



Notice is hereby given that an Ordinary Meeting of Southland District Council will be held on:

Date: Thursday, 27 February 2020
Time: 9am
Meeting Room: Council Chamber
Venue: 15 Forth Street
Invercargill

Council Agenda OPEN

MEMBERSHIP

Mayor

Mayor Gary Tong

Deputy Mayor

Ebel Kremer

Councillors

Don Byars

John Douglas

Paul Duffy

Bruce Ford

Darren Frazer

George Harpur

Julie Keast

Christine Menzies

Karyn Owen

Margie Ruddenklau

Rob Scott

IN ATTENDANCE

Chief Executive

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Full agendas are available on Council's Website

www.southlanddc.govt.nz

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

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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

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

4 Public Forum

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

5 Extraordinary/Urgent Items

To consider, and if thought fit, to pass a resolution to permit the Council 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 Council Minutes

- 6.1 Meeting minutes of Council, 30 January 2020

Long Term Plan 2031 - Confirmation of Significant Forecasting Assumptions

Record No: R/19/6/11557
Author: Michelle Stevenson, Strategy and Policy Manager
Approved by: Rex Capil, Group Manager Community and Futures

☐ Decision ☒ Recommendation ☐ Information

Purpose

- 1 To confirm the proposed significant forecasting assumptions used to consider the future delivery of council activities and how they will be managed, and elected members in decision making for the Long Term Plan 2031.

Executive Summary

- 2 The significant forecasting assumptions create the foundation for building key strategies and policies in The Long Term Plan. They assist staff in planning, and elected members with making decisions on investment, levels of service, projects, grants and other key components of the Long Term Plan.
- 3 Assumptions use the best available information at the time to ensure that a robust plan is developed for the following 10 years and can help address uncertainties of the future.
- 4 The process of developing the assumptions has involved examining key data sources such as the BERL reports for the region, recent climate change reports and inflationary increases on costs. Staff have used these data sources to determine the proposed significant forecasting assumptions.
- 5 Staff will ensure that if any new information arises that may impact the significant forecasting assumptions, these will be updated and presented to Council prior to the adoption of the Long Term Plan 2031.
- 6 Staff recommend that Council endorse the significant forecasting assumptions so that key strategies and policies of The Long Term Plan can be progressed, and activity management plans developed with consistency of information across the organisation.

Recommendation

That Council:

- a) **Receives the report titled “Long Term Plan 2031 - Confirmation of Significant Forecasting Assumptions” dated 20 February 2020.**
- 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) **Agree that Council endorse the significant forecasting assumptions to be used in the Long Term Plan 2031.**
- e) **Notes that any new information arising that may impact the significant forecasting assumptions will be updated and presented to Council prior to the adoption of The Long Term Plan 2031.**

Background

Long Term Plan

- 7 The Long Term Plan sets out Council’s plan for the next 10 years. It’s an opportunity to plan for the outcomes we want for our community, how these contribute to Councils strategic direction, the costs to achieve these outcomes, how they will be paid for and how we will measure our performance in achieving them.
- 8 Every three years Council reviews The Long Term Plan to ensure that the work Council undertakes is still relevant and accurate, and seeks feedback from residents, ratepayers and other stakeholders throughout this process.

Significant Forecasting Assumptions

- 9 Significant forecasting assumptions are the building blocks of The Long Term Plan strategies, policies and activity management plans and provide a baseline of ‘assumptions’ to develop plans for long term planning.
- 10 In preparing forecasts, both financial and non-financial, assumptions can address uncertainties of the future. This provides an understanding of the basis from which financial information has been prepared, a way to explain differences that will likely occur between actual results and what was forecast, and ensuring that risks and challenges faced by Council in the future have been appropriately identified and assessed.

- 11 The identified assumptions include the following strategic issues:
- demographics
 - tourism
 - climate change
 - significant, unplanned adverse events
 - environmental standards, resource consents and land use
 - general economic growth trends
 - useful lives of significant assets
 - cost estimates and price level changes
 - asset revaluation
 - NZTA subsidies for roading
 - interest rates on borrowing
 - level of service
 - technology
 - resource constraints.
- 12 The assumptions were compiled using a range of information from BERL reports for the region, recent climate change reports (ie NIWA report for Southland), emergency management reports, regional development tourism information, national technology predictions, and inflationary increases on costs.
- 13 When drafting the proposed assumptions, staff have considered the methodology of prior long term plan assumptions, guidance from SOLGM and the office of the auditor general along with discussions held with Council.
- 14 The full forecasting assumptions have been included with this report as Attachment A.

Issues

- 15 The significant forecasting assumptions have been created by staff using information from BERL regarding population projections for Southland, recent climate change reports for the area, the Water and Land Plan, and Emergency Management data for Southland.
- 16 Where the assumptions are financial, the approach has been to keep the methodology as consistent as possible with the previous Long Term Plan to ensure a level of consistency.
- 17 Where a financial assumption has a high level of uncertainty, information will be included in the table to quantify the financial impact of this once the long term plan financial information has been finalised for the consultation document.
- 18 With population and land-use assumptions, these continue to be based on information on the BERL reports for the district. BERL used census data from 2013 as a baseline and projected this forward from 2013 to 2043 based on low, medium and high growth scenarios. There is a delay in Statistics NZ releasing updated census data which may impact the certainty of these projections.
- 19 Staff have assessed figures with 2018 data released to date in population projections, and these remain consistent with BERL's initial projections. Staff will maintain a watching brief as more census data is released over the following months, and update Council if there are any material variances to what is shown in the proposed significant forecasting assumptions.

Legal and Statutory Requirements

- 20 Council is required to produce a Long Term Plan every three years in accordance with the Local Government Act 2002 (the act), and it must cover a period of not less than 10 financial years.
- 21 The significant forecasting assumptions are a legislative requirement. Part 17 of Schedule 10 in the Local Government Act 2002 states:
- A long-term plan must clearly identify—
- a. all the significant forecasting assumptions and risks underlying the financial estimates;
 - b. without limiting the generality of paragraph (a), the following assumptions on which the financial estimates are based:
 - i. the assumptions of the local authority concerning the life cycle of significant assets; and
 - ii. the assumptions of the local authority concerning sources of funds for the future replacement of significant assets;
 - c. in any case where significant forecasting assumptions involve a high level of uncertainty,—
 - i. the fact of that uncertainty; and
 - ii. an estimate of the potential effects of that uncertainty on the financial estimates provided.

Community Views

- 22 The information included in this report will be made publicly available on Council's website during the public consultation period as supporting documents to the draft Long Term Plan 2031. As a result of submissions received, Council may decide to amend any of the supporting information documents when it adopts The Long Term Plan in June 2021.

Costs and Funding

- 23 There are no direct cost or funding considerations related to the development of the significant forecasting assumptions outside of current allocated budgets.

Policy Implications

- 24 The significant forecasting assumptions create the building blocks that are used in the financial and infrastructure strategies.
- 25 Significant forecasting assumptions are also incorporated into the development of the activity management plans so that consistency is applied across Council in consideration to the future delivery of Council activities and how they will be managed. The activity management plans provide the levels of service and the key performance indicators for The Long Term Plan.

Analysis

Options Considered

26 There are three options to be considered in this report:

- option 1: endorse the significant forecasting assumptions to be used in the long term plan 2031
- option 2: request staff to consider other potential assumptions and incorporate these into the significant forecasting assumptions to be used in The Long Term Plan 2031
- option 3: do not endorse the significant forecasting assumptions as presented.

Analysis of Options

Option 1 – endorse the significant forecasting assumptions to be used in The Long Term Plan 2031

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• the development of key long term plan strategies and policies will continue on track as identified within the project plan.• Council will be on track to meet its requirements under Section 10 part 17 of the LGA (2002)	<ul style="list-style-type: none">• if the assumptions are endorsed by councillors and later amended, then this may result in late changes to the key strategies and activity management plans after they have been developed. This could result in late changes to the long term plan and potentially impact the timeframe for adoption

Option 2 – request staff to consider other potential assumptions and incorporate these into the significant forecasting assumptions to be used in The Long Term Plan 2031

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• Council would get the additional information before endorsing the assumptions.• Council will be on track to meet its requirements under Section 10 part 17 of the LGA (2002)	<ul style="list-style-type: none">• depending on the variations to the assumptions, the development of the key long term plan strategies and policies may be delayed while staff make the amendments to the assumptions.

Option 3 – do not endorse the significant forecasting assumptions as presented.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• further discussion can occur prior to the assumptions being incorporated into the key strategies and policies.	<ul style="list-style-type: none">• the development of the key long term plan strategies and policies may be delayed until the Council determines next steps for developing the significant forecasting assumptions.• staff will not be able to progress activity management plans with a consistent understanding of Council's forecasted assumptions.

Assessment of Significance

- 27 Staff determine that endorsing the significant forecasting assumptions is not considered significant in relation to Council's Significance and Engagement Policy.
- 28 The implications of the significant forecasting assumptions will be significant to the public when they are incorporated into The Long Term Plan. Once the implications are considered and incorporated it will become part of the formal consultation for The Long Term Plan 2031 in February 2021.

Recommended Option

- 29 Staff recommend option 1, that Council endorse the significant forecasting assumptions to be used in The Long Term Plan 2031.

Next Steps

- 30 Once the significant forecasting assumptions have been endorsed, staff will continue developing the key strategies, policies and activity management plans.
- 31 The significant forecasting assumptions will be presented to Council in November 2020 for the completion of the draft Long Term Plan document and will be included in the supporting documentation for consultation and adoption.

Attachments

- A Draft Significant Forecasting Assumptions [↗](#)

'what' strategic issue	'so what' Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect	'now what' Application in the LTP Strategies and Policies
international immigration.	report). The rate of volunteering is also expected to decrease.			
Tourism Provision of appropriate visitor infrastructure and increase range of tourism related opportunities.	<p>There will increased impacts on services such as libraries and public toilets which can be met within the scope of the planned infrastructure upgrades within this LTP.</p> <p>Alternatively, environmental quality and the visitor experience in parts of the District declines due to lack of appropriate infrastructure. Whilst Milford Sound is one of NZ's most important attractions, currently the local economy does not harness the full potential from the flow of visitors to this location.</p> <p>Visitor numbers to Milford Sound have almost doubled in the past 5 years from 556,000 in 2014 to 932,000 in 2018. The assumption is that these numbers will continue to increase.</p> <p>The increase in visitors to Stewart Island/Rakiura will put corresponding pressure on jetties and infrastructure on the Island.</p>	Moderate	MEDIUM There may be a need to accelerate infrastructure upgrades.	<i>Continuing support for regional development initiatives.</i>
Climate change Planning may not adequately account for climate change impacts.	Sea level rise progressively impacts low lying coastal areas affecting ecology and settlements. Water availability in some areas becomes scarce, extreme weather events are larger and more frequent, communities	Low	MEDIUM A 2018 NIWA report projects increases for all of Southland in sea level, temperature,	

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Significant Forecasting Assumptions

'what' strategic issue	'so what' Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect	'now what' Application in the LTP Strategies and Policies
Demographics: <ul style="list-style-type: none"> population - population growth affects the demand for Council's services and infrastructure, as well as the ability to cover the cost of services and infrastructure. ageing - a significantly ageing population has implications for the viability and wellbeing of communities within the District. immigration - The District's population is growing at a slower rate than New Zealand population as a whole is growing, which is partly due to the Southland District having a lower rate of 	<p>The estimated resident population of the District in 2017 was 30,300.</p> <p>This is projected to grow to 36,700 by 2043 (source: BERL Detailed Southland population projections).</p> <p>Te Anau and Winton will see the largest growth in total population between 2013 and 2043, with each township growing by between 400 and 500 people.</p> <p>Monowai, Nightcaps, Riversdale, Tokanui, and Otautau are projected to either maintain their 2013 population through to 2043 or see a small decline.</p> <p>The population projections show that between 2013 and 2043 all townships will see an increase in people aged over 65. In addition, a number of townships will see a decline in those aged under 15 and people aged 15 to 64 years of age.</p> <p>There is projected to be a significant tightening of the labour market between 2018 and 2033, to a point where demand for labour demand exceeds the entire population aged from 15 to 64 years old (BERL Stage 3</p>	Very low uncertainty	LOW <p>The population growth rate may be significantly different than that assumed.</p> <p>Proportion of the population over 65 of age may vary from the prediction.</p> <p>Economic growth in the District may be held back due to labour shortages.</p>	

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'what' strategic issue	'so what' Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect	'now what' Application in the LTP Strategies and Policies
	<p>become more resilient to climate change. Transition to a low carbon future</p> <p>Changes and associated impacts such as risk based insurance will influence investment in built development (ie. coastal and flood plain development) and types of farming.</p> <p>Climate change will have a significant impact on the coastal settlements within Southland District. It is known that areas of Colac Bay, Orepuki, Fortrose and Stewart Island/Rakiura are subject to coastal processes that are causing erosion resulting in loss of land and council roading infrastructure.</p> <p>Sea level rise is expected to be between 0.2-0.3 m above present levels by 2040 and increasing to 0.4-0.9 m by 2090.</p> <p>The projected Southland temperature changes increase with time and emission scenario. Future annual average warming spans a wide range: 0.5-1°C by 2040, and 0.7-3°C by 2090.</p> <p>Floods are expected to become larger across the District.</p> <p>The central-northern part of the Southland Region is projected to experience the largest increases in drought.</p> <p>The occurrence of heat waves will double by 2040.</p>		<p>overall precipitation and the frequency of dry days.</p> <p>There is an increasing likelihood of sea surge, coastal inundation, drought and large severe weather events.</p>	

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'what' strategic issue	'so what' Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect	'now what' Application in the LTP Strategies and Policies
<p>Significant, unplanned adverse events</p> <p>Significant earthquakes, flooding, tsunami and other hazards outside of expected risk assessments.</p> <p>Assume that none of these events will occur but we need to be prepared.</p>	<p>Borrowing 'headroom' to fund Council's share of a rebuild in relation to a 'maximum probable loss' scenario is provided for within Council's Financial Strategy.</p> <p>There will be community disruption and displacement as well as localised infrastructure and facilities damage.</p> <p>The next severe earthquake on the Alpine Fault is likely to occur within the lifetime of most of us or our children. We are assuming that it will not occur within the ten years covered by this LTP.</p> <p>Under almost every climate change scenario, storms and therefore flooding will become more frequent and intense and communities will feel the effects more regularly and intensively. It is assumed that these events can be managed within current budgets.</p>	Low	<p>HIGH</p> <p>Work to date has shown that a major alpine fault movement would have significant consequences for Southland communities and district infrastructure. Other than planning around the initial response phase no other planning has been undertaken to assess the potential impact on council infrastructure</p>	<p><i>All of these natural disasters highlight the importance of robust emergency management systems and Business Continuity Planning (BCP). These include:</i></p> <ul style="list-style-type: none"> -Alpine Fault Magnitude 8; a South Island wide project to save lives by planning and preparing a coordinated response across the South Island after a severe earthquake on the Alpine Fault. -Environment Southland's flood warning system and Group Tsunami Plan - Emergency Management Southland <p><i>Any new development should be undertaken with a view to mitigating exposure to natural disasters.</i></p>
<p>Environmental standards, resource consents and land use</p>	<p>Changing delivery models and increasing standards impacts Council's regulatory, monitoring and infrastructure requirements.</p>	Low	<p>LOW</p> <p>Highly likely to be large scale changes to national requirements</p>	<p><i>New and revised consenting requirements set by Land and Water Plan are reflected in the proposed works</i></p>

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'what' strategic issue	'so what' Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect	'now what' Application in the LTP Strategies and Policies
Council may be required to undertake significant capital works in relation to drinking, stormwater and wastewater.	<p>This poses uncertainty to service delivery in this area.</p> <p>There will be a change to the regulatory standards for drinking water and a new regulatory agency has been formed Allowance has been made for meeting the expected new standards. It is assumed that Council will continue to be responsible for the delivery of its existing range of water, wastewater and stormwater services.</p> <p>The Proposed Water and Land Plan for Southland and the Freshwater National Policy Statement will have a continuing impact on the regulatory environment for agricultural land use. This may alter the way that investment decisions are made and therefore the land use changes that will occur.</p> <p>Land use changes as a result of climate change (e.g. flood plain zone changes).</p> <p>The amendment to the Climate Change Response (Zero Carbon) Bill may alter the delivery of Council activities. This may impact land use and transport across the District.</p>		and how drinking, storm and waste water are managed.	<p>programme. Council will continue to work closely with ES and other relevant agencies that may be formed in the future.</p> <p>Asset management plans are updated.</p>
<p>General economic growth trends</p> <p>Long term economic growth may not continue to be consistent with trends.</p>	<p>The economy maintains current prospects.</p> <p>The median personal income in the Southland District is growing at a faster rate than the median income across NZ.</p>	Moderate	<p>LOW</p> <p>If there is a persistent downturn in economic prospects may mean the District is not able to sustain continued</p>	

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'what' strategic issue	'so what' Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect	'now what' Application in the LTP Strategies and Policies
<p>Potential for significant downturn in global dairy prices as well as other primary sector goods.</p> <p>Changes to the primary sector occurring at a faster rate than businesses in the District (automation, niche products, synthetic alternatives to meat and milk products, etc).</p>	<p>There is an enduring trend that local businesses in the District hire smaller numbers of people (compared the rest of New Zealand).</p> <p>Home ownership rates in the District are falling.</p> <p>Half of the businesses operating in Southland District are in the primary sector.</p> <p>98% of these primary sector businesses operate in the industries of agriculture or forestry (BERL – Compendium Report 2018). BERL estimate that 18.3% of total employment (measured in Full-time Equivalents) in the District is in dairy farming.</p>		<p>growth in income.</p> <p>Ratepayers are unable or unwilling to support maintaining Council levels of service.</p> <p>Dependency on primary sector and dairy farming in particular makes some communities vulnerable to a decline in global dairy prices or a major livestock disease outbreak.</p> <p>It is unlikely that there will be major changes in current land use patterns and economic activity across the district as a whole which will lead to significant change in demand for current Council services.</p>	
<p>Useful lives of significant assets</p> <p>The useful life of assets determines when an asset is expected to be renewed and the calculation of depreciation.</p>	<p>That the useful life of significant assets will be the same as set out in the accounting policies of Council.</p>	High	<p>MEDIUM</p> <p>The timing of renewal projects is inaccurate and will need to be completed earlier/later as required. This will</p>	<p><i>To review and maintaining realistic estimates of asset useful life.</i></p> <p><i>Continuing ongoing efforts to improve the knowledge and documentation of the</i></p>

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'what' strategic issue	'so what' Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect	'now what' Application in the LTP Strategies and Policies
This will impact on the timing of replacements and the amount of rates collected for funding depreciations.			change the timing of funding requirement as shown in Council's revenue and financing policy (including rates). The amount of depreciation being inaccurate will impact on either over/under collecting rates in the relevant years due to the funding of depreciation.	<i>condition and actual life of assets. Funding of depreciation is set at amounts that reflects the replacement cost of assets. If required, reprioritising the capital expenditure programme.</i>
Cost estimates and price level changes Inflation may vary significantly than that allowed for in the Financial Strategy. Cost of operating and maintenance contracts as well as major capital works costs may vary significantly from costs estimated in this plan	Inflation is allowed using projections prepared by Business and Economic Research Limited (BERL), which are based on October 2020 values. When contracts are renewed there is no significant variations allowed for and any annual cost adjustment is in line with the relevant BERL inflation percentage.	Low	MEDIUM Greater than anticipated cost increases, especially in construction, capital works and contracting rates increase the overall cost of the capital and maintenance programs, in turn having an impact on debt servicing costs and rates.	<i>A comprehensive local government sector-wide approach to inflation projections has been used for the fact that costs typically increase at a faster rate than the consumer price index (CPI).</i>
Asset revaluation	In the LTP, Council has revalued its significant infrastructural assets on a yearly	Very high	HIGH If price level changes are greater or lesser,	

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'what' strategic issue	'so what' Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect	'now what' Application in the LTP Strategies and Policies
Asset revaluation may be higher or lower than estimated.	basis in line with the relevant BERL inflation rate taking into account planned additions.		depreciation and the funding of depreciation, could be under or overstated. high (virtually certain to be wrong)	
NZTA subsidies for roading Sufficient funds may not be available to pay for the planned capital projects and operational/maintenance costs.	It is assumed that NZTA will meet our requested funding requirements on a 3 yearly cycle. It is assumed that the level of financial assistance received from NZTA will remain at 51% for the period of the LTP. Funding assistance for large capital transport works would be achieved on a case by case basis with NZTA. NZTA funding will be awarded for 3 year periods and that the following 7 years will be funded in a similar manner.	Very low	LOW There is a risk that sufficient funds will not be available to pay for the planned capital projects. For example, because the community considers that required rates are not affordable.	
Interest rates on investments Interest income received may vary from the amount included in the ten year plan.	Interest on financial investments has been calculated at XX% for funds invested externally and internally for the term of the plan. Interest on financial investments has been calculated at XX% for funds invested externally for the term of the plan.	Moderate	MEDIUM A decrease in investment interest rates may require Council to collect more rates to cover the shortfall of interest used to offset rates.	

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'what' strategic issue	'so what' Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect	'now what' Application in the LTP Strategies and Policies
Interest rates on borrowing The interest rates paid on borrowing will vary over the 10 year period.	Interest on new and existing internal borrowings is allowed for at XX% per annum over the term of the borrowing. Interest on new external borrowings is allowed for at XX% per annum over the term of the borrowing.	Moderate	MEDIUM An increase in interest rates may require Council to collect more rates to cover the additional interest payments.	
Level of service 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.	It is assumed there will be no major legislative changes or change in government policy that will significantly impact Council aside from the legislative changes identified under the Environmental Standards, Resource Consents and Land Use assumption.	Low	MEDIUM Legislative or government policy changes are expected to have a medium effect on Council's finances and/or levels of service.	
Technology Changes in technology will impact the delivery of our key activities.	It is assumed there will be increased access to fibre connectivity will mean more use of online digital services. There may be less demand for face-to-face customer service as technology provide alternative methods for answering questions and resolving issues. It is assumed automated technology and artificial intelligence alters the way that council delivers its service.	Low	LOW There is a low consequence due to council being able to react to changes prior to them negatively impacting levels of service or customer expectations.	

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'what' strategic issue	'so what' Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect	'now what' Application in the LTP Strategies and Policies
	Chorus will have rolled out full internet connectivity throughout the district by the end of 2021.			
Resource Constraints Ability to find procure contractors and resources will be diminished due to other work underway across the district. 40% of the Southland District Council workforce are born between 1943 and 1966 and are likely to retire in the next 10 years. This may result in the loss of staff resource and knowledge to deliver projects.	It is assumed that due to increased work across the district (e.g. Invercargill city centre development, Dunedin Hospital build, etc) there will be a shortage of workers and resources across the lower South Island. The retirement of the ageing workforce of Southland District Council will impact the delivery of the LTP work programme.	Moderate	MEDIUM Resource constraints may disrupt delivery of the Long Term Plan work programme and meeting the established levels of service.	

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	Uncertainty Description	Description	Likelihood of the risk occurring if the assumption is incorrect
Assumption	Very high uncertainty	A very low level of information/confidence in the assumption	Highly likely
	High uncertainty	A poor level of information/confidence in the assumption	Likely
	Moderate uncertainty	A moderate level of information/confidence in the assumption	Possible
	Low uncertainty	A good level of information/confidence in the assumption	Unlikely
	Very low uncertainty	A very good level of information/confidence in the assumption	Rare

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

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Risk thresholds

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

R/20/1/2344

Risk thresholds

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

R/20/1/2344

Stewart Island/Rakiura Service Sustainability Study

Record No: R/20/1/2354
Author: Steve Ruru, Chief Executive
Approved by: Steve Ruru, Chief Executive

☒ Decision ☐ Recommendation ☐ Information

Purpose

- 1 To present to Council the report on the Stewart Island/Rakiura Service Sustainability Review.

Executive Summary

- 2 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 Supply Authority (SIESA) service.
- 3 Given these and broader funding issues that appeared to exist in providing services for the community, Council initiated a review of the financial sustainability challenges that exist in relation to the delivery of services to the Stewart Island/Rakiura community.
- 4 Key points that have emerged from the stage one work include:
 - the costs of providing services on Stewart Island/Rakiura are higher than they are on the mainland
 - there are a number of projected future cost pressures associated with the delivery of the current levels of service that will increase the financial pressure on Council services in the future
 - there are a number of significant new funding challenges on the horizon with, for example, the potential transfer of the Golden Bay jetty and the increased costs associated with the delivery of electricity
 - there are a wide range of views on the Island in regard to how it should be developed in the future
 - a 'high level' estimate, completed as part of this exercise, shows that there is a net rates contribution of \$570,000 (or approximately 20% of the cost of delivering services, by the wider District community, to the delivery of services on the Island. It can be expected that this District contribution will increase in the future
 - given the current and likely future funding gaps there is a need for Council and the community board to consider how they might best maximise the use of existing and potential new alternative funding tools and/or sources
 - in parallel with the funding work there is also a need for more in-depth individual service delivery review work to be completed, particularly where there are significant current or projected funding gaps.

- 5 The initial review work has been completed by Morrison Low and provides a framework within which further stages of work can be progressed. This work needs to include:
 - a review of the specific services, particularly SIESA and jetties that have specific funding challenges under the current funding regime
 - a review of the quantum and policy upon which the visitor levy is collected and distributed
 - a review of whether there are alternative revenue stream options (e.g. grants and increased user fees) available to assist with funding some activities
 - a review of the way in which different activities are funded as part of the Revenue and Financing Policy review process.
- 6 This report outlines a series of proposed actions to enable the next stage of work required to be progressed. While much of this work should be able to be progressed in a way that will allow for the findings to be included within the 2021 Long Term Plan (LTP) there will be some aspects that will need to be reflected in the 2024 LTP.
- 7 This report was presented to the Stewart Island/Rakiura Community Board at its meeting on the 10th February 2020. At that meeting the community board supported the work and passed all of the resolutions below.
- 8 In considering what actions, if any, might be taken in response to this first stage report Council needs to be mindful of the implications of this work for other communities and the District as a whole.

