



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

Date: Tuesday, 18 June 2019
Time: 9am
Meeting Room: Council Chamber
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 – external member

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.
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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, 05 June 2019

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, 5 June 2019 at 8.01am to 10.13am (8.03am – 9.41am, 9.58am – 10.13am PE).

PRESENT

Chairperson	Ebel Kremer
	Mayor Gary Tong
Councillors	John Douglas
	Bruce Robertson – external member (via telephone) (8.01am – 9.41am)

APOLOGIES

Councillor Duffy

IN ATTENDANCE

Councillor Baird	
Councillor Dillon	
Councillor Frazer	
Councillor Harpur	
Councillor Keast	
Councillor Paterson	
Councillor Perham (8.29am – 10.13am)	
Chief Executive	Steve Ruru
Group Manager, Services and Assets	Matt Russell
Group Manager, Community and Futures	Rex Capil
Chief Financial Officer	Anne Robson
Governance and Democracy Manager	Clare Sullivan
Communications Manager	Louise Pagan
Committee Advisor	Fiona Dunlop

1 Apologies

There was an apology from Councillor Duffy.

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

That Council 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

Councillor Kremer advised that there is a late item for consideration at the meeting which is item C7.2 WasteNet Recommendation to Award Recycling Contract. The item was not circulated with the agenda as the information to be included in the report was not available to the officers when the report was due for circulation with the agenda.

The item cannot be delayed until a subsequent meeting as the awarding of the contract needs to be resolved before 30 June 2019.

Resolution

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

That the Finance and Audit Committee consider the late item C7.2 WasteNet Recommendation to Award Recycling Contract.

6 Confirmation of Minutes

Resolution

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

That the Finance and Audit Committee confirms the minutes of the meeting held on 26 March 2019 as true and correct record of that meeting.

Public Excluded

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.

C7.1 Te Anau Wastewater Upgrade – Recommendation to Award Pipeline Construction Project

C7.2 WasteNet Recommendation to Award Recycling Contract

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
Te Anau Wastewater Upgrade – Recommendation to Award Pipeline Construction Project	<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.
WasteNet Recommendation to Award Recycling Contract	<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.

That the Chief Executive, Group Manager, Services and Assets, Group Manager, Community and Futures, Chief Financial Officer, Communications Manager, Governance and Democracy Manager and Committee Advisor be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the items C7.1 Te Anau Wastewater Upgrade – Recommendation to Award Pipeline Construction Project and C7.2 WasteNet Recommendation to Award Recycling Contract. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because of their knowledge on the issues discussed and meeting procedure.

That the Strategic Manager Water and Waste – Ian Evans, Commercial Infrastructure Manager – Dylan Rabbidge and Management Accountant – Susan McNamara be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the items C7.1 Te Anau Wastewater Upgrade – Recommendation to Award Pipeline Construction Project and C7.2 WasteNet Recommendation to Award Recycling Contract. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because of their knowledge on the issues discussed.

That Invercargill City Council – Director, Works and Services – Cameron McIntosh, Invercargill City Council - Senior Waste Officer – Donna Peterson and Invercargill City Council - Drainage and Solid Waste Manager – Malcolm Loan be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the items C7.2 WasteNet Recommendation to Award Recycling Contract. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because of their knowledge on the issues discussed.

The public were excluded at 8.03am.

(Councillor Perham joined the meeting at 8.29am.)

The meeting adjourned at 9.41am and reconvened at 9.58am.

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

The meeting concluded at 10.13am.

CONFIRMED AS A TRUE AND CORRECT RECORD AT A
MEETING OF THE FINANCE AND AUDIT COMMITTEE
HELD ON WEDNESDAY 5 JUNE 2019.

DATE:.....

CHAIRPERSON:.....

Finance and Audit Committee work plan up to 30 June 2019

Record No: R/19/6/10765
Author: Anne Robson, Chief Financial Officer
Approved by: Anne Robson, Chief Financial Officer

☐ 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 work plan has been updated to incorporate the actual dates reports are being presented where that differed to the work plan adopted. For the committee's information the "X" in red shows the date the report was presented, where this differs from what was approved in the work plan 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 work plan since it was adopted.
- 4 All the reports indicated in this plan for this meeting date are presented in this agenda except;
 - the risk report which has been replaced with an update on the risk management framework implementation, quarterly risk management reporting process and the associated risk register development.
 - the property assets held and their purpose, which will be presented at the next committee meeting.
- 5 In addition to the reports noted in the timetable, this agenda also includes a report on the purchase of a health and safety reporting system, draft health and safety plan 2019/20, Milford opportunities project funding application, Stewart Island/Rakiura wind project – funding application and an update on the Council's accounting entities position paper.
- 6 Council staff are in the process of finalising back to the committee, the risk analysis the committee has requested in regards to the fraud system report that it left lying on the table at the last Finance and Audit Committee meeting. This will come to the next committee meeting.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled "Finance and Audit Committee work plan up to 30 June 2019" dated 11 June 2019.**
- b) **Notes the changes made to the work plan from the last meeting.**

Attachments

- A Finance and Audit Committee Workplan to 30 June 2019 (18 June 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	26 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						X		
Annual Plan – draft financials and draft document							X	X
Annual Plan – Recommend final to Council								X
Risk Report	X	X		X	X		X	X
Update on Risk Mgmt framework implementation, quarterly risk mgmt reporting process and the associated risk register development								
Health & Safety Report	X	X		X	X		X	X
Draft Health & Safety Plan 2019/20								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				

Content	26 March 2018	14 June 2018	30 August 2018	24 September 2018	14 December 2018	January 2019	26 March 2019	18 June 2019
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	X
Insurance – Renewal Approval		X						X
Determine Finance & Audit Meeting Content		X					X	
Financial and Risk Policies – Debt Recovery Policy				X	X			
Property Assets held and their purpose								X
Purchase of Health and Safety Reporting System								X
Milford Opportunities project funding application								X
SI/Rakiura Wind Project – funding application								X
Other – Reports on projects over \$2million	<i>Reports will be included on agenda as appropriate</i>							
Other External Audits – Building Control & Rooding etc	<i>Reports included on the agenda as appropriate</i>							

Health and Safety Update

Record No: R/19/5/9676
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.

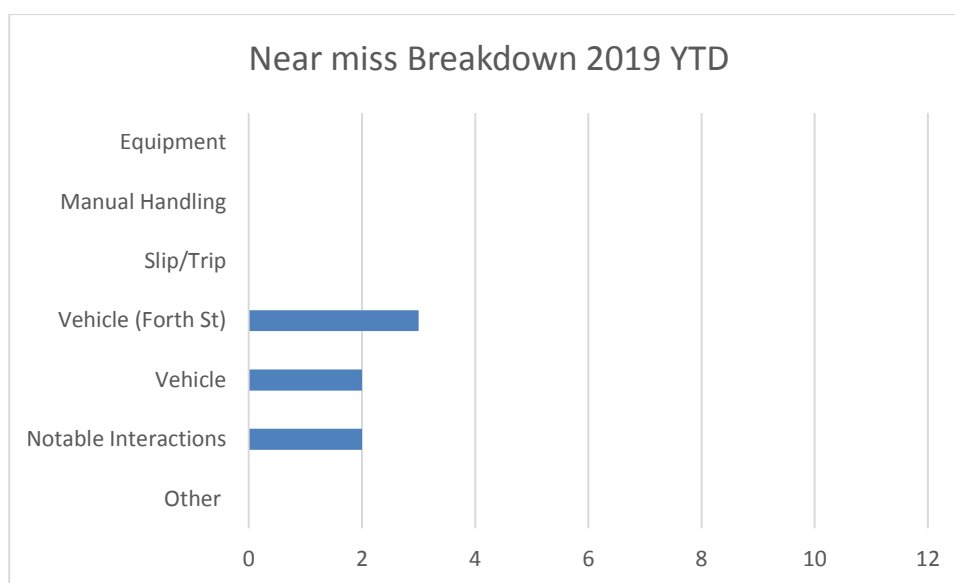
Content

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 A summary of these indicators for the year from 1 January 2019 to 30 April 2019 is below.
- 6 There are no notable Medical Treatment Incidents (MTI) for February, March and April 2019. Near miss reports have increased for the April month which is positive.
- 7 In addition please find below a summary of the near miss breakdown for year to date. There is nothing of note here.
- 8 In mid May, a decision to close the Winton Library. Testing was commissioned at the beginning of May after staff complained of smells and dampness along with increased levels of allergies. After initial testing the results came back with a recommendation to close the office because of the high level of airborne spores and fungal contamination. Further investigations are underway to determine the extent of the issues.

Summary of Indicators – 1 January 2018 to 30 April 2019

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	Safety Observations received	Contractors Audited	Contractors Requiring Follow up
Jan-19	5	1	0	0	1	1	0	0	2	0	5	8	6	73	0	1	3	0	0
Feb-19	3	0	0	0	1	0	0	0	2	0	2	3	3	101	0	0	0	0	0
Mar-19	6	0	2	0	0	0	0	1	3	0	5	6	6	137	0	0	6	3	1
Apr-19	10	0	5	1	0	0	0	0	4	0	7	9	9	162	0	0	0	0	0
May-19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Jun-19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Jul-19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Aug-19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sep-19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oct-19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nov-19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dec-19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	24	1	7	1	2	1	0	1	11	0	19	26	24		0	1	9	3	1



Other Health and Safety Related initiatives

- 9 Health and safety training continues with staff completing the Health and Safety e-learning modules based on the health and safety procedures.
- 10 The Health and Safety Committee met on 2 April 2019. The new system of nominating committee members resulted in good representation from throughout the organisation. The Committee also changed its name to Health, Safety and Wellbeing committee to reflect a greater focus on staff wellbeing. In mid-November 2018 and provided feedback and support for the health and safety training. The Health and Safety Representatives (HSR's) have had their roles redefined with a greater focus on communication and education around safety differently.
- 11 The Health and Safety Plan for 2019/20 is currently in draft and will be presented at the Finance and Audit committee.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled "Health and Safety Update" dated 10 June 2019.**

Attachments

There are no attachments for this report.

Draft Health and Safety Plan for 2019/20

Record No: R/19/5/9689
Author: Janet Ellis, People and Capability Manager
Approved by: Steve Ruru, Chief Executive

☐ Decision ☒ Recommendation ☐ Information

Purpose

- 1 To seek approval for the draft Health and Safety Plan 2019/2020 to be presented to Council for formal approval.

Executive Summary

- 2 Southland District Council has an obligation to manage the health and safety of workers. To be able to do this Council needs to continue on its journey with improving the focus on health and safety in the coming year.
- 3 A draft Health and Safety Plan for 2019/20 has been drafted which contains the proposed objectives for the year ahead. The plan is being presented to the Committee for their endorsement prior to seeking formal approval from Council.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled "Draft Health and Safety Plan for 2019/20" dated 10 June 2019.**
- b) **Determines that this matter or decision be recognised 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) **Recommends to Council that it approves the Health and Safety Plan for 2019/2020.**

Background

- 4 In 2018/19 ongoing progress was made on health, safety and wellbeing within Council including the appointment of a health, safety and wellbeing advisor, development of both leading and lagging indicators, improved contractor approval process, ongoing development of health and safety training, continued work on critical risk control plans and recommendations on a health and safety system.

- 5 An update on the Health and Safety Plan as of 30 May 2019 is attached for the Finance and Audit Committee's information. The critical control plan work is proposed to continue into 2019/20 along with the training on the procedures and the implementation of the health and safety system.
- 6 In 2017 our progress was benchmarked and reviewed by Simpson and Grierson and it is proposed that we will continue to use this to focus and inform our actions for the 2019/20 year.
- 7 A Health and Safety Plan for 2019/2020 has been drafted and is attached (Attachment A) for the Committee's consideration.
- 8 The plan contains a review of previous performance and objectives and spells out proposed improvement measures and targets. It identifies key elements to deliver improvement and allocates sponsors to ensure momentum is maintained.

Factors to Consider

Legal and Statutory Requirements

- 9 Council has a legislative obligation to manage the health and safety of workers.
- 10 The Health and Safety Plan continues the focus on a risk based approach to managing health and safety based within its undertakings.

Costs and Funding

- 11 There will be ongoing health and safety costs with the implementation of this plan. Current known costs have been budgeted in the Long Term Plan. Both the Finance and Audit Committee and Council in March 2018 endorsed the continued spending on health and safety to ensure our staff get home safe every day.

Policy Implications

- 12 The current Health and Safety Policy will need to be amended following finalisation of the Plan.

Analysis

Options Considered

- 13 The options considered are to recommend to Council for the approval of the Health and Safety Plan as presented (Option 1), recommend them subject to some minor amendments (Option 2) or Do Nothing (Option 3).

Analysis of Options

Option 1 – Agree to the Draft Health and Safety Plan 2019/2020

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Improvement of health and safety culture• Illustration that Council and ELT are committed to caring for the wellbeing and safety of our people• Decline in the number of injuries• Meet legislative requirements.	<ul style="list-style-type: none">• Possible additional financial implications

Option 2 – Modifies the Draft Health and Safety Plan 2019/2020

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Save some initial costs in the short term	<ul style="list-style-type: none">• No clear guidelines• Health, safety and wellbeing of our people in jeopardy• May not be consistent with legislative obligations.

Option 3 – Do Nothing

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Avoids short term cost implications	<ul style="list-style-type: none">• Inconsistency in procedures• No clear guidelines• Health, safety and wellbeing of our people in jeopardy• Not consistent with legislative obligations

Assessment of Significance

- 14 The matter being considered is of an administrative matter and hence is not considered to be significant in terms of section 76 of the Local Government Act 2002.

Recommended Option

- 15 Agrees to recommend to Council adoption of the draft Health and Safety Plan for 2019/20.

Next Steps

- 16 Seek final approval of the plan from Council and continue working on the execution of the plan.

Attachments

- A Draft Health and Safety Plan 2019/2020 [📄](#)
B Update on Health and Safety Plan - 30 May 2019 [📄](#)



Health Safety & Wellbeing Plan 2019/2020

	May 2019
Date Approved:	
Approved By:	

Our H&S Commitment – Approved by Council

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

Current State

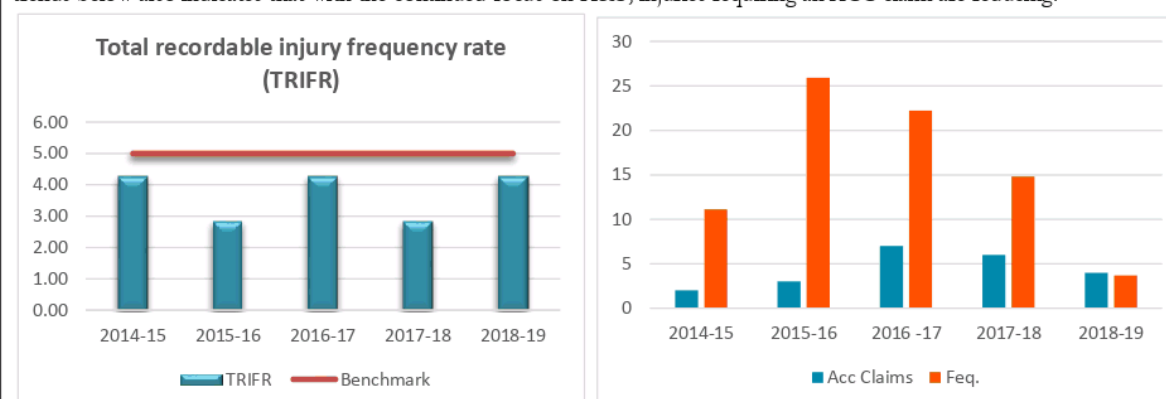
We have continued to make good progress on health, safety and wellbeing over the last year and there is better accountability for staff, contractor and public safety coupled with a collective goal that everyone is able to go home safe and well at the end of the day.

Our progress was benchmarked and reviewed by an external qualified organisation in 2017, and we will continue to use this to focus and continue our health, safety and wellbeing Journey for 2019/2020. While we do not experience a large number of significant injuries, we know our people are managing and working with risk every day that has the potential to cause significant harm. Our aim is to ensure we manage and control these risks and work with our people to continually improve and learn.



As an Executive Leadership Team we have discussed our current culture in H&S against the Hearts and Minds culture ladder developed by Hudson. The adjacent diagram indicates where we believe our current organisational culture to be. It is positive to see the move up this ladder from a reactive and calculative culture progressing towards a calculative culture. We need to have a plan that will continue to deliver a focus on health, safety and wellbeing to achieve the goal of proactive towards generative. We have developed this plan, as a way to ensure we measure and progress our health, safety and wellbeing journey. We acknowledged that health, safety and wellbeing was one of our top priorities as an Executive Leadership team for the 18/19 year and are continuing this commitment to improvement for the 2019/20 year and beyond.

The graph below shows our **current** total recordable injury frequency rates (TRIFR) since 2014. This is based on the average hours worked by our 153 FTE workforce. This frequency rate is the number of lost time injuries, alternate work and other injuries requiring medical treatment per 200,000 hours worked. While the majority of the injuries recorded are minor in nature, it is an indication that a serious injury can occur at any time. A decrease in the number of work injuries requiring lost time or medical treatment in 2017-2018 is promising following a period with a higher number of these injuries between 2016-2017. Contemporary organisations use a <5 total injury frequency rate (TRIFR) as a benchmark target. A graph of ACC claim trends below also indicates that with the continued focus on H&S, injuries requiring an ACC claim are reducing.



Action Plan

As part of our commitment as a Leadership Team we will co-sponsor a key activity within the health, safety and wellbeing plan, this sponsorship commitment is to supporting the roll-out of the initiative or objective and keep each other and our teams on track in undertaking the objectives within SDC.

Key Focus Areas for H&S	Steps to complete	Sponsor	Complete by date
Complete implementation of H&S Training The development of health, safety and wellbeing e-learning modules and ensuring people are trained in what they are doing was a key focus for 2018/19. Reviewing and updating e-learning modules and supporting new employees in their health, safety and wellbeing training is the focus for 2019/20	Continue to develop education on our key H&S processes and ensure our people are trained in what we are doing.	Bruce Halligan	Dec 2019
	All staff trained in the e-learning modules		Dec 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 serious mental harm critical risk control plan (bowties) and approval from ELT sponsor.	Trudie Hurst	July 2019
	Assess the effectiveness of the controls for the control plan and create corrective actions for any deemed not effective.		July-August 2019
	Monitor closing out of corrective actions in Monthly reporting.		Dec 2020
Implementation of a H&S system Implement a web based Health and Safety system in line with budget and industry practice	Implementation plan complete	Anne Robson	June 2019
	Implementation of new H&S System		By Sept 2019
Wellbeing Continue to create a proactive and structured approach to dealing with staff wellbeing.	Continue the work with becoming a Healthy Thinking Organisation	Janet Ellis	Ongoing
Contractor management Requalify and review approved contractors	Requalify and review approved contractors ready for H&S system implementation	Matt Russell	June 2019
	Determine routine audit and safety inspection schedules for all contractors and council engaging supervisors		June 2019
Gap Analysis Undertake a gap analysis to assess our improvements and detail any areas for improvement.	Undertake an H&S gap analysis	Steve Ruru	Feb 2020
	Implement improvement opportunities in the gap analysis		From Mar 2020



Update on Health and Safety Action Plan

30 May 2019

In July 2018, Council agreed to the Health and Safety Plan 2018/19. Below is an update as of 30 May 2019.

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 ongoing
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 2019/2020
	Monitor closing out of corrective actions in Monthly reporting.		Dec 2019	Ongoing work – will continue in 2019/2020
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 – currently at proposal stage
	Request for Proposal is finalised and Distributed/Vendor system selected		Dec 2018	Delayed – currently at proposal stage
	Implementation of new H&S System		By June 2019	Will be delayed



KEY FOCUS AREAS FOR H&S	STEPS TO COMPLETE	SPONSOR	COMPLETE BY	UPDATE
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
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	Completed
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	Internal gap analysis undertaken in March 2019
	Implement improvement opportunities in the gap analysis		From Feb 2019	Ongoing

Approval for purchase of a Health and Safety reporting system

Record No: R/19/4/7380
Author: Janet Ellis, People and Capability Manager
Approved by: Steve Ruru, Chief Executive

☒ Decision ☐ Recommendation ☐ Information

Purpose

- 1 The purpose of this report is to seek approval for the purchase of the Assura Software Health and Safety System.

Executive Summary

- 2 Currently, Council does not have a computerised health and safety system.
- 3 Over the last two years the Health and Safety Plan has provided for the implementation of a health and safety system to assist with achieving compliance with the Health and Safety legislation.
- 4 In October 2018, Council released a Request for Proposal (RFP) seeking market information about potential solutions and suppliers.
- 5 The RFP requested information for a new Human Resources Information System and Payroll as well. This report only relates to the purchase of a health and safety system.
- 6 Following the RFP process, Council staff recommended to Finance and Audit in December 2018, and Finance and Audit subsequently agreed, to accept two non-conforming responses as they wanted to have direct discussions with these vendors. Assura was one of these vendors.
- 7 Discussions have now occurred and following discussions with one vendor, Assura Software, staff visited two different councils seeking their feedback on this system. The feedback was positive and it is now proposed that Council progress with implementation of the Assura Software Health and Safety system.
- 8 The Health and Safety system will provide Council with a simple and intuitive system that will allow us not only to comply with the Health and Safety legislation, but allow us to continue to build a proactive and engaging health and safety culture.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled “Approval for purchase of a Health and Safety reporting system” dated 10 June 2019.**
- 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 purchase of the Assura Health and Safety system and agrees to the costs of the ongoing licence and one-off implementation fee.**

Background

- 9 Currently, Council does not have a computerised health and safety system. The current system is paper based with the use of excel spreadsheets and paper forms for reporting.
- 10 In the 2017/18 and the 2018/19 Health and Safety Plans, approved by Council the implementation of a health and safety system was regarded as a priority.
- 11 In October 2018, Council released a Request for Proposal (RFP) which was completed to provide Council with accurate market information about potential solutions and suppliers.
- 12 Council in the RFP stated that “*Council is looking for a flexible, fit-for-purpose and future proof solution. We want a system that will engage and empower our people and an interface that is easy to use and intuitive. Ongoing maintenance of the proposed solution should be kept to a minimum*”. It was envisaged that the Health and Safety platform would be progressive, proven, agile and formulated on best practice industry standards.
- 13 The RFP including requesting information for a new Human Resources Information System and Payroll as well. This report relates only to the purchase of a health and safety system as ongoing work on implementation and costs for the other systems is continuing.
- 14 Assura had scored very well on the evaluations completed by staff. Evaluation criteria included the product, pricing, implantation, service, support and training and the vendor.
- 15 Following completion of the evaluation process further discussions were held with Assura Software and staff have also visited two councils in the North Island that have Assura as their health and safety platform, Hutt City Council and Napier City Council. Both councils found the system easy to use, Napier in particular found the system to be excellent.
- 16 In mid April 2019 a workshop was held with Assura, the business solutions team and people and capability staff. The aim of the workshop was to finalise anything that would be needed to take

into consideration for the implementation of the system and for the consultant to run through a very detailed analysis of the current system.

- 17 Following this workshop, Assura updated their pricing. Updated pricing included a per annum cost of \$9,340.50 and a one off implementation cost of \$15,800.00. Costs do not include staff time, disbursements and one-off costs for designing and implementing customised reporting. The costs of this system are significantly less than other health and safety systems reviewed.
- 18 The system includes drop down lists, tick boxes and logical step-by-step processes that make it easy for staff, leaders and our contract managers to take an active role in the maintenance of a safe and healthy workplace. The system has strong configuration potential and is easily updated when new health and safety risks are known and new corrective actions are required. Audits can be tracked and reports and dashboards are easily accessible.
- 19 The choice of an externally hosted web-based application meets the requirement to provide secure, modern software products that can be used anywhere, are mobile friendly with ongoing support.
- 20 It is envisaged that if the purchase of the health and safety system is approved by the Finance and Audit committee the implementation of the system would occur over a six month period. All staff would be trained on logging an incident into the system and then team leaders and contract managers would be trained on a staggered basis with the areas that have the greatest risks first. Implementation would be slow and steady with leaders and staff learning as we go.
- 21 This health and safety system will provide Council with a simple and intuitive system that will allow Council to not only comply with the Health and Safety legislation but allow us to continue to build a proactive and engaging health and safety culture.

Factors to Consider

Legal and Statutory Requirements

- 22 The Health and Safety legislation (The Health and Safety at Work Act 2015) and related regulations apply to employees and contractors. The act requires that workers are given the highest level of protections from workplace health and safety risks, so far as is reasonably practicable.

Community Views

- 23 No community views have been sought on this issue.

Costs and Funding

- 24 Assura Software health and safety licence is \$9,340.50 per annum for a cloud based system.
- 25 Implementation estimate of \$15,800.00. This cost does not include staff time costs, any allowance for customised reporting and disbursements for consultants.
- 26 This has been budgeted as part of the core systems budgeted costs as per the Long Term Plan and ongoing licence costs as part of Information Management budgets.

Policy Implications

- 27 The objectives under Council's procurement policy have been met in the process of selecting this vendor, including ensuring purchases are made in an open and fair and transparent manner, that the services deliver best value for money and that there is open and effective competition.

Analysis

Options Considered

- 28 The three options considered were the purchase of Assura Software health and safety system, the purchase of alternative health and safety system or not to purchase a health and safety system.

Analysis of Options

Option 1 – Approve the purchase of the Assura Software Health and Safety System

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Cost effective health and safety system• The choice of an externally hosted web-based application ensures a secure, modern product that can be used anywhere.• There has been a considerable amount of research and preparation completed for the implementation of this system• System will be health and safety legislation compliant• System will allow Council to continue to build a proactive and engaging health and safety culture• Fit for purpose and future proofed solution• Interface that is easy to use and intuitive• Eliminates the need for manual workarounds and multiple data inputs	<ul style="list-style-type: none">• If the committee has significantly different views on the purchase of a health and safety system they can be incorporated

Option 2 – Purchase an alternative health and safety system

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• If the committee has significantly different views on the purchase of a health and safety system they can be incorporated	<ul style="list-style-type: none">• Slows down the process of implementing a health and safety system• May not get all of the features of the system proposed• Will probably mean additional costs incurred including cost of systems

Option 3 – Do not purchase a health and safety system

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• If the committee has significantly different views on the purchase of a health and safety system they can be incorporated	<ul style="list-style-type: none">• Current paper based system overly complicated and restrictive• Current system inhibits the ability to build a proactive and engaging health and safety culture• Current paper based system susceptible to human errors• Current system not fit-for-purpose and future proof• There is no interface and it is not intuitive

Assessment of Significance

- 29 This matter is not considered significant under Council's significance and engagement policy.

Recommended Option

- 30 Option One – approve the purchase of the Assura Software health and safety system

Next Steps

- 31 If approved, enter into a contract of service and begin the implementation of the system.

Attachments

There are no attachments for this report.

Update on the risk management framework implementation, the quarterly risk management reporting process and the associated risk register development.

Record No: R/19/4/6051

Author: Jane Edwards, Policy Analyst

Approved by: Rex Capil, Group Manager Community and Futures

☐ Decision

☐ Recommendation

☒ Information

Purpose

- 1 The purpose of this report is to provide an update to the Finance and Audit Committee on the implementation of the Risk Management Framework, the quarterly risk management reporting process and associated risk register development.

Executive Summary

- 2 A risk management framework was adopted by Council in February 2019. The framework supports risk thinking across Council so that risk can be understood, planned for and mitigated across all levels and activities.
- 3 Council's priority strategic and corporate risks were identified and endorsed in February 2019 and these will form the basis of the Finance and Audit Committee quarterly risk report including the risk register.
- 4 It is intended that the executive leadership team (ELT) will review the status of the ten primary strategic and corporate risks, and any emerging operational risks, on a quarterly basis and this report will then be presented to the Finance and Audit Committee for consideration. Following feedback from the Finance and Audit Committee the quarterly risk management report and associated risk register will be reported to the next Council meeting.
- 5 At a workshop on 6 May 2019, the ELT made the decision to undertake further work in developing the quarterly risk reporting process and the associated risk register. Therefore it was decided not to provide an update of the previous risk register for the current June quarter as this risk register has been replaced following the work undertaken as part of the risk management framework development and its subsequent adoption by Council.
- 6 In undertaking further work to progress the implementation of the risk management framework and to operationalise it, the ELT identified the need for further time to develop the approach and give greater consideration to the development of the more detailed narrative associated with the status of each of the ten primary strategic and corporate risks to Council.
- 7 The decision not to provide an update of the previous risk register for the June quarter was discussed with the Finance and Audit Committee chair and the rationale was explained and supported.

- 8 It is planned that the ELT will conduct a comprehensive evaluation of each of Council's ten strategic and corporate risks in a workshop scheduled for 22 July 2019.
- 9 The ELT request feedback and direction from the Finance and Audit Committee prior to its July workshop to assist it with the next stage of the risk management framework implementation and to ensure the approach being taken fulfils the direction provided from the Finance and Audit Committee.
- 10 It is intended the quarterly Risk Management Report and risk register update content will include:

Strategic and corporate risks

This section will report on the top 10 strategic and corporate risks identified by Council. It is intended this will take the form of a risk register table – with each of the top 10 strategic and corporate risks being reported on across the organisation (initially by way of operational groups with each group manager responsible for informing the risk register table) and covering off:

- a. **What** are the characteristics of the risk as it relates to a specific area of operation; how has it evolved and/or been created.
- b. **So what** does this mean for the organisation; what are the consequences (intended and unintended) as a result of this risk materialising and how will the risk impact on the operation of the organisation.
- c. **Now what** are the treatments considered important in order to address and mitigate the risk; and what do the treatments mean as far as the impact of the risk following the treatments being put in place for risk mitigation.

Emergent risks

This section will detail and describe identified emergent risks – specifically identifying what the risk is, why it is being considered as an emergent risk and provide a recommended approach as to its possible escalation to be considered to be included on the risk register of top 10 risks. This will require a risk assessment process to be worked through and undertaken as identified in the risk management framework – considering the risk categories; risk thresholds; risk tolerance; risk prioritisation; risk acceptance and escalation; and risk treatments and controls.

Operational risk assurance

This section will provide the opportunity for the Finance and Audit Committee to be have assurance that operational risks are being managed effectively and the ELT to highlight and inform of issues and opportunities accordingly

- 11 This feedback and direction from the Finance and Audit Committee and associated analysis will enable the ELT to focus its July workshop and provide an informed and fit for purpose risk management report and risk register update to be presented to the Finance and Audit Committee for the September quarter.

Recommendation

That the Finance and Audit Committee:

- a) Receives the report titled “Update on the risk management framework implementation, the quarterly risk management reporting process and the associated risk register development.” dated 5 June 2019.**
- 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 approach being undertaken to implement the risk management framework, the quarterly risk management reporting process and associated risk register development**
- e) Provides feedback and direction to assist the Executive Leadership Team to focus the scheduled ELT workshop for 22 July 2019.**
- f) Notes that the next quarterly risk register report will be presented to the Finance and Audit Committee on 23 September 2019.**

Attachments

There are no attachments for this report.

Monthly Financial Report - April 2019

Record No: R/19/6/10138
Author: Dipal Patel, Project Accountant
Approved by: Anne Robson, Chief Financial Officer

☐ Decision ☐ Recommendation ☒ Information

Summary

1. The purpose of this report is to provide Council with an overview of the financial results to date by the nine activity groups of Council, as well as the financial position, and the statement of cash flows.
2. This report summaries Council financial results for the ten months to 30 April 2019.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled “Monthly Financial Report - April 2019” dated 12 June 2019.**

Attachments

- A Monthly Council Financial Report - April 2019 [↓](#)



Monthly Financial Report

April 2019

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 nine months to 30 April 2019.
2. The Monthly Financial Report Summary consolidates the business units within each of Council's Groups of Activities.
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 forward, and forecast adjustments.
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 more or less than 10% of the original adopted budget and greater than \$10,000 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.

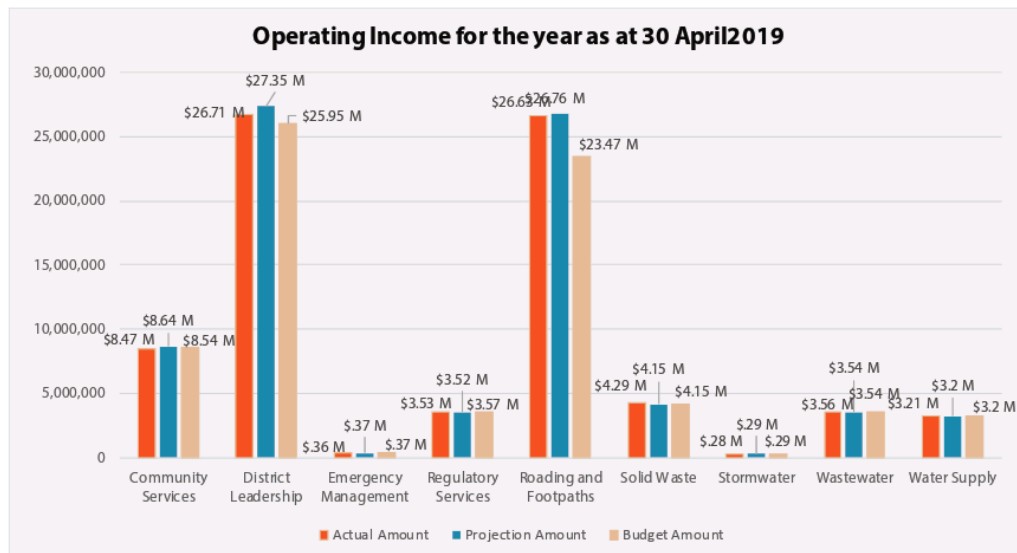
Abbreviation Explanation

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
\$M	Millions of dollars

A. Council Monthly Summary

1. Income

Operating Income is \$818K (1%) under projection for YTD (\$77M actual vs \$77.8M projected).



Community Services income is \$215,988 (2%) under YTD projection.

- **Cemeteries** is \$73,854 (30%) over projection. This is primarily due to the excess income of \$57,811, generated from harvesting the trees at the Mossburn Cemetery.
- **Public Conveniences** is \$175,725 (19%) under projection. The budget includes MBIE approved grant income for the Monkey Island, Clifden Bridge, Milford Road and Waikawa toilet upgrade projects, an interim claim is to be invoiced in June 2019. These projects were subject to the TIF application.
- **SIESA** is \$72,735 (6%) over projection due to there being a 3% increase in the year to date electricity consumption and the income received from waste recovery.
- **Water Structures** is \$145,726 (77%) under projection. The budget includes an anticipated grant from the Stewart Island visitor levy. The Stewart Island/Rakiura Visitor Levy subcommittee met on 28th of May 2019 and approved the application for \$100,000 towards the upgrade of the Ulva Island jetty. There has also been lower income to date from boat park fees on Stewart Island.
- **Work Schemes** is \$100,172 (37%) under projection. The number of large projects continues to be down from previous years, some of this work will be recovered by year end but not entirely. It is anticipated that work schemes will be \$60,000 under projection at year end.

District Leadership income is \$639,671 (2%) under YTD projection.

- **Corporate Services** is \$867,745 (7%) 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 variances are:

- **Financial Services** is \$274,115 (16%) under projection. This business unit is internally funded and reflects expenditure which is under projection YTD. The primary reasons for the under expenditure is staff costs and training as a result of vacancies in the team, this is expected to remain underspent at year end. Other costs currently underspent are consultants, membership fees, software costs and debt collection costs, which is also all expected to be under project at year end. Audit fees is also under projection but is expected to be incurred by year end.
- **Operations and Community Services** is under projection by \$376,895 (43%). The Operations and Community Services business unit is internally funded and reflects expenditure which is under projection YTD. A portion of this business unit is recovered from NZTA, due to vacancies and a change to the way NZTA fund their costs the year end recovery will be less than budgeted. To balance this business unit at year end additional funds will be transferred from the district reserve. Additionally, there are a number of line items which are significantly under budget, the majority of these are due to the reduction of two staff members, there has also been a reduction in the use of some budget items like accommodation, meals mobile phone activity. Training has also been reduced due to the structural change of the group and the people moving to more dedicated activities.
- **District Support** is \$129,539 (3%) over projection, mainly due to a \$100,000 grant received by Waiau/Aparima ward.
- **Representation and Advocacy** is \$100,482 (4%) over projection. This is principally due to the Chief Executive business unit having received more rates penalty income than anticipated and having the proceeds from a vehicle sale. The vehicle sales proceeds was budgeted in the prior FY.

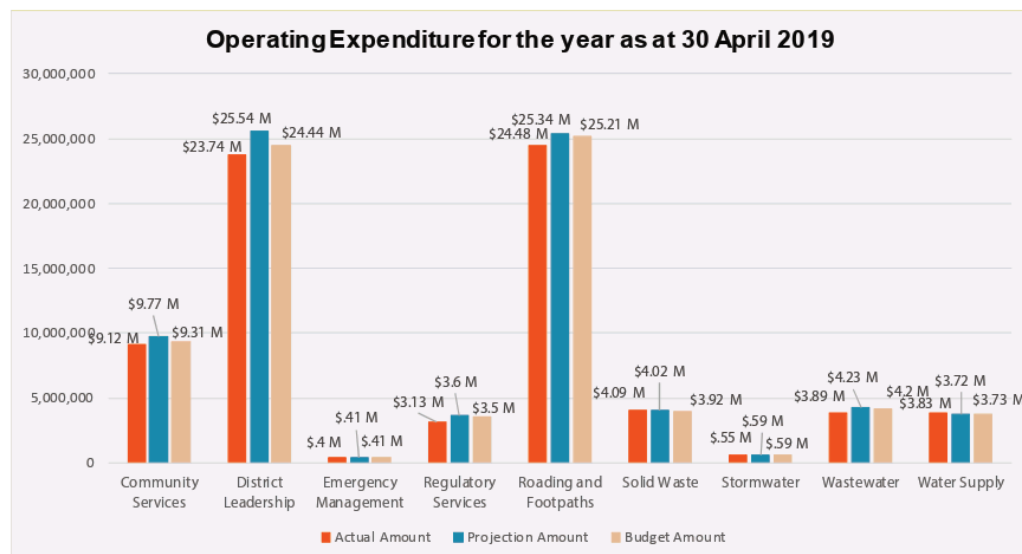
Roading and Footpaths income is \$131,708 (0.1%) under YTD projection. This is predominantly due to:

- **Road Safety Southland** is \$135,869 (43%) under projected income. The main part of this variance is due to ICC not yet being invoiced for March costs of \$67,119 yet. The remainder is caused by the operational expenditure being \$68,750 less than projected year to date. Costs, and therefore income, are expected to be aligned by year end, Any under expenditure would be looked at carrying forward into 2019/2020.
- **District Wide Roothing** is \$200,000 (1%) over projection, this is due to the timing of the works that we have carried out and have been paid out by NZTA since the work has been completed.
- **Special Purpose Roads** is under projection by \$160,902 (8%). This is still largely driving by the original delays with the Chaslands Slip repair. As work is now largely completed it is expected the remainder of the cost will come through during May.
- **Transit Recoveries** is \$81,725 (65%) under projection – This business unit captures the cost of work undertaken on State Highways behalf such as street light maintenance, drainage etc. This is approx. 95% funded by NZTA and is generally completed at year end therefore the business unit will be behind budget until June 2019.

Solid Waste income is \$141,240 (3%) over YTD projection. This is predominantly due to increased fees received from the transfer stations and recoveries from additional wheelie bins that have been put into service.

2. Expenditure

Operating Expenditure is \$3.96M (5%) under projection for the YTD (\$73.2M actual vs \$77.2M projection).



Community Services operating expenditure is \$650,595 (7%) under YTD projection.

- **Community Centres** is \$93,659 (18%) under projection. There are 32 out of the 64 halls that come in under budget by greater than \$1,000. Of these, 8 are under budget by greater than \$4,000 with the most notable being the Fiordland Hall at \$18,176. This hall isn't a Council hall but the finances come through Council's financial system.
- **Council Facilities** is \$114,049 (8%) over projection. A large portion of this (\$62,718) is to do with new staff costs, office equipment and refurbishment associated with the Services and Assets restructure. There were also additional survey costs and consultant's fees associated with the AMCT. The Otautau office required some remedial work on the front entrance to improve access and egress to the office. Vehicle replacement costs have now been included in the budget. There are operational costs like electricity and maintenance that are not phased, rather the annual budget is spread equally across the year. Some non-council facilities have not yet drawn their full year rates income.
- **Parks and Reserves** is \$349,431 (21%) under projection. The district reserve consultant budget is underspent by \$118,400 but there are still two significant projects to be processed through the financial system that will reduce this, these are the minimum levels of service for the community facilities portfolio and master data and metadata standards across three waters and community facilities and amount to approximately \$70,000. There are no other significant single contributors to this amount across the district, rather most of the business units, are underspent due to less operational costs being incurred for the year than budgeted, mainly in mowing and maintenance. The likelihood of this budget being used by the end of the financial year is not very high as we have already passed the peak summer season. There will be some additional costs associated with the change to one mowing contract and a gardening contract but they will not have a big impact on the end of year result.

- **SIESA** is \$136,913 (9%) under projection. Depreciation is less than budgeted due to capital expenditure being deferred. Other items that are less than expected are management fees, ordinary time & temporary contractors costs, fuel and freight costs.
- **Water structures** is \$49,763 (22%) under projection. This is due to work associated with the Ulva Island and Golden Bay wharves that has been deferred pending the TIF application going to MBIE.

District Leadership operating expenditure is \$1,797,382 (7%) under YTD projection. The major contributors to this are:

- **Corporate services** is \$1,068,822 (10%) under projection. There are variances across all activities in this group. The key variance is:
 - **Financial Services** is \$226,663 (14%) under projection. The primary reasons for the under expenditure is staff costs and training as a result of vacancies in the team, this is expected to remain underspent at year end. Other costs currently underspent are consultants, membership fees, software costs and debt collection costs, which are all expected to be under project at year end. Audit fees is also under projection but are expected to be incurred by year end.
 - **Governance** is \$126,020 (22%) under projection. Expenditure is under budget due to staff costs being lower than expected, some salary costs changes which offsets the over spend in the community leadership business unit salaries. The training underspend is expected to be spent before year end. Also and there is the upcoming costs of binding Council, committee and board minutes which has not been done for several years.
 - **Information Management** is \$96,937 (5%) under projection due to there being vacancies in the team.
 - **Operations and Community Services** is \$357,278 (42%) under projection. There are a number of line items which are significantly under budget, the majority of these are due to the reduction of two staff members, there has also been a reduction in the use of some budget items like accommodation, meals and mobile phone activity. Training has also been reduced due to the structural change of the group and the people moving to more dedicated activities.
- **District Support** is \$349,365 (7%) under projection, a major part of this is due to community operating costs being under projection. Operational costs across all of the business units are under and over budget. The major areas are as follows:
 - **Waihopai Toetoes Ward** is under spent by \$85,782 (70%) due to general projects that are still to being undertaken and grants that are yet to be paid out. \$27,223 of actual costs have been capitalised that were budgeted in general projects (operational expenditure). This effectively reduces the \$85,782 variance to a \$58,559 expenditure variance.
- **Representation and Advocacy** is \$16,267 (1%) over projection due to the following business units:
 - **Chief Executive** is \$254,126 (40%) over projection. This business unit is being used as a cost centre for a number of council wide costs being incurred for system improvements and training. At year end it will be balanced up through the district operations reserve.
 - **Council and Councillors** is \$73,183 (10%) over projection due to a phasing error that has since been corrected. Invoices are expected to be received for conference attendance in June

for Councillors and Community Board members. Overall this business units is expected to be on budget at the end of the year.

- **Forestry** is \$183,985 (8%) under projection. This predominately relates to silviculture pruning at Gowan Hills Forest (\$46,027) that is yet to be done. Also the seedling purchases and tree planting at Ohai (\$21,471) and Waikaia Forest (\$91,773) is yet to occur. These activities are forecast to be completed by year end.
- **Strategy and Policy & Communications and Engagement** is \$100,000 under projection. This is primarily driven by the fact that website costs are down by \$15,582 due to timing, invoices are expected soon around the development of the engagement site and Around the Mountains Cycle Trail site. First Edition costs are \$34,000 under projection as well, this is due to the decrease in printing costs. Additionally the costs for the final edition for the financial year are not included yet.

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 \$476,572 (13%) under YTD projection. Expenditure for all departments is within budget. Some reasonably significant additional costs continue to be incurred in the Building Solutions area with use of external contractors for consent processing and inspecting, which have been engaged to ensure ongoing compliance with statutory processing timeframes and KPIs while some staff changes and staff training have been occurring. It is hoped that the extent of use of external contractors can be reduced in the coming months. Overall to date this has had little overall impact on Group budget and has mitigated pressure on some key staff in the Building Solutions team, but would start to have a more significantly noticeable effect if this continued long-term.

