



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

**Date:** Friday, 13 December 2019  
**Time:** 1.30pm  
**Meeting Room:** Council Chamber  
**Venue:** 15 Forth Street  
Invercargill

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## Finance and Assurance Committee Agenda OPEN

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### MEMBERSHIP

**Chairperson** Bruce Robertson (external appointee)  
Mayor Gary Tong

**Councillors** Ebel Kremer  
Don Byars  
John Douglas  
Paul Duffy  
Julie Keast

### 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](http://www.southlanddc.govt.nz)



## Terms of Reference – Finance and Assurance Committee

<b>TYPE OF COMMITTEE</b>	Council standing committee
<b>RESPONSIBLE TO</b>	Council
<b>SUBCOMMITTEES</b>	None
<b>LEGISLATIVE BASIS</b>	Committee constituted by Council as per schedule 7, clause 30 (1)(a), LGA 2002. Committee delegated powers by Council as per schedule 7, clause 32, LGA 2002.
<b>MEMBERSHIP</b>	Mayor, three councillors and one external appointee
<b>FREQUENCY OF MEETINGS</b>	Quarterly or as required
<b>QUORUM</b>	Three members
<b>SCOPE OF ACTIVITIES</b>	<p>The Finance and Assurance Committee is responsible for:</p> <ul style="list-style-type: none"> <li>• ensuring that Council has appropriate financial, risk management and internal control systems in place that provide: <ul style="list-style-type: none"> <li>- an overview of the financial and non-financial performance of the organisation</li> <li>- effective management of potential opportunities and adverse effects</li> <li>- reasonable assurance as to the integrity and reliability of Council’s financial and non-financial reporting.</li> </ul> </li> <li>• exercising active oversight of information technology systems</li> <li>• exercising active oversight of Council’s health and safety policies, processes, compliance, results and frameworks</li> <li>• relationships with external, internal auditors, banking institutions and insurance brokers.</li> </ul> <p>The Finance and Assurance Committee will monitor and assess the following:</p> <ul style="list-style-type: none"> <li>• the financial and non-financial performance of Council against budgeted and forecasted outcomes</li> <li>• consideration of forecasted changes to financial outcomes</li> <li>• Council’s compliance with legislative requirements</li> <li>• Council’s risk management framework</li> <li>• Council’s control framework</li> <li>• Council’s compliance with its treasury responsibilities</li> <li>• Council’s compliance with its Fraud Policy.</li> </ul>
<b>DELEGATIONS</b>	<p>The Finance and Assurance Committee shall have the following delegated powers and be accountable to Council for the exercising of these powers.</p> <p>In exercising the delegated powers, the Finance and Assurance Committee will operate within:</p>

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

The Finance and Assurance 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 Council
- b) to seek advice periodically from internal and external auditors regarding the completeness and quality of financial and operational information that is provided to the Council.

#### **External Reporting and Accountability**

- a) agreeing the appropriateness of 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 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 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 recommendations to 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 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 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 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 \$2 million or the value over the term of the contract exceeds \$2 million.

**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) recommend to Council treasury policies.

**Fraud Policy**

- a) receive and consider reports relating to the investigation of suspected fraud
- b) monitor the implementation of the Fraud Policy.

**Power to Recommend**

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

- a) policies relating to risk management, rating, loans, funding and purchasing

	<p>b) accounting treatments, changes in generally accepted accounting practice, and new accounting and reporting requirements</p> <p>c) the approval of financial and non-financial performance statements including adoption of the Annual Report, Annual Plans and Long Term Plans.</p> <p>The Finance and Assurance Committee is responsible for considering and making recommendations to the Services and Assets Committee on business cases completed under the 'Power to Act' section above.</p>
<p><b>FINANCIAL DELEGATIONS</b></p>	<p>Council authorises the following delegated authority of financial powers to Council committees in regard to matters within each committee's jurisdiction.</p> <p><b>Contract Acceptance:</b></p> <ul style="list-style-type: none"> <li>• accept or decline any contract for the purchase of goods, services, capital works or other assets where the total value of the lump sum contract does not exceed the sum allocated in the Long Term Plan/Annual Plan and the contract relates to an activity that is within the scope of activities relating to the work of the Finance and Assurance Committee</li> <li>• accept or decline any contract for the disposal of goods, plant or other assets other than property or land that is provided for in the Long Term Plan</li> </ul> <p><b>Budget Reallocation.</b></p> <p>The committee is authorised to reallocate funds from one existing budget item to another. Reallocation of this kind must not impact on current or future levels of service and must be:</p> <ul style="list-style-type: none"> <li>• funded by way of savings on existing budget items</li> <li>• within the jurisdiction of the committee</li> <li>• consistent with the Revenue and Financing Policy.</li> </ul>
<p><b>LIMITS TO DELEGATIONS</b></p>	<p>Matters that must be processed by way of recommendation to Council include:</p> <ul style="list-style-type: none"> <li>• amendment to fees and charges relating to all activities</li> <li>• powers that cannot be delegated to committees as per the Local Government Act 2002 and sections 2.4 and 2.5 of this manual.</li> </ul> <p>Delegated authority is within the financial limits in section 9 of this manual.</p>
<p><b>RELATIONSHIPS WITH OTHER PARTIES</b></p>	<p>The committee shall maintain relationships with each of the nine community boards.</p> <p>Professional advisors to the committee shall be invited to attend all meetings of the committee including:</p> <ul style="list-style-type: none"> <li>• external auditor</li> <li>• internal auditor/risk advisor (if appointed)</li> <li>• chief financial officer.</li> </ul>

	<p>At each meeting, the chairperson will provide the external auditor and the internal auditor/risk advisor (if appointed) with an opportunity to discuss any matters with the committee without management being present. The chairperson shall request the chief executive and staff in attendance to leave the meeting for the duration of the discussion. The chairperson will provide minutes for that part of the meeting.</p> <p>The chief executive and the chief financial officer shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of Council, material breakdown in internal controls and any material event of fraud.</p> <p>The committee shall provide guidance and feedback to Council on financial performance, risk and compliance issues.</p> <p>The committee will report to Council as it deems appropriate but no less than twice a year.</p>
<b>CONTACT WITH MEDIA</b>	<p>The committee chairperson is the authorised spokesperson for the committee in all matters where the committee has authority or a particular interest.</p> <p>Committee members, including the chairperson, do not have delegated authority to speak to the media and/or outside agencies on behalf of Council on matters outside of the committee's delegations.</p> <p>The chief financial officer will manage the formal communications between the committee and its constituents and for the committee in the exercise of its business. Correspondence with central government, other local government agencies or other official agencies will only take place through Council staff and will be undertaken under the name of Southland District Council.</p>

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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](http://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**

There are no minutes to confirm as this is the first meeting of the triennium.



## Progress on the Finance & Assurance Committee Work plan for the year ended 30 June 2020

Record No: R/19/12/28920  
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 26 March 2019 meeting for the financial year ending 30 June 2020.
- 2 As noted at the meeting the adoption of the work plan does not preclude the Committee or staff from including additional reports as and when required.
- 3 As the year proceeds the work plan will be updated to incorporate the actual dates reports are being presented where that differs to the work plan adopted. For the committees information the “X” in red shows the date the report was presented, where this differs from what was approved in the 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 This meeting includes all the reports indicated in this plan for this meeting date except the final audit management report which will be presented at the next meeting.
- 5 In addition to the reports noted in the timetable, this agenda also includes an operational risk report.
- 6 For the committees information the first internal audit has also been completed on procurement, with the draft report having been received from Councils internal auditor, Deloitte. Deloitte have asked for management to provide a comment on their findings which will be incorporated into the final report and presented to the committees next meeting.

### Recommendation

#### That the Finance and Assurance Committee:

- a) **Receives the report titled “Progress on the Finance & Assurance Committee Work plan for the year ended 30 June 2020” dated 9 December 2019.**
- b) **Notes the changes made to the Finance and Audit Committee Work plan for the year ended 30 June 2020 since the last meeting.**

### Attachments

- A Finance & Assurance Committee Workplan (December 2019) [↓](#)

## Finance and Audit Committee Workplan to 30 June 2020

Content	29 August 2019	23 September 2019	13 December 2019	23 March 2020	22 June 2020
Annual Plan – Timetable	X	X			
Annual Plan – Assumptions, policies and principles		X	X		
Annual Plan – Recommend final to Council					X
Risk Report		X	X	X	X
Health & Safety Report	X	X	X	X	X
Financial Report	X		X	X	X
Annual Report – Audit Arrangements Letter				X	
Annual Report - Timetable					X
Annual Report - Policies & Principles					X
Annual Report – Interim audit Report					X
Annual Report – Agree report ready for audit	X				
Annual Report – Final audit mgmt report		X	X	X	
Annual Report – Recommend adoption by Council		X			
Analysis of Actual results to Forecast		X			
Programme of Projects for 2019/20 including projects proposed to be C/F from 18/19		X			
Information Technology Infrastructure update for 2019/20	X				
Core System Review Project – Work Program and unbudgeted expenditure report	X				
Fraud Risk Assessment Actions	X				
SDC's Property Register – June 2019	X				
Forestry Investment		X			
Forecast Financial Position			X	X	
Interim Performance Report	X		X	X	
Internal Audit		X			
Insurance - Insurance renewal					X
Operational Risk Report		X	X		
Determine Finance & Audit Meeting Content				X	
Other – Reports on projects over \$2million					
Other External Audits – Building Control					
Other External Audits – Roading					X

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## Health and Safety Update

**Record No:** R/19/11/27039  
**Author:** Janet Ellis, People and Capability Manager  
**Approved by:** Steve Ruru, Chief Executive

Decision  Recommendation  Information

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### Purpose

- 1 To provide an update on health and safety related incidents and activity over the last quarter.

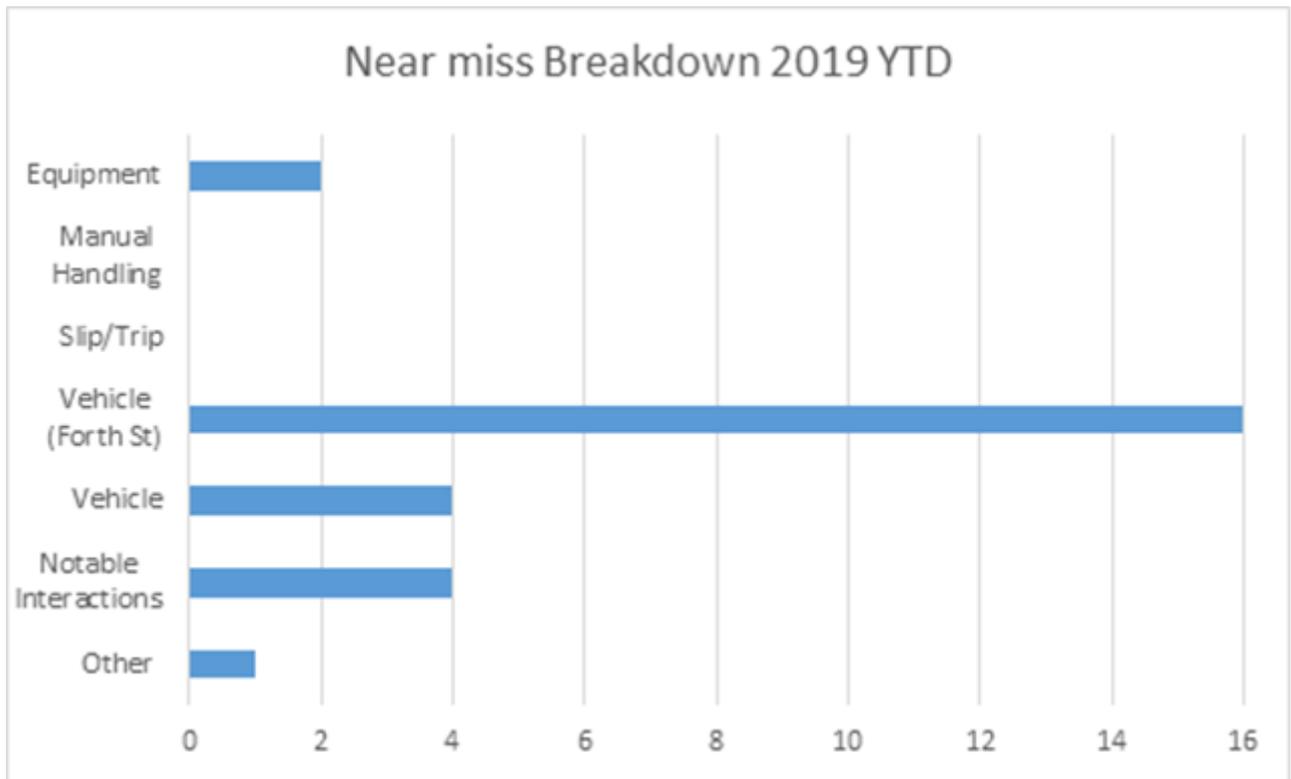
### Content

#### Incidents/Near Misses – Southland District Council

- 2 As part of the Health and Safety Plan for 2019/2020 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 27 November 2019 is below.
- 6 There is one notable Medical Treatment Incidents (MTI) for 2019 reported in November. This involved whiplash from hitting a head. There were seven (7) days lost time and the employee attended physiotherapy. This employee is now back to work at normal duties.
- 7 In addition please find below a summary of the near miss breakdown for year to date. You will note we are still reporting Forth Street near misses separately.
- 8 In this quarter there was one contractor near miss incident that had the potential to be significant. This was on a project in Te Anau and involved three contractors. This incident has been investigated and a number of corrective actions were identified including increased communication with all PCBU’s involved in the project and the requirement to follow procedures at all times.

**Summary of Indicators – 1 January 2018 to 31 July 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
Jan-19	5	1	0	0	1	1	0	0	2	0	5	8	6	73	0	1
Feb-19	3	0	0	0	1	0	0	0	2	0	2	3	3	101	0	0
Mar-19	6	0	2	0	0	0	0	1	3	0	5	6	6	137	0	0
Apr-19	10	0	5	1	0	0	0	0	4	0	7	9	9	162	0	0
May-19	14	0	9	1	1	0	0	1	2	0	10	12	12	204	0	0
Jun-19	12	1	7	0	0	1	0	0	3	0	12	12	12	223	0	1
Jul-19	5	0	1	1	0	2	0	0	1	0	5	5	3	255	0	1
Aug-19	9	0	1	2	3	0	0	1	2	0	5	9	7	285	0	0
Sep-19	4	1	1	0	1	0	0	0	1	0	3	0	0	316	0	0
Oct-19	5	0	2	1	1	1	0	0	0	0	5	4	4	346	0	0
Nov-19	4	2	1	0	0	0	1	0	0	0	4	4	3	5	7	0
Dec-19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>77</b>	<b>5</b>	<b>29</b>	<b>6</b>	<b>8</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>20</b>	<b>0</b>	<b>63</b>	<b>72</b>	<b>65</b>		<b>7</b>	<b>3</b>



### Other Health and Safety Related initiatives

- 9 There are many ways to keep current on health and safety matters, subscribing to the Worksafe updates is an easy way to remain up to date. The link is <https://worksafe.govt.nz/home/subscriptions>
- 10 Health and safety training continues with staff completing the health and safety e-learning modules based on the health and safety procedures. All new staff are required to complete all the modules. Induction refresher training is continuing for our ancillary contractors with over 73% completed.
- 11 Safety observations and inspections have continued to increase with the new health and safety software providing a tailored app which is being piloted by the project delivery team. With the increase of monitoring there has been an increased number of corrective actions required.
- 12 Health and safety governance training is being scheduled for early 2020.
- 13 The Health and Safety Plan for 2019/20 has been approved by Council, implementation is currently under way including additional work on risk bowties and the introduction of a new mental health risk bowtie.
- 14 GPS (ERoad) installation has begun in vehicles and will happen in stages with groups of 10 at a time.
- 15 Panic alarm upgrades have begun with Invercargill and Winton completed to date.
- 16 The alcohol and other drugs policy has been implemented and the first lot of pre-employment testing is completed.
- 17 Implementation of the new health and safety system is at final configuration stages and has been released to certain areas of the business for trialling.

## **Recommendation**

**That the Finance and Assurance Committee:**

- a) **Receives the report titled “Health and Safety Update” dated 5 December 2019.**

## **Attachments**

There are no attachments for this report.

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## Interim Performance Report - Period One - 1 July 2019 to 31 October 2019

**Record No:** R/19/11/26516  
**Author:** Shannon Oliver, Planning and Reporting Analyst  
**Approved by:** Rex Capil, Group Manager Community and Futures

Decision  Recommendation  Information

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### Purpose

- 1 The purpose of the report is to provide the Finance and Audit Committee with the Interim Performance Report (IPR) for period one for review and feedback.

### Executive Summary

- 2 This is the IPR which covers 1 July 2019 to 31 October 2019 reporting period.
- 3 The IPR is part of the Corporate Performance Framework (CPF) which was adopted in June 2018 as part of the 2018-2028 Long Term Plan.
- 4 The purpose of the CPF is to streamline Council planning and reporting functions. The IPR provides a four month 'snapshot in time' record of the status of Council's key performance indicators (KPIs) for the reporting period and period one is a cumulative record of the first four months of the financial year (July to October 2019).
- 5 For the reporting period, the results for the 113 KPIs is that 71 (63%) are on track and 42 (37%) are off track, and a number of KPI's have been identified for further monitoring.
- 6 Staff recommend that the committee receive this report and provide feedback.
- 7 The commentary in the attached report has been reviewed by the activity managers then discussed with the executive leadership team.

## **Recommendation**

### **That Finance and Assurance Committee:**

- a) **Receives the report titled “Interim Performance Report - Period One - 1 July 2019 to 31 October 2019” dated 9 December 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.**

## **Background**

- 8 The Corporate Performance Framework (CPF) aligns Council’s high level direction to its activities and outcomes, and its purpose is to streamline Council planning and reporting functions.
- 9 As part of the framework, Council produces interim performance reports for the periods - July to October, November to February and March to June showing the years accumulative results at that time, with the third being produced to inform the Annual Report at year end of the non-financial performance measure results.
- 10 The CPF has been endorsed by Council and incorporated into the 2018-2028 Long Term Plan. Council measures performance against internal and external targets that are clearly linked to the benefits outlined in the strategic framework and to levels of service. This set of key performance indicators (KPIs) provide a leading indicator of whether a change has occurred. There are 113 KPIs of which 24 are internal and 89 are external. The internal KPIs are based on customer and organisation benefits in the CPR. The external KPIs are based on community and District benefits.
- 11 The intended role of the IPR was to provide a touch point throughout the financial year, for elected members and Council officers to monitor progress against targets and milestones. Interim reporting is a critical element of any performance monitoring framework, keeping high level performance goals relevant to daily operations and enabling early identification of potential issues.
- 12 In order to produce the IPR an online reporting tool called CAMMs Strategy was used. The CAMMs Strategy online tool was introduced in October 2018 to activity managers within Council, and those staff who will be inputting the information needed to complete the report.
- 13 The IPR provides Council with a snapshot in time on how we are progressing towards meeting our LTP key performance indicator (KPI) targets. The KPIs have been put into scorecards which are split into the six group manager groups: Community and Futures, Customer Delivery, Environmental Services, Financial Services, People and Capability and Services and Assets. The relevant group manager provides an overall summary of their group’s performance for the

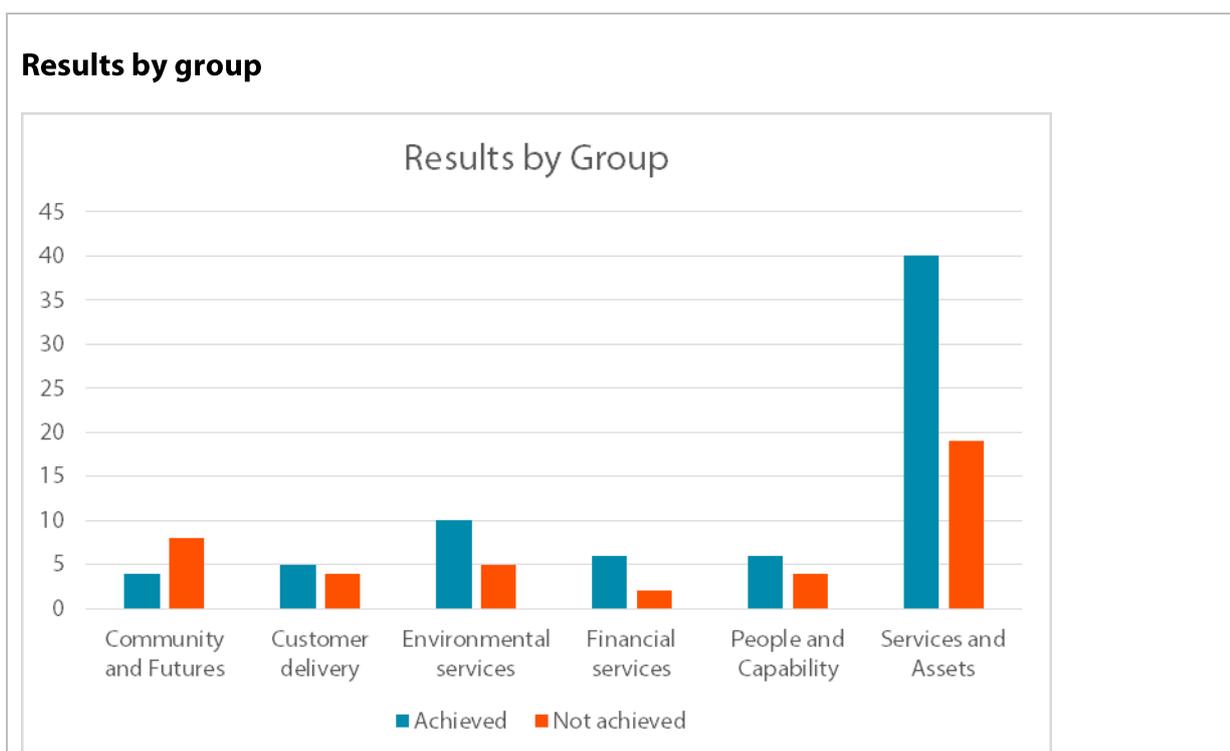
reporting period. The final interim performance report results at the end of June 2020 will be used in the Annual Report 2019/2020. The Annual Report is audited by Audit NZ and they examine the performance measures to ensure that the final result is correct and the methodology for monitoring the KPI is recorded and robust.

- 14 A summary of Council’s overall KPI performance measures as contained in the report is below.

**Results and analysis**

- 15 The results show that overall, 71 KPIs (63%) were on track and 42 KPIs (37%) were off track (total 113 KPIs).

<b>Result by Group</b>			
<b>Group</b>	<b>On Track</b>	<b>Off Track</b>	<b>Total KPIs</b>
Community and Futures	4 (33%)	8 (66%)	<b>12</b>
Customer Delivery	5 (55%)	4 (44%)	<b>9</b>
Environmental Services	10 (66%)	5 (33%)	<b>15</b>
Financial Services	6 (75%)	2 (25%)	<b>8</b>
People and Capability	6 (60%)	4 (40%)	<b>10</b>
Services and Assets	40 (68%)	19 (32%)	<b>59</b>
<b>All</b>	<b>71 (63%)</b>	<b>42 (37%)</b>	<b>113</b>



## Finance and Assurance Committee

13 December 2019

- 16 Of the off track KPIs, 11 will need to be monitored, three are expected to be on track for the next reporting period, five will not meet their year-end target and 19 are related to surveys or not measured until year-end (these will continue to show as off track until the survey is conducted or it is measured at year end.

