



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

Date: Friday, 11 September 2020
Time: 9am
Meeting Room: Council Chamber
Venue: 15 Forth Street
Invercargill

Finance and Assurance Committee Agenda OPEN

MEMBERSHIP

Chairperson	Mr Bruce Robertson (external member) Mayor Gary Tong
Deputy Chair	Ebel Kremer
Councillors	Don Byars John Douglas Paul Duffy Julie Keast

IN ATTENDANCE

Chief Financial Officer	Anne Robson
Committee Advisor	Fiona Dunlop

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

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

Terms of Reference – Finance and Assurance Committee

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

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

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

Financial and Performance Monitoring

- a) monitoring financial performance to budgets
- b) monitoring service level performance to key performance indicators.

Internal Control Framework

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

Internal Reporting

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

External Reporting and Accountability

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

Risk Management

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

- b) considering whether appropriate action is being taken to mitigate Council's significant risks.

Health and Safety

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

Internal Audit

- a) approve appointment of the internal auditor, internal audit engagement letter and letter of understanding
 - b) reviewing and approving the internal audit coverage and annual work plans, ensuring these plans are based on Council's risk profile
 - c) reviewing the adequacy of management's implementation of internal audit recommendations
 - d) reviewing the internal audit charter to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.
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External Audit

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

Compliance with Legislation, Standards and Best Practice Guidelines

- a) reviewing the effectiveness of the system for monitoring Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards, and best practice guidelines as applicable
- b) conducting and monitoring special investigations, in accordance with Council policy, and reporting the findings to Council
- c) monitoring the performance of Council organisations, in accordance with the Local Government Act.

Business Case Review

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

Insurance

- a) consider Council's insurance requirements, considering its risk profile
- b) approving the annual insurance renewal requirements

Treasury

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

Fraud Policy

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

Power to Recommend

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

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

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

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

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1 Apologies

At the close of the agenda no apologies had been received.

2 Leave of absence

At the close of the agenda no requests for leave of absence had been received.

3 Conflict of Interest

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

4 Public Forum

Notification to speak is required by 12noon at least one clear day before the meeting. Further information is available on www.southlanddc.govt.nz or phoning 0800 732 732.

5 Extraordinary/Urgent Items

To consider, and if thought fit, to pass a resolution to permit the committee to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) the reason why the item was not on the Agenda, and
- (ii) the reason why the discussion of this item cannot be delayed until a subsequent meeting.

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

"Where an item is not on the agenda for a meeting,-

- (a) that item may be discussed at that meeting if-
 - (i) that item is a minor matter relating to the general business of the local authority; and
 - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- (b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion."

6 Confirmation of Minutes

6.1 Meeting minutes of Finance and Assurance Committee, 22 June 2020



Finance and Assurance Committee

OPEN MINUTES

Minutes of a meeting of Finance and Assurance Committee held in the Council Chamber, 15 Forth Street, Invercargill on Monday, 22 June 2020 at 9am (9am – 10.28am, 10.45am – 12.17pm, 12.47pm – 2.16pm, (PE 12.56pm – 2.16pm)).

PRESENT

Chairperson	Bruce Robertson
	Mayor Gary Tong
Deputy Chair	Ebel Kremer
Councillors	Don Byars (9.03am – 10.28am, 10.45am – 12.17pm, 12.52pm – 2.16pm)
	John Douglas
	Paul Duffy (9.02am – 10.28am, 10.45am – 12.17pm, 12.47pm – 2.16pm)
	Julie Keast

APOLOGIES

Councillor Byars (for lateness)

IN ATTENDANCE

Chief Financial Officer	Anne Robson
Committee Advisor	Fiona Dunlop

1 Apologies

There were was an apology for lateness from Councillor Byars.

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

That the Finance and Assurance Committee accept the apology.

2 Leave of absence

There were no requests for leave of absence.

3 Conflict of Interest

There were no conflicts of interest declared.

4 Public Forum

There was no public forum.

(Councillor Duffy joined the meeting at 9.02am.)

5 Extraordinary/Urgent Items

There were no Extraordinary/Urgent items.

(Councillor Byars joined the meeting at 9.03am.)

6 Confirmation of Minutes

Resolution

Moved Chairperson Robertson, seconded Deputy Chairperson Kremer **and resolved:**

That the Finance and Assurance Committee confirms the minutes of the meeting held on 30 April 2020 as a true and correct record of that meeting.

Reports

7.1 Finance & Assurance Committee Work plan for the year ended 30 June 2020

Record No: R/20/6/15106

Chief Financial Officer – Anne Robson was in attendance for this item.

Resolution

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

That the Finance and Assurance Committee:

- a) **Receives the report titled “Finance & Assurance Committee Work plan for the year ended 30 June 2020” dated 16 June 2020.**
- b) **Notes the changes made to the Finance and Audit Committee Work plan for the year ended 30 June 2020 since the last meeting.**

7.2 Engagement Letter - Limited Independent Assurance Report of the debenture trust deed

Record No: R/20/5/11656

Graduate Accountant – Brie Lepper and Financial Accountant – Sheree Marrah were in attendance for this item. Audit New Zealand Audit Director Dereck Ollsson was in attendance via zoom.

Miss Lepper advised that the purpose of the report was to provide an overview and seek authorisation of Audit New Zealand’s engagement letter for the limited independent assurance report of Council’s debenture trust deed.

The Committee noted that the Audit New Zealand requires Council to confirm the terms of its engagement for the limited independent assurance report of Council’s debenture trust deed, by way of an engagement letter.

Resolution

Moved Cr Keast, seconded Deputy Chairperson Kremer **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Engagement Letter - Limited Independent Assurance Report of the debenture trust deed” dated 16 June 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) **Authorises the Mayor to sign the Audit New Zealand engagement letter for the limited independent assurance report of the debenture trust deed on Council's behalf.**

7.3 Audit Engagement Letters

Record No: R/20/5/11659

Financial Accountant – Sheree Marrah was in attendance for this item. Audit New Zealand Audit Director Dereck Ollsson was in attendance via zoom.

Mrs Marrah advised that the purpose of the report was to receive the proposal and audit engagement letters from Audit NZ, to conduct the audit of Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years and to consider accepting the fee proposed in regards to the 2020 year and the terms of the audit including Councils responsibilities for the years ended 30 June 2020, 2021 and 2022.

Resolution

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

That the Finance and Assurance Committee:

- a) **Receives the report titled "Audit Engagement Letters" dated 16 June 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) **Receives the proposal from Audit NZ to conduct the audit of Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years**
- e) **Receives the Audit engagement letter from Audit NZ for the 2020, 2021 and 2022 financial years**
- f) **Accepts the proposed 1.5% audit fee increase of \$1,775 for the audit of the annual report for the year ended 30 June 2020, resulting in an overall audit fee of \$120,124 excl GST plus actual disbursements for the year ended 30 June 2020.**
- g) **Accepts the terms of the engagement for the audit of the annual report for the 2020, 2021 and 2022 financial years.**

- h) **Agrees to enter into discussions with Audit NZ in relation to the audit of Councils annual report for the years ended 30 June 2021 and 2022**
- i) **Authorises the Mayor to sign the following letters received from Audit NZ,**
 - **proposal to conduct the audit of Southland District Council on behalf of the Auditor General for the 2020, 2021 and 2022 financial years,**
 - **audit engagement letter.**

7.4 Interim Management Report from Audit New Zealand for the year ended 30 June 2020

Record No: R/20/5/11689

Financial Accountant – Sheree Marrah was in attendance for this item. Audit New Zealand Audit Director Dereck Ollsson was in attendance via zoom.

Resolution

Moved Deputy Chairperson Kremer, seconded Cr Keast **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Interim Management Report from Audit New Zealand for the year ended 30 June 2020” dated 16 June 2020.**

7.8 Quarterly risk management report - June 2020

Record No: R/20/5/10858

Policy Analyst – Jane Edwards was in attendance for this item.

Mrs Edwards advised that the purpose of the report was to advise of the June 2020 Quarterly Risk Management Report for consideration by the Committee and for the committee to agree to the report being considered by Council for the adoption of the Council’s revised top strategic risks, to become effective on 1 July 2020.

The Committee noted that risk management is about identifying events that may occur in the future that will have an impact on Council’s objectives. Council’s approach to risk management involves four key steps:

- a) identifying the risk
- b) evaluating the severity of any identified risks
- c) applying possible solutions to those risks
- d) monitoring and analysing the effectiveness of any subsequent steps taken.

Resolution

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

That the Finance and Assurance Committee:

- a) **Receives the report titled “Quarterly risk management report - June 2020” dated 16 June 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) **Considers and gives feedback on the revised priority weightings**
- e) **Notes that the addition of an emergent risk and elevation of a previously lower ranked risk to the top ten strategic risks displaces the two lowest ranking risks on the current register**
- f) **Recommends that Council adopt the revised top strategic risks as follows to become effective 1 July 2020:**
 - 1. **Inaccurate data leads to bad decisions/asset failure**
 - 2. **Underinvestment in infrastructure**
 - 3. **Infrastructure not fit for purpose to withstand climate change**
 - 4. **Inadequate, incomplete or lack of strategy/policy impacts the wellbeing of the District**
 - 5. **Natural or biosecurity event impacts the wellbeing of the District**
 - 6. **Health and safety controls fail to protect staff and contractor safety**
 - 7. **Financial conservatism constrains progress towards strategic objectives**
 - 8. **Difficulty retaining or recruiting staff affects service levels**
 - 9. **Over-commitment leads to inability to deliver agreed work programme**
 - 10. **Growth and demand dependent model makes it hard to fund new infrastructure.**

(The meeting adjourned for morning tea at 10.28am and reconvened at 10.45am.)

(Bruce Robertson (Chair), Mayor Tong and Committee members were all present when the meeting reconvened.)

7.5 Draft Annual Plan 2020/2021

Record No: R/20/5/11773

Corporate Performance Lead – Jason Domigan and Financial Accountant – Sheree Marrah were in attendance for this item.

Mr Domigan advised that the purpose of the report is for the Finance and Assurance committee to review the final draft of the Annual Plan 2020/2021 and recommend to Council its adoption.

Resolution

Moved Deputy Chairperson Kremer, seconded Cr Douglas **recommendations a to c, d with changes (identified with ~~strikethrough~~ and underline) and e to i and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled "Draft Annual Plan 2020/2021" dated 16 June 2020.**
- b) **Determines that this matter or decision be recognised as significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Confirms in accordance with Section 100 of the Local Government Act 2002 that the Annual Plan 2020/2021 has been prepared based on reasonable judgement and assumptions and that it the Committee considers the projected financial results, including the projected operating deficit for 2020/2021, to be financially prudent given its Councils financial position.**
- e) **Confirms the reduction of the Te Anau Airport Manapouri rate from \$128.00 (incl GST) to \$67.69 (incl GST). Noting this reduction is being done by extending the airport loan by one year and deferring the 2020/2021 airport loan repayment and by funding the interest charge by adding it to the airport loan balance to be repaid over the life of the loan.**
- f) **Acknowledges that resolution (e) above, is inconsistent with Council's Revenue and Financing policy as it is funding an operational cost from a loan. Accordingly Council recognise that this as an inconsistent decision made in accordance with section 80 of the Local Government Act 2002.**
- g) **Notes that resolution e above is in response to the potential financial impact of Covid-19 on affordability of rates, particularly in the Fiordland rating area. A review of the Revenue and Financing policy will be undertaken as part of Council's 2021-2031 Long Term Plan, but at this stage there are no plans to alter the policy to generally allow the funding of operational costs from loans.**
- h) **Recommends to Council the adoption of the Annual Plan 2020/2021, including the Funding Impact Statement (Rates section) for the 2020/2021 financial year.**
- i) **Recommends to Council that a copy of the finalised fees and charges booklet be made available on Council's website and be distributed to relevant stakeholders, Hall Committees and Community Boards for their information.**

7.6 Annual Report 2019/2020 - Key dates

Record No: R/20/5/11775

Corporate Performance Lead – Jason Domigan and Financial Accountant – Sheree Marrah were in attendance for this item.

Mr Domigan advised that the purpose of the report was provide the committee with the key dates for the Annual Report 2019/2020.

Resolution

Moved Chairperson Robertson, seconded Cr Keast **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Annual Report 2019/2020 - Key dates” dated 16 June 2020.**
- b) **Notes the Annual Report 2019/2020 - key dates as per attachment A, being:**

Key Tasks	Department leading	Due Date
JUNE		
Approval of timetable by Finance and Assurance committee	Project team	Mon 22 June
AUG		
ELT Subcommittee meeting to review year end business unit reports. Budget managers may attend this meeting to discuss their business unit's financial results.	Project team	Mon 17 August
ELT subcommittee meeting for feedback on draft annual report.	Project team	Mon 31 August
SEPT		
Reports to Finance and Assurance due	Project team	Wed 2 September
Finance and Assurance Committee meeting to review draft unaudited Annual Report (word version) and approve release of the draft to Audit NZ (Table revised version)	Project team	Fri 11 September
Audit NZ onsite for audit (3 weeks onsite)	Finance	Mon 14 September
OCT		
Audit NZ complete audit	Finance	Fri 9 October
Verbal clearance provided to Council from Audit NZ	Audit NZ	Mon 12 October
Report to Finance and Assurance due	Project team	Thu 8 October
Report to Council due	Project team	Tue 13 October
Finance and Assurance committee - recommend the final Annual Report for adoption by Council	Project team	Fri 16 October
Adoption of full Annual Report summary document and Audit opinion(s)	Project team	Wed 21 October
Annual Report and summary document online versions on website	Communications	Fri 23 October
Public Notice of full and summary document availability.	Communications	Sat 24 October

7.7 Accounting Policies for the year ended 30 June 2020

Record No: R/20/5/11691

Graduate Accountant – Brie Lepper and Financial Accountant – Sheree Marrah were in attendance for this item.

Miss Lepper advised that the purpose of the report was to consider and recommend to Council the adoption of the accounting policies to be used to compile the Council's annual report for the year ended 30 June 2020.

Resolution

Moved Mayor Tong, seconded Cr Duffy **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled "Accounting Policies for the year ended 30 June 2020" dated 16 June 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) **Recommends to Council that the accounting policies as outlined in Attachment A, including any amendments from this meeting, be adopted for use in preparation of the Council's Annual Report for the year ended 30 June 2020.**

7.9 New Zealand Transport Agency investment audit report for the period 2017/2018 to 2019/2020

Record No: R/20/6/14112

Strategic Manager Transport – Hartley Hare was in attendance for this item.

Mr Hare advised that the purpose of the report was to report to the Committee on the New Zealand Transport Agency investment audit which is required to be undertaken every three years to ensure that the investment in Southland District Council's land transport programme is being well managed and delivering value for money.

Resolution

Moved Cr Douglas, seconded Mayor Tong **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “New Zealand Transport Agency investment audit report for the period 2017/2018 to 2019/2020” dated 16 June 2020.**

7.10 Monthly Financial Report - April 2020

Record No: R/20/6/12832

Project Accountant – Dee Patel was in attendance for this item.

Mrs Patel advised that the purpose of the report was to provide Council with an overview of the financial results to date by the nine activity groups of Council, as well as the financial position, and the statement of cash flows.

The Committee noted that the report summarised the financial results for the ten months to 30 April 2020.

Resolution

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

That the Finance and Assurance Committee:

- a) **Receives the report titled “Monthly Financial Report - April 2020” dated 16 June 2020.**

7.11 Health and Safety Update

Record No: R/20/6/13331

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

Mrs Ellis advised that the purpose of the report was to update the Committee on health and safety at Council for the period 1 January to 31 May 2020.

Resolution

Moved Deputy Chairperson Kremer, seconded Cr Keast **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Health and Safety Update” dated 11 June 2020.**

The meeting adjourned for lunch at 12.17pm and reconvened at 12.47pm.)

(Bruce Robertson (Chair), Mayor Tong and Councillors Douglas, Duffy, Keast and Kremer were present when the meeting reconvened.)

7.12 Draft Health and Safety Plan for 2020/21

Record No: R/20/6/13328

People and Capability Manager – Janet Ellis and Health, Safety and Wellbeing Advisor – Teri Black were in attendance for this item.

Mrs Ellis advised that the purpose of the report was to seek approval for the draft Health and Safety Plan 2020/2021 to be presented to Council for formal approval.

(Councillor Byars returned to the meeting at 12.52pm.)

Resolution

Moved Chairperson Robertson, seconded Deputy Chairperson Kremer **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “Draft Health and Safety Plan for 2020/21” dated 16 June 2020.**
- b) **Determines that this matter or decision be recognised not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Recommends to Council that it approves the Health and Safety Plan for 2020/2021.**

Public Excluded

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

Resolution

Moved Cr Douglas, seconded Mayor Tong **and resolved:**

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

C8.1 Annual Insurance Renewal

C8.2 Deloitte Fraud Risk Assessment

C8.3 Operational Risk Report

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Annual Insurance Renewal	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Deloitte Fraud Risk Assessment	s7(2)(f)(ii) - The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees and persons from improper pressure or harassment.	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.
Operational Risk Report	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege. 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.

That the Group Manager - Environmental Services, Group Manager - Services and Assets (via Zoom), Group Manager - Community and Futures, Chief Financial Officer, People and Capability Manager, Group Manager, Customer Delivery, Communications Manager and Committee Advisor be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the items C8.1 Annual Insurance Renewal, C8.2 Deloitte Fraud Risk Assessment and C8.3 Operational Risk Report. This knowledge, which will be of assistance in relation to the matters

to be discussed, is relevant to those matters because of their knowledge on the issues discussed and meeting procedure.

That Financial Accountant – Sheree Marrah and Rouen van Eck – Regional Manager Marsh NZ and Lisa De Bruin – FinPro Client Liaison Advisor Marsh NZ be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the items C8.1 Annual Insurance Renewal. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because of their knowledge on the issues discussed.

That Systems Accountant – Matthew Denton be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the item C8.2 Deloitte Fraud Risk Assessment. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because of their knowledge on the issues discussed.

The public were excluded at 12.56pm.

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

The meeting concluded at 2.16pm.

CONFIRMED AS A TRUE AND CORRECT RECORD AT A
MEETING OF THE FINANCE AND ASSURANCE
COMMITTEE HELD ON MONDAY 22 JUNE 2020.

DATE:.....

CHAIRPERSON:.....

Finance & Assurance Committee Work plan for the year ended 30 June 2021

Record No: R/20/9/49837

Author: Anne Robson, Chief Financial Officer

Approved by: Steve Ruru, Chief Executive

☐ Decision

☐ Recommendation

☒ Information

Purpose

- 1 To update the Committee on the status of the work programme discussed and agreed at the 30 April 2020 meeting for the financial year ending 30 June 2021.
- 2 As noted at the meeting the adoption of the work plan does not preclude the Committee or staff from including additional reports as and when required.
- 3 As the year proceeds the work plan will be updated to incorporate the actual dates reports are being presented where that differs to the work plan adopted. For the committees information the "X" in red shows the date the report was presented, where this differs from what was approved in the work plan or if it is a new report that will be presented on an annual basis. If there is a black "X" on the same line as a red "X", the black "X" indicates the date agreed by the committee. The "X" in green reflects changes identified to the ongoing work plan since it was adopted.
- 4 The risk report and the health & safety report planned for the next meeting have been included in this meeting.
- 5 Due to the draft annual report being presented to this meeting the financial report that had been planned for this meeting, which would have been the June 2020 report, has been moved to the next meeting where the August financial results will be presented. Additionally the LTP, assumptions, policies and principles and the internal audit report on cyber security will be presented to the next meeting
- 6 In addition to the reports noted in the timetable, this agenda also includes the
 - Policy on development & financial contributions,
 - Policy on draft procurement policy
 - Health & safety events
 - Three reports on contracts over \$2million for road resurfacing, SIESA and Milford opportunities.