Recommendation

That Council:

- a) **Receives the report titled “Stewart Island/Rakiura Service Sustainability Study” dated 15 February 2020.**
- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Notes that the Stewart Island/Rakiura Community Board have considered each of the proposed actions outlined in this report and recommends that they be endorsed by Council.**
- e) **Endorses the following definition of financial sustainability for use in progressing the Stewart Island/Rakiura Service Sustainability Review:**
A continuation of Council’s present spending and funding policies, combined with likely developments in the council’s revenue-raising capacity and in the demand for and costs of its services and infrastructure and normal financial risks and financial shocks are unlikely to necessitate substantial increases in council rates (providing rates predictability) or, alternatively, disruptive service cuts (service stability).
- f) **Endorses each of the actions proposed in this report as follows:**

Action	Lead Responsibility
The community board and Council formally endorse the current Stewart Island/Rakiura Opportunities project and support it through to completion of a formal community plan.	Community Partnership Leader
The outputs from the community planning process be used by the community, Council and its committees to assist with resource allocation and prioritisation decisions for the future delivery of services to the Stewart Island/Rakiura community.	Community Board/Council
That Council give specific consideration to the issues and options that might exist in relation to the delivery of services to the Stewart Island/Rakiura community as it progresses its review of the Revenue and Financing Policy for the 2021 LTP.	Finance

That the Stewart Island/Rakiura Community Board develop a submission to Council outlining changes that it considers should be considered as part of the upcoming Revenue and Financing Policy review process.	CPL and Community Board
That Council consider, as part of its planned review of options for funding the development of the tourism industry programmed to occur in conjunction with the 2024 LTP, options for targeting the additional costs incurred in providing services to short stay accommodation.	Finance
That Council progress a review of the Stewart Island/Rakiura Visitor Levy Policy and quantum having regard to the findings from the current service and financial sustainability review process, projected future demands for services proposed to be delivered to the Stewart Island community by either Council and/or other agencies which are eligible to make application to the visitor levy fund.	Strategy and Policy
That Council staff be directed to engage with Stewart Island Flights and Stewart Island Experience as the two major operators and collection agents for the levy at an early stage of the review process.	Strategy and Policy
That Council continue with its work to review levels of service and options for the delivery of the operations and maintenance services for SIESA.	Commercial Infrastructure Manager
That Council continue with its assessment of the potential merits of wind generation as per its Funding Agreement with MBIE.	Services and Assets
That Council progress a review of the current SIESA pricing models in accordance with the recommendations from Morrison Low.	Commercial Infrastructure Manager and Finance
That as part of its review of the Revenue and Financing Policy Council give consideration to the options which might exist for funding the SIESA activity including the potential use of service, local and/or district rates input.	Finance
That Council progress a review of the extent of provision, levels of service, projected demand and different service delivery options for the delivery of wharf and jetty services to the Stewart Island/Rakiura community and that staff be instructed to draft terms of reference for such a review.	Community Facilities Manager
That Council complete the review of Jetty user fees and charges that is currently underway.	Strategy and Policy

That Council consider options for funding of the jetties activity as part of the review of its Revenue and Financing Policy.	Finance
That a Stewart Island/Rakiura Wharf and Jetties service delivery strategy be developed for consultation with the community once the above work has been completed.	Services and Assets

g) Instructs staff to develop project plans and also advance the work needed for each of the actions proposed to be completed as part of this project.

Background

- 23 During 2018 a number of issues arose relating to the funding and sustainability of services delivered to the Stewart Island/Rakiura community. This included a number of local activities including jetties and the Stewart Island Electrical Supply Authority activity, where the governance responsibility for overseeing the delivery of these services has been delegated to the community board.
- 24 Given the broad range of funding and service sustainability issues that exist, Council commissioned a Stewart Island/Rakiura Service Sustainability Study. Morrison Low were engaged to undertake this work in accordance with the terms of reference attached (Attachment A). In summary they required Morrison Low:
- to provide an assessment of the strategic and operational challenges associated with the delivery and funding of Council activities to the Stewart Island/Rakiura community
 - to develop an understanding of the current and desired future levels of service and costs associated with the delivery of Council activities to the Stewart Island/Rakiura community
 - to provide an assessment of the current and likely future level of non-Council delivered visitor support services that might seek funding assistance from the Stewart Island/Rakiura visitor levy
 - to develop an understanding of the range of funding tools that are currently available and the extent to which they are or are not fully utilised at present to support both Council and non-Council delivered services.
- 25 A copy of the report completed by Morrison Low is attached (Attachment B). It provides an outline of the challenges faced and the broader context within which decisions to address the service sustainability challenges affecting the delivery of Council services to the Island can be addressed.
- 26 The Morrison Low report does not provide the answers to the service and financial sustainability challenges which exist but rather creates a greater level of understanding of the broader framework within which the services are delivered and the nature of the decisions that will need to be made. While it is important that the community have input to these decisions the final responsibility for them must rest with the Stewart Island/Rakiura Community Board and Council.

What is sustainability?

- 27 The question of what constitutes service and financial sustainability is briefly discussed in section 4 of the Morrison Low report. It is important that Council has its own definition or view of what it means when it uses the term financial sustainability and that this definition is used when it is looking at the position for each service/activity as part of review exercises such as the current one and/or during the development of its LTP.
- 28 The South Australian Local Government Financial Sustainability Review^[1] defined financial sustainability, for an individual local authority, as being:
- “where...*
- i. continuation of the council’s present spending and funding policies;*
- ii. likely developments in the council’s revenue-raising capacity and in the demand for and costs of its services and infrastructure; and*
- iii. normal financial risks and financial shocks*
- ...altogether are unlikely to necessitate substantial increases in council rates (or, alternatively, disruptive service cuts).”*
- 29 In a similar vein the Auditor General (Public sector financial sustainability, Office of the Auditor-General, May 2013) developed the following definition for use as part of public sector financial sustainability research exercise project that was completed in 2013:
- “Public sector financial sustainability is the financial capacity of the public sector to meet its current obligations, to withstand shocks, and to maintain service, debt, and commitment levels at reasonable levels relevant to both national expectations and likely future income, while maintaining public confidence”.*
- 30 Implicit in both of the above definitions are three main objectives, which should be built into a local authorities financial strategy and medium term financial management policy settings. These are:
- ensuring maintenance of Council’s high priority service delivery programs (both operating and capital) so that the community continues to receive the services they need. This objective can be described as "program or service stability". To achieve this objective Council requires a methodology for determining the relative level of priority between different services and ensuring that the funding required to maintain these can be identified
 - ensuring a reasonable degree of stability and predictability in the overall rates burden. This can be described as a ‘rates stability’ objective
 - promoting a fair sharing in the distribution of Council resources and the attendant ‘taxation’ between current and future ratepayers. This objective is about ‘intergenerational equity’.

^[1] Financial Sustainability Review Board August 2005. Rising to the challenge – Towards financial sustainable local government in South Australia Volume 2 page 8

- 31 From a Southland District Council perspective it is seen as appropriate that Council should agree to adopt a definition of financial sustainability that recognises each of the above components. While it will ultimately be for the Council to determine what is an appropriate definitions the following could be seen as a first attempt at such a definition and one which can be used in the interim for the current Stewart Island/Rakiura project. Financial sustainability occurs where:
- A continuation of Council's present spending and funding policies, combined with likely developments in Council's revenue-raising capacity and in the demand for and costs of its services and infrastructure and normal financial risks and financial shocks are unlikely to necessitate substantial increases in council rates (providing rates predictability) or, alternatively, disruptive service cuts (service stability).***
- 32 Implicit in the above definition of financial sustainability is the notion that Council should be able to manage financial risks and financial shocks in future periods without having to introduce significant expenditure or revenue adjustments in those future periods. What is considered consistent with fiscal sustainability will vary depending on the strength and outlook for the economy, the structure of expenditure and revenue of the budget, demographic and social trends that will affect the budget, and the nature of financial risks faced by Council at any given time.
- 33 From the work completed to date it is clear that the current bundle of services delivered to the Stewart Island/Rakiura community are not delivered in a financially sustainable manner. SIESA and jetties are two examples of activities, which do not currently meet the sustainability definition. The issues relating to the funding of jetties are discussed in the Jetties Review section below.
- 34 In relation to SIESA the long term financial model that has been developed shows that the kilowatt unit price of electricity would need to increase to over \$1 per unit (from the current \$0.59) if the service is to continue with the current funding mechanisms. A 40% increase in user charges is not a predictable revenue charge increase as suggested as being required in the current definition. There is also little room to manage the financial risks such as, potential movements in oil prices and having a planned approach to renewals work.
- 35 In seeking to balance the two components of financial sustainability Council should determine its spending (financial requirements) priorities and funding (financial capacity) policies through consultation with its communities and via an open and transparent decision-making process. The particular position that each Council wants to adopt on the factors influencing its overall financial sustainability position is a matter that is considered as part of each LTP. It can also occur outside of this process as part of the review exercises such as a section 17A Service Delivery Review and/or projects such as the current Stewart Island/Rakiura review.
- 36 While this report looks at service and financial sustainability issues from a Stewart Island/Rakiura perspective it is important to recognise that these same issues will apply to a number of other communities across the District. Ultimately, Council also needs to look at these issues from a District wide perspective. Council makes resource allocation and service delivery decisions for all of its communities. In some cases it will, in relation to some individual communities, cost Council more to deliver those services than it receives in rates and other revenue while in many others the reverse will apply.
- 37 Against the above background the service and financial sustainability challenges being addressed through this review should not be seen as unique or isolated to only Stewart Island/Rakiura.

They will equally apply to a number of other individual Southland communities and the District as a whole.

Affordability of Rating

- 38 As part of its 2018 LTP Council assessed the current level of rates being paid in a number of communities, relative to median household incomes in those communities as measured through the Census. This follows on from finding comments made through the 2006 Rates Inquiry, led by David Shand, which suggested that rates started to become unaffordable when they exceeded 5% of household income.
- 39 Attached (Attachment C) is a table being used as part of the current 2021 LTP development process that shows median Southland District Council and Environment Southland rates for a number of communities relative to median household incomes in those communities. For Stewart Island/Rakiura the table shows median rates equating to 3.95% of household income in 2019 which is the same as the District wide average.

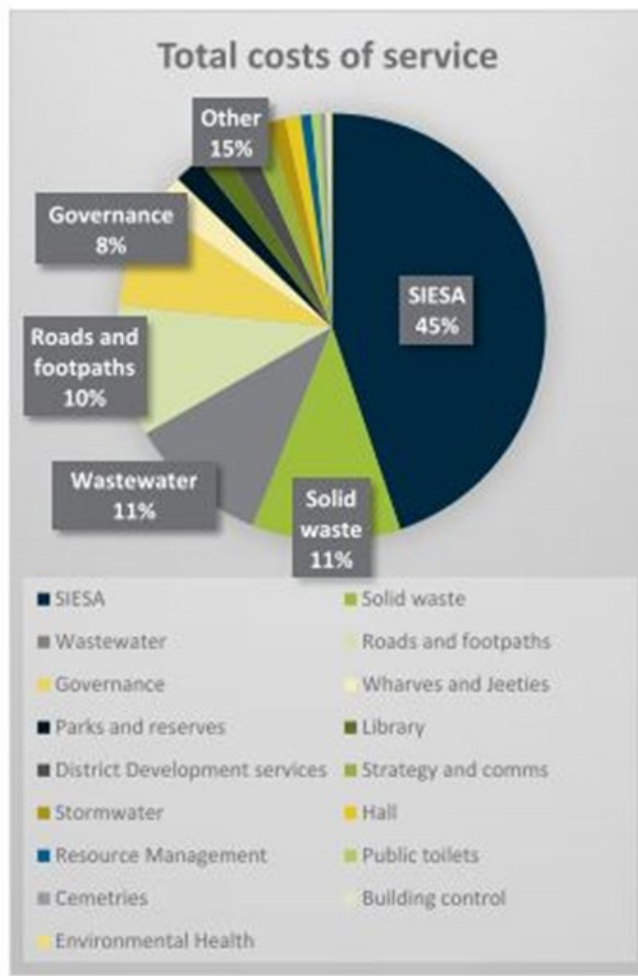
Financial modelling

- 40 In developing their report Morrison Low have developed a 'high level' financial model that looks to provide a broad estimate of the costs (and revenue generated) currently incurred in delivering Council services to the Stewart Island/Rakiura community.
- 41 While Council has, for a number of services (e.g. jetties) accurate information about the costs incurred there are also a number of services in which the actual costs of delivering the service to the Island are not separately recorded. This is particularly the case for activities (e.g. building control and resource management) that are delivered and funded on a District wide basis meaning that actual costs and revenue are not recorded by individual community. As a result a number of assumptions have been made about what might constitute an appropriate allocation of costs and revenue for each activity to Stewart Island. Obviously, the costs involved in the delivery of services to the Island would be different if provided for under a stand-alone or alternative model rather than as part of the broad range of services that Council delivers across the District as a whole.
- 42 In their report Morrison Low advise that the cost to provide services on the Island are in the region of \$2.8 million – see the graph below which shows the most expensive services provided:

What does it cost?

The total cost of providing services on Stewart Island is approximately \$2.8 million per year. The most expensive services to provide on Stewart Island are:

- Electricity – approximately \$1,260,000 pa
- Solid waste – approximately \$315,000 pa
- Wastewater – approximately \$300,000 pa
- Roads and footpaths – approximately \$278,000 pa
- Governance – approximately \$222,000 pa



Summary of findings

- 43 Key points that have emerged from the Morrison Low report include:
- the costs of providing services on Stewart Island/Rakiura are much higher than they are on the mainland and this differential is expected to widen in the future
 - there are a number of projected cost pressures associated with the delivery of the current levels of service that will increase the financial pressure on Council services in the future. These cost pressures will escalate in the future with the need for renewal of existing assets and increased capital expenditure demands
 - there are a number of significant new funding challenges on the horizon with, for example, the potential transfer of the Golden Bay jetty and the increased costs associated with the delivery of electricity
 - there is a “delicate balance” between recognising the challenges associated with delivery and funding of services to the Island whilst recognising that it is also part of a wider District community that is responsible for ensuring the sustainable delivery of services to all of its communities
 - 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, through which work is being progressed to ask the community to identify its priorities for the future. This work is important for being able to establish relative priorities for future service provision and resource allocation
 - it is estimated that there is a net rates contribution of \$570,000 by the wider District community, to the delivery of services on the Island. It can be expected that this District contribution will increase in the future
 - given the current and likely future funding gaps there is a need for Council and the community board to consider how they might best maximise the use of existing and potential new alternative funding tools and/or sources
 - in parallel with the funding work there is also a need for more in-depth individual service delivery review work to be completed, particularly where there are significant current or projected funding gaps.

Where to from here

- 44 The Morrison Low report should be seen as representing the first stage of a wider review process that will need to address the challenges associated with individual services whilst also recognising the full package of services delivered to both the Stewart Island/Rakiura and other District communities. The report outlines the broad context within which services are delivered to the Island and identifies areas in which further work is required.
- 45 In their report Morrison Low have identified a number of proposed actions/next steps for Council to consider. These are outlined in section 9 of their report.
- 46 Using the Morrison Low recommendations as a starting point detailed below are a range of proposed actions that should logically constitute the next stage of work to address the issues currently affecting service delivery to the Stewart Island/Rakiura community.

Community Aspirations/Plan

- 47 As part of its approach to community governance Council has recognised the importance of community led development as being one of two key pillars that make up its approach to community governance. The other being the representative leadership pillar which is expressed through its formal elected representative structures.
- 48 As part of its community led development approach on Stewart Island/Rakiura Council has been a partner to the community planning and engagement process that has been led by Sandra James over the last two years. It is seen as important that this work continue so that the Stewart Island/Rakiura community can get to the point in which it has a community plan that provides an expression of community priorities for the development of Stewart Island/Rakiura and the services it needs.
- 49 In parallel with this process has been the development of additional capability within the community to guide the development of Stewart Island/Rakiura as a place. The development of increased capability is seen as critical for the local community being able to 'help themselves' as well as assist Council and other agencies to find the 'right balance' in the delivery of their services.

Proposed Actions

- 50 The community board and Council formally endorse the current Stewart Island/Rakiura Opportunities project and support it through to completion of a formal community plan.
- 51 The outputs from the community planning process be used by the community, Council and its committees to assist with resource allocation and prioritisation decisions for the future delivery of services to the Stewart Island/Rakiura community.

Funding Tools

- 52 Through its Revenue and Financing Policy, Council determines how it will fund each of its activities from the range of available funding tools. Council is required to review this policy as part of each Long Term Plan (LTP) and as such will be completing this exercise in the first half of 2020 for the 2021 LTP.
- 53 As part of the upcoming review process Council should have regard to the particular challenges relating to the delivery of services on Stewart Island/Rakiura as it considers the options available for the funding of each of its activities. In this regard it is seen as appropriate that Council consideration should include:
- considering the relative merits of a mix of District and local funding for each activity including jetties and SIESA
 - a review of the distribution of benefits for locally funded activities and the extent to which activities such as jetties might have a broader public good through, for example, the provision of access
 - an initial assessment of the potential merits associated with introducing new targeted rates or rating differentials for short term accommodation providers, including the types of costs that may be able to be recovered through such a rate and where such rates might fit within a broader consideration of options for recovering costs associated with development of the tourism industry which is currently scheduled to be considered as part of the 2024 LTP. This assessment should give consideration to options that might be available under both current

legislation, such as the Local Government (Rating) Act 2002, as well as what might be desirable if current legislation was not a constraint.

- consideration of the extent to which other external funding sources, including government grants, Environment Southland marine levy and the visitor levy might constitute appropriate funding tools for some activities.

- 54 Given the importance of the opportunity presented through the current Revenue and Financing Policy review process the Stewart Island/Rakiura Community Board should consider developing explicit recommendations on changes that it might want to see considered as part of the current review process.

Proposed Actions

- 55 That Council give specific consideration to the issues and options that might exist in relation to the delivery of services to the Stewart Island/Rakiura community as it progresses its review of the Revenue and Financing Policy for the 2021 LTP.
- 56 That the Stewart Island/Rakiura Community Board develop a submission to Council outlining changes that it considers should be considered as part of the upcoming Revenue and Financing Policy review process.
- 57 That Council consider, as part of its planned review of options for funding the development of the tourism industry programmed to occur in conjunction with the 2024 LTP, options for targeting the additional costs incurred in providing services to short stay accommodation.

Visitor Levy Review

- 58 The Stewart Island/Rakiura Visitor Levy is a unique funding tool that is made available via a specific empowering act that was passed into law in 2012.
- 59 During 2019 Council consulted with the community on a number of changes to the way in which the funds collected are administered and used as well as a possible increase in the quantum of the levy itself. While a number of changes were made to the policy the quantum of the levy remained at \$5 per visitor.
- 60 As part of their report Morrison Low have recommended that Council revisit the issues and options presented by the existence of the visitor levy.
- 61 The completion of the first stage of the service sustainability review process has provided a broader understanding of the range of service and financial sustainability challenges which exist and the overall level of demand for funds. As a result it provides an opportunity for a 'more informed' community discussion about how the visitor levy might be used, where it sits within the broader context of funding for all Council delivered services as well as other services delivered to the Island and where there is potentially demand for an increase in the overall quantum of funds collected via the levy.

- 62 The issues and opportunities that should be discussed in any future review of the levy include:
- considering the potential types of costs that can be funded and the time period for which funding can be committed
 - looking at potential funding commitments for the levy over a period of five to ten years
 - developing a policy for determining annual funding that might be made available for distribution from the levy fund
 - determine a new levy amount based on predicted tourist growth, predicted future funding commitments and the ability of Council to enforce collection of the levy.
- 63 In progressing any review of the visitor levy quantum it is important to recognise that Council and the community are reliant on the two main transport operators for providing an efficient mechanism for collection of the levy. As a result it is important that these two stakeholders are actively engaged in the consultation process at an early stage.

Proposed Actions

- 64 That Council progress a review of the Stewart Island/Rakiura Visitor Levy Policy and quantum having regard to the findings from the current service and financial sustainability review process, projected future demands for services proposed to be delivered to the Stewart Island community by either Council and/or other agencies which are eligible to make application to the visitor levy fund.
- 65 That Council staff be directed to engage with Stewart Island Flights and Stewart Island Experience as the two major operators and collection agents for the levy at an early stage of the review process.

Review of SIESA

- 66 SIESA currently operates as a 'stand-alone' local activity that is required to be self-funding via a user fees and charges regime. In recent years the cost of operations and maintenance have increased significantly and have also been subject to some volatility as, for example, oil prices move.
- 67 In an attempt to address some of these challenges work has been completed to review the current levels of service as reflected in the operations and maintenance contract and an expressions of interest process was completed to try and identify potential alternative operations and maintenance contractors. To date this work has not identified any significant cost savings.
- 68 Recent financial modelling work has shown that the current model for delivery of this service is not sustainable and that there are a number of increased costs projected for the future as the reticulation network nears the end of its useful life. There is also estimated to be approximately a three to five year period, dependent upon operational cost increases and renewals expenditure requirements, before Council will have used all of the reserves that had been accumulated to assist with the funding of asset renewals.
- 69 While Council has recently agreed, following confirmation of \$3.1 million of grant funding being provided by central government to investigate the development of wind generation to complement the existing diesel generators the successful development of wind generation capacity will not solve the current financial sustainability issues. There needs to be further work done to identify cost reduction measures and/or the development of alternative revenue sources such as rates to reduce the reliance on user charges.

- 70 Rating tools could provide an alternative means of collecting the ‘user revenue’ needed to fund the activity as well as potentially also being a way of funding the ‘public good’ element that could be seen to exist with the delivery of this activity. The advantage of using a rating tool for collecting user revenue is that it can reduce the risk of users exiting the service through, for example, the setting of an availability uniform charge targeted rate. A targeted rate could be set in such a way that the property owner has ‘no choice’ but to pay the charge.
- 71 Morrison Low have recommended that Council review its current pricing structures including identifying the strategic objectives underlying the current pricing structures for SIESA and the impacts of alternative pricing on ratepayer/resident affordability. The review could include:
- considering the balance of fixed and variable charges
 - consequential amendment of cancellation and reconnection fees
 - modelling of the impacts on various different electricity users throughout the year
 - consider different pricing models for residential and commercial customers
 - consider peak/off-peak pricing if generation has minimum loads/outputs.
- 72 The pricing structure review work proposed by Morrison Low could be seen as a ‘pre-cursor’ to considering whether there is an argument for user, local and/or District rating input to the SIESA activity. This issue should be considered as part of the current Revenue and Financing Policy review process.

Proposed Actions

- 73 That Council continue with its work to review levels of service and options for the delivery of the operations and maintenance services for SIESA.
- 74 That Council continue with its assessment of the potential merits of wind generation as per its Funding Agreement with MBIE.
- 75 That Council progress a review of the current SIESA pricing models in accordance with the recommendations from Morrison Low.
- 76 That as part of its review of the Revenue and Financing Policy Council give consideration to the options which might exist for funding the SIESA activity including the potential use of service, local and/or district rates input.

Jetties Review

- 77 A number (but not all) of the wharves and jetties on Stewart Island/Rakiura are critical infrastructure from both an access and economic development perspective. Despite this importance they have been managed in a somewhat ‘ad hoc’ manner, with no secure long term revenue source or maintenance and renewal programme in place. The end result is that a number of the structures currently represent an ‘unfunded liability’ rather than asset that is delivering a valuable service to the community.
- 78 To address the issues that exist there is a need for a review to determine the specific jetties that are to be maintained into the future, the level of service that is to be provided in relation to each and how the maintenance and replacement of these jetties is to be funded. The output from this work should be reflected in a Service Strategy that can then be used to seek a level of ‘commitment’ from the community as to the future shape and funding of this activity.

- 79 While a level of priority has been given to work to identify options for the replacement of the Ulva Island and Golden Bay jetties and there have been a number of discussions with MBIE about potential options for governance assistance to assist with such work, no substantive progress can be made until a sustainable funding source can be put in place.
- 80 The current user fees and ad hoc use of visitor levy grant applications do not represent a sustainable source of funding and this is not expected to change significantly as part of the current user fees review.
- 81 While there has been ‘anecdotal’ comment about the jetties being the equivalent of the state highway network for Stewart Island there has been no formal consideration of the policy merits of this argument let alone explicit recognition through, for example, a proposal that there be specific rates input. The upcoming revenue and financing policy review process represents an ideal opportunity, within the appropriate context, for formal consideration of this notion.
- 82 If a sustainable funding source cannot be identified then there is a need to question whether Council has identified the most appropriate level of service for this activity. If the community, whether that be local or District, is not prepared to fund the costs of the identified level of service then it could be argued that maintenance of the current level of service is not a priority and that it should be reduced accordingly.

Proposed Actions

- 83 That Council progress a review of the extent of provision, levels of service, projected demand and different service delivery options for the delivery of wharf and jetty services to the Stewart Island/Rakiura community and that staff be instructed to draft terms of reference for such a review.
- 84 That Council complete the review of Jetty user fees and charges that is currently underway.
- 85 That Council consider options for funding of the jetties activity as part of the review of its Revenue and Financing Policy.
- 86 That a Stewart Island/Rakiura Wharf and Jetties service delivery strategy be developed for consultation with the community once the above work has been completed.

