachment A).
- 4 In the report, Audit NZ noted that Council clearly articulated in its consultation document the key issues on which to consult with the community. They noted that Council's overall financial position is sound with low debt being a notable feature and that the challenge will be to balance the need to achieve income levels which support the long term sustainability of its reserves, while maintaining a strong focus on the affordability of rates.
- 5 The report also commented on the Council's focus on future planning and the perception risk that may occur around continual planning without corresponding decisions and action.
- 6 The report also noted that there is scope for further improvement of asset data/information in order to assist Council to develop appropriate asset management and renewal strategies.
- 7 Audit New Zealand issued an unmodified opinion on Council's Long Term Plan Consultation document (LTP CD), on 27 February 2018. This meant that Council's LTP CD "met its statutory purpose and provided an effective basis for public participation in Council's decisions about the proposed content of the 2018 – 2028 LTP". In doing so Audit NZ found the LTP CD had no misstatements.
- 8 Audit NZ will issue an opinion and report on the final LTP, which is to be adopted by Council on 20 June 2018.

Background

- 9 Audit New Zealand completed their audit of the LTP CD on behalf of the Office of the Auditor General on 27 February 2018 and issued an unqualified audit opinion which was included in the LTP CD (pages 30-31).
- 10 In providing this opinion, the audit team completed a range of testing on the LTP CD and underlying information including assumptions, systems and Activity Management Plans (AMPs)

in November followed by reviewing the consultation document and financial/infrastructure strategies in January/February.

- 11 As a result of this work the audit team have provided a report on the CD that sets out their opinion of the CD, the key issues identified and their comments in regards to these and points that Council may wish to consider.
- 12 The report reiterates a number of aspects related to the content of the LTP CD and supporting information. In particular their report highlights
 - a) the potential for a perception risk in the LTP CD around the focus on continual planning without corresponding decisions and actions;
 - b) scope for further improvement of asset information for ageing assets underlying AMPs.
- 13 Council staff are currently developing a programme related to this future planning work required to ensure that this is progressed in a timely manner so to inform future options and decisions (and therefore action) ahead of and as part of the 2021 LTP preparation.
- 14 It is intended that a Community and Futures Research and Analysis Work Programme report will be presented to the Community and Policy Committee meeting on 9 May 2018 for endorsement. This report will provide an overview of the various project topics, work-streams, objectives, timeframes, staff responsibilities and budgets where applicable and available.
- 15 It is important that Council and staff acknowledge and understand that this Community and Futures research and analysis work is necessary to inform the 2021 LTP and how/when this will flow through into the processes, including community planning, budgets, strategic direction/community outcomes, early community engagement processes, AMPs (including asset data and related asset/renewal strategies) and climate change modelling.
- 16 Decisions on certain issues/options may need to occur ahead of the next LTP to enable the impacts and consequences of these decisions to be included appropriately in the 2021 LTP. This may also require separate consultation/engagement with communities about the issues and options.

Next Steps

- 17 Staff to develop and scope proposed Community Future research programme and discuss with Community and Policy Committee in May 2018.
- 18 Audit NZ will also issue an opinion and management report on the final LTP, which is to be adopted by Council on 20 June 2018.

Recommendation

That the Finance and Audit Committee:

- c) Receives the report titled “Audit NZ report of Council's LTP Consultation Document for the period 1 July 2018 to 30 June 2028” dated 19 March 2018.**

Attachments

- A Audit NZ Management Report - LTP Consultation Document 2018-2028 [↓](#)

Report to the Council on the audit of
Southland District Council's
Long Term Plan Consultation Document for the period
1 July 2018 to 30 June 2028

Report to the Council

We have completed the audit of the Southland District Council (the District Council) Long Term Plan Consultation Document (the LTP CD) for the period 1 July 2018 to 30 June 2028. This report sets out our findings from the audit and draws attention to our detailed findings, and where appropriate makes recommendations for improvement.

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3	Control environment4
4	Areas of audit emphasis.....4
5	Other matters arising from our audit10
6	Audit of the final LTP.....11
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Key messages

We have completed the audit of the District Council's LTP CD for the period 2018-28 and issued an unmodified opinion on 27 February 2018.