Recommendation

That the Finance and Assurance Committee:

- a) Receives the report titled “Finance & Assurance Committee Work plan for the year ended 30 June 2021” dated 4 September 2020.**
- b) Notes the changes made to the Finance and Audit Committee Work plan for the year ended 30 June 2021 since the last meeting.**

Attachments

- A Finance & Assurance Committee Workplan (Sept 2020) [↓](#)

Finance and Audit Committee Workplan to 30 June 2021

Content	11 September 2020	16 October 2020	15 December 2020	March 2021	June 2021
Long Term Plan – Assumptions, policies and principles	X	X			
Long Term Plan – Recommend final to Council					X
Policy – Development & Financial Contributions	X				
Policy – Draft Procurement Policy	X				
Policy – Revenue & Financing Policy		X			
Policy – Remission & Postponement of Rates		X			
Policy – Investment & Liability Policy			X		
Risk Report	X	X	X	X	X
Health & Safety Report	X	X	X	X	X
Health & Safety Events	X				
Financial Report	X	X	X	X	X
Annual Report – Audit Arrangements Letter				X	
Annual Report – Financial Policies					X
Annual Report – Interim audit report					X
Annual Report – Agree report ready for audit	X				
Annual Report – Final audit mgmt report		X			
Annual Report – Recommend adoption by Council		X			
Analysis of actual results to forecast		X			
Programme of Projects for 2020/21 incl projects proposed to be c/f from 19/20		X			
Forecast Financial Position			X	X	
Interim Performance Report	X		X	X	
Internal Audit Final Report (Cyber Security, Contract mgmt & Project mgmt)		X	X		X
Internal Audit Terms of Reference	X		X		
Internal Audit Action Points	X			X	
Insurance - Insurance renewal					X
Operational Risk Report		X	X	X	X
Determine Finance & Audit Meeting Content				X	
Other External Audits - Building					X
Other – Reports on contracts over \$2million – Resurfacing	X				
Other – Reports on contracts over \$2million - SIESA	X				
Other – Reports on contracts over \$2million - Milford	X				

Health and Safety Update

Record No: R/20/8/32317

Author: Janet Ellis, People and Capability Manager

Approved by: Steve Ruru, Chief Executive

☐ Decision

☐ Recommendation

☒ Information

Purpose

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

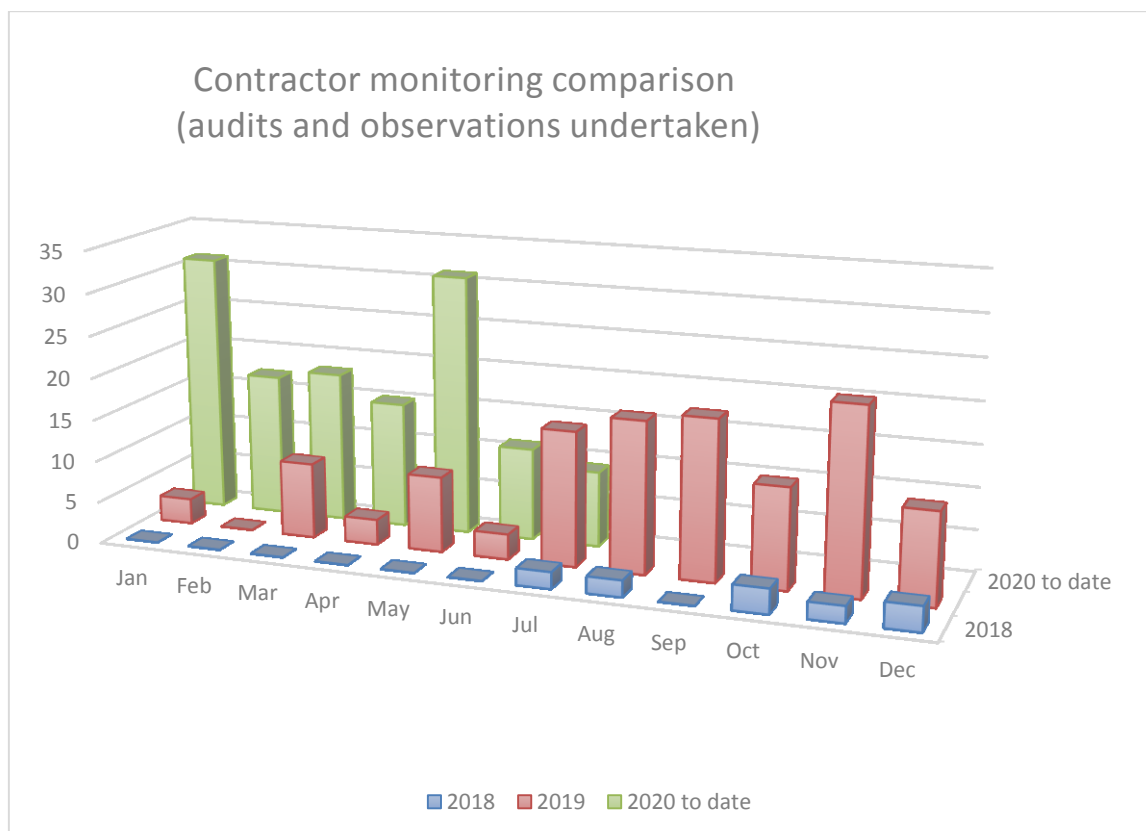
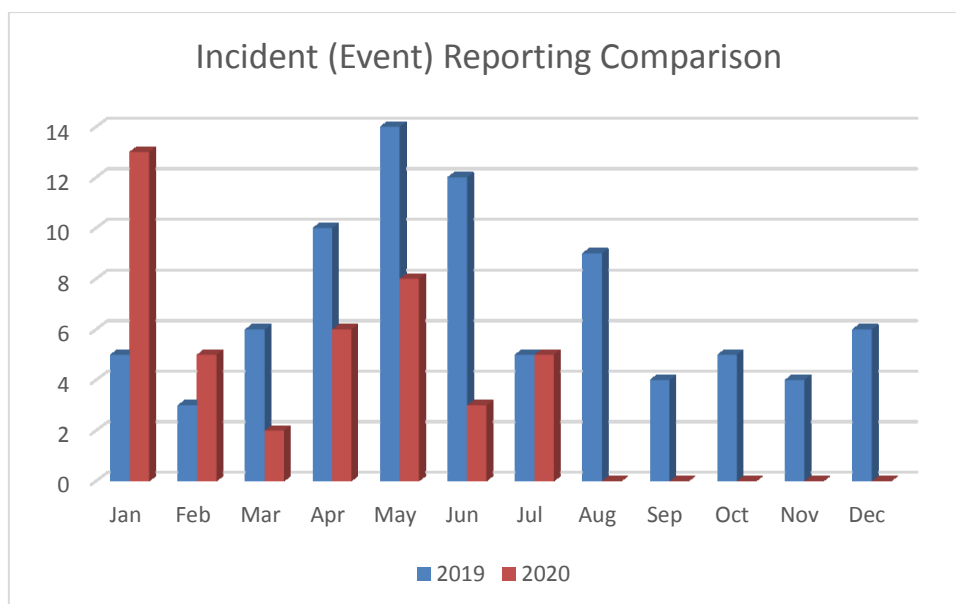
Content

Incidents/near misses – Southland District Council

- 2 As part of the Health and Safety Plan for 2020/2021 we are ensuring that we have consistency of reporting on both lead and lag indicators.
- 3 Lag indicators are typically “output” oriented, easy to measure but hard to improve or influence while lead indicators are typically input oriented, hard to measure and easy to influence.
- 4 Lead indicators include health and safety events, audits and inspections and progress against the Health and Safety Plan. Lag indicators include medical treatment interventions (MTI), incidents, lost time due to injury, Worksafe notifications and number of incident investigations completed.
- 5 A summary of these indicators for the year from 1 January 2020 to 31 July 2020 is below. Since our report in June 2020 there were three events reported. These included a property damage caused by handbrake failure, there was no injury at all; a lumbar sprain, the employee is still currently receiving treatment and a notable interaction with a member of the public.
- 6 Although not in the current reporting period on the 6th August 2020 there was a more serious notable interaction, which is currently being investigated and will be subject to a separate report to the committee.
- 7 In addition please find below a summary of contractor monitoring comparison and the incident (event) reporting comparisons.

Summary of indicators – 1 January 2020 to 31 July 2020

Date	Total Reported Events	EDI - Early Discomfort Event	NMI - Near Miss Event	MNI - Minor No Treatment Event	FAI - First Aid Event	MTI - Medical Treatment Injury Event	LTI - Lost Time Event	PDI - Property Damage Event	RSK - Risk Reports	Other (ie Medical Event/NWR)	Number of events investigated	Number of Corrective Actions set	Number of Corrective Actions achieved	LTI Free Days	Days Lost Time	ACC Claims	Safety/Site Observations received	Contractors Audited	Contractors requiring follow up
Jan-20	13	2	2	0	2	2	0	0	5	0	13	13	11	84	0	1	15	16	0
Feb-20	5	0	1	0	0	1	0	1	2	0	5	5	3	113	0	0	9	8	0
Mar-20	2	1	0	0	0	0	0	0	1	0	2	3	3	144	0	1	12	6	0
Apr-20	6	3	0	0	0	0	0	0	3	0	6	1	0	174	0	0	10	5	0
May-20	8	2	1	2	0	0	0	1	2	0	8	3	4	205	0	0	27	4	0
Jun-20	3	0	1	0	0	0	0	0	2	0	2	2	1	235	0	0	6	5	0
Jul-20	5	0	0	1	0	1	0	1	2	0	4	4	4	266	0	1	3	6	0
Aug-20																			
Sep-20																			
Oct-20																			
Nov-20																			
Dec-20																			
Total	42	8	5	3	2	4	0	3	17	0	40	31	26		0	3	82	50	0



Other health and safety related initiatives

- 8 There are many ways to keep current on health and safety matters, subscribing to the Worksafe updates is an easy way to remain up to date. The link is:
<https://worksafe.govt.nz/home/subscriptions>
- 9 Health and safety training continues with staff completing the health and safety e-learning modules based on the health and safety procedures. All new staff are required to complete all the modules.

- 10 Safety observations and inspections have continued to increase with the new health and safety software providing a tailored app which is being piloted by the project delivery team. As detailed above there has been a significant increase in contractor monitoring and reporting since 2017.
- 11 With the increase of monitoring there has been an increased number of corrective actions required.
- 12 Health and safety governance training is being scheduled for late 2020. All community boards have had a health and safety presentation/induction.
- 13 GPS (ERoad) installation project is nearing completion. Our next step on the project will be to turn on the features of the program and provide training.
- 14 The last of the panic alarm upgrades in the offices are currently being undertaken. This is due to be completed by the end of August 2020.
- 15 In July 2020, Southland District Council undertook a high level assessment and review of Council's approach to the management of health and safety. This included a review of Council's governance framework, strategic plan and performance measures and targets.
- 16 The review also included a thin slice review of the health and safety management system targeting risk management, incident management, worker engagement, contractor management and injury management. Any opportunities identified as part of this gap analysis will be incorporated into the 2020/21 implementation plan.
- 17 Council continues to manage the risk and transmission of Covid-19. Council continues to invest in additional PPE gear to ensure we can continue to provide our essential services regardless of alert level changes.
- 18 Wellness and wellbeing remains a priority within Council and testing and updating of our KYND database with Dr Tom Mulholland is coming up in October 2020. Councillors will be invited to participate in these sessions and to learn more about their own health and wellbeing. As part of this initiative Council has updated our blood pressures and staff are actively using these to monitor their own health.
- 19 We are currently reviewing multiple policies and guidelines to support our staff's health, safety and wellbeing. Updates include working from home guidelines, smoke-free environments, harassment and bullying, PPE and surveillance policies. Alongside our policies we are also updating toolkits and guides.

Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled "Health and Safety Update" dated 21 August 2020.**

Attachments

There are no attachments for this report.

Draft unaudited Annual Report 2019/2020 for Endorsement

Record No: R/20/8/47696

Author: Shannon Oliver, Planning and Reporting Analyst

Approved by: Rex Capil, Group Manager Community and Futures

☐ Decision

☒ Recommendation

☐ Information

Purpose

- 1 The purpose of this report is for the Finance and Assurance Committee to provide feedback and endorse the release of the draft unaudited Annual Report for the year ended 30 June 2020 to Audit New Zealand.

Executive summary

- 2 Council is required to develop and adopt an Annual Report within four months of the end of a financial year. The Annual Report compares and comments on the performance of Council against the budget and operating targets set in the 2019/2020 Annual Plan.
- 3 Development of Council's draft unaudited Annual Report for the 2019/2020 financial year is nearing completion and a draft as at the date of this report is included as Attachment A. However, the document is still a working draft. Any content which is yet to be finalised, is shown in yellow highlighting. Any changes which occur between the date of this report and the Committee meeting, will be tabled on 11 September. A summary of the Annual Report is also being prepared separately for audit.
- 4 The Finance and Assurance Committee is asked to consider and endorse the draft unaudited Annual Report 2019/2020 and endorse the release of the draft unaudited Annual Report for release to Audit New Zealand ("Audit NZ").
- 5 Following the audit at its 16 October meeting, the Finance and Assurance Committee will be asked to recommend that the final Annual Report be adopted by Council on 21 October.
- 6 At the date of this report, Audit NZ are scheduled to commence their audit fieldwork on 14 September, however there is a possibility that they may defer this to a later date. If this was to occur the adoption of the Annual Report will need to be rescheduled to occur between 21 October and mid December 2020.

Recommendation

That the Finance and Assurance Committee:

- a) Receives the report titled “Draft unaudited Annual Report 2019/2020 for Endorsement” dated 7 September 2020.**
- b) Determines that this matter or decision be recognised as significant in terms of Section 76 of the Local Government Act 2002.**
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) Endorses the draft unaudited Annual Report for the year ended 30 June 2020, including any amendments agreed at this meeting.**
- e) Approves release of the draft unaudited Annual Report for the year ended 30 June 2020 to Audit New Zealand, once any agreed amendments from this meeting have been incorporated.**
- f) Delegate authority to the chief executive/acting chief executive to approve any further amendments to the draft unaudited Annual Report for the year ended 30 June 2020 subsequent to this meeting, and prior to final review by the Committee at its meeting on 16 October.**

Background

- 7 Section 98(3) of the Local Government Act 2002 requires the Annual Report to be adopted within four months of the end of the financial year to which it relates. An Annual Report is intended to outline Council’s actual performance in comparison with its intended performance as outlined in its Annual/Long Term Plan.
- 8 Legislation has recently been passed to extend the deadline for 30 June 2020 Council annual reports to be adopted by December 2020 rather than 31 October 2020. This is to allow for interruptions due to the Covid-19 higher level lockdown restrictions. However, the project team are still working to the 31 October deadline.
- 9 The Annual Report details the operating activities of Council and includes financial statements for Council for the year ended 30 June.
- 10 A copy of the draft unaudited 2019/2020 Annual Report is attached. The Committee are asked to review this and consider any risks, issues and changes that need to be made prior to the audit commencing.
- 11 The Finance and Assurance Committee need to be clear about any specific concerns and/or adjustments that it requires to be made to the draft unaudited Annual Report so that staff can ensure that they are adequately reflected in the document given to Audit NZ.

- 12 The draft unaudited Annual Report will be audited by Audit NZ on behalf of the Auditor-General from 14 September to 9 October 2020.
- 13 Audit NZ will undertake much of its testing and fieldwork on-site during the period 14 September to 2 October 2020. Assuming there are no material issues arising at this point, it is anticipated that Audit NZ will give verbal clearance on the draft Annual Report on 12 October
- 14 Any changes, either resulting from the audit process or staff review, will be tracked and provided to the Finance and Assurance Committee on 16 October for confirmation prior to being adopted at the Council meeting on 21 October 2020.
- 15 A summary of the Annual Report is also being prepared and is to be audited, but is not required to be adopted by Council. The intention is that the chief executive/acting chief executive will approve the summary document for distribution with any changes resulting from the audit process.

Status of the report

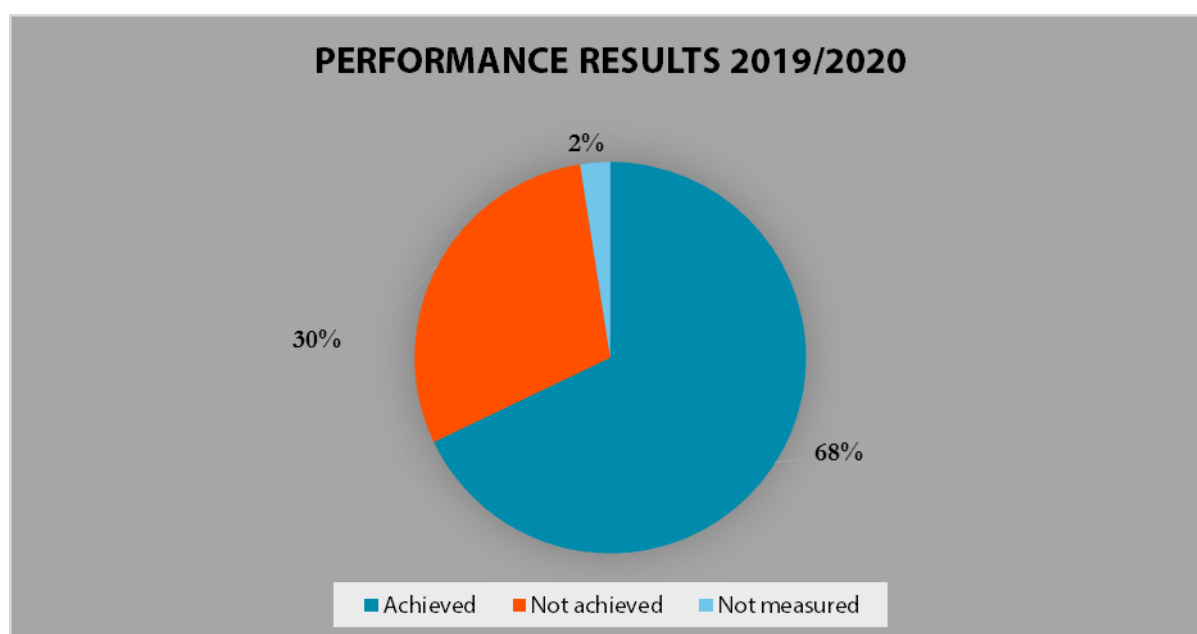
- 16 At the date of this report the draft unaudited Annual Report is substantially complete. Matters outstanding include:
- Cashflow statement and reconciliation
 - Commitments, contingencies, subsequent events and associates notes
 - final internal review of full document including project/KPI commentary/financials
 - identified effects on community wellbeings
 - finalising changes required as a result of the internal review and audit process
 - compilation of the summary document.
- 17 Any content in the draft unaudited Annual Report which is yet to be finalised, is shown in yellow highlighting. There is also a number of formatting changes that will occur before Audit NZ receive the draft Annual Report. An updated version of the draft Annual Report will be tabled at the meeting.
- 18 Audit NZ will undertake much of its testing and fieldwork on-site during the period 14 September to 2 October. Assuming there are no material issues arising at this point, it is anticipated that Audit NZ will give verbal clearance on the draft Annual Report on 12 October. Audit clearance is advice that there are no material issues outstanding or unresolved and the draft Annual Report can proceed to finalisation, including adoption.
- 19 There is a possibility that Audit NZ may defer their fieldwork to a later date. If this was to occur the adoption of the Annual Report will need to be rescheduled to occur between 21 October and mid December 2020.

Organisational performance results

- 20 The draft unaudited Annual Report 2019/2020 details performance of the organisation against the key performance targets that were specified in the 10 Year Plan.
- 21 Managers have reviewed the activities for which they are responsible and have provided commentary of the actual performance against targets, particularly in those instances where the performance targets have not been met. This information is largely complete at the time of writing but may change for the final document depending on staff review and audit.
- 22 Of the 81 service performance targets, 55 or 68% achieved, two or 2% not measured and 24 or 30% not achieved. The result show that just over 25% of the organisations KPIs were not met. In general, throughout the report there were a variety of reasons why the performance targets

were not achieved and these reasons are outlined in more detail in the performance tables within the various activity sections of the Annual Report. However, some of the reasons include but are not limited to:

- that the target was set incorrectly
- the priorities have changed
- performance measure results are not available yet (e.g. Drinking Water Assessor report)
- financial costs exceeded anticipated target
- improvements are being made but are not yet in place
- there may be issues with processes or resources.

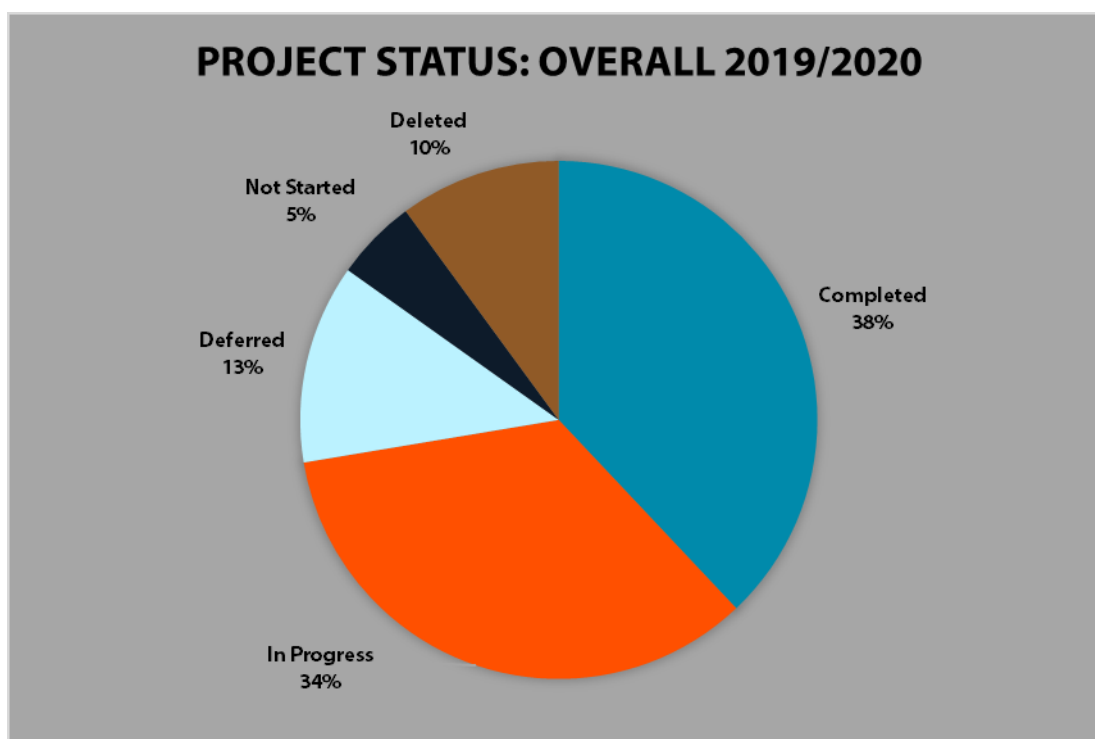


Community services	7		4	11
District leadership	15		4	19
Emergency management	2			2
Regulatory services	6	1	4	11
Roads and footpaths	2	1	3	6
Solid waste	4		2	6
Stormwater	8		2	10
Sewerage	6			6
Water supply	5		5	10
TOTAL	55	2	24	81

- 23 Included in the KPI's are several mandatory measures which Council is required to report on. These measures, and the criteria for assessing these, have been standardised across the country which means not all of the measures relate well to the Southland District context with its widely dispersed small rural communities.

