



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

Date: Friday, 14 December 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, 17 October 2018



Finance and Audit Committee

OPEN MINUTES

Minutes of a meeting of Finance and Audit Committee held in the Council Chamber, 15 Forth Street, Invercargill on Wednesday, 17 October 2018 at 1.02pm to 1.03pm, 2.55pm to 4.16pm, 4.52pm to 5.24pm.

PRESENT

Chairperson	Ebel Kremer
Councillors	John Douglas
	Paul Duffy
	Bruce Robertson (1.02pm to 1.03pm, 2.55pm to 3.51pm)

APOLOGIES

Mayor Gary Tong

IN ATTENDANCE

Councillor Julie Keast (1.02pm to 1.03pm, 2.55pm to 4.16pm)
Chief Executive – Steve Ruru
Group Manager, Services and Assets – Matt Russell
Chief Financial Officer - Anne Robson
Communications Manager – Louise Pagan
Governance and Democracy Manager – Clare Sullivan
Committee Advisor - Fiona Dunlop

Adjournment of Meeting

The Chair advised that the meeting would have to open and adjourn until the conclusion of the Services and Assets Committee meeting.

Resolution

Moved Chairperson Kremer, seconded Cr Douglas **and resolved that the Finance and Audit Committee adjourns until the conclusion of the Services and Assets Committee.**

The meeting adjourned at 1.03pm.

The meeting reconvened at 2.55pm.

Councillors Kremer, Douglas, Duffy, Keast and Bruce Robertson (external member) were present when the meeting reconvened.

1 Apologies

There were apologies from Mayor Tong.

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

That the Finance and Audit Committee accept the apology.

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 Cr Duffy, seconded External Member Robertson **and resolved:**

That the Finance and Audit Committee confirms the minutes the meeting held on 24 September 2018 as a true and correct record of that meeting.

Reports

7.1 Business Case - Te Anau Wastewater Discharge Method - Kepler Block

Record No: R/18/10/23194

Group Manager, Services and Assets – Matt Russell, Management Accountant – Susan McNamara, Community Partnership Leader – Simon Moran and Stantec Consultant Roger Oakley were in attendance for this item.

Mr Russell advised that the purpose of the report was to enable the Committee to provide comment on the financial and risk management issues associated with the decision that Council needs to make in regard to the selection of a wastewater discharge method at the Kepler Block based on an updated and peer reviewed business case.

(External Member Bruce Robertson left the meeting at 3.51pm.)

The Chief Executive addressed the meeting regarding legal advice that he had sought in relation to Section 10 of the Local Government Act 2002. Section 10 outlines the purpose of local government. A copy of the legal advice is appended to the minutes as appendix one.

(Councillor Keast left the meeting at 4.16pm.)

(The meeting adjourned at 4.16pm and reconvened at 4.52pm.)

(Councillors Kremer, Douglas and Duffy were present when the meeting reconvened.)

Following the legal advice and more discussion on the matter the chair moved to receive the report but not the rest of the recommendations in the officer's report.

Moved Cr Kremer, seconded Cr Douglas the motion that the Finance and Audit Committee Receives the report titled "Business Case - Te Anau Wastewater Discharge Method - Kepler Block" dated 8 October 2018.

The motion was put and declared CARRIED.

Moved Cr Kremer, seconded Cr Douglas the motion that the Finance and Audit Committee Recommends to Council that it notes:

- That it is important for Council to ensure that it meets the relevant legislation requirements including the requirements in section 10 and Part 6 of the Local Government Act 2002

- That Council needs to ensure that it can, under the Local Government Act 2002, adopt a funding tool that is at variance to its Revenue and Financing Policy if it is to ask the Te Anau and Manapouri community to fund the higher costs associated with option 3 and in this regard asks the Chief Executive to seek legal advice before the matter is referred back to Council for consideration
- That the Council note that there are risks associated with obtaining, within a tight timeframe the resource consents that are needed for option 3 – subsurface drip irrigation and extension of the current Upukerora discharge
- That it is important that Council retain centre pivot irrigation as a ‘fall back’ option, should there be delays in obtaining the resource consents needed to proceed with the implementation of option 3
- That there is a risk that the costs of implementing option 3 could be higher than the estimates indicated in the business case and this could raise questions about the capacity of the Te Anau and Manapouri communities to fund these increased costs
- Notes that Council needs to consider the origin of cost increases should they arise in order to ensure that the Te Anau and Manapouri communities are not subjected to cost escalations that arise irrespective of the discharge method, such as those which might be associated with construction of the pipeline to the Kepler block.

The motion was put and declared CARRIED.

Final resolution

That the Finance and Audit Committee:

- a) Receives the report titled “Business Case - Te Anau Wastewater Discharge Method - Kepler Block” dated 8 October 2018.**
- b) Recommends to Council that it notes:**
 - **That it is important for Council to ensure that it meets the relevant legislation requirements including the requirements in section 10 and Part 6 of the Local Government Act 2002**
 - **That Council needs to ensure that it can, under the Local Government Act 2002, adopt a funding tool that is at variance to its Revenue and Financing Policy if it is to ask the Te Anau and Manapouri community to fund the higher costs associated with option 3 and in this regard asks the Chief Executive to seek legal advice before the matter is referred back to Council for consideration**
 - **That the Council note that there are risks associated with obtaining, within a tight timeframe the resource consents that are needed for option 3 – subsurface drip irrigation and extension of the current Upukerora discharge**
 - **That it is important that Council retain centre pivot irrigation as a ‘fall back’ option, should there be delays in obtaining the resource consents needed to proceed with the implementation of option 3**
 - **That there is a risk that the costs of implementing option 3 could be higher than the estimates indicated in the business case and this could raise**

questions about the capacity of the Te Anau and Manapouri communities to fund these increased costs

- **Notes that Council needs to consider the origin of cost increases should they arise in order to ensure that the Te Anau and Manapouri communities are not subjected to cost escalations that arise irrespective of the discharge method, such as those which might be associated with construction of the pipeline to the Kepler block.**

The meeting concluded at 5.24pm.

CONFIRMED AS A TRUE AND CORRECT RECORD AT A
MEETING OF THE FINANCE AND AUDIT COMMITTEE
HELD ON WEDNESDAY 17 OCTOBER 2018.

DATE:.....

CHAIRPERSON:.....



16 October 2018

Steve Ruru
Southland District Council
Steve.Ruru@southlanddc.govt.nz

Level 10
Otago House
477 Moray Place
Dunedin 9016

Private Bag 1959
Dunedin 9054
New Zealand

al.nz

Dear Steve

Section 10 Local Government Act 2002

Background

- 1 The Te Anau Wastewater Discharge Project Committee (the Committee) has passed a recommendation to proceed with sub-surface drip irrigation and specifically noted that this option is "outside section 10 of the Local Government Act". Section 10 is one of the purpose sections of the LGA and is:

10 Purpose of local government

- (1) The purpose of local government is—

- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

- (2) In this Act, **good-quality**, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are—

- (a) efficient; and
- (b) effective; and
- (c) appropriate to present and anticipated future circumstances.

- 2 The purpose of the LGA itself is:

3 Purpose

The purpose of this Act is to provide for democratic and effective local government that recognises the diversity of New Zealand communities; and, to that end, this Act—

- (a) states the purpose of local government; and

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- (b) provides a framework and powers for local authorities to decide which activities they undertake and the manner in which they will undertake them; and
 - (c) promotes the accountability of local authorities to their communities; and
 - (d) provides for local authorities to play a broad role in meeting the current and future needs of their communities for good-quality local infrastructure, local public services, and performance of regulatory functions.
- 3 The focus of section 10 is on both being cost-effective with ratepayers' money, efficient and effective, and also meeting the future needs of the community. This emphasis on future needs is similar, but more constrained, than the repealed reference to the four well-beings and is developed in section 14(h) whereby a principle for a local authority performing its role is sustainable development:
- in taking a sustainable development approach, a local authority should take into account—
- (i) the social, economic, and cultural interests of people and communities; and
 - (ii) the need to maintain and enhance the quality of the environment; and
 - (iii) the reasonably foreseeable needs of future generations.
- 4 There is a conflict within the LGA between the amended section 10 with its focus on cost-effectiveness and the other wider purpose and principles sections.
- 5 The Committee has made a recommendation rather than a decision so there is an ability for the Council (Finance and Audit Committee and Services and Assets Committee) to make a different decision from the recommendation. Council can also form a view about what the most cost-effective option is and explain those reasons which may justify the recommended option. But Council should not continue with a decision that is explicitly inconsistent with Council's purpose.
- 6 We answer your specific questions below.

Interpretation and use of section 10

How section 10 should be interpreted including how a local authority might determine what is the most cost effective option, when choosing between a range of options.

- 7 Section 10 sets out the purpose of local government and cannot be ignored or avoided. However, being the most cost-effective¹ is prefaced with meeting the needs of current and future communities. This means that long-term considerations can be included in an assessment of what is the most cost-effective. We consider that determining what is "most cost-effective" is a political judgement involving a balance of what is the right spend in the circumstance considering capital costs, operating cost over the whole of life of an asset, and what Council is getting for the money.

¹ Section 10(1)(b)

- 8 The term "cost-effective" is not defined in the LGA and is not commonly used in legislation. A discussion paper from the Auditor-General from 2011 (around the time the section 10 amendment that introduced the term was being progressed) describes the term as "about the relationship between the investment – the input of dollars and resources – to the result, or the impact or outcome achieved"².
- 9 Council is able to pay more than the cheapest option if the additional outcomes (e.g. environmental benefits) are both desired and achieved by a more expensive option.
- 10 Any decision needs to be "cost-effective" to be valid.
- 11 In addition to meeting the "future needs" and being "most cost-effective" infrastructure is to be "good quality". This term "good quality" is defined and again there is a balance that requires an assessment of what is "efficient", "effective" and "appropriate to present and anticipated future circumstances". Once again Council can include a temporal element to decision making but this has the caveat of being "appropriate" and has no higher weighting than the need for infrastructure to be "efficient" and "effective".

How section 10 should be used in decision-making processes

- 12 Any decision should be justified in accordance with the restrictions of section 10. Included in the definition of "good quality" is a requirement that infrastructure is appropriate to future circumstances. There may be an argument that the option preferred by the Committee is better for future circumstances because of future development of the airport and environmental effects. If this is the case then any decision should include a discussion of the tensions in section 10 and how the cost effectiveness has been counterbalanced by the future circumstances.

The role of community views as compared to other factors such as environmental effects and costs in coming to a view on what might constitute the most cost effective option.

- 13 Section 10 itself refers to enabling democratic decision making. These community views and environmental outcomes will be relevant to determining what is most cost-effective in the future. This reflects what Council determines the ratepayers should pay for what it is that can be delivered.

Implications of setting aside section 10

What are the legal implications of the committee having made a conscious decision to record that it has not complied with section 10 of the LGA in arriving at its decision?

- 14 The Committee has made a recommendation only and it is for Council (Finance and Audit Committee and Services and Assets Committee) to make a decision. Council needs to consider the recommendations and make up its own mind and in our view be satisfied the proposed spending is cost-effective and give reasons why that is the case.

Does the fact that the committee has explicitly recorded the fact that it has 'set aside' section 10 create the risk that the committee's decision would be seen as being ultra vires if it were to be challenged via judicial review?

- 15 No, because it is only a recommendation. Any *ultra vires* issue can be fixed by Council. It is important that Council does not repeat the Committee's resolution in the same form.

² Discussion paper – Central government: Cost-effectiveness and improving annual reports, Controller and Auditor-General, June 2011, para 4.7 (<https://www.oag.govt.nz/2011/improving-annual-reports/docs/cost-effectiveness-and-improving-annual-reports.pdf>)

What would be the implications for Council of it accepting the committee recommendations and similarly recording that it wishes to 'set aside' section 10?

16 This would be invalid in our view and susceptible to a successful challenge.

Yours faithfully
Anderson Lloyd



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Interim Performance report - Period one - 1 July to 31 October 2018

Record No: R/18/12/27767

Author: Shannon Oliver, Planning and Reporting Analyst

Approved by: Rex Capil, Group Manager Community and Futures

☐ Decision

☐ Recommendation

☒ Information

Purpose

- 1 The purpose of the report is to provide the Finance and Audit committee with the interim performance report for their review and feedback.

Executive Summary

- 2 This is the first interim performance report which covers the July to October 2018 reporting period. The interim performance report is part of the corporate performance framework (CPF) which was adopted in June 2018 as part of the 2018-2028 Long Term Plan.
- 3 The purpose of the CPF is to streamline Council planning and reporting functions. The interim performance report provides a four-month 'snapshot in time' record of the status of Council's key performance indicators (KPIs) for the reporting period.
- 4 For the reporting period, 54% of the KPI's are on-track, 26% off-track and 20% had no target. Group manager commentary is provided in the attached report at the start of each group score card to provide further information to the committee regarding these targets.
- 5 Staff recommend that the committee receive this report and provide any necessary feedback.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled “Interim Performance report - Period one - 1 July to 31 October 2018” dated 7 December 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 that the format of the attached report will change for the next period report to an exception-based format.**

Background

- 6 The corporate performance framework (CPF) aligns Council’s high level direction to its activities and outcomes, and its purpose is to streamline Council planning and reporting functions. As part of the framework, Council produces an interim performance report which is undertaken three times a year – for the four month periods of July-October, November-February and March-June, with the third being produced to inform the annual report of the non-financial performance measure results.
- 7 The CPF has been endorsed by Council and incorporated into the 2018-2028 Long Term Plan. Council measures performance against internal and external targets that are clearly linked to the benefits outlined in the strategic framework and to levels of service. This set of key performance indicators (KPIs) provide a leading indicator of whether a change has occurred.
- 8 The intended role of the interim performance reports was to provide a touch-point throughout the financial year, for elected members and Council officers to monitor progress against targets and milestones. Interim reporting is a critical element of any performance monitoring framework, keeping high level performance goals relevant to daily operations and enabling early identification of potential issues.
- 9 The interim performance report, compiled every four months and presented to the Finance and Audit Committee, is a new report which differs from previous interim reporting, due to the following features:
 - **reporting by exception** – only results or performance that are outside of the expected tolerance for the period and determined by the Finance and Audit Committee should be reported to Council. Performance results which are off track (positively or negatively), and/or which may lead to a departure from Council’s preferred level of service will be highlighted in comparison to those that are on track in the interim performance report.

- **reforecasting process** – it is intended each interim performance by activity group report will inform and correlate to the reforecasting process required to be undertaken on the same four monthly basis
- **meaningful narrative and discussion** – written commentary/narrative is a critical element of the report. Another important component related to this is for in-person attendance by activity managers at the Finance and Audit Committee meeting to discuss the results and/or performance.
- **feedback loop** – the subsequent interim performance report will provide detail on the progress toward corrective actions identified in the previous report, ensuring the ‘loop’ from performance data to decision-making is effectively closed.

- 10 In order to produce the interim performance report an online reporting tool called CAMMS Strategy was used. The CAMMS Strategy online tool was introduced to activity managers within Council, and those staff who will be inputting the information needed to complete the interim performance report.
- 11 A summary of the Council’s overall KPI performance measures as contained in the report is below.

Performance Measure Performance



Monitor	0	0%
On Track	51	53.68%
Off Track	25	26.32%
No Target	19	20%

Issues

- 12 As this report is the first to be completed under the new framework, it contains some reporting gaps due to:
- the new reporting tool has identified that some KPIs set for the 2018/2028 LTP do not have specific targets set which has caused some issues in the report, and impacts the ability of the KPI to be measured.
 - an absence of threshold setting for when a measure is amber (i.e. requiring monitoring, but not immediate action) and this has resulted in reduced trend information. The absence of an 'amber' status has been noted by staff and will be discussed with activity managers prior to the next interim performance report.
 - an exception-based only report was not produced this time due to some limitations with the reporting tool. This is being discussed with the administrators based in Australia and will be available for the next interim performance report period. This delay in reporting as we intend in the future provides an opportunity for the committee to review all KPIs before moving to a reduced form of reporting.
 - where there is an 'N/A' present in the comments section, this does not denote that the comment is not appropriate or available, however signifies that no comment has been inputted.

Factors to Consider

Legal and Statutory Requirements

- 13 There are no legal or statutory requirement for this report, however the year end (period 3) report will have information included in the non-financial performance measures in the annual report.

Community Views

- 14 Community views were sought as part of the 2018-2028 Long Term Plan (LTP) consultation process.

Costs and Funding

- 15 Council already uses an online software strategic reporting system known as CAMMS, therefore there is no additional cost for producing this report information.

Policy Implications

- 16 There are no policy implications for this report.

Analysis

Options Considered

Option 1 – receive the interim performance report.

Option 2 – do not receive the interim performance report.

Analysis of Options

Option 1 – receive the interim performance report

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">the committee has a clear understanding of the status of performance measuresthe committee and staff can identify any issues as early as possible and take corrective actions as required.	<ul style="list-style-type: none">no known disadvantages

Option 2 – do not receive the interim performance report

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">no known advantages	<ul style="list-style-type: none">non-financial performance information (service level performance to KPIs) is not monitored and assessed as per the terms of reference of the committee.quality and completeness of internal reporting data is not reviewed as per the terms of reference of the committeepotential risks to Council are not identified and remedied as early as possible

Assessment of Significance

- 17 This report is not considered significant under the Council's Significance and Engagement Policy.

Recommended Option

- 18 Staff recommend that Council receives the interim performance report.

Next Steps

- 19 Any red status performance measures will be monitored and addressed as appropriate by their relevant activity manager whose responsibility will be to ensure that all corrective actions are implemented. The next interim performance report will be presented in March 2019.
- 20 The project team are working with the CAMMS team to implement the changes in the report formatting for the next interim report.

Attachments

- A Interim performance report - 1 July to 31 October 2018 [↓](#)



Interim performance report – 1 July to 31 October 2018

Southland DC

camms**strategy**

Print Date: 06-Dec-2018

Applied Filters

Date Select: From 01 Jul 2018 To 31 Oct 2018









SCORECARD: Community and Futures Group















FROM 01-JUL-2018 TO 31-OCT-2018

Comments : Interim Performance Report period 1 for July - October 2018 inclusive provides 'a snapshot in time' record of the status of KPIs for the period.

It is to be noted there is still some refinement about source of data for measurement of some of these indicators - specifically with regards regional GDP and unemployment rate.

It should also be noted the bulk of the measures off track are still to be measured or are to be measured annually - but are in hand to meet the target set. This work is planned for community conversations, engagement activities and community leadership plans in the latter part of the next reporting period and early part of the final reporting period. Some of these require the completion of surveys with the results to be completed.

Linked Items	Unit	Trend	Period Performance			YTD Performance		
			Target	Actual	Indicator	Target	Actual	Indicator
19.1 - Number of community conversations held	#	↔	10.00	0.00	 RED	10.00	0.00	 RED
Comments : The community conversations are planned to be held in March 2019. Commercial conversations will be held in February 2019.								
19.2 - Number of community leadership plan processes held/completed	#	N/A	3.00	0.00	 RED	3.00	0.00	 RED
Comments : This project is to be linked with work that is being undertaken by the Strategy & Policy team around the development of new strategies. Staff from the CPL and Strategy & Policy teams are working together on this process and hope to organise a meeting with external stakeholders pre-Christmas.								
20.1 - Percentage of funds distributed through contestable community grants and funding schemes that comply with grant criteria (percentage)	%	↔	100.00	100.00	 GREEN	100.00	100.00	 GREEN
Comments : N/A								
21.1 - Southland regional unemployment rate (percentage)	%	N/A	0.00	4.35	 RED	0.00	4.35	 RED
Comments : The statistics relate to the July-September quarter. It is higher than the annual average of 3.5%, however, this quarter is typically influenced by seasonal workers not seeking other employment during this period.								

21.2 - Southland regional GDP (dollar)	\$	↔	0.00	0.00	 GREEN	0.00	0.00	 GREEN
Comments : The GDP figure is calculated annually as at the end of the financial year. Therefore, there is no figure to report at this time.								
25.1.a - Percentage of residents that have confidence in Council decision-making	%	↔	85.00	0.00	 RED	85.00	0.00	 RED
Comments : Annual Survey - This will be reported later when data received								
25.1.b - Percentage of residents that feel Council decision-making represents local and district needs	%	↔	75.00	0.00	 RED	75.00	0.00	 RED
Comments : This is an annual survey that will be carried out later.								
25.2 - Proportion of main items held in open meetings	%	↔	85.00	84.00	 RED	85.00	84.00	 RED
Comments : This is a zero variance but is tracking close to the target								
27.1 - Level of public attendance at engagement activities/opportunities	#	↔	200.00	0.00	 RED	200.00	0.00	 RED
Comments : We have not held engagement activities in the community - the first of these are planned for early next year.								
27.2 - Percentage of residents who are satisfied with Council communications (percentage)	%	↔	50.00	0.00	 RED	50.00	0.00	 RED
Comments : This will be measured by the resident's survey.								
31.1 - Number of Milford Community Trust meetings held annually	#	↔	0.00	0.00	 GREEN	0.00	0.00	 GREEN

Comments : The meetings are generally held quarterly. The first meeting was held 28 September 2018.											
31.2 - Number of public forums held in Milford each year			#		↔	0.00	0.00	<div><div></div><div></div><div></div></div> <div>GREEN</div>	0.00	0.00	<div><div></div><div></div><div></div></div> <div>GREEN</div>
Comments : The Milford meeting is scheduled to be held on December 7 2018.											
Overall Performance						0.00		<div><div></div><div></div><div></div></div> <div>GREEN</div>	0.00	0.00	<div><div></div><div></div><div></div></div> <div>GREEN</div>







SCORECARD: Customer Delivery Group















FROM 01-JUL-2018 TO 31-OCT-2018



Comments : This LTP we changed from previous KPI's to focus on strategic outcomes. Because of this, we seek to create a benchmark for the KPI in the first year of the LTP for 3.3, 24.1 and 24.3.

There have been good performances in 3.1 and 3.2 and we already have a positive net promoter score for 3.3 and 24.3.

For 28.1 a, b and c, this user survey is completed annually in February so we expect the results to be delivered in March 2019.

Linked Items	Unit	Trend	Period Performance			YTD Performance		
			Target	Actual	Indicator	Target	Actual	Indicator
3.1 - Percentage of requests for service resolved within service levels	%	↑	80.00	88.93	 GREEN	80.00	88.93	 GREEN
Comments : Everything on track and within target levels.								
3.2 - Percentage of abandoned calls	%	↑	2.50	0.11	 GREEN	2.50	0.11	 GREEN
Comments : Everything on track and within target levels.								
3.3 - Request for service net promoter score (number)	#	N/A	0.00	44.00	 GREEN	0.00	44.00	 GREEN
Comments : July 2018 results have been completed internally by staff. August 2018 to present day these are now completed externally by Public Voice.								









24.1 - Active library membership per capita (number)	#	↔	0.00	18.01	 RED	0.00	18.01	 RED
Comments : Bench marking in 18/19 for rest of LTP								
24.2 - Cost of service per person (dollar)	\$	↓	55.00	6.10	 GREEN	55.00	6.10	 GREEN
Comments : Bench marking in 18/19 for rest of LTP								
24.3 - Library programme Net Promoter Score	#	N/A	0.00	100.00	 GREEN	0.00	100.00	 GREEN
Comments : Bench marking in 18/19 for rest of LTP								
28.1.a - User satisfaction with information management usability (percentage)	%	↔	63.00	0.00	 RED	63.00	0.00	 RED
Comments : Survey to be completed in February 2019								
28.1.a - User satisfaction with information management usability (percentage)	%	↔	63.00	0.00	 RED	63.00	0.00	 RED
Comments : Survey to be completed in February 2019								
28.1.a - User satisfaction with information management usability (percentage)	%	↔	63.00	0.00	 RED	63.00	0.00	 RED
Comments : Survey to be completed in February 2019								
28.1.b - User satisfaction with information management features (percentage)	%	↔	67.00	0.00	 RED	67.00	0.00	 RED
Comments : Survey to be completed in February 2019								












28.1.c - User satisfaction with information management data quality (percentage)	%	↔	70.00	0.00	 RED	70.00	0.00	 RED
Comments : Survey to be completed in February 2019								
Overall Performance			0.00		 GREEN	0.00	0.00	 GREEN













SCORECARD: Environmental Services Group

FROM 01-JUL-2018 TO 31-OCT-2018

Comments : Ensuring that processing times are met for applications such as building consents , LIMs , resource consents and alcohol licenses is an ongoing challenge . Work is being undertaken to seek to improve the quality of applications received across the Group and hence seek to reduce requests for further information. Statutory processing times are generally being met or bettered, but these are generally running close to time; and some staff changes within the Group have had an impact on that in terms of knowledge and work speed. A key focus of the Group for the next few months is the upcoming IANZ audit of the Building Solutions Group in March 2019, with considerable preparation time being spent on that .

Linked Items	Unit	Trend	Period Performance			YTD Performance		
			Target	Actual	Indicator	Target	Actual	Indicator
9.1 - Median time to process non-notified consent applications (days)	Days	↓	18.00	20.00	 RED	18.00	20.00	 RED
Comments : A staff vacancy has contributed to the kpi month.								
9.2 - Median charge per non-notified resource consent application (dollar)	\$	↑	1,000.00	698.00	 GREEN	1,000.00	698.00	 GREEN
Comments : The fluctuations month to month is due to the cost variance for individual consents processed.								
10.1 - Report two-yearly on District Plan effectiveness	#	↔	1.00	0.00	 RED	1.00	0.00	 RED
Comments : A report will be completed prior to the end of 18/19 financial year.								
11.1 - Number of serious injuries to the public from dog attacks	#	↔	0.00	0.00	 GREEN	0.00	0.00	 GREEN
Comments : Council has not been notified of any dog attacks causing serious injuries to a member of the public.								











11.2 - Percentage of non-working dogs subject to the responsible owner category	%	↑	85.00	88.77	 GREEN	85.00	88.77	 GREEN
Comments : The % of non-working dogs that are subject to the responsible owner category exceeds the performance measure.								
11.3 - Percentage of people contacting Council about dog/animal control satisfied with the response to their request	%	↔	90.00	0.00	 RED	90.00	0.00	 RED
Comments : Survey not completed due to administration resourcing shortages. This measure has not been prioritized as it is an internal KPI.								
12.1 - Number of incidents of foodborne illness believed to be caused by food sold at a Council-certified business	#	↔	0.00	0.00	 GREEN	0.00	0.00	 GREEN
Comments : There have been no incidents of foodborne illness believed to be caused by food sold at a Council verified business.								
12.2 - Number of alcohol licensees that fail a controlled purchase operation.	%	↔	10.00	0.00	 GREEN	10.00	0.00	 GREEN
Comments : The Police have not conducted any CPOs in the District this month.								
13.1.a - Average time to process applications for building consents	Days	↑	18.00	14.52	 GREEN	18.00	14.52	 GREEN
Comments : This has been achieved by the use of external contractors. There is no real impact to our customers however it has had an effect on the financial performance of the business unit.								
13.1.b - Average time to process applications for LIM	Days	↓	9.00	6.47	 GREEN	9.00	6.47	 GREEN
Comments : LIMs continue to be processed in an efficient manner. while it has been part of the functions offered by the building department this has been completed by the Customer Support Partners for the reporting period.								









13.1.c - Average time to process applications for PIM	Days	↔	9.00	17.00	 RED	9.00	17.00	 RED
Comments : PIMs continue to be processed within the statutory time frames. Processes will be put in place to meet the KPI requirements.								
13.2 - Maintain accreditation as a Building Consent Authority	#	↔	1.00	0.00	 RED	1.00	0.00	 RED
Comments : The department have concluded an audit with the quality assurance officer from Dunedin City Council. the Auditor has identified some items that will require additional effort however over all we appear to be on track.								
13.3 - Number of building consents where code of compliance certificates (CCCs) are yet to be issued	#	↑	4,572.00	4,361.00	 GREEN	4,572.00	4,361.00	 GREEN
Comments : The number of consents that are live continue to reduce. The historical consents are difficult to work through a large number of properties have changed hands from the time the consents were issued and severe shortage of information held by the current owner of the property.								
26.1 - Number of Southland communities covered by a Community Response Plan (number)	#	↔	0.00	0.00	 GREEN	0.00	0.00	 GREEN
Comments : This measure is created via an annual survey undertaken by Emergency Management Southland , timing for this financial year is May 2019								
26.2 - Percentage of surveyed households that have an emergency plan (written or verbal) (percentage)	%	↔	57.00	0.00	 RED	57.00	0.00	 RED
Comments : This measure is created via an annual survey undertaken by Emergency Management Southland. The timing for this financial year is May 2019.								
Overall Performance			0.00		 GREEN	0.00	0.00	 GREEN

SCORECARD: Financial Services Group

FROM 01-JUL-2018 TO 31-OCT-2018

Comments : N/A



Linked Items	Unit	Trend	Period Performance			YTD Performance		
			Target	Actual	Indicator	Target	Actual	Indicator
30.1.a - Rates income complies with the limits set in the financial strategy - rates increase over previous year (percentage)	%	↔	4.00	3.67	 GREEN	4.00	3.67	 GREEN
Comments : As Published is the 2018-2028 LTP								
30.1.b - Rates income complies with the limits set in the financial strategy - rates as a proportion of total revenue (percentage)	%	↔	70.00	80.00	 RED	70.00	80.00	 RED
Comments : Rates share of revenue higher than benchmark due to low levels of NZTA funding for the year to date								
30.2 - Debt complies with the limits set in the council's financial strategy - external debt as a proportion of total revenue (percentage)	%	↔	100.00	0.00	 GREEN	100.00	0.00	 GREEN
Comments : Council has no external debt as at 30/09/2018								
30.3 - Revenue (excluding income from development and financial contributions, revaluations and vested assets) exceeds operating expenditure (sustainability benchmark/balanced budget benchmark) (dollar)	%	↔	100.00	103.09	 GREEN	100.00	103.09	 GREEN
Comments : Council is not expecting to meet this benchmark for 18/19 through to 22/23. The forecast benchmark for 18/19 year as published in the LTP is 93.9%								
30.4 - Capital expenditure on the five network infrastructure services exceeds depreciation on those five services	%	↔	0.00	76.24	 GREEN	0.00	76.24	 GREEN
Comments : Council expects this to be less than 100% on the basis that we are currently not fully funding depreciation								

















30.5 - Borrowing costs are less than 10% of operating revenue (sustainability benchmark/debt servicing benchmark) (percentage)	%	↔	10.00	0.00	 RED	10.00	0.00	 RED
Comments : Council currently has no external debt								
30.6 - Net cash flow from operations equals or exceeds budget (predictability benchmark/operations control benchmark), (dollar)	\$	↔	21,140,000.00	(12,799,951.00)	 RED	21,140,000.00	(12,799,951.00)	 RED
Comments : This is an annual measure. Currently on track.								
30.7 - Net debt is less than or equal to forecast net debt in the local authority's long term plan (predictability benchmark/debt control benchmark)	\$	↔	0.00	0.00	 GREEN	0.00	0.00	 GREEN
Comments : This is an annual measure. Currently on track.								
Overall Performance			0.00		 GREEN	0.00	0.00	 GREEN





SCORECARD: People and Capability Group

FROM 01-JUL-2018 TO 31-OCT-2018

Comments : A number of these KPI's can only be calculated in December once all information is available. The Health and Safety KPI's are looking good as no work safe notifications and medical treatment injuries. The Budgeted FTE number is red as the KPI was calculated wrong. The FTE budgeted number should have been 153.