Summary of Proposed Actions

- 87 The following table provides a summary of the steps seen as appropriate for advancing the next stage of work associated with the Stewart Island/Rakiura service and financial sustainability project:

Action	Lead Responsibility
The community board and Council formally endorse the current Stewart Island/Rakiura Opportunities project and support it through to completion of a formal community plan.	Community Partnership Leader
The outputs from the community planning process be used by the community, Council and its committees to assist with resource allocation and prioritisation decisions for the future delivery of services to the Stewart Island/Rakiura community.	Community Board/Council

That Council give specific consideration to the issues and options that might exist in relation to the delivery of services to the Stewart Island/Rakiura community as it progresses its review of the Revenue and Financing Policy for the 2021 LTP.	Finance
That the Stewart Island/Rakiura Community Board develop a submission to Council outlining changes that it considers should be considered as part of the upcoming Revenue and Financing Policy review process.	CPL and Community Board
That Council consider, as part of its planned review of options for funding the development of the tourism industry programmed to occur in conjunction with the 2024 LTP, options for targeting the additional costs incurred in providing services to short stay accommodation.	Finance
That Council progress a review of the Stewart Island/Rakiura Visitor Levy Policy and quantum having regard to the findings from the current service and financial sustainability review process, projected future demands for services proposed to be delivered to the Stewart Island community by either Council and/or other agencies which are eligible to make application to the visitor levy fund.	Strategy and Policy
That Council staff be directed to engage with Stewart Island Flights and Stewart Island Experience as the two major operators and collection agents for the levy at an early stage of the review process.	Strategy and Policy
That Council continue with its work to review levels of service and options for the delivery of the operations and maintenance services for SIESA.	Commercial Infrastructure Manager
That Council continue with its assessment of the potential merits of wind generation as per its Funding Agreement with MBIE.	Services and Assets
That Council progress a review of the current SIESA pricing models in accordance with the recommendations from Morrison Low.	Commercial Infrastructure Manager and Finance
That as part of its review of the Revenue and Financing Policy Council give consideration to the options which might exist for funding the SIESA activity including the potential use of service, local and/or district rates input.	Finance
That Council progress a review of the extent of provision, levels of service, projected demand and different service delivery options for the delivery of wharf and jetty services to	Community Facilities Manager

the Stewart Island/Rakiura community and that staff be instructed to draft terms of reference for such a review.	
That Council complete the review of Jetty user fees and charges that is currently underway.	Strategy and Policy
That Council consider options for funding of the jetties activity as part of the review of its Revenue and Financing Policy.	Finance
That a Stewart Island/Rakiura Wharf and Jetties service delivery strategy be developed for consultation with the community once the above work has been completed.	Services and Assets

- 102 The work associated with each of the above actions and the timeframes within which each action can be completed will need to be subject to a separate scoping exercise. Some of the actions are complex, will require an 'iterative approach' and will consume a reasonable level of resource over an extended period to time. The work associated with further investigation into the delivery of electricity services is a good example in this regard.
- 103 Once there is general agreement from both Council and the community board as to the work that is needed then the work required to scope and identify the resourcing needed to advance each action can be advanced.
- 104 Completion of each of the actions identified above will provide greater clarity about how Council intends addressing the service and financial sustainability issues that currently exist. Whether there is a need for a range of further work beyond that identified to be completed is an issue that can be considered as each of the actions are progressed.

Issues

- 105 There is a need for Council to determine what actions should be taken now that it has received the first stage report on the Stewart Island/Rakiura Service Sustainability Review project and now that the recommendations contained in this report have been endorsed by the Stewart Island/Rakiura Community Board.

Factors to Consider

Legal and Statutory Requirements

- 106 Section 17A of the Local Government Act 2002 contains provisions which require that local authorities review the cost effectiveness of the service delivery methods that they use for delivering service at least once every six years.
- 107 Section 17A(4) requires that any such review should "...consider options for the governance, funding and delivery of infrastructure services...". Hence, the requirement is for the review process to be comprehensive and consider internal as well as external governance, management and service delivery arrangements.
- 108 While the section 17A provisions do not explicitly require the completion of a review that is as broad as the Stewart Island/Rakiura Service Sustainability Review they are of relevance given that

parts of the review could be seen as meeting this legislative requirement for services delivered to the Stewart Island/Rakiura community.

- 109 Under the Local Government Act 2002 local authorities are required to identify, in their long term plan, their expenditure needs and how those needs are to be met from the range of funding tools at their disposal. The work being progressed as part of this review will help inform the development of the 2021 LTP.
- 110 The visitor levy is identified, under section 6 of the Southland District Council (Stewart Island/Rakiura Visitor Levy) Empowering Act 2012, as being a source of revenue under section 103 of the Local Government Act 2002.
- 111 These provisions mean that it is important that Council's adopted long term plan identify the level of expenditure needed to support visitor related services to be delivered to the Stewart Island/Rakiura community that are to be funded via the levy, whether these be delivered by Council or another organisation. Council currently meets this requirement by including projections related to the level of visitor levy expected to be collected.

Community Views

- 112 The community expects Council to set realistic levels of service so that agreed services can be delivered in a financially sustainable and affordable way.
- 113 At present adequate provision is not being made within the long term plan to deliver the levels of service provided for in Council's activity plans. The funding being set aside for the funding of water structures is an example of an area in which there is a known funding gap. It is important that these gaps are identified and addressed as part of the current review process. In that way Council can ensure that it is being realistic about the commitments that it is making to its communities.

Costs and Funding

- 114 The costs of the review process have previously been approved by Council.
- 115 The extent of the service funding gaps that exist and options for addressing these will be further quantified as part of the next stage of work.

Policy Implications

- 116 Council has specified its current levels of service and performance measures in its 2018 Long Term Plan and associated Activity Management Plans. These are currently being reviewed as part of the 2021 LTP process.

Non-Council Services

- 117 Under the current Stewart Island/Rakiura Visitor Levy policy the funds collected are able to be allocated to support the delivery of both Council and non-Council services. To date approximately 30% of the visitor levy funds have been allocated to local community groups.
- 118 As part of the stage 1 review Morrison Low talked to Stewart Island Promotions and the Museum Society on the basis that they represent two community groups who have traditionally sought funding support for the activities that they deliver from visitor levy funds.

- 119 As part of the proposed next stage of work under the visitor levy work stream staff will use the feedback received to inform a judgement about the level of funding that might be allocated in the future to non-Council services.

Analysis

Options Considered

- 120 The options considered are for Council to either approve the proposed action plan (option 1) or do nothing (option 2).

Analysis of Options

Option 1 – Approve action plan

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">ensures that the service and financial sustainability issues affecting Stewart Island/Rakiura can be addressed in a structured way that also has regard to the district wide context within which these issues need to be addressed.will enable the issues identified from the Morrison Low report to be considered in more depth.will provide a basis for more structured decision-making the delivery of Council services into the future.	<ul style="list-style-type: none">the work will need to be progressed in a timely way if it is to inform the 2021 LTP.

Option 2 – Do nothing

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">will enable other priority work to be progressed.	<ul style="list-style-type: none">does not address the service and financial sustainability issues that clearly exist.will likely result in continuation of an ad hoc approach to future decision-making about the level of services to be delivered and how they are to be funded.will mean that there is no real value delivered from the work that has been completed to date.

Assessment of Significance

- 121 In this report the Council is being asked to receive the stage 1 report and endorse Council staff progressing with the proposed next steps for the service sustainability review.

- 122 While the original decision to initiate the review reflected a number of concerns that Council had about the long term sustainability of the services delivered to Stewart Island, an issue which is clearly of some significance to this community, the decision to receive the report and determine the next steps that should be taken given the findings is not in itself seen as being significant.
- 123 The decisions that Council makes as a result of the next steps proposed, including the more targeted detailed reviews of some activities and potential introduction of new funding tools could, however, meet the significant threshold. These are matters that will need to be determined at the time that these proposals are being considered.

Recommended Option

- 124 It is recommended that Council adopts option 1 and endorse that Council progress the proposed actions arising from the Stewart Island/Rakiura Service Sustainability Review report.

Next Steps

- 125 That Council staff progress the works as detailed in the action plan above.

Attachments

- A Stewart Island/Rakiura Sustainability Review - Terms of Reference [↗](#)
- B Stewart Island/Rakiura Sustainability Review Report [↗](#)
- C Median Rates to Household Income [↗](#)



Stewart Island/Rakiura Service Sustainability Review

Purpose

- 1 This paper seeks to outline the terms of reference for the proposed Stewart Island/Rakiura Service Sustainability Review.

Background

- 2 At its meeting on 5 September 2018, Council considered and approved a report requesting that unbudgeted expenditure, to be funded from the district operations reserve, be approved to allow for the undertaking of urgent maintenance repairs to the Ulva Island and Millers Beach Jetties.
- 3 The Council report followed on from an earlier decision of the Stewart Island/Rakiura Community Board to decline to fund the needed maintenance works from their local reserves.
- 4 The decision made by the Stewart Island/Rakiura Community Board to not allocate funding for the urgent repairs required and direct that the Ulva Island Jetty is not to be closed, raised a number of issues. These included:
 - Whether it was appropriate for the Ulva Island jetty to remain open, even if the size and weight of vessels allowed was restricted.
 - The decision is inconsistent with the conditions in the resource consents that Council has for both of these jetties.
 - Whether the closure will have reputational consequences for Stewart Island/Rakiura as a tourist destination.
 - Whether it created a health and safety risk for people using these jetties and therefore was inconsistent with Council's statutory obligations.
 - It is inconsistent with Council policy including the desired levels of service for this activity.
 - It is inconsistent with good asset management practice.
 - The long term sustainability of the funding mechanisms that are currently in place for funding the Stewart Island/Rakiura water structures.
- 5 The decision made was also indicative of what appears to be a number of local funding challenges that exist in relation to the funding of local activities provided to the Stewart Island/Rakiura community. There, is for example, work currently being scoped, to progress a review of the Stewart Island Electrical Supply activity. This follows on from concerns being raised over a number of years about the cost of supplying electricity on the Island.
- 6 Given the broad range of funding issues that appear to exist, Council asked that staff develop terms of reference for a proposed review of the sustainability challenges that might exist in relation to the delivery of Council activities (services) to the Stewart Island/Rakiura community. The resolution that Council passed in this regard was:



Asks the Chief Executive to develop, in consultation with the Stewart Island/Rakiura Community Board, a project scope for a potential project to investigate the strategic challenges associated with the provision and funding of Council services on Stewart Island/Rakiura.

- 7 The issues arising from the current jetties funding decisions also need to be seen against the background of the Stewart Island Community Planning Report that was completed in March 2018 and the Stewart Island Jetties consultation process that was completed in 2017.
- 8 Since its meeting on 5 September 2018, Council has completed a review of the current Stewart Island/Rakiura visitor levy and bylaw. As part of this review process it consulted on a proposal to increase the levy from \$5 to \$15. Following consideration of the feedback received Council made a decision to retain the levy at \$5 until the service sustainability review could be completed so that the outputs from the review could be used to inform its future decision-making processes in relation to whether there should be an increase in the visitor levy. It is recognised that the visitor levy is used to fund a number of non-Council delivered activities and services which are utilised by visitors to Stewart Island/Rakiura.

Terms of Reference

Objectives

- 9 The objectives for this review include:
 - To provide an assessment of the strategic and operational challenges associated with the delivery and funding of Council activities to the Stewart Island/Rakiura community so that Council can make decisions about how best to govern, manage and fund the delivery of the services needed by this community.
 - To develop an understanding of the current and desired future levels of service and costs associated with the delivery of Council activities to the Stewart Island/Rakiura community.
 - To provide an assessment of how decisions are made about the range and mix of Council services, that are delivered to the Stewart Island/Rakiura community and how these processes might be improved going forward.
 - To provide an assessment of the current levels and likely future level of non-Council delivered services which service visitors that might seek funding assistance from the Stewart Island/Rakiura visitor levy.
 - To develop an understanding of the range of funding tools that are currently available and the extent to which they are or are not fully utilised at present to support both Council and non-Council delivered services.
 - To develop a financial model that outlines the current costs and likely future costs relating to the future delivery of Council services and how these might be funded using currently available funding tools.



- To develop a model that outlines likely future demand for visitor related services and the extent to which these demands might be met via the visitor levy as distinct from other funding sources.
- 10 The outputs from this review will be used to inform future decisions about the governance, management and funding of services to the Stewart Island/Rakiura community. They will also be used to inform future Council decision-making about potential changes to the Stewart Island/Rakiura visitor levy.

Scope of the Review

- 11 The review is to cover all activities/services delivered by Council to Stewart Island/Rakiura community irrespective of how they are funded and whether they be for residents, ratepayers and/or visitors to the Island.
- The review is to also provide an assessment of the likely level of demand for funding from the Stewart Island/Rakiura visitor levy from non-Council delivered services that are utilised by visitors.
- 12 The review should consider the adequacy and effectiveness of the strategic framework, governance, decision-making, financing and funding framework used to deliver services to Stewart Island/Rakiura. In particular it should consider:

Strategic Challenges

- What is the strategic framework within which the Council determines the range, level and mix of services to be delivered to the Stewart Island/Rakiura community?
- What are the strategic challenges facing the Stewart Island/Rakiura community and the delivery of services to this community?
- What processes do the Council and Community Board have in place for determining the range and level of services to be delivered?

Governance

- Where does the governance responsibility for the management and control of current Council services delivered on Stewart Island/Rakiura rest at present and where should they best sit in the future? In considering this item regard should be given to the current and proposed future Community Board delegations.
- What factors should drive the allocation of decision-making between different levels of Council governance and/or community entities?
- Where and how are decisions relating to the levels of service to be delivered made and what information is used to inform those decisions.

Levels of Service and Asset Management

- What is the current range and levels of service that are delivered to the Stewart Island/Rakiura community?
- Complete an assessment of the completeness or otherwise of the asset condition and performance capability information held for assets on the Island and the ability of those assets to meet projected future needs.



- What is the current condition and service capacity relative to future demand of the infrastructure used to deliver services to the Stewart Island/Rakiura community and what are the likely expenditure requirements to maintain the current capability levels?
- What does this information tell us about the likely future funding requirements for the different assets/services?

Cost Pressures

- What are the factors that drive/determine the cost of delivering services to the Stewart Island/Rakiura community both now and into the future?
- What are the factors affecting the cost of delivering Council services within Southland and local government in general that might influence the cost of service provision in the future?
- What are the current and projected costs of delivering the range of services currently delivered and projected to be needed over the next 10 – 20 years?

Funding and Financing

- What are the current funding tools used to support the delivery of services to the Stewart Island/Rakiura community?
- What is the ability of the current funding models for each activity to deliver on community expectations and Council obligations now and into the future?
- What is the sustainability of using rates as a major funding tool for the Island now and into the future?
- What is the ability of the Island community to meet the projected required levels of rating?
- What level of funding has the visitor levy contributed to the development of Stewart Island/Rakiura assets and services in the past and what levels might reasonably be expected in the future?
- Are there alternative rating and/or funding tools that might be used to support local service delivery into the future?
- Assess the effectiveness of potential new (or increased usage of existing) funding tools having regard to the principles of efficiency, equity, affordability and effectiveness.

Non-council services

- What are the major services delivered by non-council entities that support the Stewart Island/Rakiura visitor industry?
- What are the costs associated with the delivery of these 'major' services and what level of funding demand might they seek/be allocated from the Stewart Island/Rakiura visitor levy in the future?
- What are the range of funding tools used to support the delivery of non-council related visitor services to the Stewart Island/Rakiura community? What is the ability of these funding sources to continue to meet likely future demand for funding?
- What level of funding demand might Council seek to allocate for other non-major services delivered to the Stewart Island/Rakiura visitor industry?



Out of Scope

- 14 The following matters are outside the scope of this review:
- Changes to any representation structures for the Stewart Island/Rakiura community board and/or the council.
 - The rating of crown land and maori land.
 - Changes to the legislative structure and/or regulatory framework within which council needs to operate.
 - Making decisions on an appropriate level of the Stewart Island/Rakiura visitor levy or how it is to be allocated.

Report and Recommendations

- 15 A report is to be produced that will be presented to Council for its consideration, following the provision of feedback on the draft report from the Stewart Island/Rakiura Community Board.
- 16 The report should provide recommendations on how to improve the sustainability of services delivered to the Stewart Island/Rakiura community and on the likely level of future demand for funding from the Stewart Island/Rakiura visitor levy.
- 17 Final decisions on what actions are to be taken, including whether any of the recommendations are to be implemented, are to be made by Council.



Linkages

- 18 This study will not replicate work that is already been commissioned or has been completed in the past. This should include:
- Stewart Island/Rakiura Community Facilities Assessment, March 2017 – Impact Consulting
 - Stewart Island Visitor Strategy 2010 – 2015, December 2010 – Venture Southland
 - Stewart Island Wharfing Provision, Community Engagement Report, July 2017 – Connecting People
 - Stewart Island/Rakiura Community Planning report – Connecting People.
 - Findings from the review of SIESA.

Methodology and Resourcing

- 19 The review is to be undertaken by a mix of internal staff and external contractor resources.
- The review will include development of a summary activity profile (refer attachment A) for the following Council activity groups/activities:
- Community assistance
 - Community facilities and libraries
 - Cemeteries
 - Parks and Reserves
 - Public toilets
 - SIESA
 - Water structures
 - District leadership
 - Emergency management
 - Regulatory services
 - Roads and footpaths
 - Solid waste
 - Stormwater
 - Wastewater.

The profiles will be used to inform the production of the final report to be presented to Council.



Process and Timeframe

- 20 A first draft report is to be developed and presented to Council by 30 June 2019. Decisions on the process to be followed to present the report to the community board and Council and its committees will be made once the draft has been received.



Stewart Island/Rakiura Service Sustainability Review

Summary Activity Profile – (enter activity name)

General Information

ACTIVITY NAME		
GOVERNANCE	LOCAL OR DISTRICT ACTIVITY	DELIVERY GROUP
	District <input type="checkbox"/> Local <input type="checkbox"/>	e.g. Services and Assets
ACTIVITY MANAGER		

Service Overview

ACTIVITY DESCRIPTION	<ul style="list-style-type: none"> Insert a brief overview of the service that is provided at a District level and to the Stewart Island community
ACTIVITY RATIONALE	<ul style="list-style-type: none"> Provide a brief overview of the rationale for providing the activity including any specific issues affecting delivery of the service on Stewart Island
ACTIVITY DELIVERY MODEL	<ul style="list-style-type: none"> Provide a brief overview of how the service is delivered, to the Stewart Island community. Include a brief overview of any challenges associated with providing the service on the Island
LEVEL OF SERVICE	<ul style="list-style-type: none"> List key features of the desired level service as per the Activity Management Plan Also include details of where the current level of service provided to the Stewart Island community may not match the desired level of service
USER DEMAND	<ul style="list-style-type: none"> Provide an overview of what we know about the users of the activity/service and how demand is projected to change in the future
ASSET PROFILE	
Provide a brief overview of the assets used to deliver the service to the Stewart Island community. information to include: <ul style="list-style-type: none"> brief description of the assets current condition issues, if any, with condition assessment process planned asset management improvements 	
STRATEGIC CHALLENGES	
Provide an overview of any strategic challenges related to the delivery of this activity/service, particularly as it relates to Stewart Island/Rakiura that are not covered elsewhere.	



Performance and Service Level Information

Measuring Performance: Source LTP 2018

PERFORMANCE INDICATOR/SERVICE LEVEL
Insert details of performance measures relevant to this activity. In addition to the district wide activity measures give consideration to what might be appropriate for measuring delivery of the service on Stewart Island.

Planned and Desirable Improvements – 2018 -2028

PLANNED IMPROVEMENT/CHANGE YEAR 1 - 3	<ul style="list-style-type: none"> Provide a summary of activity planning or actual service improvements expected for Stewart Island/Rakiura through the current LTP in years 1- 3
PLANNED IMPROVEMENT/ CHANGES YEAR 4 - 10	<ul style="list-style-type: none"> Provide a summary of activity planning or actual service improvements expected for Stewart Island/Rakiura through the current LTP in years 4 - 10
PLANNED IMPROVEMENT/ CHANGES UNBUDGETED	<ul style="list-style-type: none"> Outline any desired improvements/changes that are not currently budgeted/reflected in the 2018 LTP

Financial Information

Operational Expenditure

- Insert operating income and expenditure statement showing cost of delivering this activity on Stewart Island/Rakiura
- Where it is a District activity provide an assessment of current operational income and expenditure costs based on a reasonable allocation method, where necessary
- Include details of any assumptions used in undertaking the allocation of costs

Capital Expenditure

- Insert details of planned capital works for the activity on Stewart Island as per the 2018 LTP
- Where and how are they proposed to be funded



FINANCIAL NOTES AND RISKS	<ul style="list-style-type: none"> • Include operational and capex budgets for ten years based on the 2018 LTP. • Comment on any risks affecting the activity generally and/or which might be specific to Stewart Island.
FUNDING SOURCE AND RATIONALE	<p>FUNDING:</p> <ul style="list-style-type: none"> • Outline the funding source currently used (eg rates and user fees) <p>RATIONALE:</p> <ul style="list-style-type: none"> • Detail the rationale behind the current funding sources <p>ISSUES AND OPPORTUNITIES:</p> <ul style="list-style-type: none"> • Also comment on any issues and/or opportunities associated with funding of the activity on Stewart Island
KEY POLICY AND STATUTORY RELATED COST DRIVERS	<ul style="list-style-type: none"> • Provide an overview of District or regional policies and/or national legislative or policy drivers that influence costs of providing the activity. • Also comment on any projected changes in local, regional or national policy settings

SOUTHLAND
DISTRICT COUNCIL
Te Rohe Pōtae o Murihiku



Stewart Island / Rakiura Sustainability Review

Southland District Council

September 2019

**Document status**

Ref	Approving Director	Date
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1 Executive summary

The provision of services to Stewart Island / Rakiura is challenging and costly. This is not uncommon for outlying or remote communities. Stewart Island / Rakiura has a small population and rating base and therefore lacks scale. This makes it difficult for the Island to be self-sustaining, and sustainable service delivery is an aspiration rather than a reality.

There is no common view on what a sustainable and prosperous Stewart Island looks like. There is concern over the cost of electricity (which is approximately three times that of the mainland), the lack of accommodation and the role of tourism for the Island. What is clear, is that tourism opportunities are not yet being maximised, and the Island remains seasonal although the season has extended.

The confirmation of Stewart Island / Rakiura as a Dark Sky Sanctuary provides an opportunity for the tourism offering on the Island to be expanded and the season to be extended further. However, it is recognised that this may create additional demand for Council and other services on the Island.

Council services are funded at either a district or a local level, or a combination of both. Some funding also comes from the Stewart Island / Rakiura visitor levy where grant applications for specific projects have been approved. Services provided by Stewart Island Promotions and the Rakiura Heritage Trust are funded by grant applications to the visitor levy as well as other funds, donations and supported by volunteers and a significant number of volunteer hours – similarly so are the 70+ other community organisations on the Island.

Generally, local contractors consider that they can deliver services at a lower cost. While this may be true to an extent, some of the local contractors have been unable to meet the standard required by Council to deliver services, particularly in relation to health and safety.

We have examined each service and analysed the information provided to establish the costs of providing services on Stewart Island / Rakiura.¹ A summary of this analysis is provided in Table 1 which shows that Stewart Island / Rakiura receives an estimated net contribution from the wider district of approximately \$565,000 per annum (or approximately 20% of total costs). It is the nature of local government that such transfers will occur between certain services or communities.

With a number of potential funding pressures on the horizon, it will be necessary to look further at alternative funding sources to ensure the financial sustainability of services delivered to Stewart Island. We consider that there are a number of opportunities to address funding pressures on Stewart Island / Rakiura, which may include:

- reviewing levels of service and the way in which services are delivered
- the introduction of rating differentials for providers of short-term accommodation
- increases to the visitor levy and changes to the way in which the levy is allocated
- seeking a share of the Environment Southland marine fee (particularly in relation to the upgrade and maintenance of water structures)
- a shift to the use of district rates to help fund (fully or partially) services which are likely to face large (and potentially unaffordable) cost increases, or which are critical infrastructure (for example wharves and jetties).

¹ Within the parameters and assumptions listed in Appendix A



2 Introduction

Nationally there is growing concern about the ability of local authorities to continue to fund an ever expanding range of services, and to meet the costs of increasing regulatory requirements and levels of service. Increased costs resulting from population growth, tourism, climate change, and water reform, to name a few, are placing pressure on councils to adapt and develop strategies to ensure their long term financial sustainability.

While legislation allows councils to address these challenges by simply levying rates, the reality is that, because rates are levied on communities and households, councils must balance the needs and wants of those communities against affordability of the rates, fees and charges that it must impose. The challenges inherent with managing this balance are particularly pronounced with councils that have low population density and, at a more micro-level, small communities within those councils.

The Southland District Council faces funding challenges in the provision of services and local activities on Stewart Island / Rakiura (the Island). 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 Supply Authority. Given these and broader funding issues that appeared to exist in providing services for the community, Council considered it timely to undertake a broader review of service sustainability challenges that may exist in relation to the delivery of services to the Stewart Island / Rakiura community.

These affordability and sustainability issues exist in communities across the Southland District, and indeed in most small communities across New Zealand. However, the remote location, particularly small population base, and comparatively high levels of tourism, means that Stewart Island is particularly affected.

Morrison Low has been engaged to undertake a stocktake of the current activities provided by Council to the Island to provide a clear snapshot of each service, how it is funded and if there is a funding gap. This will provide decision makers with information that reflects the current sustainability challenges when servicing an island with a population of approximately 400 residents (or 451 rating units) but has a significant number of visitors that are using council services and facilities. It will provide information to make funding and investment decisions and to understand the true cost of providing services for the Island.

As part of the review process Council was also keen to develop an understanding of the likely demand for the Stewart Island visitor levy. Consideration of the services provided by Stewart Island Promotions and the Rakiura Heritage Trust were included as examples of two community groups that are likely to make a demand on visitor levy funds that might be collected in the future, although it is likely that the demands on the levy will continue to increase.

This review represents the first stage in considering the long term sustainability of Stewart Island/Rakiura and will be followed with further work to better understand the key issues facing the Island, and the potential mechanisms that are available to address those issues. We have recommended a number of next steps and matters for further consideration within this report, and it is important that the implications of those potential policy decisions, on both Stewart Island and the Southland District, are well understood.

For example, this work may influence future decision making on the level of the Stewart Island / Rakiura visitor levy. Council had proposed to raise the levy to \$15 in 2018 but has decided to retain the levy at \$5 until the service sustainability review is completed so that this work can inform future decision making on the levy.



In undertaking our analysis, we have relied on the information provided by Southland District Council and feedback from our meetings with council staff, community board members and representatives from Rakiura Heritage Trust and Stewart Island Promotions.

In completing this review (including the supporting financial analysis) we have relied on the assumption that there are currently no planned changes to levels of service, or indeed the services being provided. This provides a baseline against which any potential improvements or changes can be compared. While our analysis has not assumed any changes to services or levels of service, such changes represent a viable solution to addressing funding challenges.

Note that we have not compared the results of our work on the sustainability of services on Stewart Island with other areas or districts within the Southland District.