Projects

- 24 The draft unaudited Annual Report 2019/2020 includes information about projects, their completion status and actual cost versus budget. The projects include those programmed in the Annual Plan 2019/2020 plus any projects carried forward from previous years or any new projects. This project information excludes the roading programme.
- 25 Of the 169 projects, overall, 64 (38%) were completed, 17 (10%) were deleted, 9 (5%) were not started, 58 (34%) were in progress and 21 (13%) were deferred.
- 26 It should be noted that only about a third were completed within the financial year with 34% still in progress.
- 27 If you combine the “in progress”, “not started” and the “deferred” projects then there would be an additional 88 projects (52%) that could be “carried forward” to the next financial years’ work programme. This has potential to pose a resourcing risk to Council.
- 28 On 29 September, the ‘overall programme of projects to be carried forward’ will be presented to Council. The report contains more detail about the projects for the year and also discusses the key risks and issues associated with project completion rates.



Activity Group	Completed	In Progress	Not Started	Deferred	Deleted	Total
Community services	30	18	2	17	10	77
District leadership	2	3			1	6
Emergency Management Southland						
Regulatory Services						
Roading & transport	10	12	4	2	1	29
Solid Waste						
Stormwater	1	1			1	3
Wastewater	7	13	1	1	1	23
Water supply	14	11	2	1	3	31
Total	64	58	9	21	17	169

Financial results

- 29 Ongoing review of the financial results are currently being undertaken and incorporated into the draft document. Any significant changes to the financial information detailed below will be discussed at the meeting.
- 30 These financial statements have been prepared in accordance with Tier 1 PBE accounting standards. The accounting policies for the year ended 30 June 2020 were approved at the Finance and Assurance Committee meeting in June 2020.
- 31 A summary of key financial information is set out below.

Statement of comprehensive revenue and expense

- 32 The statement of revenue and expense records the revenue received and the expenditure incurred by Council. It also records changes in the value of Council's assets. In summary, Council's financial performance was as follows:

	Actual 2019/2020	Budget 2019/2020	Actual 2018/2019
Total revenue	\$81.3M	\$73.1M	\$76.9M
Total expenditure	(\$80.8M)	(\$76.4M)	(\$78.5M)
Share of surplus from associates	\$0.1M	-	\$0.3M
Operating surplus/(deficit)	\$0.6M	(\$3.3M)	(\$1.1M)
Gains on assets at fair value	\$16.4M	\$30.5M	\$49.9M
Total comprehensive revenue and expense	\$17.0M	\$27.2M	\$48.7M

- 33 Total revenue was \$8.2 million over budget primarily due to increased NZTA subsidies (\$0.9 million), forestry harvesting income (\$0.4 million), grants (\$2.0 million), forestry revaluation (\$1.9

million), vested assets (\$0.7 million) and Council's share of income from WasteNet, not budgeted for (\$1.3 million).

- 34 Total expenditure was \$4.4 million above budget predominantly due to increased costs associated with emergency roading works as a result of the February 2020 flooding event (\$1.3 million); employee-related costs (\$1.0 million), primarily due to increases in building control staff to manage workflows and accreditation as well as new positions to enable Council to manage legislative changes, predominantly around water reforms; increased waste management costs (\$0.4 million); increased consultants costs, the majority of which are associated with government-funded projects including Milford Opportunities and Stewart Island/Rakiura Opportunities (\$2.0 million); and Council's share of WasteNet expenditure, not budgeted for (\$1.1 million). These costs are offset by Council's contribution to the Pyramid Bridge rebuild being lower than budgeted (\$1.3 million). As a result of the higher than anticipated infrastructure values, Council's depreciation also increased (\$0.7 million).
- 35 Gains on assets at fair value was \$14.1 million less than budget due to a the increase in the roading and three waters valuations not being as high as budgeted as a result of current market conditions (compared to market conditions at the time the budget was established).

Statement of financial position

- 36 The statement of financial position (also referred to as the balance sheet) records the assets Council owns, and how those assets are financed. Total assets refers to what Council owns, for example infrastructure assets. Total liabilities are finance from third parties, for example accounts payable. Total equity is the net community assets (total assets less total liabilities). Key items in the statement of financial position are:

	Actual 2019/2020	Budget 2019/2020	Actual 2018/2019
Total assets	\$1,619M	\$1,598M	\$1,600M
Total liabilities	\$16.5M	\$9.0M	\$14.2M
Total equity	\$1,603M	\$1,589M	\$1,586M

- 37 Total assets are over budget primarily due to cash and trade and other receivables being more than budgeted by \$22.5 million. This is principally as a result of the higher than budgeted cash balance as a result of additional income received, investments being converted to short term deposits and delays in capital works.
- 38 At 30 June 2020, Council also had \$2.5 million of external borrowings. This was a short term utilisation of Council's overdraft facility due to operational cashflow requirements.

Statement of cash flows

- 39 The statement of cash flows records the cash that Council received and disbursed. Broadly cash, under financial reporting rules is recorded in three separate categories:
- operating cash flows - the cash flow related to day-to-day operating activities
 - investing cash flows - the cash flow received from sale of assets and cash spent on capital assets
 - financing cash flows - the cash flow received from any borrowings and the cash flow disbursed in repaying borrowings.

Finance and Assurance Committee

11 September 2020

- 40 Overall, Council's cash position decreased from June 2019 by \$2.9 million to \$12.8 million at 30 June 2020. In summary, the cash flows recorded within these categories are as follows:

Operating cash flows	Actual 2019/2020	Budget 2019/2020	Actual 2018/2019
Cash surplus/(deficit)	\$22.9M	\$21.2M	\$23.1M

Investing cash flows	Actual 2019/2020	Budget 2019/2020	Actual 2018/2019
Cash surplus/(deficit)	(\$26.6M)	(\$37.6M)	(\$20.0M)

Financing cash flows	Actual 2019/2020	Budget 2019/2020	Actual 2018/2019
Cash surplus/(deficit)	\$0.8M	-	\$1.7M

- 41 Council's net operating cashflows were higher than budgeted predominantly due to \$1.8 million more receipts from NZ Transport Agency for subsidies towards emergency works; as well as additional government grants for various projects. Net cash outflows from investing activities were \$10.9 million lower than budgeted due delayed progress on Te Anau wastewater project as well as other capital works as a result of COVID-19.

Issues

- 42 As at the date of this report, the document is still a work in progress with a number of the supporting disclosures still being updated. There are however, a couple of matters, which the Committee need to be aware of.

Change is legislative deadline for Annual Report adoption

- 43 Legislation has recently been passed to extend the deadline for 30 June 2020 Council annual reports to be adopted by December 2020 rather than 31 October 2020. This is to allow for interruptions due to the Covid-19 higher level lockdown restrictions.
- 44 Audit NZ have advised that due to staff resourcing issues and delays with current audit clients, they are having to prioritise engagements and there is a possibility that our audit may be deferred to a later date. As at the date of this report, staff have not been advised of any changes to the agreed dates and therefore will continue to progress on the basis of the 21 October planned adoption date.
- 45 If Audit NZ delay their audit fieldwork, this will result in the annual report being adopted after 21 October.

Infrastructure valuations

- 46 Both the roading and three waters final valuation reports were received over one month later than the original agreed dates.
- 47 The roading valuation delay stemmed from Council's review of the draft document and some further changes being required.
- 48 The three waters valuation delay was as a result of the valuer indicating that there were issues with asset data. After some further work from Council staff, the valuer was able to complete their valuation, however the valuers' confidence in the data has reduced to a rating of 3 (50%)

estimated) across all asset categories. In the 2018/2019 revaluation all asset categories (other than stormwater pipe attributes which was 3 in 2018/2019) were rated 2 (minor inaccuracies).

- 49 This change along with the additional notes included regarding the data not being up to date may be considered unfavourable by Audit NZ and could result in a modification to the audit opinion (severe), or a recommendation in their management report (less severe).

Accounting for other entities

- 50 For the first time last year, Council's share in its associates (Southland Regional Heritage Committee, Emergency Management Southland and Great South) have been recognised in the balance sheet. Milford Community Trust was also consolidated into the group accounts.
- 51 As you are aware Venture Southland is being disestablished, however some minor values remain on its balance sheet at 30 June 2020. Previously Venture Southland balances have been proportionately consolidated into Council's accounts, however due to a change in accounting standards, in 2019/2020 it has been equity accounted (shown as an investment in Council's balance sheet).
- 52 This year is also the first year that Council has included its share of the assets and liabilities of WasteNet. Council's 31% share have been proportionately consolidated into Council's various balance sheet items.

Building Consent liability outstanding

- 53 To date, Council have not recognised in its balance sheet the liability associated with building consent inspections that have not been undertaken given the difficulty in ascertaining accurate data to support a value.
- 54 Given the significant work that has been done in this area by the Building Solutions team in the last 12 months, staff now have more confidence in the data and the associated value that should be recognised in the balance sheet. Based on data extracted from Council's building control systems, it is estimated that there are approximately 3,288 consents outstanding at an estimated value of \$0.8 million (GST exclusive) at 30 June 2020.
- 55 Finance staff have worked with the Building Solutions manager to review the supporting information and have recognised this liability in both 2019 and 2020 financial years. As a result, comparative information for the prior period (2018/2019) financial statements has been amended in the 2019/2020 Annual Report. Disclosure on this matter and the impact on the prior period financial statements is included in Note 35 of the Annual Report.
- 56 Please note, that given we have adjusted prior period balances for this matter, it may give rise to a technical review if Audit NZ consider the matter significant. This could result in delays in receiving audit clearance.

Independent technical review

- 57 Council has engaged Price Waterhouse Coopers ("PWC") to undertake a high level review of a number of technical accounting matters encountered whilst compiling the 2019/2020 Annual Report. These matters include the outstanding building consent liability, Venture Southland wind up, acquisition of Southland Regional Development Agency shares, associate and joint venture accounting and disclosure requirements for COVID-19.
- 58 It is anticipated that an informal overview of this review will be provided by the date of this meeting, with a formal opinion to be provided in the following weeks.

Risks

- 59 The key risk in relation to the Annual Report is that Council does not meet the statutory adoption deadline of 31 October 2020, however, as noted earlier, the deadline for adoption has been extended to December 2020 as a result of COVID-19.
- 60 At present staff are continuing to progress to the original planned timeline to enable the document to be adopted on 21 October. However there is a risk that Audit NZ may not be able to complete their audit procedures and provide their audit opinion by the planned adoption date. At this stage, Audit NZ have not confirmed that they will not be able to complete the necessary work within the required timeframe, however they have indicated that there is a possibility that the audit may be deferred.
- 61 The delay in the annual report audit and adoption will impact on planned committee and Council meetings and also on members of the Annual Report project team to be able to assist with development of the 2021-2031 Long Term Plan.
- 62 In relation to risks associated with the financial aspects of the Annual Report, the financial results are not expected to change significantly, however staff will continue to focus on key disclosures such as post balance sheet events, contingencies and commitments in order to ensure that the most up to date information is provided to the auditors and disclosed where necessary.

Factors to Consider

Legal and Statutory Requirements

- 63 Section 98 of the Local Government Act 2002 requires Council to adopt an Annual Report within four months of the end of the financial year.
- 64 The Act also requires that Council publishes a summary of the Annual Report within one month of the Annual Report being adopted. Officers are preparing a summary document which will be released in October.
- 65 Part 3 of Schedule 10 also outlines a number of disclosures that are required to be included in the Annual Report.
- 66 Amendments to the Local Government Act 2002 provide the inclusion of wellbeing's. In relation to annual reporting an amendment to Schedule 10 (3, 23), - Groups of activities now includes "(d) describe any identified effects that any activity within the group of activities has had on the social, economic, environmental, or cultural well-being of the community." This had been reflected throughout the annual report document.

Community Views

- 67 The community expects Council to adopt an Annual Report in accordance with the requirements of the Local Government Act 2002. The report is an important accountability document in terms of explaining the actual performance of the organisation relative to the objectives that were set via the Long Term Plan and Annual Plan.
- 68 No specific community views have been sought on the Annual Report.
- 69 The Annual Report and summary (once confirmed) will be made available to the public via Council's website, by placing printed copies in libraries and service centres and having printed

copies available for distribution on request. Availability of the report will be advertised. Printed copies of the report and summary will also be sent to those who have requested a copy.

Costs and Funding

- 70 The audit fee for the Annual Report is \$120,124 (excluding GST) plus associated disbursements.
- 71 There are no additional financial considerations associated with making a decision on whether to adopt the Annual Report.

Policy Implications

- 72 Council's policies relating to the basis upon which the Annual Report is prepared are outlined in the Statement of Accounting Policies contained in the report itself.

Analysis

Options Considered

- 73 Under the Local Government Act 2002, the Council must prepare and adopt an Annual Report in respect of each financial year, no other options are available.

Analysis of Options

Option 1 – Endorse the draft unaudited Annual Report 2019/2020 and provide feedback.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• complies with Audit NZ agreed timelines• Committee has an opportunity to review the report and satisfy itself that the report has been prepared on an appropriate basis• final Committee approval can occur on 16 October prior to adoption by Council on 21 October• compliance with Council's legislative requirements and Council's Committee delegations.	<ul style="list-style-type: none">• there are no disadvantages.

Option 2 – Do not endorse the draft unaudited Annual Report 2019/2020

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> there are no advantages of this option. 	<ul style="list-style-type: none"> there is insufficient time for staff to make significant amendments to the document prior to Audit NZ review any delays in the provision of the draft unaudited Annual Report may result in the audit not being completed in time for the adoption meeting on 21 October Council will not be compliant with the legislation if the Annual Report is not audited and adopted by Council by 31 December 2020. There could be an impact on the development of the 2021-2031 Long Term Plan if staff resources are not available to assist with the development of this document.

Assessment of Significance

- 74 The Annual Report 2019/2020 is considered significant under Council's Significance and Engagement Policy because the performance of Council is of wide community interest.
- 75 It is important to the public that Council meets both its financial and non-financial commitments to ensure it delivers its services efficiently and effectively. To do this the public relies on the information provided in the Annual Report to give it assurance that Council is undertaking its responsibilities and how well it is performing these.
- 76 Along with the processes and procedures Council undertakes to track and record the information provided in the Annual Report, to ensure that the public can rely on the information provided an independent review is undertaken by auditors (Audit New Zealand). In general, Audit New Zealand provides an opinion as to whether Council has complied with Generally Accepted Accounting Practice (GAAP) and that the Annual Report fairly reflects Council's financial position, results of operations and cashflows, and levels of service and reasons for any variance.

Recommended Option

- 77 The recommended option is Option 1 – Endorse the draft unaudited Annual Report 2019/2020 and provide feedback.

Next Steps

- 78 The Annual Report will be presented to Council for adoption at its meeting on 21 October 2020.
- 79 Once the Annual Report is adopted, and the signed representation letter has been provided to Audit NZ, the final audit opinion will be issued to Council. The audit opinion will be finalised in

Finance and Assurance Committee

11 September 2020

the Annual Report and the graphically designed version including an online and printed version of the Annual Report will be made available to the public in late October.

- 80 The summary Annual Report will be graphically designed and will be audited at the same time in October. Once this audit is complete and any changes are made, the summary will be approved by the chief executive/acting chief executive and will also be made available to the public.
- 81 Should Audit NZ defer their audit procedures to a later date, accordingly these dates will also be delayed.

Attachments

- A Merged version for Finance and Assurance Agenda as at 4 Sept - Draft Annual Report 2019 2020 [↓](#)

SOUTHLAND
DISTRICT COUNCIL



DRAFT Annual Report 2019 2020

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Message from the mayor and chief executive

Message from the mayor and chief executive

There is no doubt that 2019/2020 has been a year of disruption and change, and there is no doubt there's more to come.

For Southland District Council it has been a year of planning for the future while weathering the storm – or, more specifically, a flood and a global pandemic.

A major part of our planning is to increase the resilience of the communities in our District so that they are better able to meet the challenges we know lie ahead. These take many forms, from increased extreme weather events to shifting societal trends, and our communities have to be healthy and strong to not only withstand them but to thrive in spite of them.

This is why community-led development is a major focus of Council's work, and why the local election in October 2019 was held under a new governance model of nine community boards covering all of Southland District. Our philosophy of 'small council, big community' recognises the need to empower communities to do things for themselves rather than have an ongoing reliance on Council. The purpose of this is to further strengthen communities so that they are prepared for and able to adapt to whatever the future may bring.

We did not have to wait long to put this theory into practice, as natural disaster followed in the form of the February floods, which had a big impact in the District. Southland communities from Milford Sound to Edendale responded magnificently, banding together to shelter, feed and care for those stranded or displaced by the rising floodwaters.

This deeply rooted strength of character and generosity of spirit was witnessed again with the Covid-19 pandemic when it reached New Zealand and we were forced into isolation during a period of lockdown. Within the restrictions of physical distancing, communities reached out to their most vulnerable members in a number of innovative ways.

We weathered that storm as well but there are those in the community who have been deeply affected, the tourism industry has been thrown into turmoil, and there will be flow-on consequences for the way we live and work going forward.

Isolation forced a rethink of how businesses do their work, and Council was no exception. Working remotely from home, connected by video conferencing, became the new normal, and while staff are again able to work from their office desks the new ways of working and associated efficiencies have continued to be used in many aspects of our organisation.

With ongoing outbreaks of Covid-19 internationally, initial predictions of when the world might return to some level of normality are being recalibrated. Right now we are looking at a period of years, not months, and the lessons we have taken from New Zealand's response may prove valuable in the future.

Three waters reform, poses probably the biggest change to local government since the amalgamations of 1989. It has been a long time coming, and while this process started in earnest following the gastro outbreak in Havelock North in 2016, it has been on the cards since the late 1990s.

Message from the mayor and chief executive

Through the three waters reforms and major pieces of work such as the Milford Opportunities project, in which Southland District Council is heavily involved, we are seeing real momentum towards not just multi-agency partnerships but multi-regional collaborations.

This collaborative planning and working between public sector agencies – local authorities, iwi, health boards, police, justice, communications and infrastructure providers and so on – is implicit in the four well-beings reintroduced into the Local Government Act by the current government, and it is the platform on which we've been advancing our programme of community-led development. We will continue to build on this platform as it will strengthen the economic, social, cultural and environmental well-being of our communities and enable them to develop their own resilience to whatever the future holds.

While the rate of change we are experiencing now might seem dizzying, the issues we need to address have been forecast for some time and we know there is more change coming, and fast. Council will be talking with you about this in greater detail as we continue to develop our next Long Term Plan 2021-2031.

In the meantime, we encourage you to take the time to look through this Annual Report.

Steve Ruru	Gary Tong JP
Chief executive	Mayor

What's an Annual Report?

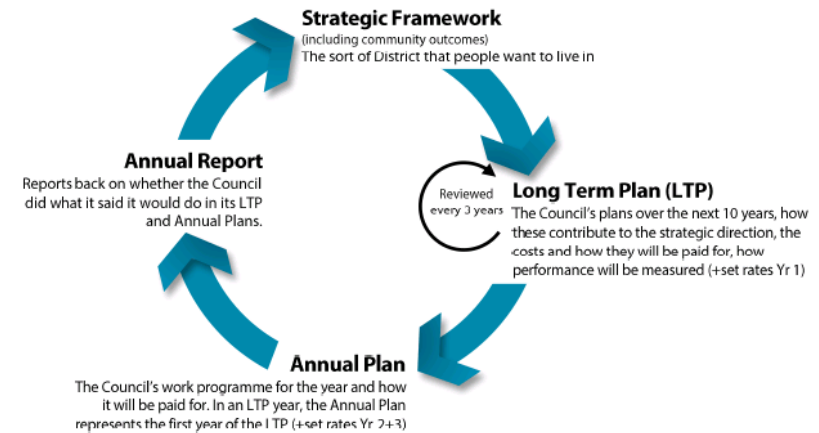
What's an Annual Report?

This Annual Report tells you and us how well we did against what we said we were going to do in the Long Term Plan (LTP) 2018-2028, how much it cost to do this and how we paid for it.

Audit New Zealand gives its opinion on whether the financial statements fairly reflect the Council's financial performance and financial position and comply with generally accepted accounting practice. Additionally, the opinion is given on how accurately we have monitored and reported on our activities and whether what we have reported on is a good reflection of our performance.

This document reports on the Council's activities during the year 1 July 2019 to 30 June 2020.

The planning cycle



Council's strategic direction

The table below sets out Council's approach to planning and the strategies and proposals that are set out in this plan, as well as the key priorities we intend to focus on.