The key main area where expenditure remains significantly below budget (18%- \$203,725) is there is some staff vacancies in the Resource Management areas, and also the fact that Environment Court expenditure on District Plan appeals has not proven necessary. Additionally some scheduled expenditure on regional planning projects in the areas of Landscapes, Climate Change and Biodiversity has been deferred until the 2019/2020 year, so it is likely that a component of this underspend will be carried forward.

Roading and Footpaths operating expenditure is \$799,497 (3%) under YTD projection.

- **Around the Mountains Cycle Trail** is \$121,527 (56%) under projection. The additional trail maintenance that was forecast is currently being carried out, our maintenance contractor is currently working on the installation of the capital programme. If these additional items are not completed by the end of the financial year they will be undertaken in the new financial year.
- **Road Safety Southland** is \$68,749 (22%) under projection. A focus on advertising campaigns will decrease this variance which is expected to be on budget at year end.
- **Roading – District Wide** is \$554,650 (2%) under projected spend, made up of the following:
 - **Sealed Pavement Maintenance** is \$238,798 (9%) under projected spend. This is partially driven by a smaller pre-seal programme for the Central and Waimea areas. As previously reported under spends in specific areas will be used to offset the cost of the emergency works.
 - **Unsealed Pavement Maintenance** is \$135,080 (7%) under projected spend. This activity is under projected spend, however work activity has increased including grading. This activity is expected to be on budget by year end however if there is any under spends this will be use to offset increase in costs such as Environment maintenance.

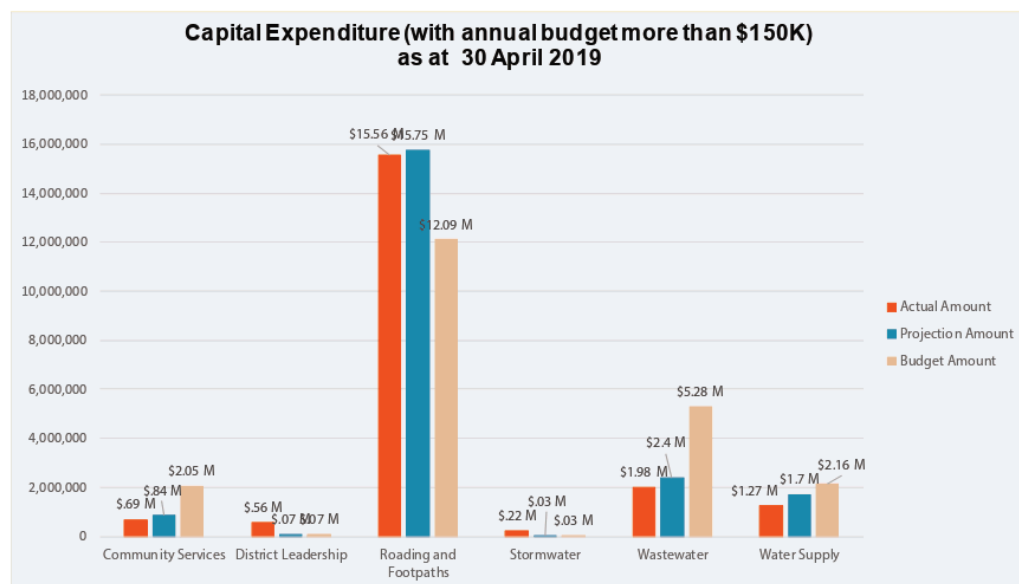
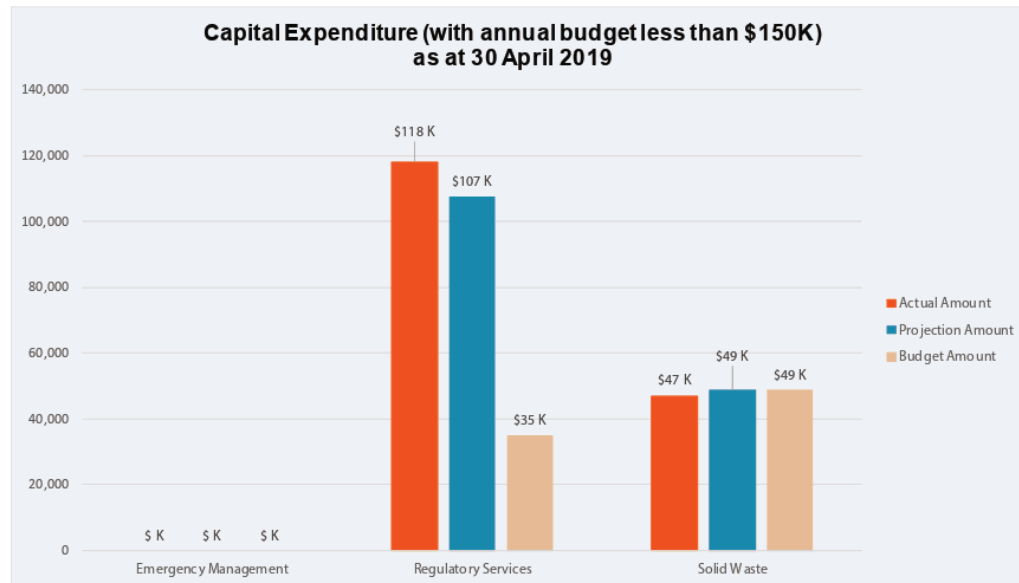
- **Environmental Maintenance** is \$50,346 (5%) above projected spend. The main driver of this was flooding events in late November/December. Activities within this budget are largely weather dependent and as such the timing and extent of works are unpredictable. It is proposed to manage any additional costs within the overall activity budget.
- **Emergency Reinstatement** is \$260,296 (178%) above projected spend due to the flooding events in late November/December largely around the Otapiri Gorge area. It is proposed to manage any additional costs within the overall activity budget.
- **Streetworks** is \$70,043 (25%) under projection due to maintenance budgets not being entirely required to date in Edendale/Wyndham \$19,681 (74%), to date there has been lower than average expenditure due to footpath renewal programme that is currently being undertaken. There is still an outstanding invoice to the value of \$8,800 for footpath works. Te Anau \$25,183 (41%) and Winton \$18,274 (44%), there are programmed maintenance works to be completed by year end however completion of this before year end is weather and resource dependent. These budgets are expected to be used by year end.
- **Transit Recoveries** is \$84,077 (67%) under projection. This business unit captures the cost of work undertaken on State Highways behalf such as street light maintenance, drainage etc. This is approx. 95% funded by NZTA and is generally completed at year end therefore the business unit will be behind budget until June 2019.

Stormwater operating expenditure is \$49,194 (8%) under projection with limited maintenance and monitoring costs being incurred year to date. It is anticipated that monitoring costs will be incurred moving forward as we have now received resource consents covering 17 towns across the district. It is anticipated that we will closely align with the budgets by year end following allocation of stormwater consent costs and costs of monitoring which are now being incurred.

Wastewater operating expenditure is \$344,864 (8%) under YTD projection, primarily due to the costs for investigation and business case for the Te Anau wastewater scheme being \$411,000 under spent. There is a total allowance of \$500,000 allowed for 2018/2019 phased evenly in the first six months of the year. It is anticipated that a significant portion of the current underspend will be used by the end of the year following journaling of various pieces of work associated with the Te Anau Business Case.

4. Capital Expenditure (CAPEX)

Capital Expenditure is \$505,889 (2%) under projection year to date (\$20.4M actual vs \$20.9M projection).



Community Services is \$152,224 (18%) under YTD projection which is due to:

- **Public Conveniences** is under projection by \$77,366 (20%) due to projects either having not yet commenced or no charges yet being processed. This has reduced from last month as costs associated with projects start to come through the system. The Te Anau, Waikawa and Clifden toilets were scheduled to be completed for this period but have yet to be started.
- **SIESA** is under projection by \$87,530 (100%). The majority of scheduled capital works have been put on hold pending a business review.

District Leadership is \$488,146 (724%) over projection.

- **Corporate services** is \$301,156 (929%) over projection due to information management being \$303,324 (1456%) over projection from consultancy costs incurred for CAMMS (Strategy and Project Management System). The Council approved this unbudgeted expenditure for the 2018/2019 financial year in June 2018, however costs were phased to be incurred in June 2019. Major expenditure forecasted for the year are:
 - Hardware renewal; options have been investigated with internal discussions occurring,
 - Core systems is unlikely to have the remaining funds spent in the current year as the forecasted completion of HRIS is being deferred. Parts of the programme are being investigated further.
- **District Support** is \$162,433 (100%) over projection due to the following:
 - **Operating Costs** is over budget by \$51,789(100%) due to the purchase of the Tuatapere community swimming pool (\$24,266), which was approved by Council 20 July 2016. Council is an intermediary entity to transfer the pool from the Ministry of Education to the Tuatapere Swimming Pool Society. The Tuatapere Community Board approved to fund the costs of this purchase. To date this process has been reliant on the Crown which has resulted in the purchase only just being processed. We are now in the process of transferring the property to the Tuatapere Swimming Pool Society.

Also Waihopai Toetoes capital expenditure is the new Flagtrax system (\$27,523), for Edendale, Wyndham and Tokanui communities. This work was budgeted as operational expenditure.
 - **Water Services** is \$110,644 (100%) over projection due to two vehicle renewals occurring earlier than originally phased, phased to occur in June 2019. There is still one more vehicle to purchase which will occur by the end of the financial year.

Roading and Footpaths is \$187,857 (1%) under YTD projection.

- **Around the Mountains Cycle Trail** is underspent by \$221,457 (58%). The timing of expenditure relates to the coordination for the installation of the toilets and shelters with cost for these coming through in May.
- **Roading - District Wide** is \$200,490 (2%) over projected spend.
 - The resurfacing programme has been completed and on target. This activity is projected to come in under budget at year end. Underspend will be used to offset the larger pavement rehab programme.
 - Unsealed road metalling is tracking on budget

- Bridge renewal including structures component is \$369,440 behind projected spend largely due to timing of physical works and waiting on signed landowner agreements to be returned for bridges being divested prior to physical works becoming completed.
- **Roading - Special Purpose** is under projected spend by \$78,865 (4%), the Chaslunds Slip is under projected spend by \$78,000 which a significant reduction in variance compared with last month. Works are substantially completed with only minor tidy up work left. This work is 100% funded by NZTA
- **Street Works** is currently under the projected spend by \$134,476 (32%). The bulk of the budget relates to footpath renewal. A contract for this work been awarded and it is expected that the bulk of the work will be completed in the 2018/19 financial year (weather dependent).

Stormwater is \$186,404 (591%) over projection. Winton stormwater upgrade has commenced and will be completed over two financial years. The budget is currently phased to June, this will be changed for the May report. Forecast expenditure to the end of the year is \$700,000.

Wastewater is \$422,107 (18%) under YTD projection. The significant project for the year is the Te Anau wastewater project which was re-forecasted in February to reflect delays in the issue of the tender for the pipeline. Costs incurred in the year are likely to be for design and consenting of various elements of the project. There is additional costs expected in relation to the details design and consenting process that should bring this in line with the forecasted budget by year end. Costs associated with the regional desludging project are unlikely to be incurred this financial year, with the contractor yet to restart this project.

Water Supply is \$427,061 (25%) under projection. A significant portion of this related to the ongoing water main work in Te Anau which is expected to be completed by year end. This project is \$800,000 and has been budgeted evenly throughout the year.

B. Council Summary Report

Southland District Council Financial Summary for the period ending 30 April 2019

Operating Income									
	YTD					FYB			
	Actual Amount	Projection Amount	Budget Amount	Variance	Var %	Projection Amount	Budget Amount	Variance	Var %
Community Services	8,471,629	8,687,618	8,542,901	(215,988)	(2%)	10,995,109	10,927,260	(67,849)	(1%)
District Leadership	26,714,389	27,354,059	25,951,504	(639,671)	(2%)	32,493,767	31,033,227	(1,460,539)	(4%)
Emergency Management	356,629	365,534	365,534	(8,905)	(2%)	438,641	438,641	0	0%
Regulatory Services	3,531,237	3,517,441	3,569,056	13,796	0%	4,155,214	4,217,151	61,937	1%
Roading and Footpaths	26,630,815	26,762,523	23,470,485	(131,708)	(0%)	32,248,674	28,846,487	(3,402,187)	(11%)
Solid Waste	4,292,136	4,150,896	4,150,896	141,240	3%	4,973,196	4,973,196	0	0%
Stormwater	284,642	286,368	286,368	(1,726)	(1%)	396,867	396,867	0	0%
Wastewater	3,560,648	3,540,699	3,540,699	19,949	1%	4,257,630	4,257,630	0	0%
Water Supply	3,207,522	3,202,268	3,202,268	5,254	0%	3,875,650	3,875,650	0	0%
Total	\$77,049,648	\$77,867,408	\$73,079,712	(817,760)	1%	\$93,834,749	\$88,966,110	(4,868,638)	(5%)

Operating Expenditure									
	YTD					FYB			
	Actual Amount	Projection Amount	Budget Amount	Variance	Var %	Projection Amount	Budget Amount	Variance	Var %
Community Services	9,119,221	9,769,817	9,309,034	(650,595)	(7%)	11,802,783	11,256,630	(546,152)	(5%)
District Leadership	23,740,083	25,537,465	24,443,117	(1,797,382)	(7%)	33,310,505	32,066,202	(1,244,304)	(4%)
Emergency Management	398,327	414,841	414,841	(16,514)	(4%)	438,641	438,641	0	0%
Regulatory Services	3,127,916	3,604,488	3,496,682	(476,572)	(13%)	4,381,380	4,252,013	(129,367)	(3%)
Roading and Footpaths	24,482,185	25,281,683	25,214,731	(799,497)	(3%)	30,616,715	30,466,373	(150,342)	(0%)
Solid Waste	4,092,313	4,019,121	3,920,954	73,192	2%	4,819,021	4,701,221	(117,800)	(2%)
Stormwater	545,418	594,612	594,612	(49,194)	(8%)	708,933	708,933	0	0%
Wastewater	3,887,320	4,232,184	4,200,517	(344,864)	(8%)	4,957,161	4,919,161	(38,000)	(1%)
Water Supply	3,827,194	3,721,332	3,728,501	105,861	3%	4,468,139	4,488,665	20,526	0%
Total	\$73,219,977	\$77,175,543	\$75,322,990	(3,955,566)	(5%)	\$95,503,279	\$93,297,840	(2,205,439)	(2%)
Net Surplus/Deficit	\$3,829,670	\$691,865	(\$2,243,278)	3,137,806	6%	(\$1,668,530)	(\$4,331,729)	(2,663,199)	(3%)

Capital Expenditure									
	YTD					FYB			
	Actual Amount	Projection Amount	Budget Amount	Variance	Var %	Projection Amount	Budget Amount	Variance	Var %
Community Services	685,936	838,160	2,045,087	(1,522,234)	(18%)	1,482,402	2,867,312	1,384,910	93%
District Leadership	555,561	67,414	67,414	488,146	724%	757,657	552,207	205,450	(27%)
Emergency Management	-	-	-	0	0%	-	-	0	0%
Regulatory Services	117,886	107,431	35,000	10,455	0%	107,431	35,000	(72,431)	(67%)
Roading and Footpaths	15,563,650	15,751,507	12,088,161	(187,857)	(1%)	18,963,243	14,959,769	(4,003,474)	(21%)
Solid Waste	47,032	48,678	48,678	(1,646)	(3%)	58,413	58,413	0	0%
Stormwater	217,933	31,528	29,167	186,404	591%	527,834	735,000	207,166	39%
Wastewater	1,977,180	2,399,287	5,279,121	(422,107)	(18%)	2,982,173	6,381,918	3,399,745	114%
Water Supply	1,273,309	1,700,369	2,155,725	(427,061)	(25%)	1,633,486	1,678,722	45,236	3%
Total	\$20,438,485	\$20,944,374	\$21,748,352	(505,889)	(2%)	\$24,997,325	\$26,163,927	1,166,602	5%

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 30 April 2019					
	YTD			FVB	
	Actual Amount	Projection Amount	Budget Amount	Projection Amount	Budget Amount
Revenue					
Rates Revenue	38,990,977	38,839,492	38,843,047	46,775,791	46,780,057
Other Revenue	8,498,542	8,397,988	7,284,623	9,251,899	8,138,388
Interest and Dividends	482,996	308,260	116,593	369,912	139,912
NZ Transport Agency Funding	13,500,220	13,652,269	10,857,300	16,152,037	13,124,585
Grants and Subsidies	1,241,571	1,425,386	670,270	1,724,678	1,040,286
Other gains/losses	149,444	33,329	33,329	(1,347,690)	(1,347,690)
Development and financial contributions	7,297	13,120	13,120	15,744	63,744
	62,871,045	62,669,845	57,818,282	72,942,371	67,939,282
Expenditure					
Employee Benefit Expense	10,358,100	10,240,706	10,240,706	12,418,394	12,418,394
Depreciation and Amortisation	18,591,466	18,627,356	18,614,823	22,353,093	22,338,053
Finance Costs	16,658	18,333	18,333	22,000	22,000
Other Council Expenditure	30,075,151	33,091,585	31,187,698	39,689,603	37,492,564
	59,041,375	61,977,980	60,061,560	74,483,090	72,271,011
Total Comprehensive Income	3,829,670	691,865	(2,243,278)	(1,540,719)	(4,331,729)

Note: The presentation of the statement of comprehensive income aligns with Council's annual report. The annual report is based on national approved accounting standards. These standards require us to eliminate internal transactions. Council is also required to report by activities. A number of Council functions relate to a number of activities, eg, finance. To share these costs, an internal transaction is generated between the finance business unit and the activity business units.

Within the annual report, Council also prepare Activity Funding Impact Statements. These statements are prepared under the Financial Reporting and Prudence Regulations 2014. This regulation requires internal charges and overheads recovered be disclosed separately. The Council Summary report is a summary of what these Activity Funding Impact Statements will disclose for income and expenditure at year end.

The result of this is that the revenue and expenditure in the Comprehensive Income Statement does not reconcile to the total income and total expenditure reported in the Council Summary Report on page 13 due to the elimination of the internal transactions. However, the net surplus/deficit (as per the Council Summary Report) matches the total comprehensive income (as per the Statement of Comprehensive Income).

D. Statement of Financial Position

Council's financial position as at 30 April 2019 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
as at 30 April 2019**

	Actual 30-Apr-19	Actual 30-Jun-18
Equity		
Retained Earnings	722,348,240	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
	1,539,064,543	1,537,706,168
Represented by:		
Current Assets		
Cash and Cash Equivalents	10,932,835	15,885,108
Trade and Other Receivables	12,109,511	6,823,524
Inventories	106,493	106,493
Other Financial Assets	2,816,374	2,716,374
	25,965,213	25,531,499
Non-Current Assets		
Property, Plant and Equipment	1,506,844,620	1,506,009,083
Intangible Assets	2,248,791	2,272,416
Forestry Assets	13,428,065	13,428,000
Internal Loans	28,899,987	29,031,239
Work in Progress	511,419	511,419
Other Financial Assets	2,969	3,091
	1,551,935,851	1,551,255,249
TOTAL ASSETS	1,577,901,064	1,576,786,748
Current Liabilities		
Trade and Other Payables	5,802,788	5,898,519
Contract Retentions and Deposits	324,377	341,452
Employee Benefit Liabilities	1,564,589	1,564,589
Development and Financial Contributions	2,167,401	2,167,401
Provisions	14,000	14,000
	9,873,156	9,985,962
Non-Current Liabilities		
Employment Benefit Liabilities	49,281	49,281
Provisions	14,097	14,097
Internal Loans - Liability	28,899,988	29,031,240
	28,963,365	29,094,618
TOTAL LIABILITIES	38,836,522	39,080,579
NET ASSETS	1,539,064,543	1,537,706,168

F. Statement of Cash Flows**Statement of Cashflows for the year ended April 2019**

	2018/2019 YTD Actual
Cash Flows from Operating Activities	
Receipts from rates	35,275,959
Receipts from other revenue (including NZTA)	22,755,022
Cash receipts from Interest and Dividends	482,996
Payment to Suppliers	(30,684,723)
Payment to Employees	(10,642,275)
Interest Paid	(16,658)
GST General Ledger (net)	1,070,685
Net Cash Inflow (Outflow) from Operating Activities	18,241,008
Cash Flows from Investing Activities	
Receipts from sale of PPE	149,444
(Increase)/Decrease Other Financial Assets	(187,890)
Purchase of property, plant and equipment	(20,438,515)
Purchase of Forestry Assets	(1,691)
Purchase of Intangible Assets	1,721
Net Cash Inflow (Outflow) from Investing Activities	(20,476,931)
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	(2,235,923)
Cash and Cash Equivalents at the beginning of the year	15,885,108
Cash and Cash Equivalents at the end of the year	13,649,185

Cash and Cash Equivalents and Other Financial Assets

1. At 30 April 2019, Council had \$11.5M invested in four term deposits ranging from three to six month maturities as follows:

SDC Investments - Term Deposits				
Bank	Amount	Interest Rate	Date Invested	Maturity Date
ANZ	\$ 2,000,000	3.07%	30-Jan-19	17-May-19
ANZ	\$ 3,000,000	2.98%	22-Feb-19	17-May-19
ASB	\$ 5,000,000	3.33%	30-Nov-18	30-May-19
BNZ	\$ 1,500,000	2.60%	28-Mar-19	19-Jun-19
Total	\$ 11,500,000			

At 30 April 2019, SIESA had \$1.72M invested in five six month term deposits as follows:

SIESA Investments - Term Deposits				
Bank	Amount	Interest Rate	Date Invested	Maturity Date
BNZ	\$ 400,000	3.33%	30-Jan-19	29-Jul-19
BNZ	\$ 320,000	3.28%	1-Apr-19	1-Oct-19
BNZ	\$ 350,000	3.28%	23-Apr-19	23-Jan-20
BNZ	\$ 350,000	3.31%	23-Apr-19	23-Apr-20
BNZ	\$ 300,000	3.23%	6-May-19	6-Jul-20
Total	\$ 1,720,000			

2. Funds on Call at 30 April 2019:

Funds on Call				
	Amount	Bank	Account	Interest Rate
SDC	\$ 1,026,675	BNZ	Funds on Call	1.00%
	\$ 10,000	BNZ	Operating Bank Acc	1.00%
	\$ 349,701	BNZ	Restricted Funds Acc	3.25%
SIESA	\$ 94,119	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.

Draft Annual Plan 2019/2020

Record No: R/19/5/9134
Author: Chantelle Subritzky, Corporate Performance Lead
Approved by: Rex Capil, Group Manager Community and Futures

☐ Decision ☒ Recommendation ☐ Information

Purpose

- 1 For the Finance and Audit Committee to recommend the Annual Plan 2019/2020 to Council for adoption.

Executive Summary

- 2 Every three years, councils adopt ten year plans which are referred to as the 'Long Term Plan (LTP)'. In the intervening years, an Annual Plan is developed to address any variances from the LTP, confirm service levels and budgets for the year and set rates. This is also a requirement under the Local Government Act 2002 (LGA). Year two of the Council's LTP 2018-2028 serves as the base for the Annual Plan 2019/2020.
- 3 The Annual Plan 2019/2020 is broadly consistent with what was projected for the 2019/2020 year in the LTP 2018-2028. The majority of changes relate to capital works projects for roading, sewerage and water renewals. These projects were already included in the LTP 2018-2028 and budget included within the work programme.
- 4 As there were no significant variances between the LTP 2018-2028 and the Annual Plan 2019/2020, Council did not go out for formal consultation with the community. Council used other forms of engagement though, such as First Edition newsletter to update the community on the Annual Plan process.
- 5 A copy of the draft Annual Plan 2019/2020 is attached as attachment A.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled “Draft Annual Plan 2019/2020” dated 12 June 2019.**
- b) **Determines that this matter or decision be recognised as significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Confirms in accordance with Section 100 of the Local Government Act 2002 that the Annual Plan 2019/2020 has been prepared based on reasonable judgement and assumptions and that it considers the projected financial results, including the projected operating deficit for 2019/2020, to be financially prudent given its financial position.**
- e) **Recommends to Council the adoption of the Annual Plan 2019/2020 including the Funding Impact Statement (as attached).**

Background

- 6 Once every three years, Southland District Council is required to adopt a Long Term Plan (LTP), and in the intervening years an Annual Plan. These plans set out the service levels and budgets for the coming year as well as being used to set rates.
- 7 Year two of the Council’s LTP 2018-2028 serves as the base for the Annual Plan 2019/2020. The Annual Plan 2019/2020 is broadly consistent with what was projected for the 2019/2020 year in the LTP 2018-2028.
- 8 All councils are required by legislation to prepare and adopt an Annual Plan for each financial year before the start of the new financial year. The Annual Plan is not audited.
- 9 The purpose of an Annual Plan is to:
 - Detail the proposed annual budgets and Funding Impact Statement;
 - Identify any variation from the financial statements and Funding Impact Statement included in the Long Term Plan (LTP) in respect of the year;
 - Provide integrated decision-making and co-ordination of the resources of the local authority;
 - Contribute to the accountability of the local authority to the community.

- 10 As part of developing the Annual Plan, Community Boards, Community Development Area Subcommittees and Water Supply Subcommittees were provided with the opportunity at their direction-setting meetings to highlight any planned changes for the 2019/2020 financial year from what was budgeted for year two of the Long Term Plan 2019/2020. Hall committees and Council staff were also asked to advise of any changes to fees and charges for the 2019/2020 year.
- 11 On 18 December 2018, Council meet informally in a workshop to discuss a number of key matters associated with the 2019/2020 Annual Plan. At this workshop staff and Council discussed the following:
1. Proposed fees and charges
 2. Grants and donations
 3. Rating revaluation
 4. Roding rate model
 5. Key financial matters, including loans, reserves, forestry dividend, SRDA funding and employee costs
 6. Impact on the overall and specific rates for 2019/2020
- 12 Subsequently on 21 May 2019, staff presented to the Finance and Audit Committee workshop the draft Annual Plan. This document incorporated the outcomes of a comprehensive review of the capital work programme for 2019/2020 undertaken by activity managers and ELT, as well as the internal financial structure changes as a result of the Services and Assets restructure.
- 13 The Finance and Audit Committee provided guidance to staff to proceed with the finalisation of the draft Annual Plan for recommendation to Council at the Committee's meeting on 18 June 2019.
- 14 There was no community consultation for the Annual Plan 2019/2020 as there were no significant variances to the LTP 2018-2028. This was in accordance with the Significance and Engagement Policy that was adopted in June 2018 through the LTP process.

Changes from Year Two of the LTP 2018-2028

- 15 The majority of the changes between what was forecasted in the 2019/2020 year in the LTP 2018-2028 from what has been included in the draft Annual Plan 2019/2020 relates to capital works projects. Key changes include:
- the addition of Council's contribution to the Pyramid Bridge (\$1.5 million),
 - costs associated with the change in disposal method for Te Anau sewerage project (\$3.3 million)
 - the addition of Otautau watermain renewal project (\$0.5 million)
 - the addition of Te Anau watermain renewal project (\$0.5 million)
 - the addition of Tokanui wastewater consent and treatment options project (\$0.2 million)
 - removal of anticipated external debt (\$7.9 million) and associated repayments (\$0.2 million)
 - review of the capital work programme for 2019/2020 incorporating work deferred from 2018/2019

Issues

- 16 The Annual Plan is based on a number of assumptions. In addition, there are a number of issues described below that will require separate reports to be brought back to Council. These reports will explore the issues more fully and potentially include additional unbudgeted expenditure for 2019/2020 or beyond, if approved.
- 17 The Annual Plan 2019/2020 only includes a budget of \$200,000 for costs associated with the consent and treatment options for Tokanui Wastewater. Staff believe that the outcome of the current resource consent process may require work above the \$200,000 proposed.
- 18 The Annual Plan 2019/2020 includes a budget of \$493,000 for the rebuild of the Ulva Island jetty and Golden Bay wharf. Staff are currently undertaking further investigations to ascertain the extent of the work required in relation to the jetties on the island. It is anticipated that there will be additional costs in future years over and above what is proposed in the Annual Plan 2019/2020.
- 19 The Annual Plan 2019/2020 includes a budget of \$150,000 for refurbishment of the Winton Office/Library on the basis that there has been no work done for over 15 years. Given the current closure of this building and the associated issues it is unknown if this work will proceed.

Factors to Consider

Legal and Statutory Requirements

- 20 The Annual Plan is a statutory requirement under the Local Government Act 2002 (section 95).
- 21 All councils are required by legislation to prepare and adopt an Annual Plan before the commencement of the financial year to which it relates (1 July 2019 in this instance).

Community Views

- 22 The Community Boards and Community Development Area Subcommittees were involved in the direction setting for the Annual Plan 2019/2020 and provided input into any new projects that were urgently required for their areas and the fees and charges for the local assets. This feedback has been presented to the Council for consideration and included in the Annual Plan 2019/2020 where necessary.

Costs and Funding

- 23 There are various costs incurred in compiling the Annual Plan including staff costs and budgets. These are included in Council's annual budgets and funded accordingly.
- 24 The specific financial implications of the changes made to the final Annual Plan are outlined in the financial considerations section below.

Policy Implications

- 25 The changes set out in the Annual Plan are consistent with Council's current Financial Strategy, Infrastructure Strategy and policies, including the Revenue and Financing Policy.
- 26 No policies have been amended as part of the Annual Plan development process.

Financial considerations

27 The financial implications of the proposed Annual Plan 2019/2020 are noted below:

28 Rating Impact /Rates Increase

- The rate increase for 2019/2020 will be 3.49%, compared to 3.34% proposed in the LTP 2018-2028.
- The Rates Funding Impact Statement has been updated to show the current District and Local Area Rates. Rates will be set as either a rate in the dollar on land value or capital value or a Uniform Targeted Rate (UTR).
- The rating information database has been updated to include the property valuations for all properties in the district as advised by Quotable Value in December 2018. Consequently the rates calculations provided in the Annual Plan are based on the revalued amounts. The revaluation resulted in a number of significant increases in residential property values across the district.

29 30% Maximum Uniform Targeted Rate (UTR)

- Uniform Targeted Rate - The maximum amount Council can collect under the UTR is 30% of total rates. The UTR for the 2019/2020 financial year will be 27.09%, compared to 27.37% for 2018/2019.

30 Impact on Financial Reports

- The consolidated impacts of the changes are shown in the forecast financial statements on pages 39 to 61 of the draft Annual Plan 2019/2020 attached.
- In comparing the draft Annual Plan 2019/2020 forecast deficit to year two of the LTP 2018-2028, the deficit has decreased \$911,000, from \$4,264,000 to \$3,353,000. This is predominantly due to an increase in government grant funding for Te Anau wastewater project (\$3.0 million) offset by an increase in contribution to joint Council projects (Pyramid Bridge \$1.5 million) and employee associated costs (\$700,000).
- The prospective statement of financial position in the draft Annual Plan incorporates 30 June 2018 actual balances (as opening balances) as well as changes resulting from revised forecasts for 2018/2019.

31 Compliance with Financial Strategy

- The draft Annual Plan is in compliance with the key financial indicators outlined in the financial strategy, being specifically:
- Rates increases to be no more than LGCI + 2.0%. For 2019/2020 in the 2018-2028 Long Term Plan, the LGCI is budgeted at 2.2%, resulting in a limit of 4.2%. The actual increase is 3.49%.
- Total debt not to exceed 100% of total revenue. Council anticipates it will require no long term external debt in the 2019/2020 year, however notes that it is forecast to be in overdraft at 30 June 2020 of \$3.2 million.
- Additional information on benchmarks are outlined on pages 30 to 33 of the draft Annual Plan.

Analysis

Options Considered

Analysis of Options

- 32 **Option 1 – Recommend the draft Annual Plan 2019/2020 to Council for adoption, with amendments as agreed at this meeting.**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Comply with statutory requirements and timeframes• Is consistent with the overall direction set through the LTP 2018-2028• Will enable rates to be set for the 2019/2020 financial year.	<ul style="list-style-type: none">• There are no disadvantages

- 33 **Option 2 – Do not recommend the Annual Plan to Council.**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• There are no advantages to this option	<ul style="list-style-type: none">• Not comply with statutory requirements• Rates will not be able to set for the 2019/2020 financial year until an Annual Plan is adopted.

Assessment of Significance

- 34 The draft Annual Plan 2019/2020 does not contain significant variance from year two of the LTP 2018-2028. Therefore it did not meet the significant threshold in the Significance and Engagement Policy and the formal consultation with the public was not undertaken.
- 35 A reprioritisation of the LTP work programme was undertaken to ensure realistic project delivery for the financial year. This has resulted in some projects being deferred until the 2020/2021 work programme.
- 36 In order to keep the public updated, staff sent out information regarding the Annual Plan 2019/2020 in Council's First Edition newsletter.

Recommended Option

- 37 Option 1 – Recommend the draft Annual Plan 2019/2020 to Council for adoption, with amendments as agreed at this meeting.

Next Steps

- 38 The draft Annual Plan will be presented to Council for adoption on 19 June 2019.
- 39 Following Council adoption, the Annual Plan 2019/2020 will be made available on the Council's website www.southlanddc.govt.nz. Hard copies will be available upon request.

Attachments

- A Draft Annual Plan 2019/2020 [📎](#)



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Welcome to Southland
District Council's Annual Plan
2019/2020.

This Annual Plan

provides an update to the Long Term Plan 2018-2028, highlighting changes to Council's work programme for year two (2019/2020), the reasons for the changes and the impact on rates.

All other activities, policies and levels of service detailed in the Long Term Plan (LTP) are proposed to be delivered as stated in that plan.





FUTURE FOCUS

Greetings, and thanks for taking the time to look at Southland District Council's Annual Plan. This is year two of Council's Long Term Plan 2018-2028, titled 'We're just getting started, Southland', and we're pleased to report our work programme is on track with what we said we'd do in that document.

Our focus remains firmly on the future

There are no significant changes in the work scheduled or deviations in budgeted spending from what was outlined in our Long Term Plan (LTP). This is why in developing this Annual Plan we have opted not to engage with you in a formal consultation process.

Challenge

We have identified an infrastructure issue which will need to be addressed in the 2021-2031 Long Term Plan.

There are more than 850 bridges in the District, many of them ageing timber structures requiring replacement within the next 10 years. They are deteriorating rapidly and pose a serious safety risk to users.

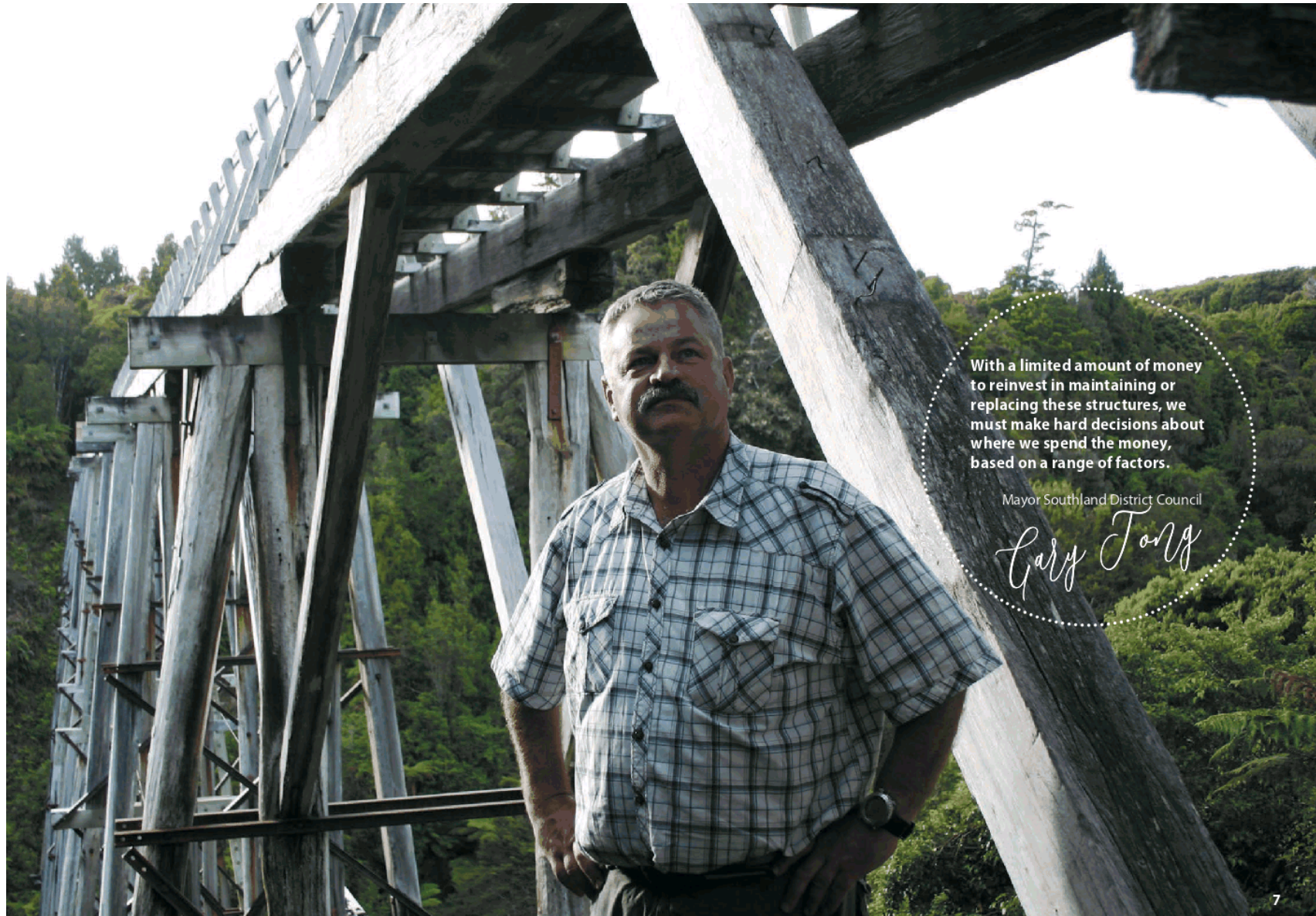
Bridges were built up to 80 years ago, with the aid of significant central government investment, and were not designed to carry the much larger, heavier traffic commonplace on our roads today.

The key work scheduled to happen in 2019/2020 has been well signalled and discussed already, and your feedback was taken on board during the preparation of the 2018-2028 LTP.

As described in the LTP, our focus remains firmly on the future of Southland District in this coming financial year – and many years beyond.



6 [Message](#) from the Mayor



With a limited amount of money to reinvest in maintaining or replacing these structures, we must make hard decisions about where we spend the money, based on a range of factors.

Mayor Southland District Council

Gary Tong

7



Challenge

What is clear now is that Southland District has a lot of ageing infrastructure that is reaching the end of its useful life, without the financial means to replace it all. A topical example is bridges.

Our focus is on finding a balance of where we need to be and the funds available which doesn't include huge rate increases.

FUTURE FOCUS

We are recommending permanent closure of the Benmore bridge over the Oreti River because it has relatively low traffic volumes and there are alternative routes available to the north and south.

Meanwhile, we are recommending that the bridge over the Rowallan Burn on the Papatotara Coast Road be repaired and remain open. It provides the only access to the Hump Ridge Track Rarakau car park and it is used extensively for farming and forestry operations.

There are many equally difficult decisions to be made regarding the \$1.5 billion of public assets Southland District Council is responsible for managing.

Identifying future priorities

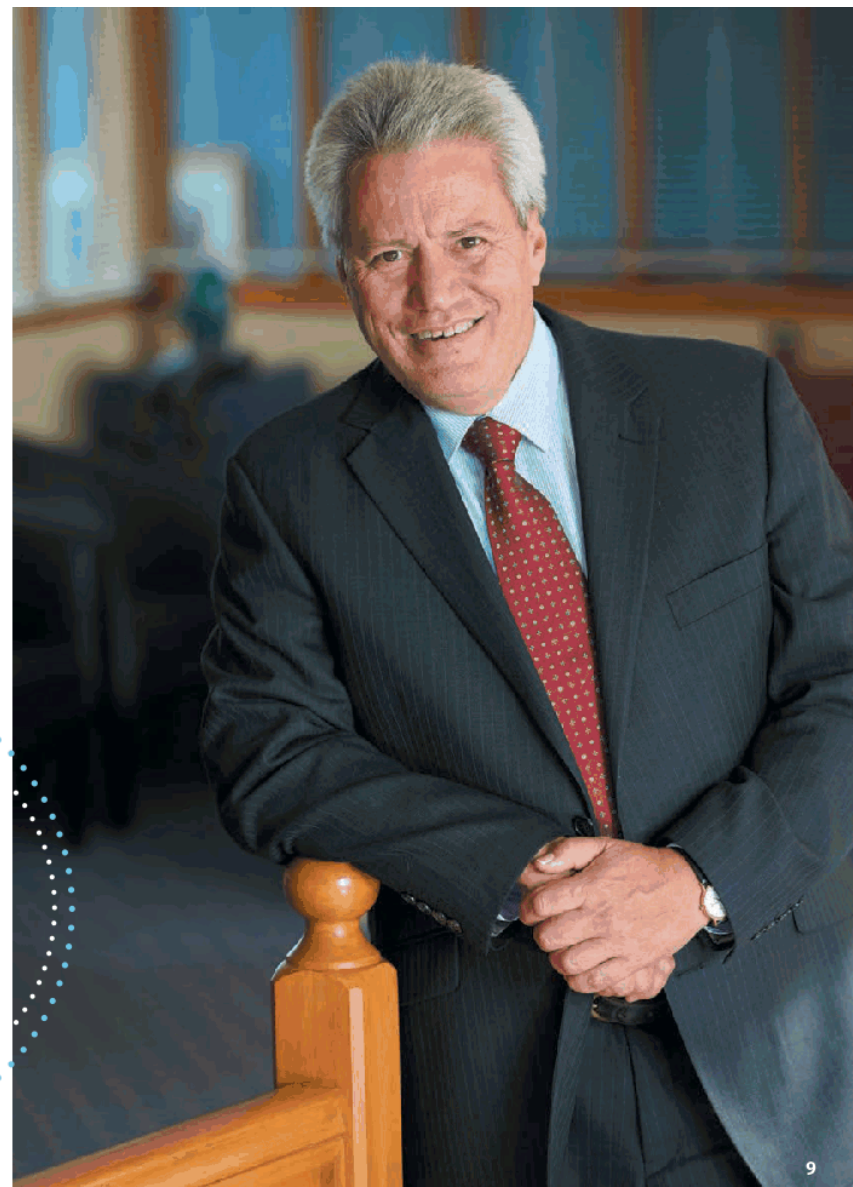
We are investing in community planning and open space experiences by commissioning a great deal of research into a wide range of influencing factors, including demographics, community capability, tourism projections, future service needs, business diversity, technology and climate change.


This work is about identifying future priorities to ensure our communities are not only in the best position to adapt to the big changes ahead but also in the best health – socially, culturally, environmentally and economically. To do this we must be in a position to have informed conversations with you about spending priorities when determining how we provide the right levels of service in the right areas as we prepare the District for a future that looks quite different than now.

Make no mistake. The conversations we have to have, and the decisions we will have to make in partnership with our communities, will be difficult.

The work we are doing in 2019/2020 will go a long way towards informing decisions that we believe will be right for the long-term wellbeing of Southland District.

Steve Rura





SOUTHLAND DISTRICT COUNCIL

Working
together
for a better
Southland

By promoting the social, economic, environmental and cultural wellbeing of communities in the present and for the future.

By enabling democratic local decision-making and action by and on behalf of communities.

Council consists of a mayor and 12 councillors elected by Southland District residents/ratepayers every three years. As well, we have a Southland District Youth Council, which advises Council on youth engagement issues.

We believe our democratic election ensures the organisation is able to operate in the best interests of the District.

Southland District Council's major planning document for the current period is the Long Term Plan 2018-2028, titled 'We're just getting started, Southland'. The plan sets out Council's planned priorities and spending for 10 years from 2018, with more detail for the first three years.

The Local Government Act (2002) requires Council to prepare an Annual Plan every year to:

- clearly show its budget and how much it will cost ratepayers this year
- highlight any major differences from what had been planned for that year in the Council's Long Term Plan (LTP, or 10 Year Plan) and why these changes are necessary
- co-ordinate Council's resources and decision-making, and
- be accountable to the community, and give residents the opportunity to take part in Council's major decisions.

For further details of Council's role, governance systems and committee structure, please go to our website: southlanddc.govt.nz

We all have an important role to play
as the guardians of our environment.

Our kaitiakitanga will leave a legacy.
It's up to us to decide what that
legacy will be.

George Harpur
Waiau Aparima ward councillor





The first step

We're just getting started, Southland

Southland District Council's vision is Southland – one community offering endless opportunities.