Issues identified during the audit

The LTP CD communicates the important issues affecting Southland over the next 10 years. The District Council identified the following key issues for consultation:

- Investing in Community Future Planning;
- Improving the Around the Mountains Trail Experience and Funding the Costs; and
- Investing in Open Space Experiences

Each of these issues is clearly articulated in the LTP CD, which we consider provides a reasonable basis on which to consult the community. The outcomes from this round of consultation will be considered by the District Council, with final decisions being incorporated into the 2018-28 Long Term Plan.

The District Council's overall financial position is sound with low debt being a notable feature. The District Council regards prudent financial management as a priority and its challenge is to balance the need to achieve income levels which support the long term sustainability of its services, while maintaining a strong focus on affordability of rates.

The emphasis of the District Council in its LTP CD is on future planning. This approach is based on the development of a District-wide community future planning model. There is a perception risk that the District Council is in a state of continued planning without corresponding decisions and action being taken within reasonable timeframes. We believe the District council is aware of that risk.

Final LTP

As well as the opinion issued on the LTP CD we will also issue an opinion on the final LTP that will be adopted before 1 July 2018.

The District Council must ensure that there are systems in place to monitor its actual performance against budgets, levels of service and performance measures included in the LTP from 1 July 2018. These systems will assist with annual reporting, and also internal monitoring and reporting to the District Council.

Thank you

We would like to thank the District Council, management and staff for their assistance during the audit.



Ian Lothian
Audit Director
27 February 2018

1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on the District Council's LTP CD on 27 February 2018.

This meant we were satisfied the District Council's LTP CD meets the statutory purpose and provides an effective basis for public participation in the District Council's decisions about the proposed content of the 2018-28 LTP.

We found the underlying information and assumptions used to prepare the LTP CD provided a reasonable and supportable basis for the preparation of the LTP.

1.1 Unadjusted misstatements

The LTP CD is free from material misstatements, including omissions. We have discussed any misstatements that we found with management for which all misstatements have been corrected.

2 Audit scope and objective

The scope of our audit engagement and our respective responsibilities are contained in our audit engagement letter dated 4 October 2017.

3 Control environment

Our approach to the audit was to identify, confirm and assess the District Council's key processes and controls over the underlying information and ultimate production of both the LTP CD and the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions.

We consider the asset management control environment to be sufficiently reliable for the purpose of supporting the LTP CD and LTP. We consider the District Council's overall control environment sufficiently effective for the purpose of producing the LTP CD and LTP documents. The District Council had a robust quality assurance process which resulted in well prepared LTP CD.

4 Areas of audit emphasis

During the planning stage of the audit, and our review of the content of the LTP CD, we identified the following key risks and issues which were areas of emphasis during our audit. In this section of the report, we comment on our findings on those matters.

4.1 Infrastructure asset renewals

The District Council has an aging infrastructure base, and its policy is to replace assets just in time, while balancing the risk of asset failures. When assets are near to the end of their useful lives the District Council reviews the asset to see if the cost of renewing it outweighs the cost of maintaining the asset. If a maintenance programme is selected then the District Council will determine the appropriate review date for each asset to re-assess the need for renewal.

We have reviewed the asset management plans and infrastructure strategy to ensure that the District Council is providing appropriate levels of services and that assets are being renewed on a prudent basis.

4.2 Coastal Erosion

Climate change is considered likely to increase the risks from natural hazards that already occur within the District. Southland is already starting to see the effects of climate change with the erosion of some coastal roads. In December 2017 the District Council had to make a decision to close one of the coastal roads, in Colac Bay, due to coastal erosion.

We have reviewed the assumptions to ensure that climate change has been appropriately included and ensured this is consistent with the climate change information and assumptions contained in the asset management plans and infrastructure strategy. The District Council has decided not to include any renewal work or repair work for the Southland District due to climate change in the infrastructure and asset management plans. This is due to the expectation that a joint committee may be set up between Gore District Council, Southland District Council and Invercargill City Council to develop a consistent approach throughout the District to addressing climate change issues. The District Council believe they will be in a better position for the next LTP to be able to address these issues. We accept this to be a reasonable approach to be taken by the District Council as the strategies and plans to address these issues are still in development.