Linked Items	Unit	Trend	Period Performance			YTD Performance		
			Target	Actual	Indicator	Target	Actual	Indicator
29.1 - Budgeted FTE	#	↔	134.00	153.74	 RED	134.00	153.74	 RED
Comments : Please note that this target was set as part of the LTP process has been calculated wrong. The FTE target should be 153.00								







29.2 - Labour turnover (percentage)	%	N/A	2.00	1.91	 GREEN	2.00	1.91	 GREEN
Comments : Data will not be available until first week of January								
29.3.a - Percentage of staff with annual leave >25 days	%	N/A	20.00	21.02	 GREEN	20.00	21.02	 GREEN
Comments : Data will not be available until first week of January								
29.3.b - Percentage of staff with annual leave >40 days	%	N/A	10.00	8.92	 GREEN	10.00	8.92	 GREEN
Comments : Data will not be available until first week of January								
29.4.a - Number of worksafe notifications (number)	#	↔	0.00	0.00	 GREEN	0.00	0.00	 GREEN
Comments : N/A								
29.4.b - Number of medical treatment injuries (number)	#	↓	0.00	1.00	 RED	0.00	1.00	 RED
Comments : N/A								
29.4.c - Health and safety incidents (number)	#	↔	0.00	7.00	 RED	0.00	7.00	 RED
Comments : This data will be available 1 December								
29.4.d - lost time due to injury (number)	#	↔	0.00	0.00	 GREEN	0.00	0.00	 GREEN
Comments : This data will be available 1 December								
29.4.e - Health and safety near misses (number)	#	↓	3.30	1.00	 RED	3.30	1.00	 RED











Comments : This data will be available 1 December								
29.4.f - Number of health and safety investigations completed (percentage)	%	↔	100.00	100.00	 GREEN	100.00	100.00	 GREEN
Comments : This data will be available 1 December								
Overall Performance			0.00		 GREEN	0.00	0.00	 GREEN















SCORECARD: Services and Assets Group















FROM 01-JUL-2018 TO 31-OCT-2018









Comments : KPI performance is tracking well. In majority where targets have not been met this has been due to timing of data availability.

Linked Items	Unit	Trend	Period Performance			YTD Performance		
			Target	Actual	Indicator	Target	Actual	Indicator
1.1 - Number of dry weather overflows per 1000 wastewater connections (number)	#	↔	0.00	0.00	 GREEN	0.00	0.00	 GREEN
Comments : No dry weather overflows p/1000 connections in November								
1.2.a - Median response times for sewage overflows resulting from blockages or other faults with the sewerage system between the time of notification and the time when service personnel reach the site	Hours	↔	1.00	0.00	 GREEN	1.00	0.00	 GREEN
Comments : No sewerage overflows in November								
1.2.b - Median resolution times for sewage overflows resulting from blockages or other faults with the sewerage system between the time of notification and resolution of the blockage or other fault	Hours	↔	6.00	0.00	 GREEN	6.00	0.00	 GREEN















Comments : No overflow in November								
1.3 - Total number of sewerage system complaints about; odour, faults, blockages, and the way Council responds to any of these issues (number)	#	↓	8.00	2.18	 GREEN	8.00	2.18	 GREEN
Comments : N/A								
2.1.a - Compliance with resource consents for wastewater discharges measured by the total number of abatement notices issued received in relation to the resource consents	#	↔	0.00	0.00	 GREEN	0.00	0.00	 GREEN
Comments : No Abatement Notices issued								
2.1.b - Compliance with resource consents for wastewater discharges measured by the total number of infringement notices issued received in relation to the resource consents	#	↔	0.00	0.00	 GREEN	0.00	0.00	 GREEN
Comments : No Infringements issued								
2.1.c - Compliance with resource consents for wastewater discharges measured by the total number of enforcement orders issued received in relation to the resource consents	#	↔	0.00	0.00	 GREEN	0.00	0.00	 GREEN
Comments : No enforcement orders Issued								
2.1.d - Compliance with resource consents for wastewater discharges measured by the total number of convictions received in relation to the resource consents	#	↔	0.00	0.00	 GREEN	0.00	0.00	 GREEN
Comments : No convictions								













2.2 - Annual cost per wastewater connection incl GST, (dollar)	\$	N/A			 GREEN			 GREEN
Comments : N/A								
2.3 - Percentage of effluent tests that comply with relevant resource consent conditions	%	↓	100.00	95.65	 RED	100.00	95.65	 RED
Comments : 96% Oban-DIN								
2.4 - Total number of overflow incidents	#	↔	6.00	0.00	 GREEN	6.00	0.00	 GREEN
Comments : No overflows Year to date								
4.1.a - Median time to attend urgent drinking water supply faults or unplanned interruptions call-outs (hours)	Hours	↑	1.00	0.17	 GREEN	1.00	0.17	 GREEN
Comments : N/A								
4.1.b - Median time to resolve urgent drinking water supply faults or unplanned interruptions call-outs (hours)	Hours	↑	6.00	2.12	 GREEN	6.00	2.12	 GREEN
Comments : N/A								
4.1.c - median time to attend non-urgent drinking water supply faults or unplanned interruptions call-out (hours)	Hours	↓	4.00	1.07	 GREEN	4.00	1.07	 GREEN
Comments : N/A								
4.1.d - Median time to resolve non-urgent drinking water supply faults or unplanned interruptions call-outs (hours)	Hours	↑	24.00	28.13	 RED	24.00	28.13	 RED















Comments : N/A								
4.2 - Total number of drinking water complaints regarding; clarity, taste, odour, pressure or flow, continuity of supply, and the way Council responds to any of these issues per 1000 connections	#	↔	10.00	0.00	 GREEN	10.00	0.00	 GREEN
Comments : N/A								
5.1.a - Percentage of compliance with drinking water standards for bacteria (percentage)	%	↔	100.00	100.00	 GREEN	100.00	100.00	 GREEN
Comments : Bacteria absent								
5.1.b - Percentage of compliance with drinking water standards - protozoal (percentage)	%	N/A			 GREEN			 GREEN
Comments : N/A								
16.1 - Average quality of ride on sealed local roads (percentage)	%	N/A			 GREEN			 GREEN
Comments : N/A								
6.2 - Average consumption of water per resident per day (litres)	L	N/A			 GREEN			 GREEN
Comments : N/A								
6.3 - Annual cost per water connection incl GST (dollar)	\$	N/A			 GREEN			 GREEN
Comments : N/A								
7.1.a - Overflows resulting from the stormwater system that result in flooding of a habitable floor, total number per year (number)	#	↔	5.00	0.00	 GREEN	5.00	0.00	 GREEN
Comments : No flooding of Habitable Floor calls Year to date								

7.1.b - Overflows resulting from the stormwater system that result in flooding of a habitable floor - number per 1000 properties connected	#	N/A	1.00		N/A	1.00		N/A
Comments : No flooding of Habitable Floor calls Year to date								
7.2 - Median response time between the time of notification and the time when service personnel reach the site when habitable floors are affected by flooding resulting from faults in the stormwater system.	Hours	↔	2.00	0.00		2.00	0.00	
Comments : N/A								
7.3.a - Complaints about the stormwater system, number per 1000 properties connected.	#	N/A	60.00		N/A	60.00		N/A
Comments : N/A								
7.3.b - Complaints about the stormwater system, total number	#	↑	15.00	13.00		15.00	13.00	
Comments : N/A								
8.1.a - Compliance with resource consents for stormwater discharges, measured by the total number of stormwater abatement notices issued (number)	#	↔	0.00	0.00		0.00	0.00	
Comments : No Abatement Notices Issued								
8.1.b - Compliance with resource consents for stormwater discharges, measured by the total number of infringement notices issued (number)	#	↔	0.00	0.00		0.00	0.00	

Comments : No Infringements Issued								
8.1.c - Compliance with resource consents for stormwater discharges, measured by the total number of enforcement orders issued (number)	#	↔	0.00	0.00	<div><div></div><div></div><div></div></div> GREEN	0.00	0.00	<div><div></div><div></div><div></div></div> GREEN
Comments : No Enforcement Orders Issued								
8.1.d - Compliance with resource consents for stormwater discharges, measured by the total number of convictions (number)	#	↔	0.00	0.00	<div><div></div><div></div><div></div></div> GREEN	0.00	0.00	<div><div></div><div></div><div></div></div> GREEN
Comments : No convictions								
8.2 - Average annual cost per property connected to stormwater network incl GST (dollar)	\$	N/A			<div><div></div><div></div><div></div></div> GREEN			<div><div></div><div></div><div></div></div> GREEN
Comments : N/A								
8.3 - Stormwater - Percentage of monitoring results that show compliance with resource consent conditions	%	↔	100.00	100.00	<div><div></div><div></div><div></div></div> GREEN	100.00	100.00	<div><div></div><div></div><div></div></div> GREEN
Comments : Not Operative								
14.1.a - Percentage resident satisfaction with the services provided wheelie bins (rubbish and recycling)	%	↔	90.00	0.00	<div><div></div><div></div><div></div></div> RED	90.00	0.00	<div><div></div><div></div><div></div></div> RED
Comments : This is measured annually through Resident Satisfaction Survey - On Track								
14.1.b - Percentage resident satisfaction with the services provided (transfer station locations)	%	↔	80.00	0.00	<div><div></div><div></div><div></div></div> RED	80.00	0.00	<div><div></div><div></div><div></div></div> RED
Comments : This is measured annual through Resident Satisfaction Survey - On Track								

14.1.c - Percentage resident satisfaction with the services provided - transfer station hours	%	↔	80.00	0.00	 RED	80.00	0.00	 RED
Comments : This is measured annual through Resident Satisfaction Survey - On Track								
14.1.d - Percentage resident satisfaction with the services provided - recycle locations	%	↔	80.00	0.00	 RED	80.00	0.00	 RED
Comments : This is measured annual through Resident Satisfaction Survey - On Track								
15.1.a - Amount of waste diverted from landfill as a percentage of total waste	%	↓	40.00	32.08	 RED	40.00	32.08	 RED
Comments : Estimated as tonnage November not received till December								
15.1.b - Amount of waste, maximum per property disposed of to landfill (kg)	#	↑	650.00	336.45	 RED	650.00	336.45	 RED
Comments : Estimated as tonnage no data received for November till December								
16.2 - Percentage of sealed local road network that is resurfaced (percentage)	%	N/A			 GREEN			 GREEN
Comments : N/A								
16.3 - Percentage of customer service requests responded to within required time frames	%	↓	90.00	79.69	 RED	90.00	79.69	 RED
Comments : N/A								
16.4 - Percentage of gravel road tests where road roughness meets acceptable standards	%	N/A			 GREEN			 GREEN
Comments : N/A								

17.1 - Annual change in the number of fatalities and serious injury crashes	#	N/A			 GREEN			 GREEN
Comments : N/A								
18.1 - Percentage of footpaths in reasonable or better condition	%	N/A			 GREEN			 GREEN
Comments : N/A								
22.1.a - Percentage of community centres that meet desired standards	#	N/A	100.00		N/A	100.00		N/A
Comments : N/A								
22.1.b - Percentage of facilities that meet desired standards - wharves and jetties	%	↔	100.00	100.00	 GREEN	100.00	100.00	 GREEN
Comments : N/A								
22.2 - Community housing occupancy rate	%	↔	90.00	62.32	 RED	90.00	62.32	 RED
Comments : N/A								
22.3 - Community housing net cost (rates)	\$	N/A	0.00	0.00	 GREEN	0.00	0.00	 GREEN
Comments : There was no funding required from rates for this activity for the period July 2018 to October 2018.								
22.4 - Cemetery interment net cost (rates)	\$	N/A	0.00		 GREEN	0.00		 GREEN
Comments : Income exceeded costs year to date by \$6K								
22.5 - Percentage of burial plots prepared by the time requested (percentage)	%	N/A	100.00		N/A	100.00		N/A
Comments : While this number for plot preparation is less than the warrants requested for the last four months, this was not physically an issue, rather it relates to the process forms not being filled out correctly. This is being rectified with the relevant staff who process the warrants.								

22.6 - Number of unplanned interruptions to Stewart Island electricity supply (number)	#	↑	6.00	0.00	 GREEN	6.00	0.00	 GREEN
Comments : No outages								
23.1.a - Percentage of parks and reserves that meet desired standards (percentage)	%	↔	95.00	100.00	 GREEN	95.00	100.00	 GREEN
Comments : All parks and reserves are only inspected once throughout the 4 month period. Comments from the Community Engineers indicate that all parks and reserves meet expectations.								
23.1.b - Percentage of playgrounds that meet desired standards (percentage)	%	↔	95.00	100.00	 GREEN	95.00	100.00	 GREEN
Comments : All playgrounds are only inspected once throughout the 4 month period. Comments from the Community Engineers indicate that all playgrounds meet expectations.								
23.1.c - Percentage of sportsfields that meet desired standards (percentage)	%	↔	95.00	100.00	 GREEN	95.00	100.00	 GREEN
Comments : All sports fields are only inspected once throughout the 4 month period. Comments from the Community Engineers indicate that sports fields meet expectations.								
23.1.d - Percentage of public toilets that meet desired standards	%	↔	95.00	100.00	 GREEN	95.00	100.00	 GREEN
Comments : All toilets are only inspected once throughout the 4 month period. Comments from the Community Engineers indicate that all toilets meet expectations.								
23.2.a - Complete Open Space Strategy implementation plan within budget for open spaces projects (number)	#	N/A			 GREEN			 GREEN
Comments : N/A								
23.2.b - Complete Open Space Strategy implementation plan within budget for public toilet projects	#	N/A			 GREEN			 GREEN

Comments : N/A					
23.3 - Number of complaints about public toilets	#	↓	0.00	1.00	RED
Comments : There were two complaints over the period, both related to the cleanliness.					
23.4 - Cost of parks and reserves per hectare (dollar)	\$	↑	412.00	75.53	RED
Comments : The cost per hectare varies each month but the accumulated value is trending up towards the target value.					
6.1 - Percentage of water lost from the reticulation network (percentage)	%	N/A	25.00		N/A
Comments : This measure will not be available until end of July 2019, after water produced for all schemes is available					
Overall Performance			0.00		GREEN
				0.00	0.00
					GREEN



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Health and Safety Update

Record No: R/18/11/27114
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 activity over the last quarter.

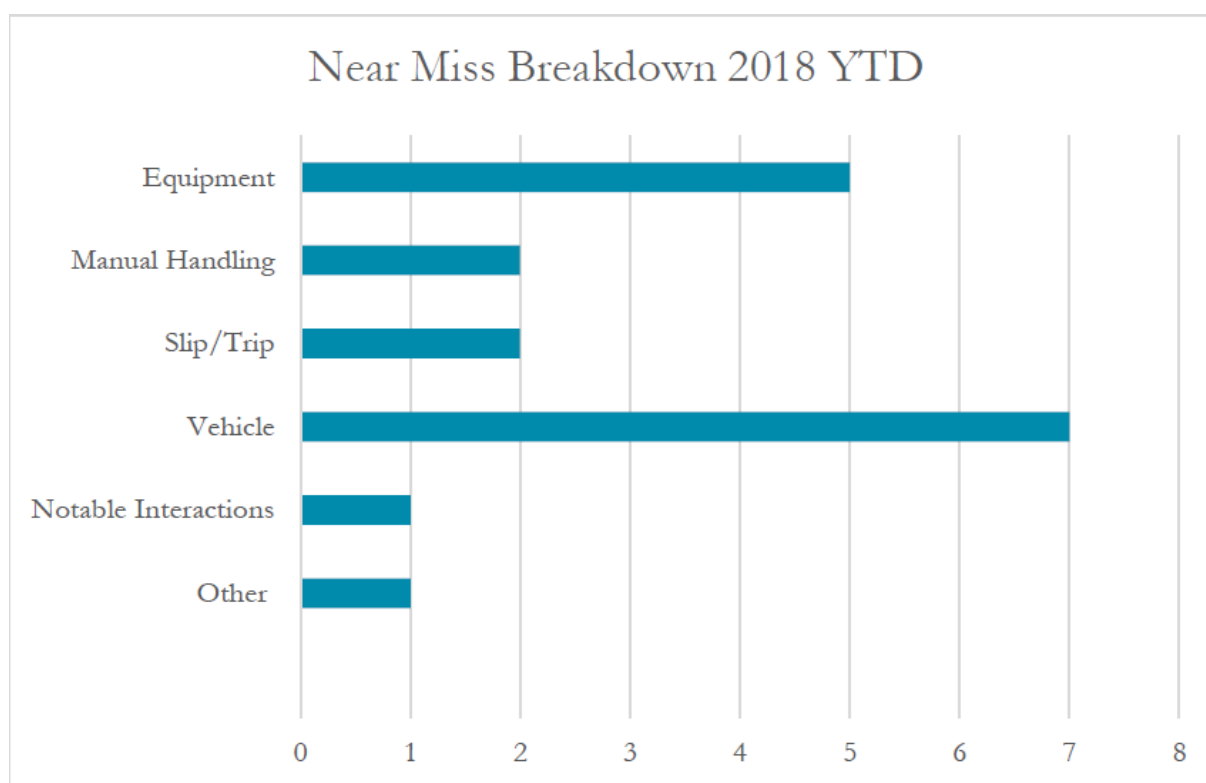
Content

Incidents/Near Misses – Southland District Council

- 2 As part of the Health and Safety Plan for 2018/2019 we are 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 against 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 2018 to 31 October 2018.
- 6 The notable Medical Treatment Incident (MTI) that occurred in October 2018 was a hammer to the mouth that required dental work. There was no lost time. An investigation was undertaken and corrective actions included recommended change of technique and advice on tool selection.
- 7 In addition please find below a summary of the near miss breakdown for the 2018 year to date, as requested in the previous Finance and Audit Committee meeting. There was a range of near misses with near misses involving vehicles the highest recorded. A contributing factor to this is the traffic management on Forth Street with the change from a two way to one way system with the development work being undertaken.
- 8 We have been working closely with Invercargill City Council and Calder Stewart and improvements to the traffic management is ongoing. It is great to be able to work together with other agencies to improve road safety.

Summary of Indicators – 1 January 2018 to 31 October 2018

Date	Total Reported Incidents	EDI - Early Discomfort Incident	NMI - Near Miss Incident	MNI - Minor No Treatment Incident	FAI - First Aid Incident	MTI - Medical Treatment Injury	LTI - Lost Time Incident	PDI - Property Damage Incident	HAZ - Hazard Report	Other (ie Medical Event/NWR)	Number of incidents investigated	Number of Corrective Actions set	Number of Corrective Actions achieved	LTI Free Days	Days Lost Time	ACC Claims	Contractors Audited	Contractors Requiring Follow up
Jan-18	7	1	3	1	1	1	0	0	0	0	0	7	6		0	1	0	0
Feb-18	2	1	0	1	0	0	0	0	0	0	0	1	1		0	0	0	0
Mar-18	8	0	4	1	0	0	1	0	1	1	2	5	5	8	16	1	0	0
Apr-18	3	0	0	0	2	0	0	0	1	0	0	3	2	38	0	0	0	0
May-18	10	1	3	1	2	0	0	1	2	0	3	5	5	69	0	0	0	0
Jun-18	1	0	0	0	0	0	0	0	1	0	1	1	1	99	0	0	0	0
Jul-18	4	0	1	0	0	0	0	0	2	1	1	3	3	130	0	0	2	0
Aug-18	8	0	3	1	0	1	0	1	1	1	4	7	5	161	0	1	2	0
Sep-18	7	0	3	2	0	0	0	2	0	0	7	9	8	191	0	0	0	0
Oct-18	7	1	1	0	1	1	0	0	3	0	7	7	6	222	0	1	3	0
Nov-18	0																	
Dec-18	0																	
Total	57	4	18	7	6	3	1	4	11	3	25	48	42		16	4	7	0



Other Health and Safety Related initiatives

- 9 In August 2018 Council approved the Health and Safety plan for 2018/19. Attached is the update to the Health and Safety Plan as of 27 November 2018.
- 10 As part of ensuring we met the Health and Safety Plan an operational health and safety implementation plan has been drafted. The plan is a working document and has been created to ensure that there is continued focus on improving health and safety within the organisation. This is attached for information.
- 11 Two health and safety contractor audits were completed in October 2018. The audits included PowerNet in particular SIESA and Te Anau Airport. IFS Forestry is scheduled for early December 2018. The preliminary findings of these audits are very positive with only minor corrective actions suggested.
- 12 Safety assessment and audit follow ups are also underway, for example the Rakiura Resource Recovery Centre. There are also a number of safety observations being completed on our contractors doing work on our community facilities including Winton community housing. Corrective actions identified in these are recorded in a master worksheet to ensure follow up is completed and progress documented.
- 13 The pre-approval contract process has been reviewed and updated and will be rolled out in February 2019 when the majority of our contractors are due for a renewal. Currently we have approximately 200 contractors. The health and safety contractor subcommittee has been working closely with the health, safety and wellbeing advisor to improve the processes around pre-qualification and contractor management.
- 14 Health and safety training continues with staff completing the Health and Safety e-learning modules based on the health and safety procedures.

- 15 The Health and Safety Committee met in mid-November 2018 and provided feedback and support for the health and safety training. It is envisioned that the Health and Safety Representatives (HSR's) will have their role redefined next year with a greater focus on communication and education around safety differently.
- 16 In December 2018, we are lucky enough again to have Dr Tom Mulholland do some work for us. Dr Tom will be doing some speaking with staff on anxiety, depression and healthy thinking. In the Invercargill sessions staff, family and friends have been invited. In the sessions in both Te Anau and Winton the community is also invited.
- 17 Ongoing progress has been made on the Health and Safety Control plans with key priorities identified. The key priorities include GPS monitoring for vehicles, education and defensive driver training, a fatigue management policy, health and safety procurement requirements for contractors, a framework developed for audits and on-site observations, training for people working alone and a review of our processes for dealing with angry customers.
- 18 There have been a number of solutions sourced for our working alone staff. We are working through these now with budgets and final solutions being presented to the Executive Leadership team early next year.
- 19 Significant progress has been made on identifying an appropriate health and safety system. This is being completed in conjunction with the Human Resources Information System and payroll. A proposal is to be presented to the Finance and Audit committee next year with suggested solutions and costs.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled "Health and Safety Update" dated 6 December 2018.**

Attachments

- A Update on Health and Safety Plan 27 November 2018 [↗](#)
- B HS Implementation Plan 2018-2019 [↗](#)



Update on Health and Safety Action Plan

27 November 2018

In July 2018, Council agreed to the Health and Safety Plan 2018/19. Below is an update as of 27 November 2018.

KEY FOCUS AREAS FOR H&S	STEPS TO COMPLETE	SPONSOR	COMPLETE BY	UPDATE
Complete implementation of H&S Training Development of key procedures and current process was a key focus for 2017/18. The development of H&S e-learning modules and ensuring people are trained in what they are doing is a key focus for 2018/19.	Continue to develop education on our key H&S processes and ensure our people are trained in what we are doing.	RC	Dec 2018	Ongoing
	All staff trained in the e-learning modules		Dec 2018	E-learning modules still being released. Training will be completed by June 2019
CRITICAL RISK 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.	Finalisation of the critical risk control plans (bowties) and approval from ELT sponsor.	MR	Aug 2018	Complete
	Assess the effectiveness of the controls for the each of the control plans and create corrective actions for any deemed not effective.		June 2018 – June 2019	Ongoing work – will continue in 2018/2019
	Monitor closing out of corrective actions in Monthly reporting.		Dec 2019	Ongoing work – will continue in 2018/2019
Implementation of a H&S system Implement a web based Health and Safety system in line with budget and industry practice	Project approved by Council	DC	June 2018	Delayed – forms part of Request for Proposal for HRIS, payroll and H&S system
	Request for Proposal is finalised and Distributed/Vendor system selected		Dec 2018	Request for Proposal is finalised and has been distributed. Vendor not selected yet

Update on Health and Safety Plan
27/11/2018

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Te Rohe Pōtae o Murihiku

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KEY FOCUS AREAS FOR H&S	STEPS TO COMPLETE	SPONSOR	COMPLETE BY	UPDATE
	Implementation of new H&S System		By June 2019	On track
Wellbeing Continue to create a proactive and structured approach to dealing with staff wellbeing.	Continue the work with becoming a Healthy Thinking Organisation	JE	Ongoing	Ongoing – Healthy Thinking training undertaken. Additional sessions being run in December 2018
Contractor Pre-approval Review how we manage the pre-approval process for Contractors and implement systems to improve this.	Review how we manage the pre-approval process and recommend changes	MR	Dec 2018	Complete
	Implement changes to the contractor pre-approval process based on recommendations		June 2019	Ongoing and on track
Gap Analysis Undertake an external gap analysis to assess our improvements and detail any areas for improvement.	Undertake an external gap analysis	SR	Feb 2019	Not started yet planning has started
	Implement improvement opportunities in the gap analysis		From Feb 2019	Ongoing

HS Implementation Plan 2018_19

Month	Item	Tasks	HS Plan Reference	Target Date	Comments	Status
August/September	Stress/Mental Health Bow tie/Gap analysis	Complete bow tie draft	Wellbeing	30/09/2018		Complete
	Contractor Injury	Develop templates for contractors (those that need support/ancillary) to support them with SDC's H&S requirements, for example SSSP/JSA/SOP etc	Critical Risk	30/09/2018		Complete
	Contractor Injury	Specify details of Audit/Observation differences and set guidelines for contractor KPI's in regards to audit/assessment and re-approval	Critical Risk	30/09/2018		Complete
	Contractor Injury	Set process for audit/observation information to be recorded and reported on	Critical Risk	30/09/2018		Complete
	Corrective actions	Spreadsheet created to record Corrective Actions	Critical Risk	30/09/2018		Complete
October	Working alone	Review Man down/Working alone systems	Critical Risk	31/10/2018	working in with security review and telephone system upgrade	Complete
		Review do not visit alone register and implement process for adding to register				Complete
		Review animal control processes and training in regards to dealing with animals				In Progress
	Contractor Injury	Finalise templates developed in August for Contractors (to be added to handbook)	Critical Risk	31/10/2018		Complete
	Contractor Management	Begin Contractor approval process review	Contractor Pre-Approval	1/10/2018		Complete
	Emergency Evac Drill Due	Administrative	Administrative	31/10/2018		Complete
	Drug and Alcohol Policy Dev	Complete first draft	Wellbeing	31/10/2018		In Progress
	Stress/Mental Health Bow tie	Finalise bow tie draft	Wellbeing	31/10/2018		In Progress
November	Drug and Alcohol Policy Development	Develop action plan	Wellbeing	30/11/2018		Not Started
	Fatigue Policy Development	Complete first draft	Critical Risk	30/11/2018		Not Started
	Contractor Management	Continue Contractor approval process review	Contractor Pre-Approval	30/11/2018		Not Started
	Vehicle Accident	Begin draft of GPS monitoring guidelines	Critical Risk	21/12/2018		Not Started
	Contractor Management	Develop a post- contract review template	Contractor Pre-Approval	30/11/2018		Not Started
December	Stress/Mental Health Bow tie/Gap analysis	Action plan created and priorities set	Wellbeing	21/12/2018		Not Started
	Contractor Management	Continue Contractor approval process review and finalise	Contractor Pre-Approval	21/12/2018		Not Started
	Gap Analysis	Appoint organisation to undergo the H&S Gap analysis	Gap Analysis	21/12/2018		Not Started
	H&S Training	Follow up to ensure all staff have completed initial modules as required, support as needed.	Implementation of H&S Training	21/12/2018		Not Started
	Fatigue Policy Development	Develop action plan	Critical Risk	21/12/2018		Not Started
January	Vehicle Accident	Continue draft of GPS monitoring guidelines	Critical Risk	31/01/2019		Not Started
	Contractor Management	Prep for review of Approved Contractors	Contractor Pre-Approval	31/01/2019		Not Started
	Contractor Injury	Review and update Contractor Pre-Qualification (Safe forms B & C)	Critical Risk	31/01/2019		Not Started
	Working Alone	Development of man down/working alone system draft	Critical Risk	31/01/2019		Not Started
	H&S Training	Complete end of year review on training	Implementation of H&S Training	31/01/2019		Not Started
February	H&S System	Implementation Phase	H&S System	28/02/2019		Not Started
	Working Alone	Development of man down/working alone system draft	Critical Risk	28/02/2019		Not Started
	Vehicle Accident	GPS monitoring Guidelines complete	Critical Risk	28/02/2018		Not Started
	Contractor Management	Send out re-approval letters and form for approved contractors	Contractor Pre-Approval	28/02/2019		Not Started
	Gap Analysis	H&S Gap analysis is completed	Gap Analysis	28/02/2019		Not Started
March	H&S System	Implementation Phase	H&S System	31/03/2019		Not Started
	Wellness day	Set date for wellness day	Wellbeing	31/03/2019		Not Started
		Set theme/items/plan for wellness day	Wellbeing	31/03/2019		Not Started
	Gap Analysis	Set corrective Actions	Gap Analysis	31/03/2018		Not Started
	Vehicle Accident	Update Driver Licence Record	Critical Risk	31/03/2019		In Progress

HS Implementation Plan 2018_19

Month	Item	Tasks	HS Plan Reference	Target Date	Comments	Status
April	H&S System	Implementation Phase	H&S System	30/04/2019		Not Started
	Working Alone	Implementation of a man down/working alone system	Critical Risk	30/04/2019		Not Started
	Contractor Management	Develop a post- contract review template	Contractor Pre-Approval	30/04/2019		Not Started
May	H&S System	Implementation Phase	H&S System	31/05/2019		Not Started
	Wellness Day	Execute wellness day	Wellbeing	31/05/2019		Not Started
June	Working Alone	Risk Priorities Completed	Critical Risk	30/06/2019		Not Started
	Vehicle Accident	Risk Priorities Completed	Critical Risk	30/06/2019		Not Started
	H&S System	Implementation Phase	H&S System	30/06/2019		Not Started
	Contractor Injury	Review KPI Data from Observations and Audits	Critical Risk	30/06/2019		Not Started
Miscellaneous	First Aid		Administrative	Ongoing		Ongoing
	Review Hazard registers and update into new format, ensuring all are collated via Master risk register		Critical Risk	Nov/Dec 2018		
	Other employee HS training as required		Administrative	Ongoing		Ongoing
	Review incident reporting forms and register to and update to ensure streamlined reporting and data collection		Administrative	Mid September 2018		Complete
	Continue Driver Training and education		Administrative	Ongoing		Ongoing
	Vehicle Accident - Update Driver Licence Record		Administrative	Dec-18		In Progress
	Support development and implementation of HS training modules		Complete Implementation of H&S Training	until complete in		Ongoing
Updates and additions	18/09/18 - Redesign health and safety reporting form and corresponding spreadsheet to ensure accurate data is available for future planning and reporting		Administrative	Dec-18		Complete
	30/09/18 - Working at Height - Review procedures for working at height		Administrative	Dec-18		In Progress
	30/9/18 - Classification of Contractors		Critical Risk	15/11/2018		Not Started
	30/09/18 - Increase Advisory Champions		Administrative	Feb-19		In Progress
	3/10/18 - Near Miss breakdown for Audit and Finance Committee		Administrative	31/10/2018		Complete
	3/10/18 - 6 areas of Due Diligence to report back to governance		Administrative	31/10/2018		Not Started

Risk Management Framework Project

Record No: R/18/11/26857
Author: Rex Capil, Group Manager Community and Futures
Approved by: Steve Ruru, Chief Executive

☐ Decision ☒ Recommendation ☐ Information

Purpose

- 1 The purpose of this report is to update the Finance and Audit Committee on the Risk Management Framework (RMF) project, seek endorsement of the Risk Management Framework 2018 document and recommend to Council adoption of the Risk Management Framework 2018 document and associated next steps.