3 Our approach

Council provided us with background information on services, surveys, consultation, reports, funding allocation and contracts relating to Stewart Island/Rakiura. We familiarised ourselves with this information and requested additional information. We met with thirteen Southland District Council staff including the Chief Executive, General Manager for Services and Assets, activity managers for transport / roading, community facilities, governance and democracy, water and waste to understand the challenges and opportunities in providing services to the Stewart Island / Rakiura community. We also met with the property manager, infrastructure manager, community partnerships, finance and on-Island customer services staff.

In addition to talking with council staff, we went to Stewart Island / Rakiura and observed some of Council's facilities and services. While on the Island we met with the Stewart Island/Rakiura Community Board, representatives from the Rakiura Heritage Trust and Stewart Island Promotions as they also provide community services to the Island, to listen to their views on service delivery challenges, opportunity and what sustainable service delivery would look like on and for the Island.

While on the Island, we were also able to see the new development for the Rakiura Heritage Centre which is nearing the end of construction, by the Rakiura Heritage Trust.

It is clear from our meetings that there are challenges in providing affordable services on the Island.

We would like to thank everyone for their time in meeting with us and engaging in open and honest discussion with us.

Based on the information provided and the discussions with council officers and stakeholders, we:

- developed an understanding of the condition of Council's assets and the ability of assets to meet future needs
- identified the full range of funding sources / revenue streams currently utilised vs what is available
- identified cost drivers
- developed an understanding of potential future cost impacts through changes to the delivery of the service e.g. legislative reform, changes to waste service delivery through an update of the Waste Management and Minimisation Plan.

From this we developed a summary of each service, as shown in Table 2.

We then considered what funding sources may exist in the future and any changes to the delivery of services that may be more sustainable.

3.1 Modelling

In order to assess the financial sustainability of activities provided on Stewart Island, we carried out some high level financial modelling based on Council's approved budgets. It is important to note however that most of the services and activities performed on Stewart Island cannot truly be performed in isolation or be costed separately. This is because:

- some activities, such as the roading and wastewater activities, are carried out under district wide contracts. In these cases, the costs that specifically relate to Stewart Island cannot be easily identified



- most, if not all, activities and services provided on Stewart Island have components of corporate support associated with them. No method of allocating the costs for this corporate support will be completely accurate
- while we apportioned overheads and corporate support costs to Stewart Island, the activities and services carried out on Stewart Island benefit from economies of scale and corporate efficiencies. That is, while allocation of these costs to the Island may be fair and reasonable, if these activities were carried out in isolation it is likely that the costs would be significantly higher as there would be limited opportunity to obtain resourcing or other efficiencies.

Our financial analysis and modelling relied on budget reports and detailed financial information for Stewart Island activities, as well as whole of council financial information. Details regarding our approach to the financial modelling are further outlined in **Appendix A**.

While we have not looked at the levels of service, we understand that Council is currently undertaking a project looking at consistent levels of service for all services, and in particular the community facilities activity. That project will be able to be used to further inform the future provision of services on the Island.



4 Service and financial sustainability

In considering the sustainability of Stewart Island, it is necessary to understand the concept of sustainability more broadly, and within the context of local government in New Zealand. Importantly, the concept of sustainability encompasses both service delivery and financial performance.

In our view, for a service, activity, or group of activities, to be considered to be sustainable it must be able to be provided for a long period of time at an acceptable level or quality, for an amount that is affordable (which relates to the predictability and absolute amount of rates increases).

This means, that in order to assess sustainability, it is necessary to consider:

- whether the level or quality of service is able to be maintained, and at what potential cost
- whether the cost of maintaining the service level or quality can be considered to be affordable, both currently and in the future
- whether the cost of providing the service is likely to change suddenly or unpredictably.

Balancing levels and costs of service provision against limited revenue and affordability concerns is something that is dealt with regularly by local authorities and it is a core part of their role. The tools and approaches that are available to manage this include:

- balancing the funding of activities between locally sourced, and district sourced rates. In determining whether rates should be locally or district funded, councils must consider whether an activity benefits the entire district, or an identifiable part of the district (or an individual) as well as the impacts on the four well-beings of the community (which includes economic wellbeing). By spreading costs across a larger base of ratepayers, the impact of those costs on individual ratepayers is reduced.
- shifting between fixed charges, capital value charges and user pays methods of funding
- altering levels of services, or at an extreme, the actual services provided
- asset management practices to ensure maintenance and renewals costs for council assets are predictable and smooth.

The wide range of tools available to councils to manage the way in which services are delivered and paid for means that the assessment of an activity, or a community, as being sustainable or not, is largely subjective. Our report focusses on the circumstances of service delivery on Stewart Island and options to improve sustainability, without making assertions about the current sustainability of services on the Island.



5 The Stewart Island context

Stewart Island is governed by the Southland District Council and lies approximately 30 kilometres south of the mainland South Island. According to the 2013 census, the Island had a permanent population of 381 people, residing in and around the town of Oban. Eighty five percent of Stewart Island is managed as a national park by the Department of Conservation (DOC).

Stewart Island has a small ratepayer base of 451 ratepayers (with a number of these being absentee ratepayers), which represents just over 2% of Southland District's total ratepayers (20,607).

Tourism is the main industry on Stewart Island, although fishing is also economically important for the Island. During the tourism season, the Island is also visited by cruise ships. Tourist numbers on the Island are significant, with around 44,000 tourists visiting in 2018. The Island was recently recognised as a Dark Skies Sanctuary, which is expected to result in increased tourism during the winter months.

5.1 Island capability

The population does not have the capability, and in some cases capacity, to be able to provide all of the council services on the Island. This is common for many remote or small communities where a limited population, geographic isolation and increasing regulatory and service level expectations require access to larger and more diverse workforces.

Relatively recent changes to health and safety legislation has put a higher level of accountability on councils in the way they, or their contractors, deliver services. We understand that there have been cases where contracts have been tendered for the Island that a local contractor could undertake, however local businesses did not compete for the contract because they were unable to meet the requirements to be a Southland District Council (SDC) contractor. We understand this was because they did not have capability to prepare the required health and safety documents / plans, and the costs to do so. This has, in the past, resulted in contracts being awarded to businesses that are based on the mainland, which has not provided the level of economic benefit to local businesses that it could have if the service was provided by locals. It also results in higher costs to deliver because of staff and transport costs. Efforts to try and get local contractors signed up as an SDC contractor have not always been successful.

We commonly heard that when the community has been told the cost of providing services / upgrades / renewals that they say they can do it cheaper. While this may be true in some cases, as stated previously, the community cannot necessarily meet contract standards that Council requires. There is also a lack of understanding of health and safety requirements and the costs associated with legislative compliance, which Council must be satisfied are met due to health and safety legislation. There is also a lack of understanding of long term / ongoing maintenance costs for services and facilities. As such, locally funded activities may not have been historically funded to the level required. This is not uncommon but results in a future funding peak for renewals that may not be affordable.

We also heard that the community can get frustrated with the bureaucracy that comes with asking for, or the provision of funding for activities / projects.



5.2 Tourism

Tourism is one of the major industries on Stewart Island, with over 44,000 visitors arriving on the Island in the year to 30 June 2018, and 50% growth in tourism numbers from the year ended 30 June 2015. This increase in tourism numbers has resulted in an extension of the shoulder season, and had occurred even before the Island was named a Dark Sky Sanctuary. A breakdown of tourism growth is outlined in Table 1 below.

Table 1 Growth in visitor numbers on Stewart Island²

Year ended	Total visitors	Change on previous year	Cruise ship visitors ³	Change on previous year
June 2015	30,648	-	2,083	-
June 2016	36,457	+ 18.9%	2,492	+ 19.6%
June 2017	36,656	+ 0.5%	2,187	- 12.2%
June 2018	44,423	+ 21.2%	6,839	+ 212.7%

It is apparent there is no common view on what a prosperous and sustainable Stewart Island / Rakiura looks like and the role that tourism plays in this picture, as there are both pro and anti-tourism views on the Island. We understand that currently the Island is seasonal, but now that it has been officially recognised as one of ten Dark Sky Sanctuary's internationally, and only the second island sanctuary in the world, this is likely to change. In the off-season, some accommodation and food premises close, which, while it may be desirable from a lifestyle perspective, is not positive from an economic sustainability perspective. There is a significant opportunity for Islanders to leverage off the Dark Sky Sanctuary, however if tourism is not embraced in what has traditionally been the off-season, this opportunity will not be realised, let alone maximised.

Tourism also provides challenges with the services and facilities provided on the Island. When a cruise ship is in, there could be up to 1,000 tourists on the Island on one day (as well as Ulva Island) which puts huge pressure on public facilities such as toilets, litter bins and roads. The next day there might only be ten tourists on the Island. It is a challenge to manage service delivery and expectations for those levels of fluctuation. In the year ended 30 June 2018, cruise ship visitors totalled 6,839, this represents more than three times the number of cruise ship passengers that arrived in 2015.

We note that Council has received \$100,000 funding from the Ministry of Business Innovation and Employment to do a strategic plan for Stewart Island / Rakiura. It is envisaged that this process may help to find a common view on the future of the Island, including the role of tourism. This should be a positive step for the Island.

² Source: Key Issues and Options – Draft Stewart Island/Rakiura Visitor Levy Policy and Bylaw R/18/11/27001

³ Included in total visitor numbers



5.3 Accommodation

While not directly related to Council, we heard that there is a lack of long-term accommodation and rental property on the Island which makes it hard for returning families and contractors from the mainland to find a place to live. Airbnb has had a big impact on the Island, as where a property may only have been occupied once or twice a year, it is now being occupied year-round. Consequently, rental property is hard to find for workers and those wishing to return to the Island. A bed tax has not been considered by the community board but gaining a better understanding of what this would entail may be beneficial.

The lack of accommodation for the diversity of the community, and lack of property available for sale, also prompted discussion on whether there should be a plan change to increase the amount of developable land on the Island. The national park is seen as a potential barrier for this.

5.4 Services provided on the Island (not by council)

5.4.1 Rakiura Heritage Centre

The new building and location for the heritage centre and museum is a significant development for the Island. The museum is currently run by volunteers and has been self-sufficient since establishing itself in 1960. The entry fee to the museum has been \$2 for adults and 50c for children for many years, but the Rakiura Heritage Trust will put the price up to \$5 for an adult when they open the new building to provide for ongoing costs. There are some concerns over the ongoing running and maintenance costs of the museum, particularly the cost of power which may be higher than has been planned for. Additional operating grants may be required for running costs in the future. The Trust will need to identify sources and opportunities for such grants as their needs become clearer.

With the redevelopment, the Trust's vision is to be able to have a paid position (which could be .75 FTE) for administration / front of house so that volunteers can focus on cataloguing, undertake collection management, archiving and research. They are also hoping to offer more educational talks through volunteer time being freed up by the administration resource and to increase the profile of the museum rather than have people stumble across it. The new location near the DOC information centre and the modern design of the new building should assist with this. This may also result in extended opening hours, which may in turn result in the potential for increased revenue from patrons and sales of merchandise.

5.4.2 Stewart Island Promotions

Stewart Island Promotions (SIP) represents businesses on the Island, mainly tourist focused, showing what people can do when on the Island. SIP gets business support from Venture Southland. There is no iSite on the Island.

There are concerns that there are not enough people coming over to the Island, and about the seasonality of tourism to the Island, but the Dark Sky Sanctuary may change that. Growing that market would be good as it could grow the tourism market for winter and encourage those businesses that are 'seasonal' to continue to remain open. However, the shortage of accommodation is challenging for growing tourism and hosting events on the Island.



SIP has been working with Great South and DOC on an adventure race event around the national park track in October 2019 which sold out within four hours. Events like this could become more common subject to the impact on track infrastructure and would assist with shoulder and off-season tourism.

SIP indicated that ideally they would like to employ a paid, part-time staff member, however this would require external grant funding, possibly from the visitor levy. While funding is currently available for events, it is not available for wages.

5.5 Southland District Council (Stewart Island / Rakiura Visitor Levy) Empowering Act

The Stewart Island / Rakiura visitor levy was established in 2012 via the Southland District Council (Stewart Island / Rakiura Visitor Levy) Empowering Act. The purpose of the Act is to “...provide a mechanism for the Council to set and collect levies and obtain revenue from passengers travelling to Stewart Island / Rakiura, in order to better provide services, facilities and amenities for those persons while they are on the Island.” The Act defines visitor, excluded visitors, sets out offences and sets infringement fees and gives Council the ability to set and collect levies. The levy is currently set at \$5 per person.



6 Council activities

The following section outlines some of the core activities provided on Stewart Island.

6.1 Decision making and representation

6.1.1 Service description

Local decision making is important to remote or isolated communities. Local decision making is fulfilled by the Stewart Island / Rakiura Community Board which has six members, and there is one elected councillor. There is one community board member per 67 residents. In the last representation review a board of four members was put forward, however six members were retained.

Community boards operate under a terms of reference (TOR) authorised by Council. The TOR outlines the scope of activities and role of each community board and their delegated powers generally covering engagement and representation, financial, rentals and leases and local assets and facilities delegations. The Stewart Island / Rakiura Community Board also has specific delegations relating to the Stewart Island Electric Supply Authority which are identified as:

- “(j) Contributing to the development of policy relating to the governance of the Stewart Island Electric Supply Authority (SIESA).
- (k) Overseeing the management of SIESA by way of relationship with officers of Southland District Council.”

The TOR also delegates specific powers to the chairperson of the community board.

We understand that the current TOR will be reviewed by Council after the local body elections in October 2019. This will provide an opportunity to re-assess the scope of activities and delegations for community boards across the district.

6.1.2 Challenges

We understand there is tension between the Island and the mainland around funding and governance. Parties we spoke to on the Island and within Council all indicated that the Island is “different” and yet also mentioned the need for the Island to be treated the same as the mainland. For example, we heard requests for increased parking and building consent enforcement on the Island, yet a reluctance to accept Council’s design, procurement and health and safety standards regarding public structures. There is a delicate balance between treating the Island as being part of the wider district, and acknowledging that it is different. Managing this balance has resulted in a perceived adversarial culture when dealing with certain issues.

Elected representatives struggle with the balance of being part of the wider organisation (and being seen to be as one with the rest of the District) but then feel they are seen to not be part of the District when they want something for the Island.

All elected representatives, whether at the Council or community board level, would benefit from a clear picture of the costs of service provision on the Island so that they can make informed decisions on funding for the district and recognise the challenges an island community brings.



From what we heard, the community board operates at a very operational rather than governance level, focusing on, for example, compliance issues, parking, limiting car numbers and renting of cars. This is typical in small communities where what would be considered a relatively small matter in a larger settlement becomes a significant local issue.

Strategic challenges were identified about the lack of agreement on the Island about tourism, the cost of power, water supply, the aging population, getting young people to stay (or come back) and keeping families on the Island. The shortage of accommodation and the potential need for a zoning change to create developable land was also identified.

While there have been some recent improvements, there have been frustrations by the Board with the level of information made available from Council as a whole, and the communication and timeframes in which things are done. We understand the recent improvement may be because of the introduction of a community led development approach by Council.

The community board identified the challenge of getting younger people involved more in the strategic direction and decision making on the Island, including being represented on the community board. We heard that while youth work well within their circle of friends, they do not engage well outside of that group. There is an opportunity with the upcoming election for council to engage with 18-35 year olds on the Island about what is involved in being on the community board. There is a perception that you have to have been around for many decades before you have the credibility of being an 'Islander' to represent the community. Some of the older generation and established families on the Island are seen as a real or perceived barrier to young people holding these positions.

Community boards and councillors need to be clear on their role in governance and not management. This should be clearly articulated when inducted along with the role and responsibilities of the community board as distinct from the Council itself.

6.1.3 Financial

Community boards are currently locally funded, with councillor costs funded at the district level. We understand that the Council may explore a district wide rate or funding for community boards in the next Long Term Plan as it was considered it could make sense to share costs across the District.

The total operating budget for governance services (including the Area Office) on Stewart Island is approximately \$34,200 per annum, this includes:

- Employment related costs of \$11,600
- Depreciation of \$1,600
- Electricity (on Island) of \$10,000
- Maintenance and general operating costs of \$11,000.

In addition, our analysis identified the following costs that have not been allocated at the local level. Stewart Island's share of those costs (allocated on a proportion of ratepayer basis) is outlined below:

- Remuneration for the elected member of approximately \$27,000
- Corporate overheads (IT, office accommodation, administrative services, head office electricity etc) of \$113,000
- Employment related costs (corporate) of \$28,000
- Other miscellaneous costs of \$19,000



This equates to a total annual cost of the service of approximately \$221,000.

There are no anticipated future funding pressures for the delivery of this service.

6.2 Roding

6.2.1 Service description

Stewart Island has 13.33km of sealed roads, 11.47km of unsealed roads and 1.4km of footpaths that are managed by Southland District Council. In addition, the roading activity is responsible for two bridges and 42 streetlights on Stewart Island.

The day to day maintenance and operations of the activity is carried out under an alliance contract with Fulton Hogan, who have one full time employee based on Island. Streetlights are maintained and operated by SIESA.

Roads undergo a reseal approximately once every thirteen years.

6.2.2 Challenges

As with most activities carried out on Stewart Island, the largest challenge for the roading activity is the need to barge materials and equipment to the Island when major works need to be carried out. This presents both a financial and logistical challenge for service delivery on the Island.

We understand that there is a privately-owned quarry on the Island. Because it is the sole source of aggregate on the Island, the costs of the aggregate can be high, particularly when the contractor requires a large amount of aggregate at one time. The aggregate is not always appropriate, so the contractor also barges higher quality aggregate and specialist equipment to the Island as required.

It is possible that increased tourism and business opportunities, e.g. e-scooters, may require more footpath infrastructure, and may require further separation of vehicles and pedestrians. E-bikes are already on the Island. Historical underinvestment in footpaths has led to some footpaths delivering a lower-than-required level of service.

Challenges exist in relation to coastal erosion. Some coastal roads are narrow and at potential risk of collapse through coastal erosion, climate change and storms. As roading is a district funded activity, coastal protection works associated with roading works are district funded, however the potential cost of works for some of the narrow roads may be excessive for the relatively few properties and tracks to which they provide access.

6.2.3 Financial

The roading activity is funded through a district wide rate, with footpaths being funded through local rates.

The total roading budget is \$371,000 per annum, and includes:

- an annual provision for road resealing of \$148,000
- annual capital expenditure of \$36,000, and
- annual maintenance costs of \$187,000.

The footpath budget averages \$2,400 per annum.



In addition, across both roads and footpaths, our analysis identified the following costs that have not been allocated at the local level:

- approximately \$57,000 of annual depreciation
- \$7,000 of electricity
- an additional \$21,000 of unallocated general, HR and overhead costs (to the Stewart Island activity).

There are a number of significant capital costs that may arise over the next ten years, including the following:

- A reseal of sealed roads on Stewart Island in 2023, at an estimated future cost of \$1.5 million. This would be half funded by NZTA grants. Because our modelling includes costs for depreciation and a provision for resealing, this has not been additionally included, but will need to be funded if reserves have not been set aside.
- Potential replacement of both bridges on Stewart Island. We understand that, due to the costs of transporting materials and equipment, these would be replaced concurrently, although they may not otherwise both require replacing at the same time. The current combined replacement cost for the bridges is estimated at \$560,000, although we understand that the true cost of replacing the structure could be much higher than this.
- Stewart Island's roads are already experiencing the impacts of coastal erosion and damage from landslides (and other weather events). As the frequency of these types of events increases, or the impacts become more severe, costs of providing services to Stewart Island are likely to increase.

6.3 Three waters

6.3.1 Service description

The three waters activity encompasses the provision of drinking water, wastewater and stormwater within the Southland District. On Stewart Island, drinking water is a self-supplied activity, and Council is not involved in the provision of drinking water to ratepayers.

Wastewater on Stewart Island is provided through a pipe network of over 30km, 20 pump station, and an oxidation pond (0.8 ha). Discharge is irrigated over land bordering the National Park. Due to the number of pump stations required in the network, the wastewater activity consumes large amounts of electricity.

Stormwater on Stewart Island covers a catchment of approximately 50 hectares, serviced with 1.9 km of reticulated pipes and 850 metres of open channel. Stormwater is untreated and discharged into Mill Creek and Halfmoon Bay. There are currently no resource consent requirements for stormwater discharges.

Wastewater and stormwater operations and maintenance are covered by the Foveaux Alliance contract. Downer provides one full time employee based on the Island.

6.3.2 Challenges

Stormwater is currently underfunded across the district (and in fact is commonly underfunded across New Zealand). Future changes to freshwater management regulations may result in higher standards of stormwater discharge, and consents may be required in the future.



We heard different things about whether there were any issues with the current wastewater system. Council is currently installing additional irrigation lines to assist with capacity. It is likely that further significant upgrades of the wastewater treatment plant will be required, and that consents' conditions will increase, which could be costly. Potential changes to regulations may mean that consents are required for the discharge of wastewater and the level of treatment may be required to be higher than current. These will add costs to providing the service on the Island.

The inquiry into the Havelock North gastro outbreak is resulting in water reforms. While there is no reticulated water supply on the Island, changes to regulations could impact businesses / properties that have bores that supply more than one household or property. There are likely to be increased compliance costs to islanders in this situation.

We heard that Airbnb has also had a big impact on water supply as properties are now being used year-round rather than intermittently, which has put pressure on water available on the Island.

We also note that there is unlikely to be increased demand on the wastewater system in the short term and sufficient treatment capacity exists for any short-term increases in demand.

6.3.3 Financial

Wastewater is currently a district funded activity, while stormwater is funded from local rates.

The wastewater budget for Stewart Island includes:

- \$113,453 of general operating expenditure
- \$92,248 of depreciation
- \$92,000 of electricity.

There is no major planned capital expenditure in the wastewater activity for Stewart Island.

The total stormwater budget for Stewart Island is \$13,940, including overheads and internal charges.

In addition to the above costs, our analysis identified approximately \$24,000 of unallocated (and unfunded) depreciation for the stormwater activity, and no additional costs relating to the wastewater activity.

Potential future funding challenges include the following:

- The wastewater treatment plant's resource consent expires in November 2024. In the event that the new consent requires improvements to the current treatment process, or alterations to the way in which the discharge is disposed of, the costs may be significant. The Department of Internal Affairs has signalled increased standards for wastewater discharge, and significant associated costs, although at this stage it is unclear how / if these increased standards would impact on plants that discharge to land.
- Stormwater discharges do not currently require consent; however, consents may be required in the future. As stormwater is currently untreated, future resource consents are likely to impose new / additional costs for treatment of stormwater discharge into freshwater and marine environments.



6.4 Solid waste

6.4.1 Service description

Stewart Island has a weekly kerbside rubbish, recycling and food scrap service. The Island has a resource recovery centre where rubbish and recyclables are brought, with a store to purchase recycled goods on site. We were advised that since the space was reorganised the recycle shop has increased its turnover.

Glass is crushed in a designated place onsite and stays on the Island to be used for gardening, drainage and backfill. A freighter takes cars and waste from the transfer station back to the mainland for disposal.

Kerbside collections and waste recovery activities are carried out by SIESA, and waste is dealt with under the current WasteNet contract once it has landed in Bluff.

6.4.2 Challenges

A review of the Waste Management and Minimisation Plan may result in higher costs in the delivery of waste services in the future. Currently solid waste is collected using a truck with a runner throwing the rubbish bags into bins in the back of the truck. The use of rubbish bags is decreasing by councils across the country because of health and safety, and bags are being replaced by wheelie bins. If wheelie bins were implemented on the Island in future, this is likely to be at a higher cost than the current service and would require a different truck. The truck would have to be of a size to navigate the Island's narrow and windy roads, and it is likely the modern style of truck with bin lifting capability would not be suitable for some of the roads. If costs increase, there is also a risk of increased fly tipping.

Irrespective of changes to the way solid waste is collected, we have been advised that the current truck will need to be replaced within the next five years. A decision on whether there is going to be any change to the current delivery of waste services will need to be made to support the replacement of the truck with an appropriate vehicle.

There is a cleanfill on the Island at Braggs Bay and the Council is currently in the process of extending the life of the cleanfill via a resource consent application with Environment Southland. If this is not successful, the cleanfill will close in accordance with current consent conditions.

6.4.3 Financial

The provision of solid waste services is funded through a combination of local rates, district rates and user fees. Specifically:

- kerbside collection is based on a targeted rate for those that receive the service
- waste management is funded through a district wide rate
- user fees, for example disposal at landfill, fund the remainder of the activity.

The costs for providing solid waste on the Island are spread across a number of activities, with a number of internal transfers between activities. Our analysis identified that the current budgeted cost of providing waste services on Stewart Island is approximately \$290,000 per annum, including:

- \$107,000 on general operating costs
- \$140,000 on employment related costs
- \$4,000 on electricity
- \$20,000 of overheads
- \$8,400 of depreciation.



In addition to the expenditure budgeted in the activity codes for Stewart Island, we also estimated further costs that have not been allocated at the local level, totalling approximately \$25,000 per annum, including \$12,500 for disposal of waste on the mainland.

Potential future funding challenges:

- Potential closure of the green waste disposal facility on the Island (due to an expiring consent) may create additional costs for ratepayers for the disposal of green waste.
- Any increase in costs for the freight of waste off Stewart Island, or fuel or other materials to Stewart Island, will have an impact on operating costs. We understand that there is currently only one freight operator which, as a monopoly, also represents a risk for Council.
- Potential upgrades to the rubbish truck and glass crusher on Stewart Island, which may be required to meet increasing health and safety regulations, may have significant additional costs.

6.5 Power

6.5.1 Service description

The Stewart Island Electricity Supply Authority (SIESA) undertakes generation, distribution and retail activities on the Island.

SIESA operated as a separate business within Southland District Council on behalf of Stewart Island / Rakiura electricity consumers and is governed by the Stewart Island Community Board. Power is provided by diesel generators and is subject to price fluctuations for diesel.

Actual operations (generation and network maintenance) are performed under contract by PowerNet who employ three people on Stewart Island.

6.5.2 Challenges

The current contract with PowerNet is unsustainable due to increased staffing requirements to cover health and safety risks. Alternative energy sources, a mix of networks, or innovation / changes to the way power and the contract is delivered or funded, will be required to make this service affordable. It is a significant contributor to the high cost of living on the Island and cost is a major concern for the community and has been for some time.