4.3 Sustainability of small rural towns

The District is geographically spread with 28 distinct communities. Over the next thirty years the District is forecast to grow at 0.83% per annum. Te Anau and Winton are the only townships expected to grow, whereas Ohai, Nightcaps, Orepuki and Tokanui are projected to decline with other communities remaining static. The remaining expected growth is within the rural areas of the District. Aging infrastructure assets combined with a static and, in some cases, declining township population may see the economic viability of some infrastructure schemes reviewed. The District Council will need to proactively engage with these communities on how they see their community in the future.

We have reviewed the significant forecasting assumptions to ensure that population assumptions for declining/low growth communities have been appropriately included. We have also reviewed the level of services included in the asset management plans, infrastructure strategy and financial strategy to understand the impact on these small rural

towns and how the District Council has forecasted the decline in population for these small rural towns.

There have been no changes made to the intended levels of service at this stage. This is mainly due to the District Council's intention to develop a District-wide community future planning model before any decision is made on how the District Council will approach these issues. It is expected that the District Council will be in a position to further consult on these issues in the next LTP round.

We consider this to be a reasonable approach, given that the District Council will likely end up having to develop different programmes to suit differing communities. However, the District Council should not delay dealing with the issues to the extent they are perceived as overly-focussed on planning processes, rather than taking necessary action.

4.4 Funding requirements for large capital projects

Southland District has a number of large capital projects that are currently in progress, which are:

- Around the Mountains Cycle trail
- Te Anau Wastewater
- Catlins Road Seal Extension

No new large projects have been included in the current LTP. We have confirmed the above large projects have appropriately been included in the asset management plans and infrastructure strategy.

We conclude that the financial strategy is appropriate to cover the costs of large projects and that large projects have been appropriately included in the financial forecasts, asset management plans and infrastructure strategy.

4.5 Financial strategy and infrastructure strategy

Financial strategy

We note that the District Council has not met the balanced benchmark requirement for the first five years of the plan. There are a number of depreciation-related and forestry related, factors affecting the balancing of District Council's budget. These are:

- Phasing in the funding of depreciation on key District assets;
- Council's decision not to fund depreciation on some buildings and all local assets;
- Forestry Operations, which in some years are incurring costs that are funded from previous years surpluses put to reserves; and

- Council's partial use of depreciation reserves to fund interest repayments on loans borrowed to fund capital renewals, principally with respect to water and wastewater projects.

Prior to adoption of its LTP CD, the District Council intends to pass a resolution supporting its view that it is prudent to forecast an unbalanced budget. Going forward this resolution should be passed in accordance with section 100, which requires the unbalanced budget resolution to be passed at the same time as the other information supporting the LTP CD is adopted.

The District Council is planning to take on external borrowing in year two of the plan, to pay for long term infrastructure where the rates collected for the replacement of assets is insufficient. The District Council has maintained a debt-free position over many years, and debt levels will continue to remain low in relation to the benchmark.

The financial strategy seeks to provide a balancing of levels of service with rate increases and borrowings, so as to maintain rate increases at affordable levels to the ratepayer throughout the term of the LTP. Levels of service are generally maintained over the plan period with the District Council intending to address the sustainability risk of some of its communities once the issue is better understood.

We reviewed the contents of the financial strategy against the requirements in section 101A of the Local Government Act 2002. We conclude that the financial strategy meets these requirements.

4.6 Infrastructure strategy

The District Council manages infrastructure assets worth \$1.4 billion, of which the value of roading is \$1.3 billion. The District has the second largest roading network in the country which serves a population of around thirty thousand and is seen as the lifeblood of the community. The dispersed nature of the District's communities makes the cost of providing services higher than in other areas. Based on our review we suggested amendments to the infrastructure strategy, and these were accepted by the District Council. We consider that the infrastructure strategy reasonably addresses all key issues.