KPIs that require monitoring	KPI target	KPI actual	Staff Comment
25.2 - Proportion of main items held in open meetings	85%	59.63%	At this stage the numbers for the first quarter are not meeting the target. The calculation is based on the number of items considered in public excluded compared to open items. This is dependent on reports coming from across the organisation. This will be monitored over the next review period
13.1.c - Average time to process applications for PIM	9 days	21.5 days	The average days to issue PIMs in October exceeds the statutory requirement of 20 days. With limited capacity in the team, the BCA manager requested that the issuing of a BCA building consent be prioritized before the issuing of a TA related PIM. With recruitment activities under way for more technical resources it is anticipated that PIMs do not exceed statutory time frame in the future
9.1 - Median time to process non-notified consent applications	18 days	20 days	There has been a vacancy in the team during this time which has meant consent processing has been outsourced. The vacancy has now been filled so it is anticipated that processing times will reduce again. The statutory time frame is 20 working days. The volume of resource consents processed this calendar year is on track to be at least 10% higher than the previous two years. The consent volume is contributing to not achieving the KPI.
22.1.a - Percentage of community centres that meet desired standards	100%	96.77%	The Winton office/library is still currently not available for use. Council have received the all clear to enter the building and staff are now working on a business case that will identify the options for the building
22.1.b - Percentage of facilities that meet desired standards - wharves and jetties	100%	90.91%	Riverton has six structures. One of the council structures is non-compliant due to an ongoing

## Finance and Assurance Committee

13 December 2019

			access issue which has meant we are unable to repair the structure. We are working to resolve this with the adjoining owner. Stewart Island has five structures. The Ulva Island structure is awaiting a pending Tourism Infrastructure Fund application to get funding to rebuild.
23.1.b - Percentage of playgrounds that meet desired standards	95%	81.82%	Council staff engaged a consultant to undertake an assessment report on all of the playgrounds throughout the district. This identified six playgrounds where equipment needed immediate action. These were, Otautau, Riversdale, Riverton, Tuatapere, Monowai and Dipton. The priority one issues relating to defective equipment identified in the report have now either been removed or isolated. The Holt Park playground has been removed completely as part of the demolition of the camping ground facilities
16.2 - Percentage of sealed local road network that is resurfaced	7.3%	0.56%	Adverse weather has meant that it has been a slow start to the sealing season
1.2.b - Median resolution times for sewage overflows resulting from blockages or other faults with the sewerage system between the time of notification and resolution of the blockage or other fault	6 hours	7 hours 3 minutes	In three of the overflows, Initial temporary repairs carried out within response times, but due to wet weather conditions and extensive permanent repairs required, resolution times have been exceeded. Median resolution year to date - 7.05 hours (7 hours 3 mins)
8.3 - Stormwater - Percentage of monitoring results that show compliance with resource consent conditions	100%	89.74%	This is a new activity that staff are undertaking following receipt of resource consents. While staff are not expecting a lot there will likely be a number non-compliances which will need to be investigated with the outcome of these investigations determining what if any further action is required. It is expected that this will also incur capital expenditure at levels significantly higher than currently allowed for in local budgets.
2.3 - Percentage of effluent tests that comply with relevant resource consent conditions	100%	92%	For the four month reporting period from 1 July to 31 October 2019 there was 97% compliance with consent conditions. The non-

			compliance related to Ohai in Sept for faecels and in Oct in Oban for dissolved inorganic nitrogen. Remedial work in Oban has seen the pipeline extended and a wider disposal area created. Additional remedial work is still to be completed. The Ohai resource consent process is in progress.
21.1 - Southland regional unemployment rate	4.2%	4.5%	In September 2019, the Southland unemployment rate was at 4.5% compared to the national rate of 4.2%. The rate is higher than the national rate, however, this period is typically influenced by seasonal workers not seeking other employment during this period

- 17 Over one third (37%) of the overall KPIs were not met for the first reporting period. The more off-track KPIs there are for Council, the increased risk that levels of service, legislative requirements and community expectations are not being met.
- 18 The reason why KPIs are showing as off track is due to a variety of reasons, including, but not limited to:
- the target was not set to the correct level or was incorrect in the Long Term Plan
  - demand or priorities have changed since the target was set.
  - non-performance could indicate a potential need for more resources or information to improve performance.
  - there may be an issue with an internal or external process that leads to delays
  - better reporting means accuracy has increased when reporting on the KPI.

**Issues**

- 19 There are a number of “year-end” KPIs that do not show their performance result until the end of year which means that no action can be taken in advance to improve its performance if the KPI is off track. This relies on monitoring throughout the year to identify any significant variances.
- 20 A number of KPIs are reliant on annual surveys that are conducted at various times of the year.
- 21 One of the KPIs (29.1) had the target restated from 134 to 153.
- 22 One of the KPIs (19.2) was no longer being reported in that way because instead of a focus on community leadership plans the focused had changed to community board plans.
- 23 There are two KPI’s that are measured biannually. They are both not measured in the 2019/2020 financial year.
- 10.1 - report two-yearly on the District Plan effectiveness, and
  - 16.1 - average quality of ride on sealed local roads.

**Factors to Consider**

**Legal and Statutory Requirements**

- 24 There are no legal or statutory requirements for this report, however the final interim performance report in June 2020 has information to be included in the non-financial performance measures in the Annual Report.

**Community Views**

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

**Costs and Funding**

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

**Policy Implications**

- 27 There are no policy implications identified for this report.

**Analysis**

**Options Considered**

Option 1 – receive the interim performance report.

Option 2 – do not receive the interim performance report.

**Analysis of Options**

**Option 1 – receive the interim performance report**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• the committee has a clear understanding of the status of performance measures</li><li>• the committee and staff can identify any issues as early as possible and take corrective actions as required.</li><li>• gives transparency to the community about the performance results of Council</li></ul>	<ul style="list-style-type: none"><li>• no known disadvantages</li></ul>

**Option 2 – do not receive the interim performance report**

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

**Assessment of Significance**

28 This report is not considered significant under Council’s Significance and Engagement Policy.

**Recommended Option**

29 Staff recommend that Council considers option 1 and receives the interim performance report.

**Next Steps**

30 Any off track performance measures will be monitored and addressed as appropriate by their relevant activity manager whose responsibility will be to ensure that all corrective actions are implemented.

31 The next interim performance report will be presented to the Finance and Assurance Committee in March 2020.

**Attachments**

A Interim Performance Report - 1 July 2019 - 31 October 2019 [↓](#)



## Scorecard Report - All Groups

Applied Filters

Selected Dates: **From 01 Jul 2019 To 31 Oct 2019**

Print Date: **04-Dec-2019**

**Community and Futures Group**

01-Jul-2019 – 31-Oct-2019

Group Manager Comments: The Community and Futures Group is tracking positively in the areas that can be measured for this report period. The results reflect a strong emphasis on proactively focusing on engagement with stakeholders and communities in the District. This has involved work with local community organisations and initiating the community board planning process in this period. There are a number of results which rely on annual surveys and annual measures being accounted for and these will be reported on in subsequent reports. Overall the results are positive and support the approach being implemented across the organisation in building relationships and working closely with the Council representative leadership structures and also the community based governance entities.

Performance Measure	Unit	Target	Actual	Indicator
<b>19.1 - Number of community conversations held</b>	#	10.00	18.00	 GREEN
Meetings included community board plan workshops, drop-ins about the draft Speed Limit Bylaw, Stewart Island Opportunities and a community meeting about the Otautau camping ground. No engagement meetings were held in October because of the local body elections.				
<b>19.2 - Number of community leadership plan processes held/completed</b>	#	3.00	0.00	 RED
This work has been replaced by the development of nine community board plans that will reflect Council's new governance structure. It is intended that these plans will be completed in the early part of 2020 so as to be used to inform the development of Council's activity management plans and the 2021-31 Long Term Plan.				
To date, workshops have been held with elected members, youth Council and the wider community to seek feedback on what they see as their vision and aspirations for their community.				
<b>20.1 - Percentage of funds distributed through contestable community grants and funding schemes that comply with grant criteria</b>	%	100.00	100.00	 GREEN
All grants which have been approved have met the set criteria.				
<b>21.1 - Southland regional unemployment rate</b>	%	4.20	4.50	 RED
In September 2019, the Southland unemployment rate was at 4.5% compared to the national rate of 4.2%. The rate is higher than the national rate, however, this period is typically influenced by seasonal workers not seeking other employment during this period.				
<b>21.2 - Southland regional GDP</b>	\$	5.82	0.00	 RED
Southland's GDP is to be reported on at the end of the financial year.				

<b>25.1.a - Percentage of residents that have confidence in Council decision-making</b>	%	85.00	0.00	 RED
This KPI is not measured yet because it calculated on an annual basis with data from the annual resident survey which is carried out in March/April 2020.				
<b>25.1.b - Percentage of residents that feel Council decision-making represents local and District needs</b>	%	85.00	0.00	 RED
This will be reported on as part of the annual residents' survey				
<b>25.2 - Proportion of main items held in open meetings</b>	%	85.00	59.63	 RED
At this stage the numbers for the first quarter are not meeting the target. The calculation is based on the number of items considered in public excluded compared to open items. This is dependent on reports coming from across the organisation. This will be monitored over the next review period.				
<b>27.1 - Level of public attendance at engagement activities/opportunities</b>	#	200.00	464.00	 GREEN
Please note this number does not include one on one engagement or individual staff meeting with community members.				
<b>27.2 - Percentage of residents who are satisfied with Council communications</b>	%	50.00	0.00	 RED
This KPI is not measured yet because it's calculated on an annual basis with data from the annual resident survey which is carried out in March/April 2020.				
<b>31.1 - Number of Milford Community Trust meetings held annually</b>	#	1.00	1.00	 GREEN
The Milford Community Trust has held the first of its four meetings for the 2019/2020 financial year on 26 September.				
<b>31.2 - Number of public forums held in Milford each year</b>	#	1.00	0.00	 RED
There have been on-going discussions with key operators/funders of the proposed recreation centre and there will be an opportunity for a Milford community meeting in December 2019. A draft statement of Intent will also be part of the agenda at the December meeting.				

**Customer Delivery Group**

01-Jul-2019 – 31-Oct-2019

Group Manager Comments: Over the period, there have been positive results for the customer support segment of the organisation with all KPI's within service level. It is prudent to note, if there is a desire to increase the number of service requests resolved within service level, this could impact the level of service of different activities, the contracts and the costs associated with the service. Active library memberships decreased due to the lift in resident population. The library team remains focused on trying to attract further members however this is reliant on use of existing budget and the Winton closure has reduced our Winton customer base as we operate from the smaller site. Information management's next survey is scheduled for February 2020 so the result will not change until then.

Performance Measure	Unit	Target	Actual	Indicator
<b>3.1 - Percentage of requests for service resolved within service levels</b>	%	85.00	85.33	 GREEN
Council received 2629 requests for service from July – October 2019. 2240 were resolved within their prescribed service level. It is important to note there will always be exceptions so each week staff review overdue matters and advise activity managers for follow up. If staff identify systemic issues, within our control, that are preventing issues being resolved these are referred to the relevant activity manager or group manager for resolution. The customer support team maintain a focus on resolving issues for customers at the first point of contact wherever possible.				
<b>3.2 - Percentage of abandoned calls</b>	%	2.00	1.74	 GREEN
The result of this KPI over the year is something the customer support team are proud of. The low abandonment rate is testament to customer focus, having a multi-skilled team and a team passionate about delivering a positive customer experience. Prior to 2016 the abandonment rate of over 5% demonstrated customers were not able to reach us when they needed to. If there is ever an outage with the system, staff proactively call any customers back if we missed their call. These consistent practices support the community with a positive customer experience.				
<b>3.3 - Request for service net promoter score</b>	#	35.00	66.70	 GREEN
The net promoter score results are from an external survey conducted on behalf of Council by research company Public Voice. This is a great result because it well above the target set.				
<b>24.1 - Active library membership per capita</b>	%	20.00	15.17	 RED
Active library membership has remained steady year to date with only small fluctuations month to month.				
<b>24.2 - Cost of library service per person</b>	\$	55.00	4.83	 GREEN
The cost of the library service per person was identified as a tool for Council how, on a per capita basis, staff are able to deliver the service within existing budgets. The final figure will be calculated at year-end. For the period July to Oct, expenditure remains under budget though there has been increased spending with costs related to the closed Winton Library and the temporary library in the RSA building. We are expecting increased spending in the lead up to Christmas which is the busiest time for publishers.				

<b>24.3 - Library programme net promoter score</b>	#	100.00	100.00	
We have received only 5 star (out of 5) from participants of our programming year to date. As our programming is free, staff believe that we will only receive positive feedback as participants seem unwilling to give any negative feedback. This KPI will be reviewed for the next LTP.				
<b>28.1.a - User satisfaction with information management usability</b>	%	67.00	56.47	
Annual survey completed Feb 2019. The results from the survey align with our observations. Discussions with staff over the last performance period highlight a level of frustration with some of the current software being slow to use and not intuitive. Next survey to be completed in the first three months of 2020.				
<b>28.1.b - User satisfaction with information management features</b>	%	70.00	65.33	
Annual survey completed Feb 2019. The results from the survey align with our observations. Discussions with staff over the last performance period highlight a level of frustration with some of the current software due to the age and appearance of some products. Staff felt that they were having to find workaround solutions to allow them to work effectively. Next survey to be completed in the first three months of 2020.				
<b>28.1.c - User satisfaction with information management data quality</b>	%	75.00	56.47	
Survey completed Feb 2019. Discussions with staff over the last performance period highlight a level of frustration with data quality, particularly in finding the right data due to duplicate sources and poor reporting tools. Next survey to be completed in the first three months of 2020.				

### Environmental Services Group

01-Jul-2019 – 31-Oct-2019

Group Manager Comments: Over the period, it is positive to see that the majority of the KPIs within the group are tracking within the green. It was pleasing to note that there were no reported serious dog attacks for the period and no reported incidents of foodborne illness caused by food sold at Council verified businesses. The resource management and building solutions teams are actively engaged in reducing processing timeframes. For resource management this means a focus on performance and outputs. For building solutions this means continued focus on delivery of the e-processing project for consents and maintaining timeframes. There are constraints at a national level for skilled building professionals which is impacting on our capacity to meet our customers and statutory requirements. We also note a low customer satisfaction score for those customers lodging a request for service regarding animal control and note while it was a small sample size it something we are continuing to monitor.

Performance Measure	Unit	Target	Actual	Indicator
<b>9.2 - Median charge per non-notified resource consent application</b>	\$	1,000.00	925.75	
This is the median cost of processing resource consents from the past four months which is achieving the KPI of being under \$1,000. This KPI seeks to maintain an affordable resource consent service.				

<b>9.1 - Median time to process non-notified consent applications</b>	Days	18.00	20.00	 RED
There has been a vacancy in the team during this time which has meant consent processing has been outsourced. The vacancy has now been filled so it is anticipated that processing times will reduce again. The statutory time frame is 20 working days. The volume of resource consents processed this calendar year is on track to be at least 10% higher than the previous two years. The consent volume is contributing to not achieving the KPI.				
<b>10.1 - Report two-yearly on District Plan effectiveness</b>	#	0.00	0.00	 GREEN
There is no report required this financial year. The District Plan effectiveness report will next be reported in 2020/2021.				
<b>11.1 - Number of serious injuries to the public from dog attacks</b>	#	0.00	0.00	 GREEN
There have been no reports of serious dog attacks to the public				
<b>11.2 - Percentage of non-working dogs subject to the responsible owner category</b>	%	86.00	90.72	 GREEN
Exceeds the performance measure.				
<b>11.3 - Percentage of people contacting Council about dog/animal control satisfied with the response to their request</b>	%	90.00	58.33	 RED
This result has been sourced from customer satisfaction survey, and are for a period of three months, not four months. The sample size for the survey was sufficient for the general purposes of the survey, but no conclusions can be drawn in regard to animal control with the small sample size of only six. The animal control team proposes to complete a survey with a larger number of responses in the new year.				
<b>12.1 - Number of incidents of foodborne illness believed to be caused by food sold at a Council-certified business</b>	#	0.00	0.00	 GREEN
There have been no incidents of foodborne illness caused by food sold at a Council-verified business.				
<b>12.2 - Number of alcohol licensees that fail a controlled purchase operation</b>	%	0.00	0.00	 GREEN
The Police have not conducted a controlled purchase operation within the reporting period. Staff may propose a new alcohol KPI for the next Long Term Plan				
<b>13.1.a - Average time to process applications for building consents</b>	Days	18.00	10.72	 GREEN

The team are regularly achieving well under the KPI target for average time to process building consents. The average actual calendar days to process from July to October is 31.71. While not a KPI, this is the customer experience and therefore relevant context.				
<b>13.1.b - Average time to process applications for LIM</b>	Days	9.00	8.18	 GREEN
The team have consistently delivered LIM's in seven to eight days. This is less than the target nine KPI days and 10 statutory requirement days which is an improvement on last year.				
<b>13.1.c - Average time to process applications for PIM</b>	Days	9.00	21.50	 RED
The average days to issue PIMs in October exceeds the statutory requirement of 20 days. With limited capacity in the team, the BCA manager requested that the issuing of a BCA building consent be prioritized before the issuing of a TA related PIM. With recruitment activities under way for more technical resources it is anticipated that PIMs do not exceed statutory time frame in the future.				
<b>13.2 - Maintain accreditation as a Building Consent Authority</b>	#	0.00	1.00	 GREEN
The BCA have maintained accreditation conditional upon ongoing reporting to IANZ.				
<b>13.3 - Number of building consents where code of compliance certificates are yet to be issued</b>	#	4,294.00	2,558.00	 GREEN
To maintain accreditation, the Building Consent Authority have made decisions for 1,735 CCCs in September and October 2019. This has created a large amount of work for which a CCC Project team has been engaged to manage. A further 1,500 code of compliance certificate decisions will be made by March 2020.				
<b>26.1 - Number of Southland communities covered by a community response plan</b>	#	2.68	2.00	 RED
Community response plans have now been completed for Wallacetown and Coastal Tokanui. At the end of the 2018/2019 financial year, 13 community response plans had been completed which exceeded the target of eight.				
<b>26.2 - Percentage of surveyed households that have a written or verbal emergency plan</b>	%	58.00	0.00	 RED
There is an annual emergency survey which has not been undertaken yet. The survey will be conducted by June 2020.				

**Financial Services Group**

01-Jul-2019 – 31-Oct-2019

Group Manager Comments: Generally tracking well to target due to the timing of income returns such as forest harvesting being undertaken early and the majority of capital expenditure not being incurred until the summer months.

Performance Measure	Unit	Target	Actual	Indicator
<b>30.1.b - Rates income complies with the limits set in the financial strategy - rates as a proportion of total revenue (affordability benchmark/rates benchmark)</b>	%	70.00	61.00	
The 2019/2020 Annual Plan forecast this benchmark to be at 66% at year end. Due to the timing of revenue streams the percentage of rates to total income is currently lower than forecast.				
<b>30.1.a - Rates income complies with the limits set in the financial strategy - rates increase over previous year (affordability benchmark/rates benchmark)</b>	%	4.00	3.49	
This is the actual rate increase as published in the 2019/2020 Annual Plan.				
<b>30.2 - Debt complies with the limits set in Council's financial strategy - external debt as a proportion of total revenue (Affordability benchmark/Debt benchmark)</b>	%	100.00	0.00	
Council had no external debt as at 31 October 2019.				
<b>30.3 - Revenue (excluding income from development and financial contributions, revaluations and vested assets) exceeds operating expenditure (sustainability benchmark/balanced budget benchmark)</b>	%	100.00	100.40	
The 2019/2020 Annual Plan forecasts this benchmark to be at 95% at year end due to Council not yet fully funding depreciation. The current result is due to the timing of revenue streams such as forestry receipts.				
<b>30.4 - Capital expenditure on the five network infrastructure services exceeds depreciation on those five services (essential services benchmark)</b>	%	100.00	77.21	
Council has forecast as part of its 2019/2020 Annual Plan to achieve 159% in this benchmark at year end. The current actual result reflects that much of Councils capital expenditure is undertaken over the summer months meaning that less expenditure has been incurred to date.				
<b>30.5 - Borrowing costs are less than 10% of operating revenue (sustainability benchmark/debt servicing benchmark)</b>	%	10.00	0.03	

Councils 2019/2020 Annual Plan, forecast that it would end the year at 0.03% due to borrowing costs associated with access to Councils loan facility and interest on short term borrowings

<b>30.6 - Net cash flow from operations equals or exceeds budget (Predictability benchmark/Operations control benchmark)</b>	\$	21,244,000.00	8,261,252.00	
The target reflects the total cashflow for the year. The actual result reflects the four months to date.				
<b>30.7 - Net debt is less than or equal to forecast net debt in the local authority's long term plan (predictability benchmark/debt control benchmark)</b>	\$	0.00	0.00	
Council had no external debt as at 31 October 2019				

**People and Capability Group**

01-Jul-2019 – 31-Oct-2019

**Group Manager Comments:** In the July to October period there were only slight deviations from targets. Only four of the ten were off target slightly and these are expected at this of year. The health and safety measures were generally on track. It was pleasing that turnover was under target.

Performance Measure	Unit	Target	Actual	Indicator
<b>29.1 - Budgeted FTE</b>	#	153.00	150.73	
The result is on track				
<b>29.2 - Labour turnover</b>	%	8.00	6.00	
Nine resignations divided by an average of 162 employees between July and October 2019				
<b>29.3.a - Percentage of staff with annual leave greater than 25 days</b>	%	20.00	30.86	
This is the first reporting period for the year so the result is as expected.				
<b>29.3.b - Percentage of staff with annual leave greater than 40 days</b>	%	10.00	13.58	

This is the first reporting period for the year so the result is as expected.				
<b>29.4.a - Number of Worksafe notifications</b>	#	0.00	0.00	 GREEN
No worksafe notifications in this period				
<b>29.4.b - Number of medical treatment injuries</b>	#	0.00	2.00	 RED
Details of missed time injuries: scratch to cornea from tree branch and a sprain strain requiring ongoing physiotherapy in July 2019. No lost time.				
<b>29.4.c - Number of health and safety incidents</b>	#	0.00	23.00	 RED
Even though this target is zero we have had 23 incidents reported for the year to date. However there have been no major incidents or events to date, the number includes hazards, near miss and early reporting for pain/discomfort. The targets will be reviewed as part of the new Long Term Plan to ensure they are realistic and more tangible.				
<b>29.4.d - Number of lost time due to injury incidents</b>	#	0.00	0.00	 GREEN
No lost time to date				
<b>29.4.e - Number of health and safety near misses</b>	#	40.00	5.00	 GREEN
There were five near misses for the reporting period, none of which were significant				
<b>29.4.f - Percentage of health and safety investigations completed</b>	%	100.00	82.50	 GREEN
Not all events warrant an investigation as some are very minor in nature				

Services and Assets Group

01-Jul-2019 – 31-Oct-2019

Group Manager Comments: KPI performance is variable for the period for a number of reasons. In relation to the 3-waters networks, tightening regulatory frameworks are contributing to KPI non-compliances, for example the additional storm water consenting requirements and the water assessor regime. It is evident that the KPIs will need to be amended through the 2031 LTP to account for this changing landscape. Further, accelerated and increased investment will also be necessary to ensure ongoing compliance. Further KPI non-compliance is evident as a result of annual surveys and rolling averages that are measured at particular times of the year with results currently unavailable. This is a timing issue only.

Lastly, there is significant focus and investment, both time and financial, in relation to incremental monitoring and asset management improvement in relation to the community facilities activity and associated asset portfolios. As our asset data and level of condition information improves, issues and areas requiring investment are becoming more evident. This is an area that will be a key focus for the 2031 LTP with subsequent additional expenditure anticipated.