What we want to be	Vision:	Southland – one community offering endless opportunities		
	Community outcomes: What end result looks like for our community	Proud, connected communities that have an attractive and affordable lifestyle This means Southland District is a place where people have everything they need to live, work, play and visit; where they are connected to each other, the environment and the world outside Southland; and where they can enjoy a safe and fulfilling life in our unique natural environment.	Resilient communities that leave a legacy for tomorrow This means Southland District is made up of strong communities that take a sustainable approach by considering the impact on the environment and the social, cultural and economic wellbeing of our communities now and in the future.	
How we will work	Mission: How we will go about our role	Working together for a better Southland		
	Our approach: The way we approach our work	We will work in partnership with communities Consider the community in everything we do Small council, big community Acknowledge that Council doesn't always have the answer or the best ideas and that some of the best ideas come from others Support our communities to make good decisions Work to better understand our community's changing needs and priorities Recognise Council is part of the solution, not the solution Involve the community in our decisions and explain the reasons behind our decisions Have conversations with our communities Build better communication channels into our communities Debate issues openly and honestly Work together to maximise regional opportunities Be accountable for our actions	We will constantly look for better ways Find ways to make it easy to do business with Council and in Southland Be open to and look for new ways of doing things Find efficiencies and don't waste money or resources Regularly review activities, services, assets and contracts to ensure efficient and effective management and delivery Focus resources on doing things that are needed and that will make a real difference Anticipate and adapt to change Develop other revenue streams to supplement rates Maximise returns from existing investments Look at initiatives to bring more people and business to Southland Collaborate with others to deliver efficiencies and work smarter Minimise the impact our activities have on the environment	We will work as one team Focus on what is best for Southland's communities Understand district and local responsibilities Clearly define roles at the political and operational levels so everyone knows what is expected of them Trust each other Ensure we act as "we" not "me" Do the things we say we will and be accountable Deal with any problems honestly and up-front and admit and learn from our mistakes Fix problems rather than assign blame Make the best use of the skills and expertise our people have and seek external help when we need to Build our team capabilities Look out for each other and our health and safety

Council's strategic direction

The challenge:		Fundamental shifts are occurring in our communities affecting where and how people live that raise questions about how we can best achieve our shared vision.			
What we need to do	Strategic priorities: <i>What we need to focus on to ensure that we and our communities are making informed decisions to move from where we are now towards our shared vision.</i>	We need to provide strong community leadership and work with our communities on how to adapt to these changes so that the infrastructure, local services and regulatory functions we provide are appropriate and support the achievement of our shared vision			
		Improve how we work	Provide appropriate infrastructure/services	Make informed decisions	More people
		Ensuring that the business of Council is running efficiently and effectively and finding ways to do more with less. Key aspects include: Operate in a financially responsible manner Continue to adapt Doing what we say we will Business improvement work Ease of doing business Significant projects managed effectively Community partnerships Culture Focus on customer support	Ensuring that we are providing infrastructure and services that are fit for purpose for current and future community needs. Key aspects include: Ensuring infrastructure and services are cost-effectively and efficiently managed over the long-term Ensuring legislative / regulatory compliance Considering environmental sustainability and best use of natural resources Considering alternative asset / service delivery options Getting good asset data / service information (e.g. useful lives) Considering appropriate levels of service Mitigating risks – eg business continuity planning (natural hazards / critical lifelines) and climate change (sea level rise, rainfall) Better understanding of the future and what this means for communities	Ensuring that we have what is needed to make good decisions. Key aspects include: Building resilient communities Undertaking community engagement and partnership activities and open communication Working regionally and collaborating Community governance and representation review Developing community leadership plans	Ensuring that we build great local places where people want to live and supporting new development opportunities that will help attract more people to Southland. Key aspects include: Working with the community to create great local places Helping to build strong communities Supporting Southland Regional Development Strategy initiatives: Tourism (destination creation, management, marketing) Aquaculture Primary sector extension Digital connectivity
	Consider what is appropriate, affordable, acceptable and achievable for communities long term				

[Key highlights/ executive summary](#)

Key highlights/ executive summary

Small council, big community

The local elections in October 2019 were the first held under Southland District Council's new community governance model of nine community boards covering all of Southland District. This model was the key determination of the Local Government Commission following SDC's six-yearly Representation Review, and a Community Governance Project started by Council in 2015. The model enables the community boards to provide greater leadership in their communities, with the support of Council. One of the first major projects for the new boards is developing their own community board plans, which outline visions for their areas and desired outcomes. These plans will feed into budgets to be prepared for SDC's next Long Term Plan 2021-2031.

Online services

As Council moves away from paper-based processes, we launched several new online services during 2019/2020. These will enable customers to have easier and more convenient access to a range of our services. Building consent applications can now be made online and our building control team now have the software to process them on a device, with customers able to monitor how their application is progressing. Dog registrations, including changes, along with payments and internet banking, can now be done through our website, southlanddc.govt.nz, and dog owners can elect to have their registration forms emailed to them, rather than posted. Other software products were introduced at Council to create greater efficiencies and added mobility for staff working out in the District.

Capital expenditure programme

A trend over recent years of increased investment in capital works by Council continued in 2019/2020. A total of \$29 million was spent, the major share of which was on the Te Anau wastewater project. Capital expenditure has increased in recent years as a result of further investment in infrastructure and establishing more efficient delivery of our services.

Three waters reforms

The government is reviewing how to improve the regulation and supply arrangements of drinking water, wastewater and stormwater (three waters) to better support New Zealand's prosperity, health, safety and environment. Most three waters assets and services, are owned and delivered by local councils, including Southland District Council. The review ran in parallel to the latter stages of the Havelock North Inquiry into drinking water safety following the campylobacter outbreak in 2016.

During 2019/2020 a new national water services regulatory body, Taumata Arowai, was established to administer and enforce a new drinking water regulatory system (including the management of risks to sources of drinking water); and to support improving the environmental performance of wastewater and stormwater networks.

Key highlights/ executive summary

Beautiful loos

An innovative Council project to convert shipping containers into toilet facilities and install them at key locations around the District attracted national attention last year. The first modified shipping container to be installed, at Colac Bay, won the Best Loo Award at the Keep New Zealand Beautiful Awards in Dunedin in October. Several such toilets were rolled out during the year, each unique and linked to its surrounding area by use of an adhesive graphic wrap that illustrated some of the local character.

Response to Covid-19 lockdown

During the Covid-19 pandemic lockdown, Council closed all its offices and public facilities. Staff worked from home, and essential Council services such as roading, water and wastewater continued to be delivered. After 13 May, Council returned to providing all services to the community, with heightened health and safety measures around social distancing, personal protective equipment and cleaning regimes during level two.

The effect on Council's operations is considered to be relatively minimal as Council does not operate significant public facilities (such as transport systems, pools, stadiums, galleries, museums, event venues etc) and minimal income is driven from tourism other than Stewart Island visitor levy and Te Anau Airport Manapouri charges. Delivery of capital programmed works was delayed and, accordingly, progress, subsidies and expenditure on these items was deferred. However, Council did not incur significant contract variations as a result of Covid-19.

Council offered to work with customers or ratepayers who expressed concerns about their ability to pay their rates, but received very few inquiries. It is anticipated that the ongoing effect of Covid-19 on Council will be minimal. However, some uncertainties remain. More details can be found on [page xx](#) of this Annual Report.

High-cost infrastructure projects

- **Te Anau wastewater project.** This \$22 million multi-year project is of significant scale and cost to the District and requires a lot of work and resource from Council. Pipeline construction was completed by Fulton Hogan late in the 2019/2020 year and the contract for design and construction of the membrane filter wastewater treatment plant was awarded to Downer. An application was lodged for an extension to the Upukerora River discharge consent, because of a change in dispersal method from centre pivot irrigation to sub-surface drip irrigation in the Kepler field. Fulton Hogan has been awarded the contract to carry out this package of work.
- **Accelerated bridge replacement programme.** Council approved unbudgeted expenditure of \$3 million in 2019/2020 to accelerate the replacement of at-risk old wooden bridges throughout the District. Of this, Council's share is \$1.47 million, with NZTA providing the remainder. Up to 19 bridges will be replaced in this initial programme, with a completion target date of April 2021. By the end of the financial year at 30 June the programme was well advanced, with six bridges having been replaced. This is only the start of a long and costly journey. We calculate that up to 193 old wooden bridges, with a total replacement value of around \$40 million, will need to be replaced within the next 12 years. Currently there is a significant shortfall in annual funding available for this work. **Winton stormwater and water mains.** A major project

Key highlights/ executive summary

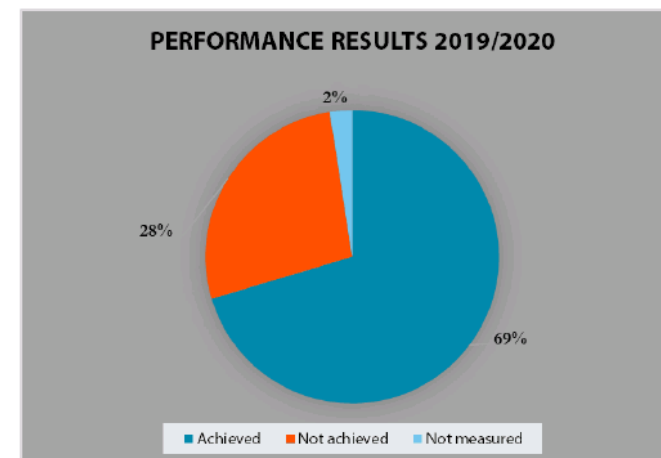
to upgrade 1km of stormwater pipes and associated fixtures in Winton was completed in the 2019/2020 year. Contractors Opus and Downer broke ground on 7 February 2019. The project's total cost of \$1,509,673 is being funded by a 30-year loan, with the Winton Community Board approving \$500,000 from reserves to lessen the impact of repayments on the town's ratepayers.

Summary activity report

Summary activity report

The graphs and table opposite and below provide a snapshot of the status of the projects and achievements of performance targets as at 30 June 2020 for the 2019/2020 financial year. Council's 26 activities are broken down into nine activity groups. There were 55 (68%) achieved, two (2%) not measured and 24 (30%) not achieved.

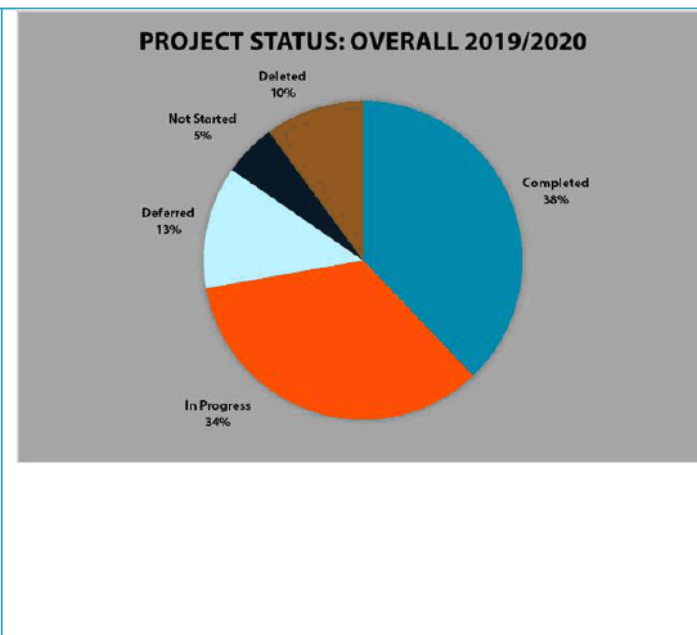
Activity group performance results	Achieved	Not measured	Not achieved	Total
Community services	7		4	11
District leadership	15		4	19
Emergency management	2			2
Regulatory services	6	1	4	11
Roads and footpaths	2	1	3	6
Solid waste	4		2	6
Stormwater	8		2	10
Sewerage	6			6
Water supply	5		5	10
TOTAL	55	2	24	81



Summary activity report

The project list is extracted from an internal system as at a certain date. Please note the information provided does not include the roading programme of projects.

Activity Group projects status	Completed	In progress	Not started	Deferred	Deleted	Total
Community services	30	18	2	17	10	77
District leadership	2	3			1	6
Emergency Management Southland						
Regulatory services						
Roading and transport	10	12	4	2	1	29
Solid waste						
Stormwater	1	1			1	3
Wastewater	7	13	1	1	1	23
Water supply	14	11	2	1	3	31
TOTAL	64	58	9	21	17	169



Financial overview

The financial overview provides a summary of the year-end financial results for the Southland District Council. The information contained in this overview has been extracted from the full financial statements, which contain detailed information about Council's finances and service performance. The financial results include information about Council and the Stewart Island Electrical Supply Authority, as well as Council's share of its associated entities. The table shows the financial year-end results, as at 30 June 2020, and includes comparisons from the previous financial year and the budget as outlined in the 2019/2020 Annual Plan.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand.

The only changes in accounting policies for the year ended 30 June 2020 relate to accounting for associates and joint ventures as a result of mandatory adoption of PBE IPSAS 36 *Investments in Associates and Joint Ventures* and PBE IPSAS 37 *Joint Arrangements*. This impacts how Council recognises its interests in Venture Southland and WasteNet. Full details of Council's accounting policies can be found on pages 105-115.

The financial report has been prepared in accordance with New Zealand Generally Accepted Accounting Practise (NZ GAAP). These financial statements have been prepared in accordance with Tier 1 Public Benefit Entity ("PBE") accounting standards.

The information included in the summary report has been prepared in accordance with PBE FRS 43: Summary Financial Statements.

Definitions

NET SURPLUS/(DEFICIT) AFTER TAX

What income Council has left after operational costs are paid.

EQUITY

Net assets owned by ratepayers.

NET ASSETS

What Council has less what it owes at the end of the year.

CASHFLOW

How Council generated and used cash during the year.

Finance and Assurance Committee

11 September 2020

FINANCIAL SUMMARY

Actual 2018/2019 (\$000)		Actual 2019/2020 (\$000)	Budget AP 2019/2020 (\$000)
	COMPREHENSIVE REVENUE AND EXPENSE		
76,895	Revenue Earned (incl Asset Development)	81,302	73,073
(78,488)	Less Total Expenditure	(80,752)	(76,405)
(22)	Less Finance Costs	(23)	(22)
314	Share of associate's surplus/deficit	226	-
(1,230)	Net Surplus/(Deficit) after Tax	581	(3,353)
298	Movement in Fair Value Reserve	910	-
49,655	Movement in Asset Revaluation Reserve	15,528	30,544
48,653	Comprehensive Revenue and Expense	17,019	27,191
	CHANGES IN EQUITY		
1,537,047	Equity at Start of Year	1,585,700	1,561,495
48,643	Total Comprehensive Income	17,019	27,191
1,585,700	Equity at the End of the Year	1,602,720	1,588,686
	FINANCIAL POSITION		
1,585,700	Total Equity	1,602,720	1,588,686
27,426	Current Assets	25,068	1,860
1,572,555	Non-Current Assets	1,594,150	1,595,808
1,599,981	Total Assets	1,619,218	1,597,668
14,255	Current Liabilities	16,478	8,931
26	Non-Current Liabilities	21	51
14,281	Total Liabilities	16,499	8,982
1,585,700	Net Assets (Assets less Liabilities)	1,602,720	1,558,686
	CASH FLOWS		
23,144	Operating Cashflow	22,918	21,244
(20,004)	Investing Cashflow	(26,625)	(37,569)
1,700	Financing Cashflow	800	-
4,839	Net Cashflow Increase/(Decrease)	(2,907)	(16,324)
10,885	Opening Cash Balance	15,725	13,152
15,724	Closing Cash Balance	12,818	(3,173)

In summary

Council's revenue was higher than budgeted as a result of government grants for Milford Opportunities and Te Anau wastewater projects, as well as higher NZTA subsidies, increased forestry harvesting proceeds and revaluation and vested assets received.

Operating expenditure was over budget for the year, primarily due to costs associated with emergency works as a result of the February floods, consultant costs associated with various projects (many government funded) and employee expenses. Overall, Council's net surplus before tax was \$3.8 million more than budgeted.

Council continues to maintain a strong financial position with \$1.6 billion in assets and minimal liabilities. At balance date Council had \$2.5 million of short-term external debt. The only significant variance from budget on the statement of financial position is property, plant and equipment, which is principally due to the increase in the value of key infrastructure assets. More specific explanation of financial statement variances from budget can be found at [note 36](#) of the financial statements.

Where the revenue came from

Council's consolidated revenue this year is \$81.3 million, including \$48.1 million from rates. The breakdown of this revenue is shown in the table (below).

Sources of revenue	Actual (\$000)	% of Total Revenue
Rates revenue	48,112	59%
NZ Transport Agency	14,028	17%
Other revenue	11,037	14%
Other gains/(losses)	494	1%
Grants and subsidies	6,090	7%
Interest and dividends	313	0%
Vested assets	684	1%
Development and financial contributions	543	1%
Total	81,302	100%

Where your rates were spent

The following table shows the breakdown of where the rates were spent in 2019/2020. Other District services includes the emergency management, customer support and library activities. Other local services includes community buildings, cemeteries, pools, public conveniences and jetties etc.

The majority of Council's expenditure (operational and capital) is on essential infrastructure such as roads, wastewater and water.

Rates expenditure	Actual (\$000)	% of Total Rates Expenditure
Roading and transport	14,481	30%
Stormwater, wastewater and water	8,143	17%
Other District services	7,040	15%
Governance, strategy and communication	5,766	12%
Other local services	5,703	12%
Solid waste management	4,690	10%
Regulatory services	1,696	4%
Grants and donations	593	1%
Total	48,112	100%

Revenue

\$81.3 million of revenue was collected during the financial year. Overall, revenue was \$8.2 million higher than budget primarily due to increased NZTA subsidies (\$0.9 million), forestry harvesting income (\$0.4 million), government grants (\$2.0 million), forestry revaluation (\$1.9 million), vested assets (\$0.7 million) and Council's share of income from WasteNet, not budgeted for (\$1.3 million).

Operational expenditure

Operating expenditure totalled \$79.7 million, with nearly half of this relating to Rooding and transport services (42%). Overall operating expenditure was over budget by \$4.4 million. This was primarily due to increased costs associated with emergency roading works as a result of the February 2020 flooding event (\$1.3 million); employee-related costs (\$1.0 million), primarily due to increases in building control staff to manage workflows and accreditation as well as new positions to enable Council to manage legislative changes, predominantly around water reforms; increased waste management costs (\$0.4 million); increased

consultants costs, the majority of which are associated with government-funded projects including Milford Opportunities and Stewart Island/Rakiura Opportunities (\$2.0 million); and Council's share of WasteNet expenditure, not budgeted for (\$1.1 million). These costs are offset by Council's contribution to the Pyramid Bridge rebuild being lower than budgeted (\$1.3 million). As a result of the higher than anticipated infrastructure levels, Council's depreciation also increased (\$0.7 million).

Net assets and equity

Overall, Council's total net assets have increased by \$7.0 million from last year. This is primarily due to an increase in the valuation of Council's infrastructure.

Cash flow

Council's net operating cashflows were higher than budgeted. Receipts from NZ Transport Agency were \$1.8 million above budget primarily due to subsidies towards the emergency works as a result of the February flooding. Receipts from other revenue is also higher than budgeted as a result of additional government grants received for various projects. Net cash outflows from investing activities were \$10.9 million lower than budgeted due delayed progress on Te Anau wastewater project as well as other capital works as a result of COVID-19. Net cash from financing activities was \$0.8 million higher than budget due to short term external borrowings being required at year end. Overall, Council has ended the year with a cash balance of \$12.8 million, which is \$16.0 million more than budget.

Capital expenditure

Council spent \$28.0 million on capital projects in 2019/2020. Of this total, \$15.6 million (55%) was spent on roading and transport projects throughout the District and \$10.2 million (36%) was spent on stormwater, wastewater and water projects in local townships. The capital project spending was \$3.6 million less than the \$32 million budgeted for 2019/2020 in the Annual Plan as a number of projects were still in progress or not yet started at 30 June 2020, as well as deferrals of projects to future years. More detail on project status is included in the summary activity report on [page 13](#).

Activity capital expenditure (including vested assets)	Actual (\$000)	% of Total capital expenditure
Roading and transport	15,583	55%
Stormwater, wastewater and water	10,245	36%
Other local services	1,306	5%
Other District services	1,120	4%
Regulatory services	56	0%
Solid waste management	52	0%
Governance, strategy and communication	46	0%
Total	28,407	100%

Annual Report disclosure statement/financial prudence benchmarks

Purpose

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

Council is required to include this statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Key

	Benchmark Met
	Benchmark Not Met
	Benchmark

Actual results for the 2015/2016, 2016/2017 and 2017/2018 financial years have been compared against the benchmarks set in the 2015-2025 Long Term Plan.

Actual results for the 2018/2019 and 2019/2020 financial years are compared against the benchmarks set in the 2018-2028 Long Term Plan.

Rates (Income) Affordability Benchmark

Council meets the rates affordability benchmark if:

- planned rates income equals or is less than each quantified limit on rate; and
- planned rates increases equal or are less than each quantified limit on rates increases.

(a) Limit on rates

Figure 1 compares Council's actual rates income with the limits imposed in the 2015-2025 and 2018-2028 Long Term Plans. The limits are indicated by the black columns in Figure 1.

This limit is set by Council.

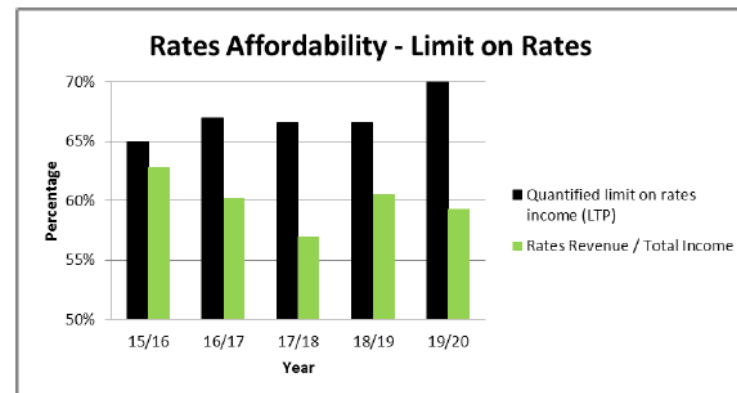


Figure 1 – Rate affordability – Limit on rates

Council has remained within the limit on rates income over the last five years. Rates revenue as a percentage of total revenue was relatively consistent with 2018/2019.