Executive Summary

- 2 Council has been working towards the development of a Risk Management Framework since early 2017.
- 3 This has involved developing a project brief, refining a project scope and engaging Structured Conversations Ltd to facilitate the process for the framework development.
- 4 Structured Conversations Ltd has facilitated two workshop sessions involving elected representatives and staff. This process has culminated in the development of the Southland District Council Risk Management Framework 2018 document which is attached to this report.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled "Risk Management Framework Project " dated 24 November 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 Southland District Council Risk Management Framework 2018 document.**
- e) **Recommends to Council that it adopt the Southland District Council Risk Management Framework 2018 document.**

Background

- 5 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.
- 6 As a result of this the project scope and terms of reference for the Southland District Council risk management review project was endorsed by the Finance and Audit Committee at the 7 June 2017 meeting.
- 7 The intervening period saw the project scope be further developed and Structured Conversations Ltd was engaged on a preferred supplier basis to undertake the Risk Management Framework project.
- 8 At its 18 April 2018 meeting, Council resolved to approve unbudgeted expenditure to be allocated to complete the project by engaging Structured Conversations Ltd.
- 9 Structured Conversations Ltd has facilitated two workshops – on 16 August 2018 being an agenda setting workshop and 9-10 October being an opportunity to provide input in to the development of the RMF. The Southland District Council Risk Management Framework 2018 document attached is the result of this process.

Issues

- 10 Issues that have previously been highlighted in getting the RMF to this stage include the recognition by Council and staff that a RMF needs to be developed
- 11 To ensure the success of the implementation of the RMF and embedding it into Council operations, it is important that elected representatives, stakeholders and staff are involved and supported to ensure the objective of assisting Council to better understand and manage risk is achieved.
- 12 The current Risk Management Policy is currently overdue for review and it has been identified the policy should be reviewed once the RMF project has been undertaken.
- 13 It is appropriate for the review of the policy to align with the work related to the RMF project, and staff have been preparing for the policy review and alignment to the RMF project process accordingly.

Factors to Consider

Legal and Statutory Requirements

- 14 There are no specific legal or statutory requirements identified with regards to the development and adoption of the RMF.

Community Views

- 15 Community views have not been sort in relation to the RMF project.
- 16 The RMF project relates to organisation wide operational practices.

Costs and Funding

- 17 The RMF project has been completed as an additional project following Council's approval for unbudgeted expenditure being allocated to complete the development of the RMF.
- 18 In terms of implementation of the RMF it is not anticipated to incur any unbudgeted or extraordinary expenditure.

Policy Implications

- 19 The RMF project has reinforced the need to review the Risk Management Policy which has been identified as being overdue for review.
- 20 The RMF document supports the approach of reviewing the Risk Management Policy once the RMF is adopted.
- 21 The current Southland District Council Risk Management Policy was approved and became effective from 29 October 2014.
- 22 Policy staff have identified the need to review the Risk Management Policy and align it to the RMF document. This will be completed as the next step in this risk management project development process.
- 23 It is anticipated the draft Risk Management Policy review will be completed for Council consideration by June 2019.

Analysis

Options Considered

- 24 The Finance and Audit Committee is requested to consider two options.

Analysis of Options

Option 1 – Endorse the Southland District Council Risk Management Framework 2018 document and recommend to Council to adopt the Southland District Council Risk Management Framework 2018 document.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Supports the process and investment to date in the project and allows the project implementation next steps to be advanced.• Reinforces the findings of the workshops and project development.• Provides clarity and an understanding of the significance of risk management to the organisation – for elected representatives and staff alike.• Will allow policy staff to continue with the preparatory work required for the review of the Risk Management Policy which is recognised as being overdue.	<ul style="list-style-type: none">• Will mean the RMF project will need to be reassessed and redeveloped under a new project brief.• Will require further resource allocation and time to deliver a redeveloped RMF project.

Option 2 – Not endorse the Southland District Council Risk Management Framework 2018 document.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• There are no advantages.	<ul style="list-style-type: none">• Further delay puts at risk current risk management practice and associated operational requirements.• Is inconsistent with the work completed to date and does not reflect the findings from the workshops facilitated as part of the process to date.• Creates confusion and a lack of cohesion for a project which has received endorsement and buy in from elected representatives and staff to date.

Assessment of Significance

- 25 This recommendation is not considered significant in relation to Council's Significance and Engagement Policy.

Recommended Option

- 26 It is recommended that the Finance and Audit Committee endorse the Southland District Council Risk Management Framework 2018 document and recommend to Council to adopt the Southland District Council Risk Management Framework 2018 document.

Next Steps

- 27 Staff will follow up and proceed with preparing the necessary report to Council in 2019.

Attachments

- A Risk Management Framework November 2018 [📄](#)



SOUTHLAND DISTRICT COUNCIL

Risk Management Framework 2018

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Overview

The Risk Management Framework (RMF) is an important strategic document for Southland District Council (SDC). By understanding risk, we can make better decisions and become more dynamic to change by managing uncertainty.

SDC looks after critical community assets and services, which need to be safeguarded. Understanding and mitigating risk will make it possible for us to do that. As guardians of community money, it is important that we allocate spending in the right places.

Risk management is an important part of this, helping us to make progress toward our strategic goals with clear and informed decisions that make the best use of these funds.

We operate in an uncertain environment. As things change and different options become available, we need a clear way to compare relative choices and options that aligns with our big picture objectives and represents consistent response to risk.

Our goal is to create a framework that supports risk thinking across Council, so we can understand, plan for and mitigate risk across all levels and activities.

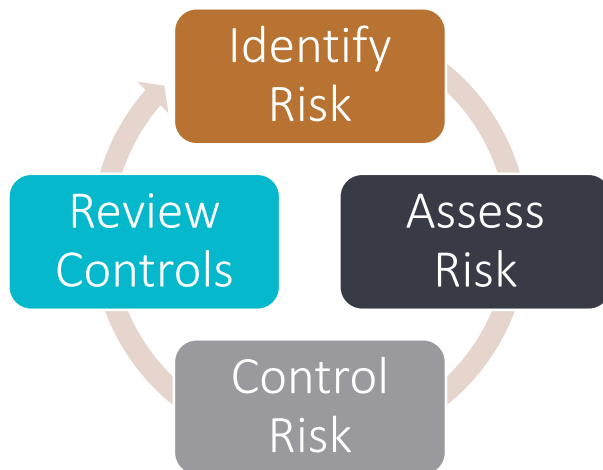
The RMF has been designed to:

- Provide the basis of a consistent, structured approach for SDC to identify and manage risk
- Support the achievement of SDC's strategic and operational objectives, by helping us to manage risks that that would otherwise impede success
- Encourage an open and transparent organisational culture, where conversations about risk are supported and understood
- Facilitate good decisions, by helping SDC to prioritise actions and distinguish between potential options
- Provide assurance to Council, the Southland District community and stakeholders that critical risks are being identified and managed effectively.

What is risk management?

Risk management is the approach that we take to understanding, assessing and mitigating risk.

As a cycle, it looks like this:



What risk management is	What risk management is not
A valuable way to be prepared for uncertainty	100% accurate
A decision-making tool	Predictive
A way to direct resources	A compliance exercise
Big picture	All encompassing
Long-term and strategic.	A way to justify bad or risk-averse decisions
An inexact science	
Forward-looking – (with backwards data)	

About the RMF

The development of the RMF has been a team effort, including the input of activity managers and elected members from the outset. First, we set the foundation through senior level engagement – and then we collaborated at all levels of the organisation to identify areas for improvement.

We surveyed key staff and elected members and held facilitated workshops to understand the way that risk is currently managed and identify areas for improvement. Staff and elected members partnered on a journey to understand and identify risk, building a common understanding of how risk management can add value to our organisation.

Key principles

- Create value
- Be an integral part of organisational processes
- Be part of decision making
- Explicitly address uncertainty
- Be systematic and structured
- Be based on the best available information
- Be tailored
- Take into account human factors
- Be transparent and inclusive
- Be dynamic, iterative and responsive to change
- Be capable of continual improvement and enhancement.

Scope

This framework has been developed to support organisation-wide risk management, with a particular focus on SDC's most critical risks.

However, the principles and processes outlined in this framework can and should be applied at a group, team, project and individual level – with required adjustments to thresholds and guidelines made accordingly.

Identifying and Assessing Risk

Risk categories

Providing common categories or types of risks is a useful way to manage risk information. By categorising risk into several common groups, we can see where concentrations of risk are the greatest, identify common causes and develop better risk responses.

We have categorised potential risks into six common categories, based on the main threat or impact. Many risks will touch several categories. These categories should be applied according to '*which area is most affected*'.

Category	Description
Strategic	Usually addresses external changes. The risk that Council's strategy is no longer relevant or effective. Could be due to technological changes, social and demographic change, customer expectations. Also covers governance-related issues, reputational risk.
Operational	A risk to Council operations or the delivery of service. Includes corporate and management functions, product or service failure, IT, customer service interruption. This also covers people and capability risks, as well as access to resources and materials.
Financial	A risk that primarily threatens financial loss – might also include credit rating, access to finance.
Health, Safety and Wellbeing	Internal and external health and safety threats, which might cause illness, injury or death. This includes public health and safety, and employee/ contractor health and safety.
Social, Cultural and Environmental	A risk to the community or environment, such as natural hazards, emergency management, environmental protection. Includes community impact, both social and economic.
Regulatory and Compliance	A risk of non-compliance with statutes and regulations which may or may not result in penalty.

Risk thresholds

	Insignificant	Minor	Moderate	Major	Catastrophic
Strategic	<p>No significant adverse public comment</p> <p>No impact on achievement of LTP objectives</p> <p>Key stakeholder relationships unaffected</p>	<p>Adverse comment in local or social media</p> <p>Letters to CEO, complaints to Crs</p> <p>May slow achievement of LTP objectives</p> <p>Minor impact on key stakeholder relationships</p>	<p>National media coverage</p> <p>Will impact achievement of one or more LTP objectives</p> <p>Negative impact on key stakeholder relationships</p>	<p>National media coverage 2-3 days</p> <p>Will significantly impact the achievement of multiple LTP objectives</p> <p>Significant impact on multiple key stakeholder relationships</p>	<p>Coverage in national media 3+ days</p> <p>Commission of Inquiry/ Parliamentary questions</p> <p>Stakeholder relations irreparably damaged</p> <p>Cannot deliver on most LTP objectives</p>
Operational	<p>No loss of operational capability</p> <p>Minimal change to service levels</p> <p>Minimal loss of internal capacity</p>	<p>Loss of operational capability in some areas</p> <p>Some disruption to service levels</p> <p>Internal capacity lost for up to 1 week</p>	<p>Serious loss of operational capability for over 6 weeks and/or</p> <p>Disruption to service levels for 4-6 weeks</p> <p>Loss of internal capacity 1-3 weeks</p>	<p>Serious loss of operational capability for over 8 weeks and major disruption to service levels and/or</p> <p>Loss of internal capacity 4-6 weeks</p>	<p>Serious loss of operational capability for 3-4 mths and serious disruption to service levels and</p> <p>Loss of internal capacity for more than 6 weeks</p>
Financial	<p>No impact on financial targets</p>	<p>Up to 1% impact on financial targets</p>	<p>Up to 5% impact on financial targets</p>	<p>Up to 10% impact on financial targets</p>	<p>More than 10% impact on financial targets</p>

	Insignificant	Minor	Moderate	Major	Catastrophic
Health, Safety and Wellbeing	No medical treatment required Issue noted, no action required	Minimal personal injury and/or sickness AND Less than 2 weeks incapacitation H&S issue noted by Worksafe	Personal injury and/or sickness with up to 3mths incapacitation OR H&S issue to court	Significant public health impact OR Personal injury and/or sickness with 3+ months incapacitation or long term disability OR H&S issue to court and fine imposed	Permanent severe disability or loss of life OR H&S issue taken to court resulting in imprisonment OR Widespread community sickness
Social, Cultural, Environmental	No significant community impact Localised short-term reversible environmental, economic or social impact	Single community affected Localised short-term reversible environmental, economic or social damage	Multiple communities affected Localised medium term (1 month +) reversible damage or disruption (environmental, economic, social or cultural)	Many communities affected Localised or widespread long term (3-6m) reversible damage or disruption (environmental, economic, social or cultural)	Most or all communities affected OR Extensive or irreversible damage or disruption (environmental, economic, social or cultural)
Regulatory and Compliance	Fine/ liability less than \$10K	Fine/ liability \$10-100K	Fine/ liability \$100-250K	Fine/liability \$250K - \$1M	Fine/ liability \$1M+

These thresholds determine, based on the impact of a potential risk event, the consequence level of a particular risk event. This assessment, along with an assessment of likelihood, form this basis of identifying which risks require further attention.

Risk tolerance

Council is willing to accept a **low to medium** level of risk in pursuit of its objectives. If a risk is assessed as **high** or **very high**, then we need to take action to reduce the likelihood or impact.

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Catastrophic
Highly likely	Low	Medium	High	Very High	Very High
Likely	Low	Medium	High	Very High	Very High
Possible	Low	Medium	Medium	High	Very High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Medium	Medium

Risk prioritisation

Decisions about the treatment of high and very high priority risks need to consider the relative importance of each risk in relation to the resources available. The following weighted priority criteria should be applied by Council, the Finance and Audit Committee and the ELT in determining the relative priority of high-level risks.

Criteria	Weighting
Potential for at-fault death	30%
Potential for financial disaster	25%
Threat to LTP objectives	20%
Level of influence over drivers or outcomes	15%
Immediate impact of treatment or control	10%

Responding to Risk

Risk acceptance and escalation

Risk Level	Escalation
Very High	Immediate and ongoing action required. Only the Chief Executive and/or Council can accept this level of risk.
High	Council and ELT attention required. Group Managers can accept this level of risk.
Medium	Group Manager attention advised. Activity and project managers can accept this level of risk, with the approval of Group Managers.
Low	Manage by standard operational practice. Activity and project managers can accept this level of risk.

Risk treatments and controls

Risk treatment options need to consider a reasonable assessment of potential outcomes and only applied if the impact or benefit outweighs the potential cost.

Treatments are generally based on one (or a combination) of the following options.

Avoid: Avoid the event that would lead to the risk occurring. This might include not endorsing a particular option, entering a contract or undertaking a specific project.

Mitigate: Develop a plan to reduce the likelihood and/or consequence of a risk occurring. This involves pre-emptive action and should include:

- Identification of a full range of mitigation options
- Select the most effective options(s) based on timeliness, cost and feasibility
- Assigning each a treatment owner
- Development of a treatment plan, or incorporation into existing project, risk management or asset plans
- Development of contingency responses if necessary.

Retain: Accept the likelihood and consequence of the risk occurring.

Transfer: Transfer all or some risk, usually through insurance or by contractual agreement.

Treatments and controls must then be monitored regularly, to ensure that they are having the intended effect and reducing risk.

Monitoring Risk

Risk management is the responsibility of everyone at SDC. All staff should be empowered to identify risks and have the tools to bring risk to the attention of managers and Council.

The mandate for risk management comes from Council and the Executive Leadership Team (ELT). Together, these groups lead the agenda for managing risk at SDC and drive commitment across the organisation. This responsibility transcends individual functional areas, with Council and the ELT committed to an organisation-wide view and approach.

Council and the ELT lead this commitment by:

- Endorsing and implementing the RMF
- Championing the value added by risk management to staff and stakeholders
- Aligning risk management activities with organisational objectives
- Ensuring legislative and regulatory compliance
- Assigning accountabilities and responsibilities for risk management at appropriate levels within the organisation
- Ensuring the independence of the Finance and Audit Committee
- Creating and supporting an organisational culture which encourages transparent identification and open discussion of risks
- Monitoring the effectiveness of the risk management system and ensuring actions are taken to continually improve it.

Key responsibilities

Council

Council's risk responsibilities include:

- Evaluating risks to the delivery of SDC's Long Term Plan and other strategies
- Determining SDC's strategic approach to risk
- Setting a clear risk threshold

- Establishing structures and practices for risk management
- Understanding the most significant risks facing SDC
- Setting and reviewing risk policies
- Reviewing the quality of risk information, reports and effectiveness of risk assurance practices.

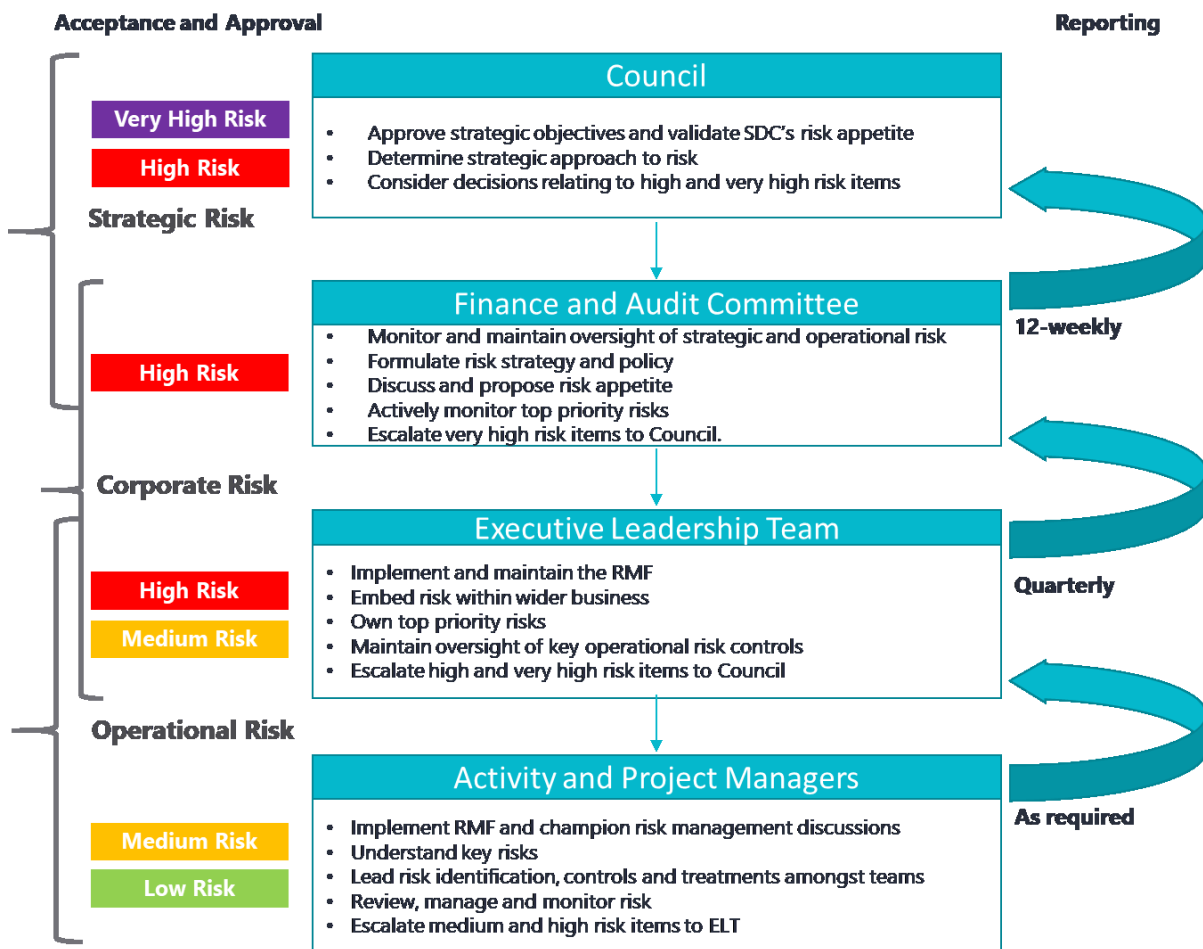


Figure 1 - SDC Risk Responsibility Summary

Finance and Audit Committee

The Finance and Audit Committee provides monitoring and oversight of risk management at SDC and support Council staff to manage risk effectively – but does not absolve the responsibility of individuals.

The Finance and Audit Committee is responsible for: administering the RMF, monitoring risk assessments and internal controls, as well as approving or recommending approval of risk related policies.

The Committee oversees the corporate risk register and actively monitors the management of top priority risks. The full Terms of Reference for is in the Appendices.

Executive Leadership Team

SDC's ELT jointly own the top 10 priority risks for Southland District Council. Each priority risk will also be assigned a primary Risk Lead within the ELT. The ELT are responsible for overseeing key risk management controls across the organisation, including but not limited to:

- Financial and management accounting
- Property
- Insurance
- Contractual liabilities
- Business continuity
- People related, and other operational risk controls
- Assessment of strategic risk within their areas of responsibility.

Role	Responsibility
Risk Owner	Responsible for coordinating management of risk, including: <ul style="list-style-type: none"> ▪ Ensuring controls are effective ▪ Monitoring implementation of treatments ▪ Monitoring the environment ▪ Providing updates for risk reporting
Risk Lead	Usually an Activity or Group Manager. Responsible for maintaining oversight of risks identified in their area, in consultation with Risk Owner/s. This includes providing status updates on risk and controls.

Control/ Treatment Owner	Responsible for ensuring controls are effective through ongoing operation and improvement. Responsible for designing and implementing risk treatments to agreed timeframes and quality.
Executive Leadership Team	Responsible for maintaining oversight of SDC risks, controls and treatments. This includes: <ul style="list-style-type: none"> ▪ Reporting risk to the Finance and Audit Committee ▪ Facilitating the risk management process ▪ Reporting on emerging risk issues ▪ Monitoring the internal and external environment for their area of responsibility and Council in general.

Monitoring and reporting

Risk monitoring

Assigned risk owners should monitor their project, team or group level risk registers at least 6-monthly. Changes should be considered as part of this review, in respect of:

- The maturity and effectiveness of existing treatments or controls
- New or emerging risks presenting because of change in the internal or external environment.

Identified risks should be reported to the appropriate level on a regular or as required basis, using the below table as a guide.

Risk Level	Reporting To	Frequency
Very High	Council Finance and Audit Committee ELT	12 weekly (Council) Quarterly (Finance and Audit Committee) Monthly - ELT
High	Council Finance and Audit Committee ELT	12 weekly (Council) Quarterly (Finance and Audit Committee) Monthly - ELT

Medium	Group Manager	As required
Low	Activity Manager	As required

Risk reporting

Risk reports are prepared quarterly for Finance and Audit Committee, detailing:

- Changes and emerging trends relating to risk
- Updates to controls, treatments and mitigation strategies for priority risks
- The effectiveness of current controls, treatments and mitigation strategies
- Material changes to the internal or external operating environment
- Policy recommendations and concerns.

Integrating Risk Management

Risk management needs to be part of the way we make decisions and operate across Council on a day to day basis.

It is particularly important that we consider risk implications in processes like:

Long term and annual planning and budgeting: Within each group of Council, risk identification should inform planning and budgeting for the following year or LTP period. The cost of implementing annual plans, including any controls or treatments required need to be incorporated into the budgeting process.

Project management: As part of good project management practice, risks must be actively identified, managed, escalated and reported throughout the lifetime of the project.

Policy development: Council policies outline how we should manage a wide variety of risks, including those associated with legislative compliance, asset management, public health and safety, environmental impact, service quality and finance.

Procurement and asset management: Risk management must be factored into decision making for significant procurement and asset management related processes.

Making risk management a core part of our business requires behaviours and support that facilitate this. Key areas for organisational development we have identified include:

- Working across borders to take a Council-wide view
- Delegations that empower staff to identify risk and be solution-focused
- Strong leadership – senior leaders to model good practice
- Encouraging challenge and questioning in the operational and strategic arenas
- Clear priorities and alignment to the bigger picture
- Conversation, culture and collaboration to support good practice
- Technology and system support to automate risk management.

Implementation and Review

The RMF will come into operation in April 2019¹, following Council adoption. It will be reviewed annually and redeveloped every three years. In the meantime, the RMF will be a living document that changes and adapts as required.

The SDC Corporate Risk Register review will be undertaken by the Finance and Audit Committee formally every six months (with other changes and updates made on an as-required basis).

¹ Projected. Depends on Council approval

Appendices

Appendix 1: Definitions

Term	Definition
Risk	The effect of uncertainty on strategic or operational objectives
Risk management	Coordinated activities to direct and control an organisation with regard to risk.
Risk owner	A person or entity that has the accountability and authority to manage a risk
Control	A process, device, practice or other action that is intended to modify the likelihood or impact of risk
Treatment	<p>An agreed approach to a specific risk.</p> <p>This might include:</p> <ul style="list-style-type: none">▪ Avoiding risk▪ Accepting risk▪ Removing the source of risk▪ Changing the likelihood or impact of risk▪ Sharing risk.

Appendix 2: SDCs highest priority risks as at 10 October 2018

These risks form the basis of the Finance and Audit Committee Corporate Risk Register. A living document, this will be reviewed formally every 6 months and on an as required basis.

Rank	Risk
1	Underinvestment in infrastructure
2	Inaccurate data leads to bad decisions/ asset failure
3	Infrastructure not fit for purpose to withstand climate change
4	Health and safety controls threatening staff and contractor safety
5	Overcommitment and work programme
6	Financial conservatism constrains progress
7	Key people leave with organisational knowledge, impacting business continuity
8	Difficulty retaining or recruiting staff affects service levels
9	Growth dependent model makes it hard to fund new infrastructure
10	Population decline will impact the viability of small communities
11	Funding mechanisms limiting ability to make change
12	Economic change impact on delivering capital programme
13	Coastal communities unprepared for climate change will be affected
14	Natural or biosecurity event impacts economy/ industry
15	Increasing compliance costs make rates less affordable
16	Potential LG reform - instability

17	Ageing population can no longer afford rates
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Appendix 3: RMF Implementation Plan as at October 2018

Timeframe	Action	Responsibility
By January 2019	Change Finance and Audit committee name	Clare
	Build buy-in with Council	Gary + Steve
	Communicate framework at staff forum	ELT
	Change ELT agenda	Matt
	Risk report to be elevated to Council	Michelle
By April 2019	Internal communications and support	Louise
	Council report template changes	Clare + Michelle
By October 2019	Induction designed to include risk	Clare + ELT
	Job descriptions changed to incorporate risk	Janet

Appendix 4: Finance and Audit Committee Terms of Reference

SOUTHLAND DISTRICT COUNCIL

FINANCE AND AUDIT COMMITTEE

TERMS OF REFERENCE

Authorising body	Council
Approval date	16 November 2016 (amended 27 April 2017)

1. 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.
- 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.

2. MEMBERSHIP

The Finance and Audit Committee will comprise of five members.

Membership will be the Mayor, three Councillors and one external appointee.

External appointees have full speaking and voting rights on the Finance and Audit Committee.

Chairperson

The Chairperson is responsible for:

1. The efficient functioning of the Committee;
2. Setting the agenda for Committee meetings in conjunction with the Chief Financial Officer; and
3. Ensuring that all members of the Committee receive sufficient timely information to enable them to be effective Committee members.

The Chairperson will be the link between the Committee and Council staff.

3. MEETING SCHEDULE

Quarterly or as required. Meetings outside of the regular meeting schedule shall be called by the Chairperson.

4. QUORUM (amended 27 April 2017)

The quorum at any meeting of the Finance and Audit Committee shall be three members.

5. DELEGATION

5.1 Power to Act

The Finance and Audit Committee shall have the following delegated powers and be accountable to Council for the exercising of these powers.²

In exercising the delegated powers, the Finance and Audit Committee will operate within:

- policies, plans, standards or guidelines that have been established and approved by Council;
- the overall priorities of Council;

² Local Government Act 2002, Schedule 7, Clause 32

- 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.

6. Power to Recommend

6.1 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.

- 6.2** The Finance and Audit Committee is responsible for considering and making recommendations to the Services and Assets Committee on business cases completed under section 5.1 (above).

7. RELATIONSHIPS WITH OTHER PARTIES

The Chief Executive is responsible for servicing and providing support to the Committee in the completion of its duties and responsibilities. The Chief Executive generally appoints the Chief Financial Officer to provide these functions on his/her behalf.

Professional advisors to the Committee shall be invited to attend all meetings of the Committee:

- External auditor;
- Internal auditor/risk advisor (if appointed); and
- Chief Financial Officer.

At each meeting, the Chairperson will provide the external auditor and the internal auditor/risk advisor (if appointed) with an opportunity to discuss any matters with the Committee without management being present. The Chairperson shall request the Chief Executive and staff in attendance to leave the meeting for the duration of the discussion. The Chairperson will provide minutes for that part of the meeting.