Performance Measure	Unit	Target	Actual	Indicator
<b>1.1 - Number of dry weather overflows per 1000 wastewater connections</b>	#	1.00	1.00	 GREEN
There was one overflow in July in Tokanui relating to manhole which was cleared. Annual target is one.				
<b>1.2.a - Median response times for sewage overflows resulting from blockages or other faults with the sewerage system between the time of notification and the time when service personnel reach the site</b>	Hours	1.00	0.33	 GREEN
Median Response Year to Date - 0.33 hrs or 20 minutes				
<b>1.2.b - Median resolution times for sewage overflows resulting from blockages or other faults with the sewerage system between the time of notification and resolution of the blockage or other fault</b>	Hours	6.00	7.05	 RED
In three of the overflows, Initial temporary repairs carried out within response times, but due to wet weather conditions and extensive permanent repairs required, resolution times have been exceeded. Median resolution year to date - 7.05 hours (7 hours 3 mins).				
<b>1.3 - Total number of sewerage system complaints about; odour, faults, blockages, and the way Council responds to any of these issues</b>	#	8.00	2.33	 GREEN
Year to date : Odour: two / Faults: five / Blockages 15 = 2.33 for Jul - Oct				
<b>2.1.a - Compliance with resource consents for wastewater discharges measured by the total number of Abatement Notices issued received in relation to the resource consents</b>	#	0.00	0.00	 GREEN

No Abatement Notices issued				
<b>2.1.b - Compliance with resource consents for wastewater discharges measured by the total number of Infringement Notices issued received in relation to the resource consents</b>	#	0.00	0.00	 GREEN
No Infringements issued				
<b>2.1.c - Compliance with resource consents for wastewater discharges measured by the total number of Enforcement Orders issued received in relation to the resource consents</b>	#	0.00	0.00	 GREEN
No enforcement orders Issued				
<b>2.1.d - Compliance with resource consents for wastewater discharges measured by the total number of Convictions received in relation to the resource consents</b>	#	0.00	0.00	 GREEN
No convictions				
<b>2.2 - Annual cost per wastewater connection incl. GST</b>	\$	595.00	218.16	 GREEN
Annual calculation that is completed in July (post financial year end). Cost component of this doesn't make much sense until all costs for the year are captured. Monthly cumulative amount (incl GST) entered as available. It is likely to be over this year with additional maintenance contract costs.				
<b>2.3 - Percentage of effluent tests that comply with relevant resource consent conditions</b>	%	100.00	97.00	 RED
For the four month reporting period from 1 July to 31 October 2019 there was 97% compliance with consent conditions. The non-compliance related to Ohai in Sept for faecal coliforms and in Oct in Oban for dissolved inorganic nitrogen. Remedial work in Oban has seen the pipeline extended and a wider disposal area created. Additional remedial work is still to be completed. Project in place to upgrade the UV plant at Ohai to address compliance issues once a discharge consent has been issued.				
<b>2.4 - Total number of overflow incidents</b>	#	0.00	6.00	 RED
Year to date: One dry weather and five wet weather incidents July to Oct 2019. Overflows occurred as a result of blockages within the network as a result of either tree routes, fat build up or natural ageing of infrastructure. There has also been occurrences of overflows occurring where assets have been struck during the UFB rollout. All assets in question have been repaired or replaced, and where appropriate, included in a maintenance inspection cycle.				
<b>4.1.a - Median time to attend urgent drinking water supply faults or unplanned interruption call-outs</b>	Hours	1.00	0.87	 GREEN

The year to date median is 0.87 hrs = 52 minutes				
<b>4.1.b - Median time to resolve urgent drinking water supply faults or unplanned interruption call-outs</b>	Hours	6.00	2.62	 GREEN
The year to date median is 2.62 hrs = 2 hrs and 37 minutes				
<b>4.1.c - Median time to attend non-urgent drinking water supply faults or unplanned interruption call-outs</b>	Hours	4.00	1.11	 GREEN
Median year to date is 1.11 hrs = 1 hr and 7 minutes				
<b>4.1.d - Median time to resolve non-urgent drinking water supply faults or unplanned interruption call-outs</b>	Hours	24.00	18.60	 GREEN
Year to date median is 18.6 hrs = 18 hrs and 36 minutes				
<b>4.2 - Total number of drinking water complaints regarding; clarity, taste, odour, pressure or flow, continuity of supply, and the way Council responds to any of these issues per 1000 connections</b>	#	10.00	5.13	 GREEN
The result for the four month period is 5.13				
<b>5.1.a - Percentage of compliance with drinking water standards for bacteria</b>	%	100.00	100.00	 GREEN
Bacteria absent				
<b>5.1.b - Percentage of compliance with drinking water standards for Protozoal</b>	%	100.00	91.00	 AMBER
This KPI is measured at year end and is dependent on drinking water assessor report results published in Oct. The drinking water assessor has determined that 10 out of 11 water supplies were compliant for the 2018-2019 year, 91% compliance. Eastern Bush-Otahu Flat is non-compliant with protozoal standards however a planned upgrade of the water treatment plant should address this. The results for the 2019/2020 year will not be available until October 2020.				
<b>6.1 - Percentage of water lost from the reticulation network</b>	%	25.00	16.50	 GREEN
Water balance survey carried out by Thomas Consulting October, 2019				
<b>6.2 - Average consumption of water per resident per day</b>	L	850.00	823.44	 GREEN

<p>The target as assessed using the Department of Internal Affairs methodology is 850 litres per person per year. The calculated actual net use taking into account losses through leakage etc. per person per year is 672. A further water balance survey will be undertaken to more closely determine consumption taking into account real losses.</p>				
<b>6.3 - Annual cost per water connection incl. GST</b>	\$	645.00	229.35	 GREEN
<p>Annual calculation that is completed in July (post financial year end).                      Cost component of this doesn't make much sense until all costs for the year are captured.                      Monthly cumulative amount (incl GST) entered as available. It is likely to be over this year with additional maintenance contract costs.</p>				
<b>7.1.a - Overflows resulting from the stormwater system that result in flooding of a habitable floor, total number per year</b>	#	5.00	0.00	 GREEN
<p>No Habitable floor flooding incidents for July to Oct 2019</p>				
<b>7.1.b - Overflows resulting from the stormwater system that result in flooding of a habitable floor - number per 1000 properties connected</b>	#	1.00	0.00	 GREEN
<p>No Habitable floor flooding incidents for July to Oct 2019</p>				
<b>7.2 - Median response time between the time of notification and the time when service personnel reach the site when habitable floors are affected by flooding resulting from faults in the stormwater system</b>	Hours	2.00	0.00	 GREEN
<p>No Habitable floor flooding incidents for July to Oct 2019</p>				
<b>7.3.a - Complaints about the stormwater system, number per 1000 properties connected</b>	#	15.00	1.60	 GREEN
<p>Year to date total is 1.6 for the period July to Oct 2019</p>				
<b>7.3.b - Number of complaints about the stormwater system</b>	#	60.00	11.00	 GREEN
<p>Year to date total is 11 complaints for the period July to Oct 2019.</p>				
<b>8.1.a - Compliance with resource consents for stormwater discharges, measured by the total number of stormwater abatement notices issued</b>	#	0.00	0.00	 GREEN

No Abatement Notices Issued				
<b>8.1.b - Compliance with resource consents for stormwater discharges, measured by the total number of infringement notices issued</b>	#	0.00	0.00	 GREEN
No Infringements Issued				
<b>8.1.c - Compliance with resource consents for stormwater discharges, measured by the total number of enforcement orders issued</b>	#	0.00	0.00	 GREEN
No Enforcement Orders Issued				
<b>8.1.d - Compliance with resource consents for stormwater discharges, measured by the total number of convictions</b>	#	0.00	0.00	 GREEN
No convictions				
<b>8.2 - Average annual cost per property connected to stormwater network incl. GST</b>	\$	98.00	33.97	 GREEN
Annual calculation that is completed in July (post financial year end). Cost component of this doesn't make much sense until all costs for the year are captured. Monthly cumulative amount (incl GST) entered as goes				
<b>8.3 - Stormwater - Percentage of monitoring results that show compliance with resource consent conditions</b>	%	100.00	89.74	 RED
This is a new activity that staff are undertaking following receipt of resource consents. While staff are not expecting a lot there will likely be a number non-compliances which will need to be investigated with the outcome of these investigations determining what if any further action is required. It is expected that this will also incur capital expenditure at levels significantly higher than currently allowed for in local budgets.				
<b>14.1.a - Percentage resident satisfaction with the services provided - rubbish and recycling wheelie bins</b>	%	90.00	0.00	 RED
This KPI is not measured yet because it calculated on an annual basis with data from the annual resident survey which is carried out in March/April 2020.				
<b>14.1.b - Percentage resident satisfaction with the services provided - transfer station locations</b>	%	80.00	0.00	 RED
This KPI is not measured yet because it calculated on an annual basis with data from the annual resident survey which is carried out in March/April 2020.				

<b>14.1.c - Percentage resident satisfaction with the services provided - transfer station hours</b>	%	80.00	0.00	 RED
This KPI is not measured yet because it calculated on an annual basis with data from the annual resident survey which is carried out in March/April 2020.				
<b>14.1.d - Percentage resident satisfaction with the services provided - recycle locations</b>	%	80.00	0.00	 RED
This KPI is not measured yet because it calculated on an annual basis with data from the annual resident survey which is carried out in March/April 2020.				
<b>15.1.a - Amount of waste diverted from landfill as a percentage of total waste</b>	%	40.00	30.11	 RED
October data not available until the end of November				
<b>15.1.b - Amount of waste per property disposed of to landfill</b>	#	650.00	293.11	 GREEN
October data not available till end November				
<b>16.1 - Average quality of ride on sealed local roads</b>	%	97.00	0.00	 RED
Survey will not be undertaken until February 2021 (Carried out bi-annually).				
<b>16.2 - Percentage of sealed local road network that is resurfaced</b>	%	7.30	0.56	 RED
Adverse weather has meant that it has been a slow start to the sealing season.				
<b>16.3 - Percentage of customer service requests responded to within required time frames</b>	%	90.00	91.30	 GREEN
91.30% of roading requests responded to within timeframes in October 2019 - exceeding the minimum target of 90%.				
<b>16.4 - Percentage of gravel road tests where road roughness meets acceptable standards</b>	%	85.00	0.00	 RED
Survey programmed to be carried out December 2019.				
<b>17.1 - Annual change in the number of fatalities and serious injury crashes</b>	#	13.00	8.00	 GREEN

The target for the year is 13 and within the July to October period there were eight. At this rate it is expected that the target will be exceeded by the end of the year.				
<b>18.1 - Percentage of footpaths in reasonable or better condition</b>	%	70.00	0.00	 RED
Footpath condition rating survey programmed for December 2019/January 2020.				
<b>22.1.a - Percentage of community centres that meet desired standards</b>	%	100.00	96.77	 RED
The Winton office/library is still currently not available for use. Council have received the all clear to enter the building and staff are now working on a business case that will identify the options for the building.				
<b>22.1.b - Percentage of facilities that meet desired standards - wharves and jetties</b>	%	100.00	90.91	 RED
Riverton has six structures. One of the Council structures is non-compliant due to an ongoing access issue which has meant we are unable to repair the structure. We are working to resolve this with the adjoining owner. Stewart Island has five structures. The Ulva Island structure is awaiting a pending Tourism Infrastructure Fund application to get funding to rebuild.				
<b>22.2 - Community housing occupancy rate</b>	%	90.00	95.65	 GREEN
Community housing occupancy was in high demand.				
<b>22.3 - Community housing net cost (rates)</b>	\$	0.00	0.00	 GREEN
This measure equals community housing operational and capital costs are to be fully self-funded from rental income so there is no impact on rates				
<b>22.4 - Cemetery interment net cost (rates)</b>	\$	0.00	0.00	 GREEN
Income \$11K over expenditure year to date				
<b>22.5 - Percentage of burial plots prepared by the time requested</b>	%	100.00	100.00	 GREEN
The end of year result was less than 100% as process forms were not being filled out correctly in October 2018. This has since been resolved the subsequent months have had 100% of burial plots prepared in time.				
<b>22.6 - Number of unplanned interruptions to Stewart Island electricity supply</b>	#	6.00	1.00	 GREEN

There has been a total of two outages for the reporting period.				
<b>23.1.a - Percentage of parks and reserves that meet desired standards</b>	%	95.00	100.00	
The parks and reserves are inspected by Councils contractors and no issues have been reported.				
<b>23.1.b - Percentage of playgrounds that meet desired standards</b>	%	95.00	81.82	
Council staff engaged a consultant to undertake an assessment report on all of the playgrounds throughout the district. This identified six playgrounds where equipment needed immediate action. These were, Otautau, Riversdale, Riverton, Tuatapere, Monowai and Dipton. The priority one issues relating to defective equipment identified in the report have now either been removed or isolated. The Holt Park playground has been removed completely as part of the demolition of the camping ground facilities.				
<b>23.1.c - Percentage of sportsfields that meet desired standards</b>	%	95.00	100.00	
Councils sports fields are inspected by our contractors and contract managers and there have been no issues identified.				
<b>23.1.d - Percentage of public toilets that meet desired standards</b>	%	95.00	100.00	
All of the public toilets are operational and maintained through contracts. A new toilet has been installed in the main street in Te Anau, the Colac bay toilet has been replaced and the Clifden Bridge toilet is in the process of being replaced. We are currently getting a condition assessment done on all of the concrete block toilets throughout the district. Once this is completed we will have a better understanding of the condition of these toilets.				
<b>23.2.a - Complete Open Space Strategy implementation plan within budget for open spaces projects</b>	#	0.00	30.00	
Some initial work has been done toward progressing this project. Council staff have worked with a consultant to prepare minimum levels of service for work associated with open spaces. This will support the preparation of the tender documents for the new contracts that are being prepared as part of the Section 17A review. Additional work is planned around updating the reserve management plans and tree\garden management in Councils open spaces.				
<b>23.2.b - Complete Open Space Strategy implementation plan within budget for public toilet projects</b>	#	0.00	20.00	
Council has initiated a condition assessment review of all of the toilets that have been constructed out of concrete block as a starting point in reviewing these assets.				
<b>23.3 - Number of complaints about public toilets</b>	#	8.00	4.00	

There were four Request for Service reported over the four month period. Three were related to the cleanliness of the toilets and one for the lack of toilet paper at a toilet. This was caused by individuals pulling out all of the toilet paper and blocking the toilet. We are going to install different dispensers to reduce the risk of this happening in the future.

**23.4 - Cost of parks and reserves per hectare**

\$	412.00	39.32	 GREEN
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This is the total amount spent on maintenance for both local and District funded reserves. The amount spent to date reflects the seasonal aspect of this KPI.



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## Monthly Financial Report - October 2019

**Record No:** R/19/11/27199  
**Author:** Dipal Patel, Project Accountant  
**Approved by:** Anne Robson, Chief Financial Officer

Decision

Recommendation

Information

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### 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 four months to 31 October 2019.

### Recommendation

**That the Finance and Assurance Committee:**

- a) **Receives the report titled “Monthly Financial Report - October 2019” dated 9 December 2019.**

### Attachments

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



# Monthly Financial Report

October 2019

Southland District Council  
Te Rohe Pōtae o Murihiku

PO Box 903  
15 Forth Street  
Invercargill 9840

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## Executive Summary

1. This Monthly Financial Report summarises Council's financial results for the four months to 31 October 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 2019/2020 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.

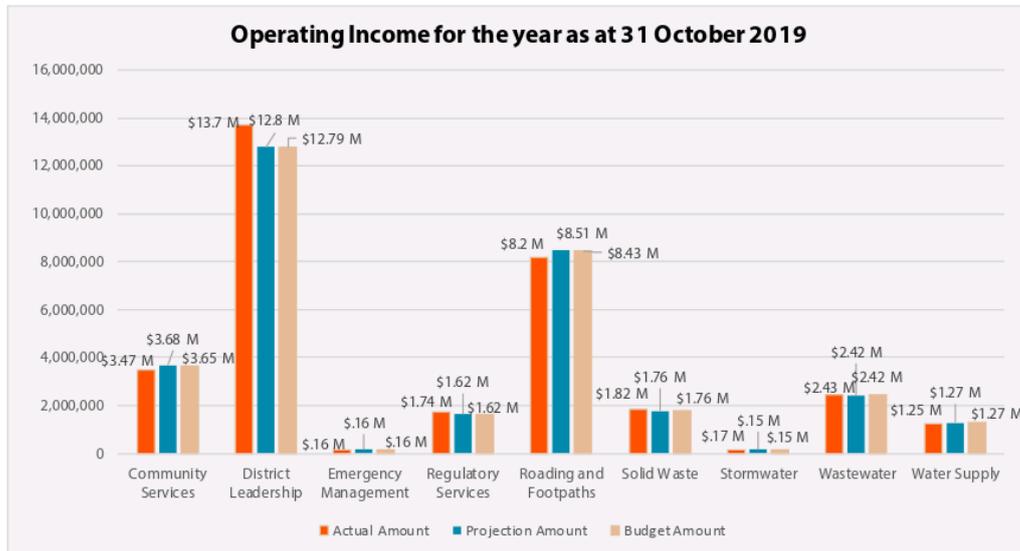
## Abbreviation Explanation

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

**A. Council Monthly Summary**

**1. Income**

Operating Income is \$576K (2%) over projection for YTD (\$32.9M actual vs \$32.4M projected).

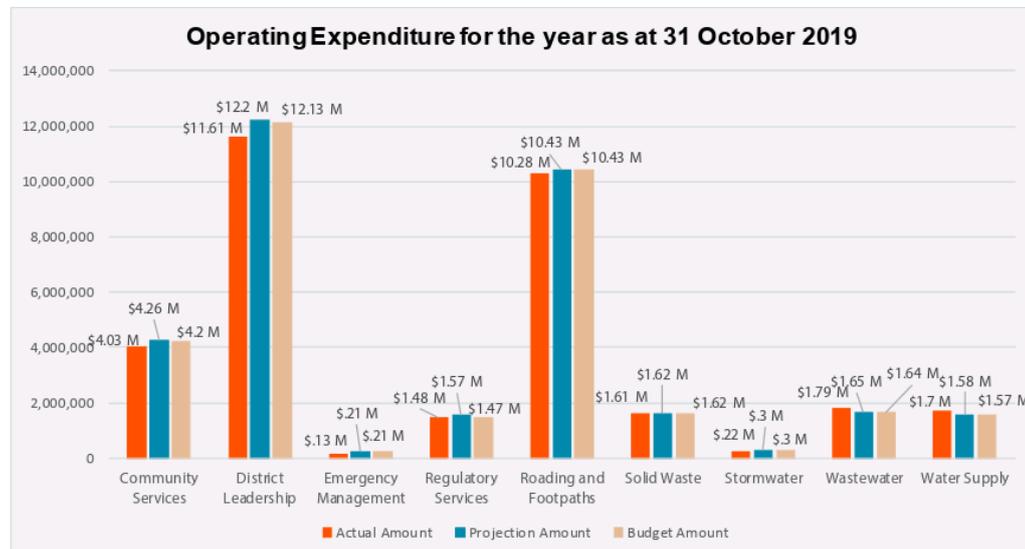


The main contributor to operating income being over projection is **District Leadership** at \$902,737 (7%), the key component is:

- **Forestry** is \$402,394 (16%) over projection. Harvesting has now been completed. 28,162 tonnes was harvested which exceeded the projection of 24,971 tonnes that was undertaken in. We have made increases in the budget during the October forecasting round to reflect this.

## 2. Expenditure

Operating Expenditure is \$956K (3%) under projection for the YTD (\$32.9M actual vs \$33.8M projection).



**Community Services** operating expenditure is \$226,578 (5%) over YTD projection.

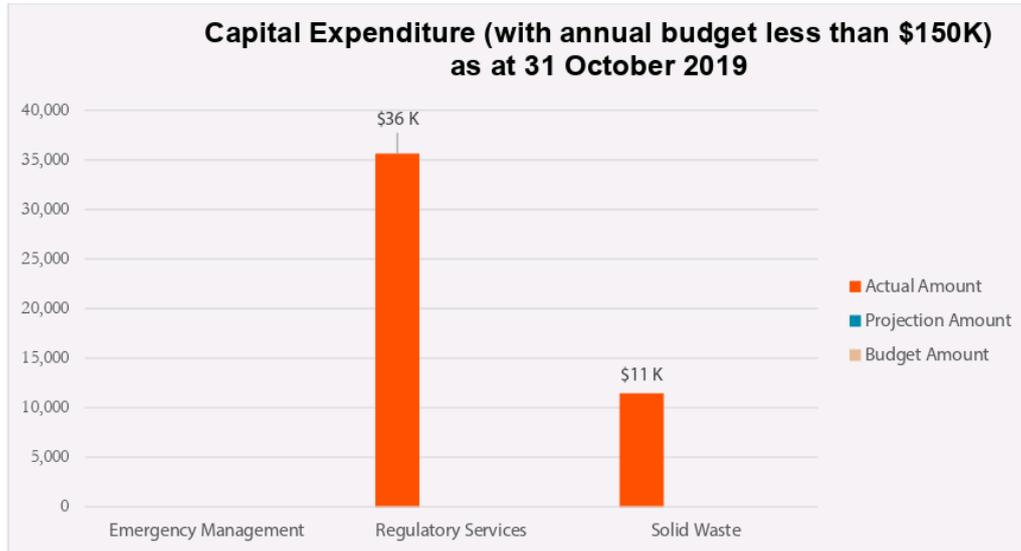
- **Community Centres** is \$99,230 (40%) under projection. This is mainly spread across the majority of non-council owned halls as the rates have not been uplifted.
- **Parks and Reserves** is \$77,897 (11%) under projection. Two months ago we phased the budgets for mowing, spraying and maintenance gardening to occur mainly over the warmer months between September and March. Due to the weather to date actual costs are lower than expected. This is still expected to be on budget by year end.
- **Water Structures** is \$74,627 (190%) under projection with the majority of this, \$61,218 being maintenance work at Riverton harbour and \$8,898 for general projects. and will reflect in the monthly reporting after this date. This is generally due to a reclassification of costs (\$72,468) from maintenance to capital, which council is being ask to approve as part of its December Council meeting.

**District Leadership** operating expenditure is \$581,546 (6%) under YTD projection, this is mainly due to

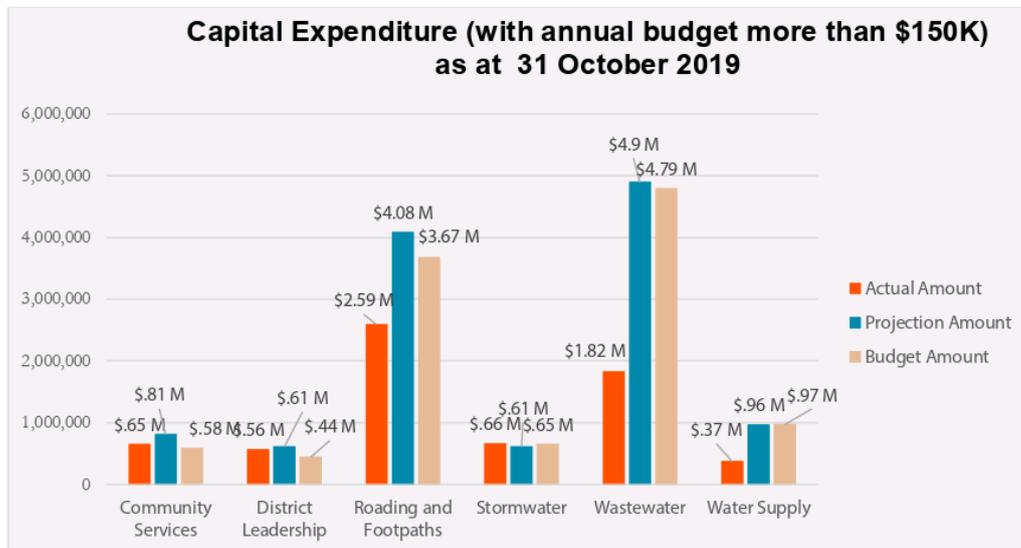
- **Forestry** being \$535,790 (33%) under projection. There was an accrual omitted from the October month-end workings for \$400K that has been rectified in November. Overall it is expected to be on budget as work is carried out later in the year.
- **Roading and Footpaths** operating expenditure is \$146,962 (1%) under YTD projection, with the main contributor being:
  - **Roading –Administration** is \$200,000 (57%) under budget, with Pyramid Bridge expenditure making up \$75,000 of this. This is due to the timing of redesign costs.

**4. Capital Expenditure (CAPEX)**

Capital Expenditure is \$4.7M (41%) under projection year to date (\$6.7M actual vs \$11.4M projection).



**Regulatory Services** is \$35,562 (100%) over projection due to the building solutions team purchasing new office furniture for the newly created Code of Compliance Certificate Project Team. Council approved unbudgeted expenditure towards the above costs on the 2<sup>nd</sup> of September. The budget has been updated to include the costs during the October forecasting round to be presented to Council on the 18<sup>th</sup> of December.



**Community Services** is \$161,288 (20%) under projection due to:

- **SIESA** \$139,347 (84%) under projection. The capital projects are currently being reviewed and with discussions underway between Council staff and Powernet to discuss project scope and potential cost.
- **Council Facilities** is \$90,782 (56%) under projection due to the Holt Park camping ground project being terminated as a result of the building being found to be structurally unsound. The report approved by Council on the 27<sup>th</sup> of September requesting unbudgeted expense for the demolition of the structure. Included in the October forecasting which will be presented to Council for approval on the 18<sup>th</sup> of December.

**Roading and Footpaths** is \$502,059 (16%) under YTD projection.

- **Roading - District Wide** is \$293,260 (11%) under budget largely due to a slower start with the pavement rehabilitation. The scheduled works are expected to be completed within this construction season, when the weather enables work to occur.
- **Streetworks** is \$139,504 (40%) under budget which is mainly made up Riverton and Te Anau streetworks. Riverton streetworks is \$79,495 behind projection due to the \$130K kerb and channel project being put on hold to allow for the new community board to discuss this project through the LTP process, this budget adjustment has been forecasted for. Te Anau streetworks is \$81,827 behind projection mainly due to the three planned projects not having begun yet. They are all planned to be completed this financial year.

**Wastewater** is \$3,070,523 (63%) under YTD projection, this is largely due to the delay in construction associated with the Te Anau wastewater project and the regional desludging work. Whilst the desludging work is likely to be recovered this financial year, Te Anau wastewater delays are unlikely to be recovered.