The delivery of capital works for SIESA can be difficult because of the lack of equipment available on the Island and is needed to be shipped from the mainland at times. This is not uncommon for an island community and is similar to some of the challenges the roading activity faces.

An expression of interest for the provision of power supply on the Island was put to the market in February 2019. This was so that Council could understand the level of interest and capability in the market to manage, maintain and enhance the electrical supply network to ensure it is able to meet the present and predicted demand of the network users to an agreed level of service, whilst minimising the risk and instance of network failure. Procurement for the new contract to provide power has been put on hold pending the outcome of this review.

The community board would like to see affordable power, with the Island less dependent on diesel. If costs cannot be reduced, they need to be kept stable.



Work has been progressing on an application for the Stewart Island / Rakiura Wind Project, and we understand that Council has made an application to the Provincial Growth Fund to seek government funding for the project. We understand that a funding decision on this is likely to be made later in the year.

6.5.3 Financial

Based on financial modelling previously carried out by Morrison Low (under separate cover), SIESA requires approximately \$1,260,000 of operating revenue in 2019 to be financially sustainable. This level of revenue would ensure that SIESA could maintain and replace assets without drawing on reserves or borrowings.

Budgeted revenue for SIESA for the 2018/19 financial year was only \$1,206,000.

Historical trends in diesel price movements suggest an expected annual increase in diesel prices of 5% per annum⁴, which will directly translate to an increase in operating costs that is beyond mere inflationary increases. Diesel price movements fluctuate significantly between (and within) years, with some year on year increases exceeding 20% in the past (and some years seeing a decrease in price).

Current exposure to diesel price movements means electricity is likely to become less and less affordable for residents of the Island. Based on SIESA's current pricing structure, residents of Stewart Island have an average annual electricity cost of \$6,048⁵. This compares to \$2,077 for the same level of consumption on the mainland.

Any alternative electricity generation solutions are likely to require significant capital contributions from Council. It is currently unclear what those costs may be.

6.6 Wharves and jetties

6.6.1 Service description

Wharves and jetties are critical infrastructure for the Island and accessibility to other islands such as Ulva Island. Council owns five wharves / jetties at Ulva Island, Little Glory, Fred's Camp, Millers Beach and Port William, and is in the process of taking over Golden Bay wharf from South Port. The wharves and jetties are in various condition ranging from very good to very poor. Significant funds have been allocated for Ulva Island and Golden Bay upgrades to ensure that these structures are safe for public use. Such investment is critical to support the ongoing industry, tourism and recreational use of these structures, and the continued provision of access to some properties.

6.6.2 Challenges

Some jetties only access the Department of Conservation (DOC) estate, however DOC do not contribute to the maintenance of the jetties. The view was that these jetties are of no direct benefit to SDC itself, but Council is providing the asset and they are costly to maintain. We understand that DOC is not interested in helping to fund these jetties. Council could choose to close / remove those structures if it is not willing or able to fund the ongoing maintenance of those jetties.

⁴ Average historical annual change in diesel price per <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/weekly-fuel-price-monitoring/>

⁵ Assumes consumption in line with NZ average per <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/energy-prices/electricity-cost-and-price-monitoring/>



The level of funding that has been allocated to the wharves and jetties activity in the past has not funded the maintenance of wharves and jetties adequately, despite this being critical Island infrastructure. Council cannot afford for this maintenance not to happen due to health and safety and given the strategic importance, from an access perspective, of a number of the jetties to the local community and its economy. Because the Stewart Island / Rakiura Community Board would not fund the upgrades to the Ulva Island and Golden Bay wharves last year, the Council had to use unbudgeted district funds for the upgrades. If wharves and jetties are continually underfunded at the local level, Council will be at risk of a structure failing with potentially significant consequences.

Wharves on Stewart Island will also require some contributions from Stewart Island township rates to meet future costs. We understand that work to investigate a user pays system for non-recreational jetty usage on Stewart Island / Rakiura has commenced. There is potentially also an argument for there to be a district contribution towards a portion of the costs given the strategic significance of the jetties for access. In this regard it could be argued that they serve a similar role to the roading network in other parts of the District.

6.6.3 Financial

Wharves and jetties are currently meant to be entirely self-funding from grants and license fees, however, as indicated above, this is not the reality as the community board would not fund the upgrades to Golden Bay and Ulva Island wharves.

The current maintenance costs for the Stewart Island wharves and jetties is approximately \$25,000 per annum, with an additional depreciation charge of around \$13,000 per annum (rising to \$50,000 following renewal works on Ulva Island). Further costs will also be added to the provision of wharves and jetties when the Golden Bay wharf is transferred to Council ownership.

Our analysis did not identify any additional unallocated costs for the jetties and wharves activity.

There is a Tourism Infrastructure Fund (TIF) application that is being developed for funding of upgrades to the Ulva Island and Golden Bay wharves (and other associated tourism infrastructure). This application, if successful, will require a local contribution of up to \$3 million based on current design estimates, which, if loan funded, will come at an estimated annual cost of up to \$190,000⁶ (plus associated maintenance and depreciation on the upgraded infrastructure).

6.7 Other activities

In addition to the major activities outlined in detail above, Council also provides the following activities on Stewart Island. The costs indicated below are on a per annum basis:

- A library with approximately 4500 individual titles, at a total cost of around \$58,000, funded from district wide rates.
- A community hall at a cost of around \$33,000, funded by a local targeted rate.
- Public toilets, at a cost of approximately \$17,000, funded by a district wide rate.
- Parks and reserves, at a cost of approximately \$54,000, funded by local rates.
- Cemeteries, at a cost of \$12,000 per year, funded by user fees and local rates.

There are no significant service provision or financial challenges for these activities.

⁶ Assumes a 4% table loan over 25 years



7 Stocktake

The stocktake of services provided is shown in Table 2. The table identifies each service, summarises the service, details the funding source(s) that apply, including district or local funding, and the costs of providing the service. The gap between the cost of providing the service and funding provided is then identified (if any). A summary of the current costs, funding sources, and financial challenges for Stewart Island is included in **Appendix A**.



Table 2 Summary of services and costs

Service	Description	Funding sources ⁷	Annual cost (operating) ⁸	Annual capital costs ⁹	Total cost	Funding gap ¹⁰
Cemeteries	The maintenance and provision of cemeteries on Stewart Island (one open plus one closed cemetery)	Interment fees (cost recovery) Local rates \$10,728	\$10,700 plus interments	\$0	\$10,700	\$0
Governance	Local boards, councillors, area office and democracy services	Local rates \$7,200 District Rates \$17,400 Interest \$4,400 User fees \$11,800	\$221,700 including overheads	\$0	\$221,700	\$180,900
Parks and reserves	The management of parks and reserves on Stewart Island (including Traill Park, Rankin Street Recreation Reserve, Horseshoe Bay Recreation Reserve, and the waterfront playground)	Local rates \$40,000 Recoveries \$1,500	\$53,900 including \$9,500 of depreciation	\$4,400	\$58,300	\$16,800
Public toilets	The maintenance and provision of public toilets on Stewart Island (five)	District Rates \$18,900	\$17,400	\$700	\$18,100	(\$800)
Roads and footpaths	The maintenance and provision of roads and footpaths on Stewart Island including 13.3 km of sealed roads, 11.5km of unsealed roads, 2 bridges, 1.4km of footpaths, and 42 streetlights.	Local rates \$2,200 District rates \$105,000	\$275,400 including \$57,000 depreciation	\$2,900 excluding renewals	\$278,300	\$171,100
Solid Waste	Weekly kerbside rubbish pick-up, recycling and food scrap collection. Rubbish and recycling is separated at Council's Resource Recovery Centre prior to shipping to Bluff for disposal.	Local rates \$114,500 Interest \$800 Fees and charges \$20,200 District rates \$209,000	\$315,000 including \$8,400 of depreciation	\$0 excluding renewals	\$315,000	(\$29,500)
Stewart Island Hall/Community Centre	The provision and maintenance of the Stewart Island community centre/hall.	Local rates \$22,900	\$33,100 including \$6,500 of depreciation	\$0	\$33,100	\$10,200
Wharves and jetties	Operation and maintenance of Ulva Island, Little Glory, Fred's Camp, Miller's Beach and Port William jetties	Interest from reserves \$4,500 Licence fees \$37,500 <i>Note local rates of \$30,000 from 2021</i>	\$64,400 including \$12,500 of depreciation <i>Note rising to \$85,000 from 2021</i>	\$0 excluding TIF funding contribution for Golden Bay/Ulva Island wharf costs	\$64,400	\$22,400
Library	The provision of library services on Stewart Island entailing opening hours of approximately 20 hours per week, and management of a collection comprising 4,546 items	District Rates \$16,900	\$57,800	\$0 excluding renewals	\$57,800	\$40,900
SIESA	Provision of distributed electricity (including generation) to Stewart Island on a 24/7 basis. SIESA is also the contractor for kerbside collection and refuse services	User charges \$1,055,400 Interest from reserves \$44,500	\$1,260,000 <i>Note based on earlier modelling that indicates this is the sustainable amount of revenue required</i>	Included	\$1,260,000	\$160,100

⁷ District rates for activity collected from Stewart Island ratepayers

⁸ Total cost of service per Morrison Low analysis (includes unallocated costs)

⁹ Renewals excluded from total costs because depreciation has been included. Capital costs calculated on 4%, 25 year table loan repayment obligations

¹⁰ Total cost (including annualised CapEx) minus operating cost



Service	Description	Funding sources ⁷	Annual cost (operating) ⁸	Annual capital costs ⁹	Total cost	Funding gap ¹⁰
Stormwater	The collection, and disposal of stormwater on Stewart Island, for a catchment of 50 hectares, including 1.91 km of pipework	Local rates \$20,000	\$37,800 including depreciation	\$0	\$37,800	\$17,800
Wastewater	The provision of reticulated wastewater networks, including treatment and disposal. The service involves 20 pump stations, 30 km of pipework and oxidation ponds discharging to land.	District rates \$113,500	\$297,700 including depreciation of \$92,200	\$3,300 excluding renewals	\$301,000	\$187,500
Building control	Provision of building control services including building consent processing and monitoring	\$0	\$8,000	\$0	\$8,000	\$8,000
Environmental Health	Provision of environmental health services including alcohol and food licensing	\$0	\$3,900	\$0	\$3,900	\$3,900
Resource management	Provision of resource management services for the district including the processing of resource consent applications	\$0	\$23,200	\$0	\$23,200	\$23,200
Strategy and communications	Development of organisational strategy and communications, including community engagement	\$0	\$49,000	\$0	\$49,000	\$49,000
District Development	Provision of economic development and district planning activities	\$0	\$57,800	\$0	\$57,800	\$57,800



8 Findings and recommendations

8.1 Sustainability of services on Stewart Island

The assessment of whether the provision of any particular service is sustainable or not is entirely subjective within a local government context. Councils have the ability to levy rates to meet the costs of delivering services and are able to utilise a mixture of different funding tools and mechanisms to address affordability issues.

We have not attempted to make an explicit assessment of whether any particular service or group of services on Stewart Island are sustainable.

However, it is clear from our analysis that:

- the costs of providing services are much higher than they are on the mainland
- in many cases the costs of providing services are set to increase at a faster rate than they may on the mainland
- there is no significant growth predicted in the number of ratepayers on Stewart Island
- service delivery on Stewart Island costs more than the total amount of rates revenue collected from the Stewart Island ratepayers and user fees
- there are a number of significant funding challenges ahead, in terms of major or critical infrastructure, that will continue to place pressure on the delivery of services on the Island.

Through our discussions and analysis, a number of potential future funding challenges were identified. Due to uncertainty regarding timing and solution, we have not been able to incorporate these into our analysis of the cost of delivering services on Stewart Island, however they are likely to have a significant impact on the financial sustainability of service provision.

These include the following:

- The transfer of Golden Bay wharf, and any other water structures, to Council will result in additional maintenance and depreciation costs. Further, any upgrades to those structures are likely to come at significant cost, and under current funding models will need to be funded locally. Proposed upgrades to the Golden Bay and Ulva Island wharves are the subject of a potential TIF application, and the local share is estimated to be around \$3 million (although the application covers more than just wharf upgrades).
- Current exposure to diesel price movements means electricity is likely to become less and less affordable for residents of the Island. Based on SIESA's current pricing structure, residents of Stewart Island have an average annual electricity cost of \$6,048¹¹. This compares to \$2,077 for the same level of consumption on the mainland.
- Any alternative electricity generation solutions are likely to require significant capital contributions from Council. It is currently unclear what those costs may be.
- Potential closure of the green waste disposal facility on the Island (due to an expiring consent) may create additional costs for ratepayers for the disposal of green waste.
- Any increase in costs for the freight of waste off Stewart Island, or fuel or other materials to Stewart Island, will have an impact on operating costs. We understand that there is currently only one freight operator which, as a monopoly, also represents a risk for Council.

¹¹ Assumes consumption in line with NZ average per <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/energy-prices/electricity-cost-and-price-monitoring/>



- Potential upgrades to the rubbish truck and glass crusher on Stewart Island, which may be required to meet increasing health and safety regulations, may have significant additional costs.
- A reseal of sealed roads on Stewart Island in 2023, at an estimated future cost of \$1.5 million. This would be half funded by NZTA grants. Because our modelling includes costs for depreciation, this has not been additionally included, but will need to be funded.
- Potential replacement of both bridges on Stewart Island. We understand that due to the costs of transporting materials and equipment, these would be replaced concurrently although they may not otherwise both require replacing at the same time. The current combined replacement cost for the bridges is estimated at \$560,000, although we understand that the true cost of replacing the structure could be much higher than this.
- Stewart Island's roads are already experiencing the impacts of coastal erosion and damage from landslides (and other weather events). As the frequency of these types of events increases, or the impacts become more severe, costs of providing services to Stewart Island are likely to increase.
- The impacts of increasing tourism on road maintenance, wastewater and public toilets could result in further increased costs in the future.

Many of the potential future funding challenges are not yet, or able to be, quantified. However, our high level estimates would suggest that there is likely to be at least \$5 million of new capital investment (over and above normal renewals) needed on the Island over the next 10 – 15 years. The exact amount required, and timing of that investment, will be highly dependent on the solutions adopted, agreed levels of service and regulations in place at the time of the investment.

Given existing funding gaps without these costs being included, it is necessary for Council and the Stewart Island community to consider alternative funding sources which may have a beneficial impact on financial sustainability.

8.2 Visitor levy

The Stewart Island / Rakiura Visitor Levy was established in 2012 via the Southland District Council (Stewart Island / Rakiura Visitor Levy) Empowering Act. The purpose of the Act is to "...provide a mechanism for the Council to set and collect levies and obtain revenue from passengers travelling to Stewart Island / Rakiura, in order to better provide services, facilities and amenities for those persons while they are on the Island. Given its specific legislation the visitor levy provides a unique source of funding that is not available in other communities that have significant visitor demand. As a result it is our view that Council and the Stewart Island community should ensure that this 'unique funding tool' is used in an appropriate way to assist with the funding of services used by visitors.

In the 2016/17 financial year the Visitor Levy Subcommittee allocated \$171,863 of funding for ten separate projects, across five different recipients. The major recipients of this funding were Southland District Council and the Stewart Island Jetties Subcommittee. In the 2017/18 financial year \$192,807 was allocated across nine projects (and five recipients) with the major recipients being the Department of Conservation and the Stewart Island Jetties Subcommittee.

In 2019 the visitor levy had \$184,595 of funding available. While funding requests totalled \$215,478 for the year, the Visitor Levy Subcommittee only recommended the allocation of \$183,141 of funding. The allocation of levy funds, from inception through to December 2018, is outlined in Table 3 below.

Table 3 Breakdown of allocation of visitor levy funds to December 2018¹²

	\$ Infrastructure	\$ Museum Development	\$ Wi-Fi	\$ Environment	\$ Visitor Information	\$ Total	% Share
Local Community Groups	83,000	72,500	5,249	28,282	13,977	203,328	29%
Council	507,331	-	-	-	-	507,331	71%
Total	590,331	72,500	5,249	28,582	13,997	710,659	100%
% Share	83%	10%	1%	4%	2%	100%	

It has been suggested that repayment of the loan that will be required to fund the local share of the proposed TIF application for upgrades to the Ulva Island and Golden Bay wharves could potentially be funded from the visitor levy. Annual repayments have been estimated at \$190,000 per annum, which would consume all of the annual levy funds – if the levy stays at \$5.

There are a number of other potential opportunities to utilise the visitor levy, including funding for part time employees at Stewart Island Promotions, and the Rakiura Heritage Centre. Although currently not permitted, subsidisation of SIESA through the visitor levy may also alleviate financial pressures.

8.3 Contracts

There are currently three separate contracts for the provision of council services on the Island, these are with Fulton Hogan, Downer and PowerNet. Council also provides a shared FTE (i.e. 0.5 FTE each) across the Fulton Hogan and Downer contracts.

We heard from the Community Board and staff that there may be opportunities to combine some of the contracts which could potentially save money by being able to share more resources. It is likely that such savings would be 'at the margins' as employment costs only make up a relatively small component of contract costs, however these opportunities should be further explored.

8.4 General revenue and financing recommendations

We have considered what the future funding and service delivery for Stewart Island may include. In doing this, we acknowledge that there are projects currently underway on levels of service and a user pays system for jetties and have not included potential changes to these areas at this time.

Future funding sources could include the following:

- A bed tax (e.g. Airbnb) – although an outright bed tax, in addition to a visitor levy, may be considered to be double dipping, and may be administratively burdensome. There is currently no legal mechanism available to Southland / Stewart Island to charge a bed tax, so this would require political lobbying

¹² Source: Draft Stewart Island/Rakiura Visitor Levy Policy and Bylaw Statement of Proposal – September 2018



- Rates – this may include altering the mix of general and targeted rates or introducing differentials for short term accommodation suppliers (akin to what has been introduced in Auckland). Activities such as wharves and jetties, public toilets and to a lesser extent SIESA, wastewater and roading, are all likely to have some cost component that relate to increased tourism that may justify the introduction of a rating differential.
- Move from local to district funding (either part or full) for some activities – for those activities where major cost increases are likely and which are currently locally funded (for example water structures), a shift to district funding would minimise the impact on Stewart Island ratepayers and increase the burden on other district ratepayers.
- Shift a greater proportion of SIESA's annual funding from unit charging to fixed monthly charges to collect more revenue from vacant properties (or short-term rentals with low occupancy). This would also shift more of the costs onto low users, although would not promote energy efficiency, so the negative effects of such a shift should be carefully considered.
- Grants from central government may assist, although these typically are for specific types of projects, and additionally, require co-funding of around 50%. Other sources for grant funding are equally unreliable or inconsistent.
- Increases to the visitor levy, and consideration of the types of funding it may offer (for example operating subsidies to SIESA) – we understand that an economic report has previously been produced that indicated that there would be little impact on tourism volumes with an increase in the levy.
- Environment Southland Marine Fee – see below.

We note that a number of the recommendations above would require changes to Council's Revenue and Financing Policy, and accordingly, potential changes should be considered in conjunction with a wider review of that policy.

8.5 Environment Southland Marine Fee (ESMF)

Environment Southland (ES) is in the process of renegotiating its deed of agreement with the New Zealand cruise ship industry. The deed is a key tool for Environment Southland to managing cruise ships within the internal waters of Fiordland and Stewart Island / Rakiura. As part of the deed, there is an Environment Southland marine fee payable by each cruise ship operating in or through the internal waters.

The deed states that "The purpose for which the ESMF will be used is to assist ES to manage the coastal marine area of Southland and shall include any costs ES incurs with harbour management and navigation and safety activities. For clarity, such costs will not include port dues or port charges such as costs of pilots, tugs, wharf infrastructure or cargo handling. These latter costs are outside the scope of ES responsibilities."

While care has to be taken to avoid double dipping with the visitor levy, given the impact that tenders from cruise ships have on Golden Bay and Ulva Island jetties in particular, and the real benefit that the cruise industry gains from having safe and secure wharf infrastructure for its passengers, SDC could advocate for changes to the deed that would provide the opportunity for a funding contribution for wharf / jetty infrastructure from the marine fee. Any consequential changes may need to be carried over to Environment Southlands Marine Fee Reserve Allocation Policy.



9 Next steps

Following this review, we consider that the next steps should include:

- Continuing the development of a strategic plan for Stewart Island which can be used as a basis for further discussion regarding the mix of funding sources and the levels of service that are required by residents of Stewart Island. It can hopefully, also help the community to develop a common view on the future development of the Island.
- Consider various options for the ongoing funding of services on Stewart Island as part of the review of Council's Revenue and Finance Policy. This should include:
 - The relative merits of the mix of district and local funding, the use of rating differentials, and user of fees and charges for services provided on Stewart Island.
 - Review the distribution of benefits for locally funded activities, and the impact on economic wellbeing for locally funded activities to identify whether it is appropriate to consider funding on a district wide basis
 - Introducing new targeted rates or rating differentials for short term accommodation providers, including considering the types of costs that may be able to be recovered through such a targeted rate.
- Identify the strategic objectives underlying the current pricing structures for SIESA and the impacts of alternative pricing structures on ratepayer / resident affordability, and the provision of long and short term accommodation on the Island. This could include:
 - Considering the balance of fixed and variable charges
 - Consequential amendment of cancellation and reconnection fees
 - Modelling of the impacts on various different electricity users throughout the year
 - Consideration of different pricing models for residential and commercial customers
 - Consideration of peak / off-peak pricing if generation has minimum loads / outputs. This may become more necessary if / when alternative generation is installed on Stewart Island as we understand that there are currently no proposals for methods of storing "surplus" electricity.
- Revisit the Issues and Options discussion on the visitor levy as part of a strategic discussion regarding future opportunities to use the levy to support the Island, including:
 - Consider the potential types of costs that can be funded and the time period for which funding can be committed
 - Identify and model the potential funding commitments for the levy over a period of at least five years
 - Develop a policy for determining annual funding available from the levy fund, having regard to long term or future funding commitments that may be required, and for which funding may need to be set aside
 - Determine a new levy amount based on predicted tourist growth and predicted future funding commitments, including some sensitivity analysis
- Discuss options for accessing the ESMF to support the upgrade of Golden Bay and Ulva Island wharves. Note that this may influence the types of funding that the visitor levy should be used for.



Appendix A Modelling assumptions

Our financial analysis and modelling relied on budget reports and detailed financial information for Stewart Island activities, as well as whole of council financial information. Specifically, we relied on Budget estimate reports for the following activities:

- 10040 Area Office – Stewart Island
- 10770 Transfer Stations – Stewart Island
- 26601 Library - Stewart Island
- 21117 Hall – Stewart Island
- 26700 Stewart Island Jetties
- 30000 SIESA (including 32000 SIESA - Operations, 36000 SIESA - Staff House, 37000 SIESA – kerbside, and 38000 SIESA – Waste Recovery)
- 26600 Administration – Stewart Island (including 26602 Operating Costs – Stewart Island, 26607 Street Works – Stewart Island, 26610 Refuse Collection – Stewart Island, 26613 Stormwater Drain – Stewart Island, 26625 Cemetery – Stewart Island, 26628 – Beautification – Stewart Island, 26629 0 Moturau Gardens, 26634 Traill Park, 26646 Playground – Waterfront, and 26670 Sewerage – Stewart Island)

The financial information provided by council did not anticipate any major, non-inflationary, operating cost pressures over the next ten years, and as such, our analysis relies only on 2018/19 budgeted financial information.

In addition to the costs outlined in the 2018/19 budgets for activities on Stewart Island, we reviewed budgets for activities at a “whole of council” level. This process identified a number of costs that had not been allocated towards Stewart Island specifically, which typically relate to the corporate structure of council (and from which residents of Stewart Island receive some benefit). These costs included:

- the costs of building control, environmental health, resource management, strategy and communications, and district development services
- corporate overheads that have otherwise not been allocated to Stewart Island activities
- waste disposal (from arrival in Bluff to dumping in landfill) and waste minimisation levy costs
- unallocated staff costs
- unallocated depreciation on network assets (roading, hall, stormwater and library assets).

We developed a methodology to allocate each of these costs, together with an annual capital cost, to enable us to estimate the total cost of providing services on Stewart Island. Operating costs were allocated based on what was considered to be the most appropriate “driver” of cost, specifically:

- Depreciation was allocated based on proportion of asset value
- Corporate overheads and staff costs that were not otherwise included in the budget estimate reports for Stewart Island activities were allocated based on proportion of asset value (roads), percentage of total titles (libraries), percentage of license fee revenue (wharves and jetties), or proportion of ratepayers (all others). No adjustments were made to this allocation to reflect the increased cost of providing services on Stewart Island.



- Waste disposal and minimisation levy costs were allocated based on proportion of ratepayers.
- The costs of building control, environmental health, resource management, strategy and communications, and district development services were allocated by taking the rates funded component of those activities and allocating based on the proportion of rateable properties.
- Governance costs were allocated based on the proportion of rateable properties and included costs from the Representation and Advocacy and District Support cost centres.
- Capital costs were derived from budget estimates and information provided by council officers and were assumed to be loan funded for a period of 25 years at 4% interest.

We note that there is obviously a degree of subjectivity associated with the way in which these allocations were made. However, in our view, the approach that was adopted typically resulted in the allocated costs being on the lower end of the potential spectrum, and do not reflect additional transport costs or lost productivity that may occur as a result of having to send council staff to or from Stewart Island.

As our analysis included depreciation as a cost of delivering services, no additional funding was modelled to cover the cost of renewal of assets. We note however that in many cases depreciation is not fully funded on Stewart Island.