The Chief Executive Officer and the Chief Financial Officer shall be responsible for drawing to the Committee's immediate attention any material matter that relates to the financial condition of Council, material breakdown in internal controls and any material event of fraud.

The Committee shall provide guidance and feedback to the Council on financial performance, risk and compliance issues.

The Committee will report to Council as it deems appropriate but no less than twice a year.

7.1 Public Access and Reporting

Notification of meetings to the public and public access to meetings and information shall comply with Standing Orders, but it should be noted that:

- At any meeting of the Committee at which no resolutions or decisions are made, the provisions of Standing Orders relating to public access do not apply.
- Workshop meetings solely for information and discussions and at which no resolutions or decisions are made may be held in accordance with Standing Orders.

- Extraordinary meetings of the Committee may be held in accordance with Standing Orders.
- The public may be excluded from the whole or part of the proceedings of the meeting and information withheld on one or more of the grounds specified in *the Local Government Official Information and Meetings Act 1987 s.48*.

The Committee shall record minutes of all its proceedings and present the minutes to the next available Council meeting following the Committee meeting.

7.2 Contacts with Media and Outside Agencies

The Committee Chairperson is the authorised spokesperson for the Committee in all matters where the Committee has authority or a particular interest.

Committee members, including the Chairperson, do not have delegated authority to speak to the media and/or outside agencies on behalf of Council on matters outside of the Committee's delegations.

The Chief Financial Officer will manage the formal communications between the Committee and its constituents and for the Committee in the exercise of its business. Correspondence with central government, other local government agencies or other official agencies will only take place through Council staff and will be undertaken under the name of the Southland District Council.

8. CONDUCT OF AFFAIRS

The Committee shall conduct its affairs in accordance with the *Local Government Act 2002*, the *Local Government Official Information and Meetings Act 1987*, the *Local Authorities (Members' Interests) Act 1968*, Council's Standing Orders and Code of Conduct.

In fulfilling their role on the Finance and Audit Committee, members shall be impartial and independent at all times.

9. REMUNERATION

Elected members will be reimbursed in accordance with the current Local Government Elected Members' Determination

External members and advisors to the Committee will be reimbursed in accordance with their standard business rates, including disbursements.

10. FUNDING AND BUDGETS

Funding for the Committee will align with Council's Revenue and Financing Policy.

The Committee shall only expend funding on purposes for which that funding was originally raised and in accordance with the budgets approved by Council through its Long Term Plan and Annual Plan.

Remuneration and expenses will be funded from the Leadership activity budget.

11. REPORTING

Minutes of all meetings of the Finance and Audit Committee will be provided to the Council.

12. Review of the Committee

The Committee shall undertake an annual self-review of its objectives and responsibilities.

Such objectives and responsibilities shall also be reviewed by the Council, the Chief Executive Officer and the Chief Financial Officer and any other person the Council considers appropriate.

Appendix 5: Finance and Audit Committee Risk Register Quarterly Update Report (DRAFT)

Risk #	Risk	Risk Lead	Risk Owner	Changes and Updates
1	Underinvestment in infrastructure			
2	Inaccurate data leads to bad decisions/ asset failure			
3	Infrastructure not fit for purpose to withstand climate change			
4	Health and safety controls threatening staff and contractor safety			
5	Overcommitment and work programme			
6	Financial conservatism constrains progress			
7	Key people leave with organisational knowledge, impacting business continuity			

8	Difficulty retaining or recruiting staff affects service levels			
9	Growth dependent model makes it hard to fund new infrastructure			
10	Population decline will impact the viability of small communities			

Draft Debt Recovery Policy

Record No: R/18/3/5378
Author: Sheree Marrah, Finance Manager
Approved by: Anne Robson, Chief Financial Officer

☐ Decision

☒ Recommendation

☐ Information

Purpose

- 1 This report presents the draft Debt Recovery Policy (the draft Policy) to the Finance and Audit Committee (the Committee). The draft Policy is included as Attachment A. It is requested that the Committee recommends to Council that it adopts the draft Policy.

Executive Summary

- 2 To assist with collection of Council debt it is desirable that Council establish a policy which outlines the approaches for recovery of Council debt. Council has not previously had a formal policy, however many of the recommendations in the policy have been informally applied.
- 3 The objective of this policy is to ensure that overdue debts are collected promptly, efficiently and consistently.
- 4 Staff are requesting the Committee recommends the draft Policy, which is included with the report as Attachment A, for adoption by Council.
- 5 Council debt types and the primary recovery approaches available are as follows:

	Legal collection methods	Other collection methods
Rates (including water rates)	Payment from Mortgagee, sale of property under a rating sale, sale of property as abandoned land (Local Government (Rating) Act 2002)	Payment arrangements Debt recovery agency
SIESA electricity charges	Disconnection of supply (Electricity Industry Act 2010)	Short term payment arrangements Debt recovery agency

	Legal collection methods	Other collection methods
Other revenue – including resource management fees, building consent fees, hall hire fees, airport landing fees, interim wheelie bin charges, rental income from community housing, property licences, food licences, animal registration fees, infringements	Varies depending on relevant legislation and associated revenue	Short term payment arrangements Debt recovery agency

Recommendation

That the Finance and Audit Committee:

- a) Receives the report titled “Draft Debt Recovery Policy” dated 6 December 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) Recommend to Council that it adopts the draft Debt Recovery Policy as attached to this report, including any amendments agreed at this meeting.**

Background

- 6 Council currently has no formal policy or process outlining the requirements for collection of Council debts. Historically, staff have applied various approaches to collection of debt, however it has never been formally documented from a Council wide perspective.
- 7 The objective of this policy is provide guidance to the staff as to the approach to be taken for debt collection, to ensure that debts are collected promptly, efficiently and consistently.
- 8 This policy will inform the public of Council’s approach to debt as Council is committed to providing an equitable and transparent approach where debt is owed to Council.
- 9 In preparing this draft Policy (Attachment 1) staff documented the current approach, identified areas for improvement and streamlined the approach across the various debt types where possible. Staff also checked relevant legislation and consulted with Council’s legal advisors as required. These matters are discussed further below.

- 10 In addition to the draft Debt Recovery Policy, Council staff have also established a draft Debt Recovery Guidance document, which is an internal policy established to provide guidance to Council staff in relation to the recovery of debt.
- 11 It is important to note that in this draft Policy there is a number of references to recovery agencies, however staff note that in the future this activity may be undertaken by Council staff.
- 12 The draft Debt Recovery Policy is attached. Below is a summary of the points of this policy.

Rates and Water Rates (including metered water)

- 13 Collection of rates and water rates are governed by the Local Government (Rating) Act 2002. No formal collection action is taken in relation to current year's rates because in accordance with the legislation they are not technically overdue until 1 July of the following year.
- 14 Staff have developed this draft Policy on the basis that Council will use all remedies available to it to recover rates debt in accordance with the legislation which allows for recovery of arrears from mortgagee, seeking judgement from the Court, rating sale/lease or abandoned land sale/lease.
- 15 In relation to water rates, historically Council have collected these in a manner similar to other sundry debt, however given that they are actually rates, they should be collected in accordance with the legislation. Additionally Council is proposing to include restriction of water supply as a tool for recovery of arrears. This draft Policy has therefore been developed to seek to collect water rates consistent with other rates as well as restricting supply.

Sundry Debts

- 16 For the purpose of this draft policy, sundry debts are all other debts excluding rates, water rates and SIESA electricity tariffs. The guidelines for write-offs (discussed in detail below), are particularly relevant to these revenue streams.
- 17 It is important to note that for some sundry debt types, such as infringements and dangerous/insanitary buildings, legislation exists which governs the collection of outstanding debt, and therefore these are noted as exceptions to this policy.

SIESA

- 18 The Stewart Island/Rakiura Community Board have given staff the direction that they wanted a stronger stance taken in relation to electricity arrears and instructed staff to issue disconnection notices if payment is not received within 60 days of due date. Staff have formalised this request by incorporating this requirement into this policy. Recent issuance of disconnection notices has resulted in full payment in the majority of cases, and a few mutually acceptable short term payment arrangements.

Issues

Set off

- 19 Often Council has instances where a debtor has a credit balance (ie over payment) in one revenue area and arrears in another (ie rates arrears and overpaid building consent fees). Currently these transactions are considered separately and the building consent fees would be refunded to the customer.

- 20 Set off proposes that where a person makes an overpayment to Council or is due a refund, and that same person also owes money to Council, Council may recover arrears by way of setting off the overpayment against the arrears.
- 21 The policy has been drafted to allow set off of overpayments, refunds and creditor payments against all outstanding debt types where these are not restricted by contractual agreement or legislation and are agreed to in writing.

Application of interest charges/penalties

Rates

- 22 In accordance with section 57 and 58 of Local Government Rating Act (“the Act”), Council can apply penalties to rates that are not paid by the due date. An annual resolution is made in June by Council, establishing the penalties and this policy will reflect any changes made by this resolution.

Water rates (metred water only)

- 23 Council currently does not impose any penalties on water rates.
- 24 Consistent with rates as noted above, in accordance with section 57 and 58 of the Act, Council can apply penalties to water rates that are not paid by the due date. An annual resolution is made in June by Council, establishing both the due dates and the penalties. Council will be asked to consider including penalties on water rates as part of this resolution in June, in line with penalties charged on other rates.

SIESA electricity tariffs

- 25 Council is not proposing to apply any penalty or interest charges on SIESA electricity tariffs.
- 26 The primary collection method for SIESA electricity charges is the enforced disconnection after 60 days. The application of interest or penalties may not entice people to pay earlier and they may still end up being disconnected.

Other debt

- 27 Council currently does not apply any penalty or interest charges on other debt, however Council terms and conditions do provide for interest of 2.5% above Council’s bank’s unsecured overdraft rate.
- 28 The policy has been drafted to continue to not apply penalty or interest charges to other debt due to the current inability to automatically apply this, however this will be reviewed periodically.

Restriction of supply

Water rates (metred water only)

- 29 Currently Council does not use restriction of supply as a method of encouraging payment for water arrears. The draft policy includes the potential use of water restrictions as a tool for encouraging payment of arrears.
- 30 Section 193 of the Local Government Act 2002 and section 69S of the Health Act 1956 allows Council to restrict a customer's water supply in certain circumstances (including non-payment of use charges) and limits around the level of restriction (ie continue to provide an adequate supply of drinking water).

- 31 Council recently updated its Water Supply Bylaw in 2017 and this notes, failure to pay the appropriate charges by the due date, is a breach of conditions of supply (section 5.1(d)(i)). Additionally it notes Council's right to reduce the flow rate of water to the customer after a defect notice has been served (section 5.1.2). In restricting supply, consideration would need to be given to when a restriction cannot be applied (children under 5, elderly, residents with health concerns, stock etc). Currently it is the Strategic Manager of Water and Waste who has delegated authority to approve a restriction.
- 32 It is also important to note that to physically restrict supply, Council will be required to install restrictors on each individual property's supply and this comes at a cost to Council for both parts and labour.
- 33 Before implementing water restrictions as a tool for enforcing payment of arrears, Council staff need to develop the appropriate processes and terms and conditions and notify the customers accordingly. Consideration should also be given to the minimum level of arrears required before a restriction is put in place (giving consideration to the cost associated with installation and removal of restrictors).

SIESA electricity tariff

- 34 The disconnection process occurs 60 days from the end of the month associated with the invoice. The Electricity Authority advise that disconnection typically happens 48 days after a bill has been issued, so the proposed 60 days is slightly more lenient. The Stewart Island/Rakiura Community Board are in support of this approach. Council must issue a disconnection notice at least 7 days before the disconnection takes place in accordance with our terms and conditions of supply.
- 35 Staff have implemented this approach over the last 10 months and it has assisted with more efficient collection of outstanding electricity charges.
- 36 Council must be aware that disconnection of medically dependent consumers is prohibited in accordance with the Electrical Authority guidelines.

Other debt

- 37 Council currently does not restrict supply of services to customers where they have outstanding debt.
- 38 Council sought legal guidance in relation to which Council services it could restrict supply to customers with outstanding arrears. This advice has indicated that Council could take a stronger stance than it currently does. Staff will continue to work on this and bring back to the Committee its findings and recommended approach before implementing.
- 39 The policy has been drafted to include restriction of services to customers with outstanding arrears where it is not restricted by legislation.

Collection via demand on mortgagee

Rates and Water rates (including metered water)

- 40 Where an owner defaults in paying rates or water rates on a property with a mortgage, Council can recover the arrears from the first mortgagee in accordance with Section 62(1) of the Act.

- 41 As this is a collection tool prescribed by legislation this policy reflects the use of this in all instances possible. Historically this process has resulted in the full recovery of rates arrears and associated penalties in nearly 100% of all requests. Historically Council has not sought payment of water arrears from mortgagees, however this will take place going forward.
- 42 A minimum of three months' notice is required to be issued before formal demand for payment can be requested. Formal demand for payment cannot be requested until at least 1 November for arrears at 30 June of the same year.

Collection via rating sale or lease

Rates and Water rates (including metered water)

- 43 Where Council or a recovery agency have no success in recovering the rates or water rates arrears on properties without mortgage, then legal action can commence, the final step, of which, is a rating sale or lease, in accordance with section 67(1) Act.
- 44 As this is a collection tool prescribed by legislation Council staff believe that it should be progressed in all instances possible, without having to seek approval from Council. Where judgement does not result in payment of arrears, staff will notify Council, for their information only, via a confidential report for information, of the intention to progress to rating sale.
- 45 Staff anticipate that this process will result in a significant recovery of rates and water rates arrears, penalties and costs, however the level of recovery is dependent on the age of the arrears, how quickly they have been progressed and the value and condition of the property in question.
- 46 The first steps in the legal process are to lodge a statement of claim, followed by seeking judgement from the Court for rates and water rate arrears. Where judgement does not result in payment of arrears, staff will notify Council via a confidential report, of the intention to progress to rating sale. **Please note - this process could take approximately two years, in accordance with legislative timeframes set in the Act.**

Collection via abandoned land sale or lease

Rates and Water rates (including metered water)

- 47 This policy is written to seek declaration of land as abandoned where, in accordance with section 77(1) of the Act, Council or a recovery agency have no success in locating a property owner and no rates or water rates payments have been received for at least three years, Council can have the land declared as abandoned. Alternatively, property owners may give written notice to Council that they intend to abandon the property.
- 48 Staff will inform Council via a confidential report, of the properties they are intending to pursue declaration as abandoned land.
- 49 Over the past two years, Council have sought declaration of abandoned land for up to 20 properties per annum in relation to rates arrears. Typically Council sell abandoned land rather than leasing.

Write off of bad debts

Rates and Water rates (including metered water)

- 50 Under legislation, rates are attached to a property, therefore where a rating sale or abandoned land sale occurs, and the full recovery of the arrears is not achieved, the outstanding rates can remain with the property. To date, Council have written off the outstanding rates after sale to enable the new property owner to commence with a clean slate.
- 51 In accordance with section 65(1) of the Act, Council is limited to a period of 6 years that it can commence legal proceedings to seek repayment of rates and water rates arrears. However, if the legal proceedings continue to rating sale, full recovery of arrears from the sale proceeds can occur. As such, Council staff are not writing off debt until repayment is completed.
- 52 This policy recommends that Council continue with the current approach of writing off arrears after rating sale or abandoned land sale has taken place.

SIESA electricity tariffs

- 53 This policy proposes that SIESA debts will only be written off when all reasonable attempts to recover outstanding amounts have been made or the cost of recovery is likely to equal or exceed the amount to be recovered. In some instances the cost (in both staff time and lodgement fees) doesn't justify proceeding to a collection agency.
- 54 Unless it is a debt associated with a vulnerable customer, Council has the ability to disconnect supply where a customer does not pay their account, however long outstanding arrears typically arise where a customer has discontinued their supply, moved away from the island and are unable to be located. As a relatively transient/seasonal community this often occurs. These debts are typically forwarded to a recovery agency for collection and remain against that debtor until paid.
- 55 All write-offs will be reported to the Stewart Island/Rakiura Community Board on a six monthly basis and will include the amount written off, description of the invoice and reason for write-off.

Other debt

- 56 Debts will only be written off when all reasonable attempts to recover outstanding amounts have been made or the costs of recovery are likely to equal or exceed the amount to be recovered. In some instances the cost (in both staff time and lodgement fees) doesn't justify proceeding to a collection agency. Staff are proposing in the draft debt recovery guidelines that all debt under \$50 and more than 120 days past due be written off without progressing to external collection agencies.
- 57 The draft policy has been prepared to actively write off debt for all revenue streams when it is considered uncollectable or the costs of recovery are likely to equal or exceed the amount to be recovered.

Factors to Consider

Legal and Statutory Requirements

- 58 As this policy covers the majority of revenue streams across Council, there is a significant amount of inter-related legislation that may be relevant. Section 101 of the Local Government Act requires Council to manages its finances prudently and provide for current and future interests of the community. Section 103 of the Act also requires Council to have a revenue and financing

policy which must outline the income sources to offset expenditure. It is critical that ratepayers and service users pay towards the services.

- 59 Council staff have engaged Simpson Grierson to provide guidance over key issues in relation to the compilation of this policy and the associated recommendations. Simpson's Grierson's advice has been incorporated into this draft policy and report.

Community Views

- 60 Council staff have not specifically sought community views, however we believe that the public will be in support of the intent of the policy and the actions in order to ensure that Council arrears are collected in a prompt, efficient and consistent manner, given that the overarching impact of overdue debt falls on those who pay their accounts as required.
- 61 Once the draft Debt Recovery Policy has been approved by Council, it will be made available to the public for their information on Council's website alongside Council's various other policies.

Costs and Funding

- 62 There is no specific cost with the establishment of this policy, however, the final policy will affect Council's approach to outstanding debt, and may result in additional interest and penalties being charged to customers and ratepayers and/or increased provisions and write-off of doubtful debts. It is expected that it will assist in reducing the level of long standing arrears.

Policy/Risk Implications

- 63 Council staff have considered this draft Policy in conjunction with other Council policies as outlined in section seven of the draft Debt Recovery Policy.
- 64 The main risk associated with this policy is that Council may not collect arrears in accordance with the relevant legislation/policy, particularly the Local Government (Rating) Act 2002. In order to mitigate this risk, Council staff engage independent experts/lawyers to assist with recovery of significant arrears.
- 65 Additionally Council are exposed to risk if they do not collect arrears in accordance with other relevant legislation as outlined throughout this report. This risk has been mitigated by having Simpson Grierson provide legal guidance on key areas of the policy and seeking further guidance as necessary as we implement this policy.
- 66 Additional risks include:
- Reputational risk - taking a strong position on recovery of arrears, or making an error in our recovery process.
 - Potential financial risk – inability to recover some debt.
 - Legal risk – if we do something contrary to legislation we could be challenged in court or fined.
- 67 Staff consider these additional risks are not significant, and can be managed on a case-by-case basis. With the implementation of the policy and support from experienced professionals as required, these risks should be mitigated.

Analysis

Options Considered

68 Two reasonably practicable options have been identified regarding how the Committee could proceed. These are:

- Option 1 That the Committee recommends to Council that it adopts the draft Debt Recovery Policy, including any amendments agreed at this meeting;
- Option 2: That the Committee recommends changes to the draft Debt Recovery Policy.

Analysis of Options

Option 1 – That the Committee recommends to Council that it adopts the draft Debt Recovery Policy, including any amendments agreed at this meeting

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• The draft Policy considers the various Council revenue streams and debt recovery approaches and is good practice in the local government sector to have Council's approaches documented in a policy.• Provides Council staff, ratepayers, and customers with information on its approach to debt collection and the options available to address outstanding debt.	<ul style="list-style-type: none">• Delay in implementing/actioning the approaches outlined in the policy.

Option 2 – That the Committee recommends changes to the draft Debt Recovery Policy

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• No advantages have been identified.	<ul style="list-style-type: none">• If the Committee would like to recommend changes to the draft Policy (that are more than minor wording changes), it will delay the adoption of this policy to a later date.

Assessment of Significance

- 69 This policy is not considered significant in terms of Council's Significance and Engagement policy because this policy will not have a large impact on or consequence to the whole District, or people affected by or interested in this matter. As a consequence community feedback is not being sought on this policy.
- 70 However although consultation is not being undertaken, Council is still required to give consideration to the views and preferences of people likely to be affected by or have an interest in the matter, as required by Local Government Act 2002 section 78(1).
- 71 Upon reflecting on Council's level of arrears at 30 June 2017 and 30 June 2018, approximately 10% of Council's revenue is outstanding at balance date, of which approximately 50% relates to rates.

This figure includes a portion which are current debt and are anticipated to be paid within 30 days of balance date.

- 72 What this illustrates is that the majority of Council's ratepayers/customers actually pay their debts as and when they fall due and therefore this draft Policy will not affect or impact a significant portion of the community. Council consider that the majority of the population who are compliant with paying their debt will be in support of Council taking a proactive approach and formalising its approach to collecting arrears.
- 73 Additionally a large proportion of this policy, primarily in relation to rates and water rates, is based on legislative requirements and therefore community views have no ability to influence these aspects of the policy.

Recommended Option

- 74 It is recommended that the Committee recommends to Council that it adopts the draft Debt Recovery Policy, including any amendments agreed at this meeting (Option 1).

Next Steps

- 75 If the Committee proceed with Option 1, staff will make any agreed amendments from this meeting and present the draft Debt Recovery Policy to Council at its meeting on 7 February 2019, for adoption.

Attachments

- A DRAFT Debt Recovery Policy [↓](#)



Southland District Council Debt Recovery Policy

DOCUMENT CONTROL

POLICY OWNER: Finance Services	RM8 NUMBER: r/18/3/5937	EFFECTIVE DATE:
APPROVED BY: Council	DATE APPROVED:	NEXT REVIEW DATE: 2021
	<input type="checkbox"/> Operational policy	<input checked="" type="checkbox"/> Council policy

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1. Purpose

This policy will help ensure that Council is running effectively and efficiently, and operating in a financially responsible manner. It will also ensure that Council are managing the collection of revenue in a legally compliant manner.

This policy was developed to outline Council's approach to debt recovery. Council is committed to providing an equitable and transparent approach when debt is owed to Council.

The objective of this policy is to ensure that debts are collected promptly, efficiently and consistently.

2. Definitions and Abbreviations

TERM	MEANING
The Act	Local Government Act (Rating) Act 2002
Debt	The amount of money owed by a debtor as a result of a transaction with Council.
Debtor	Any individual, corporation, or organisation or other entity owing money to Council.
Write-off	The accounting process for cancelling debt that is no longer collectable is a cost to Council.
Doubtful debt	A debt that is considered uncollectable.
Provision for doubtful debts	The accounting procedure for recognising the estimated value of debts that may end up being uncollectable.
Default	Where a Council approved payment arrangement is in place and payments are not made as agreed by the ratepayer or debtor
Payment arrangement	A requested alternative arrangement for payment of the debt, outside the terms on the invoice. Council provides written acceptance of the arrangement.
Recover agency	An external party appointed by Council to recover funds that are past due or in default. Council may elect to use an internal resource to fulfil these duties if appropriate.
SIESA	Stewart Island Electrical Supply Authority



3. Scope

This policy applies to all revenue streams including:

- Rates and water rates
- SIESA electricity tariffs
- Other revenues, including but not limited to:
 - property licences,
 - rent payments from community housing,
 - resource management fees,
 - building consent fees,
 - animal impound fees,
 - interim bin charges,
 - hall hire,
 - interment fees,
 - airport landing fees, and
 - library fines.

Exceptions

Infringements are covered under the Summary Proceedings Act 1957 and are excluded from this policy. Collection of infringement revenue is managed by the District Court.

Other

In accordance with Section 221 of the Building Act 2004, Council may seek to recover costs from a property owner for remedial work Council carries out when there is a default, in relation to a dangerous/insanitary building. Where the costs remains unpaid after debt recovery processes have occurred, Council will place a charge on the land/a lien or caveat may be added to the certificate of title.

It is also important to note the Building Act 2004 allows Council to transfer debt in relation to a Code of Compliance, to another party (ie the owner).

4. Background

Council requires significant levels of income to provide an extensive range of services to the community and it receives this income from various parties including ratepayers, residents and businesses.

This income is received through different methods such as rates, water rates, user charges, consent fees, licence fees, statutory charges, grants and subsidies. To assist in delivering services effectively and efficiently, Council should receive this income in a timely manner to meet the costs of providing these services.

Council seeks a transparent and equitable approach to managing debt and it seeks to formally outline its approach to the collection of arrears.



5. Policy Details

5.1 Set-off

In circumstances where a person makes an overpayment to Council or is due a refund, and that same person also owes money to the Council, settlement of the outstanding debt may be by set off where the debtor has agreed so in writing.

5.2 Application of interest charges

Other debt

Council does not apply any interest charges on any overdue invoices.

5.3 Application of penalties

Rates/Water rates (including metered water)

In accordance with section 57 and 58 of the Act, Council can apply penalties to rates and water rates that are not paid by the due date. A Council resolution is made in June each year establishing the penalties.

5.4 Restriction of supply

Water rates (metered water only)

Council may restrict water supply to customers with outstanding arrears in accordance with section 193 of the Local Government Act 2002, section 69S of the Health Act 1956 and Council's Water Supply Bylaw 2017. Defect notices are issued to customers who have arrears in excess of 60 days from invoice date which outlines the actions required to avoid restriction. Restriction will result in Council installing a restrictor to reduce the flow rate of water. In restricting water supply, Council must continue to provide an adequate supply of drinking water and consider any vulnerable consumers (such as children under 5, elderly, residents with health concerns, stock etc).

SIESA electricity tariffs

Council may restrict electricity supply by disconnection. Disconnection notices are issued to customers who have arrears in excess of 60 days from invoice date which outlines the actions required to avoid disconnection. Council recognise that disconnection of medically dependent consumers is prohibited in accordance with the Electrical Authority guidelines.

Other debt

Council may restrict provision of services to customers with outstanding arrears where it is not restricted by legislation.



5.5 Collection via demand on mortgagee

Rates/Water rates (including metered water)

Where an owner defaults in paying rates and/or water rates on a property with a mortgage, Council will recover the arrears from the first mortgagee in accordance with section 62(1) of the Act.

Council staff will notify both the owner and the mortgagee of Council's intention to issue a formal demand to the mortgagee for payment of rates and/or water rates arrears, this typically occurs in August. Formal demand for payment from the mortgagee will be issued no earlier than legislatively possible (currently 1 November of the financial year following the year in which the rates were first assessed).

A flowchart outlining the rates recovery process is included as attachment A.

5.6 Collection via rating sale or lease

Rates/Water rates (including metered water)

If Council or a recovery agency have no success in recovering the rates and/or water rates arrears on properties without mortgage, then legal action will commence and a rating sale or lease is possible under section 67(1) of the Act.

Council staff are to proceed with legal action to collect rates and/or water rates arrears no later than 30 June of the year following when the rates became overdue. The first steps in the legal process are to lodge a statement of claim, followed by seeking judgement from the Court for rates and/or water rates arrears. Where judgement does not result in payment of rates and/or water rates arrears, staff will notify Council via a confidential report for their information, of the intention to progress to rating sale. Generally this will occur approximately 24 months after first commencing legal action.

Where a property is sold via rating sale or lease, and the proceeds received are insufficient to cover the full arrears and the associated costs, as prescribed in section 75 of the Act, any outstanding arrears will be written off.

A flow chart outlining the rating sale process is included as attachment B.

5.7 Collection via abandoned land sale or lease

Rates/Water rates (including metered water)

Section 77(1) of the Act permits Council to progress an abandoned land claim where:

1. Council or its representative have had no success in locating a property owner; and
2. no rates and/or water rates payments have been received for at least three years

In these instances Council will apply to the Court to have the land/property declared as abandoned.

Alternatively, property owners may give written notice to Council that they intend to abandon the land/property (voluntary abandonment).

Staff will notify Council via a confidential report, of the intention to pursue declaration as abandoned land.



Where a property is sold via abandoned land sale or lease, and the proceeds received are insufficient to cover the full rates arrears and the associated costs, as prescribed in section 82 of the Act, any outstanding arrears will be written off.

A flow chart outlining the abandoned land process is included as attachment C.

5.8 Write-off of bad debts

Rates/Water rates (including metered water)

Where a property is sold via rating or abandoned land sale or lease, and the proceeds received are insufficient to cover the full rates arrears and the associated costs as prescribed in section 75 and 82 of the Act, any outstanding arrears will be written off.

Council staff will also consider write-off of rates/water rates arrears in accordance with the Remission and Postponement of Rates policy.

SIESA electricity tariffs

Debts will only be written off when all reasonable attempts to recover outstanding amounts have been made (by both the Council and external recovery agencies), or the cost of recovery is likely to equal or exceed the amount to be recovered. The thresholds contained in the delegations section of this policy will be applied when approving the write-off of an existing debt.

All debt under \$50 and more than 120 days past due will be written off without progressing to external recovery agencies.

The writing off of a debt and any associated debt recovery or legal costs will be charged to the SIESA activity.

The SIESA activity manager must confirm the appropriateness of all write-offs.

All write-offs will be reported to the Stewart Island/Rakiura Community Board on a six monthly basis and will include the amount written off, and reason for write-off.

Other debt

Debts will only be written off when all reasonable attempts to recover outstanding amounts have been made (by both the Council and external recovery agencies), or the costs of recovery are likely to equal or exceed the amount to be recovered. The thresholds contained in the delegations section of this policy will be applied when approving the write-off of an existing debt.

All debt under \$50 and more than 120 days past due will be written off without progressing to external recovery agencies.

The writing off of a debt and any associated debt recovery or legal costs will be charged to the activity where the invoice was originally raised.

6. Payment Arrangements

Rates and Water Rates (including metered water)



Payment arrangements for rates and water rates arrears are at the discretion of Council and are typically cleared by 30 June of the current rating year in which the arrangement is made. However, if a ratepayer includes the current year's rates with their rates arrears when making a payment arrangement, Council may extend the payment arrangement for up to 24 months.

Sundry debts

Payment arrangements for sundry debts are at the discretion of Council and should be fully repaid within 120 days of the invoice date.

SIESA

Payment arrangements for SIESA are at the discretion of Council and should be fully repaid within 60 days of the invoice date to avoid disconnection. Any payment arrangement offered in response to a disconnection notice requires approval in accordance with the delegations outlined in this policy. Customers must include the current electricity tariffs with their arrears when making a payment arrangement.

General

Payment arrangements in excess of the periods set in this policy require approval in accordance with the delegations outlined in this policy.