**Water Supply** is \$1,043,367 (74%) under projection, however it is anticipated that this will be resolved as the year progresses. This variance is largely due to the phasing of our projects and will be assessed and phased appropriately in the coming months.

**B. Council Summary Report**

Southland District Council Financial Summary  
for the period ending 31 October 2019

Operating Income									
	YTD					FYB			
	Actual Amount	Projection Amount	Budget Amount	Variance	Var %	Projection Amount	Budget Amount	Variance	Var %
Community Services	3,466,910	3,670,629	3,637,071	(203,719)	(6%)	11,750,186	11,649,511	(100,675)	(1%)
District Leadership	13,699,416	12,796,679	12,793,346	902,737	7%	33,377,610	33,357,610	(20,000)	(0%)
Emergency Management	155,779	160,610	160,610	(4,831)	(3%)	481,829	481,829	0	0%
Regulatory Services	1,741,177	1,622,346	1,619,013	118,831	7%	4,262,321	4,252,321	(10,000)	(0%)
Roading and Footpaths	8,196,229	8,507,850	8,427,621	(311,621)	(4%)	29,622,988	29,143,773	(479,215)	(2%)
Solid Waste	1,816,143	1,758,940	1,758,940	57,203	3%	5,242,541	5,242,541	0	0%
Stormwater	172,007	151,046	20,961	20,961	14%	508,193	508,193	0	0%
Wastewater	2,433,866	2,418,683	2,418,683	15,183	1%	7,642,920	7,642,920	0	0%
Water Supply	1,249,976	1,268,694	1,268,694	(18,718)	(1%)	3,883,463	3,883,463	0	0%
<b>Total</b>	<b>\$32,931,503</b>	<b>\$32,355,478</b>	<b>\$32,235,024</b>	<b>576,025</b>	<b>(2%)</b>	<b>\$96,772,050</b>	<b>\$96,162,160</b>	<b>(609,890)</b>	<b>(1%)</b>

Operating Expenditure									
	YTD					FYB			
	Actual Amount	Projection Amount	Budget Amount	Variance	Var %	Projection Amount	Budget Amount	Variance	Var %
Community Services	4,030,122	4,304,413	4,252,139	(274,291)	(6%)	12,221,524	12,060,484	(161,040)	(1%)
District Leadership	11,611,668	12,198,826	12,132,602	(587,158)	(5%)	35,237,815	35,029,141	(208,674)	(1%)
Emergency Management	133,809	213,562	213,562	(79,753)	(37%)	481,829	481,829	0	0%
Regulatory Services	1,479,334	1,570,532	1,468,606	(91,197)	(6%)	4,670,911	4,365,134	(305,777)	(7%)
Roading and Footpaths	10,280,273	10,427,235	10,426,490	(146,962)	(1%)	32,476,342	32,474,106	(2,236)	(0%)
Solid Waste	1,614,084	1,615,423	1,615,423	(1,339)	(0%)	4,841,069	4,841,069	0	0%
Stormwater	224,402	298,977	298,977	(74,575)	(25%)	849,920	849,920	0	0%
Wastewater	1,789,204	1,654,349	1,638,361	134,855	8%	4,744,182	4,696,217	(47,965)	(1%)
Water Supply	1,698,430	1,579,593	1,574,954	118,837	8%	4,731,676	4,717,759	(13,917)	(0%)
<b>Total</b>	<b>\$32,861,327</b>	<b>\$33,862,910</b>	<b>\$33,621,113</b>	<b>(1,001,583)</b>	<b>(3%)</b>	<b>\$100,255,268</b>	<b>\$99,515,660</b>	<b>(739,609)</b>	<b>(1%)</b>
<b>Net Surplus/Deficit</b>	<b>\$70,176</b>	<b>(\$1,507,432)</b>	<b>(\$1,386,089)</b>	<b>1,577,608</b>	<b>1%</b>	<b>(\$3,483,218)</b>	<b>(\$3,353,500)</b>	<b>129,719</b>	<b>0%</b>

Capital Expenditure									
	YTD					FYB			
	Actual Amount	Projection Amount	Budget Amount	Variance	Var %	Projection Amount	Budget Amount	Variance	Var %
Community Services	648,495	809,783	581,184	(161,288)	(20%)	2,794,886	2,396,220	(398,666)	(14%)
District Leadership	562,058	608,911	442,079	(46,853)	(8%)	550,189	49,693	(500,496)	(91%)
Emergency Management	-	-	-	0	-	-	-	0	0%
Regulatory Services	35,562	-	-	35,562	-	132,861	132,861	0	0%
Roading and Footpaths	2,585,847	3,093,906	2,685,791	(508,059)	(16%)	16,169,490	14,945,146	(1,224,344)	(8%)
Solid Waste	11,366	-	-	11,366	-	-	-	0	-
Stormwater	655,943	611,358	647,738	44,584	7%	787,032	832,507	45,475	6%
Wastewater	1,824,856	4,895,379	4,789,093	(3,070,523)	(63%)	14,643,648	14,560,043	(83,605)	(1%)
Water Supply	369,290	1,455,365	1,452,221	(1,086,075)	(75%)	3,204,657	3,204,787	130	0%
<b>Total</b>	<b>\$6,693,417</b>	<b>\$11,474,702</b>	<b>\$10,598,108</b>	<b>(4,781,286)</b>	<b>(42%)</b>	<b>\$38,282,763</b>	<b>\$36,121,257</b>	<b>(2,161,506)</b>	<b>(6%)</b>

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

**C. Statement of Comprehensive Income**

Statement of Comprehensive Revenue and Expenses					
for the period ending 31 October 2019					
	YTD			FYB	
	Actual Amount	Projection Amount	Budget Amount	Projection Amount	Budget Amount
<b>Revenue</b>					
Rates Revenue	15,902,951	15,915,054	15,915,054	48,411,467	48,411,467
Other Revenue	5,327,024	4,649,987	4,649,987	8,372,470	8,372,470
Interest and Dividends	123,865	22,723	22,723	68,170	68,170
NZ Transport Agency Funding	3,148,090	3,365,283	3,285,054	13,575,038	13,129,323
Grants and Subsidies	1,404,804	1,385,182	1,365,205	4,264,406	4,170,975
Other gains/losses	21,574	27,032	17,032	(1,407,317)	(1,447,317)
Development and financial contributions	2,852	13,765	8,517	383,899	368,155
	<b>25,931,160</b>	<b>25,379,026</b>	<b>25,263,572</b>	<b>73,668,133</b>	<b>73,073,243</b>
<b>Expenditure</b>					
Employee Benefit Expense	4,579,876	4,752,141	4,752,141	13,249,866	13,249,866
Depreciation and Amortisation	7,729,969	7,727,744	7,727,744	23,183,233	23,183,233
Finance Costs	7,626	7,333	7,333	22,000	22,000
Other Council Expenditure	13,511,080	14,351,526	14,114,729	40,574,135	39,833,782
Balance Sheet	0	0	0	0	0
Internal Reconciliations	0	0	0	0	0
	<b>25,828,551</b>	<b>26,838,744</b>	<b>26,601,948</b>	<b>77,029,234</b>	<b>76,288,882</b>
<b>Total Comprehensive Income</b>	<b>102,609</b>	<b>(1,459,719)</b>	<b>(1,338,376)</b>	<b>(3,361,102)</b>	<b>(3,215,639)</b>

**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 prepares 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 31 October 2019 is detailed below. The balance sheet below only includes Southland District Council and SIESA financials. This means that the balance sheet for 30 June 2019 differs from the published annual report which includes Venture Southland financials.

### SOUTHLAND DISTRICT COUNCIL STATEMENT OF FINANCIAL POSITION as at 31 October 2019

	Actual 31-Oct-19	Actual 30-Jun-19
<b>Equity</b>		
Retained Earnings	718,717,630	718,647,453
Asset Revaluation Reserves	822,120,037	822,120,037
Other Reserves	42,546,133	42,546,133
Share Revaluation	2,666,473	2,666,473
	<u>1,586,050,273</u>	<u>1,585,980,097</u>
<b>Represented by:</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	15,116,386	14,911,330
Trade and Other Receivables	8,596,789	11,123,195
Inventories	129,402	129,402
Other Financial Assets	1,346,011	1,508,271
	<u>25,188,588</u>	<u>27,672,199</u>
<b>Non-Current Assets</b>		
Property, Plant and Equipment	1,556,404,087	1,556,700,350
Intangible Assets	2,530,194	2,565,313
Forestry Assets	11,900,000	11,900,000
Internal Loans	30,762,062	31,315,988
Work in Progress	66,884	772,054
Investment in Associates	314,495	314,495
Other Financial Assets	302,361	302,608
	<u>1,602,280,083</u>	<u>1,603,870,809</u>
<b>TOTAL ASSETS</b>	<u>1,627,468,671</u>	<u>1,631,543,007</u>
<b>Current Liabilities</b>		
Trade and Other Payables	6,465,313	8,358,955
Contract Retentions and Deposits	455,059	451,905
Employee Benefit Liabilities	1,279,611	1,583,186
Development and Financial Contributions	2,116,191	2,112,712
Provisions	14,000	14,000
	<u>10,630,173</u>	<u>14,220,759</u>
<b>Non-Current Liabilities</b>		
Employment Benefit Liabilities	18,010	18,010
Provisions	8,152	8,152
Internal Loans - Liability	30,762,062	31,315,988
	<u>30,788,224</u>	<u>31,342,151</u>
<b>TOTAL LIABILITIES</b>	<u>41,418,397</u>	<u>45,562,909</u>
<b>NET ASSETS</b>	<u>1,586,050,274</u>	<u>1,585,980,098</u>

**F. Statement of Cash Flows****Statement of Cashflows for the period ended October 2019**

	2019/2020 YTD Actual
<b>Cash Flows from Operating Activities</b>	
Receipts from rates	13,926,315
Receipts from other revenue (including NZTA)	11,912,348
Cash receipts from Interest and Dividends	123,865
Payment to Suppliers	(15,086,295)
Payment to Employees	(4,883,451)
Interest Paid	(7,626)
GST General Ledger (net)	2,129,236
<b><i>Net Cash Inflow (Outflow) from Operating Activities</i></b>	<b>8,114,392</b>
<b>Cash Flows from Investing Activities</b>	
Receipts from sale of PPE	21,574
(Increase)/Decrease Other Financial Assets	162,508
Purchase of property, plant and equipment	(6,728,536)
Purchase of Forestry Assets	-
Purchase of Intangible Assets	35,119
<b><i>Net Cash Inflow (Outflow) from Investing Activities</i></b>	<b>(6,509,335)</b>
<b>Cash Flows from Financing Activities</b>	
Increase/(Decrease) Term Loans	(1,400,000)
Increase/(Decrease) Finance Leases	-
<b><i>Net Cash Inflow (Outflow) from Financing Activities</i></b>	<b>(1,400,000)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents	205,057
Cash and Cash Equivalents at the beginning of the year	14,911,330
<b>Cash and Cash Equivalents at the end of October</b>	<b>15,116,387</b>

**Cash and Cash Equivalents and Other Financial Assets**

1. At 31 October 2019, Council had \$16M invested in six term deposits ranging from two to four month maturities as follows:

SDC Investments - Term Deposits				
Bank	Amount	Interest Rate	Date Invested	Maturity Date
ANZ	\$ 3,000,000	2.21%	20-Aug-19	19-Nov-19
ANZ	\$ 2,000,000	2.15%	19-Sep-19	17-Jan-20
ASB	\$ 4,000,000	2.30%	4-Sep-19	19-Dec-19
WPC	\$ 2,000,000	2.26%	20-Aug-19	19-Nov-19
WPC	\$ 3,000,000	2.15%	17-Oct-19	17-Jan-20
<b>Total</b>	<b>\$ 14,000,000</b>			

At 31 October 2019, SIESA had \$1.57M invested in five six month term deposits as follows:

SIESA Investments - Term Deposits				
Bank	Amount	Interest Rate	Date Invested	Maturity Date
BNZ	\$ 370,000	3.15%	29-Jul-19	2-Mar-20
BNZ	\$ 200,000	1.18%	1-Oct-19	1-Nov-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
<b>Total</b>	<b>\$ 1,570,000</b>			

2. Funds on Call at 31 October 2019:

Funds on Call				
	Amount	Bank	Account	Interest Rate
SDC	\$ 1,967,269	BNZ	Funds on Call	0.25%
	\$ 10,000	BNZ	Operating Bank Acc	1.00%
	\$ 333,688	BNZ	Restricted Funds Acc	3.25%
SIESA	\$ 98,488	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.

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## Forecasted Financial Position for the year ending 30 June 2020

**Record No:** R/19/11/27072  
**Author:** Joanie Nel, Management Accountant  
**Approved by:** Anne Robson, Chief Financial Officer

Decision  Recommendation  Information

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### Purpose

- 1 To inform the committee of the expected year-end financial result compared to the published 2019/2020 Annual Plan and seek the committee's recommendation to Council to approve the resulting forecasted position.

### Executive Summary

- 2 Forecasting the financial position for the year ended 30 June 2020 is intended to provide information about what has changed since the budget was approved, why it has occurred and what the result is expected to be at the end of the year. In considering the final position staff consider what they planned to do in the Annual Plan, the projects carried forward from 2018/19 that were approved by Council on 27 September 2019, unbudgeted expenditure requests approved by Council during the year to date and the expected year end position as a result of operational decisions and information.
- 3 Forecasting enables the organisation to understand the anticipated year end position at all levels. It will also assist with decisions and priorities for spending across Council.
- 4 The budgeted expenditure included in the Annual Plan for the 2019/2020 year was adopted in June 2019. Forecasting allows a formal process to communicate to the Executive Leadership Team (ELT), Finance and Assurance Committee and Council along with any known or expected changes. The net amount by business units is shown in Appendix A.
- 5 The effect of the forecast changes on the Statement of Comprehensive Revenue and Expenditure and Statement of Financial Position is shown in Appendix B and C.
- 6 As part of the resolutions the Committee is asked to recommend to Council a number of unbudgeted expenditure requests that have not been advised to Council previously. Additionally there are a number of projects that have been identified as needing to be deleted. A detailed list of these projects can be found in Appendix D.
- 7 This report is included in the Council agenda for the meeting on 18 December 2019. Council staff will update Council on any discussions and recommendations made by this committee.

## Recommendation

That the Finance and Assurance Committee:

- a) Receives the report titled "Forecasted Financial Position for the year ending 30 June 2020" dated 9 December 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) Notes the forecasted changes to Council's year-end financial performance and position as detailed in appendix B and C.
- e) Recommends Council approve the changes as detailed in appendix A.
- f) Recommends Council approve the following projects to be deleted from the 2019/20 financial year:

Business Unit	Project	Amount	Details
Invercargill Office	Project P-10087 (CB0025) Invercargill Office Renewals	\$217,837	Maintenance costs on hold
Lumsden	Project P-10252 (CE00001) Cemetery berm	\$9,087	Cemetery berms not currently required
Edendale Wyndham	Project P-10323 Cemetery berm	\$1,500	Cemetery berms not currently required
Riverton/Aparima	Project P-10055 (PR0036) Riverton Beautification	\$15,000	Project cancelled as we don't own the land

- g) Recommends Council approve the following unbudgeted expenditure for the 2019/20 financial year:

Business Unit	Expense	Amount	Funding Source
Finance	Material Damage insurance	\$27,258	District Ops Reserve
Predator Free Rakiura	Ordinary Time	\$43,000	MBIE Grant
District Water	Maintenance Routine, Maintenance Unplanned,	\$208,961	Internal Loan

	<b>Wellhead improvement project</b>		
<b>District Sewerage</b>	<b>Maintenance Planned</b>	<b>\$90,000</b>	<b>District Sewerage Reserve</b>
<b>Wheelie Bins</b>	<b>Waste Disposal</b>	<b>\$138,624</b>	<b>Ex-Waste Management – RE</b>
<b>Transfer Stations – Te Anau</b>	<b>Waste Disposal</b>	<b>\$71,859</b>	<b>Ex-Waste Management – RE</b>
<b>Water Supply Riverton</b>	<b>Water Renewal Project 1534</b>	<b>\$20,000</b>	<b>Internal Loan</b>
<b>Water Supply Te Anau</b>	<b>Te Anau water main renewal</b>	<b>\$559,000</b>	<b>Internal Loan</b>
<b>Information Management</b>	<b>Software Licence</b>	<b>\$67,662</b>	<b>Ex District ops reserve</b>
<b>Customer service</b>	<b>Answering service</b>	<b>\$17,736</b>	<b>Ex District ops reserve</b>
<b>Building Regulation</b>	<b>Ordinary Time, Accommodation and Meals, Consultants</b>	<b>\$717,144</b>	<b>Ex District ops reserve</b>
<b>Public conveniences</b>	<b>Consultants</b>	<b>\$15,000</b>	<b>Internal Loans</b>
<b>Community Housing Collective</b>	<b>Maintenance Internal</b>	<b>\$16,000</b>	<b>Ex Community Housing</b>
<b>Camping Ground - Wyndham</b>	<b>Replacement of toilet block</b>	<b>\$40,000</b>	<b>Internal Loans</b>
<b>SIESA Operations</b>	<b>Management Fees, Fuel</b>	<b>\$311,243</b>	<b>Ex-SIESA Operations OP</b>
<b>Around the Mountain Cycle Trail</b>	<b>Toilet cleaning, waste disposal</b>	<b>\$19,500</b>	<b>Ex District ops reserve</b>
<b>Manapouri Airport</b>	<b>Additional Trimming costs</b>	<b>\$20,000</b>	<b>Ex Manapouri Airport</b>
<b>Manapouri Airport</b>	<b>Forecast for condition rating of the runway</b>	<b>\$30,000</b>	<b>Ex Manapouri Airport</b>
<b>Alcohol licencing</b>	<b>Ordinary Time</b>	<b>\$18,686</b>	<b>Ex Alcohol licencing reserve</b>
<b>Gowan Hill</b>	<b>Material damage insurance , Silviculture, Fire protection costs</b>	<b>\$83,227</b>	<b>Forestry Reserve</b>
<b>Ohai Forest</b>	<b>Material damage insurance, Forest maintenance, Tree Planting, Silviculture costs</b>	<b>\$25,626</b>	<b>Forestry Reserve</b>
<b>Milford Ops</b>	<b>Consultants</b>	<b>\$800,000</b>	<b>Government Grant</b>
<b>Chief executive</b>	<b>SOLGM Membership fee</b>	<b>\$12,410</b>	<b>Increased Rates penalties</b>

Stormwater Drainage Otautau	Stormwater work on Main street line	\$40,000	Ex-Otautau Stormwater
Water supply Otautau	Project P-10256 Otautau Main st watermain project will be completed in this year including next year's budget	\$475,000	Internal Loans

- h) Recommends Council approve the following unbudgeted expenditure, subject to Community Board approval;

Business Unit	Project	Amount	Details
Operating costs Ohai	Additional cost to move recycling container as agreed	\$4,300	Ohai General reserve
Playground – Garston	Increases to cover cost to meet health and safety requirements	\$857	Garston Special Projects
War Memorial Park	Increases to cover cost to meet health and safety requirements	\$1,570	Mossburn General Reserves
Dr Woods Memorial Park	Increases to cover cost to meet health and safety requirements	\$2,000	McGregor Park
Playground Orepuki	Increases to cover cost to meet health and safety requirements	\$1,194	Orepuki General
Playground Riversdale	Increases to cover cost to meet health and safety requirements	\$710	Riversdale General
Harbour	Potential costs associated with legal dealings for L46 Wharf	\$2,000	Riverton Harbour General
Playground Waterfront	Increases to cover cost to meet health and safety requirements	\$887	Stewart Island General
Sportsground/Boating Te Anau	Remove steering wheel playground equipment and replace	\$1,035	Te Anau General
Sportsground/Boating Te Anau	Increases to cover cost to meet health and safety requirements	\$1,220	Te Anau General
Playground Thornbury	Increases to cover cost to meet health and safety requirements	\$887	Thornbury General
Playground Tokanui	Increases to cover cost to meet health and safety requirements	\$925	Tokanui General

<b>Clifden Recreation Reserve Com</b>	<b>Cut Hedges in reserve as requested by Clifden Recreation subcommittee</b>	<b>\$3,462</b>	<b>Ex-Clifden Rec Res</b>
<b>Monowai Reserve &amp; Playground</b>	<b>Remove existing playground equipment and replace with new equipment</b>	<b>\$1,462</b>	<b>Waiau/Aparima Reserve</b>
<b>Playground – Dickson Park</b>	<b>Increases to cover cost to meet health and safety requirements</b>	<b>\$351</b>	<b>Waik Dickson Park reserves</b>
<b>Centennial Park</b>	<b>Increases to cover cost to meet health and safety requirements</b>	<b>\$967</b>	<b>Winton General</b>
<b>Beautification Wallacetown</b>	<b>Significant work required on the trees and hedges</b>	<b>\$10,000</b>	<b>Wallacetown General</b>
<b>Playground Ailsa Street</b>	<b>Increases to cover cost to meet health and safety requirements</b>	<b>\$1,425</b>	<b>Wallacetown General</b>
<b>Medical Centre Winton</b>	<b>Boiler and radiator maintenance forecasted</b>	<b>\$355</b>	<b>Property development reserve</b>
<b>Winton Maternity Centre</b>	<b>Boiler and radiator maintenance forecasted</b>	<b>\$855</b>	<b>Property development reserve</b>
<b>Winton Maternity Centre</b>	<b>Annual wash down, fly and spider control and spouting clean</b>	<b>\$1,500</b>	<b>Property development reserve</b>
<b>Manapouri Airport</b>	<b>Additional mowing</b>	<b>\$2,520</b>	<b>Ex Manapouri Airport</b>

## Background

- 8 Forecasting enables transparency and the opportunity to inform Council of the anticipated year-end financial result. Forecasting is not intended to involve the time and effort undertaken in the annual budgeting process.
- 9 This is the first round of forecasting for the financial year with the second to be completed in March 2019.
- 10 Budget managers were requested to undertake forecasts for their business units where the expected overall outcome would vary from the budget in the Annual Plan by specified tolerance levels. These net levels are set at:
- \$1,000 for Council-owned halls;
  - \$1,000 to \$10,000 for townships depending on their operational expenditure in the current year;
  - \$10,000 for all district business units. The maximum limit of \$10,000 was set in line with the delegation held by the Chief Executive in relation to him approving unbudgeted expenditure.
- 11 No changes have been made to loan repayments, depreciation or the revaluation of fixed assets.

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- 12 A limited number of changes have been made to wages budgets, mostly in relation to those already approved by Council as unbudgeted expenditure.
- 13 Changes due to forecasting have been included in the attachments as follows.
- Attachment A, provides details of changes to revenue and operating expenditure and capital expenditure for each business unit with commentary from the budget manager.
  - Attachment B, shows the net effect of the changes to the Statement of Comprehensive Revenue and Expenditure for the year ended 30 June 2020.
  - Attachment C, shows the effect of changes to the Statement of Financial Position for the year ending 30 June 2020.
  - Attachment D, provides details of the specific projects being deleted.
- 14 A breakdown of the movement of capital projects as a result of carry forwards and forecasting for the 2019/2020 year is as follows:

<i>Financial Activity</i>	<i>Amount</i>
Capital projects as per the 2019/2020 Annual Plan	\$22,884,201
Carried forward from 2018/2019	\$2,831,302
October Forecasting movement	\$1,299,298
<b>Expected project costs for 2019/20</b>	<b>\$27,014,801</b>

Some projects are classified as operating expenditure and not all capital expenditure are completed as projects.

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

**Revenue** - Changes in revenue from the budget has increased by \$2,011,246 (Appendix B). This is principally due to the increased tonnage and sale price of forest harvesting at Waikaia as well as funding from MBIE for Milford Opportunities of \$800,000 and \$100,000 from the Provincial Growth Fund for Stewart Island. (The Milford Sound Opportunities Project is a multi-agency initiative for which Council has held the role of lead agency.)

**Operating Costs** – Operating expenditure has increased from the budget by \$2,262,166. Major changes are:

- Increased costs for the building regulation department (\$420,000) to maintain accreditation and process consents within the required timelines.
- An increase in the operating costs for SIESA operations, \$311,243
- Milford Opportunities consultancy charges of \$800,000, being funded by a grant from MBIE.
- Increased costs of \$268,624 in the Wheelie Bins business unit as per actuals, to be funded from the waste management reserves and funded by rates in future years.

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- Increased operational costs of \$108,853 for the Gowan Hill and Ohai forests.
- \$90,000 of additional costs associated with the provision of an alternative water supply to Curio Bay reserve.
- \$108,595 consultants fees for Stewart Island Rakiura to be funded from a grant from the Provincial Growth Fund.
- \$67,662 towards new software, and software maintenance for Council.