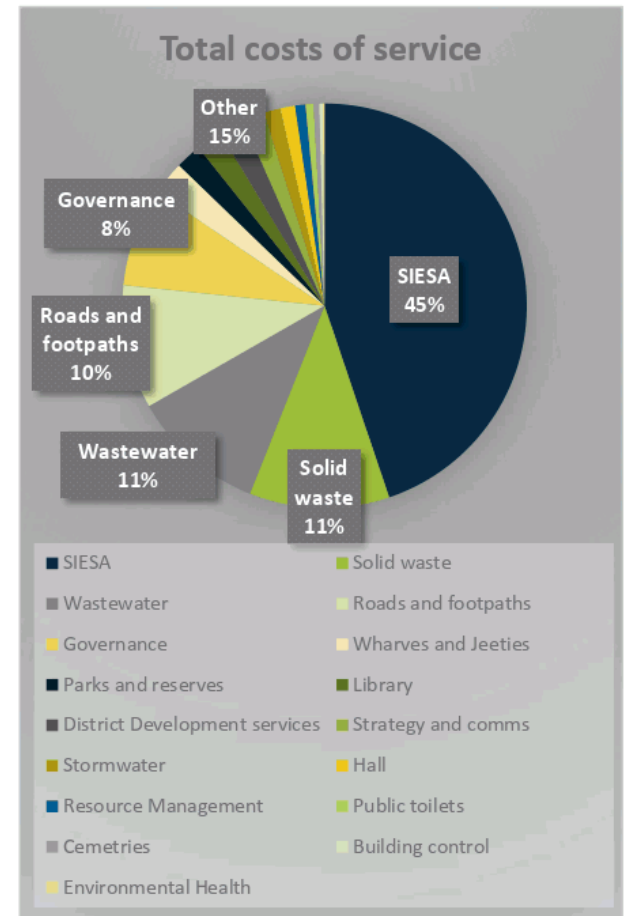
Appendix B Stewart Island financial summary



What does it cost?

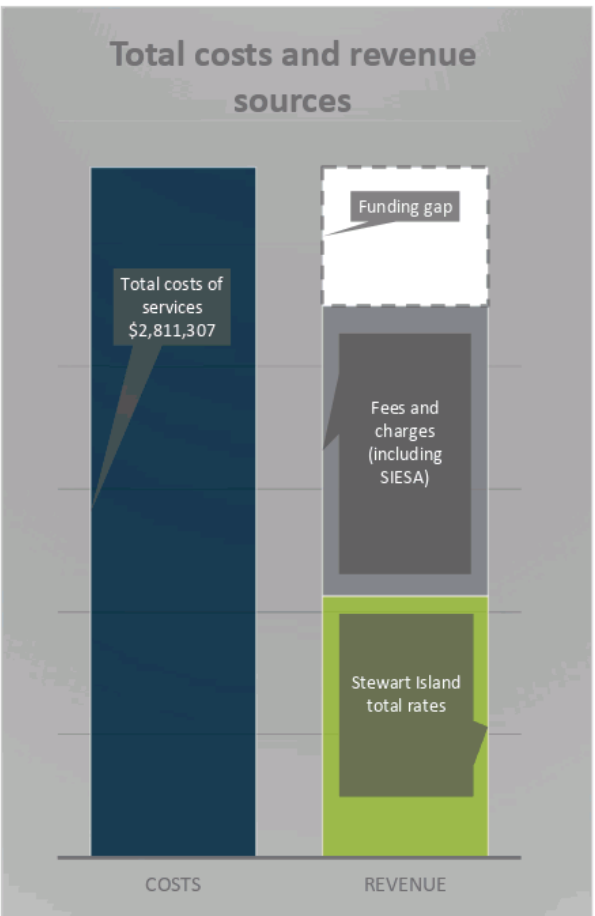
The total cost of providing services on Stewart Island is approximately \$2.8 million per year. The most expensive services to provide on Stewart Island are:

- Electricity – approximately \$1,260,000 pa
- Solid waste – approximately \$315,000 pa
- Wastewater – approximately \$300,000 pa
- Roads and footpaths – approximately \$278,000 pa
- Governance – approximately \$222,000 pa



Where does the money come from?

The costs of providing services on Stewart Island are met by a mix of local rates, district rates, and user fees and charges (of varying forms). The difference between the costs of providing services on Stewart Island, and the revenue collected from Stewart Island is approximately \$560,000 per annum, however not all costs (i.e. depreciation) need to be cash funded.

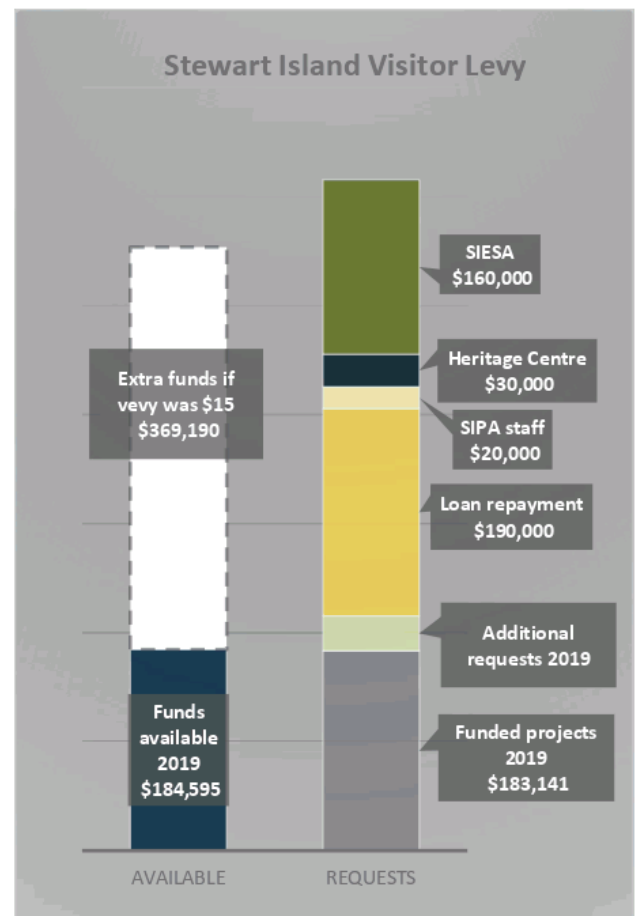


The visitor levy

The Stewart Island Visitor Levy had \$184,595 of funding available, with \$183,141 of funding allocated. Funding requests totalled \$215,478 for the year. Future requests for the levy may include:

- repayment of debt for the Ulva Island and Golden Bay Wharf upgrades
- employment of a part time staff member for Stewart Island Promotions
- employment a staff member for the Rakiura Heritage Centre for 30 hours a week
- Potential annual operating grants for SIESA to reduce the cost impact on residents (currently ineligible)

Note amounts shown in the chart below are based on 2019 funding requests and Morrison Low estimates of potential future funding requests.



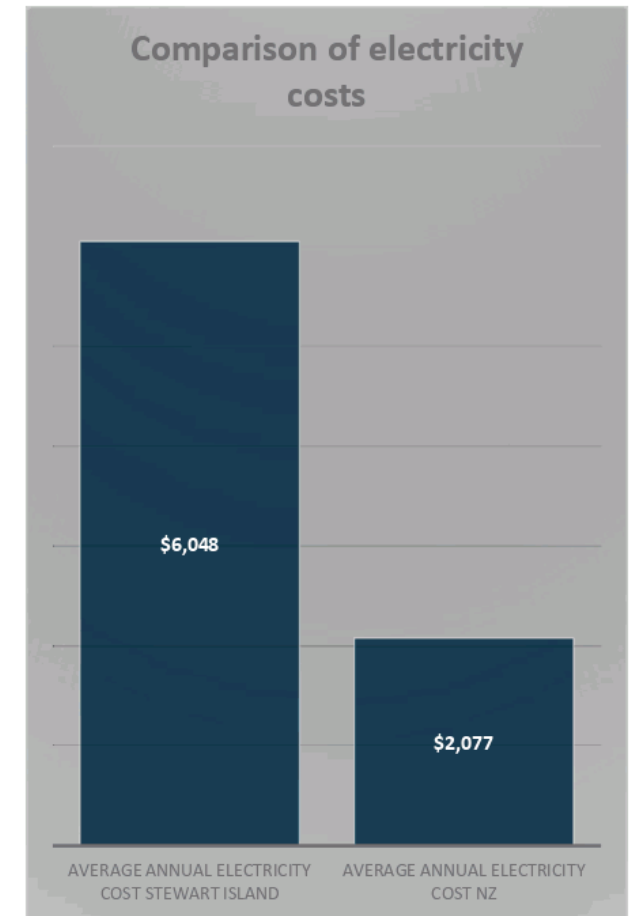
SIESA

Electricity is currently supplied on Stewart Island by SIESA.

Electricity is generated using diesel generators, and consequently, the cost of electricity is closely related to the price of diesel.

A five percent increase in diesel prices (or 6c per litre) would result in an increase in operating costs of \$20,000 – this is the typical historical annual increase (although the range is - 29.87% to 39.09%).

The cost of electricity on Stewart Island is about three times that of the mainland.



Rates affordability in Southland currently

	2019	2028 LTP
Median Household Income*	\$70,590	\$82,565
5% Median Household Income Limit	\$3,529	\$4,128
Median SDC + ES Rates **	\$2,789	\$3,472
Median SDC + ES Rates as % Household Income	3.95%	4.21%

**Shand: Rates >
5% household
income
measure**

*Adjusted from 2013 census using Labour Cost Indices and 2018 LTP BERL forecasts

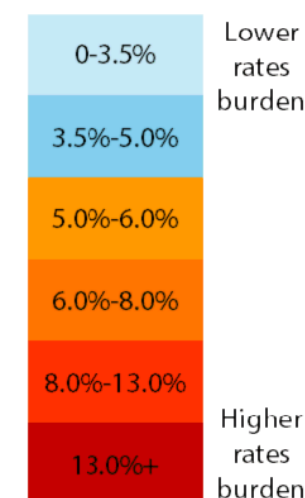
**Based on median rates for selected properties – those rated, with residences, excluding vacant, commercial, industrial, mining, forestry and other land use categories

Model not perfect – but gives some indication

Area Unit Name	19/20 Rates % income (median)*	27/28 Rates % income (median)*
Balfour Community	4.51%	4.80%
Centre Island	Suppressed	Suppressed
Dacre	2.53%	2.69%
Edendale Community	3.63%	3.82%
Fairfax	5.30%	5.71%
Fiordland	Suppressed	Suppressed
Hokonui	2.98%	3.19%
Inlet-Jacobs River Estuary	Suppressed	Suppressed
Kaweku	7.11%	7.71%
Lumsden Community	5.06%	5.57%
Makarewa North	1.74%	1.85%
Manapouri	5.40%	5.71%
Mararoa River	4.08%	4.23%
Milford	3.91%	4.06%
Mossburn	3.84%	4.02%
Nightcaps	6.81%	7.23%
Ohai	8.31%	8.82%
Otautau	5.09%	5.50%
Riversdale Community	3.40%	3.67%
Riverton East	7.01%	7.37%
Riverton West	5.74%	6.05%
Stewart Island	3.95%	4.27%
Te Anau	4.96%	5.16%
Te Waewae	3.13%	3.31%
Toetoes	3.86%	4.15%
Tuatapere	5.65%	5.99%
Waianiwa	2.29%	2.44%
Waikaia	3.15%	3.33%
Wairio	10.19%	11.12%
Waituna	3.29%	3.53%
Wallacetown	2.89%	3.05%
Winton	4.66%	5.02%
Woodlands	2.46%	2.59%
Wyndham	5.35%	4.74%
SOUTHLAND DISTRICT	3.95%	4.21%

In more detail

Rates % Household Income Shading



SOUTHLAND
DISTRICT COUNCIL
Te Rohe Pōtae o Murihiku



Leading the way

Management Report

Record No: R/20/2/3953
Author: Steve Ruru, Chief Executive
Approved by: Steve Ruru, Chief Executive

☐ Decision ☐ Recommendation ☒ Information

Chief Executive

Adverse Weather Event

1. In early February the Southland region was affected by a significant rainfall event that led to the declaration of a regional civil defence emergency. The event began with a period of high rainfall in Milford Sound on 3 February coinciding with high tides that caused some backflow flooding and inundation in the Milford Village lower car parks and closure of SH94 Milford to Te Anau.
2. The event subsequently intensified significantly causing widespread damage to SH94, the Hollyford Valley and a number of Department of Conservation tracks. The heavy rainfall also spread into the Southland region upper catchments, particularly affecting the Mataura river. This led to a need to evacuate parts of Gore, Mataura and Wyndham.
3. The regional civil defence emergency was lifted on Tuesday 18 February, some two weeks after it was originally put in place. At that stage the focus will move into the recovery phase.
4. The effects of a significant civil defence emergency, such as the one that the region has just experienced, on the people that are directly affected and communities themselves cannot be under-estimated. The flow-on effects for some individuals can be expected to continue for quite some time. It will be important for Council, and the other relevant agencies to work with the affected communities to provide the support that they need to get through the event itself and then as we move into the recovery phase.
5. A regional recovery manager has been appointed to lead this stage of the process. We have also appointed a recovery manager to lead the recovery effort across the Southland District. There will be a number of flow-on issues affecting the Fiordland community in particular that Council will need to manage.
6. The full cost of the damage caused to Council's infrastructure is still being assessed and will be covered in separate reports to Council at an appropriate time.

Infrastructure Commission

7. The NZ Infrastructure Commission has recently released a new report, titled 'Lifting Our Gaze' which discusses the challenges relating to addressing the challenges associated with the increased infrastructure demand and development. The report looks at the infrastructure outcomes that are being delivered, the barriers and challenges that New Zealand faces looking forward and how these might be addressed. A copy of the report is available on the Commission's website (<https://infracom.govt.nz/assets/Uploads/Lifting-our-gaze-EY-Infracom.pdf>).

8. The report also discusses the ‘opportunity cost’ that can be associated with the current narrow focus on delivery of projects, without consideration of broader outcomes, such as social, economic and environmental.
9. The desirability of adopting a broader outcomes focus has been included in updated government procurement rules and changes to the better business case framework. While staff will give consideration to these developments in reviewing Council’s procurement policies we can also expect to see the broader approach reflected in the procurement policies used by the NZ Transport Agency, which local authorities also need to meet to obtain funding for local works.

3 Waters

10. Reform in the three waters sector has been progressing for some time. However, since the Havelock North incident in 2016 it has become an area of high priority for central government.
11. Following the Havelock North incident, the government commenced a formal inquiry, which recommended a Three Waters Review be undertaken. The review considered options for improving regulatory and service delivery arrangements for drinking water, wastewater and stormwater services (Three Waters) to better support New Zealand’s prosperity, health, safety and environment. Most three waters assets and services, but not all, are owned and delivered by local authorities.
12. Taumata Arowai - the Water Services Regulator Bill was introduced to Parliament on 11 December 2019, and had its first reading on 17 December. It is now sitting with the health select committee and public submissions are being sought. The bill is relatively simple in that its focus is on establishing the new water regulator as a crown entity, under the Crown Entities Act 2004. The bill also outlines the agencies objectives, functions, operating principles and governance arrangements and is expected to be enacted by mid-2020.
13. A separate bill will give effect to the decision to implement system-wide reforms to drinking water regulation, alongside targeted reforms to improve the regulation and performance of wastewater and stormwater networks.
14. The Minister for Local Government took a paper to cabinet in late January, canvassing options for greater collaboration in water services delivery. The paper is yet to be released, but is understood to reiterate the Minister’s desire for greater council collaboration in Three Waters service delivery. Accordingly, DIA is preparing further advice for councils on the stages of regional investigations the crown wants to see. It can be expected that the provision of any crown funding to support reform in this area will require local authorities to be taking actions which are consistent with that desired by the crown.
15. In an endeavour to proactively address the range of service delivery options that might exist the Otago Mayoral Forum has initiated a working group process, with external consultant assistance, to explore the range of delivery options that might exist in relation to the delivery of water services across the Otago region. They have also invited the Southland councils to participate in this work. Staff have indicated that this Council is keen to participate.
16. The range of options that will need to be considered as part of this process range from effectively an enhanced status quo model through to the formation of a standalone council controlled

organisation. Support for development of a business case exploring these options is being sought from the Department of Internal Affairs, who have recently called for expressions of interest in this area.

Funding of Fire and Emergency NZ

17. Fire and Emergency New Zealand (FENZ) have been undertaking consultation to seek initial views on options for how fire and emergency services should be funded in the future. The consultation document can be downloaded from <https://www.dia.govt.nz/firefundingreview#Supporting>.
18. The review is split over two phases and is not expected to be completed until 2024 with the implementation of a new funding model. Following consideration of the views expressed via the initial phase, consideration will be given to the development of a new preferred funding model which will be subject to a subsequent consultation process.
19. The creation of FENZ has highlighted the shortcomings associated with the current insurance-based funding model. In particular its lack of universality and the fact that some sectors, which benefit directly from the service, such as motorists, do not contribute in proportion to the cost. The government's challenge is to find a funding model that allocates cost in accordance with the beneficiary principle and in a way that the opportunity for 'free-riding' is minimised.
20. The main users of FENZ services currently, are:
 - a. Medical emergencies;
 - b. Structure (building) fires;
 - c. Vegetation fires;
 - d. Hazardous substances and emergencies; and
 - e. Motor vehicle incidents.
21. To give effect to a beneficiary principle it would seem important for each of the above sectors to be significant contributors to the cost of running fire and emergency services. In some cases, such as motorists and property owners, it is practical and efficient to apply a direct levy. In other cases, such as medical emergencies and hazardous substance emergencies, the contribution should come from taxpayers through the appropriate vote, such as Health and Environment.
22. As part of the work being undertaken there has been a suggestion that local government could be responsible for collecting the property based component through its rating systems. This approach would, however, undermine an accountability principle that would come with FENZ being responsible for collecting its own funding directly from property owners.

Resource Management Reform

23. The government has appointed an independent review panel, led by the Hon Tony Randerson QC, to undertake a comprehensive review of the resource management system.
24. In November 2019 the panel released an issues and options paper <https://www.mfe.govt.nz/sites/default/files/media/RMA/comprehensive-review-of-the->

[resource-management-system-opportunities-for-change-issues-and-options-paper.pdf](#)) outlining what they see as the key issues that need to be considered in the review process.

25. The review has a dual focus on improving outcomes for the natural environment and improving urban and other development outcomes. The underlying causes of poor outcomes are seen as being wide ranging, including the legislation, the ways it has been implemented and how the institutions are arranged. In seeking to improve these outcomes, the review will need to ensure provisions for central and local government decision-making, Iwi/Māori and broader public involvement are all fit for purpose. It will also consider the linkages between the RMA and other key pieces of legislation such as the Local Government Act 2002, Land Transport Management Act 2003 and Climate Change Response Act 2002.

Disability Employment Action Plan

26. In November 2019 the Ministry of Social Development (MSD) released for public consultation a Disability Employment Action Plan. A copy of the document is available on the Ministry for Social Development website (<https://www.msd.govt.nz/what-we-can-do/disability-services/disability-employment-action-plan/index.html>).
27. The draft action plan proposes a set of actions to tackle the employment gap based around two overarching goals:
- Disabled people and people with health conditions have an equal opportunity to access good work
 - Employers are good at attracting and retaining disabled people and people with health conditions.

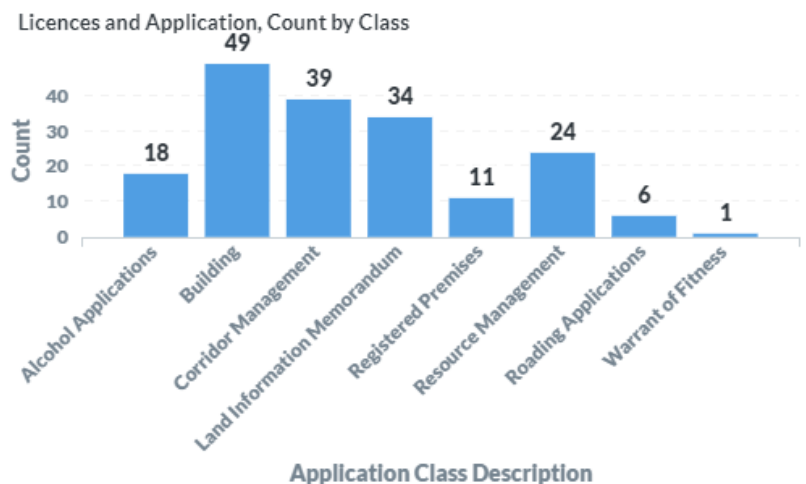
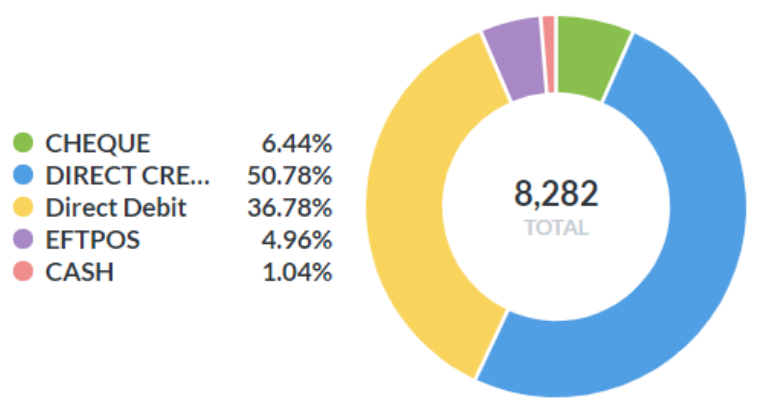
Customer Delivery

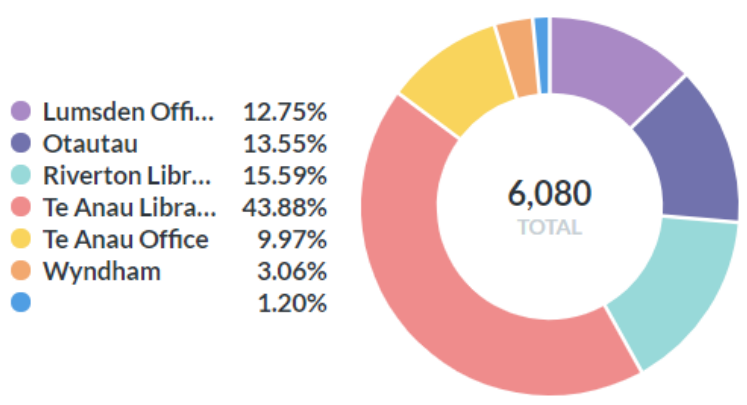
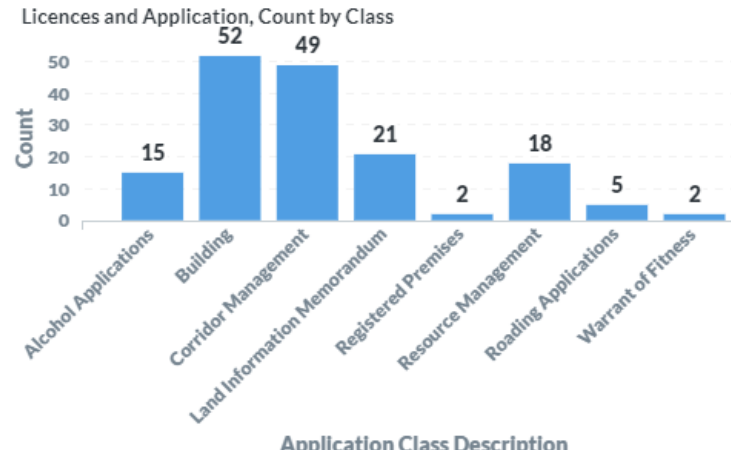
28. The group have been working hard over the past few weeks with the flooding and emergency event. Staff have been working either in-house at Council or supporting Emergency Management Southland. For the first time, we activated our Contact Centre to be open on Waitangi Day and a Saturday. The initiative was well received by customers.

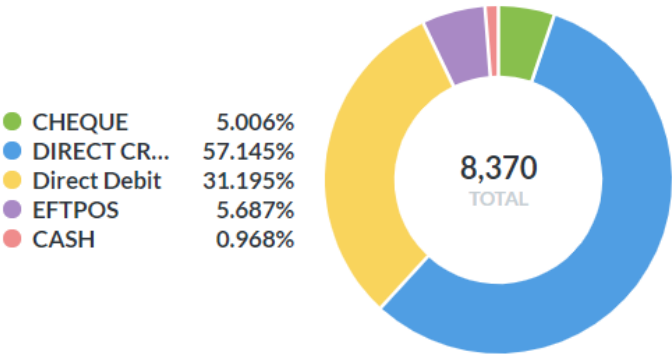
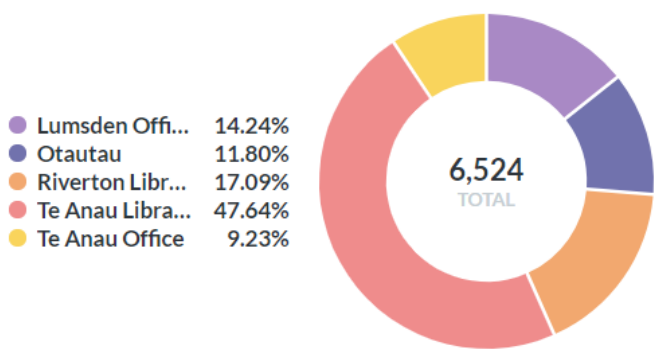
Customer Support

29. December and January are traditionally a quiet time for the team, however there has been a lift in customer enquiries which aligns with the work the building team are completing at present. Also December had a number of staff working across the business and this impacted the abandonment rate with a longer wait for customers calling through.
30. A change coming for customers this year is the phasing out of cheque payments by Kiwibank from 28 February 2020. We are looking at how we can work with impacted customers with solutions such as direct debit so any customers wanting further information can call us on 0800 732 732.