7. Debt recovery costs

Where legally possible, Council will seek to recover any costs associated with the collection of arrears from the relevant customer/ratepayer.

8. Professionalism

Council staff will at all times respect the privacy of individuals and communicate in a courteous and professional manner. At the same time, staff have the right to terminate conversations with any ratepayer or customer who becomes abusive or threatening.

9. Roles, Responsibilities and Delegations

PARTY/PARTIES	ROLES AND RESPONSIBILITIES
Chief Executive (CE)	<p>The Chief Executive has delegated authority to:</p> <ul style="list-style-type: none"> • Approve/authorise legal proceedings in relation to rating sales/leases and abandoned land sales/leases. • Approve the write-off of rates, water rates, SIESA tariffs and other revenue, and associated charges (such as legal/collection fees, interest/penalties etc) up to \$50,000 per request.



PARTY/PARTIES	ROLES AND RESPONSIBILITIES
Chief Financial Officer (CFO)	<p>The Chief Financial Officer is responsible for:</p> <ul style="list-style-type: none"> Developing and maintaining the governance and strategy aspects of this policy. Overall ownership of this policy. <p>The Chief Financial Officer has delegated authority to:</p> <ul style="list-style-type: none"> Approve the write-off of rates, water rates, SIESA tariffs and other revenue, and associated charges (such as legal/collection fees, interest/penalties etc) up to \$25,000 per request. Approve payment arrangements outside normal Council terms. Approve/authorise legal proceedings in relation to collection of all arrears, other than rating sales/leases and abandoned land sales/leases.
Executive Leadership Team Members (not individually specified)	<p>The Executive Leadership Team Members have delegated authority to:</p> <ul style="list-style-type: none"> Approve the write-off of other revenue associated with their activity, and associated charges (such as legal/collection fees, interest/penalties etc) up to \$10,000 per request. Approve payment arrangements outside normal Council terms.
Finance Manager	<p>The Finance Manager is responsible for:</p> <ul style="list-style-type: none"> Developing, maintaining and implementing this policy. Overall administration of this policy. Oversight and review of the debt recovery agency and contract and debt recovery process. <p>The Finance Manager has delegated authority to:</p> <ul style="list-style-type: none"> Approve the write-off of rates, water rates, SIESA tariffs and other revenue, and associated charges (such as legal/collection fees, interest/penalties etc) up to \$10,000 per request. Approve payment arrangements outside normal Council terms up to \$10,000 and/or 240 days. Approve/authorise legal proceedings in relation to collection of all arrears, other than rating sales/leases and abandoned land sales/leases.
SIESA Activity Manager	<p>The SIESA Activity Manager has delegated authority to:</p> <ul style="list-style-type: none"> Authorise disconnection of supply.



PARTY/PARTIES	ROLES AND RESPONSIBILITIES
	<ul style="list-style-type: none"> • Approve the write-off of SIESA tariffs, and associated charges (such as legal/collection fees, interest/penalties etc) up to \$10,000 per request. • Approve payment arrangements for SIESA arrears outside normal Council terms.
Finance Officer/Debtors Officer	<p>The Finance Officer/Debtors Officer is responsible for:</p> <ul style="list-style-type: none"> • Applying this policy. • Collecting arrears from ratepayers and customers. • Establishing, monitoring and following up payment arrangements in accordance with this policy. • Maintaining the debtor's ledger and associated records. • Liaising with Council's Debt Recovery agency. • Ensuring Council's debt management records are accurate and up to date. • Providing reports on debt recovery as required. • Keeping the Finance Manager advised of any significant issues with Council debtors. • Communicating established debt recovery policies and procedures. • Following up with customers/ratepayers. • Establishing payment arrangements with customers/ratepayers in accordance with this policy. <p>The Finance Officer/Debtors Officer has delegated authority to:</p> <ul style="list-style-type: none"> • Make demand on the mortgagee for unpaid rates and water rates. • Issue disconnection notices in accordance with this policy. • Apply penalty charges in accordance with this policy. • Lodge debts with recovery agencies as required. • Advise debt recovery agency or legal representative to proceed to legal recovery (once approved).



10. Associated Documents

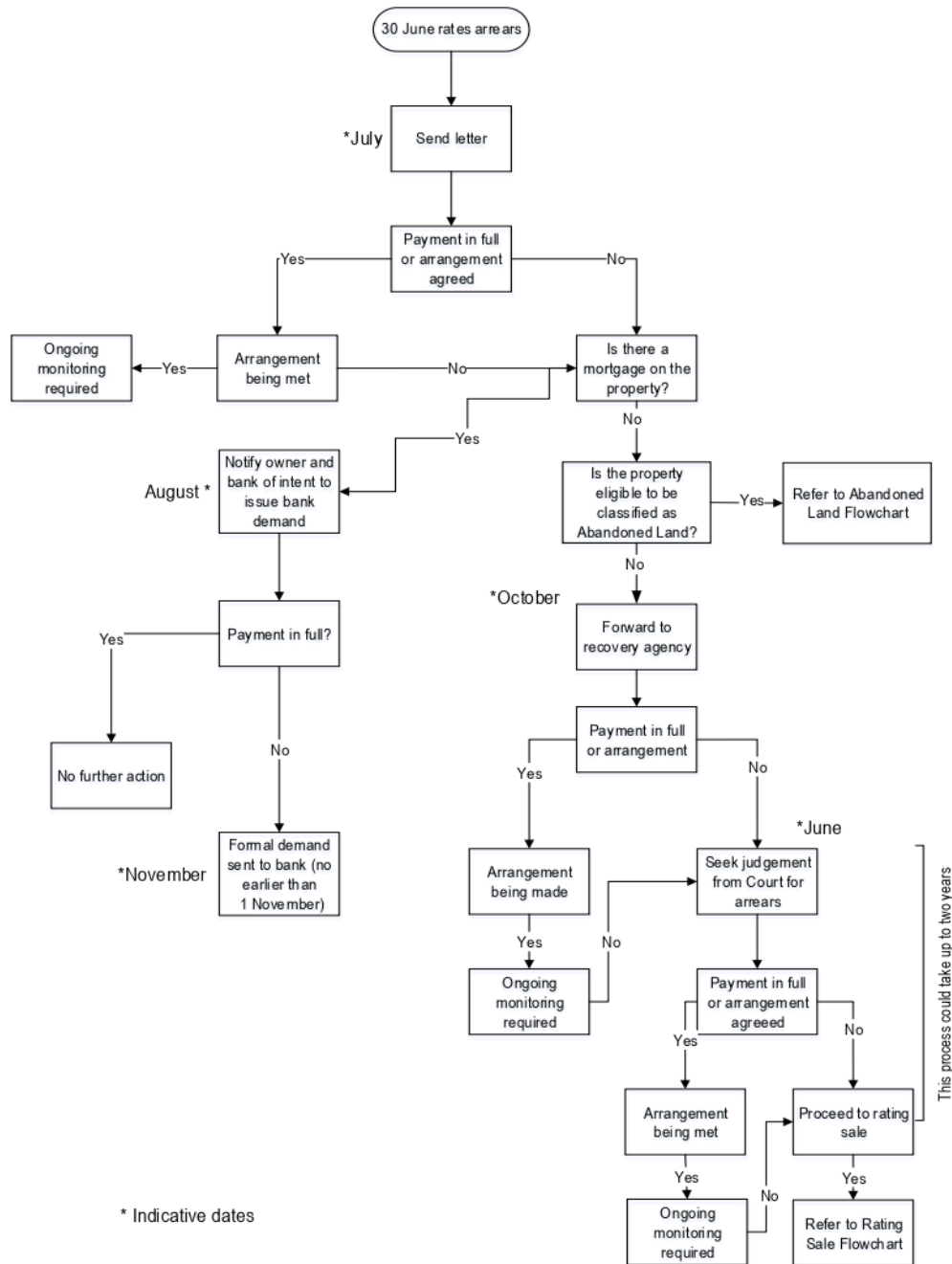
Local Government Act (Rating) Act 2002
 Local Government Act 2002
 Contracts (Privity) Act 1982
 Consumer Guarantees Act 1993
 Summary Proceedings Act 1957
 Electricity Authority Regulations 2010
 Electricity Act 1992
 Health Act 1956

Remission and Postponement of Rates Policy
 SIESA Customer Services Agreement
 Southland District Council Fees and Charges
 Water Supply Bylaw 2017

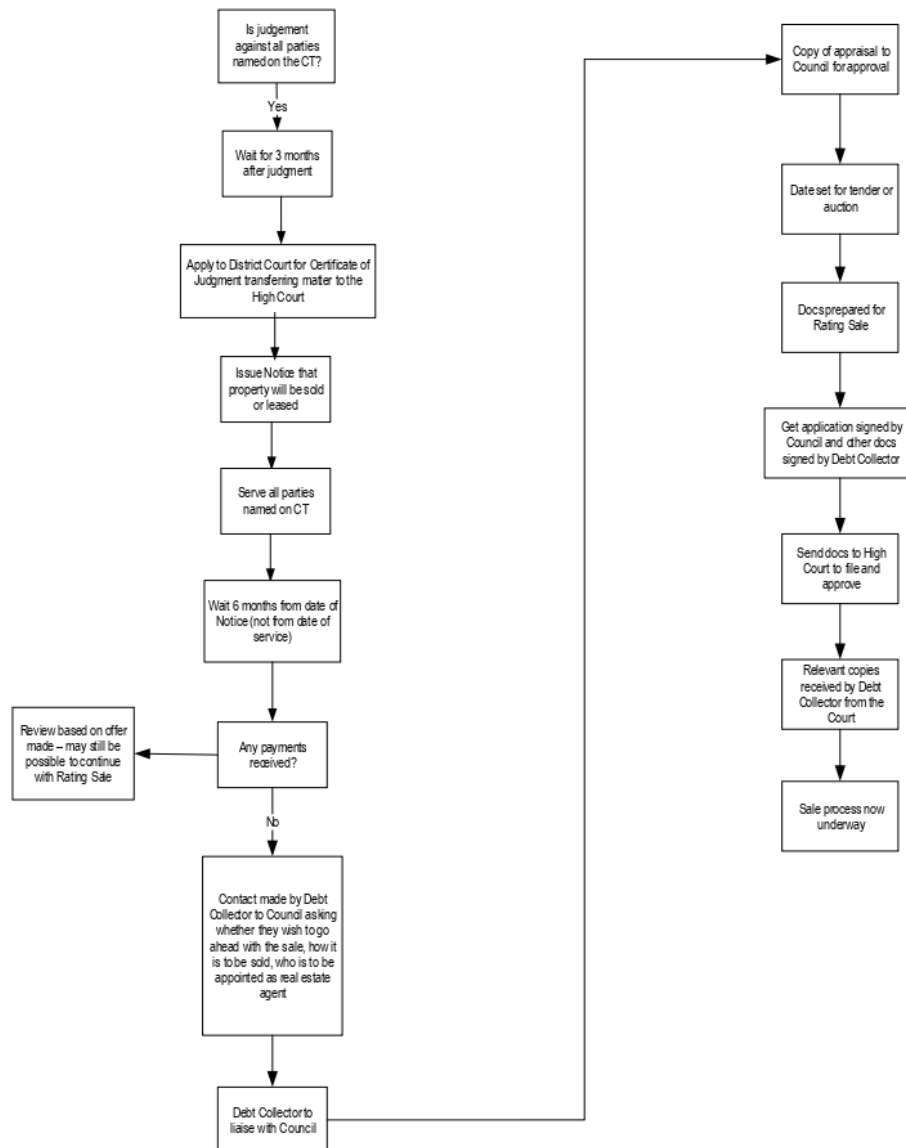
11. Revision Record

DATE	VERSION	REVISION DESCRIPTION
3/12/2018	1	Draft for ELT review and endorsement
4/12/2018	2	Draft for Finance and Audit committee review and endorsement
	3	Final for Council adoption

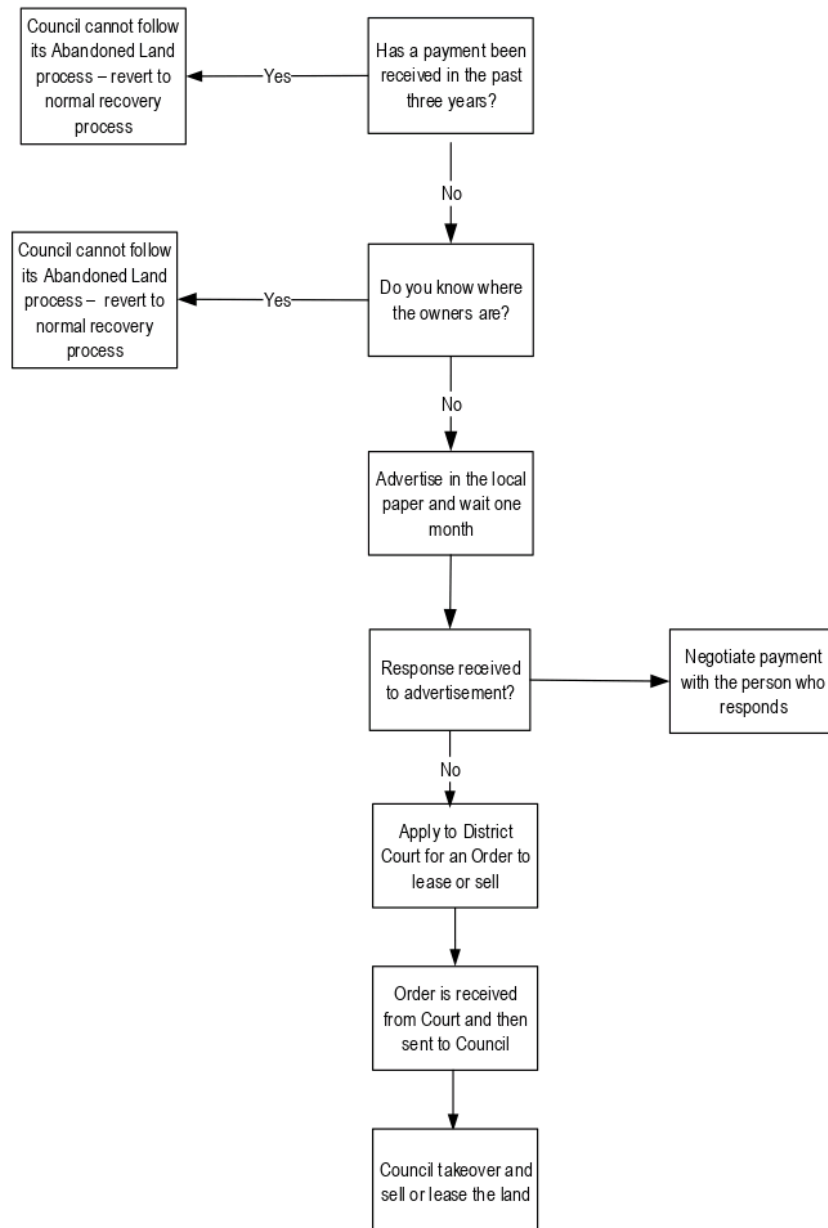
Attachment A - Rates Arrears Recovery Process



Attachment B - Rating Sale Process



Attachment C - Abandoned Land Process



Draft Accounting Position Paper

Record No: R/18/8/19112
Author: Sheree Marrah, Finance Manager
Approved by: Anne Robson, Chief Financial Officer

☐ Decision ☒ Recommendation ☐ Information

Purpose

- 1 In the Audit New Zealand (Audit NZ) Management Reports for the years ended 30 June 2017 and 2018, recommendations were made to Council to consider consolidating Milford Community Trust (MCT) and revisiting the accounting approach for its various joint venture entities.
- 2 This report provides the Committee with the draft accounting position paper in response to Audit NZ's recommendations for the year ending 30 June 2019 and beyond.

Executive Summary

- 3 The draft position paper (Attachment A) has been prepared to provide to Council's auditors, Audit NZ, with an outline of Council's position in relation to accounting for Venture Southland (VS), Southland Regional Heritage Committee (SRHC), Emergency Management Southland (EMS), WasteNet, Milford Community Trust (MCT), Southland Museum and Art Gallery Trust (SMAG), Southland Regional Development Authority (SRDA) and Whakamana Te Waituna Charitable Trust in the Annual Report for the year ended 30 June 2019 and beyond.
- 4 The draft position paper considers the application of PBE IPSAS 6 *Consolidated and Separate Financial Statements*, PBE IPSAS 7 *Investments in Associates*, and PBE IPSAS 8 *Interests in Joint Ventures* which will be superseded by PBE IPSAS 35 *Consolidated Financial Statements*, PBE IPSAS 36 *Investments in Associates and Joint Ventures* and PBE IPSAS 37 *Joint arrangements* for reporting periods beginning on or after 1 January. The overall conclusion of the draft position paper is that Council will for the financial year ended 30 June 2019 and beyond:
 - Equity account for VS, SRHC, SRDA and EMS (associates).
 - Account for Council's share of revenue/expenses, assets and liabilities for WasteNet (a jointly controlled operation)
 - Equity account for SMAG and WTWCT (associates), recognising that they have no equity share.
 - Disclose summary financial information for MCT and SMAG in the CCO section of the Annual Report.
- 5 In compiling the Annual Report for the year ending 30 June 2019, staff will review and amend the necessary accounting policies in support of the recommendations of this report and present to the Committee.

Recommendation

That the Finance and Audit Committee:

- (a) Receives the report titled “Draft Accounting Position Paper” dated 7 December 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) Confirms the content and the proposed conclusions of the attached draft accounting position paper, being that for the Financial Year ended 30 June 2019 and beyond Council will:**
 - Equity account for VS, SRHC, SRDA and EMS (associates).**
 - Account for Council’s share of revenue/expenses, assets and liabilities for WasteNet (a jointly controlled operation)**
 - Equity account for SMAG and WTWCT (associates), recognising that they have no equity share.**
 - Disclose summary financial information for MCT and SMAG in the CCO section of the Annual Report.**
- (e) Approves Attachment A – Draft Accounting Position Paper to be sent to Audit NZ incorporating any changes from this meeting to support the Annual Report for the year ended 30 June 2019 and subsequent financial years.**

Background

- 6 Audit NZ noted as part of its last two management reports to Council that it should consider revisiting the accounting treatment of Councils entities in view of the changes to the accounting standards under which Councils annual report, annual plans and long term plan are prepared. Audit NZ also suggested Council revisit it’s accounting treatment of its other Council joint ventures and council controlled entities, being:

- Southland Regional Heritage Committee (“SRHC”).
- Emergency Management Southland (“EMS”).
- WasteNet Southland.
- Milford Community Trust (“MCT”).
- Southland Museum and Art Gallery Trust Board Inc (“SMAG”)
- Southland Regional Heritage Authority (SRDA)
- Whakamana Te Waituna Charitable Trust (“WTWCT”).

- 7 Currently Council accounts for its entities under IPSAS8: *Interests in Joint Ventures* and IPSAS6: *Consolidated and Separate Financial Statements*. IPSAS8 is being replaced with IPSAS37: *Joint Arrangements* and IPSAS36: *Investments in Associated and Joint Ventures*
- 8 Currently under IPSAS8: *Interests in Joint ventures*, Council has the option to equity account (where Councils share of net surplus/deficit and equity are added to councils accounts at year end) or proportionately consolidate (add into councils accounts its ownership share line by line in the profit and loss and balance sheet). Council has been proportionately consolidating Venture Southland to date, under IPSAS 36 joint controlled entities such as Venture can only be accounted for by equity accounting.
- 9 Additionally to date Councils reporting of other entities has not always been in line with accounting standards. The reason Council chose to differ from accounting standards is the materiality of Councils share of these entities compared to Council and the work to account for them. As such information on these entities was more by way of disclosure in the notes or CCO section of Councils accounts. This stance has not affected Audit NZ audit opinion of Councils accounts, given the materiality level, but as noted they continue to raise the issue in their management accounts.

Issues

- 10 Audit NZ have asked for Council to establish a formal position in relation to accounting for its interest in joint ventures and CCOs, and upon receipt of this they will consider Council's approach and advise if they concur with Council's position. It has requested this due to changes occurring in accounting standards as well as a lack of clarity around the type and equity share of Councils CCO's.
- 11 Staff have prepared a draft position paper on these matters for the Committee's consideration (Attachment A). If the Committee confirm the approach, this paper will be provided to Audit NZ.
- 12 In determining the accounting treatment of each entity, staff have considered the requirements of the standards and developed a decision tree. Refer to Attachment B for a copy of this decision tree.
- 13 Additionally Attachment C provides an overview of each entity, Council's current accounting approach, and the proposed approach under the new accounting standards, which Council are proposing to early adopt and apply for the year ended 30 June 2019.

Factors to Consider

Legal and Statutory Requirements

- 14 Section 98 of the Local Government Act 2002 requires the Council to prepare and adopt an Annual Report within four months of the end of the financial year.
- 15 Section 111 of the Local Government Act states that any information to be prepared must be in accordance with generally accounting practice where the information is of a form or nature for which generally accepted accounting practice has developed standards.

Community Views

Costs and Funding

- 16 There are no direct cost implications of Council adopting accounting policies.

Policy Implications

- 17 Council has by way of Section 6.1 of the Finance and Audit Committee's terms of reference delegated to the Committee to consider and make recommendations to Council in regards to accounting treatments, changes in generally accepted accounting practice and new accounting and reporting requirements.

Analysis

Analysis of Options

- 18 **Option 1 – Accept the proposed accounting approach for the year ended 30 June 2019 and beyond for Council's various associated entities, including any amendments agreed at the meeting, as follows:**
- Equity account for VS, SRHC, SRDA and EMS (associates).
 - Account for Council's share of revenue/expenses, assets and liabilities for WasteNet (a jointly controlled operation)
 - Equity account for SMAG and WTWCT (associates), recognising that they have no equity share.
 - Disclose summary financial information for MCT and SMAG in the CCO section of the Annual Report.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Compliant with incoming PBE IPSAS 36 and 37.• Accounting policy is consistent between annual report and budget for 30 June 2019 year and beyond.• Equity accounting is easy to administer.• Financial statements may be easier for the reader to understand.• Financial results of all SDC CCOs are disclosed in the annual report to 30 June 2019 and beyond.	<ul style="list-style-type: none">• Non-compliance with the relevant accounting standards• Proposed approach to accounting for MCT is different to what Audit NZ recommended.

Option 2 – Seek further advice from an independent expert to confirm Council’s proposed approach.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">Independent verification of the approach prior to providing our position paper to Audit NZ.	<ul style="list-style-type: none">Potential cost associated with an independent review.Risk associated with the accounting treatment is not considered significant as the values individually and in aggregate are immaterial.

Assessment of Significance

- 19 In terms of Council’s Significance and Engagement Policy, the accounting policies which form part of the Annual Report are not considered significant.

Recommended Option

- 20 **Council’s recommended approach is Option 1 – Accept the proposed accounting approach for the year ended 30 June 2019 and beyond for Council’s various associated entities, including any amendments agreed at the meeting, as follows:**
- Equity account for VS, SRHC, SRDA and EMS (associates).
 - Account for Council’s share of revenue/expenses, assets and liabilities for WasteNet (a jointly controlled operation)
 - Equity account for SMAG and WTWCT (associates), recognising that they have no equity share.
 - Disclose summary financial information for MCT and SMAG in the CCO section of the Annual Report.

2 Next Steps

- 21 If the Committee approves the draft position paper, it will be finalised and provided to Audit NZ for their consideration.
- 22 Council’s accounting policies will be updated to reflect the proposed approach to accounting for joint ventures and CCOs as required for the year ending 30 June 2019 and beyond. This will be presented to the committee before commencing the annual report.
- 23 Council will early adopt PBE IPSAS 37 *Joint arrangements* and PBE IPSAS 36 *Investments in Associated and Joint Ventures* for its Annual report for the year ended 30 June 2019 as the proposed approach in this report meets the requirements of these upcoming standards.

Attachments

- A Draft Accounting Position Paper [↗](#)
- B Flowchart - Accounting entities [↗](#)
- C Overall Summary [↗](#)

Draft Accounting Position Paper

Other Council Entities

Audit NZ noted as part of the 2016/2017 and 2017/2018 Management Report that Council should consider the use of equity accounting for Venture Southland in accordance with PBE IPSAS 8: *Interests in Joint Ventures*. This standard allows the choice of accounting for interests in joint ventures, being either proportionate or equity accounting. Audit NZ also questioned Council's accounting treatment of a number of other Council joint ventures and council controlled entities, particularly:

- Southland Regional Heritage Committee ("SRHC")
- Emergency Management Southland ("EMS")
- WasteNet Southland
- Milford Community Trust ("MCT")
- Southland Museum and Art Gallery Trust Board Inc ("SMAG")
- Southland Regional Development Agency Limited ("SRDA")
- Whakamana Te Waituna Charitable Trust ("WTWCT").

Audit NZ have subsequently advised that there is an upcoming change in accounting standards which are effective from January 2019. PBE IPSAS 7: *Interests in Associates* and PBE IPSAS 8: *Interests in Joint Ventures* will be superseded by PBE IPSAS 37 *Joint arrangements* along with PBE IPSAS 36 *Investments in Associates and Joint Ventures*, which require interests in jointly controlled entities to be accounted for using the equity method (no choice available).

What does is Council's current approach to accounting for these entities?

Venture Southland

Council currently proportionately consolidate its 42% share of Venture Southland's income, expenditure, assets and liabilities.

Southland Regional Heritage Committee

Currently Council recognise its annual grant to SRHC as an expense item, however do not recognise any other accounting entries for SRHC as its share of the net assets is not considered material. Disclosure of the net assets of the committee have been included in the notes to the accounts of the Annual Report for the past two years.

Emergency Management Southland

Currently Council recognise its annual grant to EMS as an expense item, however do not recognise any other accounting entries for EMS as its share of the net assets is not considered material. Disclosure of the net assets of the committee have not been included in the notes to the accounts of the Annual Report.

WasteNet Southland

Currently Council recognise its share of the income and expenditure of WasteNet on the statement of comprehensive income and expenditure, however do not recognise any other accounting entries for

WasteNet as its share of the net assets is not considered material. Disclosure of the net assets of WasteNet have not been included in the notes to the accounts of the Annual Report.

Milford Community Trust

Currently Council do not consolidate MCT into its accounts. Summarised financial information is shown in the CCO section of the annual report on an annual basis.

Southland Museum and Art Gallery Trust Board Inc

Council's contribution to SMAG is indirect via its grant to SRHC. SRHC then allocate funding to SMAG. No summarised financial information is shown in the CCO section of the annual report on an annual basis.

Southland Regional Development Agency Limited

This company is in the process of being established.

Whakamana Te Waituna Charitable Trust

This Trust was established in March 2018. Council currently only provide an annual grant to this Trust.

Accounting for Joint Ventures

BACKGROUND

What is a joint venture?

A Joint venture (JV) is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Joint control is the agreed sharing of control over an activity by a binding arrangement.

What accounting standard applies to a joint venture?

PBE IPSAS 8 *Interests in Joint Ventures* is the Accounting Standard applicable to joint ventures for Tier 1 and Tier 2 public benefit entities. Council is a Tier 1 public benefit entity.

Are there different types of joint ventures?

PBE IPSAS 8 states there are three types of joint venture:

1. Jointly controlled operations - involves the use of the assets and other resources of the parties to the JV rather than the establishment of a corporation, partnership or other entity. Each party to the JV carries its own plant and equipment and inventories, and incurs its own expenses and liabilities.
2. Jointly controlled assets - involves the joint control of, or joint ownership of the assets acquired for the purpose of the joint venture. Each party takes a share in the outputs from the assets and each bears an agreed share of the expenses incurred. There is no establishment of a corporation, partnership or other entity, or a financial structure that is separate from the parties to the JV themselves.
3. Jointly controlled entities – involves the establishment of a corporation, partnership or other entity in which each party to the JV has an interest. The entity operates in the same way as other entities except that a binding arrangement between the parties establishes control over the activities of the entity.

UPCOMING CHANGES IN ACCOUNTING STANDARDS

Audit NZ have recently advised that there is an upcoming change in accounting standards which are effective from January 2019. PBE IPSAS 8: *Interests in Joint Ventures* will be superseded by PBE IPSAS 37 *Joint arrangements* along with PBE IPSAS 36 *Investments in Associates and Joint Ventures*, which require interests in jointly controlled entities to be accounted for using the equity method. The option to choose the accounting approach has been removed to align with the relevant International Financial Reporting Standards (IFRS 11).

APPLICATION TO COUNCIL

Are Council's entities jointly controlled operations, jointly controlled assets or jointly controlled entities?

	Binding arrangement exist?	SDC's Governance representation?	Unilateral power to control?	SDC's share upon dissolution?	Equity?	Type of joint venture? IPSAS 7/8	Type of joint venture? IPSAS 36/37
Venture Southland	Heads of agreement (HoA) signed June 2001	5 of 13 and authority to jointly appoint 1 iwi representative	No	Proportion of the assets based on contributions (excluding assets belonging to a specific party)	Annual contribution varies. Original equity contribution of 42%	Jointly controlled entity	Associate as Council has significant influence
Southland Regional Heritage Committee	HoA signed in July 2005	2 of 6 and authority to jointly appoint others	No	Proportion of the assets based on contributions (excluding assets belonging to a specific party)	Varies annually based on UAGC collected from ratepayers. Average of 33% contribution over the past 14 years (range of 28%-38%)	Jointly controlled entity	Associate as Council has significant influence
Emergency Management Southland	Agreement on Joint Civil Defence Services signed in July 2010	1 of 4	No	Proportion of the assets based on contributions per clause 8.1 of HoA	28.27% per clause 8.1 of HoA, however subsequently amended to 25.92% as a result of a change in contribution levels from 1 July 2015	Jointly controlled entity	Associate as Council has significant influence
WasteNet	Joint Waste Management Agreement signed in October 2011	2 of 6	No	Where shortfall or surpluses exist it is on a pro rata basis based on population. Currently 31% based on 2013 census data.	Contract payment varies based on level of service provided, however where shortfall or surpluses exist it is on a pro rata	Jointly controlled operation	Joint Arrangement as Council has joint control

	Binding arrangement exist?	SDC's Governance representation?	Unilateral power to control?	SDC's share upon dissolution?	Equity?	Type of joint venture? IPSAS 7/8	Type of joint venture? IPSAS 36/37
					basis based on population. Currently 31% based on 2013 census data.		

In addition to considering if the entities have individual binding agreement and joint representation on the governing bodies, the standard also recognises that a jointly controlled entity has control of the assets of the JV and incurs liabilities/expenses in its own name. On this basis, Council consider Venture Southland, SRHC and EMS to be jointly controlled entities whereby Council has significant influence.