We work towards this through our plans, strategies and policies and through the activities outlined in our Long Term Plan (LTP) 2018-2028.

This Annual Plan provides an update to the LTP, highlighting changes to the Council's work programme for year two (2019/2020), the reasons for the changes and the impact on rates.

To fully understand this Annual Plan, you may find it helpful to read it alongside the LTP.

12 Overview Annual Plan 2019/2020

The second step

Investing in community future planning

We don't have a crystal ball but in the past year we have done some solid research to try to predict what the future of our communities might look like in 30 years.

In many ways analysing this data is the most important work we're doing in 2019/2020 because it will help us to have crucial conversations with you about future infrastructure, assets and services, where they might be provided, and to what level.

The information gathered is a building block for our next Long Term Plan, in 2021.

In 30 years the communities we live in will look a lot different than they do now. We've commissioned research into a broad palette of factors that will influence and affect us all and we're doing further work this year to understand the implications.

The conversations we have with you as a result of this research will help to prepare Southland District for the future.

Community future planning is connecting the needs of our people with the reality of what is possible financially.





14 Overview Annual Plan 2019/2020

Open spaces

1,261 hectares
of open spaces, including
parks, reserves and other
recreational areas, are
Southland District Council's
responsibility.



Investing in open space experiences

These spaces are vital to the wellbeing of the communities around them. They increase pride in the region and encourage people to live and play here.

The work includes researching resident population trends and visitor numbers to better understand the future needs of people in Southland District.

We are appointing an open spaces planner to implement the principles outlined in our Open Spaces Strategy, which focuses on providing a consistent quality of open space experiences.

\$179,000

has been budgeted in
2019/2020 as part of a
long-term project to improve
and better manage our open
spaces for the enjoyment of
residents and visitors alike.



Water

\$12.8 million
will be spent in 2019/2020 on the Te Anau wastewater project approved by Council, including construction of the 18km pipeline from Te Anau to the Kepler Block.

Later on in the financial year we should see the start of work on the treatment ponds and disposal fields, depending on any design changes and the consents process.

16 Overview Annual Plan 2019/2020

Winton stormwater upgrade

Tenders came in lower for the stormwater pipe replacement than we expected, and as a result the net cost of the work is about \$250,000 less than first thought.

As Winton ratepayers are going to repay a 30-year loan for a component of the \$1.8 million project cost through their rates, this cost decrease will mean a small reduction in their rates demand of \$10.93 per rating unit.

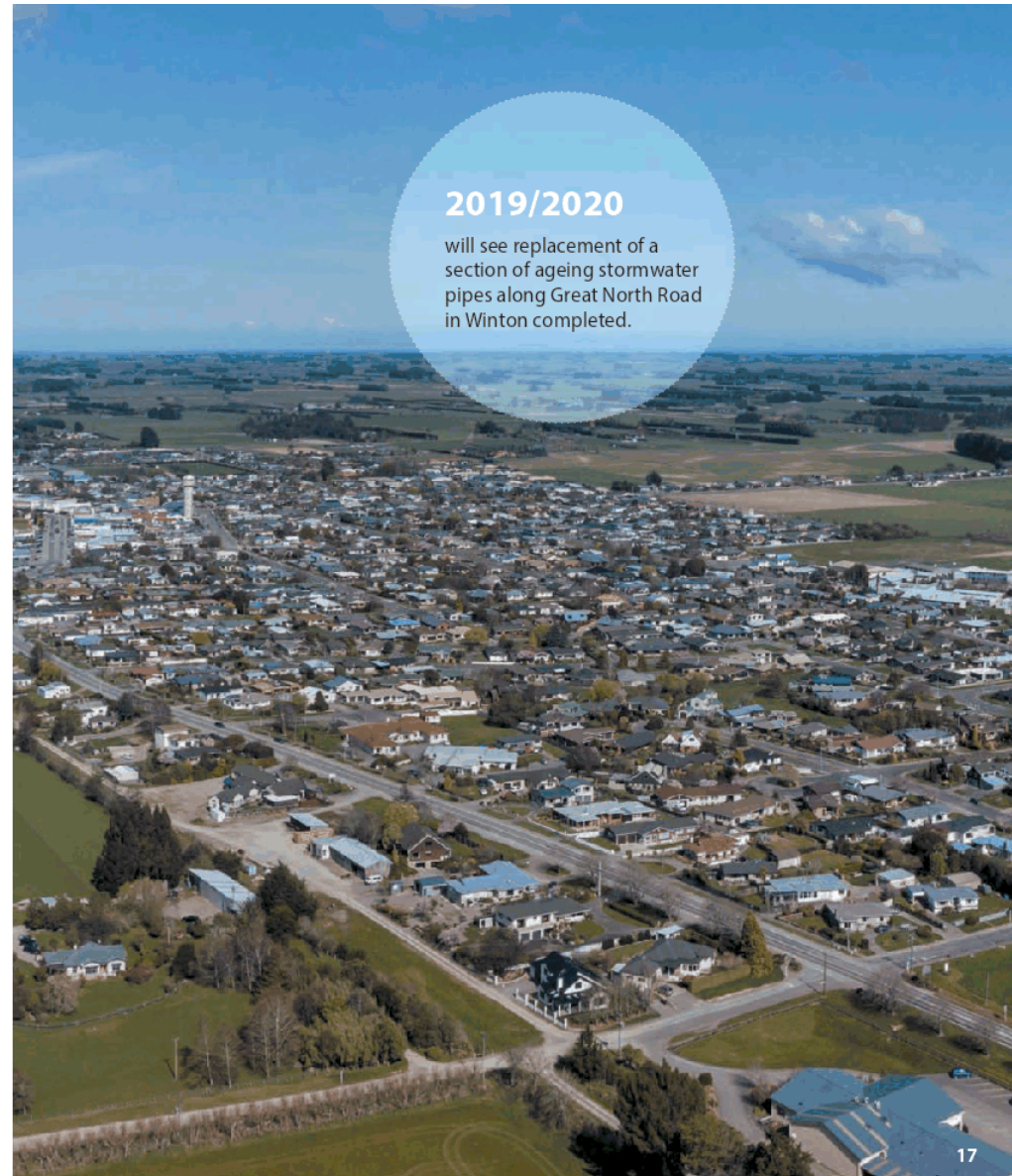
Water leaks

A leak detection programme commissioned by Council as a result of a number of leaks in Te Anau and Winton has helped us to develop a five-year work programme to repair or replace cracked pipes in both towns.

New additions

\$1.9 million for repair and replacement of water pipes in Otatau and Te Anau has been included, half in 2019/2020 and half in 2020/2021.

Both projects will be funded by a 30-year loan. There will be no impact on rates until the 2020/2021 financial year.



2019/2020

will see replacement of a section of ageing stormwater pipes along Great North Road in Winton completed.

Roading



\$1.5 million
is Southland District
Council's expected share
of the cost of replacing
Pyramid Bridge, to be
funded by way of a loan.

Pyramid Bridge

A large section of the bridge, which spans the Maitara River, washed away during flooding in February 2018.

The bridge connects the Southland and Gore districts, and the two councils are sharing the cost of a replacement bridge along with NZ Transport Agency, which has approved a budget of \$6.8 million for the project.

NZTA will fund 73.68% of the cost.





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The purpose of the financial overview is to provide a summary of Council finances. It informs readers where Council receives its money from and how that money is spent and applied.

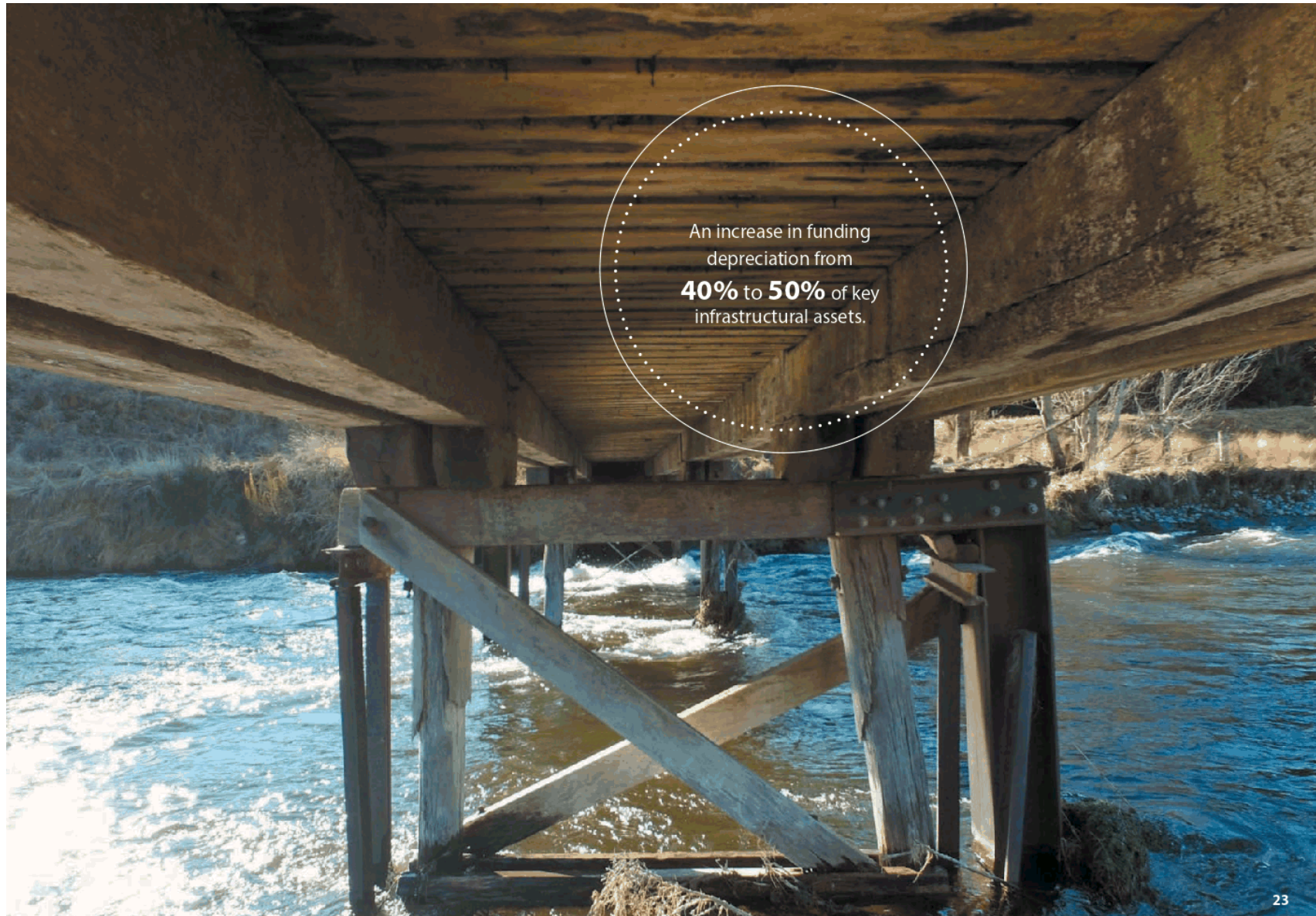
The financial statements are presented in New Zealand dollars (the functional currency of Southland District Council) and all values are rounded to the nearest thousand dollars (\$000).

FINANCIAL OVERVIEW

RATES COLLECTION BY ACTIVITY	Budget (\$000)	%
Roading and footpaths	14,527	30%
District leadership	13,373	28%
Community services	5,257	11%
Solid waste	4,683	10%
Wastewater	4,133	8%
Water supply	3,836	8%
Regulatory services	1,691	3%
Stormwater	448	1%
Emergency management	463	1%
	48,41163	100%





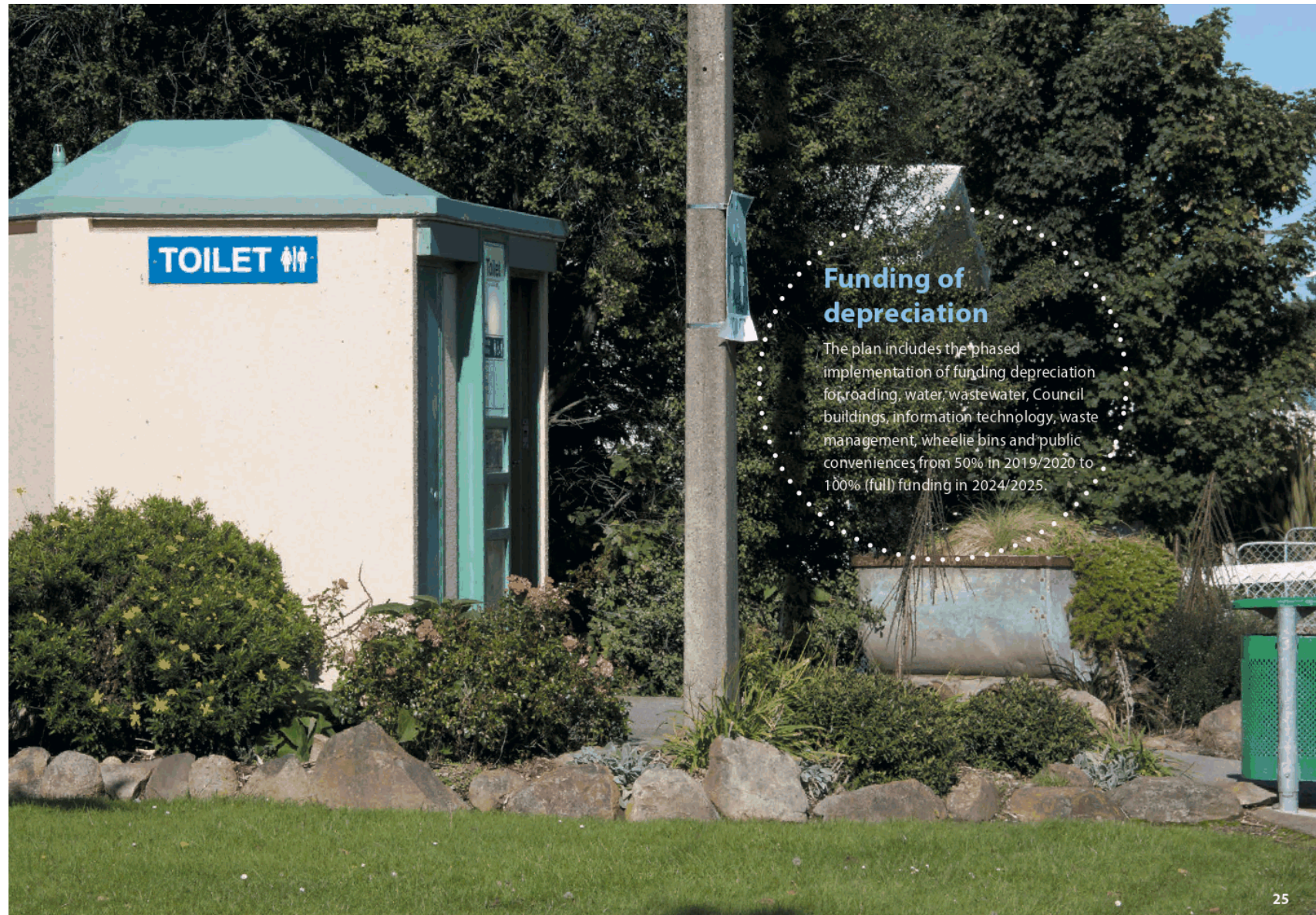


Property rates

Rates on properties will vary depending on location, the local projects being funded and the services received. Further details on the specific rate types are included in the Rates Funding Impact Statement on page 92.



Properties in Southland District were subject to a revaluation in late 2018. These valuations are used for setting rates and accordingly this change in valuation may also contribute to variances in rates from 2018/2019 to 2019/2020.



Expenditure

What Council needs to operate

As outlined in the tables on this page, the majority of Council's expenditure (90% of capital expenditure and 55% of operating expenditure), is to provide key infrastructure such as roads, footpaths, water supply, wastewater and stormwater.

CAPITAL EXPENDITURE (by activity 2019/2020)	Budget (\$000)	%
Roading and Footpaths	14,945	40%
Wastewater	14,560	39%
Water Supply	3,205	9%
Community Services	2,396	6%
District Leadership	1,620	4%
Stormwater	833	2%
Regulatory Services	133	0%
	37,692	100%

OPERATING EXPENDITURE (incl depn by activity 2019/2020)	Budget (\$000)	%
Roading and Footpaths	31,955	42%
District Leadership	16,943	22%
Community Services	8,360	11%
Solid Waste	4,578	6%
Wastewater	4,561	6%
Water Supply	4,671	6%
Regulatory Services	4,090	5%
Stormwater	790	1%
Emergency Management	479	1%
	76,427	100%



What Council needs to operate - sources of Revenue

Of the total revenue of \$73.1 million for 2019/2020,

66% comes from rates (\$48.4 million), with the remaining 34% coming from other sources as shown in the table.

Not all of Council's funding comes from rates.

Funding from the NZ Transport Agency makes up the main portion of this, followed by other revenue.

Other revenue includes fees and charges received for services.

REVENUE SOURCES FOR 2019/2020	Budget (\$'000)	%
Rates Revenue	48,411	66%
NZ Transport Agency	13,129	18%
Other Revenue	8,372	11%
Grants and Subsidies	4,171	6%
Other Gains/Losses	(1,447)	(2%)
Development and Financial Contributions	368	1%
Interest and Dividends	68	0%
	73,072	100%



Cash management

To date Council has funded a significant amount of capital expenditure from its cash reserves and Council will continue to do so over the next 10 years.

However, Council will be required to borrow external funds to fund some key infrastructure projects from 2019/2020 onwards.

Council is required to generate sufficient revenue to meet its operational expenditure as part of being fiscally prudent and sustainable.

An analysis on Council's approach to this issue and why it believes it is adopting a prudent and sustainable financial strategy can be found in the section entitled Balancing the Budget on page 119.

Disclosure statement

The purpose of this statement is to disclose Council's financial performance in relation to various benchmarks to enable the assessment of whether Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

Financial Reporting and Prudence

Council is required to include this statement in its Annual Plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations).

Refer to the regulations for more information, including definitions of some of the terms used in this statement.

PERFORMANCE RESULTS

Benchmark	Quantified Limit	Planned	Met
Rates affordability benchmark			
- Income	70%	66%	Yes
- Increases	4.20%	3.49%	Yes
Debt affordability benchmark	100%	0%	Yes
Balanced budget benchmark	100%	95%	No
Essential services benchmark	100%	159%	Yes
Debt servicing benchmark	10%	0.03%	Yes

Debt affordability benchmark

For this benchmark, Council's planned borrowings are compared with 100% of total revenue on borrowing contained in the financial strategy included in the Council's 10 Year Plan.

Council meets the debt affordability benchmark if its planned borrowings are within the quantified limit on borrowing.

Rates affordability benchmark

For this benchmark, the limit for Council's planned rates income is 70% of its total revenue.

Rates increases are limited to the Local Government Cost Index + 2.0%.

Council meets the rates affordability benchmark if:

1. its planned rates income equals or is less than each quantified limit on rates; and
2. its planned rates increase for the year equals or is less than each quantified limit on rates increases.





Balanced budget benchmark

For this benchmark, Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant, or equipment) is presented as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

Council meets this benchmark if its revenue equals or is greater than its operating expenses.

Council is not planning to meet its balanced budget in 2019/2020 due to reduced funding towards capital works, which is no longer offsetting the annual depreciation cost. Council is continuing to work towards balancing its budget by gradually phasing in the funding of its annual use of assets (depreciation) by 2025.

See further commentary in the Balancing the Budget statement on page 101.

Essential services benchmark

For this benchmark, Council's capital expenditure on network services is presented as a proportion of depreciation on the network services.

Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

Debt servicing benchmark

For this benchmark, Council's planned borrowing costs are presented as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property plant or equipment).

Council meets the debt servicing benchmark if it's borrowing costs equal or are less than 10% of its revenue.





Southland
District

For more details about what each group does go to Southland District Council's website: southlanddc.govt.nz

For details on our key performance indicators in each activity and how they are measured, please refer to Southland District Council's 2018-2028 Long Term Plan, 'We're just getting started, Southland'.

OUR ACTIVITIES

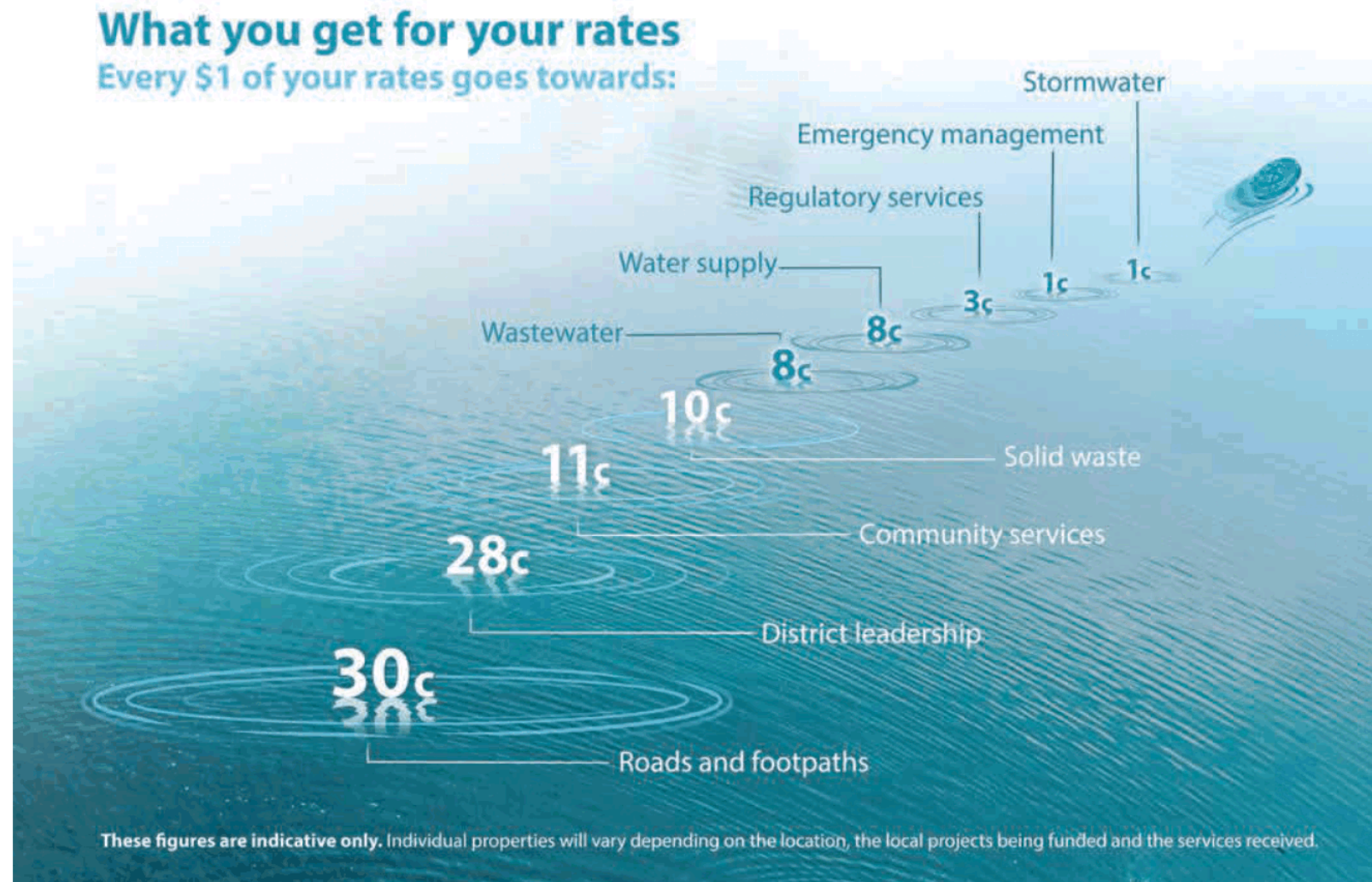
Council's work at a glance

We organise our work into nine activity groups.

- community services
- district leadership
- emergency management
- regulatory services
- roads and footpaths
- solid waste
- stormwater
- wastewater
- water supply







37



Community services

Includes the following activities:

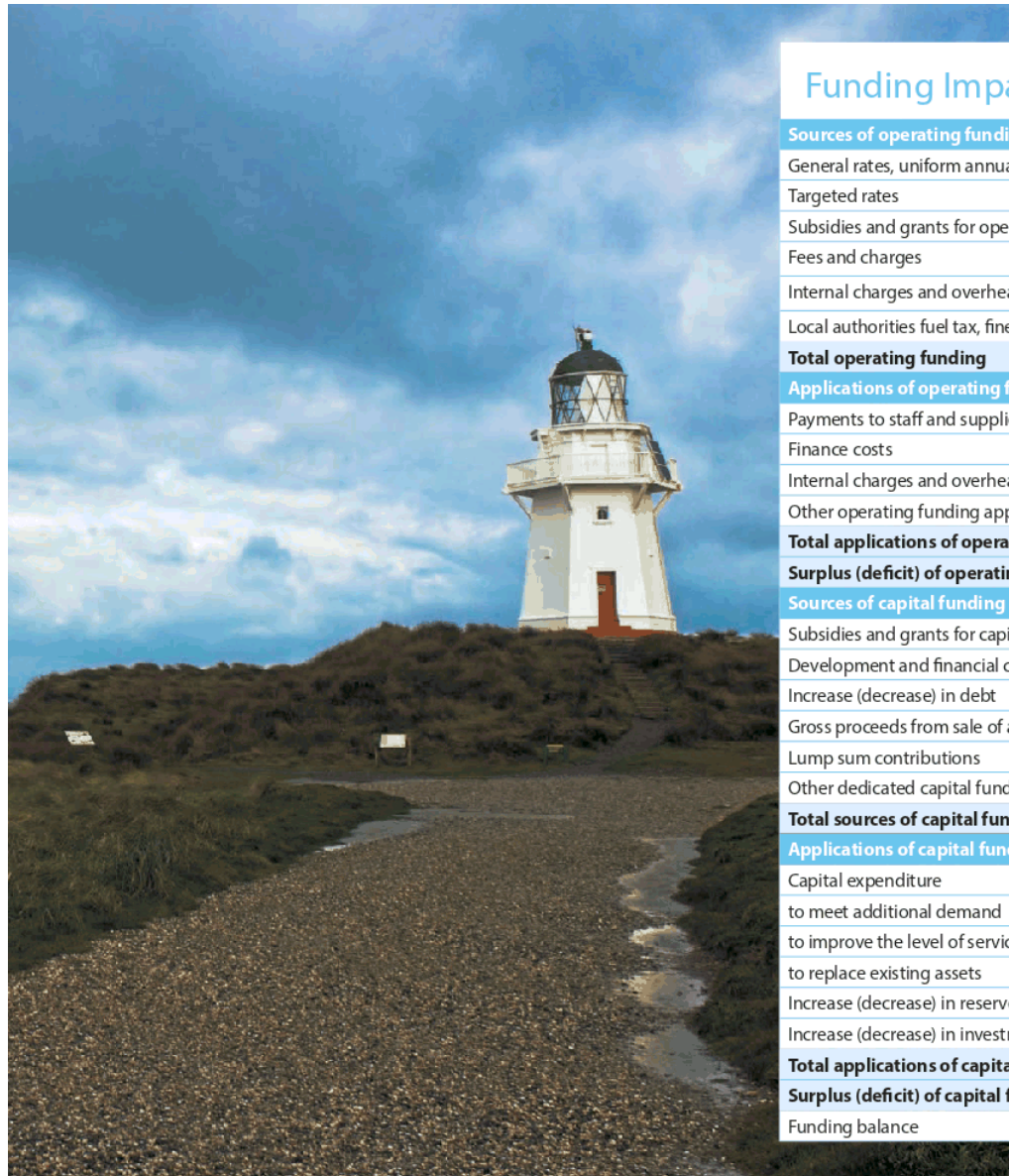
- community assistance
- parks and reserves
- cemeteries
- community facilities
- community housing
- library services
- public toilets
- Te Anau Airport Manapouri
- Stewart Island Electricity Supply Authority

Our Southland coastlines are beautiful and rugged, but they must be treated with respect. The ocean is unforgiving.

We want people to experience these amazing places but we want them to be safe.

Julie Heast

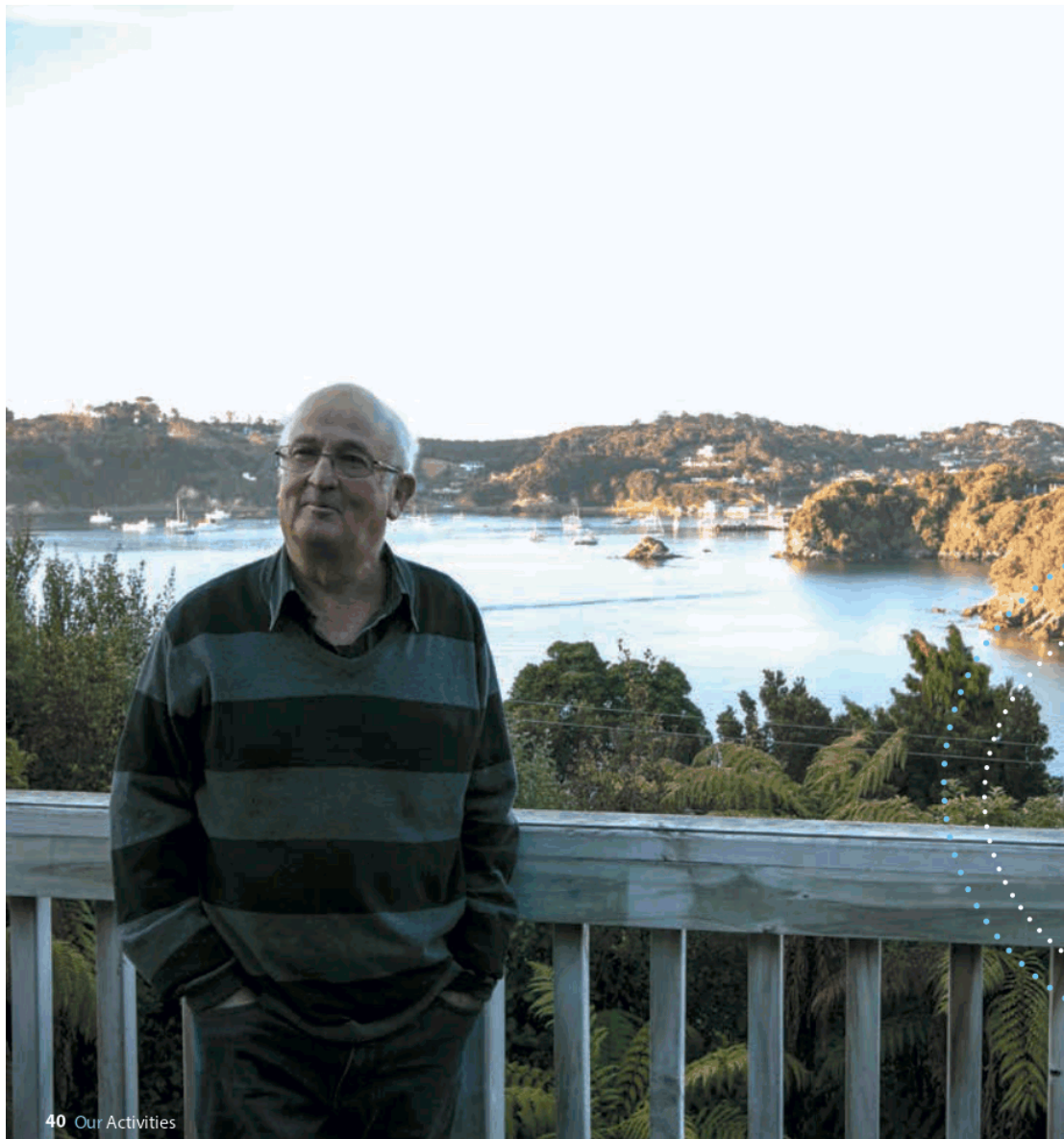
Waihopai Toetoes ward councillor



Funding Impact Statement

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	2,481	2,708	2,600
Targeted rates	2,616	2,640	2,658
Subsidies and grants for operating purposes	61	45	45
Fees and charges	1,287	1,305	1,314
Internal charges and overheads recovered	3,294	3,493	3,701
Local authorities fuel tax, fines, infringement fees, & other receipts ¹	762	784	764
Total operating funding	10,502	10,975	11,081
Applications of operating funding			
Payments to staff and suppliers	6,649	6,928	7,409
Finance costs	-	-	-
Internal charges and overheads applied	2,142	2,302	2,150
Other operating funding applications	1,280	1,287	1,294
Total applications of operating funding	10,071	10,517	10,853
Surplus (deficit) of operating funding	431	458	227
Sources of capital funding			
Subsidies and grants for capital purposes	309	600	570
Development and financial contributions	64	-	-
Increase (decrease) in debt	636	928	1,040
Gross proceeds from sale of assets	60	10	10
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	1,068	1,538	1,620
Applications of capital funding			
Capital expenditure			
to meet additional demand	64	-	-
to improve the level of service	399	148	262
to replace existing assets	2,551	1,774	2,134
Increase (decrease) in reserves	(1,214)	374	(249)
Increase (decrease) in investments	(300)	(300)	(300)
Total applications of capital funding	1,499	1,996	1,847
Surplus (deficit) of capital funding	(431)	(458)	(227)
Funding balance	-	-	-

39



Stewart Island water structures

Improvements in Stewart Island water structures, including Golden Bay wharf and Ulva Island jetty: Council is working through a process to identify the scope of the work required in relation to these structures.

The estimated cost of \$494,000 may change.

“Motorau Moana is close to my heart. I was married there and I take a strong interest in this wonderful Island garden asset.

I’m delighted that there is interest in developing the adjacent Baker Park property, which would provide a new opportunity for visitors to enjoy more walks that show off the natural beauty and history of Stewart Island/Rakiura.”

Bruce Ford

• Stewart Island/Rakiura ward councillor

40 Our Activities



Island life
our unique places
require unique
solutions.





42 Our Activities

Key project

Dr Woods Memorial Park,
Nightcaps

\$50,000
installation of flying fox
and new playground
equipment for older
children.

You get an entirely different view of
the world looking up and outwards
than you do looking down.

You get to see and appreciate the
outstanding contributions people
make to their communities.

Paul Duffy

Waihopai Toetoes ward councillor





District leadership

Includes the following activities:

- representation and advocacy
- District support
- customer support
- corporate support
- forestry

We have to show strong leadership in managing the District's ageing infrastructure. With limited funds available we must strike the right balance when we allocate spending.

We've got wonderful open spaces right across the District. They're a great source of pride in the region and they encourage people to live and play here. We can't ignore our responsibility to deliver a consistently high-quality experience for residents and visitors alike.

Ebel Kramer

Mararoa Waimea ward councillor

Funding Impact Statement

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	11,817	12,319	12,541
Targeted rates	812	837	832
Subsidies and grants for operating purposes	84	84	84
Fees and charges	29	30	12
Internal charges and overheads recovered	15,078	16,082	16,516
Local authorities fuel tax, fines, infringement fees, & other receipts ¹	3,243	3,432	3,437
Total operating funding	31,063	32,785	33,422
Applications of operating funding			
Payments to staff and suppliers	15,744	16,361	17,037
Finance costs	22	154	22
Internal charges and overheads applied	12,010	12,801	13,950
Other operating funding applications	2,329	2,468	1,814
Total applications of operating funding	30,105	31,784	32,823
Surplus (deficit) of operating funding	959	1,000	599
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	732	(30)	617
Gross proceeds from sale of assets	88	61	61
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	820	32	678
Applications of capital funding			
Capital expenditure			
to meet additional demand	-	-	-
to improve the level of service	104	26	126
to replace existing assets	1,495	751	1,494
Increase (decrease) in reserves	(120)	(45)	(642)
Increase (decrease) in investments	300	300	300
Total applications of capital funding	1,779	1,032	1,277
Surplus (deficit) of capital funding	(959)	(1,000)	(599)
Funding balance	-	-	-

Key project

Year two of Long Term Plan investment in community future planning (commissioning further research work and analysis of demographics, settlement hierarchy, climate change impact on coastal communities, environmental impact, technology disruptors, grants funding, rating affordability and sustainability): \$204,000





46 Our Activities

Emergency management

Emergency Management Southland is working towards having a network of community response groups.

Being prepared for an emergency is one of the most important things we can do to help ourselves and our loved ones.

It's reassuring to know we have strong systems in place to respond when the 'it will never happen' happens.

Nick Perkin

• Waiau Aparima ward councillor



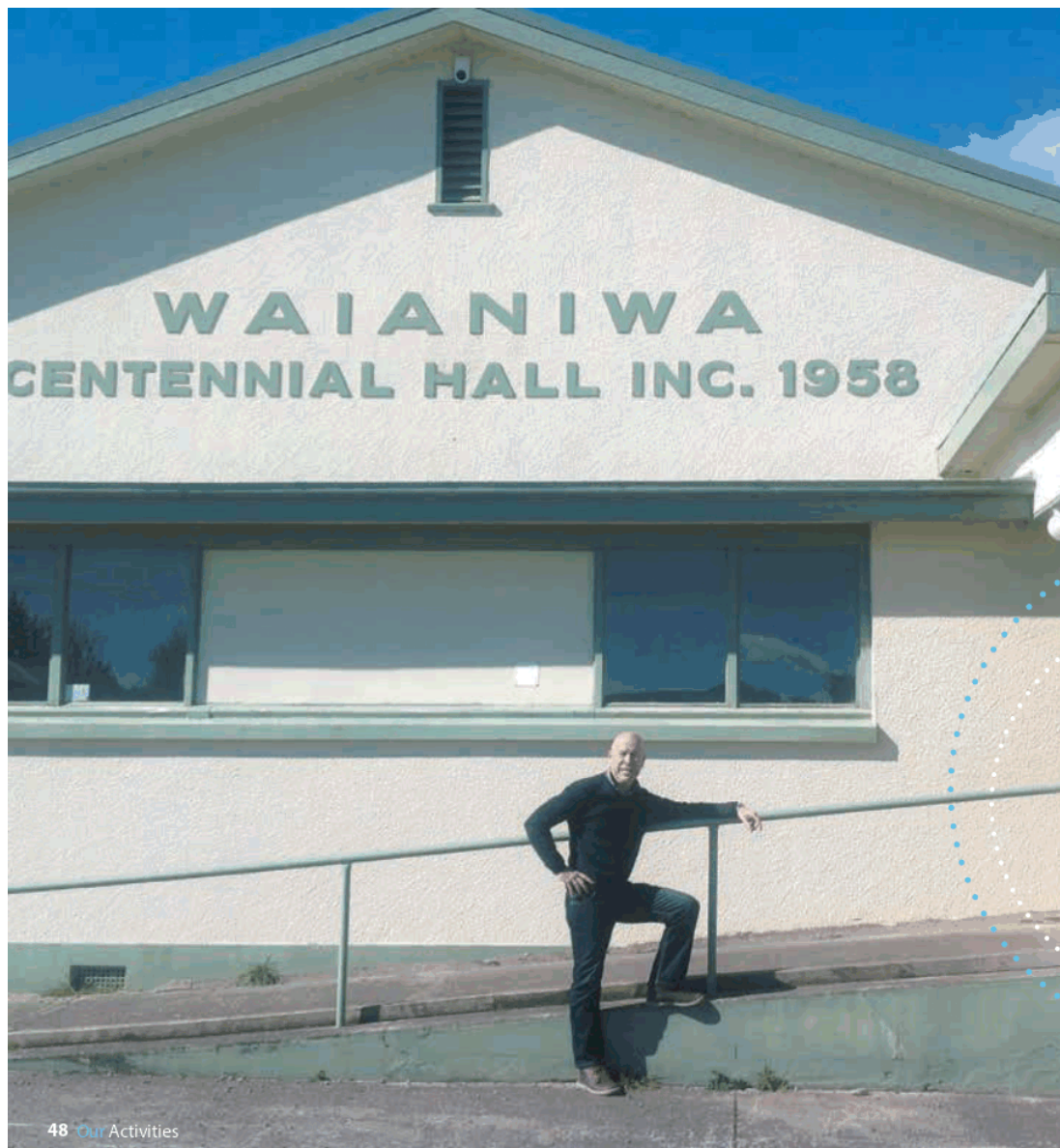
Each of these groups will develop community response plans to form well prepared emergency hubs throughout Southland.

This will continue to be a major part of its work over the coming years.

Funding Impact Statement

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	422	450	463
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	3	3	3
Local authorities fuel tax, fines, infringement fees, & other receipts ¹	13	15	16
Total operating funding	439	468	482
Applications of operating funding			
Payments to staff and suppliers	-	-	-
Finance costs	-	-	-
Internal charges and overheads applied	143	150	164
Other operating funding applications	296	318	318
Total applications of operating funding	439	468	482
Surplus (deficit) of operating funding	-	-	-
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure	-	-	-
to meet additional demand	-	-	-
to improve the level of service	-	-	-
to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	-
Increase (decrease) in investments	-	-	-
Total applications of capital funding	-	-	-
Surplus (deficit) of capital funding	-	-	-
Funding balance	-	-	-

47



Regulatory services

Includes the following activities:

- building control
- resource management
- animal control
- environmental health

What is Southland District going to look like in 30 years?

That's the question at the forefront of our minds as we work with our communities to help them become more resilient to whatever challenges the future may hold.

Gavin McPherson

Winton Wallacetown ward councillor

Funding Impact Statement

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	1,617	1,650	1,692
Targeted rates	-	-	-
Subsidies and grants for operating purposes	15	15	15
Fees and charges	2,209	2,226	2,192
Internal charges and overheads recovered	298	358	275
Local authorities fuel tax, fines, infringement fees, & other receipts ¹	68	69	48
Total operating funding	4,207	4,319	4,222
Applications of operating funding			
Payments to staff and suppliers	2,977	3,011	2,836
Finance costs	-	-	-
Internal charges and overheads applied	1,223	1,285	1,479
Other operating funding applications	2	2	2
Total applications of operating funding	4,202	4,298	4,317
Surplus (deficit) of operating funding	5	21	(95)
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(13)	(14)	(14)
Gross proceeds from sale of assets	10	31	31
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(3)	17	17
Applications of capital funding			
Capital expenditure			
to meet additional demand	-	-	-
to improve the level of service	-	-	-
to replace existing assets	35	133	133
Increase (decrease) in reserves	(33)	(95)	(211)
Increase (decrease) in investments	-	-	-
Total applications of capital funding	2	38	(78)
Surplus (deficit) of capital funding	(5)	(21)	95
Funding balance	-	-	-





Roads and footpaths

Includes the following activities:

- roads
- signs
- bridges
- footpaths
- Around the Mountains Cycle Trail

Managing the District's infrastructure is the biggest challenge we have. We really need and value your input as we try to maintain our roading network to service our province's ever-changing economic needs."

Brian Dillon

Mararoa Waimea ward councillor



Roads and footpaths - Key projects



Capital projects scheduled in 2019/2020

\$5.5 million
roading works programme (includes 1 million square metres – about 150 kilometres – of reseals on District roads)

\$174,000
Otta sealing
Whitestone Road to
Lynwood Cemetery,
Te Anau

52 Our Activities

Funding Impact Statement

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	285	293	277
Targeted rates	14,076	14,373	14,250
Subsidies and grants for operating purposes	5,870	5,870	5,870
Fees and charges	12	12	20
Internal charges and overheads recovered	337	482	519
Local authorities fuel tax, fines, infringement fees, & other receipts ¹	918	924	945
Total operating funding	21,499	21,955	21,881
Applications of operating funding			
Payments to staff and suppliers	12,631	12,595	12,876
Finance costs	-	-	-
Internal charges and overheads applied	1,493	1,552	1,149
Other operating funding applications	52	305	1,825
Total applications of operating funding	14,177	14,452	15,850
Surplus (deficit) of operating funding	7,322	7,503	6,031
Sources of capital funding			
Subsidies and grants for capital purposes	7,350	7,163	7,237
Development and financial contributions	-	26	26
Increase (decrease) in debt	4,731	(136)	1,459
Gross proceeds from sale of assets	10	20	20
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	12,090	7,073	8,742
Applications of capital funding			
Capital expenditure			
to meet additional demand	95	51	51
to improve the level of service	2,519	2,399	2,595
to replace existing assets	12,329	12,042	12,299
Increase (decrease) in reserves	4,469	84	(172)
Increase (decrease) in investments	-	-	-
Total applications of capital funding	19,413	14,576	14,774
Surplus (deficit) of capital funding	(7,322)	(7,503)	(6,031)
Funding balance	-	-	-





Solid waste

Includes the following activities:

- kerbside collection
- recycling
- solid waste transfer stations

For me the question is what legacy am I leaving for my family and my community – what can I do, what can we do, to make our communities better now and into the future?