The infrastructure strategy provides a coherent link between asset management plans and the financial strategy. The key issues identified in the asset management plans have been included as options in the infrastructure strategy, and these are consistent with the main themes outlined in the financial strategy.

While we consider the quality of underlying information for Council's asset management plans to be of generally a good standard, there is scope for further improvement. Continuing to update information, in particular for those assets over 10 years old, will assist the District Council in continuing to deliver its asset management and renewal strategies.

We reviewed the contents of the infrastructure strategy against the requirements in section 101B of the Local Government Act 2002. We conclude that the infrastructure strategy meets these requirements.

4.7 Te Anau Wastewater

The current Te Anau wastewater scheme is no longer considered suitable as it requires a new consent that will require a higher standard of discharge and is incapable of dealing with increasing demand during the peak tourist season. During the last 6 years, the Council have actively consulted with the community in regards to potential options for its replacement.

Although various options are described in the LTP CD, the District Council have included this information as an update on the current situation, rather than an issue to be consulted on.

Currently, the plan includes \$14.7m for the proposed upgrade of the wastewater treatment plant and development of a new discharge system at the Kepler site, based on the consented option. The approved proposal and resource consent will allow for the discharge of treated wastewater to land and air north of the Te Anau Airport Manapouri.

The District Council have confirmed that it expects to assess the required level of future consultation once more information is to hand on the cost of an alternative option upon which to base a decision.

4.8 Content of the LTP CD

We were satisfied that the LTP CD included appropriate information to enable consultation with the public on key issues. In addition to those matters identified during the planning phase, the following consultation matters were considered during the LTP CD audit.

4.9 Investing in our Community Future Planning

The District is geographically spread with 28 distinct communities. Over the next thirty years the District is forecast to grow at 0.83% per annum. Te Anau and Winton are the only townships expected to grow, whereas Ohai, Nightcaps, Orepuki and Tokanui are projected to decline with other communities remaining static. The remaining growth is within the rural areas of the District.

The communities are also aging and with fixed incomes, rates affordability is a priority. The Council intends to proactively engage with these communities on how they see their community in the future. Aging infrastructure assets combined with a static and, in some cases, declining township population may see the economic viability of some water and wastewater schemes reviewed. This could also involve rationalisation of community assets e.g. halls and libraries.

The Council has been actively involved in the local consultation and decision-making process. A councillor and community partnership leader attended each of the local

community estimates meetings as part of the 2018-28 LTP process where the communities plan and rate for local projects. An accountant was also present at most of these meetings. As work on potential rationalisation of assets is at a very early stage, the Council have opted to invest in developing a District-wide community future planning model before any decision is made on how Council will approach these issues. It is expected that Council will be in a position to consult on these issues in the next LTP round.

We consider this to be a reasonable approach, given that the Council will likely end up applying 28 different rationalisation programmes to suit the needs of individual communities.

4.10 Improving the Around the Mountains Cycle Trail Experience and Funding the Costs

The Around the Mountain Cycle Trail stage 1 from Kingston to Mossburn was completed and opened in November 2014. Construction of stage 2 from Mossburn to Centre Hill began in 2015 and as at 30 June 2017 the total project costs (both stages) were \$10.9m. Council is consulting on options for stage 2 of the project and how to fund costs associated with the trail.

The Council is proposing that the trail is completed by upgrading the access road that connects to Centre Hill Road. This does not provide any new trails but provides essential shelter and toilet facilities at the Centre Hill terminal. Council also proposes that the deficit be funded by a 30 year loan with loan repayments being collected by a uniform annual general rate. This will contribute to intergenerational equity, with costs being spread over the generations which will be receiving the benefits of the cycle trail.

This project has been ongoing for a number of years; it was included as a key issue in the 2012-22 LTP and included for information in the 2015-25 LTP due to the high public interest. There are two options in the 2018-2028 LTP with respect to (a) how to finish the trail, and (b) how to fund the net cost of the trail to date, plus future costs.