WasteNet Southland however is considered a jointly controlled operation/joint arrangement, as although there is a management agreement and governance representation, Council incur its own expenses and liabilities and is eligible for a share of the revenue in accordance with the agreement.

What are the accounting requirements for jointly controlled entities/Associates?

Paragraph 35 of PBE IPSAS 8 outlines that JV parties have the option to account for their interest in jointly controlled entities using

- proportionate consolidation, or
- the equity method

Proportionate consolidation means that the statement of financial position of the party to the JV includes its share of the assets it controls jointly and its share of the liabilities for which it is jointly responsible. The statement of comprehensive revenue and expense of the party to the JV includes its share of the revenue and expenses of the jointly controlled entity.

Equity accounting means that the party's investment in the JV is initially recognised at cost as an asset, and adjusted thereafter for the post-acquisition change in the party's share of net assets/equity of the JV. On the statement of comprehensive revenue and expense, the surplus or deficit of the party to the JV includes its share of the surplus or deficit of the JV. This is the simpler of the 2 approaches with only a single entry in each of the statement of financial performance and statement of financial position.

Going forward

Under PBE IPSAS 36 *Investments in Associates and Joint Ventures*, effective from 1 January 2019 requires interests in jointly controlled entities where there is significant influence, to be accounted for using the equity method (no choice available).

What are the accounting requirements for jointly controlled operations/Joint Arrangements?

Paragraph 19 of PBE IPSAS 8 outlines that JV parties must recognise in its financial statements the assets that it controls and the liabilities that it incurs, and its share of the revenue and expenses from the sale of goods or provision of services by the JV. As these are already recognised in the financial statements of the venturer, no adjustments or other consolidation entries are typically required.

Going forward

Under PBE IPSAS 37 *Joint Arrangements*, effective from 1 January 2019, interests in jointly controlled operations are recognised in its venturer's financial statements, as the assets that it controls and the liabilities that it incurs, and its share of the revenue and expenses from the sale of goods or provision of services by the JV. This is a consistent approach to what was previously provided for in PBE IPSAS 8.

Application of PBE IPSAS 8/36 to Venture Southland

To date, Council has proportionately consolidated its 42% share of Venture Southland.

For the 2018-2028 Long Term Plan, Council has changed its accounting policy to equity accounting in accordance with PBE IPSAS8 *Interests in Joint Ventures* and then subsequently PBE IPSAS 36 *Investments in Associates and Joint Ventures*.

Application of PBE IPSAS 8/36 to Southland Regional Heritage Committee and Emergency Management Southland

To date, Council has not equity or proportionately accounted any of these entities, primarily because the equity share is not easily determined and the values in question are immaterial in regards to Council's balance sheet. Currently Council accounts for the contributions to these entities but does not record a share of any surplus or assets held by these entities.

In the case of the Southland Regional Heritage Committee, separate financial statements and records are kept and Council provide disclosure in the notes to the Annual Report, of the net assets of the entity at balance date.

Council also note that a separate statement of financial position is not maintained for EMS by the operating Council (being Environment Southland), however it does have a reserve established for this JV.

A summary of the preliminary financial results of these entities at 30 June 2018 is as follows:

	Net Surplus/ (Deficit)	Net Assets	SDC share of Net Surplus/ (Deficit)	SDC share of Net Assets
Southland Regional Heritage Committee	\$240,021	\$809,452	Average of 33% contribution over past 14 years (ranging from 28% to 38%) \$79,207	Average of 33% contribution over past 14 years (ranging from 28% to 38%) \$267,119
Emergency Management Southland	(\$76,303)	\$373,345	25.92% (\$19,778)	25.92% \$96,771

For the 2018-2028 Long Term Plan, Council has changed its accounting policy to equity accounting in accordance with PBE IPSAS 8 *Interests in Joint Ventures* and then subsequently PBE IPSAS 36 *Investments in Associated and Joint Ventures*.

Application of PBE IPSAS 8 to WasteNet Southland

To date Council has recognised its income and expenditure in relation to this jointly controlled operation in accordance with PBE IPSAS 8 and not recognised any share of the associated reserve, primarily because the values in question are immaterial in regards to Council's balance sheet.

To date, Council have considered the operations WasteNet to be immaterial and thus have not accounted for the share of the assets or liabilities. Council also note that a separate statement of financial position is not maintained for WasteNet by the operating Council (being ICC), however it does have a separate reserve for WasteNet.

	Net Surplus/ (Deficit)	Net Assets	SDC share of Net Surplus/ (Deficit)	SDC share of Net Assets
WasteNet	\$58,324	\$595,980	Based on population (31%) \$18,080	Based on population (31%) \$184,754

Going forward Council's current accounting treatment is appropriate, however Council also need to recognise its share of WasteNet's assets and liabilities.

Proposed Approach

Council's assessment has been primarily based on the financial value to Council of the joint ventures and the readability of our Annual Report for our stakeholders, and accordingly Council's proposed approach is:

Change the accounting policy to equity accounting for jointly controlled entities (associates) (applicable to VS, SRHC and EMS) and account for Council's share of income/expenditure/assets and liabilities for jointly controlled operations (applicable to WasteNet) from 1 July 2018.

Going forward Council propose to apply equity accounting all jointly controlled entities in accordance with PBE IPSAS 8: *Interests in Joint Ventures* and going forward PBE IPSAS 36: *Investments in Associates and Joint Ventures*, with the rationale being that equity accounting is a simpler approach than proportionate accounting and the new PBE IPSAS 36 requires the use of equity accounting for reporting periods beginning on or after 1 January 2019.

The level of equity held by Council in most of the joint controlled entities fluctuates on an annual basis depending various factors which in accordance with the contents of the binding arrangements for each of the entities. The table included earlier in this report establish a basis for recognising Council's share of the entities. The applicable joint venture entities which will be accounted for in this manner are VS, SRHC and EMS, noting that VS will cease to exist once the new regional development organisation is established.

In relation to jointly controlled operations, going forward Council propose to recognise its income, expenditure, assets and liabilities in relation to each jointly controlled operation in accordance with PBE IPSAS 8 and going forward PBE IPSAS 37: *Joint Arrangements*. The applicable entities which will be accounted for in this manner are WasteNet Southland.

Accounting for Council Controlled Organisations

During the audit of the annual report for the year ended 30 June 2017 and 2018, Audit New Zealand suggested in its management report potential changes in accounting for Milford Community Trust (MCT). As Milford Community Trust is a Council Controlled Organisation (CCO), Audit NZ recommended that the financial results of MCT be consolidated into Council's Annual Report. Additionally Southland Museum and Art Gallery Board Trust Inc (SMAG) is also a CCO.

Currently Council do not consolidate MCT into its accounts. Summarised financial information is shown in the CCO section of the annual report on an annual basis.

Currently Council do not consolidate SMAG into its accounts. Council's contribution to SMAG is indirect via its grant to SRHC. SRHC then allocate funding to SMAG. In the 2018 Annual Report Council included summarised financial information in the CCO section for SMAG.

BACKGROUND

What is a Council Controlled Organisation ("CCO")?

As per section 6 of the Local Government Act 2002, a CCO is an entity in respect of which 1 or more local authorities have, whether or not jointly with other local authorities or persons,—

- (i) control, directly or indirectly, of 50% or more of the votes at any meeting of the members or controlling body of the entity; or
- (ii) the right, directly or indirectly, to appoint 50% or more of the trustees, directors, or managers (however described) of the entity.

What accounting standard applies to a CCO?

PBE IPSAS 6 *Consolidated and Separate Financial Statements* is the Accounting Standard applicable to CCOs for Tier 1 and Tier 2 public benefit entities. Council is a Tier 1 public benefit entity.

A controlling entity, shall present consolidated financial statements in which it consolidates its controlled entities in accordance with this Standard. Consolidated financial statements are the financial statements of an economic entity (ie group) presented as those of a single entity.

A controlled entity is an entity, including an unincorporated entity such as a partnership, which is under the control of another entity (known as the controlling entity).

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

How do you determine if control exists?

Per paragraph 39.1 of PBE IPSAS 6, the definition of control under this Standard requires that there be both a power element and a benefit element. The following circumstances listed establish a rebuttable presumption that control exists.

- (i) A beneficial ownership of a majority voting interest in an entity.

- (ii) A unilateral power to obtain a majority voting interest through ownership of securities or other rights that are currently convertible into a majority voting interest at the option of the holder where conversion is favourable to the holder.
- (iii) A unilateral power to appoint or remove a majority of the members of the governing body of an entity.
- (iv) A unilateral power, through any form of mechanism, to set or modify the financing and operating policies that guide the activities of an entity.
- (v) A unilateral power to extract distributions of economic benefits from an entity, where economic benefits include performance that meets the objectives of the controlling entity.
- (vi) A right that is directly attributable to the ownership interest in another entity, to a majority of the economic benefits arising from that entity, irrespective of the timing or the mode of distribution of the benefits.
- (vii) A unilateral power to dissolve an entity and obtain a significant level of the residual economic benefits.

	Council appoints trustees?	Governance representation?	Benefit?	Equity?
Milford Community Trust	Yes per clause 6(c) of Trust deed	1 of 7 trustees from Council, however Council must approve all trustees	SDC does not receive any direct benefits from this Trust	SDC is the settlor of the Trust, however no direct financial contributions
Southland Museum and Art Gallery Trust Board Inc	No	2 of 10 representatives on the governing board	SDC does not receive any direct benefits from this Trust	No direct contribution. Indirect contribution via SRHC

What is the scope of PBE IPSAS 6?

An entity that prepares and presents financial statements shall apply this Standard in the preparation and presentation of consolidated financial statements for an economic entity.

This Standard establishes requirements for the preparation and presentation of consolidated financial statements, and for accounting for controlled entities, jointly controlled entities, and associates in the separate financial statements of the controlling entity, the venturer, and the investor.

In preparing consolidated financial statements, an entity combines the financial statements of the controlling entity and its controlled entities line by line, by adding together like items of assets, liabilities, net assets/equity, revenue, and expenses. In order that the consolidated financial statements present financial information about the economic entity as that of a single entity, the following steps are then taken:

- Carrying amount of the investment in controlled entities is eliminated
- Minority interests of controlled entities are identified and accounted for separately.

APPLICATION TO COUNCIL

MCT

Based on the assessment above it is apparent that control does not exist for MCT, as although Council has the overarching ability to appoint trustees it is not entitled to direct benefits from the Trust. It is also important to note that although there is a binding agreement, decisions do not require unanimous consent. Council's representation on the Trust is 1 of 7 and therefore also illustrates that Council does not have significant influence over the Trust. On this basis it appears to fall outside the scope of PBE IPSAS 6/7/8 (35/36/37).

To date Council have considered the operations and assets of MCT to be immaterial and only disclosed a summary of key financial and performance indicators in the CCO section of the Annual Report. For the year ended 30 June 2018, MCT's total revenue equated to \$130,000 and an overall Net Surplus of \$113,000. Net Assets at 30 June 2018 were \$326,000.

SMAG

For SMAG both control and benefit do not exist. Although SMAG is a CCO as multiple Council's, in aggregate have control, the accounting approach is determined on the control of the individual Council. In considering SMAG under *PBE IPSAS 36: Investments in Associates and Joint Ventures*, SMAG is considered an associate of Council (as it has a separately binding agreement and there is significant influence (20% of the voting power), however as Council has no equity share, equity accounting is not possible.

Currently performance information and summary financial information for SMAG has been disclosed in Council's Annual Report. For the year ended 30 June 2018, SMAG's total revenue equated to \$1.8 million and an overall Net Deficit of \$331,000. Net Assets at 30 June 2018 were \$2.9 million.

Proposed Approach

Council's assessment has been primarily based on the financial value to Council of the CCO and the readability of our Annual Report for our stakeholders, and accordingly Council's proposed approach is:

Disclose in the Annual Report for the year ended 30 June 2019 and beyond, MCT and SMAG summary financial information in the CCO section of the Annual Report.

Accounting for CCOs in the future

Going forward Council propose to include summary financial information in the CCO section of the Annual Report for both MCT and SMAG.

If any other CCOs are established in the future consideration will be given to the individual aspects of the CCO in order to ascertain how it is to be accounted for.

Accounting for newly established entities

Southland Regional Development Agency Limited

This company was established in November 2018. Council hold 2,250 of the 9,000 Class A shares. Additionally there is 1,500 Class B shares. Other than the acquisition of the shares, Council's only anticipated financial contribution to the company is an annual grant. Upon liquidation of the company in accordance with section 32 of the constitution, a special resolution of shareholders is required to divide any remaining assets amongst shareholders as it deems appropriate.

In considering SRDA under *PBE IPSAS 36: Investments in Associates and Joint Ventures*, SRDA is considered an associate of Council (as it has a separately binding agreement and there is significant influence (25% of the voting power), it is required to be equity accounted.

Whakamana Te Waituna Charitable Trust

This Trust was established in March 2018. Council represent 2 of the 9 trustees. Section 15 of the second schedule to the trust deed specifies that no Council can control the trust or any decisions it makes. Council's only financial contribution to the Trust is an annual grant. Upon wind up of the Trust, any surplus assets must be given to a charitable organisation with similar objectives to the Trust.

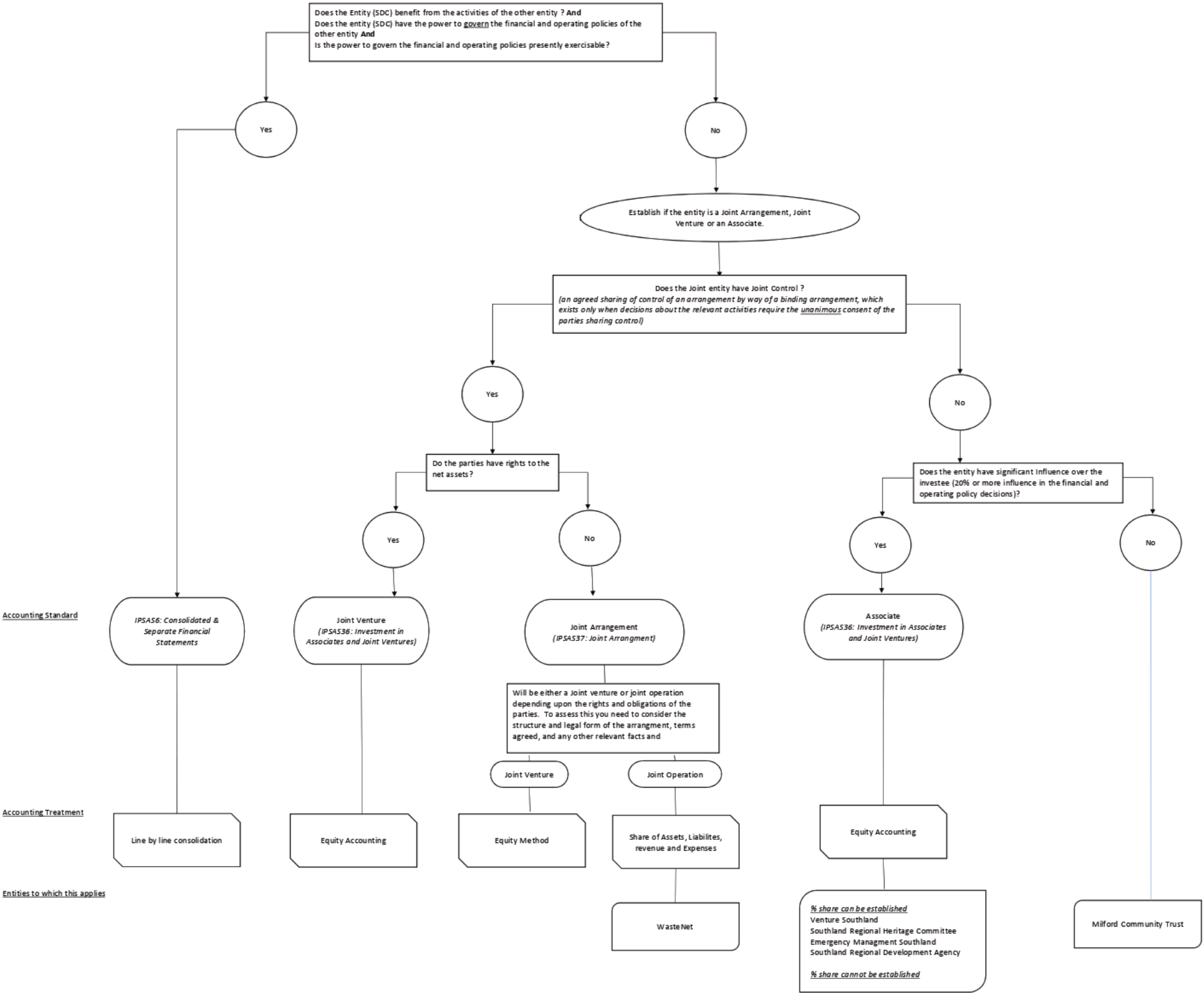
In considering WTWCT under *PBE IPSAS 36: Investments in Associates and Joint Ventures*, WTWCT is considered an associate of Council (as it has a separately binding agreement and there is significant influence (20% of the voting power), however as Council has no equity share, equity accounting is not possible.

Proposed Approach

Given the facts noted above and consideration of the various accounting standards, Council's proposed approach is:

Equity account for SRDA in the annual report for the year ended 30 June 2019 and beyond, and only include grant to WTWCT in the statement of comprehensive income in the Annual Report.

Accounting Treatment of Southland District Council Entities



DRAFT Accounting Position Paper - Overall summary

Entity	Current accounting standard	Upcoming accounting standard (effective for periods beginning on or after 1 January 2019 - early adoption permitted)	Current Accounting approach	Upcoming accounting approach
Venture Southland	Jointly Controlled Entity (PBE IPSAS 8)	Associate (PBE IPSAS 36)	Proportionate Consolidation	Equity Accounting
Southland Regional Heritage Committee	Jointly Controlled Entity (PBE IPSAS 8)	Associate (PBE IPSAS 36)	Disclosure in the notes to the financial statements	Equity Accounting
Emergency Management Southland	Jointly Controlled Entity (PBE IPSAS 8)	Associate (PBE IPSAS 36)	Account for our contribution to EMS only.	Equity Accounting
WasteNet	Jointly Controlled Operation (PBE IPSAS 7)	Joint Arrangement (PBE IPSAS 37)	Account for our payments to WasteNet only.	Account for Council's share of revenue, expenses, assets and liabilities
Milford Community Trust	Controlled Entity (PBE IPSAS 6)	Controlled Entity (PBE IPSAS 35)	Disclosure in CCO section of the annual report, including financial information	Disclosure in CCO section of the annual report, including financial information
Southland Museum and Art Gallery Trust	Associate (PBE IPSAS 7)	Associate (PBE IPSAS 36)	Disclosure in CCO section of the annual report, including financial information	Disclosure in CCO section of the annual report, including financial information
Southland Regional Development Authority	N/A - only set up in 2018	Associate (PBE IPSAS 36)	N/A - only set up in 2018	Equity Accounting
Whakamana Te Waituma Charitable Trust	N/A - only set up in 2018	Associate (PBE IPSAS 36)	N/A - only set up in 2018	Account for our contribution to WTWCT only. No equity held to be able to undertake equity accounting.

Monthly Financial Report - October 2018

Record No: R/18/11/27498
Author: Kate Westenra, Graduate Accountant
Approved by: Anne Robson, Chief Financial Officer

☐ Decision ☐ Recommendation ☒ Information

Summary

1. The purpose of this report is to provide Finance and Audit with an overview and to provide financial information around the results of our operations within our nine groups of activities, the Financial Position, and the statement of Cash Flows.
2. This report summaries Council financial results for the four months to 31 October 2018.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled “Monthly Financial Report - October 2018” dated 5 December 2018.**

Attachments

- A Monthly Council Financial Report - October 2018 [📄](#)



Monthly Financial Report

October 2018

Southland District Council
Te Rohe Pōtae o Murihiku

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Executive Summary

1. This Monthly Financial Report summarises Council's financial results for the four months to 31 October 2018.
2. The Monthly Financial Report Summary consolidates the business units within each of the key areas of the Executive Leadership Team (ELT) responsibility.
3. The Monthly Financial Report includes:
 - Year to Date (YTD) Actuals, which are the actual costs incurred,
 - Year to Date (YTD) Projection, which is based on the full year projection and is a combination of the Annual Plan and carry forwards,
 - Year to Date (YTD) Budget, which is based on the full year Annual Plan budget with adjustments for phasing of budgets,
 - Full Year (FY) Budget, which is the Annual Plan budget figures,
 - Full Year (FY) Projection, which is the Annual Plan Budget figures plus the carry forwards.
4. Phasing of budgets occurs in the first two 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.
5. Where phasing of budgets has not occurred, one twelfth of annual budgeted cost is used to calculate the monthly budget.
6. Southland District Council Summary Reports use a materiality threshold to measure, monitor and report on financial performance and position of the Council. The materiality threshold adopted by Council, together with annual budget for 2018/2019 is variances greater or lower than 10% of the original adopted budget and greater than \$10K in value.
7. Report Contents:
 - A. Council Monthly Summary
 - B. Council Summary Report - Income and Expenditure and Commentary
 - C. Statement of Comprehensive Income
 - D. Statement of Financial Position and Movement Commentary
 - E. Statement of Cash Flows

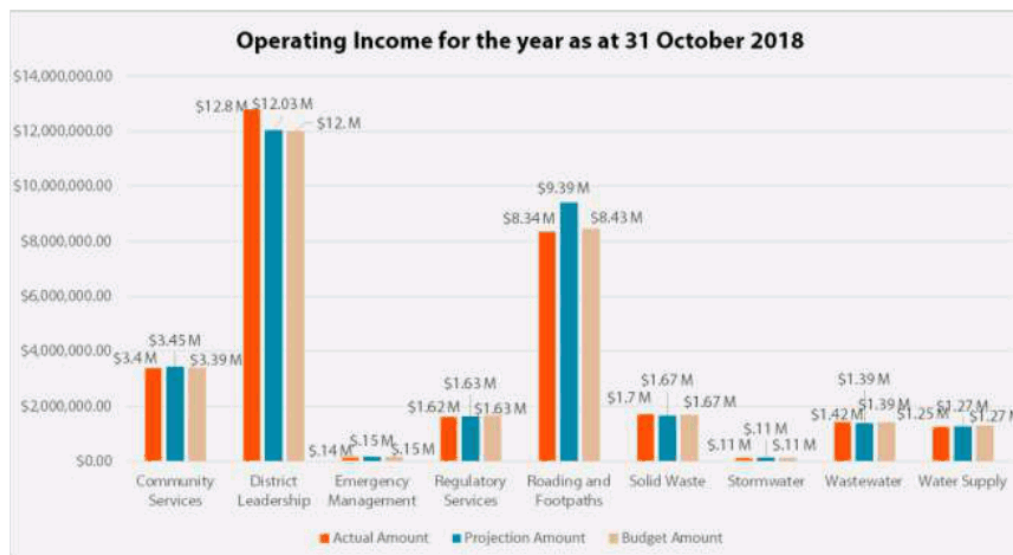
Abbreviation Explanation

Abbreviation	Description
AP	Annual Plan
CAPEX	Capital Expenditure
ELT	Executive Leadership Team
FYB	Full Year Budget
GDC	Gore District Council
GIS	Geographic Information System
GMSE	GeoMedia Smart Client
GST	Goods and Services Tax
ICC	Invercargill City Council
LED	Light Emitting Diode
LTP	Long Term Plan
ME	Month End
NZTA	New Zealand Transport Authority
SDC	Southland District Council
SIESA	Stewart Island Electricity Supply Authority
YE	Year End
YTD	Year To Date
YTD Variance	Comparison of actual results compared to YTD budget
\$K	Thousands of dollars
\$M	Millions of dollars

A. Council Monthly Summary

1. Income

Operating Income is \$315K (1%) under projection for YTD (\$30.8M actual vs \$31.1M projected)



District Leadership income is \$763K over projection YTD.

- **Forestry** is \$1.1M over projection. This is due to the tonnage of the Waikaia harvest being significantly higher than budgeted (32K t against a budget of 21K t). Additionally, there was an increase in the price per tonne to some sales, \$117/t against a budget of \$92/t.
- **Corporate Support** is \$247K under projection. This is made up of various areas within the corporate support group. Most of these activities within corporate support are internally funded therefore income is a reflection of the expenditure levels. The key variance is:
 - **Operations and Community Services** which is under projection by \$186K. This business unit is internally funded and reflects expenditure which is 52% (\$190K) under projection YTD. In the budget there is an income line for recoveries from the roading business unit for work completed by the community engineers. Due to the way we need to report to NZTA we are now having to offset this income directly against expenses.

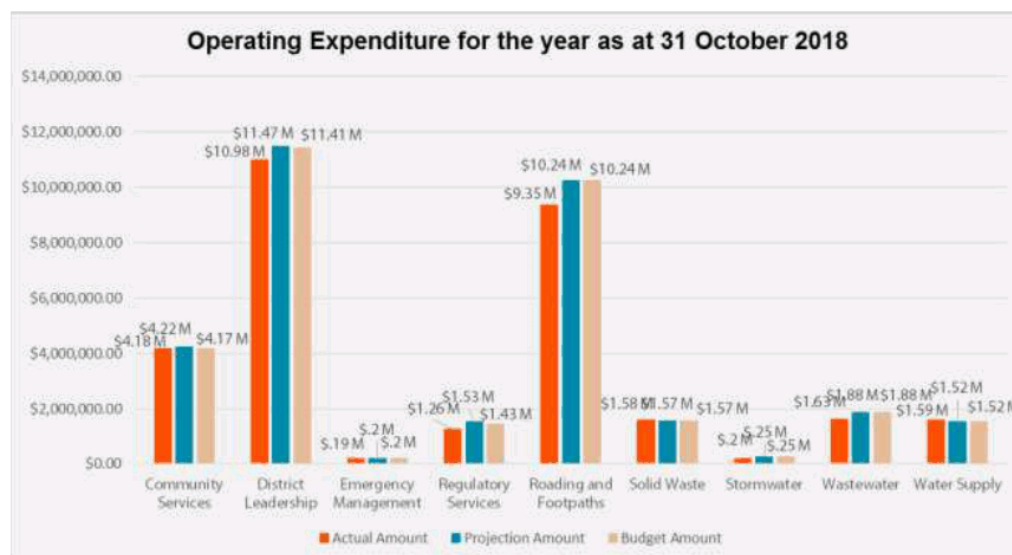
Rooding and Footpaths income is \$1M under projection YTD. This is predominantly due to:

- **Road Safety Southland**, ICC have not been invoiced in the 2018/19 financial year. An invoice was generated for \$114K in early November.
- **Special Purpose Roads** is under projection by \$616K. This business unit is funded 100% by NZTA, current budgets are for the Lower Hollyford and Chaslands Split repair projects. Delays in the Chaslands Slip repair have been caused by the requirement to sheet pile the site and additional drilling required to reach sandstone. Invoices for the Lower Hollyford project have not been received, therefore no costs have been incurred. Both these situations have caused income to be under projection.
- **Transit Recoveries** is under projection by \$38K. This business unit is funded at year end.

- **Other areas of roading and footpaths** are under projection, this reflects the lower levels of work that is currently being undertaken in these areas due mainly to the time of the year. This lower level of activity means less income received to date from NZTA.

2. Expenditure

Operating Expenditure is \$1.9M (6%) under projection for the YTD (\$31M actual vs \$32.9M projection).



District Leadership operating expenditure is \$490K under projection YTD. The major contributors to this are:

- **Corporate support** is \$472K under projection. There are variances across all activities in this group. The key variance is:
 - **Operations and Community Services** is \$190K under projection. As noted above the we have had to change the way we account for NZTA costs. This has resulted in us offsetting income from the roading business unit for the roading work completed by the community engineers against expenditure.
- **Forestry** is \$268K over projection. This predominately relates to harvesting costs in Waikaia as a result of the increased tonnage harvested.
- Other Activities in this group have a positive and a negative variance which offset some of the variances within this group.

Regulatory Services operating expenditure is \$264K under projection YTD. All departments are under budget, reflecting a combination of a close focus on expenditure from managers/team leaders and some staff vacancies which exist within the group, where recruitment processes are currently underway.

Roding and Footpaths operating expenditure is \$896K under projection YTD. This is due to:

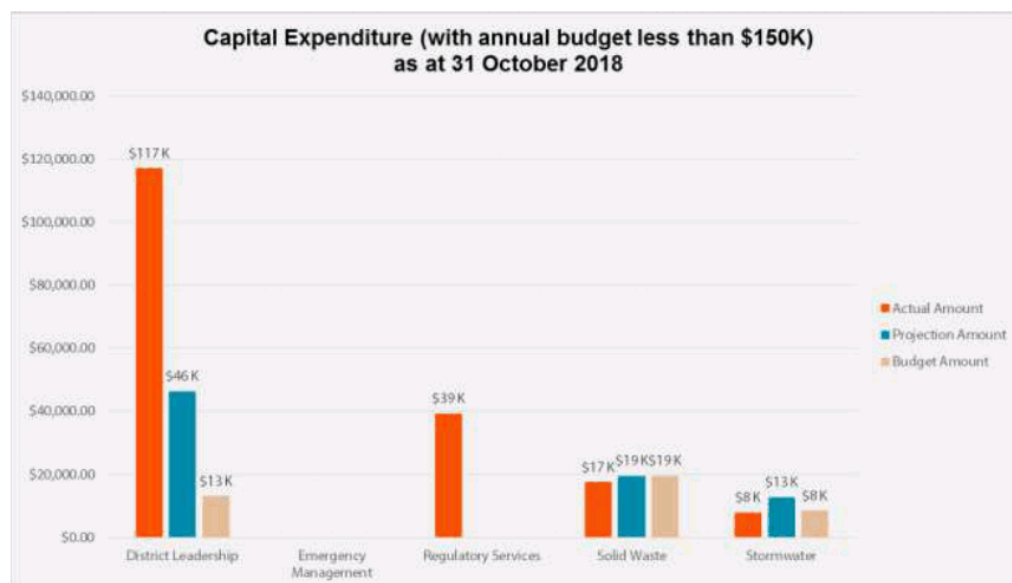
- Roding – District Wide is under projection by \$711K due to:

- Sealed pavement maintenance is \$74K under projected spend. This is due to the time of year, this activity will increase as the 2019/20 reseal sites have been released to the Alliance contractors.
- Unsealed pavement maintenance is \$93K under projected spend due to less unsealed maintenance work that has been required to date.
- Structures maintenance is \$74K under projected spend. Works are beginning to occur with this being a focus for Fulton Hogan in December and January.
- Environmental maintenance is \$223K under projected spend. Noxious and urban spraying started in October, this area will fall into line over the next few months.
- Emergency reinstatement is \$58K under projected spend. This category is an allowance for a one in 10 year weather event, therefore unless such an event occurs the business unit will be under budget.
- Roadway – Special Purpose is under projection by \$45K. No invoices have been received for maintenance works on the Lower Hollyford.
- Streetworks is under projection by \$52K with a programme of works being developed that will include the additional funds made available from NZTA for footpath renewals. The programme size will be approximately \$750K or 4,500m2.
- Road Safety Southland is \$48K under projection, this activity is expected to be on budget at year end with Christmas advertising planned.