Lots of challenges but together we can make sure Southland is a great place to live, work and play in the future.

Warren Frazer

- Winton Wallacetown ward councillor



Funding Impact Statement			
	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	4,426	4,522	4,683
Subsidies and grants for operating purposes	88	88	88
Fees and charges	192	196	196
Internal charges and overheads recovered	255	261	263
Local authorities fuel tax, fines, infringement fees, & other receipts ¹	12	13	13
Total operating funding	4,973	5,079	5,243
Applications of operating funding			
Payments to staff and suppliers	3,403	3,476	3,478
Finance costs	-	-	-
Internal charges and overheads applied	1,191	1,211	1,255
Other operating funding applications	-	-	-
Total applications of operating funding	4,594	4,687	4,733
Surplus (deficit) of operating funding	379	393	510
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(292)	(347)	(346)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(292)	(347)	(346)
Applications of capital funding			
Capital expenditure			
to meet additional demand	-	-	-
to improve the level of service	-	-	-
to replace existing assets	58	-	-
Increase (decrease) in reserves	28	46	164
Increase (decrease) in investments	-	-	-
Total applications of capital funding	87	46	164
Surplus (deficit) of capital funding	(379)	(393)	(510)
Funding balance	-	-	-



Stormwater

Stormwater includes infrastructure systems to deal with rainfall and dispose of surface water.

Key project

Upgrade of stormwater pipes in Winton:
\$810,000

Our heritage has helped to form us, but it is the way we manage our resources now that will define us for future generations.

Neil Patterson

• Winton Wallacetown ward councillor



Funding Impact Statement			
	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	339	469	448
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	58	60	60
Local authorities fuel tax, fines, infringement fees, & other receipts ¹	-	-	-
Total operating funding	397	529	508
Applications of operating funding			
Payments to staff and suppliers	164	246	250
Finance costs	-	-	-
Internal charges and overheads applied	111	147	138
Other operating funding applications	-	-	-
Total applications of operating funding	276	394	388
Surplus (deficit) of operating funding	121	136	120
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	732	963	433
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	732	963	433
Applications of capital funding			
Capital expenditure			
to meet additional demand	-	-	-
to improve the level of service	35	428	23
to replace existing assets	1,000	877	810
Increase (decrease) in reserves	(181)	(206)	(280)
Increase (decrease) in investments	-	-	-
Total applications of capital funding	854	1,099	552
Surplus (deficit) of capital funding	(121)	(136)	(120)
Funding balance	-	-	-

Wastewater

Includes wastewater collection, treatment and disposal facilities

Funding Impact Statement

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	4,059	4,151	4,133
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	141	135	135
Local authorities fuel tax, fines, infringement fees, & other receipts ¹	58	32	32
Total operating funding	4,258	4,318	4,300
Applications of operating funding			
Payments to staff and suppliers	2,311	1,819	1,856
Finance costs	-	-	-
Internal charges and overheads applied	533	751	569
Other operating funding applications	-	-	-
Total applications of operating funding	2,843	2,570	2,425
Surplus (deficit) of operating funding	1,414	1,748	1,875
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	3,000
Development and financial contributions	-	343	343
Increase (decrease) in debt	4,552	8,206	9,676
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	4,552	8,548	13,018
Applications of capital funding			
Capital expenditure			
to meet additional demand	1,963	3,753	4,937
to improve the level of service	3,865	6,347	8,592
to replace existing assets	507	62	1,031
Increase (decrease) in reserves	(368)	134	333
Increase (decrease) in investments	-	-	-
Total applications of capital funding	5,967	10,296	14,893
Surplus (deficit) of capital funding	(1,414)	(1,748)	(1,875)
Funding balance	-	-	-

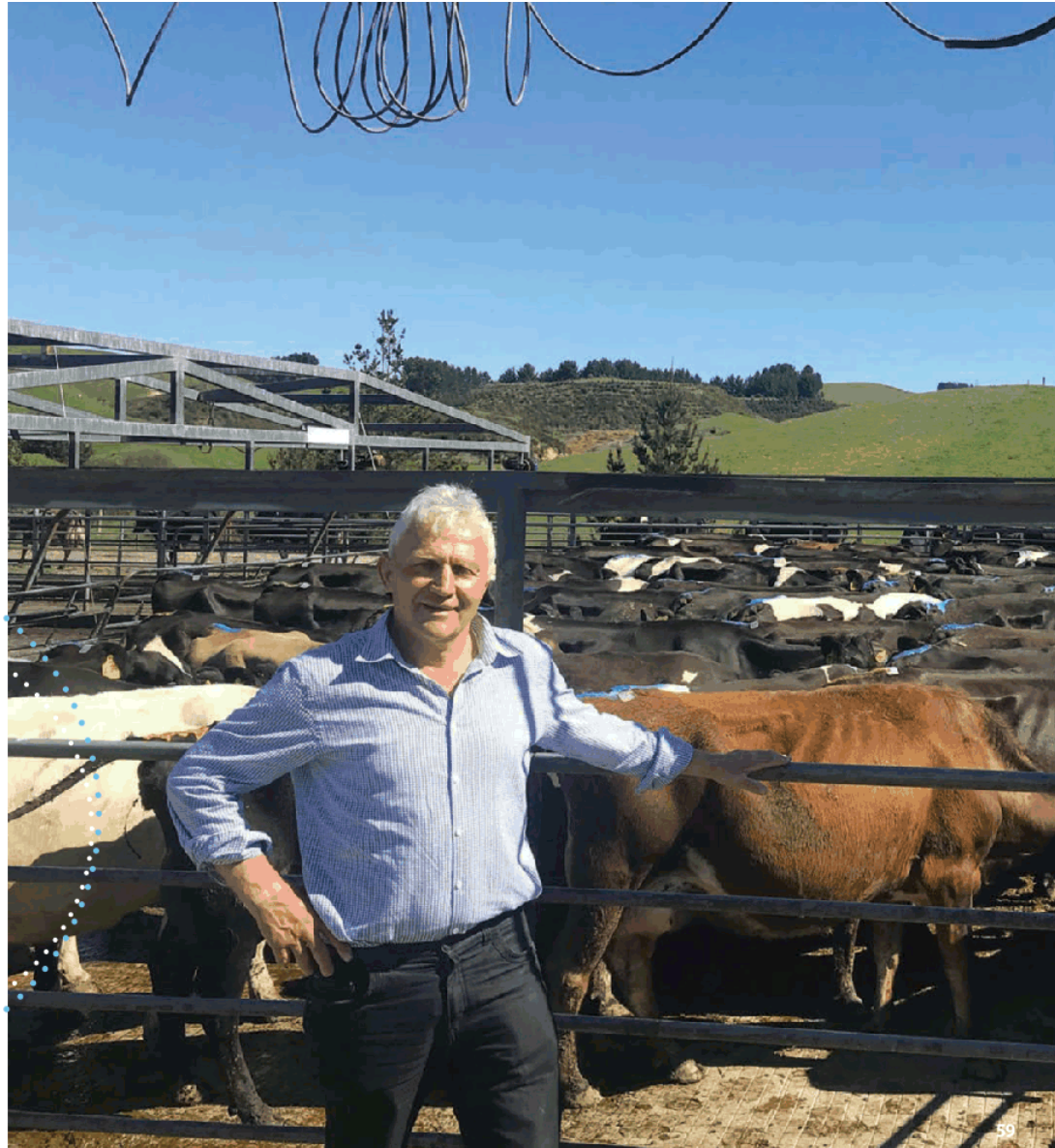
Key projects

Capital projects scheduled in 2019/2020 include:

- about \$12.8 million to be spent on the Te Anau wastewater project
- Council is working through the process for renewal of consents and any required treatment changes at the Tokanui wastewater treatment facility.

Council must strive to enable people and communities to reach their full potential through engagement, clear direction and support.

John Douglas
Mararoa Waimea ward councillor





Funding Impact Statement

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	3,829	3,931	3,836
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads recovered	46	47	47
Local authorities fuel tax, fines, infringement fees, & other receipts ¹	1	1	1
Total operating funding	3,876	3,978	3,883
Applications of operating funding			
Payments to staff and suppliers	2,245	2,297	2,390
Finance costs	-	-	-
Internal charges and overheads applied	665	722	664
Other operating funding applications	-	-	-
Total applications of operating funding	2,910	3,019	3,054
Surplus (deficit) of operating funding	966	960	829
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	1,084	1,741	2,515
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	1,084	1,741	2,515
Applications of capital funding			
Capital expenditure			
to meet additional demand	-	-	-
to improve the level of service	1,433	2,145	1,369
to replace existing assets	322	408	1,836
Increase (decrease) in reserves	295	148	140
Increase (decrease) in investments	-	-	-
Total applications of capital funding	2,050	2,701	3,344
Surplus (deficit) of capital funding	(966)	(960)	(829)
Funding balance	-	-	-

Multi-year project to upgrade Eastern Bush/Otahu Flat rural water supply begins in 2019/2020.

When this project is finished all Southland District Council water treatment plants will have multiple barriers to protect public health.





COUNCIL-CONTROLLED ORGANISATIONS (CCO)

Southland District

A council- controlled organisation is a company or organisation in which Southland District Council is involved, by itself or with other local authorities, and holds 50% or more of the voting rights or can appoint 50% or more of the trustees, directors or managers.

Southland Regional Development Agency (SRDA)

The Southland Regional Development Agency has been formed as a council-controlled organisation to combine the action plan, work and goals of the Southland Regional Development Strategy (SoRDS) with the regional and economic development activities of Venture Southland.

SRDA BOARD	
Ian Collier	Chairman
Dean Addie	Southland
Sarah Brown	Southland
Lucy Griffiths	Wairarapa
Maria Pera	Southland
Joc O'Donnell	Southland



SoRDS was initiated by the Southland Mayoral Forum in 2013.

Its objective is to have 10,000 more people living in Southland by 2025, in order to boost employment, strengthen local business and diversify the economy.

As a result of the work done to implement SoRDS and its action plan initiatives, the Southland Regional Development Agency has been formed to bring together all the relevant interests to lead regional and economic development opportunities, including tourism.



Southland Museum and Art Gallery Trust (SMAG)

The Southland Museum and Art Gallery Trust's mission is to celebrate our people, land and culture. One of its strategic objectives is to increase the sense of ownership by Southlanders, and the attractiveness, meaningfulness, relevance and value of the temporary museum and its programmes for them and visitors to Southland.

There are more than 100,000 items held in its collections, some of which are important in terms of regional, national and international significance.

The trust receives annual grants from the Southland Regional Heritage Committee and Invercargill City Council.

The trust has adopted a statement of intent that outlines the activities proposed for 2019/2020. Following the closure of the Southland Museum and Art Gallery, a big part of the trust's work in 2019/2020 is to prepare the collection for transportation and storage in a new temporary facility, and to establish funding plans for a new permanent museum.

It is hoped a temporary museum presence will be established in central Invercargill by August 2019, with a marketing strategy for a new museum to be implemented by June 2020.



MILFORD COMMUNITY TRUST

Southland District Council, Environment Southland and the Department of Conservation jointly established the trust in 2007 to provide leadership and governance for the Milford community.

It allows the Milford community to determine its priorities and projects and provides an avenue for local consultation and engagement, as well as public meetings.

MILFORD COMMUNITY TRUST REPRESENTATIVES

DESIGNATION	NAME	TERM EXPIRES
Interim chair and Mararoa-Waimea Ward Councillor, ex-officio appointment	Ebel Kremer	October 2019
Milford Community Association Elected Representative	Brad Johnston	30 June 2020
Milford community appointee	Tim Holland	30 June 2020
Milford community appointee	Jason Steele	30 June 2022
Milford community appointee	Rosco Gaudin	30 June 2019

The trust has decided that, due to the uncertainty about its future direction, Ebel Kremer should assume the interim chairmanship.

Similarly, given the lack of nominations in the 2018 election of trustees, it was also considered that the trustee position vacated by Mike McConachie should be left vacant for the time being.

The trust recommended that approach to Southland District Council and it was agreed by formal resolution at its 18 June 2018 meeting.



Milford covers the developed area of land and adjacent coastal marine area at the end of State Highway 94 at the head of Milford Sound. The Milford community covers residents of Milford, the holders of concessions from the Crown operating at Milford and iwi.

The activities of the trust contribute towards the achievement of the community outcome, proud, connected communities. The trust has adopted a statement of intent that outlines the strategic goals, specific focus areas and activities proposed for 2019-2022.





Our communities are changing.
Some of the decisions made
generations ago aren't necessarily
going to be right for the future.
We have to work smarter and make
innovative decisions to make sure
Southland remains a great place
to live.

Stuart Baird

Waiau Aparima ward councillor



Part Two: Financial and Rating Information

Key Assumptions Changes

The 10 Year Plan 2018-2028 (LTP) included significant forecasting assumptions that had been applied to develop the 10 year forecasts. The assumptions contained in the 10 Year Plan remain unchanged in this Annual Plan, apart from the variations described below. For details of the unchanged assumptions, please see Council's 10 Year Plan 2018-2028.

Contracts

There is no allowance made in the 2019/2020 Annual Plan for possible increases in contract rates being re-tendered. Any actual variations will be accounted for in the year that the contract is re-tendered and let. However, if it is expected that re-tendering will result in a lower cost due to market conditions or changes to level of service, this has been incorporated into the plan.

Price level changes/inflation

Business and Economic Research Limited (BERL) price level changes/inflation rates were not automatically applied to revenue and expenditure items. Budgets started at 2019/2020 in the 10 Year Plan and have been adjusted as appropriate.

Accounting Policies

Reporting entity

Southland District Council (referred to as “SDC” or “Council”) is a territorial local authority established under the Local Government Act 2002 and is domiciled and operated in New Zealand. The primary objective of Council is to provide goods or services for the community for social benefit rather than making a financial profit. Accordingly, Council has designated itself as a public benefit entity for financial reporting purposes.

The financial statements represent the results of Council’s nine groups of activities (detailed on pages 34 to 61) including the Stewart Island Electrical Supply Authority (SIESA). SIESA is a business unit of Council, which generates and reticulates electricity to the majority of Stewart Island/Rakiura residents and industry.

Venture Southland is a joint venture with Invercargill City Council and Gore District Council, for the development and promotion of Southland in terms of enterprise, tourism and the people of the province.

The prospective financial information reflects the operations of Council. It does not include the consolidated results of Council Controlled Organisations.

The prospective financial statements of Council were authorised for issue by Council on 19 June 2019.

Council is responsible for the prospective financial statements presented, including the assumptions underlying draft prospective financial statements and all other disclosures.

Basis of preparation

The prospective financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, and the Local Government (Financial Reporting Prudence) Regulations 2014 (LGFRP): Part 6, Section 98 and Part 3 of Schedule 10., which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

These financial statements have been prepared in accordance with Tier 1 PBE accounting standards and comply with PBE standards.

Prospective financial information

Council has complied with PBE FRS 42 in the preparation of these prospective financial statements. In accordance with PBE FRS 42, the following information is provided:

Description of the nature of the entity’s current operation and its principle activities

Council is a territory, as defined in the Local Government Act 2002. Council’s principle activities are outlined with the Annual Plan.

Purpose for which the prospective financial statements are prepared

It is a requirement of the Local Government Act 2002 to present prospective financial statements. This provides an opportunity for ratepayers and residents to review the projected financial results and position of Council. Prospective financial statements are revised annually to reflect updated assumptions and costs.

Basis of assumptions, risks and uncertainties

The prospective financial information has been prepared on the basis of best estimate assumptions as the future events which Council expects to take place. Council has considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined within the Annual Plan.

Cautionary Note

The financial information is prospective. Actual results are likely to vary from the information presented and the variations may be material.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of heritage assets, certain infrastructural assets and biological assets.

Functional and presentation currency

The financial statements are presented in New Zealand dollars (the functional currency of Southland District Council) and all values are rounded to the nearest thousand dollars (\$000). As a result of rounding there may be slight discrepancies in subtotals.

Associates

SDC accounts for the investments in associates in the consolidated financial statements using the equity method. An associate is an entity over which Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise Council's share of the deficit of the associate after the date of acquisition. SDC's share of the surplus or deficit of the associate is recognised in SDC's statement of comprehensive revenue and expense. Distributions received from an associate reduce the carrying amount of the investment.

If SDC's share of the deficits of an associate equals or exceeds its interest in the associate, SDC discontinues recognising its share of future deficits. After SDC's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that SDC has incurred legal or constructive obligations or made payments on behalf of the associate.

If the associate subsequently reports surpluses, SDC will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Joint ventures

A joint venture 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 the activity.

For jointly controlled operations, Council and the group recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of revenue that it earns from the joint venture.

For jointly controlled entities, Council recognises its interest in jointly controlled entities using the equity method. The investment in a jointly controlled entity is initially recognised at cost and the carrying amount is increased or decreased to recognise Council's share of the surplus or deficit of the jointly controlled entity after the date of acquisition. Council's share of the surplus or deficit of the jointly controlled entity is recognised in the surplus or deficit. Investments in jointly controlled entities are carried at cost in the local authority's parent entity financial statements.

Specific accounting policies

(a) Revenue

Rates are set annually by a resolution from Council and relate to the financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

The specific accounting policies for significant revenue items are:

The following policies for rates have been applied:

General rates, targeted rates (excluding water-by-meter) and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. Council considers that the effect of payment of rates instalments is not sufficient to require discounting of rates receivable and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when rates become due.

Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Rates remissions are recognised as a reduction in rates revenue when Council has received an application that satisfies its rates remission policy.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Interest is recognised using the effective interest method.

Subsidies from Land Transport New Zealand and grants from other government agencies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Other grants, bequests are recognised when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met, if there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Fees for disposing waste at Council's landfill are recognised as waste disposal by users.

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

For assets received for no or nominal consideration, the asset is recognised at its fair value when Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (eg land used as a recreation reserve), Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if Council expects that it will need to return or pass the asset to another party.

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (eg as the funds are spent for a nominated purpose).

Development and financial contributions are recognised at the later of: the point when Council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation. Otherwise, development and financial contributions are recognised as liabilities until such time as Council provides, or is able to provide, the service.

Dividends are recognised when the right to receive payment has been established.

(b) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(c) Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's decision.

(d) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions,

(e) Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term.

(f) Equity

Equity is the community's interest in Council as measured by total assets less total liabilities. Equity is classified into a number of reserves to enable clearer identification of the specified uses that Council makes of its accumulated surpluses. The components of equity are:

- accumulated funds
- Council created reserves (general reserve, separate account balances and rates appropriation balance)
- special reserves (managed by allocation committees)
- asset revaluation reserves
- fair value reserves.

Reserves represent a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Council created reserves may be altered without reference to any third party or the courts. Transfers to and from these reserves are at the discretion of Council.

Restricted reserves are subject to specific conditions accepted as binding by Council, which may not be revised by Council without reference to the courts or third party. Transfers from these reserves may be made only for specified purposes or when certain conditions are met.

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the Forecast Statement of Financial Position.

(h) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans, including loans to community organisations made by Council at nil, or below-market, interest rates are initially recognised at the present value of their expected future cashflows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cashflows of the loan is recognised in the Forecast Statement of Comprehensive Revenue and Expense as a grant.

A provision for impairment of receivables is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cashflows, discounted using the effective interest method.

(i) Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost or current replacement cost.

The write down from cost to current replacement cost is recognised in the Forecast Statement of Comprehensive Revenue and Expense.

(j) Financial assets

SDC classifies its financial assets into the following four categories: financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; and financial assets at fair value through equity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss, in which case the transaction costs are recognised in the Forecast Statement of Comprehensive Revenue and Expense. Purchases and sales of investments are recognised on trade-date, the date on which Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cashflows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cashflows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

1. Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the Forecast Statement of Comprehensive Revenue and Expense.

Council's investments in this category include:

Civic Assurance (formerly the New Zealand Local Government Insurance Corporation Limited) and Milford Sound Development Authority.

2. Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Forecast Statement of Comprehensive Revenue and Expense. Loans and receivables are classified as "trade and other receivables" in the Forecast Statement of Financial Position.

3. Held to maturity investments

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that Council has the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Forecast Statement of Comprehensive Revenue and Expense.

4. Financial assets at fair value through equity

Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above.

After initial recognition these investments are measured at their fair value, unless fair value cannot be reliably measured, in which case the investments are measured at historical cost.

Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the Forecast Statement of Comprehensive Revenue and Expense. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the Forecast Statement of Comprehensive Revenue and Expense, even though the asset has not been de-recognised.

On de-recognition the cumulative gain or loss previously recognised in equity is recognised in the Forecast Statement of Comprehensive Revenue and Expense.

(k) Impairment of financial assets

At each balance sheet date, Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the Forecast Statement of Comprehensive Revenue and Expense.

(l) Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less disposal costs.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the Forecast Statement of Comprehensive Revenue and Expense.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Goods and Services Tax (GST)

The forecast financial statements have been prepared exclusive of GST with the exception of receivables and payables, which are stated inclusive of GST. When GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Forecast Statement of Financial Position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cashflow in the Forecast Statement of Cashflows.

Commitments and contingencies are disclosed exclusive of GST.

(m) Property, plant and equipment

Property, plant and equipment consist of:

Infrastructure assets

- infrastructure assets are those systems taken as a whole that are intended to be maintained indefinitely. These assets include Council's roading and bridge networks and the fixed utility systems owned by Council. Each asset type includes all items that are required for the network to function. For example, wastewater reticulation includes reticulation piping and sewer pump stations.

Operational assets

- these include land, buildings, improvements, library books, plant and equipment, and motor vehicles.

Restricted assets

- restricted assets are parks and reserves owned by Council, which cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Forecast Statement of Comprehensive Revenue and Expense. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line (SL) basis on all property, plant and equipment except land and heritage assets, at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Estimated Economic Life		Depreciation	
Asset Category	(years)	Percent	Method
Operational Assets			
Improvements	10-12	8.33% - 10.00%	SL
Buildings	40	2.50%	SL
Light vehicles	5-11	9.00% - 20.00%	SL
Other plant	3-11	6.67% - 33.33%	SL
Furniture and fittings	7-8	13.50% - 8.00%	SL
Office equipment	7-10	10.00% - 13.50%	SL
Computer equipment	2-6	18.00% - 40.00%	SL
SCADA equipment	6	13.50% - 18.00%	SL
Other equipment	6-8	13.50% - 18.00%	SL
Library books	10	10.00%	SL

Estimated Economic Life		Depreciation	
Asset Category	(years)	Percent	Method
Infrastructure Assets			
Electrical plant	10-100	1.00% - 10.00%	SL or DV
Sealed roads	40-99	1.00% - 2.00%	SL
Unsealed roads	4-8	12.50% - 25.00%	SL
Bridges	45-120	0.83% - 2.00%	SL
Footpaths	12-60	1.67% - 8.33%	SL
Streetlighting	20-40	2.50% - 5.00%	SL
	5-100	2.06% - 7.02%	SL
Stormwater schemes	20-100	5.00% - 20.00%	SL

Estimated Economic Life		Depreciation	
Water supply schemes	5-100	1.00% - 20.00%	SL
Marine assets	5-50	2.00% - 20.00%	SL
Transfer stations	10	10.00%	SL
Landfill sites	10-40	2.50% - 10.00%	SL

SIESA assets have the following useful lives and associated depreciation rates of major classes of assets for accounting purposes. The method of calculating depreciation is either SL or on a diminishing value basis (DV).

Estimated Economic Life		Depreciation	
Asset Category	(years)	Percent	Method
SIESA Assets			
Plant	1-25	4.00% - 60.00%	SL or DV
Vehicles	5-8	12.00% - 21.60%	DV
Buildings	25-76	1.00% - 4.00%	SL or DV

The residual value and useful life of an asset is reviewed and adjusted, if applicable, at each financial year end.

Revaluations

Roads, water reticulation, wastewater reticulation and stormwater systems are revalued on an annual basis. Heritage assets are valued on a three-yearly valuation cycle. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed each balance date to ensure that those values are not materially different to fair value. The valuation basis for the different asset categories are described in more detail below.

Land and buildings

The deemed cost of land and buildings were established by registered valuers from Quotable Value in accordance with the requirements of the Institute of Chartered Accountants of New Zealand Standards, as at 30 June 1993. Purchases made since 30 June 1993 are recorded at cost.

Endowment lands are vested in Council for specific purposes for the benefit of various communities. These vestings have been made under various pieces of legislation which restrict both the use of any revenue and any possible dispositions.

Infrastructural assets

Appropriately qualified personnel from MWH New Zealand Limited have completed a revaluation of District roading, footpaths and bridge asset networks as at 30 June 2018. Data from this revaluation was used in the calculation of the roading infrastructural assets and extrapolated using BERL forecast inflation rates for the 2018/2019 year.

Appropriately qualified personnel from Waugh Infrastructure Limited have completed a revaluation as at 30 June 2018 of the water supply, wastewater scheme and stormwater assets. This revaluation established a depreciated replacement cost at component level for those infrastructural assets as at 30 June 2015. Data from these revaluations are used in the calculation of the water, wastewater and stormwater infrastructure assets and extrapolated using BERL forecast inflation rates for the 2018/2019 year.

Revaluations of roading, water, wastewater and stormwater assets are carried out annually.

All other infrastructural assets (electrical generation plant, streetlighting and marine assets) are valued at their deemed cost, based on a revaluation of assets undertaken by appropriately qualified personnel from Royds Garden Limited in 1993.

- plant and vehicles (including electrical generation plant)
Items are shown at historical cost less provision for depreciation.

- library books
Books have been valued by Council staff on a depreciated replacement cost basis, using New Zealand Library Association guidelines, as at 30 June 1993 representing deemed cost. Additions to library book stocks since 30 June 1993 are recorded at ccst.
- heritage assets
The only assets to be included under this category are art works owned by Council, which have been valued by an independent valuer, Mr R Thomson of International Art Centre, Auckland, as at 30 June 2018 and recorded at fair value in accordance with NZ IAS 16.

Other assets, which would normally be classified under heritage assets, for example war memorials, have been included under "other assets". Due to the nature of the item, art works are revalued on a three to five-yearly cycle and not depreciated.
- other assets
Other assets are shown at historic cost or depreciated replacement cost, less a provision for depreciation. Additions and deletions to other assets since 30 June 1993 are recorded at cost.
- accounting for revaluations
SDC accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, the balance is not recognised in other comprehensive and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

(n) Work in progress

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

(o) Intangible assets

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by Council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Estimated Economic Life		Depreciation	
Asset Category	(years)	Percent	Method
Computer software	2-10	10.00% - 50.00%	SL

Emissions Trading Scheme

Council has approximately 1,384 hectares of pre-1990 forest land. This land is subject to the provisions of the New Zealand Emissions Trading Scheme (ETS). The implication of this for the financial accounts is twofold:

- should the land be deforested (ie the land is changed from forestry to some other purpose), a deforestation penalty will arise.
- given the deforestation restriction, compensation units have been provided from the Government.

- the deforestation contingency is not recognised as a liability on the statement of financial position as there is no current intention of changing the land use subject to the ETS.

(p) Forestry assets

Forestry assets are revalued annually at fair value, less estimated point-of-sale costs. Appropriately qualified personnel from Woodlands Pacific Consulting Limited have completed a revaluation of the forestry assets as at 30 June 2018. This is peer reviewed by an independent valuer using standard forest valuation methodology. Fair value is determined based on the present value of expected net cashflows discounted at a current market determined pre-tax rate. A consistent methodology was used in the calculation of the forestry assets and extrapolated using BERL forecast inflation rates for the 2018/2019 year.

Gains or losses arising on initial recognition of forestry assets at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs are recognised in the Forecast Statement of Comprehensive Revenue and Expense.

The costs to maintain the forestry assets are included in the Forecast Statement of Comprehensive Revenue and Expense.

(q) Impairment of property, plant and equipment and intangible assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment is recognised in the surplus or deficit. The reversal of the impairment loss is recognised in the surplus or deficit.

Value in use for non-cash generating assets

Non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, or a service unit approach. The most appropriate approach used to measure the value in use depends on the nature and impairment and availability of information.

Value in use for cash generating assets

Cash generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for a cash generating assets and cash generating units is the present value of expected cash flows.

(r) Employee benefits

Short-term benefits

Employee benefits that Council expects to be settled within 12 months of the balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned (but not yet taken) at balance date, retiring and long service leave entitlements expected to be settled within 12 months.

Long-term benefits

Long service leave and retirement leave.

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated by in-house staff. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and

- the present value of the estimated future cashflows. A discount rate of 7% and an inflation factor of 3% were used.

Superannuation schemes

Defined contribution schemes - Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Forecast Statement of Comprehensive Revenue and Expense as incurred.

Presentation of employee entitlements

Annual leave and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as current liability. All other employee entitlements are classified as a non-current liability.

(s) Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(t) Provisions

Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event. It is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The change in the provision due to the passage of time is recognised in the Forecast Statement of Comprehensive Revenue and Expense.

Financial guarantee contracts

A financial guarantee contract is a contract that requires Council to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a standalone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability Council will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, before discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation. However, if Council assesses that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

Landfill post-closure costs

Council, as operator, has a legal obligation under its resource consent to provide ongoing maintenance and monitoring services at their landfill sites after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure costs arises.

The provision is measured based on the present value of future cashflows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate used is a pre-tax rate that reflects current market assessments of the time, value of money and the risks specific to Council.

(u) Internal borrowings

Internal borrowings are eliminated on consolidation of activities in Council's financial statements.

(v) Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Repayments

Most borrowings are repaid on a table basis (ie each repayment instalment consists of a mixture of both principal and interest). The one exception is the roading business unit loans, which are interest payments only.

(w) Cost allocation

SDC has derived the cost of service for each significant activity of Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs have been allocated to all significant activities in two ways. Where appropriate, indirect costs are directly apportioned to activities. The remaining indirect costs are allocated either on a gross cost or activity/usage basis.

(x) Critical accounting estimates and assumptions

In preparing these forecast financial statements, Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Infrastructure assets

There are a number of assumptions and estimates used when performing Depreciated Replacement Cost (DRC) valuations over infrastructural assets. These include:

- the physical deterioration and condition of an asset. For example, Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground.
This risk is minimised by Council performing a combination of physical inspections and condition assessments of underground assets.
- estimating any obsolescence or surplus capacity of an asset.
- estimates are made when determining the remaining useful lives over which the asset will be depreciated.
These estimates can be impacted by the local conditions. For example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under-estimating the annual depreciation charge recognised as an expense in the Forecast Statement of Comprehensive Revenue and Expense. To minimise this risk, Council's infrastructure asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group and have been adjusted for local conditions based on past experience.
- asset inspections, deterioration and condition modelling are also carried out regularly as part of Council's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform Council's infrastructure asset revaluations.

(y) Critical judgements in applying Council's accounting policies

Management has exercised the following critical judgements in applying Council's accounting policies to the prospective financial statements.

Classification of property

Council owns a number of properties which are maintained primarily to provide housing to pensioners. The receipt of rental income from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of Council's social housing policy. These properties are accounted for as property, plant and equipment.

(z) Statement of cashflows

Operating activities include cash and cash equivalents (as defined in (f) above) received from all Council's income sources and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of Council.

(aa) Rounding

Some rounding variances may occur in the financial statements due to the use of decimal places in the underlying financial data.

Changes in accounting policies

There have been no changes to the accounting policies.

Prospective Statement of Comprehensive Revenue and Expense

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Revenue			
Rates	46,780	48,344	48,411
Other revenue	8,138	8,440	8,372
Interest and dividends	140	68	68
NZ Transport Agency funding	13,125	13,129	13,129
Grants and subsidies	1,040	1,128	4,171
Other gains/(losses)	(1,348)	(1,447)	(1,447)
Vested assets	-	-	-
Development and financial contributions	64	368	368
MOH Subsidy for sewerage/water scheme	-	-	-
	67,939	70,029	73,073
Expenditure			
Employee benefit expenses	12,418	12,614	13,388
Depreciation and amortisation	22,338	23,173	23,183
Finance costs	22	154	22
Other Council expenditure	37,521	38,352	39,834
	72,299	74,293	76,427
SURPLUS/(DEFICIT) BEFORE TAX	(4,360)	(4,264)	(3,353)
Income tax benefit	-	-	-
SURPLUS/(DEFICIT) AFTER TAX	(4,360)	(4,264)	(3,353)
Financial assets at fair value through other comprehensive revenue and expense			
Gain/(Loss) on property, plant and equipment revaluations	26,994	30,544	30,544
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	22,635	26,281	27,191

Prospective Statement of Changes in Equity

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Balance at 1 July	1,519,351	1,541,985	1,561,495
Total comprehensive revenue and expense for the year	22,635	26,281	27,191
Balance at 30 June	1,541,985	1,568,266	1,588,686

Prospective Statement of Financial Position

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Equity			
Retained earnings	722,574	718,080	716,633
Asset revaluation reserves	780,585	811,129	830,003
Fair value reserves	1,916	1,916	2,369
Other reserves	36,911	37,141	39,681
	1,541,985	1,568,266	1,588,686
Current assets			
Cash and cash equivalents	3,096	-	(3,173)
Trade and other receivables	7,183	7,424	4,633
Inventories	85	76	85
Other financial assets	334	334	314
	10,698	7,834	1,860
Non-current assets			
Property, plant and equipment	1,526,343	1,564,969	1,582,338
Intangible assets	2,799	2,888	2,521
Forestry assets	12,208	10,638	10,342
Work in progress	-	822	-
Other financial assets	825	4	607
	1,542,175	1,579,321	1,595,808
TOTAL ASSETS	1,552,873	1,587,155	1,597,668
Current liabilities			
Trade and other payables	7,180	7,371	4,481
Contract retentions and deposits	201	179	571
Employee benefit liabilities	1,539	1,563	1,675
Development and financial contributions	1,878	1,889	2,189

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Provision for decommissioning	14	14	14
Current portion term loans	-	150	-
	10,812	11,166	8,931
Non-current liabilities			
Employee benefit liabilities	67	67	49
Provision for decommissioning	8	2	2
Term loans	-	7,652	-
	75	7,721	51
TOTAL LIABILITIES	10,888	18,888	8,982
NET ASSETS	1,541,985	1,568,268	1,588,686

Prospective Statement of Cashflows

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Cashflows from operating activities			
Receipts from rates revenue	46,780	48,344	48,411
Receipts from NZ Transport Agency funding	13,125	13,129	13,129
Interest and dividends	140	68	68
Receipts from other revenue	13,936	9,693	12,6€9
Payment to suppliers and employees	(52,817)	(50,756)	(53,012)
Interest paid	(22)	(154)	(22)
Net cash inflow (outflow) from operating activities	21,142	20,323	21,244
Cashflows from investing activities			
Receipts from sale of property, plant and equipment	168	123	123
Receipts from sale of investments	-	-	-
Purchase of property, plant and equipment	(28,380)	(30,787)	(37,134)
Acquisition of investments	-	-	-
Purchase of Intangible assets	(629)	(557)	(557)
Net cash inflow (outflow) from investing activities	(28,841)	(31,221)	(37,569)
Proceeds from borrowings	-	7,869	-
Repayment of borrowings	-	(67)	-
Payments of finance leases	-	-	-
Net cash inflow (outflow) from financing activities	-	7,802	-
Net increase/(decrease) in cash and cash equivalents	(7,699)	(3,096)	(16,324)
Cash and cash equivalents at the beginning of the year	10,560	3,096	13,152
Cash and cash equivalents at the end of the year	3,096	-	(3,173)

Reconciliation between the Operating Surplus (from the Statement of Comprehensive Revenue and Expense) and Net Cash Flow from Operating Activities (Statement of Cashflows)

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Operating surplus	(4,360)	(4,264)	(3,353)
Depreciation and amortisation	22,338	23,173	23,183
Vested assets	-	-	-
Forestry revaluation	1,516	1,570	1,570
Emission trading units received	-	-	-
Gains/Losses on disposal of property, plant and equipment	(168)	(123)	(123)
Trade and other receivables	4,421	(241)	(241)
Inventories and work in progress	9	9	9
Trade and other payables	(2,615)	198	198
Net Cash Inflow/(Outflow) from Operating Activities	21,142	20,323	21,244

Depreciation by Activity

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Community services	1,184	1,206	1,218
District leadership	564	774	762
Regulatory services	50	48	48
Roading and footpaths	16,302	16,634	16,644
Solid waste	113	115	115
Stormwater	433	462	462
Wastewater	2,076	2,271	2,271
Water supply	1,616	1,664	1,664
	22,338	23,173	23,183

Funding Impact Statement for 2019 – 2020 for All Activities

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	16,623	17,420	17,571
Targeted rates	30,157	30,923	30,840
Subsidies and grants for operating purposes	6,118	6,103	6,103
Fees and charges	3,729	3,769	3,734
Interest and dividends from investments	140	68	68
Local authorities fuel tax, fines, infringement fees, and other receipts ¹	4,935	5,202	5,187
Total operating funding	61,703	63,486	63,503
Payments to staff and suppliers	46,124	46,733	48,132
Finance costs	22	154	22
Other operating funding applications	3,959	4,380	5,252
Total applications of operating funding	50,105	51,267	53,407
Surplus/(deficit) of operating funding	11,598	12,219	10,096
Subsidies and grants for capital purposes	7,658	7,763	10,806
Development and financial contributions	64	368	368
Increase/(decrease) in debt	-	7,802	
Gross proceeds from sale of assets	168	123	123
Lump sum contributions	-	-	-
Total sources of capital funding	7,890	16,055	11,297
Capital expenditure			
▪ to meet additional demand	2,121	3,804	4,988
▪ to improve the level of service	8,356	11,492	12,967
▪ to replace existing assets	18,297	16,046	19,736

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP ¹ (\$000)
Increase/(decrease) in reserves	2,710	230	(1,130)
Increase/(decrease) in investments	(11,996)	((3,299)	(15,168)
Total applications of capital funding	19,488	28,274	21,393
Surplus/(deficit) of capital funding	(11,598)	(12,219)	(10,096)
Funding balance	-	-	-
¹ includes all other operating funding from sources not identified above.			

Reconciliation of Surplus (Deficit) of Operating Funding to Net Surplus/ (Deficit) Before Tax

	2018/2019 LTP (\$000)	2019/2020 LTP (\$000)	2019/2020 AP (\$000)
Surplus/(deficit) of operating funding from funding impact statement	11,598	12,219	10,096
Depreciation	(22,338)	(23,173)	(23,183)
Subsidies and grants for capital purposes	7,658	7,763	10,806
Development and financial contributions	64	368	368
Gain on sale	168	123	123
Vested assets	-	-	-
Forestry revaluation	(1,516)	(1,570)	(1,570)
Emission trading units	-	-	-
Accruals	-	-	-
Landfill contingency	6	6	6
Net Surplus/(deficit) before tax in Statement of Comprehensive Revenue and Expense	(4,360)	(4,264)	(3,353)

Funding Impact Statement (Rates Section)

Council's revenue from the uniform annual general charge and certain targeted rates set on a uniform basis is 27.09%. The maximum allowed under Section 21 of the Local Government (Rating) Act 2002 is 30%.

The following information sets out the rates mechanisms that Council will use, including information about how the different rates will be set and assessed for 2019/2020.

All figures in the section Funding Impact Statement (rates section) include GST.

Key Rating Definitions

The following definitions relate to the terms used in the tables below.

Separately Used or Inhabited Part (SUIP) ~ includes any portion inhabited or used by the owner/a person other than the owner, and who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence or other agreement. For the purposes of this definition, vacant land which is not used or inhabited is not a SUIP.

The following are additional examples of rating units with more than one separately used or inhabited part:

- single dwelling with flat attached
- two or more houses, flats or apartments on one Certificate of Title (rating unit)
- business premise with flat above
- commercial building leased to multiple tenants
- farm property with more than one dwelling
- Council property with more than one lessee.

Council will assess the following rates on a separately used or inhabited part of a rating unit (SUIP) basis:

- regional heritage targeted rate
- swimming pool targeted rates
- community facilities targeted rates
- some sewerage and water supply targeted rates.

Unit of Service - the relevant unit of service deemed by Council to be appropriate given the type of service, nature and location of the rating unit etc, (including trough, connection, meter, loan, half, bin). This can include part charges for eligible assessments within a water or wastewater scheme area with the ability to connect to the scheme to accommodate the potential future burden of the rating unit on the scheme.

Uniform Targeted Rate (UTR) - a rate that is set as a fixed-dollar amount irrespective of the value of the rating unit.

Uniform Annual General Charge (UAGC) - a rate that is set as a fixed charge applied to each rateable rating unit.

Utility Asset ~ includes such uses as hydroelectric power stations, railway lines, network such as electricity, phone, postal, water and sewerage.

General rates

Background

Local authorities can set general rates either as a uniform or differential rate on property value (land, capital or annual value) and/or a Uniform Annual General Charge (UAGC) on a fixed amount per rating unit or SUIP. The UAGC is calculated by reference to those activities where Council considers there is an equal public benefit to the whole community. It funds all of the representation, development and promotions, library services, public health service and regional initiative activities, and a proportion of the strategy policy and planning and Council offices and District support activities.

Activities funded

All activities that are not funded by fees and charges, targeted rates, borrowings or any other income are funded out of the general rates. Please refer to the Revenue and Financing Policy for further details on the activities funded out of the general rates including the UAGC.

Land liable for the rate

All rateable land within the Southland District is liable for the rate.

How the rate is assessed

The uniform annual general charge is assessed on all rating units in the District on the following basis:

- a fixed amount per rating unit of \$534.46 (UAGC). The charge will generate \$8,506,799 in rates revenue in 2019/2020.

A general rate is assessed on all rating units in the District on the following basis:

- a rate in the dollar on capital value of \$0.00054196. The general rate is not set on a differential basis.

The rate will generate \$11,401,348 in rates revenue in 2019/2020.

Targeted rates

Targeted rates may be used to fund specific Council activities. Targeted rates are appropriate for services or activities where a specific group of ratepayers benefit from that service or where the revenue collected is targeted towards funding a specific type of expenditure. Lump sums will not be invited in relation to any of the targeted rates.

Community facilities targeted rates

Background

Southland District has a wide range of small community facilities across the District. These facilities (community centres and halls) are maintained by Council through the community facilities activity. Maintenance and upkeep of these facilities is provided by the collection of rates for this activity.

Activities funded

Each of the community facilities targeted rates funds the upkeep of the relevant community centres and halls. This includes general operating costs such as electricity and insurance as well as maintenance such as painting, replacement roof, carpet etc.

Land liable for the rate

All rateable land within the area of service for each specific hall, community centre or recreational facility is liable for the community facilities targeted rate.

Maps of these areas can be viewed at www.southlanddc.govt.nz/my-southland/maps/

How the rates are assessed

The basis for the rates is a fixed amount per SUIP of a rating unit.