31. Interactions at a glance:

CUSTOMER INTERACTIONS	DECEMBER 2019																		
Total number of calls to 0800 732 732	2787																		
Abandonment rate	3.8%																		
Request for Service received	658																		
Top three requests types	Change of address, building inspection requests, noise complaints																		
Applications received by Council	<p>Licences and Application, Count by Class</p>  <table border="1"> <thead> <tr> <th>Application Class Description</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Alcohol Applications</td> <td>18</td> </tr> <tr> <td>Building</td> <td>49</td> </tr> <tr> <td>Corridor Management</td> <td>39</td> </tr> <tr> <td>Land Information Memorandum</td> <td>34</td> </tr> <tr> <td>Registered Premises</td> <td>11</td> </tr> <tr> <td>Resource Management</td> <td>24</td> </tr> <tr> <td>Roading Applications</td> <td>6</td> </tr> <tr> <td>Warrant of Fitness</td> <td>1</td> </tr> </tbody> </table>	Application Class Description	Count	Alcohol Applications	18	Building	49	Corridor Management	39	Land Information Memorandum	34	Registered Premises	11	Resource Management	24	Roading Applications	6	Warrant of Fitness	1
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CUSTOMER INTERACTIONS	JANUARY 2020																		
Total number of calls to 0800 732 732	3599																		
Abandonment rate	2.4%																		
Request for Service received	854																		
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Libraries

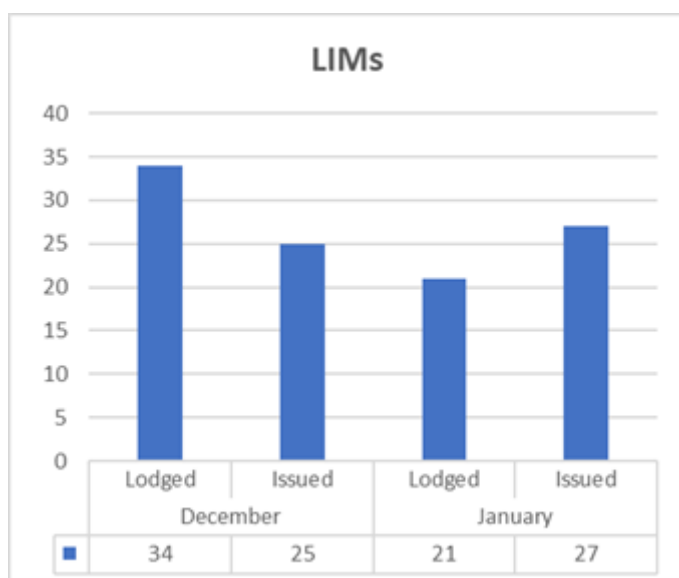
32. The libraries team had a good run up to the Christmas break helping customers with any last minute questions and activities. Our mobile library bookbus took a break in January and was due to return to the District in February however, the flooding across the District put a stop to that.
33. As our Winton customers continue to use our temporary facility, we can access limited amounts of stock from the library building so if customers have requests, please let the library team know and they can retrieve these resources for you.
34. We have continued to offer the range of programs for library patrons but would like to hear from people not using the library about how we can meet their needs. Please feel free to contact our district library manager, Mark Fraser via email on mark.fraser@southlanddc.govt.nz or via 0800 732 732.
35. The table below shows the number of individuals checking out items from a branch library each month.

LIBRARY NAME	DECEMBER 2019	JANUARY 2020
Book Bus	338	
Lumsden	85	92
Otautau	95	87
Riverton	172	216
Stewart Island	51	59
Te Anau	422	441
Winton	403	423
Wyndham	54	56

36. We currently have 5,007 active library users across the District.
37. Our Library service has new books each month, these can be viewed online through our catalogue on <https://www.southlanddc.govt.nz/my-southland/libraries/>.

Knowledge Management

38. Provision of LIMs and property files is an ongoing focus. Property file requests average seven requests a day with 117 requests in December and 157 in January. Over December and January 55 LIMs were lodged and 48 issued. Due to the legislative non-working over the Christmas/New Year there was a spike in issuing LIMs in January.



39. The knowledge team continues to be busy with Pathway/Records Manager integration, classification review and training, and supporting the building solutions team with process improvements and digitisation projects

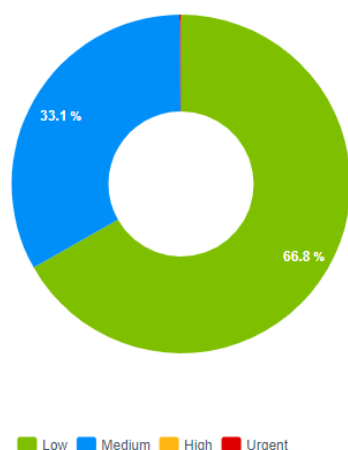
Business Solutions

Service Desk

Summary

882 ▼ 16.64% RECEIVED TICKETS	931 ▼ 13.31% RESOLVED TICKETS	417 ▼ 13.84% BACKLOG TICKETS	19:56 ▲ 56.63% AVERAGE RESPONSE TIME (IN HRS)	58:41 ▲ 54.36% AVERAGE FIRST RESPONSE TIME (IN HRS)	104:28 ▼ 19.21% AVERAGE RESOLUTION TIME (IN HRS)
1.4 ▲ 1.45% AVERAGE CUSTOMER INTERACTIONS	0.8 AVERAGE AGENT INTERACTIONS	20 ▼ 39.39% NUM. OF REOPENS	130 ▼ 46.94% NUM. OF REASSIGNS	65.5% ▲ 8.09% SLA %	81.5% ▼ 0.28% FCR %

Tickets By Priority



40. The new Nutanix server environment is stabilised and running successfully. The last phase of the project to upgrade all of the underlying firmware is planned for mid-February and will be completed by a Nutanix engineer
41. A major milestone was completed in the electronic processing project when the Simpli building consent submission portal went live to public on Tuesday, 21 January 2020.
42. The GoGet project is on track, with the software being installed and configured on a Council server in preparation for user testing starting in late February.
43. Work continues with the Pathway – RM8 integration. Initial system testing has been carried out on the Pathway Property module. The creation of test plans for user acceptance testing has begun which will help us streamline the UAT process. This is a shared project with the knowledge management team.
44. Work continues to extend our online services (e-pathway) for infringement payments and new dog registrations, and this functionality is planned to be deployed to our production system in late February.
45. With the increased risk of aging JDE hardware failure we have looked at way to move the physical servers onto our virtual environment using technology called P2V (physical to virtual). In January we successfully recreated the JDE production environment on our virtual

infrastructure. The next step is to complete user testing on this virtual environment, and if successful the plan is to go live in March.

46. An InfoCouncil upgrade is planned for the start of March after successfully testing the new version in our test environment. This is the last step in allowing us to move from our Windows 7 Citrix environment to Windows 10 and Office 2019.
47. Work continues on preparation for a fat client rollout with new management software being installed and improvements to how we build and support the new environment. Requirements gathering will be completed in February which will confirm what equipment each department requires.

Community and Futures

Governance and Democracy

By-elections

48. There were by-elections required for eight positions across four community boards following the triennial elections held in October 2019. At the time of writing, voting will close on Tuesday 18 February at 12 noon. Information about the successful candidates will be provided as soon as available.

Governance

49. Council's governance structure as agreed in November 2019 is now operating. The community boards are in the process of setting their meeting dates for the term and at their February meetings will be receiving the first of the four standard reports that will be presented at each of the boards six scheduled meetings for the year. The reports are a community leadership report, an operations report, a Council report and a chairperson's report. Planning for other information sharing and forums are underway.

Community Leadership

Community Board Plan Workshops

50. The community leadership team has met with eight of the nine community boards at the time of writing this update to discuss the outcomes of the engagement completed to date. The team sent copies of previous elected member and community wide workshop notes and also the outcomes of the different surveys conducted.
51. The Tuatapere Te Waewae Community Board had to be postponed due to the recent weather event in Southland.
52. Overall, the meetings have been positive with all boards largely agreeing on visions and outcomes for their community board plan. Some boards have also started discussing what their actions may look like and how best to engage with their communities to launch these plans once completed.
53. A report is being prepared for the 24 March community and strategy meeting to provide an update on the visions and outcomes for each of the boards. These outcomes will also be used to

inform other key pieces of work such as the development of projects for the Long Term Plan and also to assist in the development of funding criteria for the Community Partnership Fund.

54. The community leadership team will shortly begin working with Council's communications department to discuss design layouts so that our boards can start having discussions with their communities about the delivery of the respective plans.

Northern Southland – Future Growth

55. Staff in the community leadership team are currently working to progress a stakeholder forum in late March to discuss the impacts of future growth in the Northern Southland area. They are working to make contact with key stakeholders in the area such as the health and education sectors, Police, NZTA, neighbouring council staff, elected members and staff from other departments within Council.
56. Invitations will be sent electronically to elected members in due course.

Strategy and Policy

Policy and Bylaw Updates

57. There are a number of Council bylaws and policies currently being reviewed and updated, and a number of bylaws due for review in the next 12 months. Deliberation and adoption of the draft Speed Limits Bylaw is scheduled for March 2020.
58. Work has begun reviewing 'The Keeping of Animals, Poultry and Bees Bylaw'. Preliminary feedback has been received and staff have presented a draft bylaw to the regulatory and consents committee. Formal consultation is anticipated in March/April 2020.
59. Staff have been involved in the review of the combined Local Alcohol Policy (LAP), in collaboration with Invercargill City Council. Following consultation, hearings and deliberation, a joint committee of the two councils endorsed a provisional LAP for public notification. No appeals were lodged and the LAP was automatically adopted on 6 December 2019. Council will be asked at its meeting 4 March 2020 to bring the LAP into force with an operational date of 31 March 2020.
60. Work to investigate a jetties user pay system for the commercial use of jetties on Stewart Island/Rakiura is continuing. Staff have received feedback on potential charging options from the Jetties Subcommittee (from the 2016-2019 triennium) and the Stewart Island/Rakiura Community Board. The next step is for staff to discuss possible charging options with external stakeholders.
61. Staff have been working to produce a draft procurement policy and manual, which would introduce changes to the way Council purchases goods and services. Feedback on the draft will be sought from the executive leadership team, prior to the draft policy being discussed with the finance and assurance committee.
62. Preliminary work has begun reviewing the combined Local Approved Products Policy. This policy is about restricting the sale of psychoactive substances. Council currently has a combined policy with Invercargill City Council and Gore District Council. The next steps are to ascertain whether Council is keen to continue having this joint policy.

63. In relation to Council strategies, staff have undertaken a stocktake on the strategies that have been adopted by Council, and also the strategies in place for the Southern region. Team members are currently investigating whether further Council strategies are required, and the structure and type of strategies that might be appropriate.

Community Futures Research and Analysis Work Programme – Strategy Development

64. Council has a strategy deficit and strategy and policy staff are currently working to identify a five year work programme that will determine how best to deal with this. The research and analysis work programme has laid the foundations for strategy design and development and will now evolve into developing the programme of work to consider the strategy deficits, and inform this next stage for Council research and analysis. It will be of benefit to the communities of Southland to have clear Council strategies for the District that will align to and inform regional strategy work. It will also ensure that Council is better positioned to respond to national strategy development if we understand our own direction. Council's transition to dealing with our strategy deficit will be at least a five year programme of work, and will require extensive community engagement and participation throughout.
65. Council supports the continuation of research and analysis work to inform and support its decision making and to assist in leading the development of Council's overall approach to the management of change and preparation for what the future might hold for the District and its communities. Identifying priorities for investing in community future planning has included socio-demographics, climate change, levels of service, rating affordability, land and water plan implications, community assistance and funding, and technological change. This on-going work identifies the need for Council to understand the potential impacts that mega trends and technological change may have on communities, industries, work patterns, land use and lifestyle choices. This is integral to supporting the approach of the research and analysis work programme, particularly in relation to prioritisation and future service provision requirements, social cohesion and engagement.
66. The decision to invest in research and analytics is critical if Council wishes to plan for the future. Undertaking big picture research and analysis work will position Council to better understand the decisions it needs to make for the future of the District.

Risk Management Framework

67. Council continues to identify the need to invest in and develop its risk management processes and approach. The objective of the risk management framework is to create a framework to effectively understand, plan for, and mitigate risk across all levels and activities within the organisation that can provide assurance to Council, the Southland District community and stakeholders that critical risks are identified and managed effectively.
68. Updates to the finance and assurance committee and Council have utilised the risk management framework for the September and December 2019 quarterly reports and both committee and Council have indicated their approval of the process. The review process is underway for the current quarter and will be presented to the finance and assurance committee at its 23 March 2020 meeting.

69. As part of the review process, the executive leadership team met on 10 February 2020 to undertake review of the priority weightings given to each of Council's priority strategic and corporate risks. A report outlining the reviewed register will be presented to the finance and assurance committee for endorsement at its meeting 22 June 2020.

Interim Performance

70. The corporate performance framework aligns Council's high level direction to its activities and outcomes, and its purpose is to streamline Council planning and reporting functions. As part of the corporate performance framework, Council will deliver on its legislative requirements – including the Long Term Plan, Annual Plan, Annual Report and activity management plans. Council produces an interim performance report, undertaken three times a year – for the four month periods of July-October, November-February and March-June, with the third being produced to inform the Annual Report. The second interim performance report of the 2019/2020 financial year is currently being produced and will be presented to a committee of Council in April 2020.

Annual Plan 2020/2021

71. The Local Government Act 2002 requires Council to prepare and adopt an Annual Plan in the second and third years between development of the Long Term Plan. The purpose of the Annual Plan is to consider and approve any variations to the Long Term Plan for that financial year. Once finalised, the direction given for 2020/2021 will be used to set rates for the year beginning 1 July 2020 and deliver any additional projects or initiatives identified. A report was presented to Council on 30 January to approve the project plan for the 2020/2021 Annual Plan. Following the recent state of emergency declared in Southland, rationalisation and prioritisation of project delivery will be assessed in the immediate to short term future.

Annual Report 2018/2019

72. The Annual Report project team are awaiting confirmation of the proposed audit dates before finalising the timetable for the 2019/2020 Annual Report. A report on the Annual Report 2018/2019 audit recommendations is expected to be presented at the finance and assurance Committee meeting in March 2020.

Long Term Plan 2021 - 2031

73. Community engagement will begin around the LTP 2031 with community cafes and drop-ins proposed for later in March, and again in July and August. Councillors and community board chairs will be available to discuss with communities key topics and feedback on the options of dealing with them that will help build the LTP 2031 consultation document. Council staff are beginning working on their activity management plans that consider the future delivery of Council activities and how they will be managed. Activity management plans are expected to be presented to Council by June 2020 and will guide the development for the next stages of the LTP 2031. Activity managers will be meeting with community boards from February to March to discuss projects and levels of service. A report on the proposed significant forecasting assumptions will be reported to Council at its February meeting, with the draft financial and infrastructure strategies expected to be completed and ready for Council approval by March 2020.

Environmental Services

Group Managers Update

- 74. Predator Free Rakiura leadership and management teams met in January at Te Rau Aroha Marae, Bluff to establish the next phase of the project. Of particular interest was the requirement to develop an indicative business case to support the funding application to DoC.
- 75. The policy team have been working on a submission for the Draft National Policy Statement for Indigenous Biodiversity (NPSIB) which will be with Council in March.
- 76. Normally, January is a quieter time for consent applications, however, this year there has been a steady stream of applications for both planning and building. MBIE have indicated a desire to visit Council to review our Earthquake Prone Building processes and progress towards identification of those buildings at risk during an earthquake.
- 77. MBIE also brought to the building manager's and GM's attention a report carried out in early 2019 regarding the Territory Authority (TA) responsibilities and recommendations that Council needs to ensure are followed up on.
- 78. We are establishing a small team to assist with this additional backlog of TA work which mainly includes swimming pool barrier inspections, compliance schedules, and Building Warrant of Fitness audits (BWofFs).

Environmental Health

- 79. The Ministry for Primary Industries (MPI) was required to complete a review of Council food verification functions, the review being required by s.138 of the Food Act 2014. Councils have had exclusivity in the provision of food verification services in their respective boundaries, for certain types of business; that is, that only Councils can provide this service for those food businesses (including most retail food businesses).
- 80. MPI has completed this review, and MPI has decided that Councils will retain this exclusivity. Not only does this give some certainty to future planning of the service, but also there is reduced pressure to obtain accreditation of our verification services. Options going forward for the environmental Health team include going ahead with accreditation, or implementing a quality system minus the IANZ audits.
- 81. The text of the announcement is below (edited):

The review of Section 137 (s137) of the Food Act 2014 has been completed. The review concluded that Territorial Authorities (TAs) should retain the exclusive and automatic right to verify food businesses that sell food directly to consumers under a Section 39 Template Food Control Plan (FCP) and operate entirely within the district of that Territorial Authority.

In 2019, MPI undertook research to generate an evidence base from which to draw conclusions for the review. The view included a survey of TAs (60 responses), survey of food businesses (690 responses), survey of third party verifiers (8 responses), review of registration and verification data, review of the report "Coregulator Food Act 2014 Implementation Progress", and meetings and discussions with TAs, industry bodies, and third party verifiers.

In the review we found no indications of major systemic issues with the way s137 is currently operating that would require repeal or major amendment to the provision. There are some reported minor issues that require further monitoring and analysis. Hon Damien O'Connor, the Minister for Food Safety, agreed with MPI's recommendation to keep s137.

We will continue to monitor the effectiveness of s137, alongside other aspects of the Act, as part of our normal regulatory monitoring. We look forward to continuing our collaboration with TAs in strengthening the food system.

Animal Control

82. The team has convened an early planning meeting with relevant staff for this year's dog registration cycle. Significant changes to the way that we manage the process will be implemented this year, in line with Council's direction towards online services. The proposed changes are:
- i. introducing an online service for the registration of new dogs. This year dog owners will be able to register their new dogs using "PayIt" on Council's website. Dog owners can already renew dog registrations using PayIt, so this means that all dog registrations will be able to be done using PayIt.
 - ii. emailing of dog registration forms. Until now dog registration renewal forms have been posted to dog owners (around 6,000 forms). This year we propose to email the forms, other than to those dog owners that have already advised that they prefer receiving by post – this will always be an option going forwards.

Resource Management

83. **Dark Skies Plan Change for Rakiura** – the hearing for the Council initiated plan change was held on 12 February 2020 and a decision is anticipated within the next month. The change to the District Plan was sought to create rules around future artificial lighting on the island in order to maintain the existing high quality of the night sky. A total of seven submissions were received on the plan change.
84. Ongoing work is occurring on the regional work streams for Climate Change, Biodiversity, Landscapes and Natural Character. The Climate Change report was presented to Council on 22 May 2019 and wider communication of climate change was endorsed. Joint work on the next phases of climate change is currently being scoped. Internal climate change work has commenced to inform the initial phase of the next LTP process. Work on the biodiversity, landscapes and natural character projects is ongoing and they are likely to be released in 2020.
85. Council was part of the territorial authority reference group providing feedback to the Ministry of the Environment on the proposed National Policy Statement on Indigenous Biodiversity and the proposed New Zealand Biodiversity Strategy.
86. Consultation on the NPS for Indigenous Biodiversity opened in November 2019, initial indications are that achieving the requirements of the strategy will require a significant body of work identifying potentially Significant Natural Areas, mapping them and revising rules within the District Plan to protect and enhance them. Submissions on the strategy close in March 2020.

87. Giving effect to the NPS and identifying Significant Natural Areas is going to be an expensive process. There is estimated to be 1.7 million hectares of potentially significant biodiversity which equates to 57% of our District. Approximately 94,000ha of this area is indicated to be on private land. Council has provided input into the LGNZ submission and Southland District Council is one of the case study councils forming part of that submission. It is clear, however, that the introduction of the new Biodiversity NPS will come at a significant cost, which will not be funded by central government.
88. It is anticipated that the National Policy Statement will be gazetted prior to the general election in September.
89. Resource consent data for previous few months:
- November – 29 applications received, 26 decisions issued.
 - December – 24 applications received, 29 decisions issued.
 - January - 18 applications received, 17 decisions issued.
90. Overall the number of consents issued for 2019 is sitting 14% higher than 2018.

Building Solutions

91. During January, the building solutions team achieved the below compliance/alignment to timeframes:
- 91.6% of the 24 building consents issued, were issued on time (≤ 20 days). This is an improvement from last month's 87.5% compliance and a good outcome considering that this month, due to annual leave, the team have been operating at a reduced capacity, however as the requirement is no less than 95% compliance the team still have some work to do.
 - Of the 79 Code Compliance Certificates issued in January, 77.3% complied with statutory timeframe. The BCA CCC's are currently being taken care of by the CCC project team while the 'in training' TSP's are operating at a reduced capacity. Their data clean up showed an historical 43 CCC applications that were ready for issue and not appearing in the previously used reporting, unknowingly creating a backlog. As a result, the % compliance to timeframes is lower than average and the backlog has primarily been resolved.
 - 23% of the 125 further information items reviewed and completed by the team were processed on time (≤ 5 days). This shows that the team have used the 'suspended BCA clock' over Christmas to catch up on a backlog of overdue actions.
 - Building consents issued for the month of January took an average of 17 statutory days (from 1 to 38) and 49 calendar days (from 1 to 205) to issue.
92. During January, customers achieved the below compliance/alignment to Council requirements:
- 57.8% of the applications received were complete and correct (19 out of 45 applications received required RFI's to be sent upon receipt)
 - 78.7% of the inspections completed showed work that complies with the consented plans (43 of 202 inspections completed were issued inspection outcome notices)

93. Post the early February Southland flood event, on Friday, 7 February the building solutions team provided three inspectors as requested to assist the Gore District Council. A total of 105 residential dwellings were visited and assessed by the three inspectors, with nine of those having sustained flooding above floor level.
94. Reconnaissance in the District was carried out on 7, 8, and 10 February, taking in Wyndham, Mataura Island, Fortrose, Pyramid, Riversdale, Ardlussa, Freshford, Waikaia, and Piano Flat areas, by the building solutions team. A large area was covered, in which 36 dwellings were visited, with two found to have sustained flooding above floor level.
95. A total of nine building solutions team members were involved, assisted by one environmental health team member. Staff from both departments also provided additional support.

Services and Assets

Commercial infrastructure

96. Ashby Brown has joined the team as commercial infrastructure manager.
97. Working with project delivery and community facilities teams to progress potential changes to new community services contracts as a result of 17A review. Initial workshops with incumbent contractors are scheduled to gauge market information and optimise procurement approach. With more complete market information, communities can then be consulted regarding various commercial options and the most appropriate approach moving forward.

Stewart Island Electrical Supply Authority (SIESA)

98. Funding agreement with MBIE for wind turbine development was executed and preliminary discussions with proposed consultant, Roaring 40s, are progressing. Approval will be sought to proceed with engagement of Roaring 40s via direct negotiation.
99. Morrison Low is being engaged to assist with navigating a direct negotiation with the incumbent SIESA contractor, PowerNet, to continue maintenance and operation of the SIESA assets. Implications of the potential wind turbine project will be incorporated in this exercise.

Forestry (IFS)

100. Various factors including flow-on effects from the coronavirus in China have created recent market challenges in the New Zealand forest industry. However, Council forest interests have benefited from a 12-month fixed price and volume contract direct with China. This contract is almost halfway through and has reduced exposure to the current market volatility.

Around the Mountains Cycle Trail

101. The recent flood event has caused some trail damage which is currently being assessed. Based on preliminary inspections there is likely to be significant repair work required. However, early discussions with MBIE indicate that potential exists for additional funding to be provided to assist with reinstatement following this adverse event.

Te Anau Manapouri Airport

102. Following obtaining Part 139 certification, a number of follow-up actions exist that are required to maintain status. Primary among these is developing a long term maintenance and intervention strategy – proposals for this work have been obtained and the output from this work will inform the long term strategic direction and budget.

Strategic Water and Waste

Te Anau Wastewater Discharge Project

103. Following Council resolutions from 23 October 2018 meeting, when it was resolved to proceed with a sub-surface drip irrigation as the disposal route, staff have been progressing work on a number of fronts including development of resource consents for the sub-surface drip irrigation field, as well as advancing towards a detailed design.
104. The contract for the pipeline element has now been awarded to Fulton Hogan with physical work under way in late August/early September, to date over 4km of pipe has been laid.
105. A resource consent for the SDI disposal system was issued by Environment Southland in December. Staff are also proceeding with drafting of a new resource consent to continue with the current Upukerora discharge, which expires in November 2020, given that the new disposal system will not be operational by that time.
106. The tender period for the membrane plant, mechanical and electrical work in Te Anau and additional storage closed in late 2019 and was followed up with a value engineering workshop prior to final recommendations around contract award. Work is also underway to establish a contract price for implementation of the SDI disposal system. It is anticipated that a report recommending a way forward in relation to both contracts will be presented to Council once all of the required information has been collated into a report.

Land and Water Plan Implementation

107. Environment Southland released their proposed Land and Water Plan last year.
108. In total 25 appeals were received by Environment Southland of which Council has identified 10, which it will join as a section 274 party. Council has also lodged an appeal to the decision. The basis of Council's appeal, is largely around the 'non-complying' activity status on wastewater discharges to water. The latest direction issued from the Environment Court outlines a proposed path, where appeals to object will be heard ahead of mediation, by grouped topic on policies and rules. Evidence in support of the appeals have been filed with the Environment Court.
109. The first stage of the hearing around Objectives and Farming Policies commenced on 4 June with Council staff and experts presenting evidence on 11 June.
110. The first stage has now been completed and it is anticipated that the court will release interim decisions on the evidence presented prior to undertaking the second stage of the appeal process.
111. Further strengthening of environmental and water supply regulation is anticipated following release of cabinet papers on Three Waters Reforms and Ministry for the Environment (MfE) release of its approach to taking Action for Healthy Waterways, including a revised NES on source protection for water supplies and a proposed new NES on Wastewater Discharges. At this

stage it is not fully understood if these amendments will have any implications for the Plan process.

112. Interim decisions were released by the Environment Court in late December with a recommendation that further expert conferencing be undertaken in early 2020.

Review of Waste Disposal Levy

113. On 27 November Associate Minister for the Environment, Eugenie Sage, announced a wide reaching review of the Waste Disposal Levy. The levy introduced through the Waste Minimisation Act 2008 places a charge of \$10 per tonne for all waste disposed at municipal landfill sites. Of the money collected half is returned to TLAs to help fund waste minimisation activities with the remainder going to a contestable fund where any organisation can apply to gain funding to help set up waste minimisation initiatives.
114. The review proposed to both increase the levy (phased over three years) from the current \$10 per tonne to a proposed \$50 - \$60 per tonne which brings it more into line with similar levy schemes in Australia and overseas. It is also proposed that the scheme will also be extended to include all landfill types (currently it only applies to those receiving household waste).
115. Revenue raised from the landfill levy is currently around \$36 million per annum. It is estimated that the proposals would result in an increase of levy revenue of around \$220 million by 2023.
116. The consultation document outlines four potential options for transitioning from current arrangements to future arrangements by 2023.. The WasteNet prepared submission was presented to Council on 30 January and formally submitted to MfE on 31 January. Further decisions are anticipated by mid-2020.