Wastewater operating expenditure is \$246K under projection YTD. This is primarily due to investigation costs for the Te Anau wastewater scheme, investigation into alternative options other than what is currently approved by Council. There is a total allowance of \$500K for 2018/2019 phased evenly in the first six months of the year, this being \$265K under spent.

4. Capital Expenditure (CAPEX)

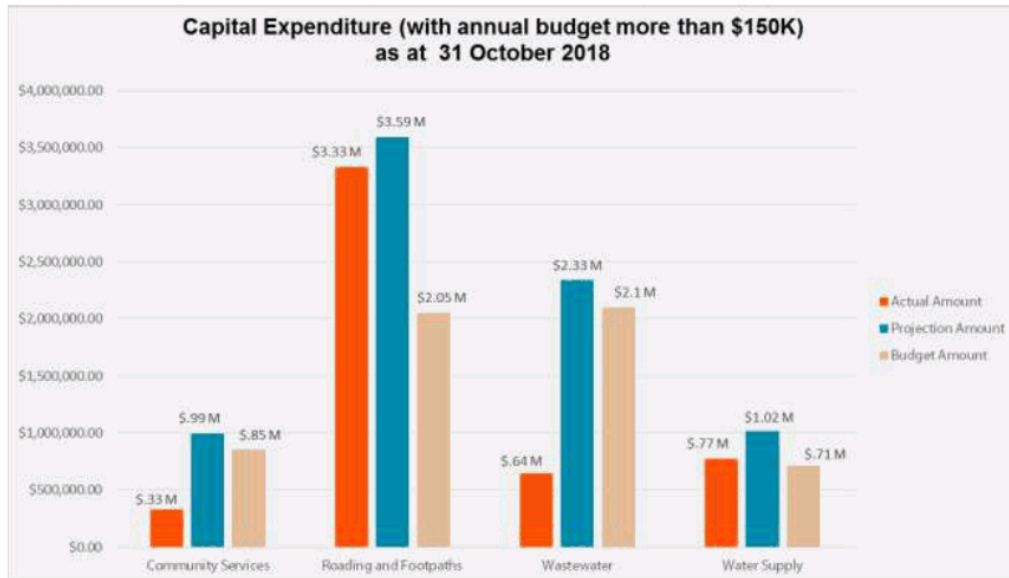
Capital Expenditure is \$2.7M (34%) under projection year to date (\$5.3M actual v \$8M budget).



District Leadership is \$70.8K over projection. This is predominately due to Information Management being \$59K over projection resulting from consultancy costs that were incurred for CAMMS (Strategy and Project Management System). The Council approved this unbudgeted expenditure for the 2018/2019 financial year in June 2018. This budget was included in the October forecasting round, yet to be approved by Council.

Regulatory Services is \$39K over projection. The costs for the building control replacement vehicle were expected to be incurred in October 2018, due to a shortage of the required vehicle this is now expecting to be received in January 2019. This vehicle replacement is budgeted for the 2018/2019 financial year, however was originally phased to be obtained in June 2019.

Monthly Financial Report – October 2018



Community Services is \$667K under projection which is due to:

- **Council Facilities** is under projection by \$282K due to the Invercargill Office projects that are currently on hold pending the outcome of the Business Case and Council decision. Also the Otautau camp ground upgrade is in progress, costs are yet to be incurred.
- **SIESA** is under projection by \$172K. Two of the 11 projects are forecast to be completed in the current financial year, a network upgrade for \$20K and fuel tank replacement for \$85K. The other nine projects have been deferred to take place in the 2019/2020 financial year.
- **Work Schemes** is under projection by \$105K due to the replacement vehicles that are budgeted for this financial year not being purchased yet. It is expected that the two replacement vans will be received in February and the Ute in June 2019.

Wastewater is \$1.7M under projection which is due to the Te Anau wastewater project. There has been costs incurred for business case and design work. As part of forecasting this project has been amended in line with the business case and will reflect the new timeline for planned construction.

Water Supply is \$243K under projection. The key variances are:

- **District water** is under projection by \$126K. The project that has incurred the most costs is the Winton watermain renewal (\$467K). The budget associated with this project (\$700K) has been phased evenly throughout the year, which will be revisited in December.
- **Eastern Bush** water supply upgrade project that is planned is under projection by \$278K. This project is subject to discharge consent.

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B. Council Summary Report

Southland District Council Financial Summary
for the period ending 31 October 2018

Operating Income									
	YTD					FYB			
	Actual Amount	Projection Amount	Budget Amount	Variance	Var %	Projection Amount	Budget Amount	Variance	Var %
Community Services	3,395,737.68	3,447,148.06	3,387,523.06	(\$141.0)	(1%)	11,106,135.17	10,927,260.17	(178,875)	(2%)
District Leadership	12,796,491.80	12,033,794.70	11,998,128.02	762,697	6%	31,140,227.47	31,033,227.43	(107,000)	(0%)
Emergency Management	143,235.67	146,213.64	146,213.64	(2978)	(2%)	438,640.92	438,640.92	0	0%
Regulatory Services	1,621,416.52	1,634,558.32	1,634,558.32	(13,142)	(1%)	4,217,150.96	4,217,150.96	0	0%
Roading and Footpaths	8,339,271.41	9,387,952.10	8,425,029.33	(1,048,681)	(12%)	31,901,439.48	28,846,487.48	(3,054,952)	(10%)
Solid Waste	1,703,060.75	1,669,158.44	1,669,158.44	33,902	2%	4,973,196.32	4,973,196.32	0	0%
Stormwater	112,096.57	114,547.28	114,547.28	(2,451)	(2%)	396,866.84	396,866.84	0	0%
Wastewater	1,416,409.39	1,393,079.72	1,393,079.72	23,330	2%	4,257,630.16	4,257,630.16	0	0%
Water Supply	1,250,875.24	1,266,657.36	1,266,657.36	(15,782)	(1%)	3,875,650.08	3,875,650.08	0	0%
Total	\$30,778,595.03	\$31,093,109.62	\$30,034,895.17	(\$14,515)	1%	\$92,306,937.40	\$88,966,110.36	(\$3,340,827)	(4%)
Operating Expenditure									
	YTD					FYB			
	Actual Amount	Projection Amount	Budget Amount	Variance	Var %	Projection Amount	Budget Amount	Variance	Var %
Community Services	4,183,749.03	4,222,003.53	4,170,497.85	(38,255)	(1%)	11,402,280.48	11,247,763.44	(154,517)	(1%)
District Leadership	10,979,889.45	11,469,029.96	11,407,425.96	(489,141)	(4%)	32,246,138.88	32,066,201.88	(179,937)	(1%)
Emergency Management	192,498.30	195,520.82	195,520.82	(3,023)	(2%)	438,640.96	438,640.96	0	0%
Regulatory Services	1,262,913.08	1,526,521.02	1,434,686.06	(263,608)	(17%)	4,527,518.16	4,252,013.28	(275,505)	(6%)
Roading and Footpaths	9,346,332.42	10,242,290.33	10,239,701.67	(895,958)	(9%)	30,474,139.53	30,466,373.49	(7,766)	(0%)
Solid Waste	1,577,005.71	1,569,129.58	1,569,129.58	7,876	1%	4,701,221.27	4,701,221.27	0	0%
Stormwater	203,010.96	251,649.47	251,649.47	(48,639)	(19%)	708,932.62	708,932.62	0	0%
Wastewater	1,631,931.64	1,877,965.05	1,877,965.05	(246,033)	(15%)	4,919,161.10	4,919,161.10	0	0%
Water Supply	1,392,414.23	1,521,872.69	1,521,872.69	(129,458)	(9%)	4,525,664.86	4,525,664.86	0	0%
Total	\$30,969,744.82	\$32,875,982.47	\$32,668,449.15	(\$1,906,238)	(6%)	\$93,943,697.86	\$93,325,972.90	(\$617,725)	(1%)
Net Surplus/Deficit	(\$191,149.79)	(\$1,782,872.85)	(\$2,633,553.98)	1,391,723	7%	(\$1,636,760.46)	(\$4,359,862.54)	(\$2,723,102)	(3%)
Capital Expenditure									
	YTD					FYB			
	Actual Amount	Projection Amount	Budget Amount	Variance	Var %	Projection Amount	Budget Amount	Variance	Var %
Community Services	325,606.71	887,732.72	745,034.72	(\$42,126)	(5%)	3,441,719.16	3,013,625.16	(428,094)	(12%)
District Leadership	117,104.85	46,298.96	12,965.64	70,808	153%	289,427.88	83,053.92	(206,374)	(71%)
Emergency Management	0	0	0	0	0%	0	0	0	0%
Regulatory Services	39,215.19	0	0	39,215	0%	35,000	35,000	0	0%
Roading and Footpaths	3,328,754.29	3,562,452.16	2,048,780.00	(2,333,698)	(7%)	19,190,212.92	14,943,110.00	(4,247,103)	(22%)
Solid Waste	17,385.08	19,471.00	19,471.00	(2,086)	(11%)	58,413.00	58,413.00	0	0%
Stormwater	7,750.50	12,611.32	8,333.32	(4,881)	(39%)	1,047,833.96	1,034,999.96	(12,834)	(1%)
Wastewater	644,455.40	2,334,529.32	2,095,017.64	(1,690,074)	(72%)	6,900,819.96	6,335,052.92	(565,767)	(8%)
Water Supply	772,817.56	1,015,620.32	708,309.43	(242,803)	(24%)	2,755,525.96	1,755,118.08	(1,000,408)	(36%)
Total	\$5,253,889.58	\$7,878,715.80	\$5,637,911.75	(\$2,625,826)	(33%)	\$33,718,952.84	\$27,258,373.04	(\$6,460,580)	(19%)

Activities reporting under Groups listed:

Community Services	District Leadership	Regulatory Services
Community Assistance	Representation and Advocacy	Building Control
Parks and Reserves	Community Development	Resource Management
Cemeteries	District Support	Animal Control
Community Facilities	Corporate Support	Environmental Health
Community Groups	Forestry	
Library Services		
Public Toilets		
Airports		
Electricity Supply		

C. Statement of Comprehensive Income

Statement of Comprehensive Revenue and Expenses for the period ending 31 October 2018					
	YTD			FYB	
	Actual Amount	Projection Amount	Budget Amount	Projection Amount	Budget Amount
Revenue					
Rates Revenue	15,398,777	15,333,203	15,333,203	46,780,057	46,780,057
Other Revenue	5,561,292	4,512,626	4,512,626	8,138,388	8,138,388
Interest and Dividends	183,748	46,637	46,637	139,912	139,912
NZ Transport Agency Funding	3,397,133	4,378,008	3,415,085	16,152,037	13,124,585
Grants and Subsidies	209,852	362,454	267,162	1,353,661	1,040,286
Other gains/losses	56,465	13,332	13,332	(1,347,690)	(1,347,690)
Vested Assets	0	0	0	0	0
Development and financial contributions	3,185	5,248	5,248	63,744	63,744
	24,810,453	24,651,507	23,593,293	71,280,109	67,939,282
Expenditure					
Employee Benefit Expense	4,282,053	4,382,840	4,382,840	12,418,394	12,418,394
Depreciation and Amortisation	7,439,744	7,445,929	7,445,929	22,338,053	22,338,053
Finance Costs	6,740	7,333	7,333	22,000	22,000
Other Council Expenditure	13,273,065	14,598,277	14,390,744	38,138,422	37,520,697
Scheme capital recovery for sewerage/water schemes	0	0	0	0	0
	25,001,603	26,434,380	26,226,847	72,916,869	72,299,144
Surplus / (Deficit) Before Tax	(191,150)	(1,782,873)	(2,633,554)	(1,636,760)	(4,359,863)
Income Tax Benefit	0	0	0	0	0
Surplus / (Deficit) After Tax	(191,150)	(1,782,873)	(2,633,554)	(1,636,760)	(4,359,863)
Total Comprehensive Income	(191,150)	(1,782,873)	(2,633,554)	(1,636,760)	(4,359,863)

D. Statement of Financial Position

Council's financial position as at 31 October 2018 is detailed below and is for the activities of Council only. The balance sheet as at 30 June 2018 represents the audited balance sheet for activities of Council only.

SOUTHLAND DISTRICT COUNCIL STATEMENT OF FINANCIAL POSITION 31 October 2018

	Actual 31-Oct-18	Actual 30-Jun-18
Equity		
Retained Earnings	720,798,716	720,989,866
Asset Revaluation Reserves	772,464,594	772,464,594
Other Reserves	41,882,804	41,882,804
Share Revaluation	2,368,904	2,368,904
	1,537,515,019	1,537,706,168
Represented by:		
Current Assets		
Cash and Cash Equivalents	17,647,133	15,885,108
Trade and Other Receivables	4,518,317	6,823,524
Inventories	106,493	106,493
Other Financial Assets	2,814,190	2,716,374
	25,086,134	25,531,499
Non-Current Assets		
Property, Plant and Equipment	1,503,983,722	1,506,009,083
Intangible Assets	2,261,178	2,272,416
Forestry Assets	13,428,000	13,428,000
Internal Loans	28,506,230	29,031,239
Work in Progress	361,364	511,419
Other Financial Assets	2,851	3,091
	1,548,543,346	1,551,255,249
TOTAL ASSETS	1,573,629,480	1,576,786,748
Current Liabilities		
Trade and Other Payables	3,625,731	5,898,519
Contract Retentions and Deposits	455,495	341,452
Employee Benefit Liabilities	1,280,415	1,564,589
Development and Financial Contributions	2,169,211	2,167,401
Borrowings	0	0
Provisions	14,000	14,000
	7,544,852	9,985,962
Non-Current Liabilities		
Employment Benefit Liabilities	49,281	49,281
Provisions	14,097	14,097
Internal Loans - Liability	28,506,231	29,031,240
Borrowings	- 0 -	0
	28,569,609	29,094,618
TOTAL LIABILITIES	36,114,461	39,080,579
NET ASSETS	1,537,515,019	1,537,706,168

F. Statement of Cash Flows**Statement of Cashflows for the year ended October 2018**

	2018/2019 YTD Actual
Cash Flows from Operating Activities	
Receipts from rates	13,348,001
Receipts from other revenue (including NZTA)	11,888,784
Cash receipts from Interest and Dividends	183,748
Payment to Suppliers	(15,169,678)
Payment to Employees	(4,566,228)
Interest Paid	(6,740)
GST General Ledger (net)	1,378,339
Net Cash Inflow (Outflow) from Operating Activities	7,056,227
Cash Flows from Investing Activities	
Receipts from sale of PPE	56,465
(Increase)/Decrease Other Financial Assets	(97,577)
Purchase of property, plant and equipment	(5,264,328)
Purchase of Forestry Assets	-
Purchase of Intangible Assets	11,238
Net Cash Inflow (Outflow) from Investing Activities	(5,294,201)
Cash Flows from Financing Activities	
Increase/(Decrease) Term Loans	-
Increase/(Decrease) Finance Leases	-
Net Cash Inflow (Outflow) from Financing Activities	-
Net Increase/(Decrease) in Cash and Cash Equivalents	1,762,026
Cash and Cash Equivalents at the beginning of the year	15,885,108
Cash and Cash Equivalents at the end of the year	17,647,134

Cash and Cash Equivalents and Other Financial Assets

1. At 31 October 2018, Council had \$16.5M invested in six term deposits ranging from two to six month maturities as follows:

SDC Investments - Term Deposits				
Bank	Amount	Interest Rate	Date Invested	Maturity Date
ANZ	\$ 2,000,000	2.59%	19-Oct-18	19-Dec-18
ANZ	\$ 3,000,000	2.99%	28-Aug-18	19-Nov-18
BNZ	\$ 2,500,000	2.43%	30-Oct-18	17-Jan-19
ASB	\$ 5,000,000	3.51%	30-May-18	30-Nov-18
Westpac	\$ 2,000,000	2.61%	25-Sep-18	19-Dec-18
Westpac	\$ 2,000,000	2.60%	28-Aug-18	19-Nov-18
Total	\$ 16,500,000			

At 31 October 2018, SIESA had \$1.62M invested in four six month term deposits as follows:

SIESA Investments - Term Deposits				
Bank	Amount	Interest Rate	Date Invested	Maturity Date
BNZ	\$ 600,000	3.33%	23-Oct-18	23-Apr-19
BNZ	\$ 300,000	3.38%	7-Nov-18	6-May-19
BNZ	\$ 320,000	3.34%	1-Oct-18	1-Apr-19
BNZ	\$ 400,000	3.33%	30-Jul-18	30-Jan-19
Total	\$ 1,620,000			

2. Funds on Call at 31 October 2018:

Funds on Call				
	Balance at 31 October 2018	Bank	Account	Interest Rate
SDC	\$ 978,137	BNZ	Funds on Call	1.00%
	\$ 10,000	BNZ	Operating Bank Acc	1.00%
	\$ 349,909	BNZ	Restricted Funds Acc	3.25%
SIESA	\$ 54,791	BNZ	Funds on Call	3.25%

Council's Investment and Liability Policy states that Council can invest no more than \$10M with one bank. Investments and Funds on Call, comply with the SDC Investment Policy.

Forecasted Financial Position for the year ending 30 June 2019

Record No: R/18/11/26807
Author: Joanie Nel, Management 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 2018/2019 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 2019 is intended to provide information about what has changed since the budget was approved, why it has occurred and what the result is expected to be at the end of the year. In considering the final position staff consider what they planned to do in the Annual Plan, the projects carried forward from 2017/18 that were approved by Council on 25 September 2018, 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 2018/2019 year was adopted in June 2018. 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. 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 18 December 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 2019" dated 4 December 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 notes the projects or partial costs of projects indicated to be deferred to next year as part of the year end carry forward process, as detailed in appendix D.
- g) Recommends Council approve the following projects to be deleted from the 2018/19 financial year:

Business Unit	Project	Amount	Details
Stewart Island	Streetworks Stewart Island	\$80,000	Being completed by the Department of Conservation
Stewart Island	Peterson Hill footpath upgrade	\$94,649	Funding source no longer available
Stewart Island	Oban sign	\$4,000	Upgrade done by community
Lumsden Balfour	Water supply upgrade	\$86,600	Project already deferred to 19/20
Riversdale	Street lighting project 815	\$5,000	CDA requested project be deleted

- h) Recommends Council approve the following unbudgeted expenditure for the 2018/19 financial year:

Business Unit	Expense	Amount	Funding Source
Dipton Forest	Forestry charges	\$10,534	Forestry Reserve
Finance	Insurance costs	\$10,902	District Operating Reserve
Ohai Forest	Forestry charges	\$15,259	Forestry Reserve

Manapouri	Playground project change to a flying fox and removal of trees	\$17,500	Manapouri General Reserve
Chief Executive	Riskpool Insurance claim	\$31,321	District Operations Reserve
Gowan Hills Forest	Forestry charges	\$43,552	Forestry Reserve
District Sewerage	Expected increase in monitoring costs for the year due to additional costs from ES and monitoring required from consents	\$57,181	District Sewerage Reserve
SIESA Operations	Increase in operating costs	\$249,905	SIESA Operations Reserve
Waikaia Forest	Forestry charges	\$695,443	Forestry Reserve

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 first round of forecasting for the financial year with the second to be completed in March 2019.
- 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 wages costs, 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 2019.
 - Attachment C, shows the effect of changes to the Statement of Financial Position for the year

ending 30 June 2019.

- Attachment D, provides details of the specific projects being deferred to future years. The recommendation to Council is that these planned deferrals be included in the carry forward process at year end.

- 13 A breakdown of the movement of capital projects as a result of carry forwards and forecasting for the 2018/2019 year is as follows:

<i>Financial Activity</i>	<i>Amount</i>
Capital projects as per the 2018/2019 Annual Plan	\$19,916,188
Carried forward from 2017/2018	\$7,078,304
October Forecasting movement	\$602,265
Expected project costs for 2018/19	\$27,596,757

- 14 Major changes due to forecasting are shown below. Details can be found in Appendix A.

Revenue - Changes in revenue from the budget has increased by \$1.1M (Appendix B). This is principally due to the increased tonnage and sale price of forest harvesting at Waikaia.

Operating Costs – Operating expenditure has increased from the budget by \$1.2M. Major changes are:

- Approved unbudgeted Expenditure for Consultants fees of \$250,000 re business case and assessment of SDC Invercargill Office
- Harvesting costs for Dipton, Gowan Hills, Ohai & Waikaia \$775,690 increase.
- An increase in the operating costs for SIESA operations, \$249,905.

Capital

- The forecast capital expenditure has decreased by \$602K.

- 15 The total forecast net deficit for the year is \$4.5M which is \$140K less than the original Annual Plan budget.

Issues

- 16 The roading team indicated no forecast changes to be included in the October round of forecasting as some of the projects are still in development stage or early construction and it is too early to tell what the effect on the budget will be.
- 17 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, these will be included in the Carry forward process. 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. The current works programme will be reviewed

again in the next forecasting round (March 2019), to ensure that the 18/19 Projects will be delivered on time.

- 18 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.
- 19 It is expected that forecasting will improve as the process is refined and it becomes part of the yearly process. In 2017/18, \$19M of projects were moved to 2018/19 as part of the Annual Plan consultation process. An additional \$7M was carried forward into 2018/19 at year end as a carry forward. This year \$3.4M is proposed to be deferred to the 2019-2020 Annual Plan (Appendix D).
- 20 Budget managers were asked if projects being deferred would impact on delivery of the currently planned 2018-19 projects. Of special note is;
- Council's decision regarding the Te Anau Wastewater Business Case on the 23rd of October which has created additional work to be done by Council in the form of two new consents to be applied for. This additional work has resulted in the deferral of the Winton sewerage scheme.
 - The new Land and Water Regulation from Environment Southland have not been finalised yet but it will have an impact on Council financially. The regulations state that any discharge to fresh water doesn't comply with the new regulations. Tokanui, as part of a test case, has been advised by Environment Southland to attend a Commissioner Hearing in order to apply for consent, which we will be appealing. During the next Forecasting round we will have a better indication of the cost implications in order to get consent approval for Tokanui and what the implications are for other CB's/CDA's affected by the new regulation.
- 21 The SIESA Management fee has increased by \$249,905 as part of the contract renewal process. Work is underway to assess the long-term sustainability of this contract in its current form and work to identify cost-saving mechanisms in the delivery of this service. This includes a contract and levels of service review including opportunities for further automation and resilience.

Factors to Consider

Legal and Statutory Requirements

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

Community Views

- 23 Consultation was held with the community for the expenditure included in the 2018/2019 budget as part of the Annual Plan process and estimates meetings.
- 24 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. There are no new significant projects planned for 2018/19.

Costs and Funding

- 25 Forecasting completed shows that overall net operating income and expenditure is expected to decrease by \$140K. This is shown by business unit in Attachment A.
- 26 Overall net Capital Expenditure is expected to decrease by \$602,265 with the main item being the new telephone system. Council is requested to approve the expenditure, not included in resolutions, shown in Attachment A.
- 27 The impact on the budgeted Statement of Comprehensive Revenue and Expenditure for 2018/2019 is a net operating deficit of \$140K from the original Annual Plan as shown in Attachment B.

Policy Implications

- 28 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 2018/2019.• 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 2018/2019. • 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 2018/2019. • 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

The content of this report is not deemed significant under the Significance and Engagement Policy.

Recommended Option

- 29 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 2018/2019.

Next Steps

- 30 To advise managers of the approval of unbudgeted expenditure for the 2018/2019 financial year.
- 31 Ensure that deferred projects are included in the proposed 2019-2020 Annual Plan.

Attachments

- A Forecasting Financial Report - October 2018 - Attachment A (V6) [↗](#)
- B Forecasting Financial Report - October 2018 - Attachment B (V4) [↗](#)
- C Forecasting Financial Report - October 2018 - Attachment C (V2) [↗](#)
- D Forecasting Financial Report - October 2018 - Attachment D (V2) [↗](#)

APPENDIX A: Forecast adjustments to revenue, operating expenditure and capital expenditure by business unit

Business Unit Name	October Forecast Adjustment	Forecast Balance at 30 June 2019	Increase or (Decrease)	Comment
Income				
Building Regulation	(\$25,437)	\$41,500	(Decrease)	70% of 2017/18 actuals; Change in Building Act making PIM's optional, budget change to reflect this. Lower work load in relation to Territorial Authority functions
Financial Services	\$10,902	\$1,675,065	Increase	Increase to fund the increased insurance premium etc.
Ohai Forest	(\$422,690)	\$0	(Decrease)	Harvest was completed in the 2017/2018 year.
Toilets - Te Anau Lions Park	(\$35,000)	\$25,000	(Decrease)	Reduce user pay levy- toilets by \$35,000 as less tour busses are stopping here.
Cemetery - Mossburn	\$57,811	\$57,811	Increase	Cemetery forest harvest sales. Council approved on the 18th of April.
Waikaia Forest	\$1,535,072	\$3,522,226	Increase	Income from the harvest is greater than budgeted due to the tonnage harvested being 32,394t against a budget of 21,453t for the same number of hectares. There was also an increase in the price per tonne of \$117/t against a budget of \$92/t.
Subtotal Other Revenue	\$1,120,659	\$5,321,603	Increase	
Around the Mountains Cycle Tra	\$116,050	\$116,050	Increase	MBIE grant application has been approved and funding agreement signed on 31 October.
Street Works - Stewart Island	(\$241,748)	\$27,500	(Decrease)	Reforecast with removal of the 2 unfunded projects (unsuccessful SIVL application for Rankin St and Horseshoe Bay Footpath works. Removal of OBAN sign upgrade (being completed by community)□ Removal of the Observation Rock project as it is being completed by DOC and funded by the Stewart Island Visitor Levy.
Toilets - Cosy Nook, Monkey I	\$12,264	\$139,764	Increase	Increased budget as approved by Council 2 May 2018
Toilets - Waikawa	\$61,851	\$61,851	Increase	MBIE TIF funding, Increased project budget as approved by Council 2 May 2018
Toilets - Clifden	\$16,066	\$116,066	Increase	MBIE TIF funding, Increased project budget as approved by Council 2 May 2018
Subtotal Grant and Subsidies	(\$35,517)	\$461,231	(Decrease)	
Street Works - Stewart Island	(\$94,649)	(\$94,649)	(Decrease)	Development Contributions were planned to fund the Peterson Hill footpath upgrade however on further investigation these are not available.
Toilets - Boat Hbr, Town Centr	\$110,000	\$110,000	Increase	MBIE TIF funding, Increased budget as approved by Council on 2 May.
Subtotal Dev. and Financial Cont.	\$15,351	\$15,351	Increase	
Total Revenue adjustment	\$1,100,493	\$5,798,185	Increase	
Operational Expenditure				
Baths - Otautau	\$54,749	\$61,547	Increase	Unbudgeted Expenditure for Otautau Community Pool from Pool reserve approved by Council
Beautification - EdenWyn	\$25,000	\$52,080	Increase	Additional \$25,000 of unbudgeted expenditure approved by Council for gardening costs
Building Regulation	(\$11,943)	\$234,603	(Decrease)	Decrease due to change in contracts.
Chief Executive	\$31,321	\$31,321	Increase	Riskpool Insurance Claim
Cemetery - Mossburn	\$4,310	\$5,888	Increase	Costs associated with the harvest and replanting of the Cemetery forest. Council approved unbudgeted expenditure on 18 April.
Cemetery - Winton	\$3,780	\$3,780	Increase	Unbudgeted expenditure report on 1 October to Winton CB.□ Approving new Ashes Beam to be funded from Reserves.
Dipton Forest	\$10,534	\$18,857	Increase	Increase due to larger physical programs being undertaken than originally budgeted.
District Sewerage	\$38,000	\$80,000	Increase	Expected monitoring costs for the year due to additional costs from ES and monitoring required from consents;
Engineering Consultants	\$250,000	\$350,000	Increase	Approved Unbudgeted Expense re business case and assessment for Invercargill office \$250,000 on 1 November.
Financial Services	\$10,902	\$70,812	Increase	2018/2019 Insurance premium actually incurred.
Gowan Hills Forest	\$43,552	\$108,457	Increase	Increase due to larger physical programs being undertaken than originally budgeted.
Information Management	\$61,600	\$440,600	Increase	To allow \$61,600 for CAMMS software subscription in 2018/19 as approved by Council on 20 June.
Ohai Forest	(\$212,086)	\$57,478	(Decrease)	The harvesting planned for Ohai this year was completed in the prior financial year.
Operating Costs - WaihopaiToet	\$15,000	\$133,000	Increase	Addition of the unbudgeted expense project for FlagTrax installation approved by Council on 5 September.
Recreation Reserve - EdenWyn	\$8,500	\$9,026	Increase	Added \$8,500 unbudgeted expenditure approved by Community Board for Menzies Memorial Arch repairs on 28 August.
Regulatory - Non Recoverable	(\$10,000)	\$40,000	(Decrease)	Lower work load in relation to Territorial Authority functions
SIESA - Operations	\$249,905	\$642,240	Increase	Operating costs increase
Stewart Island Jetties	(\$33,812)	\$57,500	(Decrease)	Golden Bay wharf maintenance. Continuing as Golden Bay eventuates into SDC ownership□
Street Works - Stewart Island	(\$80,000)	\$0	(Decrease)	Removal of this project from SDC. This project is being completed by DOC with successful funding via the SIVL.
Tuatapere Ward Pool Rate	\$17,000	\$17,000	Increase	Unbudgeted expenditure approved by Council towards the upgrade of the Tuatapere Swimming pool for \$17,000.
Waikaia Forest	\$633,176	\$1,938,724	Increase	Harvesting costs higher than budgeted, tonnage being harvested 32,394t against a budget of 21,453t for the same number of hectares.
Wheelie Bins	\$117,800	\$524,800	Increase	Funding for additional costs in contract 650 recyclables acceptance per council report 30 August 2018.
Total adjustment	\$1,227,288	\$4,877,713	Increase	
Net surplus (deficit)		(\$126,795)		
Capital Expenditure				
Beautification - Manapouri	\$17,500	\$42,500	Increase	Playground project change to a flying fox and unbudgeted expenditure for Removal of trees
District Sewerage	(\$19,181)	\$6,581,639	(Decrease)	To transfer changes to Projects district business unit to enable funding
District Water	\$346,900	\$2,910,426	Increase	Increase in costs as approved by Council on 19 September.
Information Management	\$240,800	\$908,142	Increase	\$240,800 for new telephone system as approved by Council on 1 November 2018.□
Sewerage Scheme Winton	\$0	(\$65,000)	Increase	Project partially deferred to 2019/20 as people who were expected to work on this consent (both internal and external) are now tasked with working on additional consents required for Te Anau project.
Street Works - Manapouri	\$20,000	\$20,000	Increase	Supply and install extra bollard street lighting for Cathedral Dr and Waiau St approved by Council on 1 November
Street Works - Riversdale	(\$3,000)	\$0	(Decrease)	CDA requested the new streetlighting project be deleted.