A table of the rates

Community Centre Rates	Uniform Targeted Rate per SUIP of a Rating Unit 2019/2020 (incl GST)	Revenue From Community Centre Rates 2019/2020 (incl GST)	Map of Land liable for rate
Aparima Hall	\$46.39	\$3,015	Map 43
Athol Memorial Hall	\$58.11	\$8,426	Map 174

Community Centre Rates	Uniform Targeted Rate per SUIP of a Rating Unit 2019/2020 (incl GST)	Revenue From Community Centre Rates 2019/2020 (incl GST)	Map of Land liable for rate
Balfour Hall	\$38.60	\$11,117	Map 45
Blackmount Hall	\$50.29	\$2,816	Map 46
Browns Hall	\$21.94	\$4,147	Map 47
Brydone Hall	\$50.93	\$3,387	Map 48
Clifden Hall	\$50.20	\$4,317	Map 49
Colac Bay Hall	\$58.97	\$9,317	Map 50
Dacre Hall	\$43.00	\$3,999	Map 51
Dipton Hall	\$50.37	\$10,326	Map 52
Eastern Bush Hall	\$78.89	\$2,367	Map 54
Edendale-Wyndham Hall	\$19.98	\$14,366	Map 170
Fiordland Community Event Centre	\$37.62	\$79,284	Map 94
Five Rivers Hall	\$56.68	\$4,591	Map 56
Fortrose Domain	\$28.75	\$1,869	Map 57
Glenham Hall	\$48.38	\$2,661	Map 59
Gorge Road Hall	\$49.14	\$13,071	Map 60
Heddon Bush Hall	\$69.00	\$4,071	Map 61
Hedgehope-Glencoe Hall	\$69.71	\$6,762	Map 62
Limehills Hall	\$61.95	\$12,018	Map 65
Lochiel Hall	\$36.07	\$5,374	Map 66
Lumsden Hall	\$36.00	\$13,464	Map 68
Mabel Bush Hall	\$50.14	\$3,811	Map 69
Manapouri Hall	\$35.49	\$11,002	Map 71
Mandeville Hall	\$45.00	\$1,980	Map 72
Mataura Island Hall	\$27.26	\$1,472	Map 73
Menzies Ferry Hall	\$40.25	\$1,811	Map 74
Mimihau Hall	\$55.00	\$2,750	Map 75
Mokoreta-Redan Hall	\$53.73	\$3,707	Map 76
Mossburn Hall	\$66.65	\$17,596	Map 78
Myross Bush Hall	\$30.28	\$2,271	Map 79
Nightcaps Hall	\$77.43	\$15,176	Map 80
Ohai Hall	\$58.72	\$12,272	Map 81

Community Centre Rates	Uniform Targeted Rate per SUIP of a Rating Unit 2019/2020 (incl GST)	Revenue From Community Centre Rates 2019/2020 (incl GST)	Map of Land liable for rate
Orawia Hall	\$58.77	\$6,641	Map 82
Orepuki Hall	\$66.77	\$9,415	Map 83
Oreti Plains Hall	\$72.00	\$8,712	Map 84
Otahuti Hall	\$30.94	\$1,578	Map 85
Otapiri-Lora Gorge Hall	\$155.25	\$12,420	Map 86
Riversdale Hall	\$55.01	\$21,866	Map 89
Ryal Bush Hall	\$40.91	\$5,155	Map 90
Seaward Downs Hall	\$43.30	\$2,598	Map 91
Stewart Island/Rakiura Hall	\$68.64	\$27,010	Map 93
Thornbury Hall	\$62.90	\$6,542	Map 95
Tokanui-Quarry Hills Hall	\$55.08	\$7,436	Map 173
Tuatapere Hall	\$40.08	\$15,631	Map 97
Tussock Creek Hall	\$55.20	\$4,802	Map 98
Tuturau Hall	\$47.37	\$1,753	Map 99
Waianiwa Hall	\$69.00	\$9,936	Map 175
Waikaia Recreation Hall	\$53.91	\$16,496	Map 101
Waikawa Community Centre	\$29.93	\$3,981	Map 102
Waimahaka Hall	\$69.00	\$6,831	Map 103
Waimatuku Hall	\$36.58	\$1,975	Map 104
Wairio Community Centre	\$40.13	\$3,331	Map 105
Wallacetown Hall	\$50.00	\$17,250	Map 106
Winton Hall	\$17.22	\$25,856	Map 107
Wreys Bush Hall	\$81.35	\$2,522	Map 109
Wrights Bush Hall	\$31.71	\$1,871	Map 110

Roading targeted rates

Background

Council administers and maintains the District's roading and bridging network (some 5,000km of network), excluding state highways and national park roads (maintained by the NZTA) and DOC. Council also provides footpaths, streetlights, carparks and noxious plant control.

Activities funded

The costs associated with operating and maintenance of Council's roading network. This includes the reseal programme, road pavement rehabilitation programme, minor improvements and bridge maintenance, strengthening and replacement.

Land liable for the rate

All rateable land within the Southland District is liable for the rate.

How the rate is assessed

- a fixed amount per rating unit; and
- a differential rate in the dollar of capital value across all properties.

Rate differential definitions

The rate in the dollar of capital value is set on a differential basis for different land uses. The differential category is consistent with the land use designated to each rating unit. The definition for each rates differential category is listed in table below:

Differential Category	Definition
Commercial	All land that is principally used for commercial purposes. It includes accommodation services, entertainment, rest homes, retail and office-type use, parking buildings, service stations and tourist-type attractions.
Dairy	All land that is used for dairy farming and associated activities.
Forestry	All land that is used for forestry, including land either in production or currently available for planting and protected forest areas. It does not include forest nurseries.

Differential Category	Definition
Farming non-dairy	All land that is used exclusively, or almost exclusively, for horticultural, forestry nurseries, pastoral and specialist purposes other than dairy farming. It includes land suitable for uses such as orchards, market gardening or glasshouses, grazing or fattening of livestock, land used for aquaculture, deer farming, horse studs, poultry and pigs.
Industrial	All land that is used exclusively, or almost exclusively, for industrial uses including associated retailing, food processing or storage, light and large-scale manufacturing, tank farms and other noxious or dangerous industrial uses, excluding utility assets.
Lifestyle	Land that is used for lifestyle purposes will generally be located in a rural area but the predominant use is for a residence, and if vacant there is the right to build a dwelling. The principal use of the land may be non-economic in the traditional farming sense.
Mining	All land used for mining and other mineral extraction sites.
Other	Other uses not covered by any alternative category including utility assets.
Residential	All land that is used exclusively, or almost exclusively, for residential purposes including investment flats and not already included elsewhere. It does not include lifestyle properties.

A table of the rates

Roading Rates	Uniform Targeted Rate per Rating Unit 2019/2020 (incl GST)	Rate in the Dollar on Capital Value 2019/2020 (incl GST)	Revenue From Roothing Rates 2019/2020 (incl GST)
UTR	\$92.00		\$1,463,318
Commercial		\$0.00130851	\$452,622
Dairy		\$0.00093661	\$5,531,722
Farming non-dairy		\$0.00053930	\$5,722,405
Forestry		\$0.00647417	\$904,691
Industrial		\$0.00129183	\$455,888
Lifestyle		\$0.00046738	\$596,707
Mining		\$0.01656955	\$299,395
Other		\$0.00014021	\$134,901
Residential		\$0.00046738	\$1,777,304

Further information on how the differentials for each category are established refer to Council's Activity Needs Funding Analysis.

Regional heritage targeted rate

Background

The regional heritage targeted rate is used to fund heritage sites within the Southland region.

Activities funded

The costs associated with operating a Regional Heritage Fund, which is administered by the Southland Regional Heritage Committee and is part of Council's grant and donations activity, to promote the development of heritage of value to the region as a whole.

Land liable for the rate

All rateable land within the Southland District is liable for the rate.

How the rate is assessed

The targeted rate is assessed as a fixed amount per SUIP of a rating unit of \$42.11.

The rate will generate \$666,233 in rates revenue in 2019/2020.

Waste management targeted rates

Background

Waste management is focused on the controlled disposal of waste (transfer stations), reducing litter and illegal dumping and promotion and advocacy of waste minimisation. There are also seven waste transfer stations for disposal of rubbish, greenwaste, hazardous waste and collection of recyclables, 11 recycling drop-off centres and two greenwaste only sites around the District.

Regional waste is transported to the regional landfill operated by AB Lime at Kings Bend (near Winton) for disposal. SDC is also a member of WasteNet Southland (joint committee of the ICC, SDC and GDC), which provides the mechanism for councils in the region to work together collectively on waste issues, including delivering solid waste services and waste minimisation activities.

Activities funded

The rate for waste management is used to fund the Solid Waste activity, including the collection and disposal of waste from transfer stations.

Land liable for the rate

All rateable land within the Southland District is liable for the rate, excluding Stewart Island.

How the rate is assessed

The basis for the rate is a fixed amount of \$90.03 per rating unit. The rate will generate \$1,433,154 in rates revenue in 2019/2020, and

A rate in the dollar on capital value of \$0.00003662. The rate will generate \$771,577 in rates revenue in 2019/2020.

Local targeted (ward, community board, community development area, town) rates

Background

Council has delegated responsibility for the management of a number of local activities, such as the maintenance of parks and reserves and cemeteries to community boards and community development area subcommittees. The cost of providing these activities is funded via local targeted rates.

Activities funded

These targeted rates fund the costs associated with the operation and maintenance of cemeteries, community centres, district support, other local services, parks and reserves, representation and advocacy and stormwater in each community.

Land liable for the rate

All rateable land within each specific local targeted rate area of service.

Maps of these areas can be viewed at www.southlanddc.govt.nz/my-southland/maps/

Rates Differential Definitions

Some of the rates are set on a differential basis based on the location of the rating unit and/or the use of land. When considering the method for setting the local rate, Council considered the impact and benefit of the activities by each sector. The objective of these differentials is to recognise that different sectors place a different burden on the activities funded by the local rate and that different sectors derive a different level of benefit from the activities funded by the local rate. The differential rates proposed are considered to reflect these differing levels of burden and benefit in the sectors.

The definition for each rates differential category based on the use of land is listed in table below.

Differential Category	Definition
Residential	All land that is used exclusively, or almost exclusively, for residential purposes including investment flats and not already included elsewhere. It does not include lifestyle properties.
Commercial	<p>All property that is used principally for commercial and/ or industrial purposes.</p> <p>Land for commercial purposes includes land used as accommodation services, entertainment, rest homes, retail and office-type use, parking buildings, service stations, tourist type attractions, mineral extraction sites and utility assets.</p> <p>Land that is used for industrial purposes and its associated retailing, food processing or storage, light and large-scale manufacturing, tank farms and other noxious or dangerous industrial uses.</p>

Differential Category	Definition
Rural	All land that is classified as for dairy, farming (non-dairy), forestry, mining, horticulture, pastoral, lifestyle or other.

How the rates are assessed

The local targeted (ward) rates - are set as a rate in the dollar of land value on all land within each ward boundary.

The local targeted (community board, community development area and local) rates - are set after considering the recommendation of the relevant community board or subcommittee and can comprise an amount per rating unit and/or a differentiated targeted rate per rating unit.

A table of the rates

Local Rates	Differential Factor for Rate in the Dollar on Land value	Rate in the Dollar on Land Value 2019/2020 (incl GST)	Differential Factor for Targeted Rate Per Rating Unit	Targeted Rate per Rating Unit 2019/2020 (incl GST)	Revenue From Local Rates 2019/2020 (incl GST)	Map of Land liable for rate
Ward Rates						
Mararoa Waimea Ward	N/A	\$0.00002380			\$103,610	Map 2
Waiau Aparima Ward	N/A	\$0.00005462			\$200,461	Map 4
Waihopai Toetoes Ward	N/A	\$0.00004413			\$123,151	Map 5
Winton Wallacetown Ward	N/A	\$0.00001543			\$56,629	Map 6
Community Board Rates						
Edendale-Wyndham Community Board			N/A	\$184.31	\$197,580	Map 7
Otautau Community Board			N/A	\$305.35	\$173,744	Map 8
Riverton/Aparima Community Board			N/A	\$343.80	\$438,689	Map 9
Stewart Island/Rakiura Community Board			N/A	\$188.66	\$93,575	Map 10
Te Anau Community Board - Residential			1.00	\$291.52	\$537,417	Map 172
Te Anau Community Board - Commercial			2.00	\$583.04	\$103,781	Map 172
Te Anau Community Board - Rural			0.25	\$72.88	\$40,376	Map 172
Tuatapere Community Board – Residential/Commercial			1.00	\$236.27	\$82,930	Map 12
Tuatapere Community Board - Rural			0.20	\$47.25	\$19,325	Map 12
Wallacetown Community Board			N/A	\$158.50	\$66,095	Map 13
Winton Community Board			N/A	\$249.03	\$409,717	Map 14

Local Rates	Differential Factor for Rate in the Dollar on Land value	Rate in the Dollar on Land Value 2019/2020 (incl GST)	Differential Factor for Targeted Rate Per Rating Unit	Targeted Rate per Rating Unit 2019/2020 (incl GST)	Revenue From Local Rates 2019/2020 (incl GST)	Map of Land liable for rate
Community Development Area Rates						
Athol Community Development Area			N/A	\$59.20	\$5,091	Map 15
Balfour Community Development Area			N/A	\$249.74	\$21,852	Map 16
Browns Community Development Area			N/A	\$233.63	\$5,841	Map 17
Colac Bay Community Development Area			N/A	\$104.34	\$11,895	Map 18
Dipton Community Development Area			N/A	\$100.21	\$18,940	Map 19
Garston Community Development Area			N/A	\$39.43	\$2,248	Map 20
Gorge Road Community Development Area			N/A	\$30.86	\$6,141	Map 21
Limehills Community Development Area			N/A	\$90.76	\$11,753	Map 22
Lumsden Community Development Area			N/A	\$316.69	\$109,179	Map 23
Manapouri Community Development Area			N/A	\$337.99	\$97,172	Map 24
Mossburn Community Development Area			N/A	\$358.93	\$43,431	Map 25
Nightcaps Community Development Area			N/A	\$217.44	\$45,608	Map 26
Ohai Community Development Area			N/A	\$286.79	\$54,777	Map 27
Orepuki Community Development Area			N/A	\$114.67	\$9,632	Map 28
Riversdale Community Development Area			N/A	\$187.93	\$41,767	Map 29
Thornbury Community Development Area			N/A	\$112.94	\$4,800	Map 30
Tokanui Community Development Area			N/A	\$277.45	\$13,420	Map 31
Waikaia Community Development Area			N/A	\$168.01	\$28,898	Map 32
Woodlands Community Development Area			N/A	\$208.42	\$14,225	Map 33
Drummond Village Local Rate			N/A	\$55.77	\$2,830	Map 41

Swimming pool targeted rates

Background

These rates are used to fund community swimming pools which are managed by a local swimming pool committee. These pools are all owned by local community groups, with two on Council land.

Activities funded

This rate is used to fund the costs of operating and maintaining community swimming pools. Depending on the location of the pool, the rates come under two activities: (i) Council facilities and (ii) parks and reserves.

Land liable for the rate

All rateable land within each swimming pool targeted rate area of service is liable for the relevant rate.

Maps of these areas can be viewed at www.southlanddc.govt.nz/my-southland/maps/

How the rates are assessed

The swimming pool targeted rate for each area of service is set as a fixed amount per SUIP of a rating unit.

A table of the rates

Pool Rates	Uniform Targeted Rate per SUIP of a Rating Unit 2019/2020 (incl GST)	Revenue From Pool Rates 2019/2020 (incl GST)	Map of Land liable for rate
Fiordland	\$15.56	\$36,820	Map 38
Otautau	\$23.00	\$14,686	Map 35
Riverton/Aparima	\$22.16	\$37,905	Map 36
Takitimu	\$23.15	\$14,203	Map 37
Tuatapere Ward	\$7.55	\$5,829	Map 39
Winton	\$13.42	\$19,562	Map 40

Te Anau Airport Manapouri targeted rate

Background

The Te Anau Airport Manapouri facility is designed and managed to attract and facilitate access by air to the Te Anau community, its businesses and the natural environment. The activity also contributes to safe places as the airport provides for air-based emergency access which can act as an alternative to road transport in an emergency.

Activities funded

The targeted rate is used to fund the initial capital costs of developing and now operating the Te Anau Airport Manapouri facility.

Land liable for the rate

All rateable land within the Te Anau Airport Manapouri targeted rate area of service. A map of this area can be viewed at www.southlanddc.govt.nz/my-southland/maps/ (Map 11).

How the rate is assessed

The targeted rate is assessed as a fixed amount per rating unit of \$128.00.

The rate will generate \$363,648 in rates revenue in 2019/2020.

Stewart Island waste management targeted rates

Background

Stewart Island/Rakiura is serviced by a weekly kerbside refuse bag, recycling and food scrap collection. The service is provided to all rating units on Stewart Island/Rakiura other than vacant land rating units.

Activities funded

The targeted rate is used to fund the collection and disposal of refuse and recycling on Stewart Island.

Land liable for the rate

All land within the Stewart Island waste management targeted rate area of service is liable for the rate.

A map of this area can be viewed at www.southlanddc.govt.nz/my-southland/maps/ - (Map 93).

How the rate is assessed

The targeted rate is assessed as a fixed amount per unit of service of rating unit of \$353.29

The rate will generate \$134,603 in rates revenue in 2019/2020.

Rubbish bin collection targeted rate and recycling bin collection targeted rates

Background

Council operates a solid waste and recycling bin collection service for serviced properties across the District. Through this activity it collects recycling and solid waste for disposal.

The service is compulsory to all rating units containing a residential dwelling within the designated urban bin boundaries (copies of the boundary maps can be obtained from Council), all other rating units can optionally have this service. Any rating unit that is able to transport their bins to the designated rural bin route for collection can also have this service.

To find out more about our services or when your bin would be collected visit www.wastenet.org.nz.

Activities funded

These targeted rates are used to ensure that those properties that receive the benefits of the solid waste and recycling wheelie bin collection services pay for the cost of providing these services. A separate waste management targeted rate is used to fund the remaining solid waste activity in parts of the District other than Stewart Island. The Stewart Island waste management targeted rate is used to fund the cost of managing solid waste on Stewart Island.

Land liable for the rate

All land within the District which receives a rubbish bin or recycling bin collection service is liable for the targeted rates.

A map of this area can be viewed at [www.southlanddc.govt.nz/my-southland/maps/\(Map 176\)](http://www.southlanddc.govt.nz/my-southland/maps/(Map 176)).

How the rates are assessed

- each rubbish bin and recycling bin is classified as a unit. All rating units receiving this service are required to have a minimum of one rubbish bin and one recycle bin
- all rating units receiving the service have the option to receive further bins of each type over and above the minimum service. The rate assessed on each rating unit will reflect the number of units of service (for example, a rating unit with two bins of each type will be assessed twice as much as a rating unit with one bin of each type)
- the targeted rubbish bin collection rate is assessed as a fixed amount per unit of service of \$161.17
- the rubbish bin collection rate will generate \$1,633,136 in rates revenue in 2019/2020
- the targeted recycling bin collection rate is assessed as a fixed amount per unit of service of \$161.17
- the recycling bin collection rate will generate \$1,612,184 in rates revenue in 2019/2020.

Water supply targeted rates

Background

Council operates 12 drinking water supply networks (10 urban and two rural residential) throughout the District. The urban supplies are required to meet drinking water standards while the rural supplies provide non-potable water for rural use.

Activities funded

The expenses in maintaining each of the water supply networks. In particular, the costs associated in treating and reticulating the water needed in each community.

Land liable for the rate

The targeted rate applies to all properties that are connected or those capable of connecting within the designated boundary to a Council-owned water supply network.

Maps of the scheme areas covered by each water supply can be viewed at www.southlanddc.govt.nz/my-southland/maps/.

How the rates are assessed

The water supply targeted rates are assessed based on a scale of charges set for urban water supply schemes and rural water supply schemes as outlined.

Te Anau rural water scheme targeted rates

- all rating units pay an annual fixed charge per restricted connection
- rating units are required to pay a fixed amount for each unit made available to the rating unit. One unit is calculated as 1,814.4 litres per day
- a bulk 7.7 units category exists for larger supplies which provides 7.7 units of restricted supply water at 7.7 times a single unit costs
- minimum allocation is one full unit. Half units are only applicable on rating units receiving above one full unit. These rates apply to all properties within the Te Anau rural water rating boundary (refer to Map 160).

Matuku rural water scheme targeted rate

All rating units within the Matuku rural water rating boundary (refer Map 144) are required to pay a fixed annual amount for each unit made available to the rating unit. One unit is calculated as 1,814.4 litres per day.

Metered property water supply targeted rate

The metering of a property is considered and/or applicable when

- a property is anticipated to consistently exceed the expected annual usage
- where observation metering indicated high water use in relation to the expected annual usage
- where non-drinking use of water is evident, eg, truck wash-down, water for animal consumption is expected to exceed the expected annual usage quantity; or
- the property is classified commercial/industrial.

Properties that are rated for a metered water supply will be charged a fixed annual charge per water meter and a rate for actual water consumption per cubic metre, invoiced quarterly.

Non-metered property water supply targeted rate

- these rates apply to all properties not within the Matuku rural water and Te Anau rural water rating boundaries and that are not provided with a metered water supply
- one unit is one standard domestic connection. All rating units without meters that are connected to a water supply scheme or are within the scheme rating boundary are charged a fixed amount for each SUIP of the rating unit
- rating units with water troughs with direct feed from Council's water mains pay a fixed annual amount per trough (note that backflow prevention and annual testing of backflow preventer is required in these cases)
- vacant non-contiguous rating units within the scheme rating boundary are charged a "half charge" for the provision of the service due to the ability to connect to the scheme
- rating units with water troughs with direct feed from Council's water mains pay an additional fixed annual amount per trough.

A table of the rates

Water and Metered Water Rates	\$ per m ³ 2019/2020 (incl GST)	Targeted Rate per rate of Service 2019/2020 (incl GST)	Revenue From Water Supply Rates 2019/2020 (incl GST)	Map of Land liable for rate
District Water Rate - Full Charge		\$444.31	\$3,405,414	
District Water Rate - Half Charge		\$222.15	\$168,612	
District Water Rate - Trough Charge		\$88.86	\$1,599	
			\$3,575,625	Maps 138 - 162
District Water - Meter Charge		\$196.00	\$40,180	
Metered Charge for Water Consumed	\$1.10			
Matuku Rural Water		\$288.11	\$31,692	Map 144
Te Anau Rural Water - Annual Charge		\$541.45	\$112,080	Map 160

Water and Metered Water Rates	\$ per m ³ 2019/2020 (incl GST)	Targeted Rate per rate of Service 2019/2020 (incl GST)	Revenue From Water Supply Rates 2019/2020 (incl GST)	Map of Land liable for rate
Te Anau Rural Water - Full Charge		\$360.97	\$100,350	Map 160
Te Anau Rural Water - Half Charge		\$180.48	\$1,805	Map 160
Te Anau Rural Water - 7.7 Charge		\$2,779.46	\$208,459	Map 160
			\$422,694	

Properties capable of connection are defined as being within 30 metres of a public water supply network to which it is capable of being effectively connected.

Wastewater targeted rates

Background

The wastewater activity involves collecting, treating and disposing of sewage from residential properties, business properties and public sanitary facilities.

The wastewater system also deals with non-domestic liquid wastes (often known as trade wastes). Eighteen towns within the District are reticulated with Council-owned and maintained infrastructure.

Activities funded

The expenses in maintaining wastewater treatment plants, pump stations, reticulation repairs and minor upgrades including renewals of the respective systems.

Land liable for the rate

The targeted rate applies to all properties connected to, or not connected but within the designated boundary of one of Council-owned wastewater schemes. Maps of the areas of service for each Council scheme can be viewed at www.southlanddc.govt.nz/my-southland/maps/.

How the rate is assessed

The rate is set on a differential basis. Council has defined its differential categories on the use to which a rating unit is put (as a residence, vacant land or all other property). The liability factors used are the extent of the provision of service (connected or not connected), per SUIP of a rating unit and the number of pans/urinals within the rating unit.

How the rate is calculated

Residential Dwelling	Where the rating unit is either connected or able to be connected and not connected, a fixed amount per SUIP, being the District wastewater rate – full charge This includes residential, lifestyle, dairy, farming properties within the designated boundaries.
Vacant Land	Where the rating unit is within the designated wastewater boundary and is able to connect (which are not connected), a fixed amount per Rating Unit, being the District wastewater rate – half charge
All other properties	Where the rating unit is either connected or able to be connected and not connected, a fixed amount per pan/urinal, being the District wastewater rate – full charge This includes industrial, mining, forestry, commercial and other properties within the designated boundaries.

A table of the rates

Wastewater Rates	Targeted Rate per rating Unit/SUIP/Pan 2019/2020 (incl GST)	Revenue From Rates 2019/2020 (incl GST)	Map of Land liable for rate
District Wastewater Rate - Full charge	\$457.21	\$4,300,860	
District Wastewater Rate - Half charge	\$228.60	\$207,112	
		\$4,507,972	Maps 112-135

Woodlands septic tank cleaning charge targeted rate

Background

Property owners within the Woodlands area are able to have their septic tank cleaned by Council as required. This service was put in place due to the problems that were experienced in the past with the operation of septic tanks within this community.

Activities funded

The Targeted Rate is used to fund the costs of cleaning septic tanks within the area of service for the Woodlands septic tank cleaning charge.

Land liable for the rate

All land within the Woodlands septic tank cleaning charge area of service is liable for the rate.

A map of this area can be viewed at www.southlanddc.govt.nz/my-southland/maps/ - (Map 163)

How the rate is assessed

The targeted rate is assessed as an amount of \$51.16 per SUIP of a rating unit.

The rate will generate \$3,274 in rates revenue in 2019/2020.

Water supply loan targeted rates

Background

A water supply loan targeted rate is used to fund the capital contributions towards development of the water supply schemes for the Edendale and Wyndham communities. Council has previously offered ratepayers the option of paying the contribution as a lump sum or over a number of years.

Activities funded

The capital costs of developing the relevant water supply scheme.

Land liable for the rate

The properties liable for each targeted rate are within the area of service for each scheme and have previously indicated the period over which they wish to pay the initial capital cost. Units were determined at the establishment of each individual scheme.

Maps of the areas of service for each Council scheme can be viewed at www.southlanddc.govt.nz/my-southland/maps/

How the rates are assessed

The rates are assessed against each rating unit based on the option that the ratepayer has previously chosen to either pay a one-off capital contribution for a new scheme or pay it over a selected period.

A table of the rates

Water Loan Rates	Targeted Rate per Unit of Service	Revenue From Water Loan Rates	Map of Land liable for rate
	2019/2020 (incl GST)	2019/2020 (incl GST)	
Edendale Water Loan - 15 Years	\$225.98	\$678	Map 161
Edendale Water Loan - 25 Years	\$149.24	\$15,819	Map 161
Wyndham Water Loan - 10 Years	\$268.68	\$7,254	Map 162
Wyndham Water Loan - 15 Years	\$198.00	\$2,178	Map 162
Wyndham Water Loan - 25 Years	\$143.33	\$18,203	Map 162

Sewerage loan targeted rates

Background

Sewerage loan targeted rates are used to fund the capital contributions towards development of the wastewater schemes for the Edendale, Wyndham, Oban, Tuatapere, Wallacetown and Gorge Road sewerage schemes. Council has previously offered ratepayers the option of paying the contribution as a lump sum or over a number of years.

Activities funded

These contribute to the capital costs of developing the relevant wastewater scheme.

Land liable for the rate

The properties liable for each targeted rate are within the area of service for each scheme and have previously indicated the period over which they wish to pay the initial capital cost. Units were determined at the establishment of each individual scheme.

Maps of the areas of service for each Council scheme can be viewed at www.southlanddc.govt.nz/my-southland/maps/.

How the rates are assessed

The rates are assessed against each rating unit based on the option that the ratepayer has previously chosen to pay a one-off capital contribution for a new scheme or to pay it over a selected period.

A table of the rates

Sewerage Loan Rates	Targeted Rate per Unit of Service 2019/2020 (incl GST)	Revenue From Sewerage Loan Rates 2019/2020 (incl GST)	Map of Land liable for rate
Edendale Sewerage Rate - 15 Years (incl. connection cost)	\$871.32	\$6,571	Map 115
Edendale Sewerage Rate - 25 Years (incl. connection cost)	\$628.99	\$45,916	Map 115
Edendale Sewerage Rate - 25 Years (excl. connection cost)	\$520.56	\$52,577	Map 115
Gorge Road Sewerage Loan	\$471.23	\$4,241	Map 117
Oban Sewerage - Loan Charge Extension	\$718.63	\$61,084	Map 124

Sewerage Loan Rates	Targeted Rate per Unit of Service 2019/2020 (incl GST)	Revenue From Sewerage Loan Rates 2019/2020 (incl GST)	Map of Land liable for rate
Tuatapere Sewerage Loan Charge - 15 Years	\$399.23	\$7,985	Map 132
Tuatapere Sewerage Loan Charge - 25 Years	\$360.90	\$38,075	Map 132
Wallacetown Sewerage Loan Charge - 15 Years	\$461.12	\$15,217	Map 133
Wallacetown Sewerage Loan Charge - 25 Years	\$331.16	\$24,506	Map 133
Wyndham Sewerage Loan Charge - 10 Years (incl. connection cost)	\$1,074.74	\$24,719	Map 135
Wyndham Sewerage Loan Charge - 15 Years (incl. connection cost)	\$791.89	\$9,503	Map 135
Wyndham Sewerage Loan Charge - 25 Years (incl. connection cost)	\$573.23	\$64,202	Map 135
Wyndham Sewerage Loan Charge - 10 Years (excl. connection cost)	\$873.22	\$9,605	Map 135
Wyndham Sewerage Loan Charge - 15 Years (excl. connection cost)	\$643.45	\$1,287	Map 135
Wyndham Sewerage Loan Charge - 25 Years (excl. connection cost)	\$465.78	\$11,179	Map 135

Sandy Brown Road utility loan targeted rate

A water supply loan targeted rate is used to fund the capital contributions towards development of the water scheme for the Sandy Brown Road community.

Activities funded

The capital costs of developing the Sandy Brown Road water scheme.

Land liable for the rate

The properties liable for each targeted rate are within the area of service for the Sandy Brown Road scheme.

Maps of the areas of service can be viewed at www.southlanddc.govt.nz/my-southland/maps/ (Map 128)

How the rate is assessed

The rates are assessed against each rating unit within a designated boundary based on the option that the ratepayer has previously chosen to either pay a one-off capital contribution for a new scheme or pay it over a selected period.

The targeted rate is assessed as a fixed amount per rating unit of \$43.94.

The rate will generate \$8,964 in rates revenue in 2019/2020.

Rating base information

Schedule 10 clause 20A(b) and (c) of the Local Government Act 2002 requires Council to disclose its projected number of rating units within the district at the end of the preceding financial year. Council is projecting the following rating units as at the end of 2018/2019: 20,882

Sample Properties

The following table calculates the impact of Council's rating policy on properties:

- in different locations within the District;
- with different land uses (residential, dairy, commercial, etc.) and
- with different land values.

The land values presented in the table are representative of the land values in that location and for that land use.

For the reasons above the information should be treated as indicative.

Indicative rates are inclusive of GST.

District Rates are those rates charged to all properties in the District irrespective of their location or the services supplied. This includes roading, regional heritage and the general rates.

Local Rates are those rates charged to properties that are dependent on the rating unit's location in respect of rating boundaries. This includes hall rates, pool rates, community board rates and community development area rates.

Service Rates are those rates charged to properties based on the services that they do or can receive. This includes water supply, sewerage and wheelie bin rates.

Sector	Land Value	Capital Value	TOTAL RATES				DISTRICT RATES				LOCAL RATES				SERVICE RATES			
			2018/19	2019/20	\$ Change	% Change	2018/19	2019/20	\$ Change	% Change	2018/19	2019/20	\$ Change	% Change	2018/19	2019/20	\$ Change	% Change
Residential (Winton)	\$81,000	\$305,000	\$2,485	\$2,582	\$97	4%	\$1,028	\$1,078	\$50	5%	\$255	\$281	\$26	10%	\$1,202	\$1,224	\$22	2%
Residential (Manapouri)	\$430,000	\$850,000	\$3,097	\$3,383	\$286	9%	\$1,451	\$1,648	\$197	14%	\$445	\$512	\$67	15%	\$1,202	\$1,224	\$22	2%
Residential (Balfour)	\$33,000	\$170,000	\$1,498	\$1,548	\$50	3%	\$913	\$936	\$23	3%	\$280	\$289	\$10	3%	\$305	\$322	\$17	6%
Residential (Ohai)	\$15,000	\$126,000	\$2,362	\$2,484	\$122	5%	\$845	\$890	\$45	5%	\$315	\$369	\$55	17%	\$1,202	\$1,224	\$22	2%
Residential (Te Anau)	\$138,000	\$510,000	\$2,799	\$2,992	\$194	7%	\$1,122	\$1,292	\$170	15%	\$475	\$476	\$1	0%	\$1,202	\$1,224	\$22	2%
Residential (Otautau)	\$20,000	\$230,000	\$2,477	\$2,552	\$75	3%	\$950	\$999	\$50	5%	\$326	\$329	\$4	1%	\$1,202	\$1,224	\$22	2%
Lifestyle (Athol)	\$290,000	\$465,000	\$1,524	\$1,632	\$108	7%	\$1,153	\$1,245	\$92	8%	\$66	\$65	(\$1)	(1%)	\$305	\$322	\$17	6%

Sector	Land Value	Capital Value	TOTAL RATES				DISTRICT RATES				LOCAL RATES				SERVICE RATES			
			2018/19	2019/20	\$ Change	% Change	2018/19	2019/20	\$ Change	% Change	2018/19	2019/20	\$ Change	% Change	2018/19	2019/20	\$ Change	% Change
Lifestyle (Manapouri)	\$225,000	\$560,000	\$2,448	\$2,618	\$169	7%	\$1,252	\$1,341	\$90	7%	\$443	\$507	\$63	14%	\$753	\$767	\$14	2%
Lifestyle (Wyndham)	\$160,000	\$650,000	\$1,835	\$1,972	\$137	7%	\$1,362	\$1,438	\$77	6%	\$168	\$211	\$43	26%	\$305	\$322	\$17	6%
Lifestyle (Riverton/Aparima)	\$740,000	\$1,430,000	\$1,599	\$1,923	\$324	20%	\$1,242	\$1,538	\$296	24%	\$52	\$63	\$11	21%	\$305	\$322	\$17	6%
Farming (Non-Dairy)	\$4,660,000	\$5,360,000	\$6,404	\$6,928	\$524	8%	\$6,225	\$6,750	\$526	8%	\$180	\$178	(\$2)	(1%)	\$0	\$0	\$0	0%
Farming (Non-Dairy)	\$6,350,000	\$7,520,000	\$9,224	\$9,596	\$373	4%	\$8,900	\$9,249	\$350	4%	\$324	\$347	\$23	7%	\$0	\$0	\$0	0%
Farming (Non-Dairy)	\$5,400,000	\$5,550,000	\$7,010	\$7,605	\$595	8%	\$6,814	\$7,410	\$596	9%	\$196	\$195	(\$1)	0%	\$0	\$0	\$0	0%
Farming (Non-Dairy)	\$1,470,000	\$1,600,000	\$2,440	\$2,585	\$146	6%	\$2,368	\$2,505	\$138	6%	\$72	\$80	\$8	11%	\$0	\$0	\$0	0%
Mining	\$2,590,000	\$3,930,000	\$48,153	\$68,221	\$20,068	42%	\$48,106	\$68,151	\$20,045	42%	\$47	\$71	\$24	50%	\$0	\$0	\$0	0%
Industrial	\$175,000	\$400,000	\$2,513	\$2,691	\$177	7%	\$1,361	\$1,507	\$146	11%	\$256	\$282	\$26	10%	\$897	\$902	\$5	1%
Industrial	\$200,000	\$560,000	\$4,006	\$4,132	\$126	3%	\$1,738	\$1,806	\$68	4%	\$170	\$213	\$43	25%	\$2,097	\$2,112	\$16	1%
Commercial	\$155,000	\$730,000	\$3,604	\$3,571	(\$32)	(1%)	\$2,233	\$2,136	(\$96)	(4%)	\$169	\$211	\$42	25%	\$1,202	\$1,224	\$22	2%
Commercial	\$900,000	\$5,550,000	\$7,946	\$12,018	\$4,072	51%	\$7,164	\$11,232	\$4,068	57%	\$783	\$786	\$3	0%	\$0	\$0	\$0	0%
Dairy	\$10,400,000	\$12,700,000	\$15,595	\$20,642	\$5,046	32%	\$15,134	\$20,128	\$4,994	33%	\$462	\$514	\$53	11%	\$0	\$0	\$0	0%
Dairy	\$9,400,000	\$11,110,000	\$19,192	\$18,429	(\$764)	(4%)	\$18,565	\$17,677	(\$888)	(5%)	\$627	\$752	\$125	20%	\$0	\$0	\$0	0%
Dairy	\$13,000,000	\$16,700,000	\$27,531	\$27,106	(\$424)	(1%)	\$26,831	\$26,273	(\$558)	(2%)	\$700	\$833	\$133	19%	\$0	\$0	\$0	0%
Dairy	\$18,400,000	\$23,000,000	\$38,026	\$39,699	\$1,673	4%	\$36,828	\$35,903	(\$925)	(2%)	\$1,198	\$1,218	\$20	2%	\$2,442	\$2,579	\$137	6%
Forestry	\$540,000	\$580,000	\$4,303	\$4,103	(\$199)	(5%)	\$4,290	\$4,091	(\$199)	(5%)	\$13	\$13	\$0	(1%)	\$0	\$0	\$0	0%
Other	\$66,000	\$74,000	\$758	\$771	\$13	2%	\$757	\$770	\$13	2%	\$2	\$2	\$0	(1%)	\$0	\$0	\$0	0%

* Please note: Southland District was subject to a property revaluation in 2018 and the values stated are the new values as at September 2018, which are the basis for calculating the 2019/2020 rates. Therefore the change in the proposed rates are 2018/2019 to 2019/2020 is in part, a result of the change in valuation of each property.

Balancing the Budget

Section 100 of the Local Government Act 2002 requires Council to ensure that for every year its projected operating revenues are set at a level that is sufficient to meet its projected operating expenditure. Council may set projected operating revenues at a different level from that required, if Council resolves that it is financially prudent to do so.

Year	LTP 2018/2019 (\$000)	AP 2019/2020 (\$000)
Surplus/(Deficit)	(\$4,360)	(\$3,353)

In 2019/2020 Council is projecting an operational deficit of \$3.353 million. The areas contributing to Council not having a balanced budget are:

- phasing in the funding of depreciation on key District assets
- Council's decision not to fund depreciation on some buildings and all local assets
- forestry operations, which in some years are incurring costs that are funded from previous years' surpluses put to reserves. This combines with the accounting entry to revalue the forest assets. During the period of the plan the first three years are devaluations, where the number of trees harvested is greater than any expected growth, and the remaining seven are revaluations
- Council's partial use of depreciation reserves to fund interest repayments on loans borrowed to fund capital renewals in principally for water and wastewater projects.

If the impact of these was to be removed, Council would have a balanced budget.

Refer to page 171-172 of Council's Long Term Plan 2018-2028 for further explanation.

Overall

In considering intergenerational equity, Council's policies and ongoing consideration of affordability for its communities, it is considered financially prudent that Council operates a financial deficit in 2019/2020.

Variation to Fees and Charges

The table below shows the variations to the fees and charges from the 10 Year Plan 2018-2028. Additional information can be found in Council's Schedule of Fees and Charges. All fees are GST inclusive unless stated otherwise.

Description	Explanations/ Comments	2018/2019 (GST inclusive)	2019/2020 (GST inclusive)	\$ Change	% Change	Reason for the change
Building Consents						
Building Work						
Freestanding Solid-Liquid-Gas Fired Heating Unit		\$317.50	\$360.25	\$42.75	13.46%	Updated to reflect actual costs incurred in providing this service
Inbuilt Solid-Liquid-Gas Fired Heating Unit		\$549.50	\$592.25	\$42.75	7.78%	Updated to reflect actual costs incurred in providing this service
Plumbing - Drainage, Swimming - Spa Pool, Fencing, Demolition, Other Minor works		\$544.95	\$587.68	\$42.73	7.84%	Updated to reflect actual costs incurred in providing this service
Altered Dwelling		\$1,033.43	\$1,094.43	\$61.00	5.90%	Updated to reflect actual costs incurred in providing this service
Relocated Dwelling		\$1,265.43	\$1,308.43	\$43.00	3.40%	Updated to reflect actual costs incurred in providing this service
Addition to Dwelling		\$1,540.43	\$1,838.13	\$297.70	19.33%	Updated to reflect actual costs incurred in providing this service
New Dwelling (< 300 m2 floor area)		\$3,128.43	\$3,256.43	\$128.00	4.09%	Updated to reflect actual costs incurred in providing this service
<i>Note: National multi-use approval applications to have processing component of the fee deducted</i>						
New Dwelling (> 300 m2 floor area)		\$3,555.43	\$3,896.43	\$341.00	9.59%	Updated to reflect actual costs incurred in providing this service
<i>Note: National multi-use approval applications to have processing component of the fee deducted</i>						
Commercial Accommodation, Commercial Crowd, Commercial Working		\$2,773.43	\$2,901.43	\$128.00	4.62%	Updated to reflect actual costs incurred in providing this service

Description	Explanations/ Comments	2018/2019 (GST inclusive)	2019/2020 (GST inclusive)	\$ Change	% Change	Reason for the change
<i>Note: National multi-use approval applications to have processing component of the fee deducted</i>						
Inspection limits: > 4 floors	Standard review charge	\$322.00	\$345.00	\$23.00	7.14%	Updated to reflect actual costs incurred in providing this service
Specific design review charges	Further information	\$108.10	\$115.00	\$6.90	6.38%	Updated to reflect actual costs incurred in providing this service
	Junior Engineer per hour	\$281.75	\$299.00	\$17.25	6.12%	Updated to reflect actual costs incurred in providing this service
	Senior Engineer per hour	\$368.00	\$400.66	\$32.66	8.88%	Updated to reflect actual costs incurred in providing this service
	Admin: per hour	\$139.15	\$146.85	\$7.70	5.53%	Updated to reflect actual costs incurred in providing this service
Other Fees and Charges						
Service Required	Fee/Charges Comprises					
Relocatable Building Report	Single inspection charge + 0.50/hr processing (within SDC area)	\$321.50	\$360.25	\$38.75	12.05%	Updated to reflect actual costs incurred in providing this service
Tent/Marquee (> 100 m2)	Single inspection charge + 0.50/hr processing	\$321.50	\$360.25	\$38.75	12.05%	Updated to reflect actual costs incurred in providing this service
Compliance Schedule/Statement	1.00/hr processing	\$171.00	\$256.50	\$85.50	50.00%	Updated to reflect actual costs incurred in providing this service
Compliance Schedule – Amended	0.50/hr processing	\$85.50	\$171.00	\$85.50	100.00%	Updated to reflect actual costs incurred in providing this service
Certificate of Public Use	Single inspection charge + 1.50/hrs processing	\$496.50	\$844.43	\$347.93	70.08%	Updated to reflect actual costs incurred in providing this service
Certificate of Acceptance	Two inspection charges + 1.50/hrs processing (paid on lodging)	\$730.50	\$843.93	\$113.43	15.53%	Updated to reflect actual costs incurred in providing this service
Service Providers Charges						
Service Provided						
A. Standard design review (fixed fee)						
Per Consent application		-	\$345.00	\$345.00	100.00%	Consultant charges for review of structural design and work

Description	Explanations/ Comments	2018/2019 (GST inclusive)	2019/2020 (GST inclusive)	\$ Change	% Change	Reason for the change
						outside the current competencies of Council staff.
Further information request		-	\$115.00	\$115.00	100.00%	Consultant charges for review of structural design and work outside the current competencies of Council staff.
B. Non-standard review (time & disbursement)						
Senior Engineer per/hour		-	\$400.66	\$400.66	100.00%	Consultant charges for review of structural design and work outside the current competencies of Council staff.
Junior Engineer per/hour		-	\$299.00	\$299.00	100.00%	
Administrator per/hour		-	\$146.85	\$146.85	100.00%	
C. Associated costs						
Courier Fees at actual cost plus 15%						
Public Service vehicle charge per/km		-	\$0.92	\$0.92	100.00%	Consultant charges for review of structural design and work outside the current competencies of Council staff.
Community Housing Rents						
Edendale (56 Seaward Road)	Single (per week)	\$98.50	\$103.50	\$5.00	5.08%	Bi annual increase
	Double (per week)	\$98.50	\$103.50	\$5.00	5.08%	Bi annual increase
Edendale (Pioneer Place)	Single (per week)	\$85.50	\$90.50	\$5.00	5.85%	Bi annual increase
	Double (per week)	\$95.50	\$100.50	\$5.00	5.24%	Bi annual increase
Lumsden (Tauna Place)	Single (per week)	\$85.50	\$90.50	\$5.00	5.85%	Bi annual increase
	Double (per week)	\$95.50	\$100.50	\$5.00	5.24%	Bi annual increase
Nightcaps	Single (per week)	\$82.50	\$87.50	\$5.00	6.06%	Bi annual increase
	Double (per week)	\$92.50	\$97.50	\$5.00	5.41%	Bi annual increase
Ohai	Single (per week)	\$82.50	\$87.50	\$5.00	6.06%	Bi annual increase
	Double (per week)	\$92.50	\$97.50	\$5.00	5.41%	Bi annual increase
Otautau	Single (per week)	\$85.50	\$90.50	\$5.00	5.85%	Bi annual increase
	Double (per week)	\$95.50	\$100.50	\$5.00	5.24%	Bi annual increase
Riversdale	Single (per week)	\$85.50	\$90.50	\$5.00	5.85%	Bi annual increase
	Double (per week)	\$95.50	\$100.50	\$5.00	5.24%	Bi annual increase