4.11 Investing in Open Spaces

In 2017 the District Council began looking at whether its network of open spaces (such as parks, playgrounds, and walkways) are meeting the needs of people who use them today and how this might change in the future.

A recent review of the District Council's open spaces found that considerable investment in the design and improvement of facilities is required. Professional design input is needed to make sure money is invested in the right things and more funding is needed.

The District Council is proposing to create a design and planning budget of \$150,000 per year which will be used to develop plans and set priorities to deliver improvements to these services.

We consider this to be a reasonable approach, given that the District Council will likely end up applying 28 different programmes to suit the needs of individual communities.

4.12 Adopting and auditing the underlying information

The District Council prepared and adopted the underlying information necessary to support the LTP CD.

4.13 Project management, reporting deadlines and audit progress

The development of the LTP CD and LTP is a significant and complex project and a comprehensive project plan is required for a successful LTP process.

Council had a robust project plan for the LTP CD which detailed tasks, due dates, responsibilities and status. The plan ensured all milestones were identified and staff were held accountable.

The use of a project management team allowed collaboration across the various business units of Council and ensured the LTP CD told a cohesive and consistent story.

Self-assessment

The District Council provided a self-assessment in order to assist our audit planning. The self-assessment outlined the specific risks and issues facing the District Council and its community and provided the basis for our review of the control environment, asset management planning, financial strategy and performance management.

The major risks and issues had been appropriately considered. This allowed us to identify the areas of focus for audit planning.

5 Other matters arising from our audit

We completed our planned work on the modules detailed in our audit engagement letter. We identified the following other matters:

5.1 Unbalanced Budget

We note that the District Council has not meet the balanced benchmark requirement for the first five years of the plan. Under S100(2) of the LGA a local authority is required to pass a resolution stating it is financially prudent to forecast an unbalanced budget (or specifically projected operating revenues that are less than projected operating expenses).

The LGA (section 93G) also requires a local authority, before adopting a LTP CD, to prepare and adopt the information that is relied on by the content of the LTP CD document and is necessary to enable the auditor to issue their audit report. Going forward the resolution to forecast an unbalanced budget should be passed in accordance with the LGA at the same time as other supporting information is adopted.

We have reviewed the Council's forecasts against the balanced budget requirements in the Local Government Act 2002 as well as the advice that was provided to Council on why it is

considered prudent to have an unbalanced budget. Based on our review we suggested updates to the resolution and supporting documentation to the District Council. The resolution was updated and we now consider it reasonable.

5.2 Funding depreciation

Prior to 2015 the District Council had adopted a policy of not funding depreciation, and focused rather on rate funding of expenditure on maintenance and renewals. In the 2015 LTP the District Council introduced a staged implementation approach that would see the Council fund 100% of depreciation on key District assets by 2024/2025.

By funding depreciation the District Council can begin to smooth out the funding of its renewals process, and allocate costs equitably among generations of ratepayers. It will also help ensure that future renewals backlogs do not arise. Funding of depreciation is one strategy the District Council is using to ensure intergenerational equity as it looks to renew a significant proportion of its infrastructure. The staged introduction is a result of the District Council's effort to maintain affordability for the ratepayer.

6 Audit of the final LTP

The next step in the LTP audit process will be the audit of the final LTP. This is scheduled to be undertaken in two weeks commencing 21 May 2018. To ensure our audit of the LTP is efficient we expect the District Council to prepare a schedule of changes to the financial forecasts, draft LTP and performance framework that were the basis of the LTP CD. This will enable us to assess the extent of changes as a result of community consultation and tailor our audit work accordingly.

Under section 94(1) of the Act, our audit report on the final LTP forms part of the LTP, which the Council is required to adopt before 1 July 2018 (section 93(3)). Our agreed timeframes will enable us to issue our audit report in time for the Council meeting on 20 June 2018, at which time the 2018-28 LTP will be formally adopted.

We are responsible for reporting on whether the LTP meets the statutory purpose and provides a reasonable basis for integrated decision making by the Council and accountability to the community. We considered the quality of the underlying information and assumptions as part of the audit of the LTP CD so for the audit of the LTP. We will focus on how these are reflected in the LTP. We will consider the effect of the decisions that come out of the consultation process and review the LTP to gain assurance that appropriate, material, consequential changes and disclosures have been made.