Property Services

117. Property management is ongoing with numerous daily queries and transactions being processed. This is a result of considerable economic activity both internal and external.
118. External activity is generating a considerable amount of queries about Council properties including potential disposal, unformed roads and potentially affected party approvals for resource consents where Council is a landowner in close proximity.
119. Internal activities included providing advice to other operational departments either for their day to day activities, or projects being undertaken. There has been a temporary spike in vacant community housing units which has taken considerable time to allocate and process new tenants. The recent abandoned land tender also required a significant amount of staff time given the number of properties, queries and actual tenders to be processed.

Community Facilities

120. Community facilities is continuing to gather further information on the assets within the community facilities portfolio. This information is being presented to each community board at their February meetings to provide an understanding of the assets that they now have, within their respective areas. The work associated with the 17A review is progressing with the intention of having new contracts in place for mowing, cleaning and gardening.

121. The capital works programme is progressing with a number of projects having been completed, a number in progress and some just starting after Council approval for additional funding being gained.
122. The high winds experienced prior to the emergency event has resulted in some remedial work being undertaken on the Invercargill office with the potential for additional work being required.
123. The community facilities' assets came off lightly in the flood event, with only the Fortrose toilet being inundated with water causing minor damage only.

Project Delivery Team

124. The project delivery team have been incredibly busy over the last few weeks assisting all teams with wind and then flood damage which has slowed progress on some capital works projects. This shouldn't significantly affect the final end delivery as a lot of the smaller projects have now been completed and the focus is on reviewing year end forecasts to see what projects can progress. Major projects such as the bridge replacement and new water mains in Otatau and Te Anau are progressing well.
125. Discussions have now started with asset team managers on next year's workload and key projects.

Strategic Transport

Road Safety

126. The team and our contractors have been working hard over the past few weeks with the flooding and emergency event. Staff have been out with contractors inspecting the network and prioritising repair work with the main focus being the reopening of key roads and ensuring people have access to their houses.
127. While all the key roads are open there is still a reasonable amount of tidy up work to be completed across the District in the coming weeks and even months before things return to a degree of normality.

National Land Transport Programme 2021

128. A Council representative attended an information session on the National Land Transport Programme presented by NZ Transport Agency.
129. As Council starts to focus on developing its Long Term Plan so too is the Ministry of Transport currently developing the 2021 Government Policy Statement on Land Transport, for consultation in 2020.
130. In preparation for the NLTP the NZ Transport Agency are reviewing and will be seeking feedback on a number of documents such as:
 - The National Road Safety Strategy (Road to Zero)
 - Arataki (NZTA 10 year view)
 - Investment Decision Making Framework.
131. In conjunction with these, the Regional Land Transport Plans (RLTP) is also under development which will require input from Council. This document describes the region's long-term vision

and identify its short to medium-term investment priorities to move towards this vision. It also includes a regional programme of transport activities proposed for funding over the next three to six years.

132. RLTPs are the primary mechanism for discussing and agreeing a clear set of regional outcomes, priorities and improvement projects in land transport. They describe the gap between where we are and where we need to get to, along with the programme of activities needed to bridge that gap. Therefore, RLTPs tell a powerful story about a region and its aspirations.
133. Council will have an opportunity for input into the RLTP through range of mechanisms such as Activity Management Plans and its elected representative on Regional Land Transport Committee.

District Wide Renewals Programme

134. Despite recent weather events, good progress is still being made on the delivery of the rehabilitation programme.
135. Downer is also progressing the seal resurfacing programme. As part of this work they will be bringing in crews from the rest of the South Island as required to ensure the programme is delivered.
136. The two bridge design build contracts have been awarded for the replacement of up to 19 bridges. Construction of the units is underway with the first of the bridges expected to be installed in mid-March.

Recommendation

That the Council:

- a) **Receives the report titled “Management Report” dated 18 February 2020.**

Attachments

There are no attachments for this report.

Unbudgeted Expenditure Report Funding of Elected Member Remuneration

Record No: R/20/2/3835

Author: Clare Sullivan, Governance and Democracy Manager

Approved by: Rex Capil, Group Manager Community and Futures

☒ Decision

☐ Recommendation

☐ Information

Purpose

- 1 The purpose of this report is to consider an application for the payment of the balance of the Elected Member salaries following the Remuneration Authority's determination for the 2019/2020 year.

Executive Summary

- 2 On 12 December 2019 the Remuneration Authority (the Authority) made a determination that set the salaries for the Deputy Mayor, Committee Chairpersons and Councillors. This follows an earlier determination by the Authority following the outcome of the representation review that set the new community board structure for Southland District Council. The Authority set the level of salaries for the new community board structure.
- 3 The Council must allocate the entire pool as set by the Authority.
- 4 In relation to the Mayor and Councillor remuneration for the 2019/2020 year a total of \$468,650 was budgeted. Following the December 2019 determination the total cost of remuneration for the Mayor and Councillors is \$506,512 (being a shortfall of \$37,862). It is recommended that this be funded from district operations reserves.
- 5 In relation to community board members, the amount of \$171,921 was previously budgeted for the payment of community board remuneration for the 2019/2020 year. The previous community board members were paid from July to October 2019. Remuneration for members of the new community board structure for the financial year 2019/2020 is from November 2019. Together the total is \$234,658. This means there is a shortfall of \$62,738.
- 6 Council is required to pay the amounts as allocated by the Authority.
- 7 It is proposed that this shortfall be funded from the appropriate ward reserves for each community board and the Stewart Island Rakiura Community board.

Recommendation

That the Council:

- a) **Receives the report titled “Unbudgeted Expenditure Report Funding of Elected Member Remuneration” dated 18 February 2020.**
- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Approves funding the shortfall in Mayor and Councillor remuneration of \$37,862 from district operations reserve.**
- e) **Approves funding the shortfall in community board remuneration for the 2019/2020 year of \$62,738 to be funded from the appropriate ward reserves and the Stewart Island/Rakiura community board reserves as appropriate.**

Background

- 8 In November 2019 the Council considered a report allocating the pool, set by the Authority for positions of responsibility and councillors remuneration. The Authority set the pool for remuneration at \$396,288. Council was required to allocate the entire amount. Remuneration for the Mayor, also set by the Authority, is in addition to this.

Issues

- 9 As a result of the determination from the Authority, Council is required to pay the remuneration rates and fund the shortfall from what was budgeted for the 2019/2020 year. Staff have proposed the similar funding for the shortfall in 2020/2021 in the draft annual plan. Any changes will be advised by the Authority later in 2020.

Factors to Consider

Legal and Statutory Requirements

- 10 This is a statutory requirement. Council is required to give effect to the requirements of the Remuneration Authority.

Community Views

- 11 This is a statutory requirement. No specific community views have been sought.

Costs and Funding

- 12 As noted in the report that went to Council in November 2019, the amount budgeted in the 2019/2020 Annual Plan would not be sufficient. In the previous triennium, Council decided to

allocate 150% of the pool instead of the full pool of 200%. Council is now required to allocate the entire pool.

- 13 For the Mayor and Councillors \$468,650 was budgeted in the 2019/2020 year. It is projected to spend \$506,512 leaving a shortfall of \$37,862.
- 14 The business unit for Council and Councillors for 2020/2021 will also need reviewing as \$478,960 has been budgeted and the actuals will exceed this. As noted in paragraph 9 the Authority will advise the figures for 2020/2021 later.
- 15 For Community Board members remuneration \$171,920 was budgeted for the 2019/2020 year. It is now projected to spend \$234,658, a shortfall of \$62,738.
- 16 The same issue will arise in the 2020/2021 year. \$175,703 has been budgeted for the 2020/2021 year. Actuals will exceed this.
- 17 Below is a table showing the projected spend for 2019/20, the budget shortfall and the potential ward/board to fund the shortfall

	Projected 19/20 Spend	Budget 19/20 from old CB	Variance	Reserve to fund
Ardlussa	\$17,462		\$17,462	Mararoa Waimea Ward
Fiordland	\$34,057	\$37,697	(\$3,640)	Mararoa Waimea Ward
Northern	\$16,883		\$16,883	Mararoa Waimea Ward
Oraka-Aparima	\$26,669	\$23,375	\$3,290	Waiau Aparima Ward
Oreti	\$43,269	\$42,230	\$1,039	Winton Wallacetown Ward
Stewart Island/Rakiura	\$14,000	\$9,806	\$4,194	Stewart Island/Rakiura General
Tuatapere Te Waewae	\$21,760	\$15,837	\$5,923	Waiau Aparima Ward
Waihopai Toetoe	\$31,690	\$16,584	\$15,106	Waihopai Toetoes
Wallace Takitimu	\$38,867	\$26,391	\$2,476	Waiau Aparima
	\$234,658	\$171,920	\$62,738	

Projected Reserve balances

	Projected 19/20 Shortfall	Reserve Balance 30/6/19	Forecasted Reserve Balance
Mararoa Waimea Ward	\$30,706	\$298,808	\$39,005
Waiau Aparima Ward	\$11,694	\$269,320	\$274,178
Winton Wallacetown Ward	\$1,039	\$425,086	\$426,825
Stewart Island/Rakiura General	\$4,194	\$245,126	\$199,660
Waihopai Toetoes	\$15,106	\$135,575	\$53,393
	\$62,738		

Policy Implications

- 18 There are no policy implications regarding the payment of remuneration.

Analysis

Options Considered

Analysis of Options

Option 1 – Fund the shortfall as noted in recommendations d and e

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> Elected members remunerated as per the Remuneration Authority's determination. 	<ul style="list-style-type: none"> Does not meet the amount budgeted for 2019/2020

Option 2 – Identify another funding source for the shortfall

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> None identified 	<ul style="list-style-type: none">

Assessment of Significance

- 19 This report is not considered significant in terms of the significance and engagement policy.

Recommended Option

- 20 Option 1 fund the shortfall as noted in recommendations d and e.

Next Steps

- 21 The budgets will be funded as necessary.

Attachments

There are no attachments for this report.

Triennial Agreement 2019 - 2022

Record No: R/20/2/4121

Author: Clare Sullivan, Governance and Democracy Manager

Approved by: Rex Capil, Group Manager Community and Futures

☒ Decision

☐ Recommendation

☐ Information

Background

- 1 Under the Local Government Act 2002 local authorities within a region are required to have in place a Triennial Agreement containing protocols for communication and co-ordination amongst them during the period until the next triennial general election of members.
- 2 Attached to this report is the Triennial Agreement between Southland District Council, Southland Regional Council (Environment Southland), Gore District Council and Invercargill City Council for the period from October 2019 to October 2022 which will take effect from 1 March 2020.
- 3 The Chief Executive has reviewed the draft Triennial Agreement and the contents remain largely unchanged.
- 4 The Triennial Agreement promotes the shared intent of the four Councils in the Southland region to proactively collaborate and co-operate with each other, to maximise effectiveness and efficiency and to meet the current and future needs and interests of their respective communities.
- 5 Once adopted the Triennial Agreement remains in force until it is replaced by another agreement. However, there is provision for the agreement to be amended in the event the Councils wish to change any of the protocols.

Recommendation

That the Council:

- a) **Receives the report titled "Triennial Agreement 2019 - 2022" dated 20 February 2020.**
- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Approves the Mayor and Chief Executive executing the attached draft Triennial Agreement under seal, pursuant to Section 15 of the Local Government Act 2002.**

Attachments

- A Draft Triennial Agreement 2019 to 2022 [↓](#)

DRAFT

Triennial Agreement Southland Region

For the triennium October 2019 to October 2022



A402339



STATEMENT OF INTENT

This agreement represents the shared desire of local government in the Southland Region to pro-actively collaborate and co-operate with each other, to maximise effectiveness and efficiency and to meet the current and future needs and interests of their respective communities.

PREAMBLE

The Local Government Act 2002 recognises that each individual local authority is only one player in the achievement of community needs and interests, and that attaining those objectives goes beyond local authority boundaries. The Act, through its principles further recognises that local authorities will need to actively seek to collaborate and co-operate with other local authorities and bodies to improve the effectiveness and efficiency with which it achieves its identified priorities and desired outcomes. The main framework for co-ordinating the collaboration between different local authorities is the Triennial Agreement.

This Agreement is deemed to meet the requirements of section 15 of the Local Government Act 2002.

For the legal context see Appendix 1.

PURPOSE

Through this Triennial Agreement, the local authorities are encouraged to work together to recognise and provide for the local authorities playing a broad role in promoting the social, economic, environmental and cultural well-being of their communities in the present and for the future, while taking a sustainable development approach. This agreement provides an opportunity to reinforce the principle of collaboration and improve communication and co-ordination at all levels of local government in the Southland Region.

It is recognised that a significant level of formal and informal collaboration and co-operation already exists between the local

A402339

authorities. The success of the Triennial Agreement will be demonstrated through expanded relationships that help local authorities to work co-operatively and collaboratively to advance community goals for the region as a whole. This agreement does not address local authorities' relationships with Central Government agencies or other important sectors of the community, each of which will also be important to the effective delivery of community outcomes.

Appendix 2 lists possible areas of collaboration.

SIGNATORIES

The parties:

- Gore District Council
- Invercargill City Council
- Southland District Council
- Environment Southland (Southland Regional Council).

PRINCIPLES AND PROTOCOLS

The parties agree to work in good faith together for the good governance of their localities and the region.

Signatories to this agreement recognise that:

1. the communities within the Region are diverse and encompass a range of desired outcomes. Issues and concerns that are shared by some local authorities may be of little relevance to others. This Triennial Agreement acknowledges that it must have a range of sub-agreements or protocols developed for communication and co-ordination on local issues and media responses between and among local authorities.
2. collaboration among local authorities is necessary to address increasingly complex governance issues. Many issues cannot be solved by any one agency acting alone. Issues such as community safety and sustainable

- development do not have simple solutions. This includes a commitment to make staff available across local authority boundaries during emergencies.
3. it is desirable that collaboration occur at both the governance and operational levels.
 4. collaboration can make planning more efficient, reduce costs, increase available resources and help make strategic judgments about the allocation of resources and the delivery of services.
 5. collaboration can help local authorities promote the social, economic, cultural and environmental well-being of communities in the region.
 6. this agreement establishes a platform for ongoing discussion and consultation on issues, policy and programmes.
 7. the councils agree to act in good faith on issues of information and disclosure.
 8. the councils agree to work collaboratively in an open and transparent manner.
 9. as signatories to this agreement all councils will ensure provision of the following:
 - (a) early notification to affected councils, through the distribution of draft documentation and information, of major policy discussions which may have implications beyond the boundaries of the decision-making council. This specifically includes the development of consultation policies and policies on significance and engagement.
 - (b) opportunities for all councils in the region to be involved in early consultation on the development of one another's draft Annual Plan and draft Long-term Plan and other significant policy

consultation processes or consultation documents.

- (c) the application of a 'no surprises' policy, whereby early notice will be given over disagreements or differences between councils concerning issues, policy or programmes, before critical public announcements are made.
- (d) where practicable, avoidance of unnecessary duplication by jointly or in a collaborative manner, engaging with communities and agencies in order to identify community outcomes and to prioritise those outcomes.

MAYORAL FORUM

The four Councils commit to continue the Southland Mayoral Forum as a collaborative group made up of the Mayors and regional Chair. Its purpose is to provide governance leadership to programmes and projects with a regional perspective that cut across the local authorities and which require integrated leadership.

Terms of Reference for the operation of the Mayoral Forum have previously been agreed.

THE CHIEF EXECUTIVE OFFICERS

The Chief Executive Officers will meet on a regular basis to:

- implement and manage collaborative projects and agreed actions;
- identify and escalate strategic issues and opportunities for collaboration on strategy, policy and planning ; and
- include a framework for collaboration in the governance and management of effective and efficient delivery of services, infrastructure and regulatory functions across the region

within a context that promotes the social, economic, environmental, and cultural well-

being of communities in the present and for the future.

The CEs will be the “clearing house” for addressing and agreeing any strategic, emerging or identified issues. Emergency meetings between the combined CEs can be called as required.

This does not preclude meetings being co-ordinated by councils other than the council next on the rotation, on request.

GENERAL APPROACH TO CONSULTATION

Signatories to this agreement will endeavour to:

1. work jointly to share resources for the purpose of preparing background information on the various communities within the Region. Such information may include demographics, survey data and scientific studies and the analysis of social, economic, environmental and cultural trends.
2. actively collaborate and cooperate with government agencies and local authorities outside the region as considered appropriate to promote or achieve regionally focused priorities and desired outcomes, while making efficient use of resources, and in situations where issues and potential solutions cross local authority boundaries.
3. develop agreed or joint approaches to engaging with the media (including development of joint media statements), Government agencies, tangata whenua, and other organisations.
4. develop processes, protocols and agreements through which the councils can jointly participate in identifying, delivering services (S.17A, LGA), and funding facilities of significance to more than one district.
5. promote communication and co-operation among the local authorities in the Region.
6. provide early for notification/circulation of information, and participation in, decisions that may affect other local authorities in the Region.
7. make draft strategies, policies and plans available to all local authorities in the Region for discussion and development.
8. recognise that shared services in the region, or joint procurement approaches with joint or separate contracting, can bring efficiencies and savings in terms of planning, administration, consultation and operations; increases in available resources and promotion of cooperative approaches to the allocation of resources (refer to Appendix 2 and Shared Services Forum MOU).
9. use our statutory reporting documents to report steps taken to implement the intent of this document.
10. the following consultation process (in terms of Clause 3A, First Schedule RMA) will apply to any change, variation, or review of the Regional Policy Statement for the Southland Region, and the preparation of any future Regional Policy Statement:
 - (a) Environment Southland will seek the input of territorial authorities into the review of the Regional Policy Statement for the Southland Region.
 - (b) Environment Southland will make available to all local authorities, for discussion and development, draft copies of:
 - any change or variation to the Regional Policy Statement
 - any proposed Regional Policy Statement.

- (c) territorial authorities will be given a reasonable period of time, but no less than 30 working days, to respond to any such proposal. Environment Southland agrees to consider fully any submissions and representations on the proposal made by territorial authorities within the region.

SIGNIFICANT NEW ACTIVITIES PROPOSED BY THE REGIONAL COUNCIL

If Environment Southland or a regional council-controlled organisation proposes to undertake a significant new activity, Section 16 of the Local Government Act 2002 shall be adhered to.

As part of this communication process, the parties agree to discuss the issues involved at one or more of the existing forums, and to provide early drafts of proposals to affected councils for early comment. This includes amendment of the Environment Southland's significance and engagement policy.

Where it is proposed that Environment Southland undertakes significant new activities that are undertaken or have been proposed in a consultation document to be undertaken by one or more territorial authorities within the Region:

- a. Environment Southland will as soon as practicable inform all territorial authorities within the Region of:
 - the nature of the activity proposed to be undertaken
 - the scope of the proposal (including size, districts covered and why)
 - the reasons for the proposal.
- b. territorial authorities will be given a reasonable period of time, but no less than 30 working days, to respond to any such proposal. Environment Southland agrees to fully consider any submissions and representations on the proposal made by territorial authorities within the Region.

- c. should there be substantive disagreement between the local authorities about whether Environment Southland should undertake the activity, the parties agree to refer the matter to mediation, as set out in the process in this agreement for resolving disagreement.

DECISIONS OF A LOCAL AUTHORITY

If a decision of a local authority is significantly inconsistent with, or is expected to have consequences that will be significantly inconsistent with this agreement, the local authority must, when making the decision, clearly identify —

- (a) the inconsistency; and
- (b) the reasons for the inconsistency; and
- (c) any intention of the local authority to seek an amendment to this agreement.

As soon as practicable after making any decision to which the above applies, the local authority must give to each of the other local authorities within the region notice of the decision and of the matters specified in subsections (a) – (c).

RESOLVING DISAGREEMENT

In the event of a disagreement over the terms of this agreement, the parties agree to refer the issue of disagreement to mediation for a resolution within 3 months of any such disagreement arising. If no agreement is forthcoming a mediator will be appointed by the president of the Southland District Law Society. If mediation is unsuccessful, any of the local authorities affected may ask the Minister of Local Government to make a decision on the proposal.

AUTHORITY

This agreement is signed under seal by the following on behalf of their respective authorities:

Environment Southland (Southland Regional Council)

Chair

Chief Executive

A402339

Southland District Council

Mayor

Chief Executive

Invercargill City Council

Mayor

Chief Executive

Gore District Council

Mayor

Chief Executive

APPENDIX 1**LEGAL REQUIREMENTS – Local Government Act 2002**

This document is deemed to duly constitute fulfillment of section 15 of the Local Government Act 2002.

Section 15 requires that:

- (1) Not later than 1 March after each triennial general election of members, all local authorities within each region must enter into an agreement under this section covering the period until the next triennial general election of members.
- (2) An agreement under this section must include—
 - (a) protocols for communication and co-ordination among the local authorities; and
 - (b) a statement of the process by which the local authorities will comply with [section 16](#) in respect of proposals for new regional council activities; and
 - (c) processes and protocols through which all local authorities can participate in identifying, delivering, and funding facilities and services of significance to more than 1 district.
- (3) An agreement under this section may also include—
 - (a) commitments by local authorities within the region to establish or continue 1 or more joint committees or other joint governance arrangements to give better effect to 1 or more of the matters referred to in subsection (2); and
 - (b) the matters to be included in the terms of reference for any such committees or arrangements, including any delegations.
- (4) An agreement under this section may be varied by agreement between all the local authorities within the region.
- (5) An agreement under this section remains in force until it is replaced by another agreement.
- (6) If a decision of a local authority is significantly inconsistent with, or is expected to have consequences that will be significantly inconsistent with, the agreement under this section that is currently in force within the region, the local authority must, when making the decision, clearly identify—
 - (a) the inconsistency; and
 - (b) the reasons for the inconsistency; and
 - (c) any intention of the local authority to seek an amendment to the agreement under subsection (4).
- (7) As soon as practicable after making any decision to which subsection (6) applies, the local authority must give to each of the other local authorities within the region notice of the decision and of the matters specified in that subsection.

Section 14 (e) –

a local authority should actively seek to collaborate and co-operate with other local authorities and bodies to improve the effectiveness and efficiency with which it achieves its identified priorities and desired outcomes

Section 14 (g) –

a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning effectively for the future management of its assets;

Section 16 – (summary)

if regional council, or a regional council-controlled organisation, proposes to undertake a significant new activity, the regional council must advise all the territorial authorities within its region of the proposal and seek their agreement

LEGAL REQUIREMENTS – Resource Management Act 1991**Clause 3A, First Schedule -**

- (1) A triennial agreement entered into under section 15(1) of the Local Government Act 2002 must include an agreement on the consultation process to be used by the affected local authorities in the course of—
 - (a) preparing a proposed policy statement or a variation to a proposed policy statement; and
 - (b) preparing a change to a policy statement; and
 - (c) reviewing a policy statement.
- (2) If an agreement on the consultation process required by subclause (1) is not reached by the date prescribed in section 15(1) of the Local Government Act 2002,—
 - (a) subclause (1) ceases to apply to that triennial agreement; and
 - (b) 1 or more of the affected local authorities—
 - (i) must advise the Minister and every affected local authority as soon as is reasonably practicable after the date prescribed in section 15(1) of the Local Government Act 2002; and
 - (ii) may submit the matter to mediation.
- (3) If subclause (2) applies, the parts of the triennial agreement other than the part relating to the consultative process referred to in subclause (1) may be confirmed before—
 - (a) an agreement on the consultative process is reached under subclauses (4) and (5)(a); or
 - (b) the Minister makes a binding determination under subclause (5)(b).
- (4) Mediation must be by a mediator or a mediation process agreed to by the affected local authorities.
- (5) If the matter is not submitted to mediation or if mediation is unsuccessful, the Minister may either—
 - (a) make an appointment under section 25 for the purpose of determining a consultation process to be used in the course of preparing a proposed policy statement or reviewing a policy statement; or
 - (b) make a binding determination as to the consultation process that must be used.
- (6) The consultative process must form part of the triennial agreement, whether or not the other parts of the triennial agreement have been confirmed, in the event that—
 - (a) an agreement is reached under subclause (4) or subclause (5)(a) as to a consultative process, as required by subclause (1); or
 - (b) the Minister makes a binding determination under subclause (5)(b).
- (7) In this clause, "affected local authorities" means—
 - (a) the regional council of a region; and
 - (b) every territorial authority whose district is wholly or partly in the region of the regional council.]

APPENDIX 2

Existing structures that promote communication and collaboration include, but are not limited to:

Assistance with WINZ System
Barberry Control
Emergency Management Welfare Group
Co-ordinating Executive Group
Election Returns
Emergency Management Southland
GIS Data Sharing
Gravel Management
Great South (formerly Venture Southland)
Hazardous Waste Group
Hazardous Waste Response Group
Information Technology
Invercargill Peri-urban Sewage
Laboratory Testing and Monitoring
Maintenance of Boundary Roads and Bridges
Milford Community Trust
NZAA Register Update
Our Way Southland
Public Information Management Team (SEMO)
Rakiura National Park Report
Regional Advisory Group (Transport)
Regional Transport Committee
Representation Review projects
Review of the Southland District Plan
Review of the Southland Regional Policy Statement
Riverton Harbour Committee
Road Safety Committee
Road Safety Co-ordination (joint employment)
Road Safety Southland Trust
Snow Pole Route Closure
Southern Rural Fire Authority
Southern Scenic Route Signs
Southland Coastal Landscape Study
Southland Emergency Management Group
Southland Heritage Building Preservation Trust
Southland Regional Heritage Committee
Southland Shared Services Forum
Spartina Control
Specification/Policy Sharing and Development
Stock Truck Effluent Working Group
Te Anau Basin Planning Study
Te Roopu Taiao
Tender Evaluations
Urban Fire Risk
Waiau River Working Party
Wastebusters Group
WasteNet/Waste Advisory Group
Wetlands on Private Land

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

Recommendation

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

C10.1 Disposal of land at 25 Mauchline Street, Wallacetown

C10. 2 Consideration of Future Options for Recycling Processing

C10. 3 Invercargill Office Arrangements

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
Disposal of land at 25 Mauchline Street, Wallacetown	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. s7(2)(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.
Consideration of Future Options for Recycling Processing	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. 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.
Invercargill Office Arrangements	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.

	<p>who supplied or who is the subject of the information.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>	
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