### Capital

- The forecast capital expenditure has increased by \$2,185,815.
  - Project P-10257 Te Anau water main renewal of \$559,000. The total project cost of \$1,068,000 was split over two years for the Annual plan and is now expected to be completed in 2019/2020.
  - \$1,500,000 included of the \$3,000,000 unbudgeted expenditure previously approved by Council for the design build bridge contract, with 51% approved funding coming from NZTA. The remainder to be completed in 2020/2021.
  - \$195,000 unbudgeted expenditure previously approved by Council, \$180,000 for the new electronic delivery project and \$15,000 for the CCC project for the building team.
  - \$111,177 forecast spend for District water, increased spend for Project P-10009 for wellhead improvements and seal off old wells. There was insufficient residual funds left to complete the project as well as remedial works at Te Anau and Otautau required.
- 16 The forecasted net deficit for the year is currently \$3,735,638 which is \$380,638 more than the original Annual Plan budget.

### Issues

- 17 Forecasting is part of the ongoing process to encourage better financial behaviours across the organisation. This includes early identification of projects that will not be completed by the end of the current financial year. The intention is that where projects will not be completed this year, these will be included in the carry forward process. The carried forward report is provided to Council after the end of a financial year to request that the work not completed during a year is carried into the next financial year's budget. The current works programme will be reviewed again in the next forecasting round (March 2020), to ensure that the 20/21 Projects will be delivered on time.
- 18 Additional income from MBIE to complete a Stewart Island wind development feasibility study and subsequent capital development have not been forecasted pending outcome of feasibility study. Further clarity will be available following formal announcement and finalisation of funding agreement.
- 19 The Te Anau wastewater project has not had any changes in this round of forecasting, while tender and contract processes are worked through. There is \$12,882,352 included in the work program currently. With the delay in the consenting process it is expected a lower level of work will be completed this year and estimated in the March forecasting round.
- 20 Forecasting also provides an opportunity to approve anticipated unbudgeted expenditure during the year. This should reduce the number of individual requests needed to be handled by Council. Council will still need to approve some expenditure items separately where the expenditure is

large enough to require individual approval or where unbudgeted expenditure has been identified between the two rounds of forecasting.

### **Factors to Consider**

#### **Legal and Statutory Requirements**

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

#### **Community Views**

- 22 Consultation was held with the community for the expenditure included in the 2018-2028 budget as part of the Long term plan process and direction setting meetings held with the community boards and community development area sub committees for the 2019/2020 annual plan process.
- 23 Changes proposed to capital and operational expenditure for townships will have been or will be reported to the relevant Community Board. There are no new significant projects planned for 2019/20 through this round of forecasting.

#### **Costs and Funding**

- 24 Forecasting completed shows that overall net operating income and expenditure is expected to increase by \$250,919. This is shown by business unit in Attachment A.
- 25 The overall net Capital Expenditure is expected to increase by \$2,185,815. Council is requested to approve the expenditure, not included in resolutions, shown in Attachment A.
- 26 The overall impact on the budgeted Statement of Comprehensive Revenue and Expenditure for 2019/2020, as a result of carry forward costs and forecasting, is a net operating deficit movement of \$380,638 from the original Annual Plan as shown in Attachment B.

#### **Policy Implications**

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

## **Analysis of Options**

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

### **Option 1 – Recommend to Council to approve the forecast changes recommended**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>• Council is informed of anticipated changes from the Annual Plan for 2019/2020.</li> <li>• Council has had the opportunity to prioritise expenditure to be incurred in the current financial year</li> <li>• Council considers that the additional expenditure is not a current priority and does not need to be incurred.</li> </ul>	<ul style="list-style-type: none"> <li>• Processes may be delayed where further approval needs to be sought from Council before committing to additional expenditure.</li> <li>• Deferral of projects which are going to be completed later and/or costing more than previously indicated.</li> </ul>

### **Option 2 – Do not approve, in part or in full, the forecast changes recommended**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>• Council is informed of anticipated changes from the Annual Plan for 2019/2020.</li> <li>• Council has had the opportunity to prioritise expenditure to be incurred in the current financial year</li> </ul>	<ul style="list-style-type: none"> <li>• Processes may be delayed where further approval needs to be sought from Council before committing to additional expenditure.</li> </ul>

## **Assessment of Significance**

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

### **Recommended Option**

- 28 Option 1 to receive the forecasted adjustments to the financial statements and approve the expenditure in Attachment A not included in the Annual Plan for 2019/2020.

### **Next Steps**

- 29 Report to Council to approve the unbudgeted expenditure for the 2019/2020 financial year and forecasted position for 30 June 2019.
- 30 Ensure that deferred projects are included in the proposed 2019-2020 Annual Plan.
- 31 Communication with Community Boards on forecasted items in their geographical area.

## **Attachments**

- A Forecasted Financial position for year ending 30 June 2020 Appendix A [↓](#)
- B Forecasted Financial position for year ending 30 June 2020 Appendix B [↓](#)
- C Forecasted Financial position for year ending 30 June 2020 Appendix C [↓](#)
- D Forecasted Financial position for year ending 30 June 2020 Appendix D [↓](#)

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

Business Unit Name	October Forecast Adjustment	Forecast Balance at 30 June 2020	Increase or (Decrease)	Comment
<b>Income</b>				
Building Regulation	\$150,641	\$0	(Decrease)	Transfer of budget to Knowledge management who will now be receiving LIM income
Chief Executive	(\$21,680)	(\$25,933)	Increase	Forecast increase in budget for rates penalties received as per actuals
Knowledge Management	(\$150,641)	(\$150,641)	Increase	Transfer of budget to Knowledge management who will now be receiving LIM income
SRDA	(\$285,648)	(\$285,648)	Increase	Transfer of budget from Venture Southland
Stewart Island Jetties	\$23,413	(\$14,087)	(Decrease)	LTP incorrect, forecasting budgets to reflect actual licence fees charged to existing customers
Venture Southland	\$285,648	\$0	(Decrease)	Transfer of budget to SRDA
Waikaiti Forest	(\$362,562)	(\$2,924,008)	Increase	Forecast changes to budget to reflect actuals
Work Scheme Programme	\$5,000	\$0	(Decrease)	Forecast changes to budget to reflect reduction in actual results
<b>Subtotal Other Revenue</b>	<b>(\$355,829)</b>	<b>(\$3,400,317)</b>	<b>Increase</b>	
Roading - District Wide	(\$765,000)	(\$8,320,125)	Increase	Design build bridge contracts - Council approved \$1.5M in May 2019. This is being split \$1.5M in 19/20 year and \$1M in 20/21. NZTA approved funding of 51%, Council approved a 20 Loan to fund Councils 49%.
<b>Subtotal NZTA</b>	<b>(\$765,000)</b>	<b>(\$8,320,125)</b>	<b>Increase</b>	
Milford Ops	(\$800,000)	(\$800,000)	Increase	Funding Agreement with MBIE agreed for stage 2
Predator Free Rakina	(\$43,000)	(\$43,000)	Increase	Forecast per actual spend funded from by way of grant from DOC
Stewart Island/Rakiura	(\$100,000)	(\$100,000)	Increase	Funding from Provincial Growth Fund
Streetworks Stewart Island	\$52,583	\$52,583	(Decrease)	19/20 Project 808A new walking track horseshoe Bay change of funding source
<b>Subtotal Grant and Subsidies</b>	<b>(\$890,417)</b>	<b>(\$890,417)</b>	<b>Increase</b>	
<b>Total Revenue adjustment</b>	<b>(\$2,011,246)</b>	<b>(\$12,610,859)</b>	<b>Increase</b>	
<b>Employee Benefit Expense</b>				
Alcohol Licensing	\$18,686	\$100,000	Increase	Forecasting for new 0.5 FTE as per October business requirements memo.
Around the Mountains Cycle Trail	\$49,563	\$49,563	Increase	Forecasting increased actuals not included in the AP.
Building Regulation	\$283,753	\$1,080,365	Increase	Forecasting for additional senior role to maintain accreditation
District Library	\$0	\$0	Increase	Transfer unused FTE to Consultancy for Library review
Predator Free Rakina	\$43,000	\$43,000	Increase	Forecast per actual spend funded from by way of grant from DOC
Water Services	\$194,323	\$1,058,176	Increase	Unbudgeted Expenditure for more staff resources
Project Delivery	\$140,411	\$658,178	Increase	Forecast per actual spend
Information Management	(\$182,633)	(\$182,633)	(Decrease)	Reducing wages for Core system review work
<b>Total adjustment</b>	<b>\$547,083</b>	<b>\$2,806,629</b>	<b>(Decrease)</b>	
<b>Operational Expenditure</b>				
Around the Mountains Cycle Trail	\$39,500	\$131,076	Increase	Forecasting for Marketing, membership, subscriptions and waste disposal (sucker truck) charges
Beautification - Wallacetown	\$10,000	\$15,000	Increase	The trees and hedges in Wallacetown need significant work done on them and the current budget is no where near enough to undertake the work
Building Regulation	\$422,454	\$530,903	Increase	Forecasting for additional spend required to maintain accreditation
Buildings - Library	\$500	\$500	Increase	Building maintenance forecasted
Buildings - Lumsden Office	\$1,000	\$1,000	Increase	Budget for as required maintenance
Buildings - Te Anau Office	\$1,000	\$1,000	Increase	Budget for as required maintenance
Buildings - Winton Store Room	\$4,400	\$7,000	Increase	Increased cleaning due to additional costs incurred
Buildings - Wymndham Office	\$500	\$500	Increase	Budget for as required maintenance
Cemetery - Lumsden	(\$9,087)	\$0	(Decrease)	Project P-10232 (CE00001) Cemetery terms cancelled
Centennial Park	\$967	\$2,500	Increase	Increase to cover the cost of meeting health and safety requirements
Chief Executive	\$21,680	\$25,933	Increase	Due to the CE no longer having a vehicle, have forecasted down motor vehicle charges
Cliffden Recreation Reserve Com	\$3,462	\$4,000	Increase	Cut hedges in reserve, Cliffden Recreation subcommittee requested the work be done and funded from reserves.
Community Housing Collective	\$16,000	\$16,000	Increase	Forecasting for planned painting and refit of Flat 4 in Otatua, also we are currently losing water somewhere from the boundary to the units in Riverton and Edendale, therefore forecasting for an increase in water costs
Community Leadership	\$2,800	\$2,800	Increase	Relating to the CLO's roles
Council & Councillors	\$130,200	\$130,200	Increase	Forecast based on actuals
Customer Delivery	\$14,493	\$16,750	Increase	Forecast for increased motor vehicle charges
Customer Service	\$17,736	\$30,000	Increase	New pricing for answering service charges based on increased numbers ad services from PNCC. We get cover for two training days and 22x1 hours session an year.
Depot - Walkvi Yard	\$2,536	\$5,500	Increase	Building maintenance forecasted
Dipton Forest	\$5,017	\$6,041	Increase	Forecast for increase in budgets based on actuals
District Library	\$15,000	\$0	Increase	Forecast change in budgets based on actuals
District Library	\$93,875	\$93,875	Increase	Forecast change in budgets based on actuals
District Sewerage	\$146,177	\$1,588,602	Increase	Additional emptying of Skip Bins Curio Bay and Edendale/Wymndham
District Water	\$152,526	\$1,436,800	Increase	Additional costs associated with provision of alternative water supply to Curio Bay through to June 2020. Based on \$55K tankering, \$15K alterations to buildings, \$20K consenting of alternative supply
Dr Woods Memorial Park	\$2,000	\$2,000	Increase	Increase to cover the cost of meeting public safety requirements
Engineering Consultants	\$7,700	\$397,563	Increase	Funding source for Project Delivery Team
Environmental Health	\$16,767	\$0	Increase	Correction of budget, LTP decreased
Environmental Services	\$1,000	\$1,000	Increase	Forecast per actuals
Finance	\$17,898	\$262,000	Increase	Forecast to reflect expected actual costs
Forest Administration	(\$1,816)	\$82,568	(Decrease)	Mgmt \$35/ha x 1844.8 = \$64,568, General consulting/Carbon = \$6,000, External valuer \$12,000
Gowan Hill	\$83,227	\$241,376	Increase	Based on 18/19
Harbour	\$2,000	\$2,000	Increase	Forecast for legal charges

Holt park camping ground	(\$159,112)	\$45,000	(Decrease)	Unbudgeted expenditure approved to demolish the Holt Park camping ground Project P-10066
Information Management	\$247,662	\$715,000	Increase	New Software products, Increased costs for ProLapp,CAMMIS
Manapouri Airport	\$60,020	\$73,282	Increase	Obstacle Limitation Survey \$6000, Aerodrome Certification Exposition \$7000, SALS \$7,000, Runway strength testing \$6000, Admin Additional costs \$2500, Tree trimming \$20,000
Medical Centre - Winton	\$355	\$2,500	Increase	Boiler and radiator maintenance forecasted
Milford Ops	\$800,000	\$800,000	Increase	Cost of doing the project
Monowai Reserve & Playground	\$1,462	\$2,000	Increase	Remove existing playground equipment and replace with new equipment
Ohai Forest	\$23,627	\$112,936	Increase	Based on 18/19
Operating Costs - Ohai	\$4,300	\$7,310	Increase	Additional cost to move recycling container as agreed by CDA
Operating Costs - Waikopa/Toet	(\$3,064)	\$60,936	(Decrease)	Edendale memorial gravel area work was completed under budget.
Playground - Ailsa Street	\$1,425	\$2,500	Increase	Increase to cover the cost of meeting public safety requirements
Playground - Dickson Park	\$351	\$2,500	Increase	Increase to cover the cost of meeting health and safety requirements
Playground - Dipton	\$9,462	\$10,000	Increase	Investigate replacing the posts - if this is cost effective. Install compliant surface as per the consultants report.
Playground - Garston	\$857	\$2,500	Increase	Increase to cover the cost of meeting health and safety requirements
Playground - Lumsden	\$2,752	\$5,000	Increase	Additional cost to make playground equipment compliant as per consultants report
Playground - Orepuke	\$1,194	\$2,000	Increase	Increase to cover the cost of meeting public safety requirements
Playground - Riverside	\$710	\$2,000	Increase	Increase to cover the cost of meeting public safety requirements
Playground - Thornbury	\$887	\$2,500	Increase	Increase to cover the cost of meeting public safety requirements
Playground - Tokanui	\$925	\$2,000	Increase	Increase to cover the cost of meeting public safety requirements
Playground - Waterfront	\$887	\$2,500	Increase	Increase to cover the cost of meeting public safety requirements
Project Delivery	\$0	(\$376,541)	Increase	Training budget needs increased to cover training for the new staff members as well as protective clothing
Public Conveniences	\$15,000	\$15,000	Increase	Forecasting to cover the cost of getting a maintenance / replacement schedule done based on the condition assessment that WSP is currently doing for us.
Resource consent processing	(\$16,767)	\$0	(Decrease)	Correction of budget, LTP corrected
Riverton Harbour	(\$72,469)	(\$72,469)	(Decrease)	SDC Wharf upgrade capitalised
Roading - Admin	(\$1,040,000)	\$460,000	(Decrease)	Pyramid Bridge construction value has come in well under initial budget and work is being split over 2019/20 & 2020/21 .
Roading - District Wide	(\$250,000)	\$0	(Decrease)	Pyramid Bridge replacement, budget for this financial year is in the Rooding Admin business unit.
SIESA operations	\$311,243	\$1,142,066	Increase	Forecast for increased management fees and fuel charges
Sportsground/Boating - Te Anau	\$2,255	\$6,000	Increase	Remove steering wheel playground equipment and replace
SRDA	\$285,648	\$285,648	Increase	Tf budget to appropriate BU
Stewart Island/Rakiura	\$108,595	\$108,595	Increase	Project on Stewart Island Funding by PGF and Council
Stormwater Drainage - Otutau	\$40,000	\$40,000	Increase	Unbudgeted Expenditure toward Stormwater work on the Main Street Line from Direction Setting meeting
Toilets - Boat Hbr, Town Centr	\$17,566	\$17,566	Increase	Unbudgeted expenditure approved for the cleaning of the Te Anau toilet in town centre
Transfer Stations - Te Anau	\$71,859	\$225,639	Increase	Additional costs to cover increase in ETS allowance.
Venture Southland	(\$285,648)	\$0	(Decrease)	Tf budget to appropriate BU
Waikata Forest	\$35,008	\$1,684,943	Increase	34.4 Ha MSP at \$500/ha & AS at \$164/ha (\$100/ha chopper & \$66/ha chemical)
War Memorial Park	\$1,570	\$2,000	Increase	Increase to cover the cost of meeting public safety requirements
Wheeler Bins	\$268,624	\$1,118,928	Increase	Forecast is based on 2018/19 actuals.
Winton Internity Centre	\$2,355	\$4,500	Increase	Boiler and radiator maintenance forecasted
<b>Total adjustment</b>	<b>\$1,733,050</b>	<b>\$11,548,825</b>	<b>Increase</b>	
<b>Net surplus (deficit)</b>		<b>\$268,886</b>		<b>\$17.97</b>
<b>Capital Expenditure</b>	<b>\$2,799,298</b>	<b>\$21,906,156</b>		
Building Regulation	\$195,000	\$195,000	Increase	Expenditure approved for the Go Pro electronic delivery project for the building team from the Core System Review budget, new desks for CCC team
Buildings - Invercargill office	(\$217,837)	\$0	(Decrease)	Renovals project terminated
Camping Ground - Wvndham	\$40,000	\$40,000	Increase	Replacement toilet block based on structural assessment report
Cemetery - Wvndham	(\$1,500)	\$0	(Decrease)	Project P-10323 New Beam at Wvndham Cemetery no longer required
Community Leadership	\$4,000	\$4,000	Increase	Fit out for the CLO's
District Sewerage	\$191,836	\$14,685,487	Increase	Transfer for funding changes to sewerage projects in township business units
District Water	\$961,817	\$3,934,266	Increase	Transfer for funding changes to water projects in township business units
District Water	\$111,435	\$150,000	Increase	Project P-10009- Well head improvements and seal off old wells, Insufficient residual funds left to complete project, remedial works at both Te Anau and Otutau required as well as construction and completion at Mossburn.
Health Licensing	\$10,000	\$10,000	Increase	Forecast implementation cost to Datacom for new mobility solutions system.
Manapouri Airport	\$30,000	\$44,000	Increase	Forecasting for condition rating of the runway
Parks & Reserves General	(\$3,160)	\$0	(Decrease)	Project 1722 was completed in 2018/19.
Riverton Harbour	\$72,469	\$72,469	Increase	SDC Wharf upgrade capitalised
Roading - District Wide	\$1,500,000	\$3,047,984	Increase	Design build bridge contracts - Council approved \$1.5M in May 2019. This is being split \$1.5M in 19/20 year and \$1M in 20/21. NZTA approved funding of 51%, Council approved a 20 Loan to fund Councils 49%.
Street Works - EdenWyn	\$71,167	\$75,433	Increase	Project 633-A remaining budget should have been carried forward from last financial year. Forecast amount is the 49% cost to the community to complete the footpath renewals, with 51% being funded by NZTA.
Streetworks - Woodlands	(\$3,000)	\$35,000	(Decrease)	Project 825 was completed in 2018/19.
Streetworks Riverton	(\$15,000)	\$0	(Decrease)	Project P-10055(PR0036) Beautification Riverton cancelled as we don't own the land
Toilets Waikawa	\$4,518	\$15,330	Increase	Project P-10035 Waikawa toilet completed
Water Supply Princhester	(\$12,815)	\$0	(Decrease)	Removing the Budget as P-10124 project has been completed in August 2018
Water Supply Riverton	\$0	(\$402,813)	Increase	Project WAT 1534-A 18/19 budget was not carried forward. Total project budget should be \$105,224.
Streetworks - Riverton	(\$139,632)	\$0	(Decrease)	Project 822, Kerb work on Havelock street has been deferred to be reviewed and to have community consultation through the LTP. As agreed by the Riverton CB. R/19/6/10132 and Project 776 was completed in 2018/19.
<b>Total adjustment</b>	<b>\$268,886</b>	<b>\$1,744,594</b>	<b>Increase</b>	

## APPENDIX B:

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

	Annual Plan 2019-2020 (adopted in June 2019) (\$000)	Amounts Carried Forward from 2018-2019 (\$000)	Forecast Changes from October 2019 (\$000)	Forecasted Result for 2019- 2020(\$000)
<b>Revenue</b>				
Rates	48,411	-	-	48,411
Other revenue	8,372	15	356	8,743
Interest and Dividends	68	-	-	68
NZTA	13,129	446	765	14,340
Grants and Subsidies	4,171	93	890	5,155
Other Gains/(Losses)	(1,447)	40	-	(1,407)
Vested Assets	-	-	-	0
Development and Financial Contributions	368	16	-	384
	73,072	610	2,011	75,693
<b>Expenditure</b>				
Employee Benefit Expenses	13,388	-	547	13,935
Depreciation and Amortisation	23,183	-	-	23,183
Finance Costs	22	-	-	22
Other Council Expenditure	39,834	740	1,715	42,289
	76,427	740	2,262	79,429
<b>OPERATING SURPLUS/(DEFICIT)</b>	(3,355)	(130)	(251)	(3,736)
Share of Associate Surplus/(Deficit)	-	-	-	-
<b>SURPLUS/(DEFICIT) BEFORE TAX</b>	(3,355)	(130)	(251)	(3,736)
Income Tax Benefit	-	-	-	-
<b>SURPLUS/(DEFICIT) AFTER TAX</b>	(3,355)	(130)	(251)	(3,736)
Gain/(Loss) on Property, Plant and Equipment Revaluations	30,544	-	-	30,544
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	27,189	(130)	(251)	26,808

## Note:

- 1) The Annual Plan for 2020-2021 is the consolidated result of Council and SIESA. This includes any adjustments to the Long term plan which have been approved by Council up to 31 October 2019.
- 2) No adjustment has been made to the budgeted amount in the 10 Year Plan for depreciation, revaluation of infrastructure assets and re-valuation of forestry assets in the forecasting process.
- 3) Further details of the revenue or expenditure is provided in Attachment A for the October 2019 round of Forecasting.

## APPENDIX C:

SOUTHLAND DISTRICT COUNCIL  
FORECAST STATEMENT OF FINANCIAL POSITION  
30 JUNE 2020

	30 June 2019 '000	Annual Plan 2019/20	2019/20 Carried forwards	October Forecast adjustments	Forecast October 2019/2020 '000	Consolidated Annual Plan 2019/2020 '000
<b>Equity</b>						
Retained Earnings	718,647	(2,223)	1,426	1,974	719,824	716,633
Asset Revaluation Reserves	822,120	30,544			852,664	830,003
Fair Value Reserves	2,666	-			2,666	2,369
Other Reserves	42,546	(1,130)	(1,556)	(2,225)	37,635	39,681
	<b>1,585,979</b>	<b>27,191</b>	<b>(130)</b>	<b>(251)</b>	<b>1,612,789</b>	<b>1,588,686</b>
<b>Current Assets</b>						
Cash and Cash Equivalents	14,911	(16,325)	(2,291)	(2,437)	(6,142)	(3,173)
Trade and Other Receivables	9,556	241			9,797	4,633
Inventories	129	(9)			120	85
Work in Progress	-	-			-	-
Other Financial Assets	1,508	-			1,508	314
	<b>26,104</b>	<b>(16,093)</b>	<b>(2,291)</b>	<b>(2,437)</b>	<b>5,283</b>	<b>1,859</b>
<b>Non Current Assets</b>						
Property, Plant and Equipment	1,557,472	44,964	1,867	2,006	1,606,309	1,582,338
Intangible Assets	2,565	89	294	180	3,128	2,521
Forestry Assets	11,900	(1,570)			10,330	10,342
Internal Loans	31,316	15,380	735	212	47,644	-
Investments in Associates	314	-			314	-
Other Financial Assets	303	-			303	607
	<b>1,603,870</b>	<b>58,863</b>	<b>2,897</b>	<b>2,398</b>	<b>1,668,028</b>	<b>1,595,808</b>
<b>TOTAL ASSETS</b>	<b>1,629,974</b>	<b>42,770</b>	<b>606</b>	<b>(39)</b>	<b>1,673,311</b>	<b>1,597,667</b>
<b>Current Liabilities</b>						
Trade and Other Payables	6,792	192		-	6,984	4,481
Income in Advance	-	-			-	-
Contract Retentions and Deposits	452	(22)		-	430	571
Employee Benefit Liabilities	1,583	24			1,607	1,675
Development and Financial Contributions	2,113	11		-	2,124	2,189
Provision for Decommissioning	14				14	14
Provisions	-	-		-	-	-
Borrowings	1,700				1,700	-
	<b>12,654</b>	<b>205</b>	<b>-</b>	<b>-</b>	<b>12,859</b>	<b>8,930</b>
<b>Non-Current Liabilities</b>						
Employee Benefit Liabilities	18	-			18	49
Provision for Decommissioning	8	6			2	2
Borrowings	-	-			-	-
Internal Loans - Liability	31,316	15,380	735	212	47,644	-
	<b>31,342</b>	<b>15,374</b>	<b>735</b>	<b>212</b>	<b>47,664</b>	<b>51</b>
<b>TOTAL LIABILITIES</b>	<b>43,996</b>	<b>15,579</b>	<b>735</b>	<b>212</b>	<b>60,523</b>	<b>8,981</b>
<b>NET ASSETS</b>	<b>1,585,978</b>	<b>27,191</b>	<b>(130)</b>	<b>(251)</b>	<b>1,612,788</b>	<b>1,588,686</b>

<b>ATTACHMENT D: Projects planned to be deleted to the 2020-2021 Annual Plan</b>					
<b>Town</b>	<b>Project Name</b>	<b>Financial Year</b>	<b>Funded From</b>	<b>Total 19/20 Budget</b>	<b>Deleted \$ spend for the year 2019/20</b>
Invercargill Office	Project P-10087 (CB0025) Invercargill Office renewals project terminated	Multi Year	Loan	217,837	217,837
Lumsden	Project P-10252 (CE00001) Cemetery bems cancelled	2019/20	Reserves	9,087	9,087
Edendale Wyndham	Project P-10323 New Beam at Wyndham Cemetery no longer required	2019/20	Reserves	1,500	1,500
Riverton/Apanima	Project P-10055(PR0036) Beautification Riverton cancelled as we don't own the land	2018/19	Reserves	15,000	15,000
				<b>243,424</b>	<b>243,424</b>

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## Draft Financial Assumptions and Accounting Policies for the 2020/2021 Annual Plan

Record No: R/19/9/21680  
Author: Brie Lepper, Graduate Accountant  
Approved by: Anne Robson, Chief Financial Officer

Decision  Recommendation  Information

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### Purpose

- 1 To discuss and endorse the draft financial assumptions and accounting policies to be used to compile the 2020/2021 Annual Plan, which will be adopted in June 2020.