(b) Total rates increase

Figure 2 compares Council's actual rates increases with the limit imposed in the 2015-2025 and 2018-2028 Long Term Plans. The limits are indicated by the black columns in Figure 2.

This limit is set by Council.

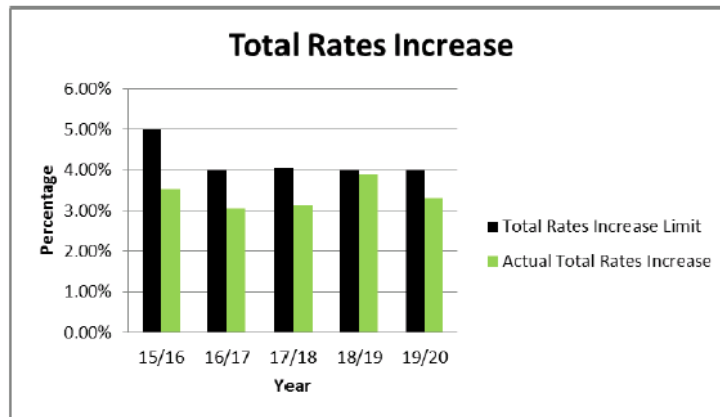


Figure 2 – Total rates increase

Council has remained within the rates increase limit over the last five years.

Debt affordability benchmark

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

Figure 3 compares Council's actual debt with a quantified limit on its borrowing contained in the Financial Strategy included in the Long Term Plan. Council meets the debt affordability benchmark if its actual borrowings are within each quantified limit on borrowing.

Council's current limit per the 2018-2028 Long Term Plan is that borrowing of external funds is limited to 100% of total revenue. This limit is set by Council.

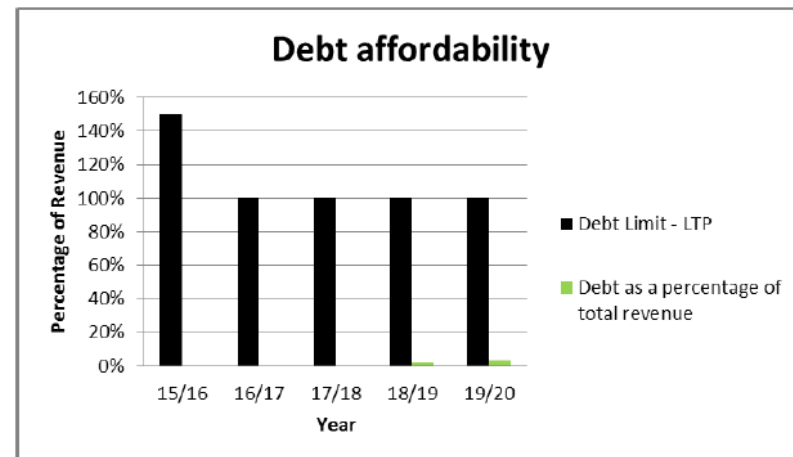


Figure 3 – Debt affordability

Given the low level of borrowing, Council continues to meet this benchmark.

Debt servicing benchmark

Figure 4 displays Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment).

The limit of this benchmark is set by legislation. Council meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.

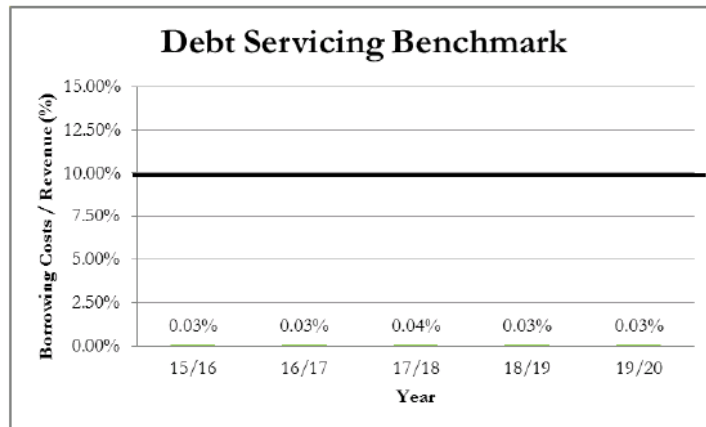


Figure 4 – Debt servicing benchmark

Given the low level of borrowing, Council continues to meet this benchmark.

Essential services benchmark

Figure 5 displays Council's capital expenditure on network services as a proportion of depreciation on the network services. Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services. This limit is set by legislation.

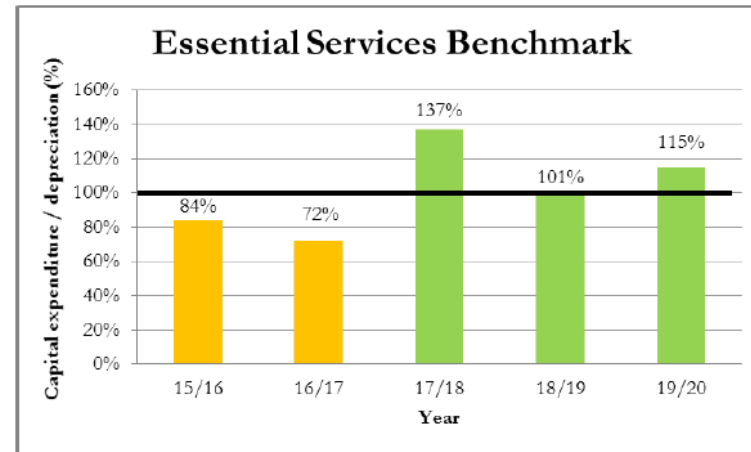


Figure 5 – Essential Services Benchmark

Council continues to meet this benchmark. However, as asset lives are up to 100 years there will be years that Council's capital renewal programme is less than depreciation.

Balanced budget benchmark

Figure 6 displays Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

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

This limit is set by legislation.

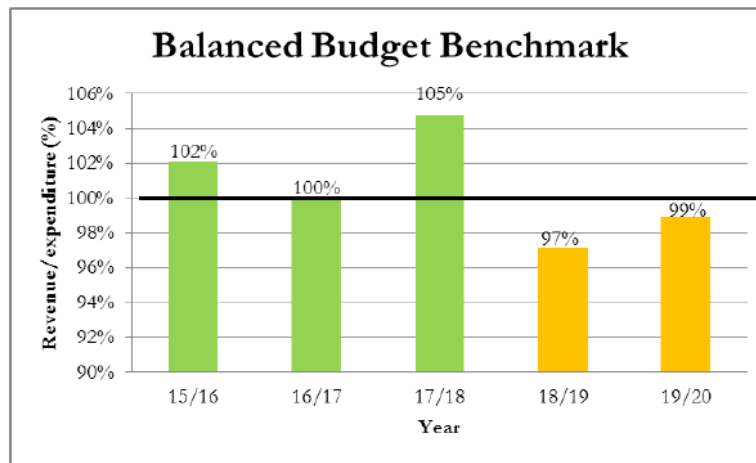


Figure 6 – Balanced budget

Council did not meet the balanced budget in 2019/2020 as a result of the writeoff of \$2.2 million of historical costs associated with choosing a different disposal method for the Te Anau wastewater project.

Operations control benchmark

Figure 7 displays Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.

The limit is set by legislation.

The years that Council did not meet the benchmark, cash from revenue other than rates was lower than anticipated. However, overall cash reserves were sufficient to cover the shortfall.

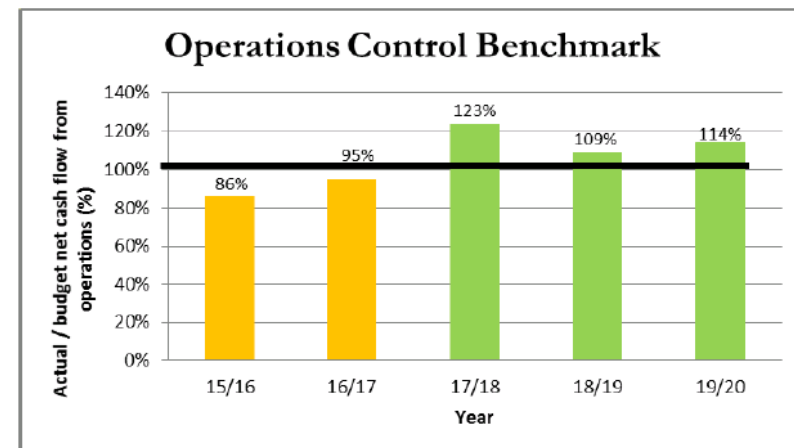


Figure 7 – Operations Control

Debt control benchmark

Figure 8 displays Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

This limit is set by legislation.

Council maintains a strong balance sheet position with financial assets currently exceeding financial liabilities. In the 2018-2028 Long Term Plan Council was planning to require external debt in 2019/2020. However, this was not required to the extent budgeted. Accordingly, in 2019/2020 Council had an actual net financial asset balance of \$7.9 million, compared with a planned net financial liability balance of \$3.7 million.

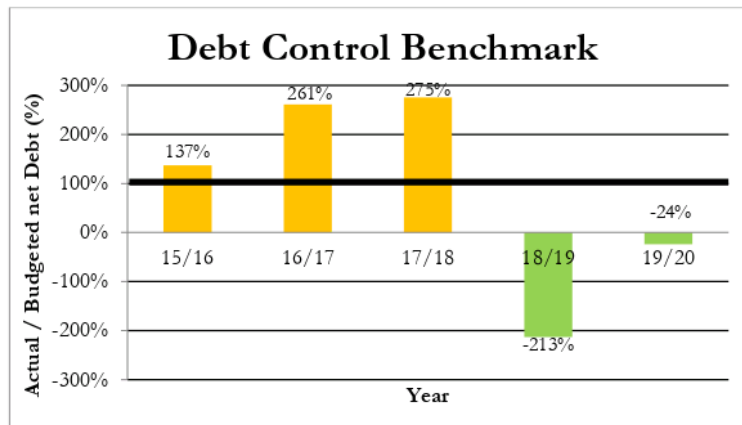


Figure 8 – Debt Control

Shared services Annual Report statement

Council fully participates in relevant shared service arrangements via the Southland Triennial Agreement and a Memorandum of Understanding with other local authorities, locally and nationally. There is better value obtained through those services than trying to undertake the work on our own. The following are examples of some of those collaborations.

Building control

Southland District Council (SDC), Invercargill City Council (ICC) and Gore District Council (GDC) with Clutha District Council (CDC) continue to work closely together on building control matters in terms of both information sharing and staff exchanges to support each other at busy times.

The four councils have developed a combined process and quality manual as well as shared regulation forms, which all four councils have adopted.

The shared manual and forms standardise the consent processing methodology and quality assurance processes and has been the subject of formal IANZ reaccreditation reviews with all four councils. IANZ has complimented the shared manual approach and has referred several other building consent authorities to seek a copy of the manual.

The subsequent step was consideration of a shared approach to building consent fees across the councils, which is being considered as part of the Southland Regional Development Strategy's 'ease of doing business' work.

Emergency Management Southland

Emergency Management Southland (EMS) is a shared service between SDC, ICC, Environment Southland (ES) and GDC. It focuses on ensuring resilience in communities by preparing for emergencies and ensuring communities are able to respond to and recover from these when they do happen. Specific actions include public education and ensuring a pool of trained personnel.

During 2019/2020 EMS managed two major emergencies— flooding, which affected the wider Southland region, and Covid-19.

Information technology

In the past 12 months the IT Shared Services Operations Subcommittee has undertaken some activities that will align the operations of member councils and the ability to provide a more collaborative platform moving forward. Shared services initiatives that were completed during the past year were:

Shared services Annual Report statement

- A shared review of backup and disaster recovery capabilities. This resulted in running a joint request for proposal (RFP) to identify a suitable service which fulfilled the requirement to improve member councils' business continuity capability. The RFP was largely performed during the Covid-19 lockdown, benefiting from the ability to work remotely during this time.
- Discussion continued around a shared geographic information system (GIS) portal to provide a comprehensive graphical view of member councils' information.
- Member councils supported each other during the Covid-19 lockdown period to ensure high availability of networks and services to enable staff members to work effectively from remote locations.
- Work progressed on closer alignment of services. SDC integrated with ES on a solicitor web portal to provide a single source for property rating information.

Iwi liaison

All four Southland councils have continued to fund and support Te Ao Mārama Inc, the agency approved by Te Runanga o Ngāi Tahu to act on iwi liaison matters in Murihiku/Southland under the Resource Management Act 1991 and the Local Government Act 2002. Since its inception, Queenstown Lakes District Council, Otago Regional Council and Clutha District Council have also joined supporting Te Ao Mārama Inc.

The four papatipu rūnanga and the participant councils continue to meet quarterly at the Te Roopū Taiao hui, which provides for excellent partnership and exchange of information. The key focus is to give these meetings more of a strategic focus and less focus on day-to-day operational/retrospective reporting back. There is a potential change (which will become clearer during the 2020/2021 year) to the membership of Te Ao Mārama being considered with one of the rūnanga stepping out of the structure in order to manage its own resource management involvements directly with the local authority it is situated within.

SouthLib library consortium

The consortium came together to share a range of services during 2014/2015. These originally included the Symphony Library Management system, which allowed access to the complete catalogues of Dunedin, Invercargill, Queenstown Lakes, Central Otago and Southland District Libraries for all residents.

Differing demands by various councils saw a very amiable split from this in 2016/2017, although most members are still using the Symphony management system. Southland District, Dunedin City, Central Otago and Queenstown Lakes District have joined the national consortium Kōtui, which provides enhanced support, searching and ongoing enhancements.

A range of other opportunities are also being explored between the districts and these include integrated holiday and reading programmes, requests and holds able to be placed across boundaries and the possibility of staff exchanges. Purchase of large print, audio, e-book and e-audio collections have long been shared by the consortium and these collections are exchanged, or made available, to all members.

Shared services Annual Report statement

Although consortium membership remains unchanged, member authorities do some things slightly differently. However, this is unlikely to impact upon the level of service members of the public receive. Reciprocal membership is available at all libraries from Waitaki south for any resident of those local authorities.

Training and professional development is at the forefront of SouthLib activities, as this reduces costs, allows access to national and international speakers and offers benchmarking opportunities, which would possibly be outside the scope of a single authority. This also allows for networking and a spirit of collegiality for staff who often work in isolation.

Great South

In October 2015, the Southland Mayoral Forum published the Southland Regional Development Strategy. The major goal of the strategy and its subsequent Action Plan is to increase the Southland population by 10,000 more people by 2025, through creating more jobs and taking up more development opportunities.

The Southland Regional Development Agency (branded as Great South), which integrates the former Venture Southland, was formed and directors were appointed, taking effect as of 1 July 2019. Great South is a council-controlled organisation with a broad range of shareholders helping to drive regional growth including Southland District Council, Invercargill City Council, Gore District Council, Environment Southland, Invercargill Licensing Trust, Matakura Licensing Trust, Southland Chamber of Commerce and the Southern Institute of Technology. Great South also has the support of Community Trust South, which is a member of the shareholder committee.

Great South's long-term goals are to grow the population, diversify the economy, grow innovative businesses and build a skilled workforce.

In response to Covid-19, Great South introduced the following short-term goals:

1. retain jobs and a skilled workforce
2. support the economic recovery of the Southland region
3. facilitate economic restart and rebuild
4. champion significant projects
5. identify opportunities for diversification and to build economic resilience.

Opportunities for Māori to contribute to decision-making

Approximately 10% of Southland District's population is Māori. Council acknowledges the importance of tikanga Māori and values its relationship with both Ngāi Tahu (through the four Southland papatipu rūnanga) and ngā matawaka (other Māori who are not Ngāi Tahu) living within Murihiku/Southland.

Southland District Council was officially gifted its Māori name 'Te Rohe Pōtae o Murihiku' at a naming ceremony at Takutai o te Titi marae at Colac Bay/Ōraka in November 2005, strengthening links between Council and the tangata whenua and emphasising the importance of Council's partnership with Ngāi Tahu. The Māori name acknowledges Council's role as an all-embracing shelter ("umbrella/lid") for its District.

Charter of understanding

To help promote and develop its relationship with Māori, the seven local authorities (Southland District Council, Invercargill City Council, Queenstown Lakes District Council, Gore District Council, Clutha District Council, Otago Regional Council and Environment Southland) are active participants and signatories to the charter of understanding 'He Huarahi mō Ngā Uri Whakatapu – A pathway for the generations coming through' with Te Ao Mārama Incorporated (TAMI). The charter of understanding provides:

- the basis for an ongoing relationship between the seven councils and the tangata whenua of Murihiku to assist in developing the capacity of Māori to contribute to decision-making processes
- a foundation for consultation on a range of local government issues
- for the recognition and willingness of Te Ao Mārama to assist all councils in consultation with ngā matawaka living in Murihiku. This is important in terms of Māori contribution to decision-making in the Southland District. The Local Government Act 2002 responsibilities of councils in relation to Māori are with all Māori and not solely the local iwi.

Te Roopū Taiao is the collaborative structure put in place to give effect to the Charter of Understanding and the obligations of the parties to the charter. Councillors and Council staff involved in resource management regularly attend Te Roopū Taiao meetings. Te Roopū Taiao includes ngā matawaka (other Māori who are not Ngāi Tahu) representatives and meetings are usually held quarterly, with minutes reported back to participant councils.

A number of councils throughout New Zealand have resolved to make representation provisions which provide for specific seats for Maori on councils and associated committees. Southland District Council engaged in 2018 with Te Ao Mārama on this matter as part of its Representation Review process. Te Ao Mārama representatives expressed no desire at that stage to alter the existing participation/representation arrangements to create specific seats/representation for Maori. However, it is important that Council remains receptive to further dialogue on such matters in the future if it will enhance Maori participation in Council's decision-making processes.

Opportunities for Māori to contribute to decision-making

Fostering Māori capacity

Initiatives	Status	Progress
Continue to engage Te Ao Mārama as a partner during its decision making and consultation processes	Ongoing	Te Ao Mārama representatives were part of the hearing committee which heard 2018-2028 LTP submissions.
Continue to hold regular liaison meetings between Te Ao Mārama and Council executive and senior managers	Ongoing	Regular meetings held and Council senior managers also attend Te Roopu Taiao
Provide an interpreter on request should Māori wish to present submissions to Council in Te Reo Māori	Ongoing	Interpretation service available on request
Provide a standing invitation to all Māori to attend Council meetings and hearings to become familiar with Council protocol	Ongoing	Standing invitation in place
Give consideration to appointment of Iwi representatives to act as hearing commissioners on key issues such as major resource consent applications and District Plan changes that have issues of Iwi significance.	Ongoing	This is considered on a case by case basis. Where Te Ao Mārama is a submitter, then the choice of iwi representative needs to recognise the need to avoid any real or perceived conflicts of interest
Maintain existing protocols with Māori in relation to the ways in which Council undertakes its statutory duties and integrate protocols into the organisation	Ongoing	The charter of understanding/He Huarahi mo Nga Uri Whakatapu, which is the foundation document for the relationship was comprehensively reviewed in 2016. The Charter has now been in existence for 25 years and this was recognised at the recent New Zealand Planning Institute Awards with a Best Practice Commendation in 2019.
Regularly refer to and report against Te Tangi a Tauria, the new Ngāi Tahu Murihiku Resource Management Plan when assessing resource consent applications	Ongoing	Resource management staff consistently refer to relevant Te Tangi a Tauria content when processing and reporting on relevant resource consent applications
Maintain its commitment to ongoing funding of Te Ao Mārama Incorporated, the Ngāi Tahu (Murihiku) Resource Management Agency	Ongoing	Ongoing funding for Te Ao Mārama has been included in the 2018-2028 Long Term Plan, and will also be provided for in the 2021-2031 Long Term Plan. There is a need in the future to review the capacity and funding of TAMI.
Continue to train new staff and councillors on marae protocol, local history and related legislation	Incomplete	There has been no formal training in this area beyond the informal monthly contact sessions referred to below. Staff are in discussions around how to resource this as a priority initiative.
Continue to provide regular contact sessions for SDC staff to interact with Te Ao Mārama staff on topical matters of mutual interest, to maintain and enhance the relationship between the agencies	Ongoing	Contact sessions held regularly 2019/2020. These have been very well attended by staff with high interest and the sessions are now usually fully booked

Opportunities for Māori to contribute to decision-making

Initiatives	Status	Progress
Display Ngāi Tahu taonga items, following agreement with Murihiku Ngāi Tahu Papatipu Rūnanga at its Invercargill office and all area offices, to acknowledge the strength and importance of its relationship with Ngāi Tahu.	Ongoing	The carving is in place at the entrance to the Council Chambers and a blessing ceremony was held. Opportunities for display will be considered for any new sites.

Statement of compliance and responsibility

Statement of compliance and responsibility

Compliance

The Council and management of Southland District Council hereby confirm that all statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with.

Responsibility

The Council and management of Southland District Council accept responsibility for the preparation of the annual financial statements and the judgements used in them.

The Council and management of Southland District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management of Southland District Council, the annual financial statements for the year ended 30 June 2020 fairly reflect the financial position and operations of Southland District Council.