Description	Explanations/ Comments	2018/2019 (GST inclusive)	2019/2020 (GST inclusive)	\$ Change	% Change	Reason for the change
Riverton/Aparima (111 Havelock Street)	Single (per week)	\$98.50	\$103.50	\$5.00	5.08%	Bi annual increase
	Double (per week)	\$98.50	\$103.50	\$5.00	5.08%	Bi annual increase
Riverton/Aparima (127 Havelock Street)	Single (per week)	\$85.50	\$90.50	\$5.00	5.85%	Bi annual increase
	Double (per week)	\$95.50	\$100.50	\$5.00	5.24%	Bi annual increase
Tuatapere	Single (per week)	\$82.50	\$87.50	\$5.00	6.06%	Bi annual increase
	Double (per week)	\$92.50	\$97.50	\$5.00	5.41%	Bi annual increase
Winton	Single (per week)	\$85.50	\$90.50	\$5.00	5.85%	Bi annual increase
	Double (per week)	\$95.50	\$100.50	\$5.00	5.24%	Bi annual increase
Wyndham	Single (per week)	\$85.50	\$90.50	\$5.00	5.85%	Bi annual increase
	Double (per week)	\$95.50	\$100.50	\$5.00	5.24%	Bi annual increase
Environmental Health						
Food businesses:						
· With deemed Food Control Plans; or						
· Registered under the Food Hygiene Regulations 1974						
Annual Fees						
(a) Schedule 1 food businesses	Per Site	\$613.00	-	-\$613.00	-100.00%	Removed
(b) Schedule 2 food businesses	Per Site	\$307.00	-	-\$307.00	-100.00%	Removed
Penalty for late payments						
Applicable to fees renewals after 1 January		\$53.00	-	-\$53.00	-100.00%	Removed
Food businesses operating under the Food Act 2014						
· With food control plans or national programmes						
Application fees						
(a) Establishment and registration of a new single or multi-site template food control plan or national programme.		\$383.00	\$402.00	\$19.00	4.96%	Updated to reflect actual costs incurred in providing this service
(b) Renewal of registration of a single or multi-site template food control plan or national programme.		\$77.00	\$80.00	\$3.00	3.90%	Updated to reflect actual costs incurred in providing this service
(c) Amendments and significant change in circumstances		\$153.00	\$160.00	\$7.00	4.58%	Updated to reflect actual costs incurred in providing this service
Verification fees:						

Description	Explanations/ Comments	2018/2019 (GST inclusive)	2019/2020 (GST inclusive)	\$ Change	% Change	Reason for the change
· All verifications, limited to a maximum of two hours on site	Per Site	\$537.00	\$563.00	\$26.00	4.84%	Updated to reflect actual costs incurred in providing this service
· Hourly rate after two hours on site	Per hour	\$154.00	\$161.00	\$7.00	4.55%	Updated to reflect actual costs incurred in providing this service
Cancellation of verification less than 24 hours' notice		\$77.00	\$80.00	\$3.00	3.90%	Updated to reflect actual costs incurred in providing this service
Other registered premises						
Annual fees						
(a) Camping Grounds		\$307.00	\$322.00	\$15.00	4.89%	Updated to reflect actual costs incurred in providing this service
(b) Offensive trades		\$307.00	\$322.00	\$15.00	4.89%	Updated to reflect actual costs incurred in providing this service
(c) Hairdressers		\$230.00	\$241.00	\$11.00	4.78%	Updated to reflect actual costs incurred in providing this service
(d) Sale yards		\$153.00	\$160.00	\$7.00	4.58%	Updated to reflect actual costs incurred in providing this service
(e) Funeral directors		\$153.00	\$160.00	\$7.00	4.58%	Updated to reflect actual costs incurred in providing this service
(f) A hair salon or camping ground at the same property, and operated by the same licensee, as a food business that is registered or verified		\$153.00	-	-\$153.00	-100.00%	A redundant provision
Transfer of Ownership						
Transfer of ownership fee for premises registered under the Health (Registration of Premises) Regulations 1966						
Penalty for late payments						
Applicable to all registration renewals after 1 January		\$53.00	\$55.00	\$2.00	3.77%	Updated to reflect actual costs incurred in providing this service
Compliance fees						
On site compliance						
For each re-inspection of a registered premises; or on-site follow up of corrective actions of a food business operating under the Food Act 2014; that determines that		\$153.00	\$160.00	\$7.00	4.58%	Updated to reflect actual costs incurred in providing this service

Description	Explanations/ Comments	2018/2019 (GST inclusive)	2019/2020 (GST inclusive)	\$ Change	% Change	Reason for the change
there are matters still outstanding from a previous inspection or verification						
Off site compliance						
For office based evaluation of evidence provided of compliance with corrective actions, that determines that there are still matters outstanding		\$77.00	\$80.00	\$3.00	3.90%	Updated to reflect actual costs incurred in providing this service
Compliance activity under the Food Act 2014						
Examples include a food business not operating under the required approval, failure to be verified, failure to attend to corrective actions	Per hour	\$153.00	\$160.00	\$7.00	4.58%	Updated to reflect actual costs incurred in providing this service
Licence under the Trading in Public Places Bylaw:						
(a) Annual fee for trading at sites, or any mobile trader.		\$53.00	\$55.00	\$2.00	3.77%	Updated to reflect actual costs incurred in providing this service
(b) Application to consider a location that is not pre-approved, per Community Board or Community Development Area approval sought.		\$307.00	\$322.00	\$15.00	4.89%	Updated to reflect actual costs incurred in providing this service
Other Services						
Copies of Food Control Plan documents						
(a) Simply Safe and Suitable	Each	-	-	-	-	
(b) Food Control Plan: Food service and retail	Each	\$25.00	-	-\$25.00	-100.00%	No longer approved by the MPI
(c) Toolkit or diary	Each	\$10.00	-	-\$10.00	-100.00%	Removed
E-coli water sampling fee:						
(a) Each sampling visit of a sampling ground that has a private water supply, for one sample		\$50.00	\$52.00	\$2.00	4.00%	SDC no longer collects water samples from food businesses, due to the requirements of the Food Act 2014
(b) Each additional sample during the visit in (a) above		\$25.00	\$26.00	\$1.00	4.00%	Updated to reflect actual costs incurred in providing this service
Nuisances						

Description	Explanations/ Comments	2018/2019 (GST inclusive)	2019/2020 (GST inclusive)	\$ Change	% Change	Reason for the change
Where it has been established that a property is causing a nuisance and the owner has failed to abate the nuisance, the time taken for the Officer to investigate, visit, research, or attend to correspondence/administration, shall be charged at the actual cost calculated at:	Per hour	\$153.00	\$160.00	\$7.00	4.58%	Updated to reflect actual costs incurred in providing this service
Dispensation under the Keeping of Animals, Poultry and Bees Bylaw						
All other activities undertaken by Environmental Health Staff, shall be charged at the actual cost calculated at:	Per hour	\$153.00	\$160.00	\$7.00	4.58%	Updated to reflect actual costs incurred in providing this service
Halls and Community Centres						
Limehills Hall						
All day hire	8.00 am - 5.00 pm	\$45.00	\$50.00	\$5.00	11.11%	Updated to reflect actual costs incurred in providing this service
Tuatapere Hall						
Half day hire		-	\$57.50	\$57.50	100%	Community would like to offer more flexibility for hiring
Full day hire		-	\$115.00	\$115.00	100%	Community would like to offer more flexibility for hiring
Lions Park Public Toilets, Te Anau						
Toilet Fee: Adult & Children over 10 years		-	\$1.00	\$1.00	100%	New charges
Children under 10 years		-	Free	-	-	
Shower with no add ons:	per 8 mins	-	\$5.00	\$5.00	100%	New charges
-Shampoo/ Conditioner/ soap packs		-	\$5.00	\$5.00	100%	New charges
- Towel and bath mat		-	\$6.00	\$6.00	100%	New charges
Wheelie Bins						
New/additional recycling bin collection fee	Per month charge from first of the month following request bin to 30 June of the following year	\$12.50	\$13.50	\$1.00	8.00%	This fee is based on 1/12th of the annual amount to be rated per Wheelie Bin.

Description	Explanations/ Comments	2018/2019 (GST inclusive)	2019/2020 (GST inclusive)	\$ Change	% Change	Reason for the change
New/additional rubbish bin collection fee	Per month charge from first of the month following request bin to 30 June of the following year	\$12.50	\$13.50	\$1.00	8.00%	This fee is based on 1/12th of the annual amount to be rated per Wheelie Bin.
Postponement of Rates						
Postponement fee	One-off charge upon approval of postponement of rates	-	\$200.00	\$200.00	100%	New charge
Postponement interest	Annual interest charged on balance of postponed rates	-	4.65%	-	-	New charge
Early Payment of Specified Rates – Liability Schedule						
This schedule below outlines the liability outstanding for each of the following separate rates. Please refer to the Early Payment of Rates Policy for further details.						
Edendale Sewerage Loan - 15 years (incl connection cost)		\$3,899.00	\$3,164.00	-\$735.00	-18.85%	Reduction of 1 year repayment and amended for interest rate
Edendale Sewerage Loan - 25 years (incl connection cost)		\$6,807.00	\$6,446.00	-\$361.00	-5.30%	Reduction of 1 year repayment and amended for interest rate
Edendale Sewerage Loan - 25 years (excl connection cost)		\$5,634.00	\$5,335.00	-\$299.00	-5.31%	Reduction of 1 year repayment and amended for interest rate
Edendale Water Loan Charge - 15 years		\$1,011.00	\$821.00	-\$190.00	-18.79%	Reduction of 1 year repayment and amended for interest rate
Edendale Water Loan Charge - 25 years		\$1,615.00	\$1,529.00	-\$86.00	-5.33%	Reduction of 1 year repayment and amended for interest rate
Gorge Road Sewerage Loan - 15 years		\$462.00	-	-\$462.00	-100.00%	Loan rate term is complete
Oban Sewerage Loan Charge Extension - 15 years		\$705.00	-	-\$705.00	-100.00%	Loan rate term is complete
Tuatapere Sewerage Loan Charge - 15 years		\$1,469.00	\$1,112.00	-\$357.00	-24.30%	Reduction of 1 year repayment and amended for interest rate
Tuatapere Sewerage Loan Charge - 25 years		\$3,728.00	\$3,506.00	-\$222.00	-5.95%	Reduction of 1 year repayment and amended for interest rate
Wallacetown Sewerage Loan Charge - 15 years		\$1,295.00	\$876.00	-\$419.00	-32.36%	Reduction of 1 year repayment and amended for interest rate
Wallacetown Sewerage Loan Charge - 25 years		\$3,238.00	\$3,032.00	-\$206.00	-6.36%	Reduction of 1 year repayment and amended for interest rate

Description	Explanations/ Comments	2018/2019 (GST inclusive)	2019/2020 (GST inclusive)	\$ Change	% Change	Reason for the change
Wyndham Sewerage Loan - 10 years (incl connection cost)		\$1,054.00	-	-\$1,054.00	-100.00%	Loan rate term is complete
Wyndham Sewerage Loan - 15 years (incl connection cost)		\$4,158.00	\$3,515.00	-\$643.00	-15.46%	Reduction of 1 year repayment and amended for interest rate
Wyndham Sewerage Loan - 25 years (incl connection cost)		\$6,483.00	\$6,166.00	-\$317.00	-4.89%	Reduction of 1 year repayment and amended for interest rate
Wyndham Sewerage Loan - 10 years (excl connection cost)		\$856.00	-	-\$856.00	-100.00%	Loan rate term is complete
Wyndham Sewerage Loan - 15 years (excl connection cost)		\$3,379.00	\$2,856.00	-\$523.00	-15.48%	Reduction of 1 year repayment and amended for interest rate
Wyndham Sewerage Loan - 25 years (excl connection cost)		\$5,268.00	\$5,010.00	-\$258.00	-4.90%	Reduction of 1 year repayment and amended for interest rate
Wyndham Water Loan Charge - 10 years		\$263.00	-	-\$263.00	-100.00%	Loan rate term is complete
Wyndham Water Loan Charge - 15 years		\$1,040.00	\$879.00	-\$161.00	-15.48%	Reduction of 1 year repayment and amended for interest rate
Wyndham Water Loan Charge - 25 years		\$1,621.00	\$1,542.00	-\$79.00	-4.87%	Reduction of 1 year repayment and amended for interest rate

Schedule of Financial Reserves

Restricted reserves

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
District Reserves							
Holding	SDC - Officers Assn	District Leadership	Held on behalf of SDC Officer's Association	1	-	-	1
Assets & Services	Waste Minimisation	Solid Waste	Waste Minimisation reserve	167	-	-	167
Environmental Services	Dog and Animal Control	Regulatory Services	Residual funds from Dog and Animal Control Activity	(41)	-	(57)	(99)
Holding	International Relationship	Community Assistance	Residual funds from International Relationship activities	56	-	-	56
John Beange	John Beange	Community Assistance	Funding available in Edendale and Wyndham Area	25	-	(9)	16
Southland Joint Mayoral Fund	Community Assistance	Community Assistance	Residual Funds from Southland Flood Relief	176	6	-	182
Allocation Committee	Community Development Fund	Community Assistance	Development of Community Facilities, Recreational Opportunities and events.	247	9	(1)	255
Allocation Committee	Contribution and Levies	Community Assistance	Raised through the District Plan be used to remedy, mitigate or offset adverse effects arising from, and in consequence of, or in association with any development	296	9	-	306
Allocation Committee	Creative NZ	Community Assistance	Support local communities to create diverse opportunities for accessing and participating in arts activities with their specific geographical area, as well as defined communities of interest.	-	-	-	1

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
Allocation Committee	Sport NZ	Community Assistance	To subsidise travel costs for people 5-19 years of age participating in regular sporting competition.	-	-	-	-
Allocation Committee	Meridian Contribution	Community Assistance	Support Northern Southland community initiatives by way of grants.	324	1	-	324
Allocation Committee	Ohai Railway Board	Community Assistance	Support Ohai community initiatives by way of grants.	1,892	1	-	1,893
Allocation Committee	Ohai/Nightcaps Doctors	Community Assistance	Medical Services within Ohai and Nightcaps, including local ambulance.	40	1	-	41
Allocation Committee	District Heritage Grant	Community Assistance	Supporting heritage activities in the district by way of grants.	25	1	-	26
Allocation Committee	Fonterra Reserve Contribution	Community Assistance	Support to the Te Tipua community initiatives by way of grants.	384	14	-	398
Holding	Stewart Island/Rakiura Visitor Levy	Community Assistance	Stewart Island/Rakiura Visitor Levy Funds	34	1	-	35
Specific	ECNZ - Projects	District Leadership	Funds available for future projects in accordance with ECNZ requirements	21	-	-	21
Total Restricted District Reserves				3,646	43	(68)	3,622
Local Reserves							
Wallacetown	Cemetery Bequest	Cemetery	Wallacetown Cemetery	74	-	(3)	72
Total Restricted Local Reserves Wallacetown				74	-	(3)	72
Winton	Birthing Centre	Community Facilities	Winton Birthing Centre	-	-	-	-
Winton	Medical Centre Equip	Community Facilities	Winton Medical Centre	2	2	-	4
Total Restricted Local Reserves Winton				2	2	-	4
Total Restricted Local Reserves				76	2	(3)	76
TOTAL RESTRICTED RESERVES				3,723	45	(70)	3,698

Council created – general

Reserves	Community	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
District Reserves								
Council		Global	District Support	General Feserve	915	25	(60)	880
Council		District Operations	District Support	General Reserve	2,162	-	(428)	1,734
Council		Strategic Assets Reserve	District Support	Offset Rates	8,508	-	-	8,508
Total Council Created General District Reserves					11,584	25	(488)	11,122
TOTAL COUNCIL CREATED - GENERAL RESERVES					11,584	25	(488)	11,122

Council created – special

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
District Reserves							
Asset & Services	Community Housing	Community Services	Operational reserve for community housing	140	198	(191)	147
Asset & Services	Community Task Force	Community Services	Operational reserve for community task force	15	-	(12)	3
Asset & Services	Forestry Council Reserve	District Leadership	Residual funds from forestry activities	6,562	-	(52)	6,510

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
Asset & Services	Forestry Reserve	District Leadership	Residual funds from forestry activities	1,308	650	(700)	1,258
Asset & Services	Gravel Reserves	Roads and Footpaths	Ensure Council has sufficient funds available for reinstatement of Council's pits	600	-	-	600
Asset & Services	Property Development	Community Services	Balancing fund for sales and operational building expenditure	564	102	(78)	588
Asset & Services	Proposed Wastewater	Wastewater	Operational account for proposed sewerage	-	-	-	-
Asset & Services	Proposed Water	Water Supply	Operational account for proposed water	540	-	-	540
Asset & Services	Road Safety Community	Roads and Footpaths	Funding accrued from programmes not completed by year end	(1)	-	-	(1)
Asset & Services	Waste Management	Solid Waste	General waste reserve	75	118	-	193
Asset & Services	Water Schemes	Water Supply	Development for water schemes	469	-	(125)	344
Asset & Services	Public Toilets	Community Services	Public Toilets Capital Project reserves	26	-	-	26
Asset & Services	District Water	Water	Development for water supply	132	-	-	132
Asset & Services	District Wastewater	Wastewater	Development for sewerage schemes	6	-	(6)	0
Asset & Services	Sewerage Contribution	Wastewater	Development for building sewerage	333	200	-	533
Asset & Services	Roading	Roads and Footpaths	Fund Council's Roading activity	637	-	-	637
Asset & Services	District Stormwater	Stormwater	District Stormwater Investigation	-	-	-	-
Assets & Services	Rates Civil Defence	Emergency Management	Fund Emergency Management	10	-	-	10
Total Council Created - Special Reserves Assets & Services				11,419	1,268	(1,164)	11,522
Chief Executive	SDC/DOC Joint Project	District Support	Residual funds from past joint projects for future projects	61	-	-	61
Chief Executive	Elections	District Leadership	Fund Council's election costs every three years	90	-	(89)	1
Chief Executive	Around the Mountains	Roads and Footpaths	Around the Mountains Cycle Trail	-	-	-	-

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
Total Council Created - Special Reserves Chief Executive				151	-	(89)	62
Policy and Community	Waimumu Field Day	District Leadership	Fund Council's Field Day every three years	17	-	(17)	-
Policy and Community	Community Outcomes	District Leadership	Contribute to Southland Regional Development Strategy	104	-	-	104
Policy and Community	Policy and Community	District Leadership	Fund Council's election costs every three years	-	-	-	-
Total Council Created - Special Reserves Policy and Community				120	-	(17)	104
Depreciation	Information Technology	District Leadership	To fund depreciation	184	303	(84)	403
Depreciation	Motor Vehicle	District Leadership	To fund depreciation	442	348	(393)	397
Depreciation	Matuku Water Supply	Water Supply	To fund depreciation	3	4	(4)	3
Depreciation	Wastewater	Wastewater	To fund depreciation	128	1,148	(993)	283
Depreciation	Building	Community Services	To fund depreciation	181	124	(34)	272
Depreciation	Roading	Roads and Footpaths	To fund depreciation	556	3,907	(3,476)	987
Depreciation	Waste Management	Solid Waste t	To fund depreciation	23	19	(11)	31
Depreciation	Water	Water Supply	To fund depreciation	323	747	(668)	402
Depreciation	Public Conveniences	Community Services	To fund depreciation	5	51	(51)	5
Depreciation	Te Anau Rural Water Supply	Water Supply	To fund depreciation	17	79	(13)	83
Depreciation	Wheelie Bin	Solid Waste Management	To fund depreciation	50	38	-	88
Total Council Created - Special Reserves Depreciation				1,912	6,770	(5,729)	2,953
Development and Financial	Parks Contribution	Community Services	Contribution to capital activity - Parks and Reserves	137	4	-	142

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
Development and Financial	Roading Contribution	Roads and Footpaths	Contribution to capital activity - Rooding and transport	303	10	-	313
Development and Financial	Sewerage Contribution	Wastewater	Contribution to capital activity - Wastewater	346	11	(19)	339
Development and Financial	Water Contribution	Water Supply	Contribution to capital activity - Water	108	4	-	112
Total Council Created - Special Reserves Development and Financial Contributions				895	29	(19)	906
Environmental Services	Corporate Uniforms	District Leadership	Staff uniform subsidies	-	-	-	-
Environmental Services	Alcohol Licensing- Operating	Regulatory Services	To fund the Alcohol Licensing Services	59	-	(47)	12
Environmental Services	Health Licensing	Regulatory Services	To fund the Health Licensing Services	(53)	-	(1)	(54)
Total Council Created - Special Reserves Environment & Community				6	-	(48)	(42)
Holding	Milford Flood Protect	Community Services	Residual funds from Milford Flood Protection	45	-	-	45
Holding	Stewart Island Heritage Building	Community Services	Set up for new Heritage Building	9	-	-	9
Council Created - Special Reserves Holding				54	-	-	54
Specific	Biodiversity Initiative	District Leadership	Funds set aside for future biodiversity initiatives	21	-	-	21
Specific	Disaster Recovery	District Leadership	Funds set aside in case of disaster in accordance with insurance requirements	1,409	-	-	1,409
Specific	Predator Free Rakiura	District Leadership	Contribution to the Predator Free Rakiura programme	51	-	-	51
Specific	Tuatapere (Clifden Bridge)	Community Services	Residual funds from Tuatapere project in 2000, to be used for community projects at Council's discretion	19	-	-	19
Council Created - Special Reserves Specific Reserves				1,499	-	-	1,499

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
TOTAL COUNCIL CREATED -SPECIAL DISTRICT RESERVES				16,056	7930	(6,930)	17,057
Local Reserves							
Athol	General	Various	Athol General Purpose	38	-	(30)	8
Athol	Community Centres	Community Services	Athol Hall	8	-	-	8
Council Created - Special Reserves Athol				46	-	(30)	16
Balfour	General	Various	Balfour General Purpose	107	3	-	110
Council Created - Special Reserves Balfour				107	3	-	110
Browns	Community Centres	Community Services	Browns General Purpose	-	-	-	-
Browns	General	Various	Browns General Purpose	50	2	(8)	43
Council Created - Special Reserves Browns				50	2	(8)	43
Clifden	Community Centres	Community Services	Clifden Hall	29	1	-	29
Clifden	Recreation Reserve	Community Services	Clifden Reserves Committee	30	7	-	38
Council Created - Special Reserves Clifden				59	8	-	67
Colac Bay/Ōraka	Community Centres	Community Services	Colac Bay Hall	-	-	-	-
Colac Bay/Ōraka	General	Various	Colac Bay General Purpose	34	1	-	35
Council Created - Special Reserves Colac Bay/Ōraka				34	1	-	35
Dipton	Cemetery	Community Services	Dipton Cemetery	15	-	-	15
Dipton	General	Various	Dipton General Purpose	56	2	-	58
Dipton	Stormwater	Stormwater	Dipton Stormwater	21	-	(5)	16
Dipton	Community Centres	Community Services	Dipton Hall	28	-	(28)	-
Council Created - Special Reserves Dipton				120	2	(33)	90

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
Drummond	General	Various	Drummond General Purpose	11	-	-	11
Drummond	Recreation Reserve	Community Services	Drummond Reserves Committee	12	1	-	14
Council Created - Special Reserves Drummond				23	2	-	25
Edendale	Cemetery	Community Services	Edendale Cemetery	14	-	(9)	5
Edendale	Community Centre	Community Services	Edendale Hall	178	-	1-	179
Edendale	Grant Hall Upgrade	Community Services	Edendale Hall Upgrade	-	-	-	-
Edendale	Pool	Community Services	Edendale Pool	1	-	-	1
Edendale-Wyndham	Footpaths	Roads and Footpaths	Footpaths	1	-	-	1
Edendale-Wyndham	General	Various	General Purpose	68	-	(15)	53
Edendale-Wyndham	Stormwater	Stormwater	Stormwater	404	13	-	417
Wyndham	Community Centre	Community Services	Wyndham Community Centre	-	-	-	-
Council Created - Special Reserves Edendale				665	14	(23)	655
Five Rivers	Community Centre	Community Services	Five Rivers Hall	16	-	(14)	2
Council Created - Special Reserves Five Rivers				16	-	(14)	2
Fortrose	Community Centre	Community Services	Fortrose Hall	2	-	-	2
Council Created - Special Reserves Fortrose				2	-	-	2
Garston	Special Projects	Various	Garston General Purpose	24	1	-	25
Council Created - Special Reserves Garston				24	1	-	25
Gorge Road	Gorge Road General	Various	Gorge Road General Purpose	22	-	(5)	18
Council Created - Special Reserves Gorge Road				22	-	(5)	18

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
Hokonui	Community Centre	Community Services	Hokonui Community Centre	-	-	-	-
Council Created - Special Reserves Hokonui				-	-	-	-
Limehills	Hall Improvement	Community Services	Limehills Hall	-	-	-	-
Limehills	General	Various	Limehills General Purpose	7	3	-	10
Limehills	Stormwater	Stormwater	Limehills Stormwater	53	2	-	55
Council Created - Special Reserves Limehills				60	5	-	65
Longbush	Community Centre	Community Services	Longbush Community Centre	-	-	-	1
Council Created - Special Reserves Longbush				-	-	-	1
Lumsden	Footpaths	Roading and Footpaths	Lumsden Footpaths	(2)	4	-	2
Lumsden	General	Various	Lumsden General Purpose	71	3	(9)	65
Lumsden	Property Sales	Community Services	Lumsden General Purpose	-	-	-	-
Lumsden	Stormwater	Stormwater	Lumsden Stormwater	67	1	-	68
Lumsden	Community Centre	Community Services	Lumsden Community Centre	-	-	-	1
Council Created - Special Reserves Lumsden				136	8	(9)	136
Manapouri	Fraser's Beach	Community Services	Fraser's Beach Reserve	5	-	-	5
Manapouri	General	Various	Manapouri General Purpose	48	12	(25)	36
Manapouri	Community Centre	Community Services	Manapouri Community Centre	17	1	-	18
Manapouri	Swimming Pool Area	Community Services	Manapouri Pool	21	3	-	24
Council Created - Special Reserves Manapouri				91	17	(25)	83
Mararoa/Waimea Ward	Mararoa/Waimea Ward	Various	Mararoa/Waimea Ward	284	4	(264)	25

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
Council Created - Special Reserves Mararoa/Waimea Ward-				284	4	(264)	25
Mataura Island	Community Centre	Community Services	Mataura Island Community Centre	5	-	-	5
Council Created - Special Reserves Mataura Island				5	-	-	5
Matuku	Rural WS General	Water Supply	Matuku Water	5	-	(5)	-
Council Created - Special Reserves Matuku				5	-	(5)	-
Menzies Ferry	Community Centre	Community Services	Menzies Ferry Community Centre	4	-	-	4
Council Created - Special Reserves Menzies Ferry				4	-	-	4
Mokoreta/Redan	Community Centre	Community Services	Mokoreta/Redan Community Centre	15	-	(6)	9
Council Created - Special Reserves Mokoreta/Redan				15	-	(6)	9
Mossburn	General	Various	Mossburn General Purpose	108	-	(4)	104
Mossburn	Community Centre	Community services	Mossburn Community Centre	(6)	-	-	(6)
Council Created - Special Reserves Mossburn				102	-	(4)	98
Nightcaps	McGregor Park	Community Services	Nightcaps McGregor Park	96	9	(54)	50
Nightcaps	Community Centre	Community Services	Nightcaps Community Centre	8	-	-	8
Nightcaps	General	Various	Nightcaps General Purpose	21	1	-	21
Nightcaps	Stormwater	Stormwater	Nightcaps Stormwater	2	-	-	2
Council Created - Special Reserves Nightcaps				126	10	(54)	82
Ohai	Community Centre	Community Services	Ohai Community Centre	11	-	(6)	6
Ohai	General	Various	Ohai General Purpose	122	3	(20)	105
Ohai	Stormwater	Stormwater	Ohai Stormwater	154	5	-	159
Council Created - Special Reserves Ohai				287	9	(26)	269

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
Orawia	Community Centre	Community Centres	Orawia Community Centre	14	-	-	14
Council Created - Special Reserves Orawia				14	-	-	14
Orepuki	General	Various	Orepuki General Purpose	19	1	-	20
Orepuki	Community Centre	Community Services	Orepuki Community Centre	12	1	-	13
Council Created - Special Reserves Orepuki				31	1	-	32
Oreti	Community Centre	Community Services	Oreti Community Centre	9	1	-	10
Council Created - Special Reserves Oreti				9	1	-	10
Otapiri/Lora	Community Centre	Community Services	Otapiri/Lora Community Centre	41	1	-	42
Council Created - Special Reserves Otapiri/Lora				41	1	-	42
Otautau	Baths	Community Services	Otautau Pool	24	5	-	28
Otautau	Brightwood Develop		Otautau Financial Contribution	16	-	-	16
Otautau	CB Conference	District Leadership	Community board conference	6	-	-	6
Otautau	Forestry	Community Services	Holt Park Forestry	154	-	(50)	104
Otautau	General	Various	Otautau General Purpose	16	1	(9)	8
Otautau	Stormwater	Stormwater	Otautau Stormwater	250	-	(8)	243
Otautau	Community Centre	Community Services	Otautau Community Centre	28	1	-	29
Otautau	Bowling Club	Community Services	Otautau Bowling Club	1	-	-	1
Council Created - Special Reserves Otautau				495	6	(67)	435
Riversdale	Fire Bore	Community Services	Riversdale General Purpose	-	-	-	-

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
Riversdale	General	Various	Riversdale General Purpose	24	1	(9)	16
Council Created - Special Reserves Riversdale				24	1	(9)	16
Riverton/Aparima	Cemetery Maintenance	Community Services	Riverton Cemeteries	60	-	-	60
Riverton/Aparima	Doc Profits Lib Sale	Community Services	Riverton Projects	66	2	-	69
Riverton/Aparima	General	Various	Riverton General Purpose	413	10	(174)	249
Riverton/Aparima	Riverton Harbour General	Community Services	Riverton Harbour	29	7	-	36
Riverton/Aparima	Parks & Res Develop	Community Services	Riverton Parks and Reserves	28	1	-	29
Riverton/Aparima	Property Sales	Community Services	Riverton General Purpose	233	-	(100)	133
Riverton/Aparima	War Memorial	Community Services	Riverton War Memorial	12	-	-	13
Riverton/Aparima	Stormwater	Stormwater	Riverton Stormwater	113	54	(10)	157
Riverton/Aparima	Taramea Bay/Rocks Development	Community Services	Taramea Bay Foreshore	33	1	(25)	9
Riverton/Aparima	Taramea Howells Point	Community Services	Taramea Howells Point	22	-	(3)	20
Riverton/Aparima	Property	Community Services	Riverton General Purpose	7	7	-	13
Council Created - Special Reserves Riverton/Aparima				1,017	81	(311)	787
Ryal Bush	Community Centre	Community Centres	Ryal Bush Community Centre	7	-	-	7
Council Created - Special Reserves Ryal Bush				7	-	-	7
SIESA	Operations	SIESA	SIESA Operations	301	-	(416)	(115)
Council Created - Special Reserves SIESA				301	-	(416)	(115)
Stewart Island	General	Various	Stewart Island General Purpose	36	7	-	43

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
Stewart Island	Waste Management	Community Services	Stewart Island General Purpose	30	1	-	31
Stewart Island	Jetties	Community Services	Stewart Island Jetties	256	-	(32)	224
Council Created - Special Reserves Stewart Island/Rakiura				322	8	(32)	298
Te Anau	Te Anau Carpark Res	Community Services	Te Anau General Purpose	25	1	-	26
Te Anau	Cemetery Improvements	Community Services	Te Anau Cemetery	2	-	(2)	-
Te Anau	General	Various	Te Anau General Purpose	538	107	(290)	355
Te Anau	Luxmore	Community Services	Luxmore Subdivision	1,079	40	-	1,118
Te Anau	Te Anau Airport Manapouri	Community Services	Te Anau Airport Manapouri	116	81	-	197
Te Anau	Rural WS General	Water Supply	Te Anau Water	2	-	-	2
Te Anau	Stormwater	Stormwater	Te Anau General Purpose	481	16	-	497
Te Anau	Sandy Brown Loan	Wastewater	Loan to Ratepayers	(8)	8	-	-
Council Created - Special Reserves Te Anau				2,235	251	(292)	2,194
Thornbury	Community Centre	Community Services	Thornbury Community Centre	-	1	-	1
Thornbury	General	Various	Thornbury General Purpose	7	-	(7)	-
Council Created - Special Reserves Thornbury				7	1	(7)	-
Tokanui	Community Centre	Community Services	Tokanui Community Centre	7	-	-	8
Tokanui	General	Various	Tokanui General Purpose	49	4	-	52
Council Created - Special Reserves Tokanui				56	4	-	60
Tuatapere	Water Meridian Contract	Various	Tuatapere General Purpose	7	-	-	7

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
Tuatapere	Community Centre	Community Services	Tuatapere Community Centre	16	1	-	17
Tuatapere	General	Various	Tuatapere General Purpose	280	9	(30)	259
Tuatapere	Property	Community Services	Tuatapere General Purpose	3	-	-	3
Tuatapere	Waiau River Collection	Water Supply	Tuatapere Waiau River	1	-	-	1
Ward	Pool	Community Services	Tuatapere Ward Pool Rate	12	1	-	13
Council Created - Special Reserves Tuatapere				319	11	(30)	300
Tussock Creek	Community Centre	Community Services	Tussock Creek Community Centre	(1)	-	-	(1)
Council Created - Special Reserves Tussock Creek				(1)	-	-	(1)
Waianiwa	Community Centre	Community Services	Waianiwa Community Centres	17	-	-	17
Council Created - Special Reserves Waianiwa				17	-	-	17
Waiau/Aparima Ward	General	Various	Waiau/Aparima Ward General Purpose	268	5	-	273
Waiau/Aparima Ward	Cosy Nook	Community Services	Cosy Nook General Purpose	21	4	-	25
Waiau/Aparima Ward	Hirstfield Reserve	Community Services	Hirstfield Reserve General Purpose	21	3	-	24
Waiau/Aparima Ward	Arboretum Reserve	Community Services	Arboretum Reserve	12	-	-	12
Waiau/Aparima Ward	Wairio Cemetery	Community Services	Wairio Cemetery	54	2	(5)	51
Waiau/Aparima Ward	Wairio Town General	Various	Wairio General Purpose	5	-	-	5
Waiau/Aparima Ward	Wairio Reserve	Community Services	Wairio Reserve	7	-	-	7
Waiau/Aparima Ward	Takitimu Pool	Community Services	Takitimu Pool	22	1	-	23

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
Waiau/Aparima Ward	Calcium Cemetery	Community Services	Calcium Cemetery	18	1	-	18
Council Created - Special Reserves Waiau/Aparima				429	15	(5)	439
Waihopai/Toetoes Ward	Waihopai/Toetoes Ward	Various	Waihopai/Toetoes Ward	63	3	(69)	(3)
Council Created - Special Reserves Waihopai/Toetoes Ward				63	3	(69)	(3)
Waikaia	Dickson Park	Community Services	Waikaia General Purpose	14	1	-	15
Waikaia	General	Various	Waikaia General Purpose	93	4	-	97
Waikaia	Museum Donations	Various	Waikaia Museum Funding	5	2	-	7
Waikaia	Refuse Removal	Solid Waste	Waikaia General Purpose	10	-	-	10
Waikaia	Stormwater	Stormwater	Waikaia Stormwater	108	3	-	111
Council Created - Special Reserves Waikaia				230	11	-	241
Waikawa/Niagara	Community Centre	Community Services	Waikawa/Niagara Community Centres	18	-	(17)	1
Council Created - Special Reserves Waikawa/Niagara				18	-	(17)	1
Waitane Glencoe	Recreation Reserve	Community Services	Waitane Glencoe Reserves Committee	1	-	-	1
Council Created - Special Reserves Waitane Glencoe				1	-	-	1
Wallacetown	General	Various	Wallacetown General Purpose	197	6	(11)	192
Wallacetown	Stormwater	Stormwater	Wallacetown General Purpose	20	1	-	21
Council Created - Special Reserves Wallacetown				217	7	(11)	213
Winton	Community Centre	Community Services	Winton Community Centres	9	-	-	9
Winton	General	Various	Winton General Purpose	243	5	(166)	82
Winton	Medical Centre	Community Services	Winton Medical Centre	146	24	-	169
Winton	Multi Sports	Community Services	Winton Sports Complex	6	-	-	6

Reserves	Business Unit	Activity to which it relates	Purpose	Forecast Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Forecast Closing Balance 30/6/2020 (\$000)
Winton	Property Sales	Community Services	Winton General Purpose	304	36	(228)	111
Winton	Res Capital Development	Community Services	Winton General Purpose	104	4	-	107
Winton	Stormwater	Stormwater	Winton Stormwater	3	1	-	4
Council Created - Special Reserves Winton				814	70	(394)	489
Winton/Wallacetown Ward	Winton/Wallacetown Ward	Various	Winton/Wallacetown Ward	417	13	(12)	419
Council Created - Special Reserves Winton/Wallacetown Ward				417	13	(12)	419
Woodlands	General	Various	Woodlands General Purpose	72	2	(38)	36
Woodlands	Septic Tank Rates	Wastewater	Woodlands Septic Tank Cleaning	8	-	(1)	8
Council Created - Special Reserves Woodlands				80	2	(39)	44
Total Council Created - Special Local Reserves				9,448	573	(2,217)	7,804
Total Council Created - Special Reserves				25,504	8,504	(9,147)	24,861
TOTAL RESERVE FUNDS				40,811	8,574	(9,705)	39,681



Annual Report 2018/2019 - Key dates

Record No: R/19/4/7474
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 committee with the key dates for the draft Annual Report 2018/2019 for their approval.

Executive Summary

- 2 The Annual Report is a key reporting document for Council to the community, and reports on Council's performance against the 2018-2028 Long Term Plan.
- 3 The purpose of this report is to provide the committee with the key dates from the Annual Report 2018/2019 timetable for approval. The timetable has been prepared so that adoption of the Annual Report occurs on 27 September 2019.
- 4 The Annual Report is required to be audited in accordance with section 99 of the Local Government Act 2002. Southland District Council has engaged Audit New Zealand to undertake the audit for the year ending 30 June 2019.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled "Annual Report 2018/2019 - Key dates" dated 10 June 2019.**
- 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 Annual Report 2018/2019 - key dates as attached.**

Background

- 5 Council is required to develop and adopt an Annual Report within four months of the end of a financial year. The Annual Report is a means for Council to account and report to the community on its performance of the preceding financial year. It reports on outcomes,

performance measures (both financial and non-financial) and provides information on the results achieved against planned results, as published in the 2018-2028 Long Term Plan.

- 6 The purpose of an Annual Report is:
- (a) to compare the actual activities and the actual performance of the local authority in the year with the intended activities and the intended level of performance as set out in respect of the year in the Long Term Plan and the Annual Plan; and
 - (b) to promote the local authority's accountability to the community for the decisions made throughout the year by the local authority.
- 7 As with previous years, both an Annual Report and a summary document are produced. Both these documents will be made available on Council's website. The summary document will be distributed to all Council offices and copies of both the summary and the full document made available on request. The report availability will also be advertised in the Advocate.
- 8 This report provides the committee with the project plan key dates for their approval. The project lead is the corporate performance lead and the project team is made up of staff from strategy and policy, communications and finance.
- 9 The committee will be presented with the unaudited Annual Report in draft form at the 29 August 2019 meeting.
- 10 The Annual Report is audited by Audit New Zealand which provides the reader with a level of assurance of the completeness and accuracy of the information reported. Audit New Zealand staff will be on site from 26 August to 20 September 2019.
- 11 On 23 September 2019 the Finance and Audit Committee will receive the final draft of the Annual Report for recommendation for adoption by Council on 27 September 2019. The auditors will be present for this meeting.
- 12 As per the timetable and in line with previous years, the summary document will be signed off after the Annual Report is adopted.

Issues

- 13 In order to deliver on the proposed timetable, full co-operation from the wider organisation is needed. It is therefore important that information is provided in a timely manner. There is a risk of deadlines and timeframes being impacted if information is not provided in a timely manner. The relevant key dates for staff will be communicated to reduce this risk, however management will also need to be proactive in prioritising tasks associated with the Annual Report.
- 14 The local authority election is being held on 12 October 2019. The proposed timetable facilitates completion and adoption of the Annual Report before the election date so that the decision to adopt the Annual Report is made by the Council who were responsible for the operations activities for the year ending 30 June 2019. The summary document will be signed off by the Chief Executive in October.

Factors to Consider

Legal and Statutory Requirements

- 15 Section 98 of the Local Government Act 2002 states that:

- (1) *A local authority must prepare and adopt in respect of each financial year an Annual Report containing in respect of that year the information required by Part 3 of Schedule 10.*
- (2) *The purposes of an Annual Report are—*
 - (a) *to compare the actual activities and the actual performance of the local authority in the year with the intended activities and the intended level of performance as set out in respect of the year in the Long Term Plan and the Annual Plan; and*
 - (b) *to promote the local authority's accountability to the community for the decisions made throughout the year by the local authority.*
- (3) *Each Annual Report must be completed and adopted, by resolution, within four months after the end of the financial year to which it relates.*
- (4) *A local authority must, within one month after the adoption of its Annual Report, make publicly available—*
 - (a) *its Annual Report; and*
 - (b) *a summary of the information contained in its Annual Report.*
- (5) *The summary must represent, fairly and consistently, the information regarding the major matters dealt with in the Annual Report.*
- (6) *A local authority must, within one month after the adoption of its Annual Report, send copies of that report and of the summary prepared under subsection (4)(b) publically available.*

16 Information that must be included can be found in Schedule 10 Part 3 of the act, and includes:

- groups of activities
- capital expenditure for groups of activities
- statement of service provision
- funding impact statement for groups of activities
- internal borrowing
- Council-controlled organisations
- financial statements
- funding impact statement
- rating base information
- reserve funds
- insurance of assets
- remuneration issues
- employee staffing levels and remuneration
- severance payments
- statement of compliance
- the activities that the local authority has undertaken in the year to establish and maintain processes to provide opportunities for Māori to contribute to the decision-making processes of the local authority.

- 17 The Annual Report and Summary Document reports on Council's performance against the Annual Plan (which is based on the first year of the Council's Long Term Plan 2018-2028).
- 18 As each Annual Report must be completed and adopted, by resolution, within four months after the end of the financial year to which it relates, this makes 31 October 2019 the last day available to meet this timeframe.

Community Views

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

Costs and Funding

- 20 Audit New Zealand's fee to audit the Annual Report is \$118,349 excluding GST, plus disbursements of approximately \$8,500 excluding GST. There are also printing costs for the Annual Report and Summary Annual Report. These costs have been included in the operating budgets for 2018/2019.

Policy Implications

- 21 There are no policy implications.

Analysis

Options Considered

- 22 There are two options to consider in relation to the report.

Analysis of Options

Option 1 – Approve the timetable including any changes at the meeting

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• preparations can begin as per the project plan• statutory timeframes will be met.	<ul style="list-style-type: none">• there are no disadvantages

Option 2 – Do not approve the timetable including any changes at the meeting

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• there are no advantages	<ul style="list-style-type: none">• statutory timeframes may be compromised

Assessment of Significance

- 23 Whilst the Annual Report is an important accountability document for Council, this report merely sets out the key dates from the proposed timetable, and is therefore of low significance.

Recommended Option

- 24 Option one is the recommended option.

Next Steps

- 25 Staff will action the proposed timetable, and circulate it to the relevant staff.
- 26 The Finance and Audit Committee will review the draft unaudited report at the 29 August 2019 meeting and confirm release of the draft to Audit NZ.
- 27 The Finance and Audit Committee will receive the final draft of the Annual Report on 23 September for recommendation for adoption by Council on 27 September 2019.

Attachments

- A Annual Report Key Dates [↓](#)

Key Dates –Annual Report 2018/2019 timetable

DUE DATE	TASKS	DEPARTMENT LEADING	DOCUMENT
Monday 29 April	ELT to review timetable	Strategy	Full AR
Tuesday 18 June	Finance and Audit committee to approve timetable	Strategy	Full AR
Wednesday 14 August	Subcommittee ELT meeting - review year end business unit reports. Budget managers may attend this meeting to discuss their business unit's financial results.	ELT subcommittee	Full AR
Wednesday 21 August	ELT subcommittee – Unaudited Annual Report feedback meeting	ELT subcommittee	Full AR
Thursday 29 August	Finance and Audit Committee meeting to review draft unaudited Annual Report	Finance and Audit committee	Full AR
Monday 26 August to Friday 20 September	Audit visit - Copy of draft unaudited Annual Report given when released by Finance and Audit Committee	Finance	Full AR
Friday 13 September	Council report due to Council (any changes to full document as a result of audit changes to be tabled)	Finance and Strategy	Full AR
Monday 23 September	Recommend the final Annual Report for adoption by Council	Finance and Audit committee	Full AR
Monday 23 September	Verbal Audit signoff of annual report. Audit provide final changes to full document	Audit	Full AR
Thursday 26 September	Send Council (+ ELT + Audit) updated report for full AR adoption (including details of any final audit changes that are to be tabled).	Strategy	Full AR
Friday 27 September	Adoption of full Annual Report and Audit opinion	Council	Full AR
Friday 4 October	Unaudited summary document text circulated to ELT Subcommittee	Communications	Summary AR
Saturday 5 October	Public Notice of full document availability. (In Advocate)	Communications	Full AR
Monday 7 October	ELT subcommittee meeting to review unaudited summary document text	ELT subcommittee	Summary AR
Monday 14 to Friday 18 October	Audit of summary document (offsite) - one week	Finance	Summary AR
Friday 18 October	Audit verbal sign-off of summary document	Finance	Summary AR
Monday 21 October	Chief Executive sign-off summary report with Audit Opinion	Strategy	Summary AR

Follow up - Accounting Position Paper

Record No: R/19/5/9433
Author: Sheree Marrah, Financial Accountant
Approved by: Anne Robson, Chief Financial Officer

☐ Decision ☐ Recommendation ☒ Information

Purpose

- 1 To provide the Committee with an update on Audit NZ's response to Council's position paper in regards to how Council proposes to account for its share of its various related entities for the year ended 30 June 2019 and beyond.