### Executive Summary

- 2 To develop the 2020/2021 Annual Plan, a number of financial assumptions have to be made in regards to the future in order to develop the financial forecasts. For the 2020/2021 Annual Plan, Council staff are recommending that the financial assumptions remain consistent with those adopted as part of the 2018-2028 Long Term Plan. A list of these is attached in Attachment B.
- 3 The accounting policies (Attachment A) set the basis on which the 2020/2021 Annual Plan is prepared and the financial information compiled. For the 2020/2021 Annual Plan, Council staff are recommending the accounting policies adopted by Council for its 2019/20 Annual Plan, updated for changes made as part of Councils 2019/20 Annual report be used. This recommendation is based on there being no changes to relevant accounting standards by the New Zealand Accounting Standards Board or changes to Councils operations that would mean that Council staff would recommend a change.
- 4 The financial assumptions and policies will be adopted by Council as part of the 2020-2021 Annual Plan process.

## **Recommendation**

### **That the Finance and Assurance Committee:**

- a) **Receives the report titled “Draft Financial Assumptions and Accounting Policies for the 2020/2021 Annual Plan” dated 9 December 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 continued use of the financial forecasting assumptions developed for the Long Term Plan 2018-28 as described in Attachment B in developing the 2020/21 Annual Plan.**
- e) **Endorses the accounting policies detailed in Attachment A, for use in the 2020/2021 Annual Plan.**

## **Background**

- 5 All councils are required by legislation to adopt an Annual Plan (AP). The AP sets out Council’s activities, plans, budgets and policies and must be adopted before the beginning of the year to which it relates.
- 6 The AP document itself covers a single year, being 1 July 2020 to 30 June 2021, which is Year 3 of the 2018-2028 Long Term Plan (LTP).
- 7 It is therefore appropriate that the financial assumptions on which the Annual Plan is based is initially on those assumptions adopted as part of the Long Term Plan, updated as necessary for any relevant changes deemed appropriate.
- 8 Additionally in considering the appropriate accounting policies to be used for the Annual Plan it is deemed appropriate to use as a starting point those adopted by Council as part of its 2019/20 Annual Plan, updated by those adopted as part of the Annual Report (2018/19) and amended where necessary for any changes in accounting standards set or Council operations.
- 9 To assist the committee, Council staff prepare this report and outline for their consideration and review any recommendations for change and make comment on any areas they believe the committee needs to be aware of.

## **Issues**

- 10 Included in the assumptions set as part of the 2018-28 Long Term Plan was a number of financial assumptions. These are outlined in Attachment B, and include contracts, capital works costs, price level changes, useful lives of significant assets, NZ Transport Agency subsidies for

roading, revaluation of infrastructure and forestry assets, revaluation of infrastructure and forestry assets, interest rates on investments and borrowings, depreciation rates on planned asset acquisitions, funding of depreciation, vested assets, emissions trading scheme, exchange rates, other funding, development and financial contributions, level of service and legislative changes.

**Assumptions**

- 11 In order for Council to prepare a future budget it must make a number of assumptions on which to base the financial data. The financial assumptions that Council adopted as part of preparing the Long Term Plan 2018-28 are set out in Attachment B and are in relation to contracts, capital works costs, price level changes, useful lives of significant assets, NZ Transport Agency subsidies for roading, revaluation of infrastructure and forestry assets, revaluation of infrastructure and forestry assets, interest rates on investments and borrowings, depreciation rates on planned asset acquisitions, funding of depreciation, vested assets, emissions trading scheme, exchange rates, other funding, development and financial contributions, level of service and legislative changes.

*Interest Rate on Internal Loans*

- 12 As part of the LTP, Council set the methodology for the calculation of the interest rates for internal and external borrowings. This internal loan interest rate was calculated based on the rate Council is able to borrow funds at, plus a margin of 1%. The external interest rate was based on the rate at which Council is able to borrow funds.
- 13 Based on this methodology, the interest rate on internal loans and external borrowings was calculated at 4.65% and 3.65% respectively. These rates were applied to all years of the 2018-2028 LTP. A review of the current Bank of New Zealand indicative borrowing rates, based on a committed term facility, the indicative rate would be 3.08%. This is based on a fully drawn facility, in the event the facility was not fully drawn Council would still pay a non-utilisation fee on any undrawn amounts of 0.60%. The current rate is not significantly different to the rate use in the LTP and for ease, the current rate is recommended.
- 14 External borrowings are forecast where to be required during the 2020/2021 year of \$7.7 million, however this is subject to change with the development of the 2020/2021 Annual Plan.
- 15 The risk associated with this assumption is that if the actual interest rate on external borrowings increases, or the amount of external borrowings required increases, Council will need to find additional funds to meet the interest payments and any shortfall in operational costs, and conversely if the interest rate decreases, or less external borrowing is required, there will be surplus funds available.
- 16 Council typically cannot control the level of internal borrowings required, as this is driven by the capital works undertaken, however there is a level of control over the interest rate applied. Historically Council have retained the budgeted interest rate and applied it to actual loans to mitigate the implications of fluctuations in the interest rate. Council staff are recommending this approach be retained for the 2020/2021 Annual Plan.
- 17 The risk associated with fluctuations in the level of borrowings is minimal, as this is internally generated and is used to fund interest payments on Council's reserves (see further discussion below).

*Interest Rate on Reserves*

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18 Staff are recommending that the budgeted interest rate on reserves remain at 3.29%, consistent with years 1-10 of the 2018-2028 LTP.

19 This rate was calculated in September 2017 based on the preceding 12 months average six month term deposit rate published by the Reserve Bank of New Zealand (RBNZ). Review of the latest 12 months data from RBNZ shows an average of 3.11%, therefore the LTP assumption continues to be reflective of current market rates.

*Interest rate differential*

20 As noted above, Council has both internal loans and internal reserves that it receives and pays interest on. For the current year (2018/2019), interest is being charged on internal loans at 4.65% per annum and paid on reserves at 3.29% per annum. This is consistent with the interest rates set as part of the 2018-2028 LTP. The differential between these two interest rates is used by Council to reduce rates (through the District General Rate).

21 The following schedule illustrates the volatility of the interest differential for the 2018-2028 LTP for 2018/2019, 2018/2019 Annual Report, 2019/2020 Annual Plan and also the 2018-2028 LTP proposed interest rates for 2020/2021.

	18/19 LTP		19/20 LTP		19/20 Annual Plan		20/21 LTP		20-21 Annual Plan	
Internal Interest on Reserves	3.29%	\$1,193,422	3.29%	\$1,206,661	3.29%	\$1,206,661	3.29%	\$1,252,229	3.29% *	\$1,252,229
Internal interest on Internal Loans	4.65%	\$1,393,361	4.65%	\$1,739,514	4.65%	\$1,483,652	4.65%	\$2,265,434	4.65% *	\$2,281,643
Differential applied to reduce rates		\$199,939		\$532,853		\$276,991		\$1,013,205		\$1,029,414

*\* Note: This is subject to change during the preparation of the Annual Plan process and will be impacted by the level of internal loans and reserves.*

22 The risk associated with using the differential to reduce rates is that if actual result differs a deficit may occur. Since the majority of Councils interest received is from internal loans, in order to mitigate the risk of fluctuations in internal interest rates, Council have historically charged the internal interest rate on internal borrowings as budgeted, however the interest paid on reserves has been adjusted to reflect the actual funds available (incorporating any external interest received on other investments etc also). Council typically endeavours to ensure the rates are reflective of market rates to provide a fair return to communities.

23 Given the above, Council staff recommend retaining the interest rate paid on reserves and charged on internal loans as that proposed in the 2018-2028 LTP. Staff will revisit the methodology during the planning of the 2021-2031 LTP.

*Prices Changes*

24 As part of the LTP process, Council is required to include a level of price level changes (inflation). The inflation rates used are those rates established by BERL in September/October 2017 and adopted as part of Councils Long Term Plan 2018-28.

25 BERL updates its forecasts on an annual basis, as part of the 2019/20 Annual Plan Council chose to continue to use the inflation rates forecast in the LTP. The forecast percentages produced by BERL for 2020/21 are generally 0.1% different. Based on this is is proposed to keep the LTP assumption rates as noted in Attachment B.

*Accounting Policies*

26 In considering the appropriate accounting policies for Council adoption for the 2020/2021 AP, Council staff have reviewed the policies used by Council in preparation of the 2019/2020 Annual Plan and updated for any changes from the 2018/2019 Annual Report. These changes are noted

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in orange text in Attachment A. The accounting policies recommended are consistent with these two documents.

- 27 During the 2017/2018 Annual Report audit, Audit NZ suggested that Council should consider consolidating its council controlled organisation (CCO), being Milford Community Trust. Staff finalised a position paper for the Committee on this matter and this minor change to the accounting policies was made for the 2018/2019 Annual Report. However please note that the Annual Plan is completed for the parent entity only and no group accounts have been included (see blue section in attached draft accounting policies which states that CCOs are excluded).
- 28 The accounting policies (Attachment A) set the basis on which the 2020/2021 Annual Plan is prepared and the financial information compiled. For the 2020/2021 Annual Plan, Council staff are recommending the accounting policies adopted by Council for its 2019/20 Annual Plan, updated for changes made as part of Councils 2019/20 Annual report be used. This recommendation is based on there being no changes to relevant accounting standards by the New Zealand Accounting Standards Board or changes to Councils operations that would mean that Council staff would recommend a change.

### *Opening balance sheet*

- 29 Opening balances for the 2020/2021 AP will be updated to reflect the actual results for 2018/2019. The actual results for 2019/2020 will impact the forecast balance sheet to 30 June 2020.

## **Factors to Consider**

### **Legal and Statutory Requirements**

- 30 Section 95 of the Local Government Act 2002 requires the Council to prepare and adopt an Annual Plan for each financial year. Each annual plan should also be prepared in accordance with the principles and procedures that apply to the preparation of the financial statements and funding impact statement included in the LTP.
- 31 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**

- 32 There are no direct cost implications of Council adopting the assumption and accounting policies for the 2020/2021 Annual Plan.

#### **Policy Implications**

- 33 Council has by way of Section 6.1 of the Finance and Assurance 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 – Endorses the, assumptions and accounting policies with any amendments from this meeting for use in preparation of the 2020/2021 Annual Plan.**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>Assumptions and policies are consistent with 2018-2028 LTP and 2019/2020 Annual Plan and 2018/2019 Annual Report</li> <li>Simplified more efficient approach</li> <li>The Annual Plan can continue to be prepared in line with the planned timetable.</li> </ul>	<ul style="list-style-type: none"> <li>Risk of change in assumptions and flow on impact to financial forecasts and rates</li> </ul>

**Option 2 – Do not recommend the assumptions and accounting policies as presented**

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>Changes can be made to the assumptions and accounting policies to incorporate the Committee’s views.</li> </ul>	<ul style="list-style-type: none"> <li>More complex approach for potentially minimal benefit</li> <li>Different approach to 2018-2028 LTP and 2019/2020 Annual Plan</li> <li>The Annual Plan process may be delayed depending on the time needed to provide the necessary information</li> </ul>

**Assessment of Significance**

34 In terms of Council’s Significance and Engagement Policy, the assumptions and accounting policies which form part of the AP are not considered significant.

**Recommended Option**

35 Option one - Endorses the, assumptions and accounting policies with any amendments from this meeting for use in preparation of the 2020/2021 Annual Plan.

**Next Steps**

36 The assumptions and accounting policies (incorporating any changes agreed at this meeting) will be used in preparation of the 2020/2021 Annual Plan.

**Attachments**

- A DRAFT Accounting Policies - 2020 2021 Annual Plan [↓](#)
- B 2018-2028 Long Term Plan Financial Assumptions [↓](#)

## 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 (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 the Council's nine groups of activities (detailed on pages xxx) including the Stewart Island Electrical Supply Authority (SIESA). SIESA is a business unit of the Council, which generates and reticulates electricity to the majority of Stewart Island 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 Council financial statements represent the results of Council's nine significant activity groups (detailed on pages xxx), including the Stewart Island Electrical Supply Authority (SIESA), as well as Council's share of its joint ventures and associates (including Venture Southland, WasteNet, Southland Regional Heritage committee, Emergency Management Southland, and Great South).

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

Council provides local infrastructure, local public services and performs regulatory functions for the community. Council does not operate to make a financial return.

The prospective financial information reflects the operations of Council. It does not include the consolidated results of Council controlled organisations (being Milford Community Trust).

The prospective financial statements of Council were authorised for issue on 23 June 2020.

The 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 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.

### 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 principal activities*

The Council is a territorial local authority, as defined in the Local Government Act 2002. The Council's principal activities are outlined within 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 the Council. Prospective financial statements are revised annually to reflect updated assumptions and costs.

#### *Bases for assumptions, risks and uncertainties*

The prospective financial information has been prepared on the basis of best estimate assumptions as the future events which the Council expects to take place. The 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 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 **Forecast** 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 an 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 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 the Council's share of the surplus or deficit of the jointly controlled entity after the date of acquisition. The 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.

For jointly controlled entities, 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

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.

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 the 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.

**(f) Equity**

Equity is the community's interest in the 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 the 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 the 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 the Council.

Restricted reserves are subject to specific conditions accepted as binding by the Council, which may not be revised by the 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 includes 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 SDC 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 the 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 cost and 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 SDC 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 the 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. SDC 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 Income.

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 SDC 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 Income 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 Income.

**(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 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, sewerage 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 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 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 Income. 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.

*Depreciation*

Depreciation is provided on a straight line 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
<b>Operational Assets</b>			
Improvements	10-12	8.33% - 10.00%	SL
Buildings	40	2.50%	SL
Light Vehicles	5-11	9.00% - 20.00%	SL
Other Plant	3-15	6.67% - 33.33%	SL
Furniture and Fittings	7-13	8.00% - 30.00%	SL
Office Equipment	7-10	10.00% - 14.00%	SL
Computer Equipment	2-8	18.00% - 40.00%	SL
SCADA Equipment	5-7	13.50% - 20.00%	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
<b>Infrastructural Assets</b>			
Electrical Generation Plant	10-100	1.00% - 10.00%	SL or DV
Sealed Roads	40-99	1.00% - 2.50%	SL
Unsealed Roads	4-8	12.50% - 25.00%	SL

Estimated Economic Life		Depreciation	
Bridges	45-120	0.83% - 2.50%	SL
Footpaths	12-60	1.67% - 8.33%	SL
Streetlighting	20-40	2.50% - 5.00%	SL
Sewerage Schemes	14-50	2.06% - 7.02%	SL
Stormwater Schemes	5-20	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.

Estimated Economic Life		Depreciation	
Asset Category	(years)	Percent	Method
Plant	1-7	4.00% - 100.00%	SL or DV
Vehicles	4-8	12.00% - 21.60%	DV
Buildings	10-100	1.00% - 10.00%	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. 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 WSP Opus 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, sewerage scheme and stormwater assets. This revaluation established a depreciated replacement cost at component level for those infrastructural assets as at 30 June 2018. Data from these revaluations are used in the calculation of the water, sewerage and stormwater infrastructural assets and extrapolated using BERL forecast inflation rates for the 2018/2019 year.

Revaluations of roading, water, sewerage 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 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 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. 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 the 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 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.

#### **(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 2019. 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 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) Employee benefits**

*Short-term benefits*

Employee benefits that the SDC 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 a 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**

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 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 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 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 the 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.

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*

Council, as operator, has a legal obligation under its resource consent to provide ongoing maintenance and monitoring services at its 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 the Council.

#### **(u) Internal borrowings**

Internal borrowings are eliminated on consolidation of activities in the 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, SDC 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:

#### *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 the 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, sewerage 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 SDC 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 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 the SDC's asset management planning activities, which gives the Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

**(y) Critical judgements in applying SDC's accounting policies**

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

*Classification of property*

SDC 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 the 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 the 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 the Council.

**(aa) Rounding**

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

## Significant forecasting assumptions

This section explains the significant assumptions and the risks associated with those assumptions which have been made by Council in its forecasting for the 10-year period. The assumptions are based on the information available to Council in September 2016. While every effort has been made to ensure the forecasts are the Council's best estimates for the future, the actual results for each reporting period are likely to vary from the information presented, and the variations may be material. Where there is a high level of uncertainty about the assumptions, Council must state the reason for that level of uncertainty and assess the potential impact of this on the financial statements. Please note that this information has been prepared for Council's budgeting and financial planning and it may not be appropriate to be used for any other purpose. The assumptions detailed here have been applied across Council. Some activities have activity specific assumptions which are detailed in the relevant activity plan.

Assumption	Risk	Level of uncertainty	Reason for Uncertainty and Impact of Risk
<b>Population and Landuse Assumptions</b>			
<p><b>Population</b></p> <p>The plan assumes that the District will experience gradual population growth to 2028 with an increase of 3,379 people from 29,613 in 2013 to 32,992 in 2028. Infometrics forecasts for the following 20 years continue this trend seeing the population reach 37,021 by 2043.</p> <p>This growth is not expected to occur evenly in townships over the District. Winton is the only township predicted to have a high level of growth with other townships expected to have medium growth. Orepuki, Ohai, Nightcaps, Tokanui and Wyndham townships are expected to have a low level of growth. In terms of population change in townships over the period, Te Anau is expected to experience the greatest population increase (2% per year or 44 people per year), followed by Winton (1% per year or 18 people and Riverton (1% per year or 16 people). The low-growth townships are expected to have a population decrease of around 1% per year (or between 1-2 people).</p>	<p>Population growth occurs at a higher rate than projected, putting increased pressure on Council to provide additional infrastructure and services.</p>	<p>MODERATE</p>	<p>Most of Council's current infrastructure and facilities have an element of available capacity which means they are able to cope with small increases in demand.</p> <p>Significant increases in population could place greater demands on some Council services and facilities (such as water, wastewater, solid waste, libraries and regulatory functions). This could raise operating expenditure requirements and/or capital expenditure requirements, particularly if Council has to provide additional infrastructure capacity to meet the increased demand (for example new water pumps and pipes for demand from new housing developments or new/increased commercial/industrial businesses).</p> <p>Council will need to find ways of raising additional extra revenue (e.g. financial/development contributions/loans) required to meet the increase level of service due to growth or consider lower levels of service or introducing user charges to support/manage demand. Higher than expected population growth is also likely to mean that Council's rating base will increase allowing Council to collect more rates.</p>

Assumption	Risk	Level of uncertainty	Reason for Uncertainty and Impact of Risk
<p>Council has adopted the medium scenario outlined in modelling from Infometrics Ltd which assumes that Southland District will account for the same proportion of national population growth in the future as it did between the 2006 and 2013 censuses.</p>  <p>Infometrics Ltd predict a higher steadily increasing population which is in line with the Southland Regional Development Strategy (SoRDS) which seeks to attract 10,000 more people to the region by 2025, some of whom are expected to settle in Southland District. This is compared to the Statistics New Zealand medium forecasts which predict a slight increase in population through to 2033 with slow decline to follow.</p>	<p>Population growth occurs at a lower rate than projected (or population decline occurs), putting increased pressure on remaining ratepayers and Council to maintain existing infrastructure and services.</p>	<p>HIGH</p>	<p>A significant decrease in population is likely to mean fewer ratepayers to cover the cost of infrastructure and services. As a result Council may reduce the levels of service provided in order to maintain rates at an affordable level or look at changes to the rates system (general or targeted) to change how the costs are apportioned.</p> <p>Council, as part of the SoRDs initiative, will be working with other organisations and partners on a range of initiatives to help bring businesses and people into the district.</p> <p>Over the next three years the Council is planning to carry out more detailed modelling to better predict population and demographic change that is likely in Southland. This information will assist future planning for infrastructure and services.</p>
<p><b>Seasonal Population Fluctuations</b></p> <p>Southland has a number of communities (Stewart Island, Te Anau/Milford, Riverton, Manapouri, Waikaia and Waikawa/Curio Bay) which have higher peak populations at certain times of the year (generally December-February), either due to visitor and tourist activity (domestic and international) or because of summer holidays. The expected peak population of these townships is around 3 to 4 times the usually resident population. The peak population is projected to grow; driven by an increase in the number of domestic and international visitors over the life of the plan.</p> <p>Infometrics Ltd visitor data indicates that annual international and domestic visitors to Southland are around 75 times the number of the usually resident population (2.3M). Infometrics Ltd analysed the seasonality of visitor numbers and determined that 43% of visitors to Fiordland travelled in summer months (December to February inclusive). The rest of the Southland region was less impacted by seasonal trends, with only 33% of visitors travelling during summer.</p>	<p>Seasonal population fluctuations become more or less severe over time, or the period of peak population lengthens.</p>	<p>MODERATE</p>	<p>Council takes into account peak population in its current infrastructure and services. However, changes in the economic climate and tourism industry may affect the number of people who have second homes in Southland, or the number of people visiting Southland. Conversely Southland continues to be an affordable area of New Zealand for property and contains a number of iconic and internationally renowned tourist attractions which may mean that peak population will remain steady in these areas.</p> <p>Additional pressures may affect procedures for certain services such as increased/seasonal variations in solid waste collections, altered operation of water supply and wastewater disposal systems, public conveniences (number and location) as well as changes to operating expenditure to service additional demand during these times.</p> <p>Any significant change in peak population would require funding mechanisms to be reviewed.</p>
<p><b>Age Demographics</b></p>	<p>Proportion of the population over 65 of age varies from the prediction.</p>	<p>MODERATE</p>	<p>The range of Council services utilised by older people is not significantly different from younger people. While the need for organised active team sports as traditionally catered for may decline</p>