Gary Tong

MAYOR

Date:

Steve Ruru

CHIEF EXECUTIVE

Date:

Audit Report – to be provided by Audit NZ September 2020

Audit Report – to be provided by Audit NZ September 2020

Other Information- About Council

Role of Council

Council works towards its vision in its plans, strategies and policies and also through the activities outlined in its Long Term Plan. The purpose of Council is:

- to enable democratic local decision-making and action by, and on behalf of, communities; and
- to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

To accomplish this, Council has overall responsibility and accountability in a variety of roles, including:

- planning the District's strategic direction alongside local communities as part of developing the Long Term Plan
- facilitating solutions to local issues and needs
- advocacy on behalf of the local community with central government, other local authorities and agencies
- providing prudent stewardship and the efficient and effective use of resources within the District in a sustainable way
- risk management
- management of local infrastructure including network infrastructure (eg roads, wastewater disposal, water, stormwater) and community infrastructure (eg libraries, reserves and recreational facilities)
- administering various legal and regulatory requirements
- ensuring the integrity of management control systems
- informing and reporting to communities, ratepayers and residents.

Governance systems

Council

Council consists of a mayor and 12 councillors elected by Southland District residents/ratepayers every three years. Council believes its democratic election ensures it is able to operate in the best interests of the District. Council is responsible for:

- representing the interests of the District
- developing and approving Council policy
- determining the expenditure and funding requirements of Council through the planning process
- monitoring the performance of Council against its stated objectives and policies

[Other Information- About Council](#)

- employing, overseeing and monitoring the chief executive's performance. Under the Local Government Act the local authority employs the chief executive, who in turn employs all other staff on its behalf.

Council committees

Committees have been established by Council to assist with conducting the business of Council; these are listed on page 32.

Community boards

The 2019 local elections were held using Council's new community governance structure. Following Council's six-yearly Representation Review, which was completed in 2019, the number of community boards increased to nine (formerly eight), allowing District-wide access to local decision-making. The boards prepare local budgets, recommend local rates and make decisions on issues specifically delegated by Council. Council has a policy of decentralising responsibilities, where practical, to ensure local input into decision-making and the setting of priorities for issues of local concern.

Water supply subcommittees

Council has constituted three water supply subcommittees, which are each responsible for the overall governance of the respective water supply scheme and set priorities for the operations of the schemes in accordance with the policies of Council.

Youth Council

Southland District Youth Council is made up of 15 secondary school-aged representatives from three secondary schools, who live across the District and meet every three months.

[Other Information- About Council](#)

Councillors

Mayor – Gary Tong		
Councillor Rob Scott - Mararoa Waimea Ward	Councillor Don Byars - Waiau Aparima Ward	Councillor Darren Frazer - Oreti Ward
Councillor Ebel Kremer - Mararoa Waimea Ward (deputy mayor)	Councillor George Harpur - Waiau Aparima Ward	Councillor Margie Ruddenklau - Oreti Ward
Councillor John Douglas - Mararoa Waimea Ward	Councillor Paul Duffy - Waihopai Toetoe Ward	Councillor Christine Menzies - Oreti Ward
Councillor Karyn Owen - Waiau Aparima Ward	Councillor Julie Keast - Waihopai Toetoe Ward	Councillor Bruce Ford - Stewart Island/Rakiura Ward

Other Information- About Council

Council committees

	Council (Mayor and 12 Councillors)	
Community boards	Council committees	Joint committees
Ardlussa Fiordland Northern Oraka Aparima Oreti Stewart Island/Rakiura Tuatapere Te Waewae Waihopai Toetoe Wallace Takitimu	Community and Strategy Committee Chair: Cr Keast Executive Committee Chair: Mayor Tong Finance and Assurance Committee Chair: Mr B Robertson Regulatory and Consents Committee Chair: Cr Duffy Services and Assets Committee Chair: Cr Kremer	Combined Local Alcohol Policy Joint Committee Combined Local Approved Products Joint Committee Southland Civil Defence Emergency Management Group Southland Regional Heritage Committee Southland Regional Land Transport Committee WasteNet (WasteNet Management Advisory Group)
Youth representation	Council membership on external organisations	Council subcommittees
Southland District Youth Council	Age Concern Southland Creative Communities Destination Fiordland Gore and Districts Community Counselling Centre Inc Milford Opportunities Project Pioneer Women's Memorial Trust (Gore) Rakiura Heritage Centre Trust Regional Community Road Safety Network Southland Regional Indoor Leisure Centre Charitable Trust Southland Medical Foundation Southland Regional Heritage Building and Preservation Trust Te Roopu Taiao Waiau Working Party	Ohai Railway Fund Stewart Island/Rakiura Visitor Levy Subcommittee Riverton Harbour
Council-controlled organisations		Water supply subcommittees
Milford Community Trust Southland Museum and Art Gallery Trust Great South		Five Rivers Matuku Te Anau Basin

Council operations

Council has appointed a chief executive to be in charge of its operations and has delegated certain powers of management to that position. The chief executive implements and manages Council's policies and objectives within the budgetary constraints established by Council. The chief executive is responsible for:

- implementing the decisions of Council
- providing advice to Council and community boards

Page 34

Other Information- About Council

- ensuring that all responsibilities, duties and powers delegated to the chief executive or to any person employed by the chief executive, or imposed or conferred by any act, regulation or bylaw, are properly performed or exercised.
- managing the activities of Council effectively and efficiently.
- maintaining systems to enable effective planning and accurate reporting of the financial and service performance of Council.
- providing leadership for Council staff.
- employing staff (including negotiation of the terms of employment for the staff).

The management of Council is structured under six groups. Each group is led by a group manager or chief officer and their areas of responsibility are shown in the table. The executive leadership team (comprising the chief executive, four group managers the chief financial officer and, the people and capability manager) reviews all general organisation issues, providing a link between Council and staff. The six groups are:

1. people and capability
2. environmental services
3. customer delivery
4. community and futures
5. services and assets
6. finance

Organisational structure

Steve Ruru Chief executive					
Janet Ellis People and capability manager	Fran Mikulicic Group manager environmental services	Trudie Hurst Group manager customer delivery	Rex Capil Group manager community and futures	Matt Russell Group manager services and assets	Anne Robson Chief financial officer
Health and safety people and capability	Building control dog and animal control environmental health emergency management iwi liaison liquor licensing resource management	Customer support library services information technology knowledge management digital assets	Communications community development governance grants and donations strategy and policy	Cemeteries community facilities community housing forestry parks and reserves public conveniences roading and transport sewerage stormwater solid waste management	Finance

Other Information- About Council

				Stewart Island Electrical Supply Authority (SIESA) Te Anau Airport Manapouri water supply work schemes	
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Council Activities

Council activities

This section provides an overview of Council's activities, organised within Council's nine groups of activities. Four of these groups are mandatory under the Local Government Act – roads and footpaths, wastewater, stormwater and water supply. In the Local Government Act 2002, an activity is defined as a good or service provided by, or on behalf of, a local authority or a council-controlled organisation.

GROUP OF ACTIVITIES	ACTIVITIES	
Community services	Community assistance (includes grants, work schemes) Cemeteries Community facilities (includes community centres, Council offices/buildings and water structures) Community housing	Library services Parks and reserves Public toilets Stewart Island Electrical Supply Authority Te Anau Airport Manapouri
District leadership	Community futures (includes community planning and economic development) Customer support Corporate support (includes people and capability, communications and engagement, strategy and policy, finance, information management)	Forestry Representation and advocacy
Emergency management	Emergency management	
Regulatory services	Animal control Environmental health	Building control Resource management (includes District planning)
Roads and footpaths	Roads and footpaths (includes parking) Bridges	Around the Mountains Cycle Trail
Solid waste	Refuse, recycling and greenwaste	
Stormwater	Stormwater	
Wastewater	Wastewater (also known as sewerage)	
Water supply	Drinking water supplies	Rural (stock) water supplies

Council Activities

Community services**What we do**

Council provides a range of community services for residents. These include libraries, cemeteries, public toilets, parks and reserves, community housing, community facilities, and community assistance. Community facilities include Council facilities, such as community centres, water structures and Council offices and buildings. The wide range of services reflects the diverse needs of Southland District's communities. Community assistance covers the grants, donations and community-based work schemes that are available for residents to apply for. Specific community services, such as the Stewart Island Electrical Supply Authority (SIESA) and Te Anau Airport Manapouri, meet the needs of these communities.

Why we do it

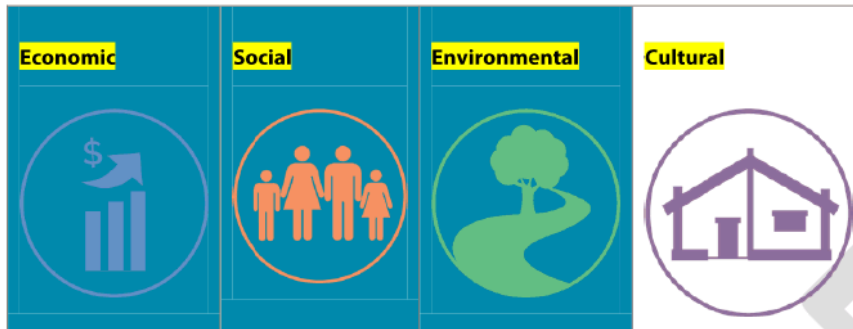
Council's community services provide funding or facilities that enable communities and visitors to participate in a range of recreational, educational, sporting, commercial and social/cultural activities. This enables communities to be more socially connected and active and makes Southland a desirable place to live. Some of these activities, including electricity supply, water structures, open spaces and airports, are also important economically to support the operation of local businesses and industries, which in turn contributes to sustaining our local communities. There are also benefits to the environment by controlling access to sensitive water and coastal environments, reducing the likelihood of human waste impacting on the environment and raising community appreciation (and use) of our unique natural areas.

Community outcomes

The primary outcome of Council's community services is "proud, connected communities that have an attractive and affordable lifestyle". The secondary outcome is "resilient communities that leave a legacy for tomorrow".

Council Activities

Identified effects on community wellbeing



Providing community service facilities may result in environmental impacts such as solid waste, energy use or spray drift, or pests in parks and reserves. Council seeks to minimise these negative effects by ensuring operations are managed effectively; and that any waste is minimised and energy and water are conserved. Other possible negative effects from these activities could include traffic and noise affecting neighbours of community facilities and the cost of facility upgrades being beyond the ability of the community to pay.

How we did– Key highlights and performance results

Library services

Adversity brought out the best in the Southland District Libraries team in 2019/2020.

- Winton office/library staff relocated for the second time to the RSA Hall after black mould was found in the building. Staff responded swiftly, reopening for business on the next working day, and quickly re-establishing services in the new site as technical limitations allowed.
- Staff went the extra mile during the Covid-19 lockdown to assist library customer. Elderly customers were called individually and told about available online services, use of which increased markedly. Staff arranged contactless deliveries of books in their own vehicles, and the mobile book bus was also used. Up to 400 people had books delivered. On Stewart Island/Rakiura, library book bundles were compiled before New Zealand went to alert level 4 and left outside the library doors for customers to collect and read during lockdown. Library staff's strong connections to their communities was exhibited during this challenging time and they received a lot of positive feedback.

Cemeteries

- Interments is an evolving activity. There appears to be a trend towards more cremations and away from traditional burials, resulting in more inquiries about memorial plaques.

Council Activities

- Restrictions on public gatherings during the Covid-19 lockdown affected funerals and interments, but Council followed government guidelines with staff and contractors ensuring that interments went as smoothly and safely as possible.
- For the first time, Council installed new beams at cemeteries throughout the District under one larger contract.
- Wet weather hindered cemetery maintenance in the spring and early summer but the work was completed.
- Council is investigating moving to an electronic online burial records management system, which would provide efficiencies and improved access to more reliable data.
- The government review of the Burial and Cremations Act is ongoing. Council has decided not to make an individual submission but supports the Society of Local Government Managers (SOLGM) submission.

Public toilets

- Council started a programme of replacing ageing public toilets at various locations throughout the District using customised shipping containers. The first of these, installed at Colac Bay in July 2019, was named New Zealand's Best Loo at the Keep New Zealand Beautiful Awards in Dunedin in October 2019.

Parks and reserves

- Beautification projects were carried out on a number of reserves throughout the year. These included the removal of hedges, installation of fences and flying foxes, upgrading a multi-use trail and refurbishing the Winton band rotunda.
- Two projects were not completed – the additional car park at Ivon Wilson Park, Te Anau, and the flying fox at the Tutapere playground – as a direct result of the Covid-19 lockdown and the unavailability of the contractor once we moved out of lockdown to complete the work.
- Staff undertook an assessment of all of Council's playgrounds across the District, measuring them against the New Zealand standard for playground equipment and surfacing. Some items of playground equipment had to be removed because they did not meet the minimum standard and/or were unsafe. Decisions about these facilities will have to be addressed in the Long Term Plan 2021-2031.

Community housing

Council's stock of 69 community housing units was generally built in the 1970s and is filling a niche market for the elderly in our communities. The units have been designed as single-person accommodation for residents who are still able to take care of themselves. The units generally have long-term tenants and this causes issues when trying to undertake internal programmed maintenance. Often the tenants have no family support and this makes it difficult to move them out to allow for internal maintenance. Therefore, this work is undertaken when a unit is vacated and before a new tenant moves in.

- Community housing units at two locations were painted and reroofed.
- A number of units were internally refurbished after tenants vacated them. There was a higher number of refurbishments than would normally be done due a higher turnover of tenants. Council staff also had to replace the underground water main at two of its community housing sites due to failures in the existing pipe.

Council Activities

- Council is working through the implications of meeting the Healthy Homes legislation within the required timeframe.

Community facilities (includes community centres, Council offices/buildings and water structures)

Council staff have been gathering usage information and undertaking condition assessments on its community facility assets. Discussions have been held with Council's new community boards so members have a better understanding of what assets they have within the new geographic areas of their boards. The information is also being used to compile the Long Term Plan 2021-2031 and will be incorporated into Council's asset management application.

- The Winton office/library closed in May 2019 due to black mould being found in the building. Council is working through the process of reopening the Winton office.
- The original part of Council's Invercargill office does not meet new earthquake standards and some Council staff are being relocated out of the Forth Street buildings as an interim step while Council decides on the future of the building.
- A number of Council community facilities received refurbishment throughout the year, ranging from window replacement to internal and external painting maintenance.
- The wharf at Ulva Island has yet to be replaced and Council had not yet taken ownership of the Golden Bay wharf. A number of issues need to be addressed about the Ulva Island wharf before an approved scope of works is agreed to and the Golden Bay wharf is subject to an engineer's report before the handover agreement is signed.
- Fire and Emergency New Zealand (FENZ) regulations that cover gatherings at Council's community facilities are becoming more difficult to comply with and will potentially have an impact on what these facilities can be used for.

Community assistance (grants and work schemes)

- Southland District Council provides grants and donations to many organisations throughout Southland through the former Community Initiatives Fund, Regional Heritage Fund, scholarships, and other funds managed on behalf of organisations such as Creative New Zealand and Sport New Zealand.
- Council continued to support and invest in communities through grants and donations. Funding distributed through various funds totalled \$1,278,717. A total of 105 groups or organisations and 14 people received grants or scholarships.
- The Community Initiatives Fund has been disestablished and replaced by the Community Partnership Fund, which will be distributed by Council's nine community boards, and the District Initiatives Fund, to be distributed by Council's Community and Strategy Committee.
- Southland District Council's work scheme programme provides community service clients with a way of completing their court-directed community service sentences. The scheme also makes it possible for small communities to undertake projects they would otherwise not be able to due to costs or lack of resources.
- Council is struggling to get contractors to do small maintenance jobs. This has been identified as an issue and is due to a number of factors. These include our ageing demographic, increased legislative compliance around health and safety and a shortage of people coming through the trades. The work scheme team fills this void and is able to provide a service to both internal and external customers. There is an opportunity to grow the team to pick up work that has traditionally been done on contract.

Council Activities

Projects carried out by the team in 2019/2020 included:

- assisting with relocation of the Winton office/library to the RSA Hall
- helping to maintain community housing grounds and buildings
- noxious plant control (cutting gorse and broom along fence lines) and track maintenance
- supporting the Around the Mountain Cycle Trail, delivering shelters, bike stands and interpretation panel stands along the trail.

Stewart Island Electrical Supply Authority (SIESA)

- In January 2020 a funding agreement with MBIE for a wind power project on Stewart Island was established with a value of \$3.16 million. The project is structured in two phases, with an initial pre-development phase, followed by a development phase which encompasses construction of the turbines. A consultant, Roaring 40s Wind Power, has been engaged for the predevelopment phase, which includes preliminary design, land access, wind monitoring, consenting activities, system optimisation, pre-tender design and business case. The value of this agreement is \$495,000. This will inform a final investment decision in 2021, on whether to proceed with the development phase.
- The management and service agreement with PowerNet for SIESA expires in 2020. Negotiation of a renewed contract is underway for commencement by 1 October 2020.
- The majority of capital works projects for 2019/2020 have been deleted pending outcomes from both the wind power project and a renewed SIESA management and service agreement. The exception is work in progress such as diesel storage tanks upgrade, and unplanned renewals such as a replacement alternator on generator five.

Te Anau Airport Manapouri

- Events related to Covid-19 have had a significant impact on the airport since March. Scheduled landings of larger aircraft chartered for private tours have been cancelled until further notice and the future use of the airport, particularly tourist flights and activities, is highly uncertain. As a result, many planned capital projects have been cancelled or deferred.
- The airport's strategic significance was illustrated during the February floods and again during the Covid-19 lockdown. The airport served as an evacuation base for people left stranded during the floods at Milford Sound and along the Milford road, and when normal road transport channels were closed during lockdown charter flights from the airport enabled crayfish from Fiordland to reach export markets.
- The airport gained Part 139 certification in 2019 to allow for scheduled landings of larger flights. Significant spending of more than \$1 million on runway resurfacing is required in the near future to maintain the current level of service and Part 139 certification.

Performance results

The community services activity group has 11 KPIs and 11 targets. 7 were achieved and 4 were not achieved. Of the four targets that were not achieved, reasons included an access issue preventing repairs, delays to timeframes and additional work was required, restrictions in the Covid-19 lockdown period and the closure of the Winton library.

Council Activities

Performance measures

Provide facilities communities need and support the community to participate in a range of recreational, educational, sporting, commercial and social/cultural activities			
Level of service (LoS) 22: Facilities are fit purpose, in appropriate locations and managed cost-effectively (community facilities)			
Key performance indicator	Target	Result	How Council performed
KPI 22.1: Percentage of facilities that meet desired standards ¹ : (a) community centres (b) wharves/jetties	a) 100% b) 100%	a) 100% b) 90.91%	a) Achieved All community centres met the desired standards. (2018/2019: Not achieved – 96.77%) b) Not achieved The wharves and jetties are located at Riverton and Stewart Island. At Riverton, five out of the six are compliant. One of the Council structures is non-compliant due to an ongoing access issue which has meant Council are unable to repair the structure. At Stewart Island, a report went to the Stewart Island Rakiura Community Board meeting on 29 June recommending to Council that the Ulva Island wharf be replaced in the current location within the existing coastal permit foot print. The Board approved the recommendation with some minor changes. The report will go to the Services and Assets committee and then to Council. Once it receives approval the process and funding, Council staff can initiate the project to replace the wharf. (2018/2019: Not achieved – 90.91%)
KPI 22.2: Community housing occupancy rate	90%	94%	Achieved Community housing occupancy was in high demand during the year. (2018/2019: Achieved – 91.3%)
KPI 22.3: Community housing net cost (rates)	\$0	\$0	Achieved The overall budget was in credit so there was no funding required from rates for this activity for this year. The purpose of the KPI is to not have an impact on rates (2018/2019: Achieved – 0)
KPI 22.4: Cemetery interment net cost (rates)	\$0	\$0	Achieved The overall budget was in credit so there was no funding required from rates for this activity for this year. The purpose of the KPI is to not have an impact on rates (2018/2019: Achieved – 0)
KPI 22.6: Number of unplanned interruptions to Stewart Island electricity supply	≤6	0	Achieved There have been no unplanned interruptions to the supply of electricity to the Stewart Island consumer during the 2019/2020 period. (2018/2019: Achieved – 5)
¹ – Meeting required standards for community centres and wharves/jetties are those achieving a condition rating of 2 - Minor Defects Only (IIMM manual).			
A network of open spaces and facilities that celebrate and enhance our natural environment that can be appreciated and enjoyed by current and future generations			
Level of service (LoS) 23: Facilities are fit purpose, in appropriate locations and managed cost effectively (parks, reserves and public toilets)			
Key performance indicator	Target	Result	How Council performed
KPI 23.1: Percentage of facilities that meet desired standards ¹ (a) parks/reserves (b) playgrounds (c) sportsfields (d) public toilets	95%	a) 100% b) 95% c) 100% d) 98.5%	Achieved a) The parks and reserves are inspected by Councils contractors and no issues have been reported. There have been 16 Requests for Service (RFS) for issues related to reserves that have been responded to within the assigned time frames. b) Council staff have been working with our maintenance contractors to ensure that they have the appropriate levels of qualification to carry out playground inspections on behalf of Council. Staff are working through the next priority level issues that were identified in the playground assessment. Individual detailed reports will be provided to each Community Board at their next meeting to start