Executive Summary

- 2 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.
- 3 In a report to the Committee at its meeting on 14 December 2018, staff provided the Committee with a draft accounting position paper in response to Audit NZ's recommendations for the year ending 30 June 2019 and beyond.
- 4 Upon recommendation from the Committee, this accounting position paper was provided to Audit NZ in January 2019 for their consideration.
- 5 After considering the position paper, Audit NZ have advised that they are satisfied with Council's proposed accounting treatment for all entities, other than Milford Community Trust. Additionally, they have yet to come to a formal position in relation to the Southland Regional Development Agency (SRDA) as the Office of the Auditor General has not yet appointed an auditor for the entity. It is anticipated that Audit NZ will have formalised its position on Council's accounting treatment for this entity prior to the commencement of the audit for the year ending 30 June 2019.
- 6 Audit NZ believes that Council benefits from the complementary activities of the MCT, and thus the Trust should be consolidated in Council's annual report. Although Council's position differs from that of Audit NZ, staff are proposing to consolidate MCT for the year ending 30 June 2019 and beyond as required by Audit NZ.
- 7 Subsequent to the December position paper, Council staff have also revisited the accounting treatment of Venture Southland. Considering the fact that Venture Southland is winding up at 30 June 2019, Council staff now believe it would be inefficient to early adopt PBE IPSAS 36 *Investments in Associates and Joint Ventures*. This new standard would require VS to be equity accounted, for its final remaining year (and restate any prior period comparatives). Therefore staff are proposing that Council continue to proportionately consolidate VS for the year ending 30 June 2019.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled “Follow up - Accounting Position Paper” dated 11 June 2019.**

Background

- 8 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.
- 9 In a report to the Committee at its meeting on 14 December 2018, staff provided the committee with a draft accounting position paper in response to Audit NZ’s recommendations for the year ending 30 June 2019 and beyond.
- 10 The draft position paper was provided to Council’s auditors, Audit NZ, and included 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 Agency (SRDA) and Whakamana Te Waituna Charitable Trust (WTWCT) in the Annual Report for the year ended 30 June 2019 and beyond.
- 11 The draft position paper considered 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.
- 12 Audit NZ have advised that they are satisfied with Council’s proposed accounting treatment for all entities, other than Milford Community Trust and Southland Regional Development Agency.
- Venture Southland (VS)
- 13 Although both Council and Audit NZ agree that under the proposed PBE IPSAS 36 *Investments in Associates and Joint Ventures*, VS is an associate and therefore should be equity accounted.
- 14 Given that VS is being wound up at 30 June 2019, this new standard would require VS to be equity accounted, for its final remaining year (and any prior period comparatives to be restated).

Staff consider this to be an inefficient approach and therefore are proposing not to early adopt PBE IPSAS 36 *Investments in Associates and Joint Ventures* and continue to proportionately consolidate VS in Council's 2018/2019 annual report.

Milford Community Trust (MCT)

- 15 In the accounting position paper presented on 14 December 2018 staff concluded that control does not exist for MCT. Although Council has the overarching ability to appoint trustees, in Council's opinion it does not receive direct benefits from the Trust. Council's representation on the Trust is 1 of 7 and therefore also illustrates that Council does not have significant influence over the Trust.
- 16 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. This approach was proposed to continue for 30 June 2019 and beyond.
- 17 In reviewing Council's accounting position paper, Audit NZ concluded that Council benefits from the complementary activities of the MCT, and thus the Trust should be consolidated in Council's annual report.
- 18 The supporting analysis provided by Audit NZ included the following points of justification:
 - the vision of the Trust is aligned to that of the Southland District Council.
 - the Trust's objects are congruent with the objects of the Southland District Council.
 - as the Settlor of the Trust, the Trust's objects and purposes were predetermined by the Southland District Council when it established the Trust.
 - the Trust was set up with objectives that align with the Southland District Council's wider objects and purposes.
- 19 Although Council's position differs from that of Audit NZ, staff will consolidate MCT for the year ending 30 June 2019 and beyond as required by Audit NZ to mitigate any future management letter points in relation to this matter.

Southland Regional Development Agency (SRDA)

- 20 The establishment of the formal SRDA entity has only recently been completed, and as such the Office of the Auditor General (OAG) has not appointed an auditor for this entity to date.
- 21 Council hold 2,250 of the 9,000 Class A shares. Additionally there are 3,000 Class B shares which are held by other organisations across Southland. Class A shares can only be held by a Local Authority. In accordance with section 3.2 of the SRDA constitution, except as expressly provided in the Constitution, all shares in Class A and Class B have the same rights and privileges and are subject to the same restrictions.
- 22 Based on the current shareholding Council is not considered to have significant influence over SRDA (it holds less than 20 percent of the voting power) and therefore is not considered an associate. Council's investment in SRDA should therefore be considered a financial asset.

- 23 Currently staff are working through the implications of transferring various assets held by Venture Southland, as a joint venture of Councils, to the new organisation. Included in this discussion is how that transfer will be funded, an option is the issuance of preference shares to the Councils. Further consideration will need to be given to the accounting approach once the final position has been established, however it is not expected to be substantially different.
- 24 Audit NZ have not come to a formal position in relation to the accounting for SRDA as they are awaiting the appointment of its auditor. An assessment of the new entity will be undertaken by the OAG and it is anticipated that this assessment will address the ownership structure and associated accounting approaches, which will then be provided to the relevant organisations' auditors.
- 25 It is anticipated that Audit NZ will have formalised its position on Council's accounting treatment for this entity prior to the commencement of the audit for the year ending 30 June 2019.

Next Steps

- 26 These matters have been addressed in the report to the Committee, Accounting policies for the year ended 30 June 2019, included separately in this agenda. Once the accounting policies have been approved, staff will commence compilation of the Annual Report for the year ended 30 June 2019.

Attachments

There are no attachments for this report.

Accounting Policies for the year ended 30 June 2019

Record No: R/19/4/7341
Author: Sheree Marrah, Financial Accountant
Approved by: Anne Robson, Chief Financial Officer

☐ Decision ☒ Recommendation ☐ Information

Purpose

- 1 To consider and recommend to Council the adoption of the accounting policies to be used to compile the Council's Annual Report for the year ended 30 June 2019.

Executive Summary

- 2 The draft accounting policies (Attachment A) set the basis on which Council's Annual Report for the year ended 30 June 2019 will be prepared and the associated financial information compiled.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled "Accounting Policies for the year ended 30 June 2019" dated 11 June 2019.**
- 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) **Recommends to Council that Venture Southland be proportionately consolidated into the financial statements of Council for the year ending 30 June 2019, noting that this approach supersedes resolution 7.5(d) made at the committee meeting on 14 December 2018.**
- e) **Recommends to Council that Milford Community Trust be consolidated into the financial statements of Council for the year ending 30 June 2019 and beyond, noting that this approach supersedes resolution 7.5(d) made at the committee meeting on 14 December 2018.**
- f) **Recommends to Council that the accounting policies as outlined in Attachment A, including any amendments from this meeting, be adopted for use in preparation of the Council's Annual Report for the year ended 30 June 2019.**

Background

- 3 Councils are required by legislation to adopt an Annual Report every year. The Annual Report informs the reader about how Council did against what Council said it was going to do in the Long Term Plan 2018-2028 for 2018/2019.
- 4 In arriving at the accounting policies proposed, Council staff have used the 2017/2018 Annual Report policies as the base, considered these against the audited Long Term Plan 2018-2028 accounting policies and reviewed for any changes needed, including any additional policies. As a result we have included an inventory and trade and other receivables policy (refer policy (i) page 3 and policy (t) page 9 of Attachment A) which were previously omitted, as well as adding some minor clarifications in other policies (all noted in green text).

Issues

- 5 The policies proposed for the Annual Report to 30 June 2019 are consistent to those used for the Annual Report for the year ended 30 June 2018, however further context/clarification has been provided in some areas (noted in green text in Attachment A).

Venture Southland (VS)

- 6 Audit NZ noted as part of the 2017/2018 Management Report that Council should consider the use of equity accounting for VS due to the upcoming change in accounting standards.
- 7 Staff brought a comprehensive report to the Committee in December 2018, outlining Council's proposed approach to how it should account for VS and the various other associated entities. It noted that under the new accounting standard PBE IPSAS 36 *Investments in associates and Joint Ventures* which is operative for accounting periods beginning on or after 1 January 2019 that Council should move to equity account for VS from 2018/2019.
- 8 Although both Council and Audit NZ agree that under the standard, VS is an associate and therefore should be equity accounted. Given that VS is being wound up at 30 June 2019, early adoption would mean that along with VS being equity accounted for 2018/2019, Council would also need to restate the prior period comparatives. Given it is the final year for Venture Southland it is now being proposed to the committee that Council do not early adopt PBE IPSAS 36 *Investments in Associates and Joint Ventures* and continue to proportionately consolidate VS in Council's 2018/2019 Annual Report. The non-early adoption has no other implications for Council.
- 9 Council staff have discussed this with Audit NZ staff and they have no concerns with this approach.

Consolidation of Milford Community Trust (MCT)

- 10 As noted in the "Follow up – Accounting Position Paper", included in this agenda, Council staff have incorporated into the accounting policies for the Annual Report 2018/2019 the consolidation of MCT, refer to page one of attachment A, updated reporting entity statement.
- 11 Council staff have discussed and agreed with Audit NZ that given the materiality of the balances of MCT, there is no need to restate the prior year comparative figures. Audit NZ have advised that they will include a statement in relation to this matter in their Letter of Representation as an

unadjusted audit difference, however they recognise that it is immaterial and will only apply for the year ending 30 June 2019.

Early adoption of accounting standards

- 12 As discussed above, Council staff are recommending that Council does not early adopt PBE IPSAS 36 *Investments in Associates and Joint Ventures* and PBE IPSAS 37 *Joint Arrangements*, which are effective for reporting periods beginning on or after 1 January 2019. In Council's case this would therefore be effective for the financial year ending 30 June 2020 and beyond.
- 13 Accordingly, Council staff have considered the options of adopting this and a number of standards early and do not consider there is any benefit in doing so, hence all the relevant standards have been noted in the revised the accounting policies for the Annual Report 2018/2019 under the heading "Standards issued and not yet effective that have not been early adopted" (refer policy (ad) page 11 of Attachment A).

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

Options Considered

Analysis of Options

Option 1 – Recommends to Council the use of the accounting policies attached, including any amendments agreed at this meeting, for use in preparation of the Council’s 2018/2019 Annual Report

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">The Annual Report can continue to be prepared in line with the timetable.	<ul style="list-style-type: none">The Committee would not get any further information if it required it before Committee endorses the report for adoption by Council in September.

Option 2 – Do not recommend accounting policies as presented

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">Changes can be made to the accounting policies to incorporate the Committee’s views.	<ul style="list-style-type: none">The preparation of the Annual Report process may be held up depending on the time needed to provide the necessary information.

Assessment of Significance

- 18 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

- 19 Option one - Recommends to Council the use of the accounting policies attached, including any amendments agreed at this meeting, for use in preparation of the Council’s 2018/2019 Annual Report.

(i) Next Steps

- 20 If the committee approves the policies, they will be presented to Council for adoption in due course.
- 21 The accounting policies (incorporating any changes agreed at this meeting) will be reviewed by Audit New Zealand as part of their audit of the Annual Report and may be subject to change.

Attachments

- A Draft Accounting policies for the year ended 30 June 2019 [↗](#)

Accounting Policies

Reporting entity

The Southland District Council (referred to as “SDC” or “Council”) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operated in New Zealand. The relevant legislation governing the Council’s operations includes the LGA and the Local Government (Rating) Act 2002.

The primary objective of Council is to provide goods or services for the community or social benefit rather than making a financial profit. Accordingly, SDC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements represent the results of Council’s nine significant activity groups (detailed on pages XX - XX), including the Stewart Island Electrical Supply Authority (SIESA) and Venture Southland.

SIESA is a business unit of Council, which generates and reticulates electricity to most of Stewart Island residents and industry.

Venture Southland is a joint venture with SDC and ICC, for the development and promotion of Southland enterprise, tourism and the people of the province.

The group consists of the ultimate parent, Southland District Council, its subsidiary, Milford Community Trust and its share of its joint venture, Venture Southland.

Council provides local infrastructure, local public services and performs regulatory functions for the community. Council does not operate to make a financial return. The financial statements of SDC are for the year ended 30 June 2019. The financial statements were authorised for issue by Council on 27 September 2019.

Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LGFRP): Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

These financial statements have been prepared in accordance with Tier 1 PBE accounting standards and comply with PBE standards.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of heritage assets, certain infrastructural assets, and biological assets.

Functional and presentation currency

The financial statements are presented in New Zealand dollars (the functional currency of SDC) and all values are rounded to the nearest thousand dollars (\$000). As a result of rounding there may be slight discrepancies in subtotals.

Basis of consolidation

The acquisition method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

Associates

SDC accounts for investments in associates in the consolidated financial statements using the equity method. An associate is an entity over which Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise Council’s share of the surplus or deficit of the associate after the date of acquisition. SDC’s share of the surplus or deficit of the associate is recognised in SDC’s statement of comprehensive revenue and expense. Distributions received from an associate reduce the carrying amount of the investment.

If SDC’s share of deficits of an associate equals or exceeds its interest in the associate, SDC discontinues recognising its share of further deficits. After SDC’s interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that SDC has incurred legal or constructive obligations or made payments on behalf of the associate.

If the associate subsequently reports surpluses, SDC will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

SDC's share in the associate's surplus or deficits resulting from unrealised gains on transactions between the SDC and its associates is eliminated.

SDC's investments in associates are carried at cost in the "parent entity" financial statements and assessed annually for impairment in arriving at the carrying value.

Joint ventures

A joint venture 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 the activity.

For jointly controlled operations, the Council and group recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of revenue that it earns from the joint venture.

For jointly controlled entities, the Council recognises its interest in jointly controlled entities using proportionate consolidation.

Council has a 42 percent interest in Venture Southland. The audited financial statements of Venture Southland as of 30 June 2019, have been accounted for in Council's financial statements using the proportionate method of consolidation.

Specific accounting policies

(a) Revenue

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are:

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter) and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. Council considers that the effect of payment of rates instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become due.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

- Rates remissions are recognised as a reduction in rates revenue when Council has received an application that satisfies its rates remission policy.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Revenue from electricity charges is recognised on an accrual basis based on usage. Unbilled usage as a result of unread meters at year end is accrued on an average usage basis.

Interest is recognised using the effective interest method.

Subsidies from NZTA and grants from other government agencies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Other grants and bequests are recognised when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Fees for disposing of waste at Council's landfill are recognised as waste disposed by users.

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

For assets received for no or nominal consideration, the asset is recognised at its fair value when Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (e.g. land used as a recreation reserve), Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if Council expects that it will need to return or pass the asset to another party.

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (eg as the funds are spent for a nominate purpose).

Development and financial contributions are recognised at the later of the point when Council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation. Otherwise, development and financial contributions are recognised as liabilities until such time as Council provides, or is able to provide, the service.

Dividends are recognised when the right to receive payment has been established.

(b) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(c) Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of SDC's decision.

(d) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

(e) Leases

- Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

(f) Equity

Equity is the community's interest in SDC as measured by total assets less total liabilities. Equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses that Council makes of its accumulated surpluses. The components of equity are:

- Accumulated funds
- Council-created reserves (general reserve, separate account balances and rates appropriation balance)
- Special reserves (managed by Allocation Committees)
- Asset revaluation reserves
- Fair value through other comprehensive revenue and expense reserve.

Reserves represent a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Council created reserves may be altered without reference to any third party or the courts. Transfers to and from these reserves are at the discretion of Council.

Special reserves are subject to specific conditions accepted as binding by Council, which may not be revised by Council without reference to the courts or third party. Transfers from these reserves may be made only for specified purposes or when certain conditions are met.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(h) Trade and other receivables

Trade and other receivables are recorded at their face value, less any provision for impairment.

(i) Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost or current replacement cost.

The write down from cost to current replacement cost is recognised in the Statement of Comprehensive Revenue and Expense.

(j) Financial assets

SDC classifies its financial assets into the following four categories: financial assets at fair value through surplus or deficit, held-to-maturity investments,

loans and receivables, and financial assets at fair value through other comprehensive revenue and expense. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit. Purchases and sales of investments are recognised on trade-date, the date on which Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cashflows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cashflows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

- Financial assets at fair value through surplus or deficit
Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short term profit-taking.
Financial assets acquired principally for the purpose of selling in the short term or part of a portfolio classified as held for trading are classified as a current asset.
After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the surplus or deficit.
- Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. Loans and receivables are classified as “trade and other receivables” in the statement of financial position.

- Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that SDC has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

- Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date.

This category encompasses:

- Investments that Council intends to hold long term but which may be realised before maturity; and
- Shareholdings that Council holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Council's investments in this category include: Civic Assurance (formerly the New Zealand Local Government Insurance Corporation Limited) and Milford Sound Development Authority.

(k) Impairment of financial assets

At each balance sheet date SDC assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised through the surplus or deficit.

(l) Goods and Services Tax (GST)

The financial statements have been prepared exclusive of GST with the exception of receivables and payables, which are stated inclusive of GST. When GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cashflow in the statement of cashflows.

Commitments and contingencies are disclosed exclusive of GST.

(m) Property, plant and equipment

Property, plant and equipment consist of:

- *Infrastructure Assets*

Infrastructure assets are the fixed utility systems owned by SDC. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

- *Operational Assets*

These include land, buildings, improvements, library books, plant and equipment, and motor vehicles.

- *Restricted Assets*

Restricted assets are parks and reserves owned by SDC, which cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

- *Additions*

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to SDC and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction it is recognised at fair value as at the date of acquisition.

- *Disposals*

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

- *Subsequent costs*

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to SDC and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

- *Depreciation*

Depreciation is provided on a straight-line (SL) basis on all property, plant and equipment except land and heritage assets, at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Estimated Economic Life		Depreciation	
Asset Category	(years)	Percent	Method
Operational Assets			
Improvements	10 - 12	8.33% - 10.00%	SL
Buildings	40	2.50%	SL
Light Vehicles	5 - 11	9.00% - 20.00%	SL
Other Plant	3 - 11	6.67% - 33.33%	SL
Furniture and Fittings	7 - 8	13.50% - 8.00%	SL
Office Equipment	7 - 10	10.00% - 13.50%	SL
Computer Equipment	2 - 6	18.00% - 40.00%	SL

Estimated Economic Life	Depreciation		
SCADA Equipment	6	18.00%	SL
Other Equipment	6 - 8	13.50% - 18.00%	SL
Library Books	10	10.00%	SL

Estimated Economic Life	Depreciation		
Asset Category	(years)	Percent	Method
Infrastructure Assets			
Electrical Generation Plant	10 - 100	1.00% - 10.00%	SL or DV
Sealed Roads	40 - 99	1.00% - 2.00%	SL
Unsealed Roads	4 - 8	12.50% - 25.00%	SL
Bridges	45 - 120	0.83% - 2.00%	SL
Footpaths	12 - 60	1.67% - 8.33%	SL
Street Lighting	20 - 40	2.50% - 5.00%	SL
Sewerage Schemes	5 - 100	2.06% - 7.02%	SL
Stormwater Schemes	20 - 100	5.00% - 20.00%	SL
Water Supply Schemes	5 - 100	1.00% - 20.00%	SL
Marine Assets	5 - 50	2.00% - 20.00%	SL
Transfer Stations	10	10.00%	SL
Landfill Sites	10 - 40	2.50% - 10.00%	SL

SIESA assets have the following useful lives and associated depreciation rates of major classes of assets for accounting purposes. The method of calculating depreciation is either straight-line (SL) or on a diminishing value basis (DV).

Estimated Economic Life	Depreciation		
Asset Category	(years)	Percent	Method
Plant	1 - 25	4.00% - 60.00%	SL or DV
Vehicles	5 - 8	12.00% - 21.60%	DV
Buildings	25 - 76	1.00% - 4.00%	SL or DV

The residual value and useful life of an asset is reviewed and adjusted, if applicable, at each financial year-end.

Revaluations

Roads, water reticulation, sewerage reticulation and stormwater systems are revalued on an annual basis. Council-owned heritage assets include artworks, war memorials, viaducts and railway memorabilia. Artworks are revalued every three - five years. All other asset classes are carried at depreciated historical cost. The

carrying values of revalued items are reviewed each balance date to ensure that those values are not materially different to fair value. The valuation basis for the different asset categories are described in more detail below.

Land and Buildings

The deemed cost of land and buildings were established by registered valuers from Quotable Value in accordance with the requirements of the Institute of Chartered Accountants of New Zealand Standards, as at 30 June 1993. Purchases made since 30 June 1993 are recorded at cost.

Endowment lands are vested in Council for specific purposes for the benefit of various communities. These vestings have been made under various pieces of legislation which restrict both the use of any revenue and any possible dispositions.

Infrastructural Assets

Appropriately qualified personnel from MWH New Zealand Limited have completed a revaluation of District roading, footpaths and bridge asset networks as at 30 June 2019. This revaluation established a depreciated replacement cost to component level for those infrastructural assets as at 30 June 2019.

Land values associated with Council's roading network are the values from the 2005/2006 road network valuation, which is deemed cost and have not been revalued.

Appropriately qualified personnel from Waugh Infrastructure Management Limited have completed a revaluation as at 30 June 2019 of the water supply, sewerage scheme and stormwater assets. This revaluation established a depreciated replacement cost to component level for those infrastructural assets as at 30 June 2019.

Revaluations of roading, water, sewerage and stormwater assets are carried out annually.

All other infrastructural assets (electrical generation plant, street lighting and marine assets) are valued at their deemed cost, based on a revaluation of assets undertaken by appropriately qualified personnel from Royds Garden Limited in 1993.

Plant and Vehicles (including Electrical Generation Plant) items are shown at historical cost less provision for depreciation.

Library Books

Books have been valued by SDC staff on a depreciated replacement cost basis, using New Zealand Library Association guidelines, as at 30 June 1993 representing deemed cost. Additions to library book stocks since 30 June 1993 are recorded at cost.

Heritage assets

The only assets to be included under this category are art works owned by the Council, which have been valued by an independent valuer, Mr R Thomson of International Art Centre, Auckland, as at 30 June 2018 and recorded at fair value in accordance with NZ IAS 16.

Other assets, which would normally be classified under heritage assets, for example war memorials, have been included under "other assets".

Due to the nature of the item, art works are revalued on a three to five-yearly cycle and not depreciated.

Other Assets

Other assets are shown at historic cost or depreciated replacement cost, less a provision for depreciation. Additions and deletions to other assets since 30 June 1993 are recorded at cost.

Accounting for Revaluations

SDC accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

(n) Work in progress

Assets under construction are not depreciated. Work in progress is recognised at cost less impairment. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

(o) Intangible assets

- Software Acquisition and Development*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs directly associated with the development of software for internal use by Council are recognised as an intangible asset. Direct

costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

- Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Estimated Economic Life		Depreciation	
Asset Category	(years)	Percent	Method
Computer software	2 - 10	10.00% - 50.00%	SL

- Emissions Trading Scheme*

Council has approximately 1,384 hectares of pre-1990 forest land. This land is subject to the provisions of the New Zealand Emissions Trading Scheme ('ETS'). The implication of this for the financial accounts is twofold:

Should the land be deforested (ie: the land is changed from forestry to some other purpose), a deforestation penalty will arise.

Given the deforestation restriction, compensation units are being provided from the government.

The deforestation contingency is not recognised as a liability on the statement of financial position as there is no current intention of changing the land use subject to the ETS. However, the estimated liability that would arise should deforestation occur has been estimated in the notes to the accounts.

Compensation units received are recognised based on the market value at balance date (30 June). They are recognised as income in the financial statements. They are not amortised, but are tested for impairment annually.

Emissions Trading Units are revalued annually at 30 June. The difference between initial value or the previous revaluation, and disposal or revaluation value of the units, is recognised in other comprehensive revenue and expense.

(p) Forestry assets

Forestry assets are revalued independently annually at fair value less estimated point of sale costs. Appropriately qualified personnel from Woodlands Pacific Consulting Limited completed a revaluation as at 30 June 2019. Fair value is determined based on the present value of expected net cashflows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus or deficit.

The costs to maintain the forestry assets are recognised in the surplus or deficit when incurred.

(q) Impairment of property, plant and equipment and intangible assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortization and are tested annually for impairment.

Property, plant and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash generating assets

Non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, or a service unit approach. The most appropriate approach used to measure the value in use depends on the nature and impairment and availability of information.

Value in use for cash generating assets

Cash generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash generating assets and cash generating units is the present value of expected future cashflows.

(r) Creditors and other payables

Short-term creditors and other payables are recorded at their face value.

(s) Employee benefits

Short-term benefits

Employee benefits that SDC expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months.

Long-term benefits

- Long service leave and retirement leave

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated by in-house staff. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cashflows.

- Superannuation schemes

Defined contribution schemes - Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit when incurred.

Presentation of employee entitlements

Annual leave and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

(t) Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measures at amortised cost using the effective interest method, less any provision for impairment.

(u) Provisions

SDC recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires SDC to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability Council will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however, if SDC assesses that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

Landfill Post-Closure Costs

SDC, as an operator, has a legal obligation under its resource consent to provide ongoing maintenance and monitoring services at their landfill sites after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of future cashflows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to Council.

(v) Internal Borrowings

Internal borrowings are eliminated on consolidation of activities in the Council's financial statements.

(w) Cost allocation

SDC has derived the cost of service for each significant activity of Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff number and floor area.

(x) Critical accounting estimates and assumptions

In preparing these financial statements SDC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying

amounts of assets and liabilities within the next financial year are discussed below:

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost (DRC) valuations over infrastructural assets. These include:

The physical deterioration and condition of an asset. For example, Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground.

- estimating any obsolescence or surplus capacity of an asset;
- estimating the replacement cost of the asset. The replace cost is derived from recent construction contracts; and
- Estimating any obsolescence or surplus capacity of an asset.
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then SDC could be over or under estimating the annual depreciation charge recognised as an expense in the Statement of comprehensive revenue and expense.

To minimise this risk SDC's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience.

Asset inspections, deterioration and condition modelling are also carried out regularly as part of SDC's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform Council's infrastructural asset revaluations.

(y) Critical judgements in applying SDC's accounting policies

Management has exercised the following critical judgements in applying SDC's accounting policies for the period ended 30 June 2019:

Classification of property

SDC owns a number of properties that are maintained primarily to provide housing to pensioners. The receipt of rental income from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of SDC's social housing policy and are accounted for as property, plant and equipment rather than as investment property.

(z) Statement of cashflows

Operating activities include cash and cash equivalents (as defined in (g) above) received from all SDC's income sources and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of SDC.

(aa) Rounding

Some rounding variances may occur in the financial statements due to the use of decimal places in the underlying financial data.

(ab) Budget figures

The budget figures are those approved by SDC in its Long Term Plan 2018-2028. The budget figures have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and are consistent with the accounting policies adopted by SDC for the preparation of financial statements.

(ac) Change in accounting policies

There have been no changes in accounting policies for the year ended 30 June 2019.

(ad) Standards issued and not yet effective that have not been early adopted

Standards and amendments, issued but not yet effective that have not been early adopted are:

- PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets*
- PBE IPSAS 26 *Impairment of Cash-Generating Assets*
- PBE IPSAS 34 *Separate Financial Statements*
- PBE IPSAS 35 *Consolidated Financial Statements*
- PBE IPSAS 36 *Investments in Associates and Joint Ventures*

- PBE IPSAS 37 *Joint Arrangements*
- PBE IPSAS 38 *Disclosure of Interests in Other Entities*
- PBE IPSAS 39 *Employee Benefits*
- PBE IPSAS 9 *Financial Instruments*
- PBE FRS 48 *Service Performance Reporting*

Interim Management Report from Audit New Zealand for the year ended 30 June 2019

Record No: R/19/4/7354
Author: Sheree Marrah, Financial Accountant
Approved by: Anne Robson, Chief Financial Officer

☐ Decision ☐ Recommendation ☒ Information

Summary of Report

- 1 As part of the audit process, Audit New Zealand provides Council with a report on the interim audit of Council's Annual Report. This report outlines the findings of the work that was performed on systems, processes and controls in April 2019, and makes a number of recommendations that it seeks commentary from management on.
- 2 A copy of the report is attached for the Committee's reference (Attachment A).
- 3 Audit New Zealand did not identify any significant or material issues during Council's interim audit for the year ended 30 June 2019, however they have made a number of recommendations as noted in the attached report.
- 4 Council staff will work to implement/resolve the recommendations identified by Audit NZ, in addition to those previously raised as outlined in Attachment B. Attachment B has also been updated to provide a current status update from staff on the recommendation as well as a revised indicative completion date (if required). Please note the timelines included in Attachment B are self-imposed.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled "Interim Management Report from Audit New Zealand for the year ended 30 June 2019" dated 11 June 2019.**

Attachments

- A Interim Management Report year ending 2019 [↗](#)
B Prior years' Audit NZ recommendations [↗](#)

Report to the Council on the interim audit of

Southland District Council

For the year ending 30 June 2019

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Key messages

We have completed our interim audit for the year ending 30 June 2019. This report sets out our findings from the interim audit.

The primary purpose of our interim audit visit is to update our understanding of the Southland District Council's (the Council) control environment, identify any control improvements required, and to confirm the extent to which we can rely on the controls in place for the Council. Our findings indicate the Council continues to operate an effective control environment.

We will update our findings at the final audit, and if these are consistent with what we have found at our interim audit, we expect to be able to rely on key aspects of the control environment as part of our overall audit approach.

Thank you

We would like to thank management and staff for the assistance received during the audit, and preparedness for our arrival.



Dereck Ollsson
Appointed Auditor
10 June 2019

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommendations.

Explanation	Priority
Needs to be addressed <i>urgently</i> These recommendations relate to a significant deficiency that exposes the Council to significant risk or for any other reason need to be addressed without delay.	Urgent
Address at the earliest reasonable opportunity, <i>generally within six months</i> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.	Necessary
Address, <i>generally within six to 12 months</i> These recommendations relate to areas where the Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.	Beneficial

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Expenditure systems - Separate the preparer/approver functions within the purchase order system.	2.2	Necessary
Expenditure systems - Review the delegations work flow processes in the financial management system.	2.2	Necessary
Journal processing – Run reports to ensure all journals prepared and posted by the same user are independently checked.	2.2	Necessary
Journal processing – Periodically review access rights to users who can post to the general ledger.	2.2	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous year's recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	1	7	3	11
Implemented or closed	2	3	-	5
Matters that will be followed up during our final audit visit	1	2	-	3
Total	4	12	3	19

2 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

2.1 Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of those charged with governance, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

We consider that a culture of honesty and ethical behaviour has been created. The elements of the control environment provide an appropriate foundation for other components of internal control.

2.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

Internal controls	Findings
Revenue - rates	<p>Key systems and controls over the rates system are operating as intended.</p> <p>We noted no control breakdowns or issues that require us to bring to your attention.</p>
Other revenue	<p>Key systems and controls over other revenue system are operating as intended.</p> <p>We noted no control breakdowns or issues that require us to bring to your attention.</p>
Expenditure	<p>Key systems and controls over the various expenditure systems are operating as intended.</p> <p>We noted the following control breakdowns or issues that require us to bring to your attention.</p> <p>Our sample included the following exceptions:</p> <ul style="list-style-type: none"> The system allows for a single user to raise a purchase order and approve it, if it is within their delegated authority limit. <p>We recognise the Council are making attempts to eliminate this process and we were provided with the following analysis from finance:</p> <div data-bbox="724 1055 1275 1440" style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>Self-authorised purchase orders during the financial year</p> <p>From July-April 2019, there have been 2,097 self-authorised purchase orders accounting for \$2.575 million of the Council's expenditure YTD.</p> <p>In this time 117 of these purchase orders exceeded \$5,000, with the largest purchase order being self-approved being \$58,000 in March 2019.</p> <p>The % of self-authorised purchase orders has decreased from 44% to 16% from July to April.</p> </div> <ul style="list-style-type: none"> Our sample included a purchase order that was approved outside the tolerance limits. At this point the amount exceeded the individual's delegated authority. We only identified one instance of this in our testing and at this point do not know the extent of this issue.

Internal controls	Findings
	<p>Recommendation</p> <p>Management should interrogate the whole population of expenditure items to ensure delegation limits are enforced by the system in line with policy.</p> <p>Furthermore, the preparer/approver functions must be separated within the purchase order system, so all purchase orders are independently approved.</p> <p>Management comment</p> <p><i>The PO system has a tolerance level of + or – 15% or \$ 500 (the lesser of the 2). If an invoice received is within this tolerance the invoice will auto match and the purchase order is not required to be reopened and re-authorised. We have been having issues periodically with the \$ 500 limit not functioning. Our software supplier are looking in to it for us.</i></p> <p><i>This particular invoice was auto matched. It should not have happened as the difference was above \$ 500 tolerance limit. It was a 12.4% variation.</i></p> <p><i>Council staff are currently looking at interim options to check that the tolerance levels are occurring.</i></p>
Payroll	Key systems and controls over the payroll processing function are operating as intended.
Property, plant and equipment	<p>We reviewed the property, plant and equipment processes and systems. As we have highlighted in prior years, no regular fixed asset register reconciliations is performed during the course of the year.</p> <p>In addition, the Council does not have an asset disposal policy in place and this presents a risk of misappropriation of Council's assets.</p> <p>Our prior year recommendations were as follows:</p> <p>Given the high asset base of the Council, a regular reconciliation process is vital for the maintenance of accurate records and monitoring of assets.</p> <p>We also recommend the development of an asset disposal policy which clearly sets out the procedures and delegations for asset disposals.</p>

Internal controls	Findings
	<p>Management comment</p> <p><i>The majority of our assets are infrastructure constructed over a long period of time, and Council staff don't consider regular reconciliation to be efficient. Assets are always updated and reconciled as part of year end, the exception is motor vehicles which are updated as vehicles changes occur.</i></p> <p><i>In regards to the development of an Asset Disposal Policy. Council staff are in the early stages of developing this policy.</i></p>
<p>Reconciliations for key accounts</p>	<p>We reviewed a number of key reconciliations as part of our testing. These included the bank, debtor, suspense and creditor accounts.</p> <p>Our findings showed that a number of these were not independently reviewed or the review took place sometime after preparation.</p> <p>From discussions with management there is a high level check which is performed each month-end but this is not evidenced and therefore we were unable to verify this.</p> <p>Recommendation</p> <p>Key reconciliations should be reviewed timely, at least within five days after the date of preparation and evidenced as such. This is important to give an oversight over key balances and any errors can be followed up as necessary.</p> <p>Management comment</p> <p><i>The month end process has been amended to ensure that key reconciliations are being reviewed as part of the month end process.</i></p>
<p>Journal processing</p>	<p>Further improvements could be made to the journals processing systems as follows.</p> <p>Our testing of access rights resulted in identifying one users who had access to post journals who did not require this access as part of their roles.</p> <p>Also in some instances users are required to prepare and post their own journals which are subsequently independently reviewed.</p> <p>There is a risk that any inappropriate journals posted would not go through the review process and could be</p>

Internal controls	Findings
	<p>undiscovered in the general ledger. A report would address this risk, ensuring all journals have been through appropriate checks.</p> <p>Recommendation</p> <p>Access rights should be reviewed periodically to ensure all users are appropriate.</p> <p>To further enhance this process we recommend a report be run each month, reviewed and evidenced as such to ensure all journals are captured and all journals that are in the system are bonafide.</p> <p>Management comment</p> <p><i>Recommendation noted with regards to access rights being reviewed on a regular basis. Staff will establish a monthly report and associated review process in relation to journals.</i></p>

3 Other findings from our interim audit



3.1 Service performance information

The Council is required to report against its 2018-28 LTP which includes a set of mandatory performance measures covering water supply, wastewater, storm water drainage, flood protection and roading and footpath activities.

Council implemented the CAMM's performance reporting tool in 2018 which has improved the transparency of information and reporting of performance measures. As part of our interim audit, we reviewed a number of performance measures to ensure the tool did not provide any loss of audit trail and found no issues in tracing measures back to supporting documentation. We therefore have concluded that there is appropriate service performance reporting processes in place. We will also report on this at the final audit.

3.2 Internal audit

From enquiries held with management we note that management is establishing an internal audit function via outsourcing. We endorse the establishment of the internal audit function as it is vital to the internal control environment of the Council in terms of monitoring the effectiveness of internal controls. The next step for the Council is to implement a work plan which reflects the Council's areas of highest risk and priority should be given to these areas.

Management comment

Comments noted.

3.3 Fraud risk management

An external contractor was engaged in March 2018 to provide the Council with a gap analysis and a fraud and corruption risk assessment. We have reviewed their findings in which they provided a number of recommendations to further improve controls and processes over fraud risk management. Our understanding is a number of these are being addressed currently and further work is being undertaken on recommendations made by the external provider where the Council determines the risk as low and therefore are accepting the risk. We will follow up progress on this at the final audit.

In our previous interim report for the year ended 30 June 2018 we reviewed the fraud risk policy and we reviewed the policy against the key elements suggested by AG ISA (NZ) 240 Fraud. The policy and procedures provide sufficient information on the processes for dealing with suspected acts of fraud, however we have not identified the principle that "recovery of lost money or other property will be pursued wherever practical and appropriate."

Recommendation

We recommend the Council continues to address recommendations made in the report by the external contractor to further reduce opportunities identified for fraud, corruption and error.

Management comment

Staff have undertaken a detailed review of the recommendations made and identified actions required. A report summarising this was provided to the Finance and Audit committee at their March 2019 meeting and will be further considered at their June 2019 meeting. Actions have been delegated to relevant staff and anticipated completion dates captured.

3.3 Sensitive expenditure

The Council adopted an all-encompassing Sensitive Expenditure policy in October 2018. We have reviewed the policy against the OAG good practice guidelines and found that for the most part the new policy incorporates all aspects of sensitive expenditure.

Elements to consider on the next review would be:

- A statement that credit cards should not be used for personal use.
- Include guidelines for stopovers for travel.
- Include dollar amounts for costs per head for catering purposes.

- Loyalty rewards for air points – the current policy allows for these to remain property of the employee however good practice states these should be reconciled and remain for the use of the Council.

We do not find these omissions to be significant and should instead be taken into consideration for the next review date of the policy.

Management comment

The sensitive expenditure policy is due for review in October 2021. Consideration will be given to the matters identified above and the review undertaken earlier than planned if considered necessary.

3.4 Policy development and review

We recognise the Council has made significant efforts to update a number of frameworks and policies in the current year such as conflicts of interest, sensitive expenditure, risk management and project management. From discussions with management the remaining out of date policies such as procurement and contract management are scheduled to be updated and a number of steps in the process are currently underway.

3.4.1 Procurement

The Procurement Policy was last reviewed and updated in 2010. From discussions held with management, work is underway on reviewing and updating the policy to align with the project management framework which is under development. We assessed the Council as having a moderate level of procurement inherent risk mainly due to an absence of a dedicated team or office which has oversight over the individual procurements that are done at an activity level.

Additionally the review completed by the external contractor in 2018 as per section 3.3 of this report (fraud risk management) included a number of recommendations in relation to procurement where gaps in processes allow for fraud, corruption and operational errors to occur.

Recommendation

Procurement is devolved and managed at an activity level within the Council. We accept this structure as reasonable and fit for purpose, however there should be good oversight and coordination of staff with devolved procurement responsibilities. This ensures the central management of procurement risks and legal compliance issues.

Furthermore, the review of the procurement policy must be finalised as it has been on-going for some years now. Recommendations made by the external contractor should be addressed and incorporated into the updated policy.

Management comment

The procurement policy revisions are in the final stages of completion and we anticipate adoption in the coming months. In addition to the policy, a procurement manual is in development to capture and communicate with clarity the operational application and requirements for the revised procurement policy.

3.4.2 Contract management

We assessed the contract management risk as moderate. We continue to emphasise on the development of a formalised approach to contract management and develop a contract management policy.

From discussions held with management the Council is first focussing on the development of the procurement policy and a contract management policy will be developed after the procurement policy and processes are complete and therefore scheduled for later in the year.

Management comment

As above, the initial focus has been on the restructure of the Services and Assets Group, establishing both a project delivery team and contract manager's within each of the activities. These changes have positioned the organisation well to address these gaps. As these teams bed in, part of the next steps will involve the establishment of the contract management policy with associated consistency and application of processes.

3.4.3 Conflicts of interests

We assessed the Council as having a moderate level of conflict of interest inherent risk. The policy was recently reviewed and a new version adopted in October 2018 as the last version was last updated in 2013. For elected members, the Conflict of Interest policy is embedded in the Code of Conduct for Council, Community Boards and Subcommittees and was adopted by Council in 2016.

3.4.4 Risk management

The risk management framework was adopted in October 2018 which amalgamates the risk policy, risk register, and risk matrices among others into a single framework. We have reviewed the framework and concluded this contains all aspects required for the framework, and the risk register has no obvious omissions that we would consider to be significant for inclusion.

3.4.5 Project management

As part of our interim audit we updated our understanding of the Council's project management framework. The Council has recently introduced a project management reporting tool (CAMP's) which aims to monitor projects from inception to completion.

Audit sighted a number of projects within the system. Currently the tool does not interface with the financial management information system. Once this has been enabled, it will allow for project monitoring each month and throughout the lifetime of the project against budgets/forecasts. Once fully implemented, this tool should allow for better monitoring of projects, including any significant projects undertaken.

Our overall risk assessment for project management has been assessed as moderate, largely due to the absence of a formal, industry standard project management methodology and meeting of deadlines and budgets.

Recommendation

Council continues the development of their project management framework which outlines the methodology and procedures to follow in order to complete projects within budgets.

Management comment

Although automated integration has not been established, processes will be needed to undertake a manual monthly reconciliation of project financial data with the financial management system in the interim. This is still in the discussion and development stage.

Formal industry standard project management methodology is in the process of being established as the new Project Delivery Team has now been created and is bedding in their processes and systems.

4 IT general control environment

4.1 Audit approach

We performed an Information Technology (IT) general controls review (ITGC). This work aims to assess whether the IT general controls are effective and whether they adequately support the applications upon which we plan to rely and reduce our detailed testing.

This review consisted of an assessment of the design (of all) and operational effectiveness (of selected) activity level controls. The areas we reviewed include: Manage Security Services (operationally tested); Manage Changes, Change Acceptance and Transitioning (operationally tested); Manage Service Requests and Incidents; Manage Continuity and Manage Availability and Capacity.

Overall, we found that our control objectives are being met by the policies, processes and controls operating within IT Services. No new issues were discovered during our work over IT general controls. Three issues were carried forward from last year. None have been fully addressed and updates are contained in Appendix 1.