At the conclusion of the LTP audit, we will ask the Council to provide us with a signed management representation letter on the LTP. The audit team will provide the letter template during the LTP audit.

Appendix 1: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit.	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the 2018-28 Long Term Plan Consultation Document (LTP CD) and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the LTP CD does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 4 October 2017 a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (revised): <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>, the International Standard on Assurance Engagements 3400: <i>The Examination of Prospective Financial Information</i>, and the Auditor-General's Auditing Standards.</p>
Auditor independence	<p>We confirm that, for the audit of the District Council's LTP CD for the period 1 July 2018 to 30 June 2028, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the District Council or any of its subsidiaries.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the LTP CD. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

Outstanding Debt as at 31 January 2018

Record No: R/18/2/3595
Author: Shirley Carruthers, Finance Officer - Credit Control
Approved by: Anne Robson, Chief Financial Officer

☐ Decision ☐ Recommendation ☒ Information

Overview

- 1 In December 2017, in response to the discussion around abandoned land sales, Council requested staff to provide a report outlining the status of Council's debt. This report provides a summary of Council's outstanding debt as at 31 January 2018, and includes debt associated with rates, water charges, electricity charges (SIESA) and sundry debt (such as building consent, licencing fees, rentals etc). All figures included in this report are GST inclusive and exclude any credit balances.

	30 June 2017		31 January 2018		Variance	
	\$	#	\$	#	\$	#
Rates (30/6/17 and earlier)	\$1,900,586	1,098	\$979,839	279	-48%	-75%
Water charges	\$104,907	159	\$27,639	67	-74%	-58%
SIESA Electricity	\$161,243	436	\$175,699	519	+9%	+19%
Sundry	\$743,400	517	\$1,081,375	486	+45%	-6%
Total	\$2,910,136	2,210	\$2,264,552	1,351	-22%	-39%

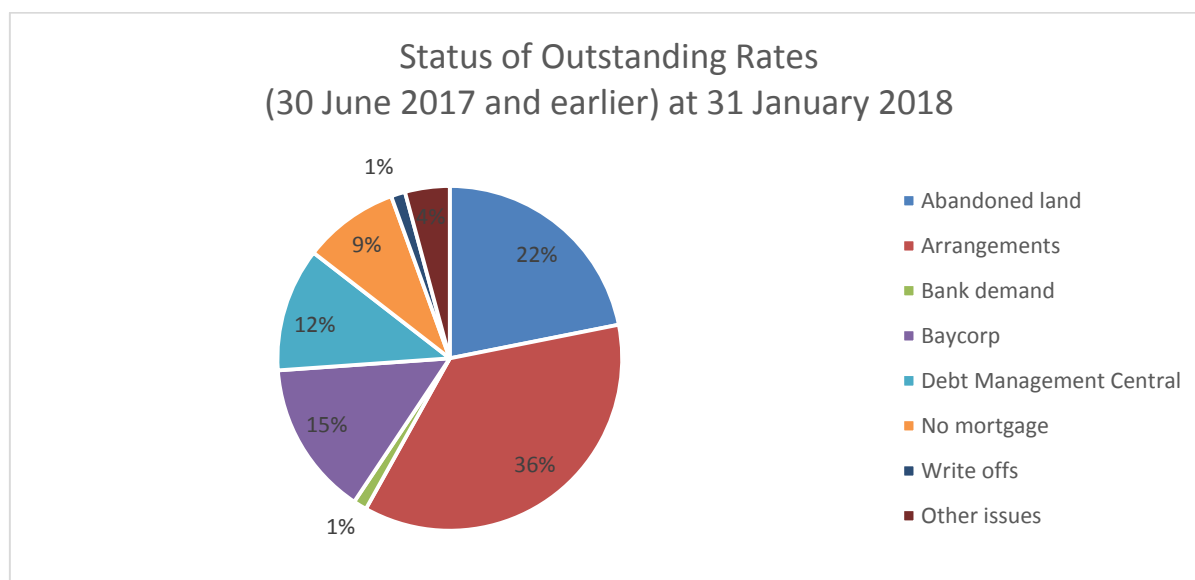
- 2 It is important to note that of the \$2.3 million owing at 31 January 2018, \$903,000 is current. Therefore total overdue debt is \$1.4 million of which rates is \$980,000. Further analysis of each of these outstanding debt types is outlined below.