Council Activities

			<p>c) working towards a works programme to resolve the level 2 and 3 issues.</p> <p>c) Council sportsfields are inspected by our contractors and contract managers and there have been no issues identified or any Requests for Service (RFS) for sports fields.</p> <p>d) There is currently one toilet at Athol that is currently out of service. This is due to the plumbing connection and the septic tank not being able to meet the demand placed on it. Council staff now have an arrangement with a member of the community to provide public toilets while they investigate options for the provision of service in Athol.</p> <p>(2018/2019: Achieved – a-d – 100%)</p>
KPI 23.2: Complete open space strategy implementation plan within budget for: (a) open space projects (b) public toilet projects	<p>a) 1 project (budget approx. \$150,000)²</p> <p>b) 6 projects (budget approx \$270,000)²</p>	<p>a) 0</p> <p>b) 0</p>	<p>a) Not achieved</p> <p>Some initial work has been done toward progressing this project. Council staff have worked with a consultant to prepare minimum levels of service for work associated with open spaces. This will support the preparation of the tender documents for the new contracts that are being prepared as part of the Section 17A review. Additional work is planned around updating the reserve management plans and tree/garden management in Councils open spaces. Council staff have recently engaged Xyst to undertake a Tree Survey that includes data collection and mapping of all of the green assets throughout the urban areas of the district. This worked started in June having been delayed by the Covid-19 lockdown.</p> <p>(2018/2019: Achieved - Implemented plan has been developed)</p> <p>b) Not achieved</p> <p>The condition assessment report commissioned will enable staff to prepare a works programme and subsequent implementation through the next LTP. The report identified structural issues with a number of the toilets and this requires further investigation to determine what level of resource and funding will be necessary to manage these facilities at the appropriate level of service.</p> <p>(2018/2019: Achieved - Implemented plan has been developed)</p>
KPI 23.3: Number of complaints about public toilets	≤ 25	23	<p>Achieved</p> <p>For the year there were 23 complaints. There were some issues with vandalism and theft.</p> <p>(2018/2019: Achieved - 16)</p>
<p>1 – Desired standards relates to those set under the contract and includes a range of factors such as lawn mowing, weed removal and equipment inspection and maintenance.</p> <p>2 – The target number of projects and costs included in the table above for years 2-10 have been estimated and will be confirmed/updated once the open spaces implementation plan has been prepared and the project scoping is complete in 2018/2019.</p>			
Connect residents to local, national and global communities, information and ideas			
Level of service (LoS) 24: Provide easy access to information, resources and tools (Library Service)			
Key performance indicator	Target	Result	How Council performed
KPI 24.1: Active ¹ library membership per capita	Increase on prior year (17.5%)	14.40%	<p>Not achieved</p> <p>An active member is considered any user that has used their library card within the previous 12 months. We are short of our target active user percentage of 17.5% of the Southland District population. We can attribute this to a couple reasons. Prior to the Winton library closure our numbers were consistently steady. Although our reporting system cannot retroactively break the active library membership to an individual library</p>

Council Activities

			and show how each library has fared over the last 12 months we can look at the fact that there is a direct decline in membership that correlates with the exact timing of the closure. We have moved to a much smaller space with a much smaller collection and this space may not meet the requirements of many within our community resulting in a decrease in user-ship. On top of this we also have the effect of the Covid-19 pandemic which may have also affected library membership during the recorded period. The active library membership only reports users who checkout collection items and does not record those who visit and use our other library services. This KPI for libraries is to look at the number of active members rather than measuring only books issued to borrowers. (2018/2019: Achieved – 17.51%)
1 – Definition of an “active” member is customer using their library card to issue books, access online databases or register for a library programme			

Council Activities

Grants and donations

	2019/2020 Actual \$(000)	2019/2020 Budget (LTP)\$(000)
Grants		
Citizens Advice Bureau	2	2
Cycling Southland Incorporated	3	3
Gore Counselling Service	1	1
High Values Area	15	15
Hollyford Conservation Trust	10	10
IWI Funding	42	42
Life Education Trust	-	5
Loss and Grief Centre	13	15
Miscellaneous Grants	7	9
Safe Swim Programme	23	23
Southern REAP	10	10
Southland Indoor Leisure Centre (Stadium maintenance	75	75
Southland Regional Heritage Committee	569	569
Southland Safer Communities	10	10
St John Ambulance	-	1
Toimata Foundation (formally Enviroschools Programme)	10	10
Waituna Partnership	25	25
Warm Homes Trust	30	35
		2019/2020 Budget (LTP)\$(000)
Scholarships		
Bursaries	4	7
Community Service Award	-	1
Debating Competition	-	1
Outward Bound	4	8
Funding assistance for Council activities		
Dog and Animal Control	39	39
Contribution Parks & Reserves	15	15
Holiday Programmes	30	31
Museum Services	38	34
Santa Parade	1	5
Allocation grants		
Community Initiative	127	109
Creative Communities	20	21
District Heritage	67	63

Council Activities

John Beange	4	1
Northern Southland Development Fund	10	10
Ohai Railway Fund	65	55
Sport NZ	11	13

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Council Activities

Southland District Council: Funding impact statement for the year ended 30 June 2020 for community services

2018/2019 Budget (LTP) (\$000)		2018/2019 Actual (\$000)	2019/2020 Actual (\$000)	2019/2020 Budget (AP) (\$000)
	<i>Sources of operating funding</i>			
2,481	General rates, uniform annual general charges, rates penalties	2,484	2,604	2,600
2,616	Targeted rates	2,616	2,674	2,658
61	Subsidies and grants for operating purposes	77	75	45
1,287	Fees and charges	1,368	1,355	1,314
3,294	Internal charges and overheads recovered	3,280	3,664	3,701
762	Local authorities fuel tax, fines, infringement fees, and other receipts ¹	800	848	764
10,502	Total operating funding	10,624	11,221	11,081
	<i>Applications of operating funding</i>			
6,649	Payments to staff and suppliers	6,976	7,332	7,409
-	Finance costs	-	-	-
2,142	Internal charges and overheads applied	2,081	2,199	2,150
1,280	Other operating funding applications	1,378	1,368	1,294
10,017	Total applications of operating funding	10,435	10,900	10,853
431	Surplus (deficit) of operating funding	188	321	227
	<i>Sources of capital funding</i>			
309	Subsidies and grants for capital expenditure	286	-	570
64	Development and financial contributions	-	192	-
636	Increase (decrease) in debt	276	619	1,040
60	Gross proceeds from sale of assets	81	82	10
-	Lump sum contributions	-	-	-
1,068	Total sources of capital funding	643	893	1,620
	<i>Applications of capital funding</i>			
	Capital expenditure			
64	▪ to meet additional demand	-	-	-
399	▪ to improve the level of service	765	329	262
2,551	▪ to replace existing assets	636	998	2,134
(1,214)	Increase (decrease) in reserves	(220)	322	(249)
(300)	Increase (decrease) in investments	(350)	(435)	(300)
1,499	Total applications of capital funding	832	1,214	1,847
(431)	Surplus (deficit) of capital funding	(188)	(321)	(227)
-	Funding balance	-	-	-
	¹ includes all other operating funding from sources not identified above.			

Council Activities

Funding impact statement – budget variations

Total operating funding was higher than budgeted due to increased SIESA revenue (fees and charges) and unbudgeted contributions to the mayoral flood relief (subsidies and grants). Payments to staff and suppliers are slightly lower than budgeted, however this was offset by increased internal charges and other operating costs.

Capital expenditure to replace existing assets is lower than budgeted due to a number of SIESA projects being deleted from the works programme during the year. These projects were part of a work program developed a number of years ago and a new program of works is currently being developed. The budgeted renewal of marine assets in Stewart Island Jetties did not occur during the year. The proposed Tourism Industry Fund (“TIF”) application for the Golden Bay and Ulva Island jetties has been put on hold. This was due to issues with access onto Ulva Island, the ownership of the Golden Bay wharf and the ability of the community to fund 50% of the project (a TIF requirement).

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Council Activities

District leadership**What we deliver**

District leadership describes Council's role as a leader in its communities where it provides information, support, and development opportunities to residents. This empowers them to make a difference in their communities by becoming involved in decision-making. The group of activities includes community development, representation and advocacy, District support (area offices and customer support), corporate support (people and capability, finance, strategy and policy, communications, and information management), and forestry.

Community futures

Council supports collaborative partnerships with local community organisations and key national and regional agencies/stakeholders that support the District's communities and that add value to residents' quality of life and visitor experiences. This includes Council's investment in regional economic and tourism development and local community development opportunities. At a regional level, Council is involved in regional development initiatives encompassing economic development, attracting business and providing and promoting quality visitor experiences.

Representation and advocacy

Council encourages decision-making at a range of levels – centrally by Council, and at local levels, through community boards and other subcommittees. Council also seeks input from young people in the District through the Youth Council and supports other representative groups such as the Milford Community Trust and the South Catlins Charitable Trust, Predator Free Rakiura and the Northern Southland Community Resource Centre Charitable Trust.

Council plays a strong advocacy role in representing local interests by way of submissions, deputations and lobbying to regional and central government and other relevant agencies. Council is proactive in ensuring there is appropriate representation on national working parties and organisations so that a southern and/or rural voice is heard. Key aspects of the activity include three-yearly elections for the mayor, councillors, community boards and community development area subcommittees and six-yearly representation reviews to determine the representation structure.

Customer and corporate support

Customer support provides the community with frontline support and assistance to get answers to their inquiries, register their dogs, apply for building and resource consents or alcohol and food licences, action LIM (Land Information Memorandum) and PIM (Project Information Memorandum) requests and access many other Council-related services. The activity is provided through various channels including phone, email and post, as well as face to face through our offices and libraries in Invercargill, Lumsden, Oban, Otautau, Riverton, Te Anau, Winton and Wyndham.

The corporate support activity includes communication and engagement as well as the more internal functions such as strategy and policy, people and capability, finance and information management, which provide support to the overall operation of Council.

Forestry

Council Activities

Council operates a sustainable forestry business, undertaking forestry establishment, silviculture and harvesting. Council aims to successfully grow, harvest and market plantations of forests to provide the best possible return. The provision of a return relates to the maintenance of an alternative income stream to offset rates. The estate is spread across four forests with a total legal area of 1,839 hectares.

Why we do it

These activities help make it easier for people to access Council's services, understand the issues surrounding Council's activities and provide opportunities to participate meaningfully in shaping the District's services, facilities, policies, spaces and places, and, ultimately improve the quality of life in the District. They encourage collaboration and partnerships, not only so communities can achieve more, but also to strengthen community connections, understanding and self-reliance.

Forestry operates as a commercial-type investment, with the income helping to reduce the level of rates required.

Community outcomes

The primary outcome of this activity group is "proud, connected communities that have an attractive and affordable lifestyle". Its secondary outcome is "resilient communities that leave a legacy for tomorrow".

Identified effects on community wellbeing



There are no significant negative effects from Council's District leadership activities.

Council Activities

How we did – Key highlights and performance results**Community development**

Key highlights

- Work progressed on the establishment of community board plans which will set the visions and outcomes for each community board area. These were being defined by the communities themselves following engagement with the former community development area subcommittees (CDAs), the newly established community boards and the communities they represent. The plans will help to feed localised work programmes into Council's Long Term Plan 2021-2031. They were in draft form at 30 June 2020.
- The nine new community boards formed in 2019 set up individual Facebook pages to engage with their local communities and promote community events.
- Community development and support work which had previously been carried out by the former Venture Southland became embedded in Council's district leadership role following the transferral of Venture's three community development planners to new roles as community liaison officers at Council in June 2019. Among the team's projects in 2019/2020 were implementing the SDC Holiday Programme with Sport Southland, establishing the Welcoming Communities programme at SDC, and working alongside communities with local initiatives.
- Council was a partner in the government-led Milford Opportunities Project, which is working to maximise opportunities and manage future visitor experiences at Milford Sound and along the Milford road corridor. In 2019/2020 research was carried out in several workstreams, with engagement seeking public views on future plans for the area. A master plan is expected to be delivered in the next financial year.
- Major strategic work for Stewart Island/Rakiura was advanced with the Rakiura Futures Project.
- Council's Community Initiatives Fund was split into two new community funds, which were established in 2019/2020 and became operational on 1 July 2020. The funds are now called the Community Partnership Fund and District Initiatives Fund.

Representation and advocacy

- Local elections were held in October 2019 under Council's new representation structure of nine community boards with freshly drawn boundaries that cover the entirety of Southland District. This followed the completion of Council's six-yearly Representation Review, and the resulting determinations by the Local Government Commission.

District support

Key highlights

- With more online services now offered and more buy-in from customers to online engagement with Council, the customer support partners have seen a big change in customer habits. Fewer people are lining up at office counters now to make payments or for general inquiries. Since the introduction of new software enabling building consent applications to be lodged online, and a new online booking system to meet building control staff, customer

Council Activities

traffic in office reception areas has reduced. It is felt that the lockdown may have enhanced customer awareness of and familiarity with Council's online services.

- It has been a busy year for the first full year of Council's new contact centre, with 46,288 calls answered.
- A new cloud-based phone system, Purecloud, was installed in 2019/2020. It has improved functionality. A benefit was that during the Covid-19 lockdown the system enabled customer support partners and technical support partners to work safely from home, providing a seamless service to customers.
- A project was started to review categories for customer requests for service (RFS). A total of 7,177 RFSes were received during the year.

Corporate support

People and capability

Key highlights

- Council implemented a range of new initiatives, including a new health and safety system, a drug and alcohol policy, GPS tracking in vehicles, health monitoring, exposure guidelines and fatigue guidelines.
- Council continued with its wellbeing initiatives including encouraging staff to use the KYND app – which monitors and assesses employee health and wellbeing – and running staff workshops with Dr Tom Mulholland.
- Work progressed on critical risk prevention controls for working alone, motor vehicle accidents, contractor injury and mental health.
- Significant support was provided by the people and capability team to staff through the Covid-19 lockdown alert levels four to one.
- Council's organisational development project progressed in 2019/2020. An organisation-wide programme was facilitated to improve collaboration, partnerships and behaviours at individual, leadership and team levels.

Communications

Key highlights

- Council supported Emergency Management Southland's public information management role during the February floods.
- Southland District Council shared a site with Environment Southland at the 2020 Southern Field Days at Waimumu in February. This enabled education and engagement about the two councils' different roles.
- As Anzac Day fell during the Covid-19 lockdown when gatherings were prohibited, an Anzac Tributes page was set up on Facebook so that the public could share memories.
- During lockdown, Council looked for different ways to reach out to the community using social media. A Hometown Heroes series of articles celebrated the good work done by volunteers to support their communities, and feature articles from Council's magazine First Edition, which could not be published during lockdown, were published online instead.

Council Activities

- Creative videography was used increasingly to promote events and innovations, including online dog registration, or to tell significant community stories, such as documenting the recovery of two historic locomotives buried near Lumsden. These videos, produced in house, were well viewed.

Strategy and policy**Key highlights**

- The Annual Plan 2020/2021 was developed and adopted, setting out Council's work programme and budgets for the year.
- The Speed Limits Bylaw was reviewed and adopted, and a review and consultation on the Keeping of Animals, Poultry and Bees Bylaw was initiated.
- The Combined Local Alcohol Policy with Invercargill City Council was completed.
- The Board (TAB) Venue and Gambling Venue Policies were completed.
- Extensive research and analysis was carried out on the effects of the Covid-19 pandemic lockdown on the Southland region. This took the form of a wellbeing scan, incorporating lessons learned from previous crises, and a review of significant forecasting assumptions.
- The annual review of Council's top 10 strategic risks was carried out, coming into effect in the 2020/2021 financial year.

Finance**Key highlights**

- Council worked with individual ratepayers who experienced financial hardship during the Covid-19 lockdown, to develop solutions to enable them to pay their rates.
- Council continued to promote email rates invoicing and direct debits for rates instalment payments, offering the incentive of going into the draw to win a \$300 Prezzy card sponsored by Westpac.
- Work progressed on a collaborative project with Environment Southland to develop a portal which solicitors can use to make inquiries about outstanding rates on properties. This is expected to be launched in 2020/2021.

Information management**Key highlights**

- The Covid-19 lockdown presented the biggest challenge of the year for the information management team and provided one of the biggest highlights. The information and technology (IT) team was tasked with ensuring that 180 Council staff were capable of working remotely from home within a very short timeframe, and then with providing technical support throughout the lockdown. The IT team did this successfully, allowing Council staff to continue to work from home with almost seamless delivery of business continuity.
- Key priorities for Council are making it easier for customers to interact with Council, and making it easier for staff to be more mobile with the capability to work remotely. IT's role includes investigating and introducing new software and systems to achieve this.

Council Activities

- Council is committed to providing quality online services, enabling greater flexibility for customers to interact electronically with Council. Dog registrations can now be completed online and during the year IT delivered the Simpli online lodgement system for customers to be able to file building consent forms online, and the GoGet platform which enables the building team to process applications. A new online system for resource consent applications is being developed.
- During the year Council transitioned from an old in-house phone system to a cloud-based system, which provided greater functionality and proved beneficial while staff worked remotely.
- Improving SDC's cyber-security remained a priority for the IT team.
- An ongoing project for the IT team is integrating Council's multiple disparate programs and systems to enable more efficient management of processes, records and documents. As well as creating efficiencies for the organisation, this will help to improve customers' experience when interacting with Council.

Forestry

Key highlights

- Harvesting was completed during October 2019, with 28,164 tonnes harvested out of the Waikaia Forest.
- Budgeted revenue targets were exceeded for the year based on higher than forecast volume yield.
- Supply agreements with locked-in prices for both export and domestic smoothed out some of the volatility in the logging market.
- An inventory programme was undertaken which improves the quality of forest data held on record and influences the valuation.

Performance results

This activity group has a total of 19 KPIs. Of these, 15 targets were achieved and 4 not achieved. Of the four targets that were not achieved, reasons included a lack of confidence in decision making and a lack of satisfaction that council decision making meets local and district needs, a change in focus from leadership to community board plans and a change in triennium meant there more than the usual items in public excluded agenda's.

Performance measures

Enable democratic local decision making and by, and on behalf of, communities (representation and advocacy)			
Level of service (LoS) 25: Make decisions in an open, transparent manner			
Key performance indicator	Target	Result	How Council performed

Council Activities

KPI 25.1: Percentage of residents that: (a) have confidence in Council decision-making (b) feel that Council decision-making reflects local and District needs	a) 85% b) 85%	a) 73% b) 44%	<p>a) Not achieved</p> <p>The result is from the annual resident survey which is conducted in June. The result is 73% which is similar to the previous year when the result was 75%. A programme to inform the community about the recently amended governance structure and how to make best use of their Community Boards and Councillors will be designed to lift those in the not so confident and not at all confident response category to a somewhat confident or very confident response category. (2018/2019: Not achieved – a) 75%)</p> <p>b) Not achieved</p> <p>The result is from the annual resident survey which is conducted in June. The result is 44%. Although only 44% of respondents were either satisfied or very satisfied that Council decision making reflects local and district needs, 34% of those surveyed returned a neutral response. This neutral response, those who are neither satisfied nor dissatisfied, will be targeted for improvement over the coming year. The verbatim feedback illustrates a level of community sentiment that Council is 'disassociated with grass roots', 'disconnected with the district' and that 'Community boards should have been kept'. A programme to inform the community about the recently amended governance structure and how to make best use of their Community Boards and Councillors will be designed to lift those in the neutral response rate to a satisfied response. Staff anticipate that this programme would also lift the percentage of residents that have confidence in Council decision-making. (2018/2019: Not achieved – b) 75%)</p>
KPI 25.2: Proportion of main items held in open meetings ¹	85%	81%	<p>Not achieved</p> <p>This is based on the number of public-excluded items on an agenda compared with the number of open items. There were 224 meeting items for the year. Of which 181 were held in open meetings and 43 were held in closed meetings. The result is off target because the first reporting period coincided with the first four months of the new triennium where a number of major issues were required to be considered - some of these in public excluded. Since then staff have a heightened awareness of the importance of transparency. (2018/2019: Not achieved – 83%)</p>
<i>1 - This refers to the main business topics on the full Council agenda and existing four Standing Committees</i>			
Support collaborative partnerships with the community and key agencies/stakeholders in the district and region that add to the quality of life in Southland (community futures)			
Level of service (LoS) 19: Proactively engage/plan with the community			
Key performance indicator	Target	Result	How Council performed
KPI 19.1: Number of community conversations held	≥ 10	56	<p>Achieved</p> <p>Council held 56 engagement meetings and events throughout the 2019/2020 year. This does not include one-on-one engagement that all our staff do on a daily basis. The last four months of the year were quiet because of the Covid-19 lockdown and ongoing controls. (2018/2019: Achieved - 14)</p>

Finance and Assurance Committee

11 September 2020

Council Activities

KPI 19.2: Number of community leadership plan processes held/completed	3	0	Not achieved This work has been replaced by the development of nine community board plans that are reflective of Council's new governance structure. All of the boards have now agreed on their vision and outcomes and these have been reported to the Community and Strategy Committee and SDC staff for use in the development of activity management plans and the Long-Term Plan. The next steps include further discussions with the boards (and their communities) about the development of objectives and/or actions with a view to finalising the plans. (2018/2019: Not achieved – 0)
KPI 20.1: Percentage of funds distributed through contestable community grants and funding schemes that comply with grant criteria	Target to be set following fund review	100%	Achieved All grants which have been approved have met the set criteria. Criteria will now change in the new financial year as we move to the new community partnership fund. (2018/2019: Achieved – 100%)
Key performance indicator	Target	Result	How Council performed
KPI 21.1: Southland regional unemployment rate	Below national average	2.5%	Achieved In March 2020 the Southland unemployment rate was 2.5% compared with the national rate of 4.2%. The methodology calculates the result based on a march to march year. This is based off the Labour market statistics snapshot MBIE figures. (2018/2019: Achieved – 3.4%)
KPI 21.2: Southland regional GDP	Increase on prior year	\$6.36B	Achieved The year ending March 2019 regional GDP figure for Southland is \$6,359B. This was an 8.75% increase on the previous year. (6.359B March 2019 vs 5.826B March 2018). This is based off Statistics New Zealand figures. (2018/2019: Achieved – \$5.82B)
Positive, consistent customer experience so our customers only have to ask us once (Customer Support)			
Level of service (LoS) 3: Provide a positive and consistent experience			
Key performance indicator	Target	Result	How Council performed
KPI 3.1: Percentage of requests for service resolved within service levels	85%	84%	Achieved This measure is important to provide Council with the confidence staff are able to resolve requests for service within our service level the majority of the time. The total number of requests for service for the year was 7,177. Of these 6,029 were resolved within expected timeframes. Over level 4 lockdown of Covid-19, numbers of requests were reduced but of those that were received some were unable to meet timeframes. We continue to send reminders regarding overdue requests to activity managers for follow up. These are also reported monthly in the management report to council. (2018/2019: Achieved - 87% against a target of 80%)
Pro-active communication and engagement that ensures information provided by Council is easily accessible, relevant and timely (communications and engagement)			
Level of service (LoS) 27: Engage and communicate with the community			