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Assumption	Risk	Level of uncertainty	Reason for Uncertainty and Impact of Risk
<p>The average age of the population of the District will continue to increase over the long-term impacting the way Council delivers services. In 2013 people aged 65 and over made up around 14% of the total population; by 2043, this is expected to reach 24% (7,600 people). This signals a decrease in the proportions of other age brackets, in particular middle aged (40-65) making up around 29% (6% decrease over 30 years). A major increase in older people is likely to change the type of services demanded from Council, and the ability to pay for those services. This is unlikely to result in new activities, but rather the types of services and facilities. The specifications of Council services (eg, footpaths, recreation, library services) may change but overall this is unlikely to result in significantly higher costs.</p>	<p>Population of young and young family age groups rise significantly as a proportion of resident population.</p>		<p>there will still be a demand for open spaces, walkways, pools, halls etc. If the Council directs spending to meet a given population age profile on services such as footpaths, parks and reserves, libraries, and halls, any significant variation to that age profile may result in the investment being mis-targeted and certain sectors of the community could experience lower than expected levels of service. As a result Council may need to redirect funding to particular activities for a younger population, eg, cycleways, playgrounds, skate parks.</p> <p>If initiatives to attract new residents to Southland are successful, the proportion of the population that is over 65 years may not grow as quickly as forecast. In addition, people aged 65 and over may look to move to larger urban service centres in anticipation of the need for services.</p>
<p><b>Cultural Diversity</b> An increase in ethnic diversity is expected over the next 30 years as it is predicted that migrants will continue to come to the region for work in the dairy and agriculture industries. New residents of Asian descent are likely to particularly increase during this period.</p> <p>In the 2013 Census, around 90% of respondents in the Southland District identified themselves as being either European or New Zealander. Māori residents comprised 10% of the District's population with those of Asian.</p>	<p>Southland's cultural diversity either remains unchanged or changes more rapidly than predicted with a diverse population putting pressure on the way Council provides services and communicates.</p>	<p>LOW</p>	<p>With the projections assuming Southland will attract more migrants to the region (particularly for dairying), it is expected that there will be a slight increase in the number of residents of Asian descent to support this industry development. If other scenarios of economic development are realised it is likely that there will be an increase of other overseas migrants to support these industries which may affect the cultural mix of the District either in the short term or longer term. If the Council directs spending to meet a given ethnicity profile on services such as communication and libraries, any significant variation to that profile may result in certain sectors of the community experiencing lower than expected levels of service. As a result, Council may need to re-assess its communications strategies and funding priorities to activities which support any significant change in cultural mix.</p>
<p><b>Volunteer Community</b> Several of Council's activities (cemeteries, halls, parks, representation) rely on the volunteer sector. This includes volunteer labour for maintenance work, operation of local halls or fundraising. It is assumed that volunteers will continue to make themselves available to support these activities as they have done in the past.</p>	<p>Volunteers no longer provide their assistance or significantly reduce the amount of assistance.</p>	<p>MODERATE</p>	<p>Southland communities, because of the geographic spread and local nature, tend to have a strong volunteer ethic. However, volunteer numbers are declining and some individuals fill many volunteer roles. With the ageing population, there may be some attrition in volunteer numbers.</p> <p>If the volunteers reduced or were not available, Council would have to provide rate funding to undertake the activities that local volunteers have provided. These costs are not expected to be significant overall as the voluntary work is used in certain activities and any impact is more likely to be noticed at the local community level.</p>
<p><b>Dwelling Growth</b> The plan assumes that the number of dwellings will increase by around 4% per annum to 16,650 in 2028, up from 14,835 in 2013. The forecasts are based on the Infometrics Ltd projections.</p>	<p>Dwelling growth across the District and townships occurs at higher or lower rates than assumed.</p>	<p>HIGH</p>	<p>Economic conditions and the changing nature of the housing market could cause variations from year to year or the number of people per dwelling could reduce. Council monitors dwelling growth rates</p>

Assumption	Risk	Level of uncertainty	Reason for Uncertainty and Impact of Risk
<p>Around 80% of these dwellings are occupied with the remainder unoccupied. Forecasts for the following 20 years continue this trend seeing the number of dwellings increase by 26% to reach 18,640 by 2043. The increase in dwellings is not expected to occur evenly in townships over the District. Townships of Ohai, Nightcaps, Edendale and Wyndham are expected to have a slight decline in the number of dwellings mainly as the result of reducing population trends. The household occupancy rate (number of people per household) is predicted to remain stable at around 2.5.</p>	<p>Dwelling growth is stronger in urban than rural areas.</p>		<p>based upon infrastructure capacity and is mindful of ensuring that infrastructure can cope with future growth. Projections for townships are more sensitive to variation where individual developments can influence overall forecasts. If Council directs funding accordingly and dwelling growth rates differ from those assumed, it will find that the levels of service needs are different in each area. In addition, if dwelling growth is lower than expected, revenues through rates and financial/development contributions for major infrastructure may not materialise. In these instances Council may find itself funding growth related expenditure in townships or deciding not to proceed with growth related capital works or funding capital and operating expenditure for the unused capacity. Generally, Council allows for some additional capacity in its infrastructure developments for cost efficiency reasons. In addition, Council is able to make adjustments to its infrastructure programme as a result of changing trends in dwelling numbers.</p>
<p><b>Rating Unit Change</b> The plan assumes that rating units will increase by 0.66% per annum – an increase of 1,274 rating units between 2018 and 2048 (from 20,744 in 2018 to 22,018 in 2028).</p>	<p>Rating unit growth occurs at higher or lower rates than assumed in the District, or in particular townships or sectors</p>	<p>MODERATE</p>	<p>Economic conditions and the discretionary nature of subdivisions or changes in landuse (amalgamations) can cause variations in rating units. Council has used recent actual changes in rating units to develop forecasts on the basis that dwelling and population change do not directly correlate to rating unit changes. Population and dwelling change only affects rating units where the dwelling or population growth drives subdivision. The main financial effect of slower than projected changes in rating units would be a lower rating base which could increase rate requirements for individual properties and reduce development contributions where the Council expects to collect these</p>
<p><b>Land Use Change</b> The plan assumes that land use will change in line with projections by Infometrics Ltd. The amount of land used for dairy farming is projected to rise from 5.7% of the total land (164,000 hectares) to 6.6% in 2028 (190,000 hectares), increasing to 7.5% (215,000 hectares) in 2043. This is expected to be driven by the higher profit per hectare on average caused by overseas demand and economic growth, in particular from Asia. The growth in dairy farm land will occur largely at the expense of pastoral land, with this projected to decrease from around 27% of total land to 25.6% by 2028 and 23.5% by 2043. The amount of land used for forestry is projected to increase gradually at around 2% per year. At this stage land used for mining purposes is projected to remain unchanged with minor increases in residential, lifestyle and commercial/industrial land.</p>	<p>Land use changes differ from those predicted and/or unforeseen land use occurs that has potential significant effects.</p>	<p>HIGH</p>	<p>Land use is not largely within the Council's control. While it has some effect under District Plan rules, the global economic situation is the main driver of land use change. Lending costs and commodity prices will influence the continuing rate of dairy conversion. In addition, whilst demand for dairy conversion may change over time, it is expected that the economy may see other land use changes occur which will offset the effects of a drop-off in dairy conversion. Where possible, where the change has impacts on demand for services, Council has some ability to charge financial contributions for the development or fees for works related to the land use change. As such, changes in land use may affect Council's user charges, rates revenue and development/financial contributions.</p>

Assumption	Risk	Level of uncertainty	Reason for Uncertainty and Impact of Risk
<p><b>Tourist and Visitor Growth</b>                      The plan assumes that tourist and visitor growth will continue and Council will be able to meet additional demand for services and Infrastructure from existing budgets. Infometrics Ltd forecasts indicate that the number of visitors will increase from 2.3 million in 2013 to 2.9 million visitors by 2028 (reaching 3.9 million by 2043). Visitors to Fiordland are expected to continue to make up between 43% and 47% of the total figure with Fiordland National Park continuing to be a key destination for international and domestic visitors (955,000 visits in 2013 increasing to 1.3 million in 2028 and 1.9 million in 2031). It is assumed that the combined Council's alongside industry investment will continue to fund regional initiatives to increase tourism in Southland and that this will support the development of the tourism industry and associated growth in tourism numbers over the period of the plan.</p>	<p>Tourist and visitor numbers reach high levels and facilities they use cannot cope and pressures on the environment increase.                      Visitor numbers fall to levels that undermine the local economy.</p>	<p>HIGH</p>	<p>High visitor numbers may increase demand on infrastructure and services such as water supply (restrictions at peak periods), wastewater, solid waste, parking, public toilets, parks, harbours/jetties and roading. Ongoing increases in demand may also impact the timing of upgrades and renewals. Increased levels of service would be required with increasing rates requirements. Environmental implications from increased visitor numbers will also be a factor that may need to be considered.                      Falling visitor numbers may also affect Council indirectly through the economy in terms of businesses and facilities which service visitors. This could impact their ability to contribute to the cost of funding Council's services and infrastructure and also see a loss in employment opportunities and population. This may affect Council revenue from user charges, rates and financial/development contributions.                      The Infometrics Ltd forecasts draw on MBIE historical data with projections of regional domestic and international visitors apportioned on the basis of overnight and day visit trends as a portion of the national data. Changing economic conditions have an impact on domestic and international visitor trends making it difficult to predict future visitor trends.                      A process is being undertaken involving consultation for the establishment of the Southland Regional Development Agency (to be established as a Council Controlled Organisation) which may undertake all or some of this work once established.</p>
<p><b>General Assumptions</b></p>			
<p><b>Climate Change</b>                      The plan assumes that there will be no significant climate impacts occurring within the Long Term Plan period and that the rate of climate change will be gradual, allowing Council time to plan and prepare its response options around services, infrastructure and District planning rules. Medium to long-term predictions indicate that climate change will affect Southland with increases in temperature (between 0.6°C and 2.8°C by 2090) and rainfall (between 2% and 7% by 2090), with more extreme rainfall events and sea level rise of between 0.5m and 0.8m by 2090. Southland may also experience decreased frost risk, higher snow lines, possible reduced snow coverage, increased wind and intensity and duration of droughts in drought-prone parts of the District. The climate change impacts expected in Southland include:                      Flooding – Increases risk of flooding, landslides and erosion in Southland. The capacity of stormwater systems may be</p>	<p>Climate change related impacts occur sooner or later than expected and/or the effects are greater or less than what was projected.                      Landowners and communities may assume that Council will protect their property against natural hazards, in particular against flooding and coastal erosion.</p>	<p>MODERATE</p>	<p>Council's ability to deliver the level of service to the community may be impacted if climate change occurs faster than expected or to a greater extent. If this occurs it may require unbudgeted emergency work to be carried out and/or create additional costs to mitigate impacts, such as improving protection of critical infrastructure or increasing maintenance. For example, if extreme rainfall events increase significantly then Council's stormwater pipes and roadside drains may be under sized. As a result, the levels of service may not be achieved and the investment in stormwater pipes may need to increase.                      The Southland District Plan and Southland Regional Coastal Plan identifies coastal hazards and other location specific climate hazards and extremes. The building code also plays an important role in mitigating climate change (e.g. through setting minimum floor levels).                      In addition, the Council's low level of debt allows the Council greater flexibility to respond to any unexpected climate movements through</p>

Assumption	Risk	Level of uncertainty	Reason for Uncertainty and Impact of Risk
<p>exceeded more frequently due to heavy rainfall events which could lead to surface flooding, damage to infrastructure and road closures.</p> <p>Water availability – Water security is most likely to be an issue in parts of Southland where drought is already a major constraint. Droughts are likely to increase in both intensity and duration over time. In other areas, such as around Invercargill, drought severity and irrigation demand may decrease slightly as average annual rainfall increases.</p> <p>Coastal hazards – There is likely to be increased risk to coastal roads and infrastructure from coastal erosion and inundation, increased storminess and sea-level rise.</p> <p>Biosecurity – Warmer temperatures, particularly with milder winters, could increase the spread of pests and weeds.</p> <p>Agriculture – Warmer temperatures, a longer growing season and significantly fewer frosts could provide opportunities to grow new crops. Farmers might benefit from faster growth of pasture and better growing conditions. However, these benefits may be limited by negative effects of climate change such as increased flood risk or greater frequency and intensity of storms.</p>			<p>borrowing for emergency works if required. In addition the Council is planning to insure underground infrastructure which will provide a level of protection against flooding.</p> <p>In the short term Council will ensure that future assets are of sufficient capacity/standard to cater for predicted climate change, including rainfall, sea level rise and wind. Council is planning to carry out more detailed modelling around climate change impacts on Southland District over the next three years which will assist planning for infrastructural and community resilience. Once this modelling is complete, the Council expects to have more detailed information from which to consider different response options in the various parts of the District. This may include relocation of assets if they are at risk, abandoning assets or pursuing alternative infrastructure options. The Council may also consider changing where and how development is permitted within the District (via the District Plan).</p> <p>The Council will continue to monitor climate change science and the response of central government and adapt its response where required.</p> <p>However, the impacts of climate change are expected to be felt over the longer term (50-100 years) and are unlikely to have a significant immediate impact during the plan period.</p>
<p><b>Natural Disasters</b></p> <p>The plan assumes that Council and the community will be prepared to respond to any natural hazards including floods, storm and earthquakes that occur during the life of the plan. It is assumed that there will be no natural disasters requiring emergency work that cannot be funded out of existing budgets, reserves or Council’s insurance policies or central government assistance.</p>	<p>Council may not be adequately prepared or resourced to respond to a major natural disaster, or to a succession of natural disaster and this requires significant unbudgeted expenditure and financing.</p>	<p>HIGH</p>	<p>The timing and scope of natural disasters cannot be predicted. An increasing number of natural disasters including earthquakes, floods and storm surges have occurred in New Zealand in the last decade. Natural disasters can cause significant damage to infrastructure and disruption of service.</p> <p>A major natural event would impact on council by demanding immediate funding and, depending on the scale, duration and location of the event, there could be significant unforeseen costs in terms of destruction or damage to Council’s assets. Depending on the severity or timing of disasters, Council may not have enough staff to rapidly manage recovery and response.</p> <p>The lives of residents and continuity of businesses could also be affected in the event of a major natural event as Council services including water (treatment), the road network and wastewater networks and treatment could be disrupted for considerable periods.</p> <p>The risk is somewhat mitigated in Southland because of its size and the number of widespread rural townships reducing the likelihood of extensive damage across all critical infrastructure at the same time.</p> <p>Any major natural disaster that results in significant repair costs to Council is likely to be funded largely by insurance and/or</p>

Assumption	Risk	Level of uncertainty	Reason for Uncertainty and Impact of Risk
			government assistance. Any additional borrowing required may also impact on future rating levels.
<p><b>Environmental Standards / Resource Consents</b>                      The trend to higher environmental standards will continue. National and regional environmental policies require councils to reduce the negative impacts of infrastructure operations. It is assumed that conditions of resource consents currently held by Council will not be significantly altered. It is anticipated that there will be heightened level of controls on stormwater discharged (Environment Southland's Water and Land Plan). Consent for discharges in some areas have been applied for stormwater. As such, additional funding has been included in the plan for likely monitoring costs and management fees of stormwater schemes in relation to these consents. Capital works have been included where it is anticipated it may be required to improve discharge.</p>	<p>Conditions of consents are altered significantly or that work is not performed in accordance with consent conditions.</p> <p>That Council is required to undertake significant capital works in relation to stormwater or wastewater discharge consents.</p>	VERY HIGH	<p>Council works closely with Environment Southland and other agencies to understand and stay abreast of changing standards. Council will use these standards when planning projects and undertaking monitoring. Compliance monitoring ensures that work is in accordance with conditions. Where requirements change or work is required for consent conditions Council would have to provide rate funding to meet the requirements or request a change of consent conditions.</p>
<b>Financial Assumptions</b>			
<p><b>Contracts</b>                      There will be no significant variations in the price of re-tendering operating and maintenance contracts and service level agreements other than variations identified in Activity Management Plans.</p>	<p>There is a significant variation on price from re-tendering contracts and renewal of service level agreements above the level allowed for in price level changes (below).</p>	VERY HIGH	<p>If contract prices were to increase significantly, the Council would review the amount of work programmed and undertaken. This may have an effect on the level of service, in particular for roading, water, wastewater and stormwater activities. The financial impact of a 1% variation for contracts due for renewal between 2018/2019 and 2020/2021 is \$63,861 per annum.</p>
<p><b>Capital Works Costs</b>                      On average, costs of major capital works will not vary significantly from costs estimated in this plan.</p>	<p>That project costs are greater than estimates, resulting in increased debt levels.</p> <p>That Council is required to undertake significant capital works in relation to stormwater discharge consents.</p> <p>That actual costs per km of pipes varies from the amount assumed in the Plan. The average pipe replacement rates used in this plan are based on rates used to compile the valuation at 30 June 2017 and across the district average \$228 per meter for wastewater, \$70 for water and \$277 for stormwater.</p>	VERY HIGH	<p>Council has a higher level of confidence regarding capital project costs in the short term (1-2 years) but less certainty in the longer term due to possible fluctuations in the economy, growth patterns, consent conditions etc.</p> <p>Any increase in costs may result in higher debt levels and a possible increase in rates to cover repayments. This may have an effect on the level of service.</p> <p>The financial impact of a 1% variation in capital works from budget would result in a change in capital expenditure between \$185,445 and \$320,671 during the 10 years of the Long Term Plan.</p>
<p><b>Price Level Changes</b>                      Price level changes have been calculated using projections prepared by Business and Economic Research Limited (BERL). The following table depicts the annual price levels change as indicated by BERL which are based upon October 2017 values.</p>	<p>That actual inflation increases will vary from those used.</p>	VERY HIGH	<p>Inflation is affected by external economic factors. While individual cost indices will at times vary from what has been included in this plan the Council has relied on the Reserve Bank use of monetary controls to keep inflation within its target band projected at 1-3% over the medium term (2-5 years). The result of any variation</p>

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<p>A zero-based budget has been used for the 2018/2019 financial year. This has required managers and staff to consider all costs included during the budgeting process.</p> <table border="1"> <thead> <tr> <th></th> <th>Roading</th> <th>Property</th> <th>Water</th> <th>Energy</th> <th>Staff</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>17/18</td> <td>1.9%</td> <td>1.8%</td> <td>1.8%</td> <td>1.8%</td> <td>1.6%</td> <td>1.8%</td> </tr> <tr> <td>18/19</td> <td>2.0%</td> <td>2.0%</td> <td>2.3%</td> <td>2.0%</td> <td>1.6%</td> <td>2.0%</td> </tr> <tr> <td>19/20</td> <td>2.2%</td> <td>2.2%</td> <td>2.5%</td> <td>2.2%</td> <td>1.6%</td> <td>2.2%</td> </tr> <tr> <td>20/21</td> <td>2.2%</td> <td>2.2%</td> <td>2.3%</td> <td>2.2%</td> <td>1.7%</td> <td>2.2%</td> </tr> <tr> <td>21/22</td> <td>2.3%</td> <td>2.2%</td> <td>2.4%</td> <td>2.2%</td> <td>1.8%</td> <td>2.2%</td> </tr> <tr> <td>22/23</td> <td>2.4%</td> <td>2.3%</td> <td>2.4%</td> <td>2.3%</td> <td>1.8%</td> <td>2.3%</td> </tr> <tr> <td>23/24</td> <td>2.4%</td> <td>2.4%</td> <td>2.5%</td> <td>2.3%</td> <td>1.9%</td> <td>2.4%</td> </tr> <tr> <td>24/25</td> <td>2.5%</td> <td>2.4%</td> <td>2.6%</td> <td>2.4%</td> <td>1.9%</td> <td>2.5%</td> </tr> <tr> <td>25/26</td> <td>2.6%</td> <td>2.5%</td> <td>2.6%</td> <td>2.5%</td> <td>2.0%</td> <td>2.6%</td> </tr> <tr> <td>26/27</td> <td>2.7%</td> <td>2.6%</td> <td>2.7%</td> <td>2.5%</td> <td>2.0%</td> <td>2.6%</td> </tr> <tr> <td>27/28</td> <td>2.8%</td> <td>2.7%</td> <td>2.8%</td> <td>2.6%</td> <td>2.1%</td> <td>2.7%</td> </tr> </tbody> </table>		Roading	Property	Water	Energy	Staff	Other	17/18	1.9%	1.8%	1.8%	1.8%	1.6%	1.8%	18/19	2.0%	2.0%	2.3%	2.0%	1.6%	2.0%	19/20	2.2%	2.2%	2.5%	2.2%	1.6%	2.2%	20/21	2.2%	2.2%	2.3%	2.2%	1.7%	2.2%	21/22	2.3%	2.2%	2.4%	2.2%	1.8%	2.2%	22/23	2.4%	2.3%	2.4%	2.3%	1.8%	2.3%	23/24	2.4%	2.4%	2.5%	2.3%	1.9%	2.4%	24/25	2.5%	2.4%	2.6%	2.4%	1.9%	2.5%	25/26	2.6%	2.5%	2.6%	2.5%	2.0%	2.6%	26/27	2.7%	2.6%	2.7%	2.5%	2.0%	2.6%	27/28	2.8%	2.7%	2.8%	2.6%	2.1%	2.7%			<p>up, or down, will result in a higher or lower rates requirement which may also impact on the levels of service, in particular for roading, water, wastewater and stormwater activities.</p> <p>The financial impact of a 1% variation in inflation would result in a change in expenditure of \$759,194 in 2018/2019 to \$698,330 in 2020/2021.</p>
	Roading	Property	Water	Energy	Staff	Other																																																																																	
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<p><b>Useful Lives of Significant Assets</b> The useful lives of all assets will be in accordance with the depreciation rates as set out in the accounting policies of Council. Estimated remaining lives of assets are recorded in Activity Management Plans.</p>	<p>That some assets may wear out and fail sooner, or later, than estimated. Useful lives are used to calculate depreciation. Funding of depreciation is being phased in until fully funded in 2024/2025. Where useful lives are incorrect the depreciation funded may be funded at the wrong level.</p>	VERY HIGH	<p>There is no certainty that asset components will last exactly their design lives. Capital projects could be brought forward in the event of early deterioration of assets affecting interest costs. This may be partially offset by other assets lasting longer than estimated.</p>																																																																																				
<p><b>NZ Transport Agency (NZTA) Subsidies for Roading</b> The co-investment for the first three is as follows: 2018/2019 - 51% (NZTA Contribution) 2019/2020 - 51% 2021/2022 - 51% For the remaining seven years the rate used is assumed at 51%. Income from NZTA will be aligned to the NZTA-approved programmed budgets as per the LTP including some administrative/overhead costs. Council's new Funding Assistance Rates for 2018/2019, 2019/2020 and 2021/2022 have been confirmed by NZTA.</p>	<p>There is some risk that the co-investment rate may change as per the schedule on the left.</p> <p>The new co-investment rates have yet to be confirmed by NZTA</p>	VERY HIGH	<p>As roading makes up the major component of expenditure, any changes in subsidy rates will affect the amount of local funding required to fund the roading programme. If financial assistance is not available to the extent that has been indicated in this plan and when required, the Council will have to review the programme - and this may result in certain proposed works being either deferred or deleted, or a greater level of rate input being decided to offset the higher than projected cost increase. Conversely, the NZTA may offer a greater level of financial assistance to enable the Council to do more work - but only if there is a greater level of rate input as well. In those circumstances, the Council will have to decide whether to charge more rates or to decline the offer.</p>																																																																																				
<p><b>Revaluation of Infrastructure and Forestry Assets</b> Revaluations of infrastructure and forestry assets have been included annually to reflect the projected change in asset valuations.</p>	<p>Actual price level changes vary to those stated. Infrastructure revaluations impact the depreciation calculation. Funding of depreciation is being phased in until fully funded in 2024/2025. Where price</p>	VERY HIGH	<p>If price level changes are greater or lesser, depreciation and the funding of depreciation, could be under or overstated.</p>																																																																																				

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<p><b>Revaluation of Infrastructure Assets</b> Revaluations take into account asset acquisitions included in the plan, vested assets and inflation.</p>	<p>Capital construction and/or harvesting/planting will not meet projected timeframes. Infrastructure acquisitions impact the depreciation calculation. Funding of depreciation is being phased in until fully funded in 2024/2025. Where price levels change the depreciation funded may be funded at the wrong level.</p>	MODERATE	If capital construction falls behind, depreciation and the funding of depreciation may be overstated.
<p><b>Revaluation of Infrastructure and Forestry Assets</b> It is assumed for water, stormwater and wastewater that the renewal projects planned are replacing those assets indicated to be at the end of their economic life.</p>	<p>That water, wastewater and stormwater renewal projects are replacing assets other than those that are at the end of their economic lives. Water and wastewater renewal impact the depreciation calculation. Funding of depreciation is being phased in until fully funded in 2024/2025. Where price levels change the depreciation funded may be funded at the wrong level.</p>	MODERATE	<p>Depreciation on stormwater assets is not funded so the financial impact is minimal. The financial impact of a 1% change in water depreciation would result in a change in funded depreciation of \$6,463 in 2018/2019 to \$17,610 in 2027/2028. The financial impact of a 1% change in wastewater depreciation would result in a change in funded depreciation of \$8,304 in 2018/2019 to \$27,373 in 2027/2028.</p>
<p><b>Interest Rates on Investments</b> Interest on financial investments has been calculated at 3.29% for funds invested externally and internally for the term of the plan. Interest on financial investments has been calculated at 3.29% for funds invested externally for the term of the plan.</p>	<p>Interest rates vary from those used in the calculations.</p>	MODERATE	<p>Council has calculated the average interest rate based upon a 12-month history of interest rates for six month bank deposits as recorded by the Reserve Bank. Interest rate forecasting is very uncertain and amounts to little more than guesswork. Council has control over the interest rate received on its investment in internal loans. Interest earned on \$7 million of Council reserves is used to offset rates. Council has calculated the average interest rate on external investments based upon the 30-60 day term deposit rate from the BNZ. As Council's surplus cash available to invest fluctuates throughout the year, this period of time best reflects Council's views of investment returns over this plan. A decrease in investment interest rates may require Council to collect more rates to cover the shortfall of interest used to offset rates.</p>
<p><b>Interest Rates on Borrowing</b> Interest on new and existing internal borrowings is allowed for at 4.65% per annum over the term of the borrowing. Interest on new external borrowings is allowed for at 3.65% per annum over the term of the borrowing.</p>	<p>The actual interest rates will vary over the 10 year period.</p>	MODERATE	<p>Council has calculated the average interest rate based upon what third can provide finance to Council and Council then added 1% on for administration costs to the internal interest rate. An increase in interest rates would require Council to collect more rates to cover the additional interest repayments.</p>