Background

As part of the organisational review a new role of debt collection officer was introduced. Up until this time debt collection was completed on an ad hoc basis. Since starting in March 2017, the debt control role has focussed on rates training and understanding outstanding debt, principally in the rating area. During the last year, a lot of planning has been undertaken to set key dates for rates collection, identifying the course of action required for each rating debt, undertaking abandoned land sales, drafting an internal debt policy, obtaining rates arrears from mortgage holders, processing some rating sales, looking at debt collection options including agencies, contacting ratepayers with outstanding rates. The result is overdue rating debt is down by \$1 million, with an excellent understanding of the debt remaining and processes in place for dealing with this as shown in the table below. The next area will be to advance on collection of other areas of arrears.

Rates

- 3 These arrears relate to rates for the year ended 30 June 2017 and earlier. Current year rates (2017/2018) do not become overdue until 1 July 2018. As at the date of this report there is approximately \$310,000 (net) of current year's instalments that have not been paid.
- 4 The status of the \$980,000 rates outstanding at 31 January 2018 is summarised in the graph below:



- 5 **Abandoned land/Potential Abandoned Land:** This is the estimated amount of rate arrears on properties, after due investigation, where the owners cannot be located and no payments have been received for at least three years. There are currently four properties waiting for approval from the District Court to be put up for tender as abandoned land. A further 21 properties are likely to be progressed as abandoned land, however they have not yet passed the three year legislative timeframe. A substantial amount of work has been undertaken to identify the whereabouts of these ratepayers including electoral roll review, online searches, contacting neighbours etc, with no success. The possibility of recovering revenue from these properties is low. Staff will continue to progress with selling these properties as abandoned land as they become eligible.
- 6 **Recovery Agency (Baycorp):** There are eight properties historically lodged with Baycorp. Three of which are in the process of a rating sale, three properties have a payment arrangement, and one property is being defended in court by the owner. Baycorp have not managed to find the whereabouts of the owner of the remaining property, so it will potentially become abandoned land in due course. Recovery of the rates arrears in full may not be achievable. The next step for the property which is not paying or being defended in court, is to seek judgement for arrears which may potentially lead to a rating sale.
- 7 **Recovery Agency (Debt Management Central):** There is 36 outstanding rates accounts with DMC a total of \$152,000, eight are on a payment arrangement, and three have paid in full. DMC are awaiting authorisation from SDC to proceed to recovery through the court for the remaining 25. Recovery of the rates arrears in full is still achievable and could be received in the next 12 months if judgement is successful.

- 8 **Bank demands:** Council are awaiting payment from financial institutions on final demands for eight properties. Several have private mortgagees, whilst others have defaulted on payment arrangements previously made with Council and therefore the demand on the bank was made late. All these arrears are recoverable in full and expected to be received within the next six months.
- 9 **Arrangements:** The number of customers on approved payment arrangements is 125, most will be finalised by 30 June 2018. A small number of arrangements have been extended to 30 June 2019. These customers typically have no further penalties being applied to encourage compliance with the arrangement. Full recovery of arrears is expected. Where the arrangement is dishonoured, staff will progress with seeking judgement through the court.
- 10 **No Mortgage:** There are 78 properties that do not have a mortgage against their certificate of title. Council staff are actively pursuing these customers for payment, and they have not been escalated to any external collection agency. As these ratepayers are followed up, more than likely Council will receive payment in full or will agree a mutually acceptable payment arrangement. Confidence is high that payment will be made in full before legal action would be necessary.
- 11 **Write off:** We have one write off of rates arrears related to a property that was sold as abandoned land.
- 12 **Other Issues:** There are nine properties consisting of Estates that are waiting for probate, properties that are under investigation or the sale of the property is pending. Full recovery of arrears is expected in due course.