Business Unit Name	October Forecast Adjustment	Forecast Balance at 30 June 2019	Increase or (Decrease)	Comment
Street Works - Stewart Island	(\$256,397)	\$27,500	(Decrease)	Removal of the unfunded projects via SIVL. These are the Rankin St to Golden Bay project and the Horseshoe Bay Rd project; Peterson Hill footpath upgrade unlikely to occur as it is not funded by development contributions as initially anticipated; Oban sign being upgraded by community so no cost
Street Works - Te Anau	\$4,242	\$44,548	Increase	Street lighting project was completed over budget.
Street Works - Woodlands	\$23,411	\$33,911	Increase	Addition of the unbudgeted expense project for the Woodlands Walking track upgrade approved by Council on 19 September.
Toilets - Cosy Nook, Monkey I	\$24,528	\$279,528	Increase	Increased budget as approved by Council 2 May 2018
Toilets - Boat Hbr, Town Centr	\$120,000	\$220,000	Increase	Increased budget as approved by Council 2 May 2018
Toilets - Waikawa	\$63,702	\$123,702	Increase	Increased project budget as approved by Council 2 May 2018
Toilets - Clifden	\$21,760	\$232,132	Increase	Increased project budget as approved by Council 2 May 2018
Total adjustment	\$602,265	\$11,359,028	Increase	

APPENDIX B:

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

	Annual Plan 2018-2019 (adopted in June 2018) (\$000)	Amounts Carried Forward from 2017-2018 (\$000)	Forecast Changes from October 2018 (\$000)	Forecasted Result for 2018- 2019(\$000)
Revenue				
Rates	46,780	-	-	46,780
Other revenue	8,138	94	1,121	9,352
Interest and Dividends	140	-	-	140
NZTA	13,125	-	-	13,125
Grants and Subsidies	1,040	-	(36)	1,004
Other Gains/(Losses)	- 1,348	-	-	1,348
Vested Assets	-	-	-	-
Development and Financial Contributions	64		15	79
	67,939	94	1,100	69,133
Expenditure				-
Employee Benefit Expenses	12,418	-	-	12,418
Depreciation and Amortisation	22,338	-	-	22,338
Finance Costs	22	-	-	22
Other Council Expenditure	37,521	107	1,227	38,855
	72,299	107	1,227	73,633
OPERATING SURPLUS/(DEFICIT)	(4,360)	(13)	(127)	(4,500)
Share of Associate Surplus/(Deficit)	-	-	-	-
SURPLUS/(DEFICIT) BEFORE TAX	(4,360)	(13)	(127)	(4,500)
Income Tax Benefit	-	-	-	-
SURPLUS/(DEFICIT) AFTER TAX	(4,360)	(13)	(127)	(4,500)
Gain/(Loss) on Property, Plant and Equipment Revaluations	26,994	-	-	26,994
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	22,634	(13)	(127)	22,494

Note:

- 1) The Annual Plan for 2019-2020 is the consolidated result of Council, Venture and SIESA. This includes any adjustments to the Long term plan which have been approved by Council up to 31 October 2018.
- 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 October 2018 round of Forecasting.

APPENDIX C:

SOUTHLAND DISTRICT COUNCIL
FORECAST STATEMENT OF FINANCIAL POSITION
30 JUNE 2019

		2018/19 Annual Plan Movement, Carried forwards	October Forecast adjustments	Forecast October 2018/2019 '000	Consolidated Annual Plan 2019/2020 '000
	30 June 2018 '000				
Equity					
Retained Earnings	724,745	1,464	-	95	726,114
Asset Revaluation Reserves	723,523				723,523
Fair Value Reserves	1,916				1,916
Other Reserves	34,427	2,960	468		37,855
	1,484,611	4,424	373	1,489,408	1,541,986
Current Assets					
Cash and Cash Equivalents	9,773				9,773
Trade and Other Receivables	7,714				7,714
Inventories	107				107
Work in Progress	-				-
Other Financial Assets	10,271				10,271
	27,865	-			27,865
Non Current Assets					
Property, Plant and Equipment	1,450,334	6,354	602		1,457,290
Intangible Assets	2,181	106			2,287
Forestry Assets	13,724				13,724
Internal Loans	1,735				1,735
Investments in Associates	-				-
Other Financial Assets	4				4
	1,467,978	6,461	602		1,475,041
TOTAL ASSETS	1,495,843	6,461	602	1,502,906	1,552,874
Current Liabilities					
Trade and Other Payables	7,152		-		7,152
Contract Retentions and Deposits	387		-		387
Employee Benefit Liabilities	1,426		-		1,426
Development and Financial Contributions	2,169		-		2,169
Provision for Decommissioning	14				14
Provisions	-	-	-		-
Borrowings	-				-
	11,148	-	-		11,148
Non-Current Liabilities					
Employee Benefit Liabilities	64		-		64
Provision for Decommissioning	-				-
Borrowings	20				20
Internal Loans - Liability	-	2,037	230		2,266
	84	2,037	230		2,350
TOTAL LIABILITIES	11,232	2,037	230	13,498	10,887
NET ASSETS	1,484,611	4,424	373	1,489,408	1,541,987

ATTACHMENT D: Projects planned to be deferred to the 2019-2020 Annual Plan

Town	Project Name	Financial Year	Funded From	Total 18/19 Budget	Deferred \$ spend for the year 2019/20	Status	Report period 2 - 1 November 2018 to 28 Feb 2019 comment
Athol	Railway Project	2016/17	Reserves	25,000	25,000	Not started	Pending future committee decision
Clifden	Hall Roof paint	2016/17	Reserves	10,445	10,445	Not started	Pending future committee decision
Eastern Bush	Water Supply Upgrade - Stage 1	Multi-Year 16/17	District Funding	835,384	435,000	Not started	Awaiting confirmation from Environment Southland of discharge requirements.
Finance & Admin	Refurbishment of reception and telephonist area	2016/17	Reserves	68,937	68,937	Deferred	Awaiting confirmation from Property department that proposed reception plan meets regulatory requirements
Golden Bay Wharf Rebuild	Southport wharf negotiations to transfer ownership Oct 17	2018/19	Grants	200,000	200,000	Loan	Continuing as Golden Bay eventuates into SDC ownership
Invercargill Office	Council offices & buildings	Multi-Year 16/16	Loan	206,320	206,320	Not started	Deferred till next year
Invercargill Office	Council offices & buildings	Multi-Year 16/17	Reserves	93,312	93,312	Not started	Deferred till next year
Invercargill Office	Council offices & buildings	2016/17	Reserves	122,880	122,880	Not started	Deferred till next year
Invercargill Office	Council offices & buildings	2016/17	Reserves	174,080	174,080	Not started	Deferred till next year
Invercargill Office	Council offices & buildings	2016/17	Reserves	60,416	60,416	Not started	Deferred till next year
Invercargill Office	Council offices & buildings	2016/17	Reserves	41,500	41,500	Not started	Deferred till next year
Invercargill Office	Consultancy charges business case	2018/19	Reserves	250,000	100,000	Not started	\$100,000 deferred till next year
Mararoa Waimea	Minor road improvements particularly the sealing of unsealed roads	2015/16	Reserves	100,000	100,000		
Mokoreta/Redan	Exterior repair (not roof) of Community Centre	2017/18	Loan & Reserves	15,744	15,744	Not started	Pending future committee decision
Ohai	Replacing windows and painting of Community Centre	2016/17	Reserves	26,000	26,000	Not started	Pending future committee decision
Orepuki	Amenity Building Upgrade	2018/19	Grants	16,201	16,201	Not started	Not started
Riverton	Kerb work on Havelock Street	2015/16	Loan	130,000	130,000	In progress - Investigation	In progress - Investigation
Stewart Island	New footpath from Rankin St to end of Fushia Walkway & signage	Multi-Year 16/17	Grants	132,665	91,665	Started	Partly complete. Will be deferred to coincide with Golden Bay development
Stewart Island	New footpath Elgin Terrace from Petersons Hill to Escelsoir Rd	2017/18	Dev Cont	94,649	94,649	Deferred	Deferred and may be completed under the footpath maintenance umbrella
Stewart Island	New walking track horseshoe Bay Road part 1	2018/19	Grants	52,583	52,583	Deferred	Deferred. No funding allocated from SIVL
Stewart Island Jetties	Golden Bay Wharf Maintenance	2017/18	Grants	15,000	7,500	In progress - Design	Continuing as Golden Bay eventuates into SDC ownership
Stewart Island Jetties	Golden Bay Wharf Health & Safety work	2017/18	Grants	51,312	26,312	In progress - Design	Continuing as Golden Bay eventuates into SDC ownership
SIESA	Replacement Generator / Turbine	2017/18	Reserves	110,000	110,000	Deferred	Deferred to 19/20 year
SIESA	Exhaust system renewal/ service	2016/17	Reserves	20,000	20,000	Deferred	Deferred to 19/20 year
SIESA	Service SCADA control system	2018/19	Reserves	25,000	25,000	Deferred	Deferred to 19/20 year
SIESA	Upgrade SCADA control system	2018/19	Reserves	10,000	10,000	Deferred	Deferred to 19/20 year
SIESA	Ringfeed Project: Stage 4 (incl Ring unit)	2018/19	Reserves	56,000	56,000	Deferred	Deferred to 19/20 year
SIESA	Ringfeed Project Stage 3	2016/17	Reserves	46,000	46,000	Deferred	Deferred to 19/20 year
SIESA	Gates/ Fence/ Signs/Cameras/ Security Upgrade for Power station	2016/17	Reserves	30,000	30,000	Deferred	Deferred to 19/20 year
SIESA	Replacement of one transfomer /switch yard	2016/17	Reserves	35,000	35,000	Deferred	Deferred to 19/20 year
SIESA	Replace circuit breakers on 400V Main switchboard	2017/18	Reserves	80,000	80,000	Deferred	Deferred to 19/20 year
Te Anau	Te Anau Library	2017/18	Reserves	33,587	33,587	Not started	Pending future Council decision
Te Anau	Multi-use Trails	2018/19	Reserves	10,000	10,000	Not started	Monies set aside to undertake more trails work, yet to be defined and scoped
Te Anau Wastewater	Scheme Capacity Upgrade Demand Portion	2018/19	Dev Cont & Loan	1,887,801	290,731	Not started	Changes due to Council decision Oct 18; based on expected work programme from Stantec
Te Anau Wastewater	Scheme Capacity Upgrade	2018/19	District Funding	3,009,219	463,435	Not started	Changes due to Council decision Oct 18; based on expected work programme from Stantec
Waikawa/Niagara	New roof including lean to	2018/19	Loan & Reserves	25,000	25,000	In progress - Investigation	Awaiting health and safety contractor approval, to then confirm work programme
Winton	Wastewater Consent Renewal Preparation	2018/19	District Funding	100,000	80,000	Not started	Consultant/SDC preparation
				8,200,035	3,413,297		

Riskpool Call

Record No: R/18/10/24661
Author: Anne Robson, Chief Financial Officer
Approved by: Steve Ruru, Chief Executive

☐ Decision ☐ Recommendation ☒ Information

Purpose

- 1 Council has received correspondence from Riskpool advising of a monetary call they are going to make to Council on the 1 July 2019.

Background

- 2 Council was a member of Riskpool up until the 1 July 2017 when due to declining membership by the local government sector, it made the decision to not offer any new insurance covers.
- 3 Riskpool was a trust providing public liability and professional indemnity cover to the local government members of the scheme for 20 years. The trust deed established that where there was insufficient funds to cover the claims in the related year, members would need to make additional contributions to meet the shortfall. Any additional contribution will be based on the same proportion as the initial contribution paid by the member for the related fund year.
- 4 Council has previously contributed \$193,802.18 (GST incl) in calls
- 5 As at 30 June 2018, Riskpool had paid out a total of \$175 million over its life, \$90 million of which had come from its reserves and a further \$85 million from reinsurance payouts. The estimated claims provision at the 30 June 2018 was \$7.7 million. Financially, in this year, Riskpool had a deficit of \$7.4million and loans with Civic Financial Services Ltd of \$5.4 million at commercial interest rates.
- 6 Although no further claims can be made on the fund, a number of those notified to Riskpool over the years are still to be settled. At 30 June 2018, Riskpool had 50 open claims down from 109 at the 30 June 2017.
- 7 The total additional contribution requested from members is \$6 million, payable on 1 July 2019. The portion of this for Council is \$31,321.46. Riskpool have indicated one further call, anticipated to be likely in 2022 or 2023. Indications are this will be around \$1.5 million in total from all members.
- 8 Riskpool is now in the process of winding down over the next three to ten years. During this period they hope to settle as many claims as possible. To wind up they will need to come back to members to get agreement as to when. The consequences of windup means that claims unsettled will then fall back on the Councils concerned.

Recommendation

That the Finance and Audit Committee:

- a) Receives the report titled “Riskpool Call” dated 6 December 2018.**
- b) Acknowledges the payment of \$31,321.46 to be payable to Riskpool on or before 1 July 2019.**

Attachments

A Riskpool Call for 1 July 2019 [↓](#)



12 October 2018

Gary Tong
Mayor of Southland District Council
P.O. Box 903
Invercargill 9841

Dear Gary

Riskpool Call for 1 July 2019

Riskpool offered public liability and professional indemnity cover for twenty years. The decision was made that new covers from Riskpool would not be offered from 1 July 2017. This was a difficult decision to make, but support from the sector had dropped, particularly from the larger Council's. Without support from the sector Riskpool could not offer the competitively priced cover it had been able to offer in the past.

Members were advised last year that further additional contributions from members (calls) would be required.

As at 30 June 2018, Riskpool's accounts show a deficit of \$7.4 million. The deteriorating claims experience in 2017-18 means that Riskpool needs to make at least one interim call before a final call is made on wind up. The call will be \$6 million payable on 1 July 2019, split \$3million each to fund years 7 and 10.

The amount of this call for Southland District Council will be \$31,321.46 payable on 1 July 2019 (or earlier if you wish). An invoice from Riskpool for this amount will be sent to the Council in May 2019.

Another and hopefully final call from Riskpool is likely in 2022 or 2023. It is expected that the amount of that call will be less than this one.

Kind regards

A handwritten signature in black ink, appearing to read 'A. Marryatt'.

Tony Marryatt
Chairman of Riskpool

C/- Civic Financial Services Ltd (Funding and Scheme Manager)
04 978 1263
lan.brown@civicfs.co.nz

cc: Steve Ruru, Chief Executive of Southland District Council

Internal Audit Request for Proposal

Record No: R/18/12/27532
Author: Anne Robson, Chief Financial Officer
Approved by: Steve Ruru, Chief Executive

☒ Decision ☐ Recommendation ☐ Information

Purpose

- 1 The purpose of this report is to seek the committee's approval to put out to the market a request for proposal for internal audit services.

Executive Summary

- 2 The committee has previously indicated its desire to seek internal audit services to assist it with meeting its responsibilities under its terms of reference.
- 3 The attached Request for Proposal sets out the terms of the engagement and also outlines the services Council requires from the potential internal audit provider.
- 4 After releasing the Request for Proposal to the market, it is proposed that the chairman of the committee, the independent member and the chief financial officer, evaluate and shortlist the proposals received. After shortlisting it is proposed to ask for presentations before choosing and entering into a contract for service with a preferred supplier for three years.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled "Internal Audit Request for Proposal" dated 5 December 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) **Approves the internal Audit Request for Proposal for release.**
- e) **Delegates authority to the Chairman of the Finance and Audit Committee, the independent member on the committee and the Chief Financial Officer to shortlist and appoint an internal auditor for a term of three years commencing the 1 July 2019 with a further two year extension at the sole discretion of council.**

Background

- 5 Council has never had a regular formal internal audit programme. Previously, Council has had specific pieces of work completed as part of a wider Council internal audit programme or had specific audits completed due to funding or statutory requirements such as NZTA audits or building accreditation audits.
- 6 To fulfil its responsibilities under the committee's terms of reference, delegated from Council, the committee recognises the need to seek independent and objective assurances of the Council's systems and processes to ensure they are efficient, effective, economical and ethical. The appointment of an internal auditor will help manage these responsibilities.
- 7 Internal auditing can add value and improve Councils operations, helping organisations to accomplish objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of:
- Risk management
 - Control
 - Governance processes
- 8 This report seeks approval to release to the market a request for proposal from interested parties.

Issues

- 9 As part of the committee's terms of reference, Council has delegated to the Finance & Audit committee the responsibility of ensuring that it has appropriate financial, risk management and internal control systems in place. As part of the control measures to achieve this, Council has delegated to the committee the responsibility to oversee Internal Audit functions.
- 10 In appointing an internal audit service provider, the committee will be looking for someone that
- Works with the committee and staff and is committed to continuous improvement by adding value through the internal audit process
 - Has the capacity and capability to develop and deliver a tailor made risk based internal audit programme
 - Understands local government and delivers value by
 - utilising their network and capabilities
 - participating in wider risk and assurance conversations
 - providing insights on market trends and emerging risks, and
 - providing independent and trusted advice
 - Understands the importance of knowledge sharing and communication and demonstrates this constantly in dealing with all areas of Council.
- 11 The scope of this request for proposal is for the provision of expert internal audit services to mitigate organisational risks across the Council, enabling it to address internal audit and other services on a continuous, consistent and independent basis.
- 12 Council staff have drafted a proposed Internal Audit Request for Service, Attachment A. The key components of this are
- Outlining the qualities of a service provider

- Noting that the successful respondent will become the preferred supplier
- Acknowledging the preferred supplier may need to subcontract parts of the service out.
- That Council reserves the right to engage other internal audit providers where there is a benefit in doing so.
- That the anticipated contract commencement will be 1 July 2019.
- Establishing the internal audit service for an initial period of three years with an opportunity to extend the contract for a further two years at Councils sole discretion.
- That the contract between Council and the preferred supplier will outline the scope of services, costs and requirements for internal audit activities.

13 The key services to be provided include

- Establishing in conjunction with the Finance and Audit Committee a programme of works to be delivered over the term of the contract.
- Delivery of an internal audit programme tailored for Council.
- Reporting in writing and/or in person to the Finance & Audit Committee at least twice a year.
- Providing the Finance and Audit Committee with a report of findings, areas of improvement and suggested approaches for each completed piece of work.
- Delivery of added value through the leverage of their wide knowledge base and specialist skills that enables opportunities for improvement including the management of risk based on national and international best practice.
- The demonstration of value for money

- 14 After releasing the Request for Proposal to the market, it is proposed that the chairman of the committee, the independent member and the chief financial officer, evaluate and shortlist the proposals received. After shortlisting it is proposed to ask for presentations before choosing and entering into a contract for service with a preferred supplier for three years.

Factors to Consider

Legal and Statutory Requirements

- 15 Under section 14 of the Local Government Act 2002, a local authority must ensure that it conducts its business in an open, transparent and democratically accountable manner and give effect to its identified priorities and desired outcomes in an efficient and effective manner as well as ensure that commercial transactions are made in accordance with sound business practices.

Community Views

- 16 No community views have been sought on this issue. Having said that the community expects that Council runs efficiently and effectively.

Costs and Funding

- 17 Council's budget for Internal Audit services is \$30,000 annually.

Policy Implications

- 18 The objectives under Councils procurement policy include ensuring purchases are made in an open, fair and transparent manner, that the service delivers best value for money and that there is open and effective competition. Undertaking a request for proposal is the first steps in achieving this.

- 19 Procurement decisions over \$20,000 are generally made on a competitive tender basis. As part of the selection criteria, the track record with Council or other councils needs to be considered along with an assessment of the ability of the provider to meet the standards required and the sustainable practices used by the supplier.
- 20 Councils financial delegations allow the chief financial officer or the chief executive to enter into contracts let in line with estimates set within the Annual Plan or Long Term Plan.
- 21 Council has delegated the committee under its terms of reference to undertake the following in regards to Internal Audit
- Approve appointment of the internal auditor, internal audit engagement letter and letter of understanding.
 - Reviewing and approving the internal audit coverage and annual work plans, ensuring these plans are based on the Council's risk profile;
 - Reviewing the adequacy of management's implementation of internal audit recommendations
 - Reviewing the internal audit charter to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

Analysis

Options Considered

- 22 The two options considered were the release or not of the Internal Audit Request for Proposal to the market.

Analysis of Options

Option 1 – Approve the release of the internal Audit Request for Proposal to the market incorporating any amendments agreed at the meeting.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Enables the process to recruit an internal audit provider to proceed.• Enables amendments to be incorporated into the Request for Proposal	<ul style="list-style-type: none">• If the committee has significantly different views than what can be amended to this report they will not be incorporated.

Option 2 – Do not approve the release of the Internal Audit Request for Proposal for release.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• If the committee has significantly different views on the process they can be incorporated	<ul style="list-style-type: none">• Slows down the process to recruit an Internal Audit provider.

Assessment of Significance

- 23 This matter is not considered significant under Councils significance and engagement policy.

Recommended Option

- 24 Option One – approve the release of the Internal Audit Request for proposal to the market incorporating any amendments agreed at the meeting.

Next Steps

- 25 If approved, release the Internal Audit Request for Proposal to the market.
- 26 Evaluate and shortlist the received proposals.
- 27 Receive presentations from those shortlisted.
- 28 Choice a preferred supplier and enter into a contract of service.

Attachments

- A Request for Proposal of Internal Audit Services [↓](#)

Request for Proposal for Internal Audit Service

Overview

1. Southland District Council

- 1.1 The Southland District Council (main office) is located at 15 Forth Street, Invercargill. It covers 11% of New Zealand's land mass and the approximately 30,000 residents are connected by 4,967km of roads managed by the Council. Being a rural community the district has a large farming base but additionally tourism is a growing sector within the province. Overall, Council has \$1.5billion in assets, eight offices and 151 fulltime equivalent staff.

2. Purpose of Request for Proposal

- 2.1 The purpose of this Request for Proposal (RFP) is to invite proposals for the provision of Internal Audit services to the Council.
- 2.2 The Council recognises that Internal Audit and Risk Management are essential responsibilities and wish to appoint an external provider that is able to develop and deliver internal audit work programmes that provide independent and objective assurance on the financial and operational controls of the Council to ensure they are efficient, effective, economical and ethical.
- 2.3 The Council are seeking an Internal Audit Service Provider that:
- Has the capacity and capability to develop and deliver a tailor made risk based internal audit programme.
 - Works with the Committee and Council staff and is committed to continuous improvement by adding value through the internal audit process.
 - Understands local government and delivers value by:
 - Utilising your network and capabilities
 - Participating in wider risk and assurance conversations
 - Providing insights on market trends and emerging risks; and
 - Providing independent and trusted advice.
 - Understands the importance of knowledge sharing and communication and demonstrates this constantly in dealing with all areas of Council.
- 2.4 The successful respondent will become the preferred supplier for the provision of Internal Audit Services.

3 Background

- 3.1 This procurement relates to the delivery of Internal Audit Services. Council has previously obtained these services in an ad-hoc basis and is now looking to formalise an approach through

the engagement of a preferred supplier. In developing the programme of works, Council though its Finance and Audit Committee are looking to develop a programme to provide assurance as to the current systems, identify areas of improvement and also undertake value add services.

- 3.2 Although the Council is seeking to select a single provider to provide Internal Audit Services it does reserve the right to engage other internal audit providers where there is a benefit to the Council in doing so.

4. Contract

- 4.1 The anticipated contract commencement date is 1st July 2019.
- 4.2 The contract will be established for an initial period of three years with an opportunity to extend the contract for a further two years. The right of extension is exercisable at the Council's sole discretion.
- 4.3 Council covers a number of activities, it is expected that the supplier of the internal audit services will be able to service the internal audit needs of these areas. As part of this, the supplier may need to subcontract parts of the service out, Council acknowledges this and requests that the proposed supplier incorporates this into its request for proposal. Ongoing, any service relationship with the subcontractor will be with the supplier not Council.
- 4.4 The successful respondent will be the preferred supplier for the provision of internal audit services to Council. The expectation is that the successful supplier will be the first choice for the provision of internal audit services however there may be occasions where an alternative service provider is engaged to provide one-off audits due to their specific experience or background with Council. For this reason the arrangement with the preferred service provider is not exclusive.

5. Statement of Works

- 5.1 The contract will outline the overarching scope of services, costs and requirements for internal audit activities. For specific activities/audits the Council will prepare and submit to the service provider a draft Statement of Works/Terms of Reference outlining the specific requirements of the engagement/audit. The Council may request that the service provider prepares and submits the Statement of Works to Council.
- 5.2 The Statement of Works must consider the scope, outcomes, deliverables; and timeline which outlines key activities including the:
- (a) Staff involved and likely input (including staff experience/seniority)
 - (b) Breakdown of all costs including disbursements.

6 Scope of Services

- 6.1 The scope of this request for proposal is for the provision of expert internal audit services to mitigate organisational risks across the Council, enabling Council to address internal audit and other services on a continuous, consistent and independent basis.

- 6.2 Internal auditing can add value and improve an organisations operations, helping organisations to accomplish objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of:
- Risk management
 - Control
 - Governance processes.
- 6.3 As part of the request for proposal, the provider will outline the process it will go through to work with the committee to establish the three year programme of works.
- 6.4 The services are to include:
- Establishing in conjunction with the Finance and Audit Committee a programme of works to be delivered over the term of the contract.
 - Delivery of an internal audit programme tailored for Council.
 - Reporting in writing and/or person to the Finance & Audit Committee at least twice a year.
 - Providing the Finance & Audit Committee with a report of findings, areas of improvement and suggested approaches for each completed piece of work.
 - Delivery of added value through leverage of your wide knowledge base and specialist skills that enables opportunities for improvement including the management of risk, based on national and international best practice.
 - The demonstration of value for money.

7 Other Information

- 7.1 Council's annual budget for the service is \$30,000 plus GST.
- 7.2 New intellectual property arising as a result of the contract will be the property of the Council.
- 7.3 The preferred supplier will adhere to all Health & Safety directives of the Council.

Finance and Audit Committee work plan up to 30 June 2019

Record No: R/18/9/22743
Author: Anne Robson, Chief Financial Officer
Approved by: Steve Ruru, Chief Executive

☐ Decision ☐ Recommendation ☒ Information

Purpose

- 1 To update the Committee on the status of the work programme discussed and agreed at the 14 June 2018 meeting.
- 2 As noted at the meeting the adoption of this work plan does not preclude the Committee or staff from including additional reports as and when required. It is expected that the work plan will be refined further as time goes by.
- 3 This workplan has been updated to incorporate the actual dates reports are being presented where that differed to the workplan adopted. For the Committees information the “X” in red shows the date the report was presented, where this differs from what was approved in the workplan or if it is a new report that will be presented on an annual basis. If there is a black “X” on the same line as a red “X”, the black “X” indicates the date agreed by the committee. The “X” in green reflects changes identified to the ongoing workplan since the workplan was adopted.
- 4 This meeting includes all the reports indicated in this plan for this meeting date except the Fraud system report and the Insurance Policy report. Due to changes in staff and workflow commitments these papers have been delayed and are now expected to come to the meeting in March 2019. The workshop on the annual plan is now at the end of Council on the 18th December.
- 5 In addition to the reports noted in the timetable this agenda also includes a report on a Riskpool call, the completed work in regards to the risk management framework project and the internal audit request for proposal.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled “Finance and Audit Committee work plan up to 30 June 2019” dated 5 December 2018.**
- b) **Notes the changes made to the workplan from the last meeting**

Attachments

- A Finance & Audit Committee workplan up to 30 June 2019 (to Dec 18 meeting) [↗](#)

Finance and Audit Committee Workplan to 30 June 2019

Content	26 March 2018	14 June 2018	30 August 2018	24 September 2018	14 December 2018	January 2019	March 2019	18 June 2019
LTP – Recommend LTP for adoption		X						
LTP – Final Mgmt Report			X					
LTP – 2021-2031 LTP Planning sessions								
Annual Plan – Timetable			X					
Annual Plan – Assumptions, policies and principles				X				
Annual Plan – Workshop					X			
Annual Plan – recommend draft to Council for consultation						✕		
Annual Plan – draft financials and draft document							X	
Annual Plan – Recommend final to Council								X
Risk Report	X	X		X	X		X	X
Health & Safety Report	X	X		X	X		X	X
Financial Report	X	X		X	X		X	X
Fraud System Report					X		X	
Annual Report – Audit Arrangements Letter	X						X	
Annual Report - Timetable		X						X
Annual Report – Acctg entities position paper			X		X			
Annual Report - Policies & Principles		X						X
Annual Report – Interim audit Report		X						X
Annual Report – Agree report ready for audit			X					
Annual Report – Final audit mgmt report				X				
Annual Report – Recommend adoption by Council				X				
Comparison Actual to Forecast				X				
2018/19 Programme of projects				X				
Forecast Financial Position	X				X		X	
Interim Performance Report	X		X		X		X	
Internal Audit	<i>Will be updated when the Internal Audit Programme is approved</i>							
Insurance - Insurance policy approval					X		X	
Insurance – Renewal Approval		X						X

Determine Finance & Audit Meeting Content		X					X	
Financial and Risk Policies – Debt Recovery Policy				X	X			
Other – Reports on projects over \$2million	<i>Reports will be included on agenda as appropriate</i>							
Other External Audits – Building Control & Roading etc	<i>Reports included on the agenda as appropriate</i>							

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.

C8.1 Quarterly risk register update - December 2018

C8.2 Procurement Update - Contract 18/18 - Human Resources Information System

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
Quarterly risk register update - December 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.
Procurement Update - Contract 18/18 - Human Resources Information System	<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> <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.