5 Useful publications



Based on our knowledge of the Southland District Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
Client updates	
<p>In March 2019, we hosted a series of client updates. The theme was “Our high performing and accountable public sector”.</p> <p>These included speakers from both Audit New Zealand and external organisations.</p>	<p>On our website under publications and resources.</p> <p>Link: Client update</p>
Model financial statements	
<p>Our model financial statements reflect best practice we have seen to improve financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	<p>On our website under publications and resources.</p> <p>Link: Model Financial Statements</p>
Data in the public sector	
<p>The Office of the Auditor-General (the OAG) has published a series of articles about how data is being used in the public sector. These cover:</p> <ul style="list-style-type: none"> • functional leadership; • building capability and capacity; • collaboration; and • security. <p>These articles may be of use to the Council.</p>	<p>On the OAG’s website under publications.</p> <p>Link: Data in the public sector</p>

Description	Where to find it
Matters arising from the 2016/17 audits	
The OAG has published a report on the results of the 2016/17 audits for the sector.	On the OAG's website under publications. Link: Recent publications
Audit Committees	
The OAG has released various best practice information on Audit Committees.	On the OAG's website under "Our Work – Audit Committee Resources" Link: Audit Committee Resources

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Urgent		
<p>Given the high asset base of the Council, regular reconciliation process is vital for the maintenance of accurate records and monitoring of assets.</p> <p>We also recommend the development of an asset disposal policy which clearly sets out the procedures and delegations for asset disposals.</p>	2018	<p>Open</p> <p>Our testing showed that both these recommendations are still open.</p>
Necessary		
<p>Related parties and conflicts of interest</p> <p>We recommend that all interests are declared in the interest register. In order to ensure completeness we recommend the Council perform a search of companies' office, charities register and incorporated entities register.</p>	2017	<p>Open</p> <p>Our testing showed a number of interests were not included. From discussions made with staff further checks over the completeness of registers will be completed in June in preparation of the annual report.</p>
<p>Procurement</p> <p>We recommend that there should be good oversight and coordination of staff with devolved procurement responsibilities. This ensures the central management of procurement risks and legal compliance issues.</p> <p>We also recommend that the review of the procurement policy be finalised as it has been on-going for some years now.</p>	2018	<p>In progress</p> <p>From discussions with management the policy is still under review and is expected to be adopted later this year. The policy is being developed to ensure good oversight and coordination of staff is managed.</p> <p>Refer to section 3.4.1 for further findings.</p>
<p>Project management</p> <p>We recommend the development of a project management framework ahead of the recommencement of Council's significant capital projects as the framework will outline the methodology</p>	2018	<p>In progress</p> <p>The Council has implemented CAMMs project tool which will be used to monitor project success. At this stage the tool is not integrated with the financial management system to allow for monitoring against budget, however this</p>

Recommendation	First raised	Status
and procedures to follow in order to complete projects within budgets.		reconciliation will occur manually until integration is achieved. Refer to section 3.4.5 for further findings.
Contract management No formal approach or policy regarding contract management.	2018	Open There has been no progress at present in relation to a policy for contract management. From discussions with management contract managers have now been established in each activity team which will improve contract management. Refer to section 3.4.2 for further findings.
Council policies Ensure all policies are up to date and periodically reviewed.	2017	In progress We recognise the Council has made significant efforts to update a number of frameworks and policies in the current year such as conflicts of interest, sensitive expenditure, risk management and project management. From discussions with management the remaining out of date policies such as procurement and contract management are scheduled to be updated. The fraud policy is not due to be reviewed until 2020 and will consider our recommendations to add additional sections.
Untimely review of bank reconciliations We recommend that the month end bank reconciliations be reviewed timely at least within five days after the date of preparation.	2018	Open No improvements have been evidenced from our testing, we have provided further information regarding this in section 2.2 - internal controls.

Recommendation	First raised	Status
Recommendations from New Zealand Transport Agency (NZTA) Audit During the year NZTA has completed two audits on the Council's investment performance. We would like to draw attention to a couple of NZTA's recommendations on the procurement strategy and late tender policy. NZTA recommended that the Council updates their procurement strategy to reflect the NZTA in-house professional service policy requirements and that the updated strategy document should be endorsed by NZTA. NZTA also recommended that the late tenders' policy is included in all contract tender documents.	2017	In progress The Council's procurement policy is in the process of being updated as part of the project management platform development.
Beneficial		
Super user accounts Reset administrator password and reduce dependence on this account.	2017	In progress The password has not been changed yet due to a technical challenge. Council is working on a solution and will reset this password once a solution has been identified.
Formal IS agreement Develop a formal agreement with Invercargill City Council (ICC) for the information systems services they provide.	2017	Open There is still no formal IS agreement in place but planning has been completed for migrating the remaining servers hosted by ICC back to Council.
No formal disaster recovery plan in place The Council should develop a disaster recovery plan that will meet business requirements in the event of a disaster. Once developed this should be tested to ensure it would be effective in supporting the Council in the event of a disaster.	2018	Open There is still no formal disaster recovery plan in place but the Council are busy reviewing their production systems and software applications with the intent of preparing a draft by the end of the 2019 calendar year.

Implemented or closed recommendations

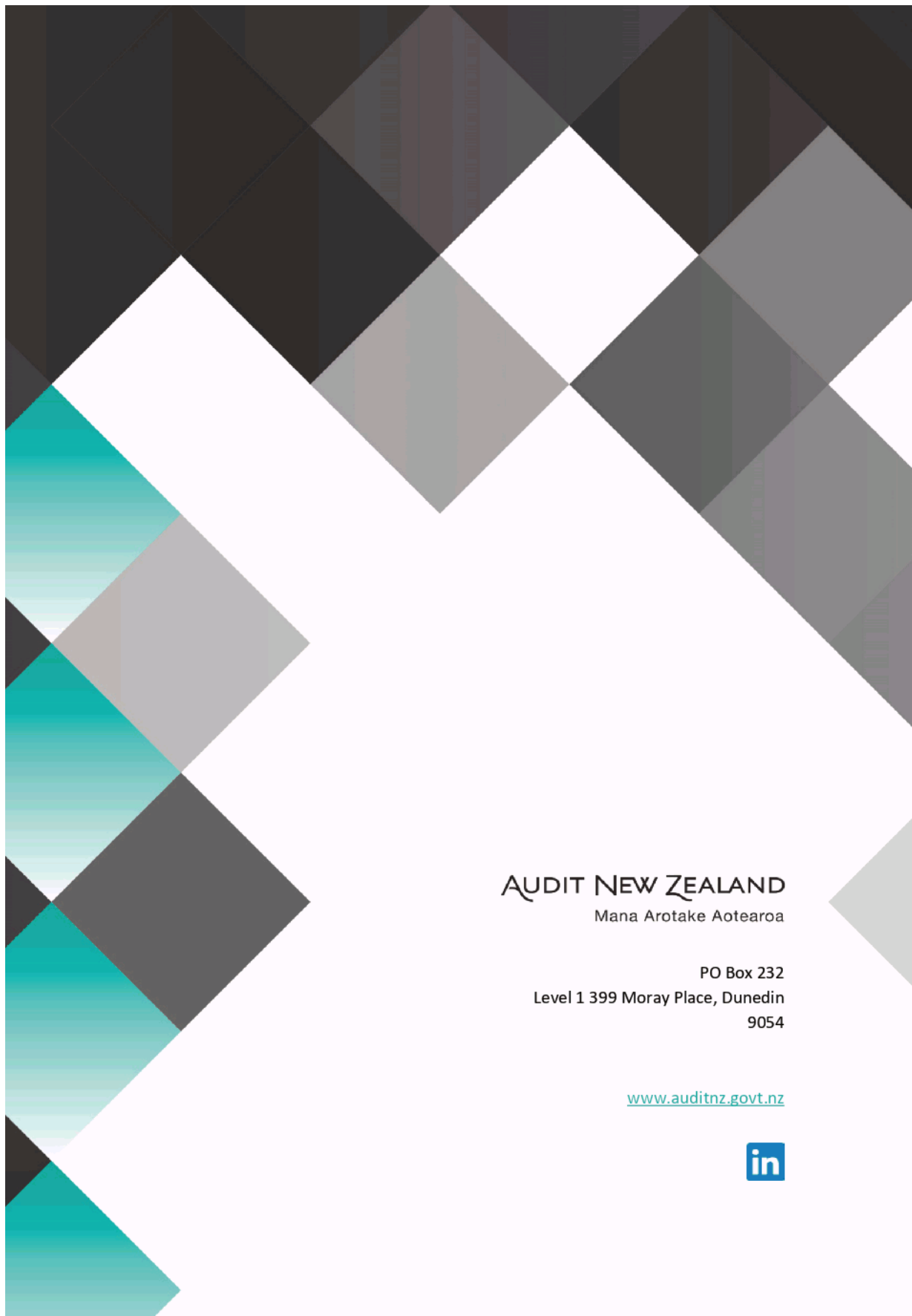
Recommendation	First raised	Status
Urgent		
Legislative compliance The Council is at present working on the Corporate Performance Framework which will address the legal compliance monitoring and maintenance of a Council-wide Legislative Compliance Register and this is expected to be implemented in July 2018.	2017	Implemented The Corporate Performance Framework was adopted in July 2018 which addresses legal compliance monitoring.
Revenue – rates The Council should implement further controls over checking the rates struck agree to the resolution and Annual Plan 2017/18. To prevent errors in the future, the amounts loaded in the system (not just the manual hard copy) should be checked by at least two independent persons prior to going live.	2018	Implemented Additional checks have been introduced to ensure additional checks of rates information is undertaken.
Necessary		
Revenue – credit notes We recommend the implementation of delegations over credit notes.	2018	Implemented An updated delegations manual was adopted in April 2019 which included limits for approving credit limits.
Conflicts of Interest Policy We recommend that the conflicts of interest policy be reviewed and updated.	2018	Implemented The conflicts of interest policy was reviewed and an updated version was adopted by the Council in October 2018.
Risk management We endorse the development of a risk management framework as it provides the basis for the development and maintenance of a coordinated set of activities to respond to risks that may affect the ability of the Council to achieve its mission and strategic objectives. We also recommend the engagement of an external contractor to assist in the framework development.	2018	Implemented A risk management framework was developed and adopted in November 2018.

Recommendations we will follow up at the final audit

Recommendation	First raised	Status
Urgent		
<p>Variance noted between RAMM and the Bridge Valuation spreadsheet</p> <p>Update RAMM in a timely period after a revaluation.</p> <p>The roading team checks to ensure that the values in the valuation report match the values in RAMM.</p>	2018	We will review the status of this recommendation as part of the audit.
Necessary		
<p>Milford Community Trust not consolidated</p> <p>There are new accounting standards which become effective for periods beginning on or after 1 January 2019 relating to Consolidation and Separate financial statements - PBE IPSAS 34 and 35. Early adoption is available. The Council should begin the review process of these standards to determine if early adoption is appropriate. Until such time as these standards are mandatory, the requirements of PBE IPSAS 6: <i>Consolidated and Separate Financial Statements</i> apply and the Council should review the recognition principles to ensure that the Council complies with these requirements.</p>	2017	We will review the status of this recommendation as part of the final audit.
<p>Investments in associates/Joint ventures</p> <p>The Council includes the financial and non-financial results of these interests in going forward in order to comply with the financial reporting standards.</p> <p>A thorough assessment is performed to identify interests that that the Council has in other entities.</p> <p>The Council confirms that consistent accounting policies are being applied by the group entities.</p>	2017	We will review the status of this recommendation as part of the audit.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Southland District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, other than the audit, we have no relationship with, or interests in, the Southland District Council.</p>
Fees	<p>The audit fee for the year is \$118,349, as detailed in our Audit Proposal Letter.</p> <p>To date, no other fees have been charged in this period.</p>
Other relationships	<p>To date, we are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Southland District Council that is significant to the audit.</p> <p>We are not aware of any situations to date where a staff member of Audit New Zealand has accepted a position of employment with the Southland District Council during or since the end of the financial year.</p>



Attachment B

Matters from 2018 Final Management Report	What are we doing	Responsibility	Current Status	Current Due Date	Original Due Date
Variance noted between RAMM and the Bridge Valuation Spreadsheet <ul style="list-style-type: none"> Update RAMM in a timely period after a revaluation. Roading team checks to ensure that the values in the valuation report match the values in RAMM. 	Review the relevant processes to ensure this issue does not occur in the future.	Hartley Hare	RAMM has been updated by OPUS for 2018 values. Roding Team need to complete quality assurance review to ensure the values are consistent with the valuation.	June 2019	June 2019
Milford Community Trust (MCT) not consolidated The Council consolidates the results of MCT in line with financial reporting standards.	Prepare an accounting position paper on this matter and present to the Finance and Audit Committee.	Sheree Marrah	Complete – report provided to Committee in December 2018 and follow up report included in June 2019 agenda.	N/A	
Investments in associates/Joint Ventures The Council includes the financial and non-financial results of these interests in going forward in order to comply with the financial reporting standards. A thorough assessment is performed to identify interests	Prepare an accounting position paper on this matter and present to the Finance and Audit Committee.	Sheree Marrah	Complete – report provided to Committee in December 2018 and follow up report included in June 2019 agenda.	N/A	

Matters from 2018 Final Management Report	What are we doing	Responsibility	Current Status	Current Date	Due Date	Original Due Date
that that the Council has in other entities. The Council confirms that consistent accounting policies are being applied by the group entities.						

Matters from 2018 Interim Management Report	What are we doing	Responsibility	Current Status	Current Date	Due Date	Original Due Date
Procurement <ul style="list-style-type: none"> Recommend that there should be good oversight and coordination of staff with devolved procurement responsibilities. This ensures the central management of procurement risks and legal compliance issues; and Recommend that the review of the Procurement Policy be finalised as it has been on-going for some years now. 	<p>New Project Management Framework will incorporate the necessary workflows and management interventions.</p> <p>Will be developed as part of the Project Management Framework.</p>	Matt Russell	<p>Project Management Framework now up and running which will ensure improved oversight of the projects Council's undertakes. Procurement policy now drafted for internal review prior to formal sign-off. Procurement module in development in CAMMS.</p> <p>Further work still being undertaken to integrate the financial results into CAMMS.</p>	December 2019		Anticipated to be completed in the first quarter of 2019, then June 2019
Contract management Continue to recommend the development of a formalised approach to contract	Although a Contract Management Policy	Matt Russell	Contract management improvements are ongoing. Register established, Policy not yet developed, and unlikely in next 12-months.	Ongoing		Anticipated that the formalised approach to contract

Matters from 2018 Interim Management Report	What are we doing	Responsibility	Current Status	Current Due Date	Original Due Date
management and develop a Contract Management Policy.	has not yet commenced, contract management functions have been contemplated through the design of the Project Management Platform in the process of being developed.		Contract Managers now established in each Activity team. Commercial Infrastructure Manager also established. 17A review addressing Community Facility contracts following rep review structure revisions early 2020.		management will be completed in the first half of 2019.
Conflicts of interests Recommend that the Conflict of Interest Policy be reviewed and updated.	Policy reviewed and adopted on 8 October 2018	Rex Capil	Complete	N/A	
Risk Management Recommend the engagement of an external contractor to assist Council is in the process of developing of a Risk Management Framework as it provides the basis for the development and maintenance of a coordinated set of activities to respond to risks that may affect the ability of achieving its mission and strategic objectives.	The Risk Management Framework adopted by Council at 7 February 2019 meeting.	Rex Capil	Complete	N/A	June 2019

Matters from 2018 Interim Management Report	What are we doing	Responsibility	Current Status	Current Due Date	Original Due Date
Project Management Recommend the development of a Project Management Framework ahead of the recommencement of Council's significant capital projects as the framework will outline the methodology and procedures to follow in order to complete projects within budgets.	The project management platform is on track to be completed by the end of this calendar year.	Matt Russell	Refer comments above regarding project management in the procurement section.	December 2019	December 2018
Internal Controls					
Rates Council should implement further controls over checking the rates struck agree to the resolution and Annual Plan 2017/18. To prevent errors in the future, the amounts loaded in the system (not just the manual hard copy) should be checked by at least two independent persons prior to going live.	Additional steps have been included in the rate setting process documentation to enable checks of the live system.	Sheree Marrah	Complete	N/A	
Other revenue Recommend the implementation of delegations over credit notes.	Council delegations have been updated to include the positions and	Sheree Marrah	Complete	N/A	

Matters from 2018 Interim Management Report	What are we doing	Responsibility	Current Status	Current Due Date	Original Due Date
	approval limits associated with these for credit notes.				

<p>Property, plant and equipment</p> <p>Given the high asset base of the Council, regular reconciliation process is vital for the maintenance of accurate records and monitoring of assets.</p>	<p>A detailed a fixed asset reconciliation is undertaken at year end. Council's fixed asset register is a manual spreadsheet with no automation and therefore is very labour intensive. Going forward Council will reconcile asset classes on a monthly basis where appropriate, however it should be noted that the majority of Council's assets are constructed over an extended period of time, and therefore monthly reconciliations are not efficient.</p>	<p>Sheree Marrah</p>	<p>In Progress</p>	<p>June 2019</p>	
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Matters from 2018 Interim Management Report	What are we doing	Responsibility	Current Status	Current Due Date	Original Due Date
Property, plant and equipment (continued) Recommend the development of an Asset Disposal Policy which clearly sets out the procedures and delegations for asset disposals.	Council will develop a policy as part of our future work plan.	Sheree Marrah	In progress	December 2019	To be confirmed
Bank Reconciliations Recommend that the month end bank reconciliations be reviewed timely at least within five days after the date of preparation.	The month end process has been updated to ensure the bank reconciliations are formally reviewed within the first five working days of the month following.	Sheree Marrah	In progress	June 2019	
Related parties and conflicts of interest Recommend that all interests are declared in the interest register. In order to ensure completeness we recommend the Council perform a search of companies' office, charities register and incorporated entities register.	Council will instigate a search of the companies office, charities register and incorporated entities register for completeness	Clare Sullivan	In progress	June 2019	To be confirmed

Matters from Previous Management Reports (Pre 2018)	What are we doing	Responsibility	Current Status	Current Due Date	Original Due Date
Policies Ensure all policies are up to date and periodically reviewed.	A policy database has been established, and a register is in the process of being developed. These will result in a scheduled update and review programme to ensure it is managed more effectively.	Rex Capil	In progress Policy staff are currently finalising the schedule and review programme	June 2019	June 2019
Contract Management Develop a formal approach to contract management. Develop a Contract Management Policy.	A consolidated contract register capturing past, present and upcoming contract obligations and exposure is to be developed. A contract management policy will also be established.	Matt Russell	Refer contract management commentary above.	Ongoing	Ongoing

Matters from Previous Management Reports (Pre 2018)	What are we doing	Responsibility	Current Status	Current Due Date	Original Due Date
<p>Legislative compliance</p> <p>Develop a formal system for legislative compliance.</p>	<p>During the latest LTP round, Council contracted an external consultant to help with creating the new CPF. Every department were asked to revisit and re-established their KPI's during this process. Key Legislative Compliance requirements were also identified and included during this process. This process then allows to formalise key legislative requirements.</p> <p>This has been further supported with the Finance and Audit Committee at its 26 March 2019</p>	Rex Capil	Complete	N/A	June 2018

Matters from Previous Management Reports (Pre 2018)	What are we doing	Responsibility	Current Status	Current Due Date	Original Due Date
	meeting recommending that Council adopt the draft Delegation Manual – which includes legislative compliance matters				
Super user accounts Reset administrator password and reduce dependence on this account.	Production SQL server has technical authorisation issues which require testing and resolution by specialist staff.	Trudie Hurst	In progress. The technical challenge has been addressed and the updates to the required systems is underway with the goal to complete by 30/05/2019	May 2019	November 2018
Formal IS Agreement Develop a formal agreement with Invercargill City Council should the Council retain the IS services provided by the Invercargill City Council.	Plan to disengage with ICC for the IS services they provide and requires infrastructure change to on-site data centre prior to this which is causing the delay.	Trudie Hurst	In progress. The migration is on hold until the server infrastructure upgrade planned for Q3 is completed	December 2019	December 2018

Matters from Previous Management Reports (Pre 2018)	What are we doing	Responsibility	Current Status	Current Due Date	Original Due Date
Formal Disaster Recovery Plan <p>The Council should develop a disaster recovery plan that will meet business requirements in the event of a disaster. Once developed this should be tested to ensure it would be effective in supporting the Council in the event of a disaster.</p>	Develop a disaster recovery plan.	Trudie Hurst	A draft plan will be developed once the new infrastructure and computing environment has been confirmed	June 2020	
Recommendations from NZTA audit <p>In 2017 NZTA completed two audits on the Councils investment performance. NZTA recommended that the Council updates their procurement strategy to reflect the NZTA in-house professional service policy requirements and that the updated strategy document should be endorsed by NZTA. NZTA also recommended that the late tenders' policy is included in all contract tender documents.</p>	Considering these recommendations in developing the updated procurement policy.	Matt Russell	Refer comments above in the procurement section	December 2019	

Draft Insurance Policy

Record No: R/19/3/4892
Author: Sheree Marrah, Financial Accountant
Approved by: Anne Robson, Chief Financial Officer

☐ Decision ☒ Recommendation ☐ Information

Purpose

- 1 The purpose of this report is to establish an Insurance Policy (the draft Policy Attachment A). This policy will then guide Council staff in the insuring of Council's assets into the future. The committee is asked to recommend the adoption of this policy to Council.

Executive Summary

- 2 Staff have established this draft policy based on the current approach of Council in insuring its assets and accordingly mitigating its associated financial risk against loss or damage of its assets or particular events.
- 3 The position proposed in this policy is that Council's approach is to insure all assets, if possible, for replacement and mitigate any potential risks that may result in significant financial loss.
- 4 Staff are requesting the committee recommends the draft policy, which is included with the report as Attachment A, for adoption by Council.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled "Draft Insurance Policy" dated 7 June 2019.**
- 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) **Recommends to Council that it adopts the draft Insurance Policy, as attached to this report, including any amendments agreed at this meeting.**

Background

- 5 Council currently has no formal policy or process outlining the requirements for insuring its assets or business risks. Historically, staff have undertaken the renewal process in consultation with its insurance broker and relevant Council staff.
- 6 The position proposed in this policy, as has generally been undertaken previously, is to fully insure assets where possible for replacement and mitigate any potential risks that may result in significant financial loss. This is limited by what can be insured and exclusions within policies as well as the administrative cost of seeking cover when dealing with minimal amounts. Overall the approach is to limit the financial risk to Council from an event occurring. Additionally staff have made decisions on the processes to be followed to insure these assets. This policy attempts to capture these aspects.
- 7 Overall the objective of this policy is confirm and provide guidance to the staff as to the approach to be taken for insuring Council's assets and risks.
- 8 In preparing this draft policy (Attachment A) staff documented the current approach, and identified areas for improvement.
- 9 This policy has been reviewed by Council's insurance broker and suggested changes incorporated.

Summary of policy

- 10 Below is a summary of the key aspects of the Draft Insurance Policy (Attachment A).

Underground assets

- 11 This insurance policy provides coverage for key underground infrastructure, being water, wastewater and stormwater assets. These assets are insured at replacement/reinstatement value and the value is reviewed on an annual basis. Replacement/reinstatement value is established based on the annual revaluation provided for the preceding year's Annual Report.
- 12 Given the significant value of Council's underground assets (in excess of \$200 million) these assets may be insured using non-traditional insurance policies, such as a cash accumulation mutual pool, whereby members make an annual contribution in return for cover for the cost of restoring infrastructure as a result of a disaster. There is a risk with this approach that the cover available by the mutual pool will not sufficiently cover the total claims, especially when more than member is affected or there are multiple major events in an insurance year.
- 13 Please note, roads, footpaths and bridges are not insured. The insurance market currently does not provide coverage for roads and footpaths. We have been advised that coverage may be possible for bridges and will be investigated and discussed with the committee in the future. At this stage the market has identified Government's coverage of these in an emergency including potential NZTA funding for emergency events.

Material Damage

- 14 This policy provides coverage for aboveground infrastructure (water and wastewater treatment structures and plant), buildings (including specified non-Council owned buildings), airport runways, jetties/wharves, boat ramps, playgrounds, public toilets, associated contents and other specified assets as noted on the property schedule.

- 15 These assets are insured at replacement/reinstatement value (including demolition costs where appropriate), which is reviewed on an annual basis. The review comprises of either updating the insured value or by undertaking an independent valuation. Where an insurance valuation does not occur, Council staff will apply inflation to the prior year's insured value and review the assets for any known changes in value (additions, disposals, significant deterioration etc). Inflation is determined based on BERL cost indices for the relevant year or equivalent. Valuations for insurance purposes occur at an interval dependent on the value of the asset (see further discussion below in issues section).
- 16 Where a specific reason exists for an asset to be insured at less than replacement/reinstatement value (ie a specified value or indemnity value), Finance and Audit Committee approval is required.

Business interruption

- 17 This policy provides coverage for loss/increased costs as a result of an interruption to the business as a result of damage to property insured by the material damage policy.
- 18 This risk is insured based on a specified value. The value is determined based on the potential loss of specified revenues being:
- All individual revenue streams over \$10,000 per annum plus inflation
 - All commercial rentals over \$10,000 per annum plus inflation
 - All residential revenues over \$20,000 per annum plus inflation.
- 19 The revenues will be calculated based on actual revenue streams plus inflation and the policy provides coverage for up to 18 months post event.

Motor Vehicle

- 20 All Council owned vehicles covered under this policy are insured at market value, or replacement value for vehicles less than 12 months old. Market value is established using independent valuations by a suitably qualified party and consideration is given to extensive customisation (ie bookbus). Replacement value is represented by cost.

Standing Timber/Forestry

- 21 Council forestry are insured at market value. Market value is based on the annual revaluation provided for the preceding year's Annual Report, completed by a suitably qualified party. Insured events are fire and hail, windstorm and earthquake cover are excluded.

Crime/Fidelity Guarantee, Employers Liability, Statutory Liability, Public Liability, Professional Indemnity

- 22 These risks are all insured for a relevant specified value. The values are reviewed on an annual basis and amended as necessary.

Airport Owners and Operators Liability, Harbourmasters Liability and Wreck Removal

- 23 These risks are insured based on a specified value. The value is to be reviewed on an annual basis and amended as necessary.

Personal Accident

- 24 This policy provides coverage for executive management (24 hours a day, worldwide) and all other staff (24 hours a day whilst on Council business).
- 25 This risk is insured based on a specified value. The value and level of indemnity is to be reviewed on an annual basis and amended as necessary.

Travel

- 26 This policy provides coverage for disruption to travel, accident, illness, injury or death of a staff member and accompanying family members whilst travelling outside of New Zealand on authorised Council business and associated private travel.
- 27 This risk is insured based on the anticipated number of relevant overseas travel days. The level of indemnity is reviewed on an annual basis and amended as considered necessary.

Issues

Roads, footpaths and bridges

- 28 This policy has been prepared to specifically exclude insurance of roads, footpaths and bridge assets. This is on the basis that there is a limited availability of such insurance in the current market.
- 29 The risk associated with this approach is that Council will be liable for any damage caused to any of these assets, however noting that there is significant NZTA and government funding for such infrastructure.
- 30 As noted above staff will investigate options for bridge cover and come back to the committee in due course.

Revaluation of significant assets

- 31 During the development of this policy staff noted that some significant assets insured under the material damage policy do not appear to be subject to regular valuation.
- 32 The significant identified assets are the Te Anau/Manapouri Airport runway and the various wharves and jetties. Council staff considered the nature of these assets and the risk of significant damage or total loss and believe that a five-yearly revaluation frequency would be suitable. The policy has been drafted to include this proposed approach.
- 33 The only risk associated with this change is that there will be a cost associated with the insurance revaluation which in some instances will be borne by the relevant local community.
- 34 Staff will look to work with relevant activity managers to identify suitably qualified personnel able to undertake the appropriate valuations in time for the 2020/2021 renewal.

Revaluation frequency for Council owned buildings

- 35 Staff considered the current rising value of property within the district as well as increased construction costs and reflected on the current tiered approach to insurance revaluations and whether it was still appropriate. The table below indicates the current approach as well as the alternative proposed in the policy:

Revaluation frequency for insurance purposes	Building value			
	<i>Current</i>		<i>Alternative</i>	
5 yearly	< \$750,000	131 buildings	< \$1.0 million	145 buildings
3 yearly	\$750,001 - \$1.5 million	38 buildings	\$1.0 million - \$2.0 million	26 buildings
Annually	> \$1.5 million	14 buildings	> \$2.0 million	12 buildings

- 36 Council staff considered the nature of these assets and the risk of significant damage or total loss and believe that the alternative valuation frequency would still be suitable.
- 37 The risk associated with this change is that in the event of significant or total loss to one of our buildings, the insurance coverage is insufficient to replace the building based on an valuation that it out of date. Given that it is only properties under \$2.0 million which are being valued 3 or 5 yearly, and the revaluation is updated annually for an inflation factor, the likelihood of a shortfall is minimal. Council's broker concurs with this approach and notes that the risk may be increased where building costs have increased faster than inflation. To address this, staff will assess in the intermediate years if based on property factors in the market (eg: sales prices increasing greater than inflation) means a review needs to occur earlier.
- 38 The 2019/2020 insurance policy has been based on the current method described above. If the committee approves the policy the alternative method will be used for the 2020/21 insurance policy.

Insuring non-Council owned assets

- 39 For a number of years, Council has insured approximately 21 non-Council owned assets, predominately sports clubs and halls. This was initially done to assist the communities, as Council was able to obtain more competitive premiums given the volume of assets that we insure. However, community groups now have policies with a \$5,000 excess which potentially is not suitable to the nature of their activities and risks. It also exposes Council to a level of additional risk that we have no control over, ie if there is frequent claims for non-Council owned assets, this will increase our claims history and potentially future premiums. To date claims have been minimal.
- 40 Staff wish to take this opportunity to seek confirmation from the Committee that they agree to continue to insure the existing non-Council owned assets. The policy has been drafted to continue to do this.

Demolition cover for assets other than buildings

- 41 The policy has been developed to provide for demolition costs to be covered in any claim. Although the current policies incorporate this in the values insured, during the development of this policy staff noted that they are not covered in the material damage schedule for the airport runway, water and wastewater buildings/structures and a number of non-building assets (such as wharves, jetties etc). These assets are valued at around \$6.8 million.

- 42 Staff will work to incorporate these costs in future insurance renewals.

Windstorm and Earthquake coverage for Forestry assets

- 43 During the development of this policy staff noted that Council's current forestry policy only includes cover for hail and fire events. Excluded is coverage for windstorm and earthquake events.
- 44 The risk associated with this is that Council will not be covered for any damage to its forests incurred by windstorm or earthquake. Staff are seeking guidance from its forestry managers to further understand the risk associated with not having this cover in place. Additionally Council staff have requested quotes for this coverage from its insurance broker, however note that these will not be available in time for the 2019/2020 renewal.

Factors to Consider

Legal and Statutory Requirements

- 45 Section 101 of the Local Government Act requires Council to manage its finances prudently and provide for current and future interests of the community.

Community Views

- 46 Council staff have not specifically sought community views, however staff believe that the public will be in support of the intent of the policy ensuring Council has appropriate insurance in place to mitigate its risk.

Costs and Funding

- 47 There is no specific cost with the establishment of this policy, however, the final policy will affect Council's approach to insurance, and may result in additional premiums and/or insurance revaluation costs.

Policy/Risk Implications

- 48 Council staff have considered this draft policy in conjunction with other Council policies as outlined in section 10 of the draft Insurance Policy.
- 49 The main risk associated with this policy is that Council's level of insurance may not be sufficient to cover the full amount of any loss/damage. For this reason Council holds a specified disaster recovery reserve (approximately \$1.4 million) as well as the ability to access government funding in the event of a natural disaster. As discussed in Council's financial strategy, Council currently has no external borrowings, and therefore there is capacity available to borrow external debt if required.
- 50 Staff consider this risk can also be mitigated with the implementation of this policy and the continued support and guidance from Council's insurance broker.

Analysis

Options Considered

- 51 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 Insurance Policy, including any amendments agreed at this meeting;
- Option 2: That the committee recommends major changes to the draft insurance policy and this is brought back to the committee at a future date.

Analysis of Options

Option 1 – That the committee recommends to Council that it adopts the draft Insurance 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 assets and risks and approach to insurance. It is good practice in the local government sector to have Council's approaches documented in a policy.• Provides Council staff with guidance on its approach to insuring its assets and business risks.	<ul style="list-style-type: none">• None identified

Option 2 – That the committee recommends major changes to the draft Insurance Policy and this is brought back to the committee at a future date

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• If the staff approach to the proposed draft policy is incorrect it can be rectified by revisiting the policy.	<ul style="list-style-type: none">• None identified

Assessment of Significance

- 52 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.
- 53 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).
- 54 As noted above Council staff believe that the public will be in support of the intent of the policy ensuring Council has appropriate insurance in place to mitigate its risk.

Recommended Option

- 55 It is recommended that the committee recommends to Council that it adopts the draft Insurance Policy, including any amendments agreed at this meeting (Option 1).

Next Steps

- 56 If the committee proceed with Option 1, staff will make any agreed amendments from this meeting and present the draft Insurance Policy to Council at its meeting on 7 February 2019, for adoption.
- 57 Additionally the approaches outlined in this policy, where possible (due to time constraints), will be followed in preparation for the 2019/2020 insurance renewal due on 30 June 2019.

Attachments

- A DRAFT Insurance Policy [↓](#)



DRAFT Insurance Policy

Group responsible: Financial Services

Date approved: TBC

File no: r/19/3/4902

1. Purpose

Council's approach to insurance is to insure all assets if possible, for replacement and mitigate any potential risks that may result in significant financial loss.

Accordingly, the purpose of this policy is to:

- Set guidelines for Council staff to insure Council's assets and business risks
- mitigate Council's exposure to the effects of business risks
- mitigate Council's exposure to potential loss
- outline Council's approach to insurance.

2. Definitions and abbreviations

TERM	MEANING
Contents	these are personal possessions, for example, things like furniture, computers, equipment, business tools, carpets, curtains etc.
Council	Southland District Council
Excess	the amount of a claim that you have to pay yourself. For example, a standard excess might be \$1,000. So you would pay the first \$1,000 of any claim on that policy, and your insurer pays the rest.
Indemnity value	this is an item's current value allowing for its age and condition, immediately before the loss or damage happened.
Insurance broker	a person or company registered as an adviser on matters of insurance and as an arranger of insurance cover with an insurer on behalf of a client.
Insurance premium	this is the amount you pay the insurer to have your property or personal effects insured. Depending on the type of cover you have, your premium can also include Earthquake Commission and Fire Service levies. When you pay your premium, you accept the policy offered by the insurance company.
Market value	the cost of replacing the same asset in the same condition in the current market.

DRAFT Insurance Policy
Enter publish date

Southland District Council
Te Rohe Pōtae o Murihiku

PO Box 903
15 Forth Street
Invercargill 9840

☎ 0800 732 732
@ sdc@southlanddc.govt.nz
📍 southlanddc.govt.nz



TERM	MEANING
Policy	a policy is a contract between you and your insurance company, setting out the terms, conditions and exclusions of your insurance cover.
Policy schedule	this sets out the individual details of your insurance including the items being insured, your details, and excesses, the premiums due and any exceptions or special terms.
Reinstatement value	the cost of replacing or reinstating on the same site, property of the same kind or type but not superior to or more extensive than the insured property when new.
Replacement value	the actual cost to replace an item or structure at its pre-loss condition.
Total loss	when damage to an asset is so severe that it becomes uneconomical to repair. For a building, this means it needs to be demolished and rebuilt.

3. Scope

This policy applies to Council's assets and business risks, including Stewart Island Electrical Supply Authority. In some instances, Council's policies also provide coverage for other Council related entities (specifically non-Council owned hall committees).

- Assets include:
 - underground infrastructure
 - above ground infrastructure (excluding roads, footpaths and bridges)
 - runways
 - public toilets
 - buildings
 - contents, plant and equipment (including SIESA)
 - jetties, wharves, sea walls and boat ramps
 - motor vehicles
 - standing timber/forestry
- Business risks include:
 - business interruption
 - crime/fidelity
 - employers liability
 - statutory liability
 - public liability/professional indemnity
 - harbourmasters liability
 - airport owners and operators liability
 - personal accident
 - travel
 - cyber
 - other business risks as identified.



4. Insurance policy renewal

Council's insurance policies are renewed on an annual basis, typically the 30 June each year.

5. Specified values

A number of Council's policies are insured based on a specified value. The specified value is determined after undertaking discussions with relevant Council staff and giving consideration to the relevant risk and the outcome of recent insurance events.

Guidance on specified values is obtained from Council's insurance broker based on their knowledge and expertise of the insurance market, local government and Council's operations and risks.

Specified values are approved by the Finance and Audit Committee at the time of the annual renewal.

6. Policy details

6.1 Infrastructure assets

Infrastructure assets insured under this policy:

- underground assets
 - water
 - wastewater
 - stormwater
- aboveground assets (included in the material damage policy)
 - water
 - wastewater

All Council owned infrastructure assets covered under this policy should be insured at replacement/reinstatement value. This value should be reviewed on an annual basis. Replacement/reinstatement value is established for water, wastewater and stormwater assets based on the annual revaluation provided for the preceding year's Annual Report.

Where relevant, demolition coverage is included for all above ground infrastructure assets.

Given the significant value of Council's underground assets (in excess of \$200 million) these assets may be insured using non-traditional insurance policies, such as a cash accumulation mutual pool, whereby participants make an annual contribution in return for cover for the cost of restoring infrastructure as a result of a disaster.

The contribution is set to cover the risk, administration costs, re-insurance premiums and a component for building the self-insurance fund. Claims are met from the investments in the fund and the reinsurance that it has in place.

Roads, footpaths and bridges:

Council do not insure road, footpath and bridge infrastructure.



6.2 Property, Plant and Equipment (Material Damage coverage)

Property, plant and equipment assets insured under this policy include, but are not limited to:

- residential buildings
- non-residential buildings (including specified non-Council owned buildings)
- airport buildings
- runways
- jetties, wharves, boat ramps
- public toilets
- playgrounds
- water and wastewater treatment structures and plant
- associated contents
- other specified assets as noted on the property schedule.

All Council owned property, plant and equipment covered under this policy is insured at replacement/reinstatement value. This value is reviewed on an annual basis.

Demolition coverage is included in the total sum insured where appropriate.

Where a specific reason exists for a building to be insured at less than replacement/reinstatement value (ie a specified value or indemnity value), this must be approved by the Finance and Audit Committee at the time of the annual renewal.

Replacement/reinstatement value is determined at the frequency outlined below:

- Buildings – revalued for insurance purposes as follows:
 - under \$1 million – 5 yearly
 - \$1 million - \$2 million – 3 yearly
 - over \$2 million – annually
- Water, wastewater and stormwater assets – revalued annually, based on the annual revaluation in the preceding year's Annual Report
- Other assets – revalued for insurance purposes every 5 years

In the years where an insurance valuation does not occur, Council staff will apply inflation to the prior year's insured value and review the assets for any know changes in value (additions, disposals, significant deterioration etc).

Inflation will be determined based on BERL cost indices for capital expenditure for the relevant year, or an equivalent publicly available inflation index.

6.3 Motor Vehicles

Motor vehicle assets insured under this policy:

- vehicles
- trailers
- book bus



- rubbish trucks.

All Council owned motor vehicles covered under this policy will be insured at market value (or cost price for vehicles less than 12 months old). Market value is established by obtaining an independent valuation by a suitably qualified party. Adjustments to this will be made for any extensive customisation of the vehicle.

6.4 Forestry

Forestry assets insured under this policy:

- standing timber

All Council owned assets covered under this policy will be insured at market value.

Market value is based on the annual revaluation in the preceding year's Annual Report, completed by a suitably qualified party. Adjustments to this will be made for any extensive harvesting/planting that has subsequently occurred.

Insured events are fire and hail. Windstorm and earthquake/volcanic eruption events are excluded.

6.5 Public Indemnity, Public Liability and Environmental Impairment Liability

Types of liability insured under this policy:

- public liability - indemnity for legal liability in connection with the business arising from occurrences resulting in personal injury or property damage
- professional indemnity - indemnity for legal liability in respect of any negligent act, error or omission, including defence costs and expenses
- environmental impairment liability - indemnity for legal liability in connection with the business arising from pollution, including clean-up, bodily injury and/or property damage.

These risks are insured for specified values. The specified values are to be reviewed on an annual basis and amended as considered necessary.

6.6 Business interruption

Types of liability insured under this policy:

Business risk is a loss consequent upon interruption to the business as a result of damage to property insured by the material damage policy, resulting in losses or increased costs.

Business risk is insured based on a specified value. The specified value is determined based on specified revenues being:

- all individual revenue streams over \$10,000 per annum plus inflation
- all commercial rentals over \$10,000 per annum plus inflation
- all residential revenues over \$20,000 per annum plus inflation.



Inflation will be determined based on BERL local government cost index for the relevant year, or equivalent publicly available inflation index.

The indemnity period is 18 months (meaning revenues will be covered for up to 18 months in the event of a claim). The values are to be reviewed by the Finance team on an annual basis and amended as considered necessary.

6.7 Airport owners and operators liability

Types of liability insured under this policy:

Loss arising from the business of Airport Owner or Operator where Council is legally obligated to pay damages for bodily injury of any person (non-employees) and/or for loss or damage to property of others.

Airport owners and operators liability risk is insured based on a specified value. The value is to be reviewed on an annual basis and amended as considered necessary.

6.8 Employers Liability

Types of liability insured under this policy:

Loss arising from legal liability to pay damages as a result of an employee sustaining personal injury in the course of their employment, and to pay the costs and expenses in the investigation, defence or settlement of claims, where such injury is not covered by Accident Insurance legislation.

This risk is insured based on a specified value. The value is to be reviewed on an annual basis and amended as considered necessary.

6.9 Statutory Liability

Types of liability insured under this policy:

Costs of defence and penalties as a result of an alleged breach of any act of Parliament other than specifically excluded Acts. This policy coverage excludes fines imposed under the Health and Safety in Employment Act.

This risk is insured based on a specified value. The value is to be reviewed on an annual basis and amended as considered necessary.

6.10 Personal Accident

Types of liability insured under this policy:

Provides financial assistance in the event a member of staff suffers death, disablement or significant injury. Executive management are covered 24 hours a day, worldwide. All other staff are covered 24 hours a day whilst on Council business.

This risk is insured based on a specified value. The value and level of indemnity is to be reviewed on an annual basis and amended as considered necessary.



6.11 Travel

Types of liability insured under this policy:

Disruption to travel, accident, illness, injury or death of a staff member and accompanying family members whilst travelling outside of New Zealand on authorised Council business and associated private travel.

This risk is insured based on the anticipated number of days of business and associated private overseas travel. The level of indemnity is to be reviewed on an annual basis and amended as considered necessary. The policy is revised retrospectively at the end of the term to adjust to the actual days travelled.

6.12 Crime/Fidelity Guarantee

Types of liability insured under this policy:

Loss of money or goods, belonging to Council as a result of an act of dishonesty by an employee or elected member. It includes fraud, third party crime and electronic/computer crime.

This risk is insured based on a specified value. The value is to be reviewed on an annual basis and amended as considered necessary.

6.13 Harbour Masters Liability and Wreck Removal Costs

Types of liability insured under this policy:

Loss arising from the business of Harbour mastering and wreck removal where Council is legally obligated to pay damages for bodily injury of any person (non-employees) and/or for loss or damage to property of others.

This risk is insured based on a specified value. The value is to be reviewed on an annual basis and amended as considered necessary.

6.14 Cyber

Types of liability insured under this policy:

Loss arising from cyber attacks such as computer hacking, ransomware, data theft and other cyber events.

This risk is insured based on a specified value. The value is to be reviewed on an annual basis and amended as considered necessary.

7. Other Risks

As part of the annual insurance review process, Council staff will identify any other potential risks to Council that could be mitigated by insurance. These will be brought to the Finance and Audit Committee in a report for consideration and further action (as required).



8. Insurance Broker

Council may engage an insurance broker to provide independent expert guidance and advice, and facilitate the placement of the various policies with insurance companies.

9. Roles, Responsibilities and Delegations

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 placement of Council's insurance policies, including signing the relevant renewal documentation approve payment of Council's insurance premiums within the set financial delegations approve/authorise modification of any Council insurance policies during the policy period approve write-off of any insurance related debts.
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 insurance broker and insurance process.
Activity manager	<p>The activity manager is responsible for:</p> <ul style="list-style-type: none"> annual review of the assets to be insured and the associated values. ensuring independent revaluations for insurance occur in accordance with this policy. <p>The activity manager has delegated authority to:</p> <ul style="list-style-type: none"> submit an insurance claim.
Finance officer	<p>The finance officer is responsible for:</p> <ul style="list-style-type: none"> application of this policy. compilation of information to support the annual insurance renewal. oversight of insurance arrangements to ensure they are in compliance with this policy. maintenance of the various asset registers for insurance purposes and associated records. liaising with Council's insurance broker. ensuring Council's insurance records are accurate and up to date. providing reports on insurance as required.



PARTY/PARTIES	ROLES AND RESPONSIBILITIES
	<ul style="list-style-type: none"> ▪ keeping the finance manager advised of any significant issues with insurance. ▪ communicating established insurance policies and procedures. ▪ following up with claimants, activity managers and the insurance broker. ▪ submitting an insurance claim. ▪ allocation of insurance premiums. ▪ on-charging of insurance premiums to external parties.

10. Associated Documents

Risk management framework

Risk management policy

Corporate risk register

Delegations manual

Financial strategy

Insurance Policy
Enter publish date

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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 Annual Insurance Renewal

C8.2 Milford Opportunities Project - funding application

C8.3 Stewart Island/Rakiura Wind Project - funding application

C8.4 Pyramid Bridge Tender Evaluation Outcome

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
Annual Insurance Renewal	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	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.
Milford Opportunities Project - funding application	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).	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.
Stewart Island/Rakiura Wind Project - funding application	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied.	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.

	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).	
Pyramid Bridge Tender Evaluation Outcome	<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.