Water charges

- 13 Water charges outstanding at 31 January 2018 are summarised in the table below:

	Jan-current	Dec	Nov	Oct	Sept	Aug and earlier	Total	Total Overdue
Amount Outstanding	\$-	\$13,961	\$-	\$116	\$1,917	\$11,645	\$27,639	\$27,639
Number of Debtors	-	36	-	2	13	16	67	67

- 14 Water invoicing occurs quarterly and the next invoices will be issued during March 2018. Overdue water debtors will receive reminder notices on their next invoice/statement and followed up accordingly. Council staff are also looking at the options surrounding implementing water restrictions for those properties with water arrears to encourage prompt payment.
- 15 In July 2018, a payment demand will be made to the mortgage holder for any outstanding water charges in conjunction with rates demands.

Electricity charges (SIESA)

- 16 Electricity charges outstanding at 31 January 2018 are summarised in the table below:

	Jan-current	Dec	Nov	Oct	Sept	Aug and earlier	Total	Total Overdue
Amount Outstanding	\$121,960	\$10,701	\$5,466	\$3,896	\$3,139	\$30,537	\$175,699	\$53,739
Number of Debtors	391	58	24	13	8	25	519	128

- 17 At the Stewart Island Community Board meeting in October 2017, Council staff presented a report summarising the outstanding SIESA debt and the collection processes being applied. In response to this report the Community Board requested that staff actively use disconnection notices to encourage payment of arrears and requested that disconnection notices be issued regularly in relation to arrears older than 60 days.
- 18 13 disconnection notices were issued in February. No disconnections were required as nine accounts were paid in full and four made significant payment arrangements.
- 19 Of the total overdue debt \$7,000 relates to 15 accounts who are no longer consumers and \$15,000 relates to accounts that are in dispute. Staff are progressing collection through recovery agency where appropriate, however recovery of the charges in full may not be achievable. The Stewart Island Community Board will be updated regularly.

Sundry debt

- 20 Sundry debt outstanding at 31 January 2018 is summarised in the table below:

	Jan-current	Dec	Nov	Oct	Sept	Aug and earlier	TOTAL	Total Overdue
Amount Outstanding	\$780,642	\$100,282	\$117,601	\$6,188	\$27,502	\$49,160	\$1,081,375	\$300,733
Number of Debtors	271	79	63	18	14	41	486	215

- 21 In February 58 letters were issued requesting payment, and 10 final warning notices. Three accounts are in the process of being forwarded to Baycorp for debt recovery. Staff will continually review the long outstanding arrears to assess if they should be progressed to collection through a recovery agency or written off (in the instance that is uneconomical to progress through a recovery agency). Recovery of the revenue in full may not be achievable.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled "Outstanding Debt as at 31 January 2018" dated 19 March 2018.**

Attachments

There are no attachments for this report.

Exclusion of the Public: Local Government Official Information and Meetings Act 1987

Recommendation

That the public be excluded from the following part(s) of the proceedings of this meeting.

C9.1 Corporate Performance Report for period two - 1 November 2017 to 28 February 2018

C9.2 Quarterly Risk Register Update - March 2018

C9.3 Review of Animal Control Processes

C9.4 Insurance options for Underground Infrastructure

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Corporate Performance Report for period two - 1 November 2017 to 28 February 2018	<p>s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied.</p> <p>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</p>	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Quarterly Risk Register Update - March 2018	<p>s7(2)(e) - The withholding of the information is necessary to avoid prejudice to measures that prevent or mitigate material loss to members of the public.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Review of Animal Control Processes	s7(2)(c)(i) - The withholding of the information is necessary to protect	That the public conduct of the whole or the relevant part of the

	<p>information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>	<p>proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.</p>
Insurance options for Underground Infrastructure	<p>s7(2)(e) - The withholding of the information is necessary to avoid prejudice to measures that prevent or mitigate material loss to members of the public.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>	<p>That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.</p>