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<p><b>Depreciation Rates on Planned Asset Acquisitions</b>                      Depreciation has been calculated on asset values at 30 June 2017, and any additions since, at cost. Asset additions purchased during any year will be depreciated for six months. Detailed component information for infrastructure is not always available on capital projects for budget purposes so global percentages are applied as follows:</p> <table border="1"> <thead> <tr> <th>Asset</th> <th>Depreciation Rate</th> </tr> </thead> <tbody> <tr> <td>Roads</td> <td>1.0% - 25.0%</td> </tr> <tr> <td>Stormwater</td> <td>5.0% - 20.0%</td> </tr> <tr> <td>Wastewater</td> <td>2.0% - 7.0%</td> </tr> <tr> <td>Water</td> <td>1.0% - 20.0%</td> </tr> <tr> <td>Footpaths</td> <td>1.6% - 8.4%</td> </tr> </tbody> </table> <p>Depreciation on non-infrastructure asset additions have been calculated on the following average depreciation rates:</p> <table border="1"> <thead> <tr> <th>Asset</th> <th>Depreciation Rate</th> <th>SL</th> </tr> </thead> <tbody> <tr> <td>Improvements</td> <td>8.33% - 10.0%</td> <td>SL</td> </tr> <tr> <td>Buildings</td> <td>2.5%</td> <td>SL</td> </tr> <tr> <td>Furniture and Fittings</td> <td>13.5%</td> <td>SL</td> </tr> <tr> <td>Office Equipment</td> <td>10% - 13.5%</td> <td>SL</td> </tr> <tr> <td>Computer Hardware</td> <td>18.0%</td> <td>SL</td> </tr> <tr> <td>Computer Software</td> <td>40.0%</td> <td>SL</td> </tr> <tr> <td>Library Books</td> <td>10.0%</td> <td>SL</td> </tr> <tr> <td>Vehicles</td> <td>9.0% - 20.0%</td> <td>SL</td> </tr> <tr> <td>SCADA Equipment</td> <td>18%</td> <td>SL</td> </tr> <tr> <td>Other Plant</td> <td>6.67% - 33.33%</td> <td>SL</td> </tr> </tbody> </table>	Asset	Depreciation Rate	Roads	1.0% - 25.0%	Stormwater	5.0% - 20.0%	Wastewater	2.0% - 7.0%	Water	1.0% - 20.0%	Footpaths	1.6% - 8.4%	Asset	Depreciation Rate	SL	Improvements	8.33% - 10.0%	SL	Buildings	2.5%	SL	Furniture and Fittings	13.5%	SL	Office Equipment	10% - 13.5%	SL	Computer Hardware	18.0%	SL	Computer Software	40.0%	SL	Library Books	10.0%	SL	Vehicles	9.0% - 20.0%	SL	SCADA Equipment	18%	SL	Other Plant	6.67% - 33.33%	SL	<p>Depreciation may be under or overstated. The method of calculation of depreciation on planned asset acquisitions differs from rates of depreciation in the accounting policies.</p>	<p>VERY HIGH</p>	<p>Council has an Activity Management Plan and upgrade programme in place. Asset capacity and condition is monitored, with replacement works being planned in accordance with standard asset management and professional practices. Depreciation is calculated in accordance with normal accounting and asset management practices.</p> <p>The financial impact of a 1% change in depreciation would result in a change in depreciation of \$223,381 in 2018/2019 to \$271,995 in 2027/2028.</p> <p>Depreciation on all vehicles is fully funded, with depreciation on roading, water, wastewater, Council buildings, information technology, waste management, wheelie bins and public conveniences funded to 40% in 2018/2019 to 100% in 2024/2025 funded.</p>
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<p><b>Funding of Depreciation</b>                      The plan includes the phased implementation of funding depreciation for roading, water, wastewater, Council buildings, information technology, waste management, wheelie bins and public convenience from 40% in 2018/2019 to 100% (full) funding in 2024/2025.</p>	<p>The amount of actual depreciation will differ during the first three years from that used for the funding calculation.</p>	<p>MODERATE</p>	<p>Depreciation is calculated in accordance with accounting policies on assets held during the financial years. When budgets are completed depreciation is calculated on the asset value from the previous year plus an allowance for increased cost of replacement. At year end the actual value calculated by Council's valuer may be more or less than budget. As such the actual depreciation may differ from the amount budgeted and the rates collected may be more or less than required.</p> <p>Additionally the assets held at year end may differ from those expected due to changes in priorities and emergency work required.</p>																																													
<p><b>Vested Assets</b>                      The plan includes an estimate of no assets to be vested in Council.</p>	<p>That the value of vested assets will vary from that included in the plan.</p>	<p>VERY HIGH</p>	<p>Council has not included any vested assets as a result of current trends. A strong property market in the future may result in further subdivisions and higher levels of vested assets.</p> <p>Overall any additional financial cost is considered minimal for the term of this plan although additional assets vested in Council would require more maintenance this is not deemed significant.</p>																																													

Assumption	Risk	Level of uncertainty	Reason for Uncertainty and Impact of Risk
<b>Emissions Trading Scheme</b> Council will continue to own 116,805 Emission Trading Units held at 30 June 2017.	That Council has less or more units.	HIGH	Council can choose to trade carbon credits. This may result in no credits being held and require Council to purchase credits to ensure sufficient numbers are held for mandatory reporting every five years.
<b>Emissions Trading Scheme</b> Emission Trading Units will be continue to be valued at \$17.20 per unit as at 30 June 2017.	That the value of the Emission Trading Units changes	VERY HIGH	The value of the units is determined in the market place so it is outside Council's control. The market has been fluctuating since the 2011/12 financial year.
<b>Exchange Rates</b> Council's Liability Management Policy states that borrowing in foreign currency is not permitted and this has not been included in this plan. Council also has no overseas investment.	Some components of works in the LTP have to be sourced from overseas. Foreign currency fluctuations affect prices/ interest rates.	LOW	It is not possible to determine (until project tender stage) that certain inputs will need to be sourced from outside New Zealand and will be subject to currency fluctuations. The likelihood is that all components can be sourced locally. No provision is made to mitigate this risk.
<b>Other Funding</b> That user charges and fees are achievable.	That some user charges and fees are not realised as budgeted.	MODERATE	Most charges have been set at similar levels to those previously achieved. Where users charges are less than anticipated other sources of funding will be used such as reserves and/or rates.
<b>Development and Financial Contributions</b> It is assumed that no development and financial contributions will be collected during the plan. Development contributions policy is currently in remission and financial contributions can no longer be collected from 2022.	That the value of development and financial contributions collected will vary from that included in the plan.	MODERATE	Council could bring the development contribution policy out of remission. A strong property market could result in additional subdivision and development contribution income. Historic amounts collected when this policy was active were minimal. The level of financial contributions received is minimal and it has been considered prudent to exclude any income from this source.
<b>Level of Service</b> Demand for Council services and customer expectations regarding levels of service will not significantly change and therefore there will be no significant effect on asset requirements or operating expenditure.	There are significant changes in customer expectations regarding demand for services or levels of service.	MODERATE	Council has well defined service levels for its planned activities which have been reviewed as part of the LTP process. Customer satisfaction surveys and other engagement strategies generally support this key assumption and therefore there are currently no areas of the Council's service that require significant modification.
<b>Legislative changes</b> It is assumed that there will be no major legislative changes or changes in government policy that will significantly impact Council. It is assumed that any change that is introduced can be complied with within current budgets.	New/amended legislation or government policy comes into force that has a significant impact on Council to respond or impact on cost to administer by Council; or results in a change to the services delivered by the Council.	VERY HIGH	Council's work will continue to be influenced by national policy, strategy and legislative changes during the period of the plan. The role and function of local government is set out by law. Council has responsibilities prescribed by many acts and regulations (eg, Local Government Act 2002, Resource Management Act 1991; Building Act 2004). There is a regular cycle of statute development, review and amendment that affects Council. The recent change in government may also increase the likelihood of additional legislative/policy shifts. Legislative or government policy changes are expected to have a medium effect on Council's finances and/or levels of service given the new government.

## Operational Risk Report

**Record No:** R/19/11/26358  
**Author:** Steve Ruru, Chief Executive  
**Approved by:** Steve Ruru, Chief Executive

Decision

Recommendation

Information

### Purpose

- 1 To brief Council on important operational risk issues that are currently being managed across the organisation.

### Background

- 2 Following Council approval of a new Risk Management Framework in February 2019, work is progressing with the implementation of the overall framework starting initially with the production of a corporate risk register process which highlights the high and very high risk issues being managed across the organisation. These risks are covered in a separate report.
- 3 As part of that framework there is an expectation that over time a new operational risk management and risk register process will be implemented across the various teams that make up the operational sections of Council. This operational risk management process will be used to inform the development of the corporate risk register that is reviewed by staff and subsequently reported to the Finance and Assurance committee on a quarterly basis.
- 4 It is expected that the development and implementation of the new operational risk register processes across the different teams within Council will take some time. While not all of the risks identified at the operational level will be reported through to the Finance and Assurance committee there will be a number of issues identified at this level which the committee (and Council itself) should be briefed on so that there are 'no surprises' about the nature of some of the issues that are being managed across the organisation. This report serves to provide a briefing on a number of the current operational risk issues that are being managed across Council.

### Stewart Island Jetties

- 5 In September 2017 Council agreed to the transfer of ownership of the Golden Bay Jetty from SouthPort NZ to Council, subject to a number of conditions including the negotiation of a suitable agreement between SouthPort and Rakiura Adventures who have a floating pontoon attached to the jetty.
- 6 Unfortunately, the negotiation process proved to be somewhat difficult and protracted and the parties were not able to achieve a satisfactory agreement within the parameters that were originally set by the community board and Council. In particular, Rakiura Adventures were keen to protect the interest that they currently have in their floating pontoon and the access to a 'wharfing' facility that this provides. They also indicated a desire to have a significant level of involvement in future wharf development options.
- 7 As a result Council delegated authority to the Mayor and chief executive in June 2018 to negotiate an agreement with SouthPort which allowed for transfer of the Golden Bay jetty

subject to a number of repairs being undertaken which were expected to give it a remaining useful life of up to four years. In making this decision Council also asked the Mayor and chief executive, given the indicated desire of the Stewart Island/Rakiura community to have public ownership of all jetty facilities, to attempt to negotiate a suitable agreement with Rakiura Adventures.

- 8 The negotiations with Rakiura Adventures were not successful. Given the position reached with Rakiura Adventures, staff focussed their negotiation efforts back on discussions with SouthPort. There has been an exchange of a proposed contractual agreement for transfer of the jetty subject to a number of suitable conditions including completion of interim repair works to the jetty.
- 9 SouthPort completed a number of repairs in late 2018 and were going to be installing replacement piles during the winter period. As a result of the estimated cost of \$50,000 associated with this work they have not, however, progressed these works. Staff have updated SouthPort on the progress that has been made with the Golden Bay replacement options work and they have been reconsidering their position. SouthPort have recently advised that they are now in a position in which they want to transfer ownership of the jetty back to Council without completing any additional works. Staff will be having further discussions with SouthPort and will provide a further update at the meeting.
- 10 While the above work has been progressed staff have also been consulting with the user community over options for replacement of the Ulva Island and Golden Bay jetties. In doing this work the potential to improve the visitor experience has also been considered. Given the life of this infrastructure and increased visitor demand it is appropriate that any new facilities meet the long term needs. The end result of this process has seen the projected cost of the works increase to approximately \$6 million, creating an issue relating to how the redevelopment might be financed. These issues apply irrespective of whether Council is able to obtain a level of government grant funding assistance.
- 11 The work to identify replacement options, have also become more complex in relation to the Ulva Island jetty, which is accessed via private land. In particular, the current 'access arrangement' that the Department of Conservation have with the land owner is due to expire within the next three years. The owners have also indicated that they have a number of concerns relating to the way in which access to Ulva Island is being managed by the Department of Conservation. As a result there is a level of uncertainty about whether they are prepared to allow public access across their property. As a result initial investigations are also underway to consider whether it is practical to build a new Ulva Island jetty in a new location.
- 12 To move forward from here staff will need to progress development of a business case once they have further direction from the Stewart Island/Rakiura community as to their desired direction. Work is also progressing on the review of the current user fees regime. This will create some 'breathing space' within which the wider issues relating to funding of the Stewart Island jetties as a whole can be considered as a follow-on action from the service sustainability review.

## Stewart Island Electricity Wind Project

- 13 The generation of electricity on the Island has been an issue that has been discussed for some time. In 2018 MBIE (Ministry for Business, Innovation and Employment) engaged the

consultants Roaring40s Wind Power (Roaring40s) to undertake a review of the work completed to date to consider alternative generation options for Stewart Island. This work placed a particular focus on wind.

- 14 In summary the Roaring40s report considered that wind generation was likely to be feasible and that it could reduce the use of diesel by up to 40%. As a result of these findings central government have now agreed to allocate \$3.1 million from the Provincial Growth Fund to the project.
- 15 The funding agreement that has been put in place with MBIE splits the project and funding into two distinct phases. The first pre-development phase involves preliminary design, the negotiation of land access agreements, obtaining resource consents and development of a final business case. There has been a level of land owner and other stakeholder opposition to the proposal and hence there will be a number of risks associated with being able to obtain a positive outcome from this first phase. A total of \$530,000 has been allocated to this first phase.
- 16 The development phase has a total of \$2.63 million allocated to it and will only proceed if the business case is approved by both MBIE and Council. As with many Crown funding agreements Council is required to carry any construction risk with phase 2. Obviously, Council will be able to assess the level of risk that it might face and its appetite for accepting this risk when it considers whether it should approve the business case and progress with the development phase of the project.
- 17 It is also important to recognise that the financial modelling that has been completed to date indicates that even if the wind project is successfully implemented it will not resolve all of the financial sustainability challenges facing SIESA. As a result further work will continue to be progressed to look at the range of financial and service sustainability challenges facing this service.

### **Stewart Island Service Sustainability Study**

- 18 Council faces a number of service sustainability challenges in providing and funding the delivery of services, particularly local activities, to the Stewart Island/Rakiura community. This has been highlighted through requests for unbudgeted expenditure for urgent maintenance on some of Council's jetties on Stewart Island/Rakiura and Ulva Island, and the commencement of the review of the Stewart Island Electrical Activity.
- 19 Given these and broader funding issues that appeared to exist in providing services for the community, Council initiated a broader review of service sustainability challenges that may exist in relation to the delivery of services to the Stewart Island/Rakiura community.
- 20 What should be seen as being a first stage report has now been completed and will be reported through to the community board and Council in early 2020. Key points to note from the draft report include:
  - there are a wide range of views on the Island in regard to how it should be developed in the future. This diversity highlights the importance of the current Stewart Island opportunities project
  - it is estimated that there is a net rates contribution of \$570k (or approximately \$1,250 per rateable property), by the wider District community, to the delivery of services on the Island
  - there are a number of increased costs associated with the delivery of the current levels of service that will increase the financial pressure on Council services in the future

- given the current and likely future funding gaps there is a need for Council and the community board to consider potential alternative funding sources.
- in parallel with the funding work there is also a need for more indepth individual service delivery review work to be completed.

### **3 Waters Review**

- 21 The government released their formal decision in October to form a new independent water services regulatory agency, which will have responsibility for enforcing new standards that will be set, for drinking water initially and potentially also for wastewater and stormwater in the medium term. The agency will be a crown entity with its own board.
- 22 An establishment unit for the new agency has been set up within the Department of Internal Affairs to lead the work associated with putting the new agency in place. It is expected that it will take approximately 18 months before the entity is established.
- 23 It is acknowledged that there is a level of risk that the new agency will draw on the limited pool of resources with expertise in the water management area that are used by local authorities.
- 24 Government are expected to make a further set of decisions in relation to the question of whether it should change service delivery options in the near future. As part of this process they will consider whether and how they might provide financial support for parts of the local government sector that are interested in putting in place new collaborative models in the water services area.
- 25 A number of regions have work underway to look at alternative service delivery arrangements. This is an area that Southland has not, at this stage, given any formal consideration to as yet. It is an area, however, where we would benefit from scoping a range of possible options.
- 26 It is expected that legislation to implement these changes (via a Water Services Bill) will be introduced into parliament in the near future with the aim of being passed into law by mid-2020. The bill is expected to go through a select committee process so that there is some opportunity for public input.
- 27 Staff will provide fuller briefings on the implications of the above announcements as we have the opportunity to work through and assess the implications for Southland and the sector as a whole. Council will also need to look at how it provides for the implementation of the new regime and the costs that will be associated with implementing the change as part of the 2020/21 Annual Plan and 2021 Long Term Plan process.

### **Te Anau Wastewater**

- 28 In October 2018 Council approved the business case for implementation of a new discharge method for the Te Anau wastewater discharge project based on an SDI (subsurface drip irrigation) discharge method.
- 29 As a result of the change in discharge method there has been a need to seek a new resource consent. Environment Southland (ES) have recently granted the new SDI consent.

- 30 Work has recently been progressed with evaluating the tenders for the Te Anau wastewater treatment plant site works which include the membrane plant and civil works associated with construction of the additional storage required at the treatment plant etc. There will be a need for further discussions with the preferred tenderer before a final recommendation can be brought through to Council for formal approval. This means that the report will need to be submitted in the new calendar year.
- 31 Based on the revised programme it will not now be possible to complete the upgrade project until early-mid 2021. This means that Council will not be able to complete and operationalise the new system before the expiry of the current discharge consent to the Upukerora River in November 2020. As a result Council will need to seek a new consent to cover the short timeframe between November 2020 and commission of the new discharge system.

### **WasteNet Recycling Acceptance Contract**

- 32 The WasteNet shared service joint agreement commits to a waste minimisation strategy that requires a consistent and agreed approach to waste minimisation by the three councils, Invercargill City Council (ICC), Gore District Council (GDC) and Southland District Council (SDC).
- 33 In December 2018 the three councils released a tender for recycling acceptance services. This followed on from failed rollover negotiations with the current provider Southland Disability Enterprises (SDE). As a result of the tender process a recommendation was made, from the tender evaluation panel that the contract be awarded to a new provider (Smart Environmental Ltd). From a financial perspective there was a difference of \$750k per annum between the proposals received.
- 34 While the tender recommendation was endorsed by SDC and GDC, it was not endorsed by ICC. SDC and GDC have subsequently invoked the dispute resolution procedure provided for in the WasteNet joint shared service agreement. At the time of writing this report the dispute remains unresolved.
- 35 There are a number of risk issues emerging from this issue, these include:
- the threat of a legal challenge from one of the tendering parties
  - potential damage to the ‘tendering reputation’ of the councils
  - potential for increased costs from any alternative supply arrangement that might be put in place if the current dispute cannot be resolved.
- 36 SDE lodged a complaint about the process followed by the Wastenet councils with the Office of the Auditor General (OAG). The OAG have confirmed that they will not be initiating an inquiry into the complaint. Staff have, however, provided a range of information to the OAG so that they have a clearer understanding of the process followed and issues involved with this matter.

### **Building Control Accreditation**

- 37 Under the Building Act, Council is required to be reaccredited every two years. This process is managed by International Accreditation NZ (IANZ).

- 38 As part of the last IANZ reaccreditation process there was a requirement for Council to monitor code compliance certificate (CCC) processing timeframes until the end of July 2019. As a result of this monitoring IANZ raised a concern about the approach that Council had been using to process CCCs and the timeframes within which we were processing current CCC applications.
- 39 The main concern raised by IANZ related to the fact that Council had not moved to refuse CCCs where a consent was more than two years old or where there are outstanding issues, relating to the CCC inspection process that have not been addressed in a timely manner.
- 40 Council, like many local authorities, has a 'backlog' of outstanding CCC certificates. A number relate to the pre-2004 period when the current Building Act was implemented while others relate to post the Building Act 2004. Under the current legislation building owners are required to seek a code compliance certificate once their building works are complete. While local authorities can remind building owners of their obligations they cannot 'force' building owners to comply.
- 41 To address the issues raised by IANZ a project team was pulled together to address the outstanding CCC issue. To date they have issued letters declining CCCs for some 1,700 consents issued since the beginning of 2015. In addition to these consents there are also a large number of outstanding CCCs for consents issued before 2015. It is proposed that staff will move to address the issues relating to these consents once the post 2015 period has been addressed.
- 42 The issuing of these decline letters has raised a number of queries/issues for staff to work through and address with individual property owners and builders as they seek to address the outstanding issues relating to their building. Obviously, the CCC can be issued once the issues are addressed.
- 43 Now that Council has changed its approach IANZ have confirmed the continuation of Council's accreditation in accordance with the normal two review cycle. Hence, the next review will be due in February 2021, being two years after the last review in February 2019.

### **Invercargill Office Building**

- 44 In early 2018 Council undertook a strategic assessment of its Invercargill office needs given the significant work needed to upgrade the current office. As an outcome from this initial assessment it was agreed that a full business case process should be progressed to review the long term options that might exist.
- 45 Work on development of the full business case has now reached the point in which a draft business case is being reviewed by staff. The business case evaluates a number of options including refurbishment of the existing premises and development of a new building on an alternative site. It is expected that the business case will be brought through to Council in the first quarter of 2020 to enable decisions to be made on the way forward.
- 46 From the work completed to date it is clear that there is a need for a significant level of investment to be made. There are clearly a number of risks associated with whatever decision is made that will need to be carefully managed as the project proceeds.

## **Rafting Consent**

- 47 Phil Joostens applied for resource consent to establish and operate a commercial river rafting tourism activity on the Mataura and Oreti Rivers in March 2019. The application sought to establish six trips in the wider Southland region. One trip on the Waikaia river was withdrawn, leaving three trips were within the Southland District area and two within Gore District Council area requiring consent.
- 48 Council considered the effects of the proposal and took legal advice from Anderson Lloyd on the processing avenue. The consideration of legal requirements for public notification and the drafting of the decision was undertaken by an external consultant but reviewed by staff and Anderson Lloyd, Council's solicitor. A decision was subsequently made to process the consent application "non-notified" as the effects of the proposal were deemed to be "less than minor". If the scale of effects were deemed to be "minor" or "more than minor" public notification is required under the Resource Management Act 1992.
- 49 The application attracted a large amount of public attention and a number of emails were received requesting public notification and consultation on the proposal. A petition requesting public consultation was established by a private fishing guide which attracted more than 5,000 signatures.
- 50 The applicant engaged heavily with the fishing community and presented his proposal to Fish and Game at least twice and amended his application to ultimately achieve the written approval of Fish and Game, Te Ao Marama, Department of Conservation, Jet Boating NZ, LINZ, Ngai Tahu, Environment Southland and adjoining owners. The non-notified decision was released on 18 November and Council has become aware that opposition from the professional fishing guide community is looking to seek a judicial review of Council's decision.
- 51 A judicial review will look at the processes behind the decisions to process the application non-notified. If the Court finds that the consent should have proceeded through a public notification process then they will consider what remedy should be implemented. This could include setting aside of the consent and requiring that it be processed on a notified basis.

## **Recommendation**

### **That the Finance and Assurance Committee:**

- a) **Receives the report titled "Operational Risk Report" dated 9 December 2019.**

## **Attachments**

There are no attachments for this report.



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

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### Recommendation

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

#### **C8.1 Risk Management Update - December 2019 Quarter**

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Risk Management Update - December 2019 Quarter	s7(2)(e) - The withholding of the information is necessary to avoid prejudice to measures that prevent or mitigate material loss to members of the public.  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.