Council Activities

Key performance indicator	Target	Result	How Council performed
KPI 27.1: Level of public attendance at engagement activities/opportunities	≥ 200 people in total attending Council Community Conversations per annum	333	Achieved There has been little public engagement in terms of meetings over the past few months because of Covid-19. However, staff have been involved with one-on-one meetings with community members and key stakeholders. There has been little public engagement in terms of meetings over the past few months because of Covid-19. (2018/2019: Achieved - 312)
KPI 27.2: Percentage of residents who are satisfied with Council communications	50%	50%	Achieved The result is from the annual resident survey which is conducted in June. The result is 50% which is a slight decrease on the 2019 result of 51%. Respondents were asked if they had any comments about the questions in the survey. The majority of the verbatim comments around communication were negative. Some of the respondents listed reasons including: that opinions don't count, communication must be better, don't communicate well, lack of consultation, not getting back to customers, building consent delays, not listened to. (2018/2019: Achieved - 51%)
Customer and business aligned, service orientated and leaders in providing the best services available (corporate support)			
Level of service (LoS) 30: Operate in a financially prudent manner (financial management)			
Key performance indicator	Target	Result	How Council performed
KPI 30.1: Rates income complies with the limits set in the financial strategy (affordability benchmark/rates benchmark ¹) as follows: (a) rates increase over prior year (b) rates as a proportion of total revenue	a) ≤ LGCI ¹ + 2% b) ≤ 70%	a) 3.49% b) 61%	a) Achieved This is the actual rate increase as published in the 2019/2020 Annual Plan. (2018/2019: a) Achieved - 3.67%) b) Achieved The 2019/2020 Annual Plan forecast this benchmark to be at 66% at year end. The actual result is lower than forecast due to more income from other sources being received in the year such as from MBIE funding. (2018/2019: b) Achieved - 62%)
KPI 30.2: Debt complies with the limits set in Council's financial strategy (affordability benchmark/debt benchmark ¹) as follows: (a) external debt as a proportion of total revenue	a) ≤ 100%	a) 3.16%	Achieved Council has the ability to loan up to 100% of its revenue as set out in Council's financial strategy. To date Council has not required to utilise this however, Council has a short-term borrowings of \$2.5M as at 30 June 2020, due to the timing of operating expenditure. This was repaid in full in July 2020. (2018/2019: Achieved - 2.25%)
KPI 30.3: Revenue (excluding income from development and financial contributions, revaluations and vested assets) exceeds operating expenditure (sustainability benchmark/balanced budget benchmark ¹)	≥ 100%	101%	Achieved The 2019/2020 Annual Plan forecasts this benchmark to be at 95% at year-end due to Council not yet fully funding depreciation. The current result is due to additional revenue from MBIE funding. (2018/2019: Not Achieved - 97.47%)

Council Activities

KPI 30.4: Capital expenditure on the five network infrastructure services equals or exceeds depreciation on those five services (sustainability benchmark/balanced budget benchmark ¹)	≥100%	122%	Achieved Council has budgeted as part of its 2019/2020 Annual Plan to achieve 159% in this benchmark at year-end. The current actual result reflects that not all of Councils planned capital expenditure (projects) were undertaken by 30 June 2020. One contributing factor being the nationwide Covid-19 lockdown during late March to Early May. (2018/2019: Achieved – 100.75%)
KPI 30.5: Borrowing costs are less than 10% of operating revenue (sustainability benchmark/ debt servicing benchmark ¹)	<10%	0.03%	Achieved Councils 2019/2020 Annual Plan, forecast that it would end the year at 0.03% due to borrowing costs associated with access to Councils loan facility and interest on short term borrowings. Please note that there are preliminary results based on interim June 2020 results. Numbers are subject to changes as a result of year-end adjustments. (2018/2019: Achieved – 0.03%)
KPI 30.6: Net cash flow from operations equals or exceeds budget (predictability benchmark/ operations control benchmark ¹)	Actual compared to budget (budget: \$20.32)	\$24.7M	Achieved The actual result reflects the cashflow to 30 June 2020. These results are preliminary however as the year-end adjustments are still being finalised. (2018/2019: Achieved – \$23.1M with a target of \$21.14M)
KPI 30.7: Net debt is less than or equal to forecast net debt in the local authority's long term plan (predictability benchmark/debt control benchmark ¹)	Actual compared to budget (budget: \$78M)	\$2.5M	Achieved Council had no external debt for the duration of the year, other than a short-term borrowing of \$2.5M at 30 June 2020. This overdraft was repaid in full in July 2020. (2018/2019: Not Achieved - \$1.7M)
<p>1 - These measures relate to the Local Government (Financial Reporting and Prudence) Regulations 2014</p> <p>2 - LGCI is the Local Government Cost Index</p>			

Council Activities

Southland District Council: Funding impact statement for the year ended 30 June 2020 for district leadership

2018/2019 Budget (LTP) (\$000)		2018/2019 Actual (\$000)	2019/2020 Actual (\$000)	2019/2020 Budget (AP) (\$000)
	<i>Sources of operating funding</i>			
11,817	General rates, uniform annual general charges, rates penalties	11,848	12,544	12,541
812	Targeted rates	808	831	832
84	Subsidies and grants for operating purposes	266	1,369	84
29	Fees and charges	49	101	12
15,078	Internal charges and overheads recovered	14,779	15,858	16,516
3,243	Local authorities fuel tax, fines, infringement fees, and other receipts ¹	4,990	4,063	3,437
31,063	Total operating funding	32,741	34,767	33,422
	<i>Applications of operating funding</i>			
15,744	Payments to staff and suppliers	16,149	17,958	17,037
22	Finance costs	22	23	22
12,010	Internal charges and overheads applied	12,497	13,295	13,950
2,329	Other operating funding applications	2,124	2,043	1,814
30,105	Total applications of operating funding	30,792	33,318	32,823
959	Surplus (deficit) of operating funding	1,950	1,449	599
	<i>Sources of capital funding</i>			
	- Subsidies and grants for capital expenditure	7	240	-
	- Development and financial contributions	9	9	-
732	Increase (decrease) in debt	39	(93)	617
88	Gross proceeds from sale of assets	189	35	61
	- Lump sum contributions	-	-	-
820	Total sources of capital funding	244	191	678
	<i>Applications of capital funding</i>			
	Capital expenditure			
	- to meet additional demand	-	-	-
104	- to improve the level of service	298	185	126
1,495	- to replace existing assets	370	768	1,494
(120)	Increase (decrease) in reserves	1,131	308	(642)
300	Increase (decrease) in investments	394	378	300
1,779	Total applications of capital funding	2,194	1,639	1,277
(959)	Surplus (deficit) of capital funding	(1,950)	(1,449)	(599)
	- Funding balance	-	-	-
	¹ includes all other operating funding from sources not identified above.			

Council Activities

Funding impact statement – budget variations

Subsidies and grants for operating purposes were higher than budgeted due to government grants received for Milford and Stewart Island/Rakiura Opportunities Projects. Fees and charges income was also higher than budgeted as a result of Land Information Memorandums (“LIMs”) being processed by Council’s knowledge department, however it was budgeted for within Building control. Internal charges and overheads recovered/applied were lower than budgeted due to lower overheads and interest on reserves. Other receipts were more than budget due to increased forestry harvesting income. Payments to staff and suppliers were primarily over budget due to unbudgeted consultants costs associated with the Milford and Stewart Island/Rakiura Opportunities Projects. Applications of operating funding are over budget due to an unbudgeted contribution to the Manapouri carpark project, funded from grants for capital expenditure.

Capital expenditure to replace existing assets was lower than budget due to progress on the core system review in the current year as well as a deferral of some vehicle replacements. Accordingly funding sources (loans and reserves) were lower than budgeted.

Council Activities

Emergency management**What we deliver**

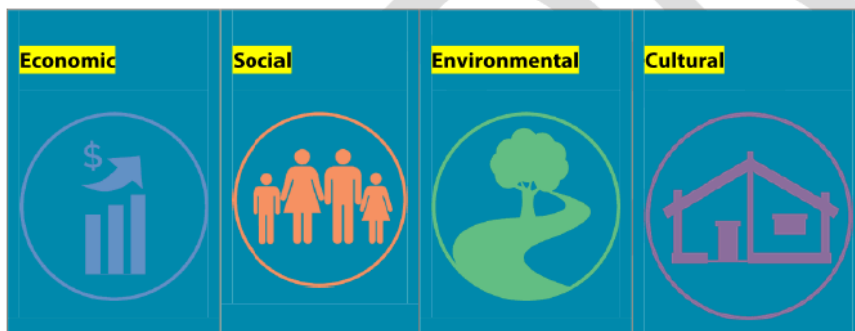
Emergency management focuses on communities being prepared, responding to and recovering from emergencies when they happen. Emergency Management Southland (EMS), working for a joint committee of the four Southland councils, co-ordinates Council's civil defence emergency management work across the 4Rs (reduction, readiness, response and recovery). It involves creating community and agency response plans, developing communication networks, carrying out planning, and education so people can better understand the risks and training to increase the community's readiness to respond. Southland District Council supports EMS by making staff available to participate in training exercises so that they are ready to contribute to the response during emergencies.

Why we do it

EMS puts plans in place to ensure people are safe and connected in an emergency and helps build community resilience by preparing, responding and recovering effectively from emergency events. Co-ordinated planning and increasing community awareness also reduce the potential for damage in emergencies, and a speedy response mitigates the effects of damage where possible.

Community outcomes

The primary outcome is "proud connected communities that have an attractive and affordable lifestyle". The secondary outcome is "resilient communities that leave a legacy for tomorrow".

Identified effects on community wellbeing

The emergency management group of activity has a positive effect on the economic, social, environmental and cultural wellbeing of our communities.

Council Activities

From an economic wellbeing perspective the activity provides for a co-ordinated response to civil defence emergencies and planning to reduce economic impacts on communities affected.

Potential negative effects are a lack of co-ordination, adequate resourcing or communication could compromise an effective emergency response. Actions taken to respond to emergencies could also potentially affect the environment, although these are mitigated wherever possible.

How we did – Key highlights and performance results

2020 has been the biggest year for response since Emergency Management Southland was established in 2010, with back-to-back responses to extreme flooding and the global Covid-19 pandemic. Together, the two responses required an enormous commitment by EMS staff, with some staff working seven-day weeks for more than three months.

The success of these responses was due to the ongoing engagement of the EMS team, in particular:

- working with communities across Southland to form Community Response Groups and develop Community Response Plans
- providing CIMS4 training for working during an emergency
- developing Business Continuity Plans with the local councils.

The floods in February were possibly the biggest natural disaster experienced in Southland, requiring a massive co-ordinated response which emphasised the value of strong emergency planning work carried out by EMS staff in Southland communities in recent years. Following the state of emergency declared in Fiordland on 3 February, 300 stranded trampers were evacuated by helicopter from huts on Fiordland walking tracks. A further 195 tourists were rescued from the Milford road, which was extensively damaged. The community rallied to provide shelter, food and support for evacuees. As floodwaters moved down the Maitava River the state of emergency was extended to the wider Southland region, with Civil Defence leading the response. Evacuations were ordered in parts of Gore, Maitava and Wyndham and again communities rallied to support those displaced from their homes. At one point there were 26 community hubs looking after people, working with EMS.

EMS was then tasked with co-ordinating the District-wide welfare response to the Covid-19 pandemic, which escalated to alert level 4 lockdown on 25 March. EMS supported organisations that provided food to their communities, including local food banks, social organisations, church groups and marae. With physical distancing required much of the work during this period was done remotely.

During the Covid-19 response, EMS's response included the following:

- calls received: 573
- food: 315
- accommodation: 49
- financial: 108

Council Activities

- psychosocial: 28
- medicine: 44
- animal welfare: 54
- other: 41

EMS continues to lead AF8 (Alpine Fault magnitude 8), a national collaboration between Civil Defence and science to prepare for the next rupture of the Alpine Fault. Unfortunately EMS's second roadshow was cancelled because of Covid-19 but AF8 achieved the following milestones in the 2019/2020 year:

- EMPA (Emergency Media and Public Affairs) award for excellence in resilience and readiness
- a tourism forum held in Te Anau
- a SAFER (South Island Alpine Fault Earthquake Response) planning forum held in Nelson
- a South Island response exercise for an Alpine Fault rupture
- a new digital engagement project in conjunction with the Earthquake Commission and East Coast Lab.

Performance results

This activity has two KPIs and two targets. Both targets were achieved. There were no projects for this activity group.

Performance measures

Safer, strong communities understanding and managing their hazards			
Level of service (LoS) 26: Build community resilience to emergency events			
Key performance indicator	Target	Result	How Council performed
KPI 26.1: Number of Southland communities covered by a Community Response Plan	Increase on prior year	10	Achieved The number of communities that have this plan in this year is 10, which takes the total of 23 completed. These communities are Gore-Croydon Lodge, Mossburn, Athol, Ohai/Nightcaps, Coastal Tokanui, Invercargill-Lindisfarne, Invercargill-College of Education, Otautau, Wallacetown, Manapouri. The target is to produce eight community plans per year over the first three years of the LTPA programme of Community Response planning is being undertaken throughout Southland. This planning will increase the capacity and capability of each community during an emergency response and empower communities to support themselves, their family/whanau and their wider community. While this planning is community led and owned – based on the needs and wants identified by each community – the delivery of the programme is planned and co-ordinated by Emergency Management Southland. (2018/2019: Achieved - 13)
KPI 26.2: Percentage of surveyed households that have an emergency plan (written or verbal)	58%	67%	Achieved The survey conducted by Emergency Management Southland had 419

Council Activities

			respondents which was a good outcome. For the question have you made a plan or had a family discussion about what to do in an emergency 67% of the survey participants had undertaken one or both planning options. (2018/2019: Achieved – 60%)
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Council Activities

Southland District Council: Funding impact statement for the year ended 30 June 2020 for emergency management

2018/2019 Budget (LTP) (\$000)		2018/2019 Actual (\$000)	2019/2020 Actual (\$000)	2019/2020 Budget (AP) (\$000)
Sources of operating funding				
422	General rates, uniform annual general charges, rates penalties	423	463	463
-	Targeted rates	-	-	-
-	Subsidies and grants for operating purposes	-	-	-
-	Fees and charges	-	-	-
3	Internal charges and overheads recovered	3	4	3
13	Local authorities fuel tax, fines, infringement fees, and other receipts ¹	1	-	16
439	Total operating funding	428	467	482
Applications of operating funding				
-	Payments to staff and suppliers	-	-	-
-	Finance costs	-	-	-
143	Internal charges and overheads applied	128	145	164
296	Other operating funding applications	296	315	318
439	Total applications of operating funding	424	461	482
-	Surplus (deficit) of operating funding	4	7	-
Sources of capital funding				
-	Subsidies and grants for capital expenditure	-	-	-
-	Development and financial contributions	-	-	-
-	Increase (decrease) in debt	-	-	-
-	Gross proceeds from sale of assets	-	-	-
-	Lump sum contributions	-	-	-
-	Total sources of capital funding	-	-	-
Applications of capital funding				
Capital expenditure				
-	to meet additional demand	-	-	-
-	to improve the level of service	-	-	-
-	to replace existing assets	-	-	-
-	Increase (decrease) in reserves	4	7	-
-	Increase (decrease) in investments	-	-	-
-	Total applications of capital funding	4	7	-
-	Surplus (deficit) of capital funding	(4)	(7)	-
-	Funding balance	-	-	-

¹ includes all other operating funding from sources not identified above.

Council Activities

Funding impact statement – budget variations

There were no significant variances between the budget and actual results.

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Council Activities

Regulatory services**What we deliver**

Regulatory services is a group of teams who ensure that various Council activities meet their regulatory (government-legislated) requirements. The Council activities include:

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

Regulatory services oversees consenting, monitoring, and enforcement functions across a wide range of regulations, focusing on protecting public health, maintaining safe environments and amenities, and processing consents.

Animal control

Animal control involves registering dogs, investigating complaints about dogs and wandering stock, formulating and enforcing animal control policy, dealing with nuisance dogs, and promoting responsible dog ownership.

Building control

Building control exists to ensure that all buildings in the District are safe and healthy. The activity involves processing and granting building consents, inspecting and monitoring building work, issuing Code Compliance Certificates (CCCs), issuing Certificates of Public Use (CPUs), processing Land and Project Information Memoranda, providing advice on building-related matters and enforcing numerous other provisions under the Building Act 2004. The activity is also responsible for amusement device inspections under the Machinery Act. Council operates a shared services agreement with Gore, Clutha and Central Otago District councils, which enables staff to fill in where specialist staff are not available in-house or are absent on leave.

Environmental health

Environmental health is concerned with all aspects of the natural and built environment that may affect human health. Key activities include alcohol and food licensing, as well as public health services including the regulation of noise, nuisances, freedom camping and hazardous substances.

Resource management

Resource management involves the development and review of the District Plan (which sets out the objectives, policies and rules and methods for land use and development in the District), monitoring compliance with the District Plan and processing resource consent applications.

Council Activities

Why we do it

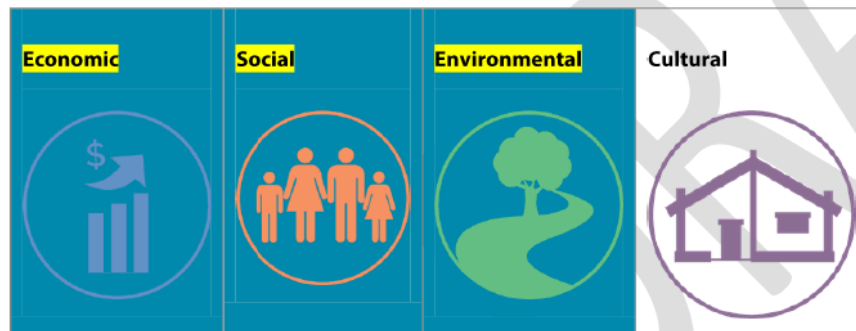
Regulatory services plays an important part in ensuring that Southland's built and natural environment is safe for residents and for visitors. Regulatory services is focused on ensuring that:

- building or land developments are managed in a safe and sustainable way and land is used appropriately through enforcing building and planning rules and legislation
- the natural and built environment is protected and enhanced to promote sustainable development
- negative effects of activities that may occur in the District are minimised or managed (eg, noise, animals, overhanging trees)
- commercial food premises practise a high standard of hygiene
- communities and individuals are kept safe from nuisances.

Community outcomes

The primary outcome of this activity group is "proud, connected communities that have an attractive and affordable lifestyle". Its secondary outcome is "resilient communities that leave a legacy for tomorrow".

Identified effects on community wellbeing



The building control and resource management activities exist to mitigate and manage risks from development, construction, weathertight home issues and earthquakes. Development and construction, if not well managed, can have negative effects on the environment and social well-being, as well as the safety of individuals. Development in the wrong areas or the wrong types of development can place strain on infrastructure and reduce people's ability to access services and enjoy the opportunities the District offers. Poor development and construction of individual buildings can reduce the attractiveness of the District and the 'sense of place' that people identify with, and can also have a direct impact on safety.

Council Activities

How we did - Key highlights and performance results**Animal control and environmental health**

- A key focus has been setting up and training new technical support staff in the team. They provide technical and administrative assistance to customers.
- Software was introduced that enables new dog registrations to be completed online, and so now all dog registrations, including changes, can be completed online.
- For the first time this year dog registration forms were emailed to dog owners, to those who have email addresses. The remainder were posted as normal.
- Following an awareness campaign 8000 dog registrations had been completed by the end of June.
- The team worked from home during the Covid-19 lockdown. Day-to-day work continued, such as requests for service or licence processing. The team made the most of the time by attending to backlogged work, and completing unfinished or parked projects that will make the service more effective.
- The team hosted the second inter-agency meeting for animal control/welfare agencies in November. A key outcome was the creation of a roles document clarifying how general public inquiries should be directed for the varying types of animal welfare issues.
- Council bought a software product from Datacom, which permits food verifications to be conducted on an electronic device. Benefits include efficiency, consistency among Council's verifiers and also with other councils, increased quality, and the ability to upload verifications automatically to the Ministry of Primary Industries (MPI) portal.
- MPI was required to complete a review of territorial authority food verification functions and decided that councils will retain their exclusivity. Not only does this give some certainty to future planning of the service, but also there is reduced pressure to obtain accreditation of Council's verification services.
- Council continued to participate in two shared patrol services with the Department of Conservation in Te Anau and the Catlins. The venture was successful, with high levels of compliance achieved, and no need for prosecutions.

Building control

- The building control team launched its online electronic processing platform in 2019/2020. This enables customers to file building consent applications through the Simpli portal on Council's website, and for the building team to process and manage these applications through GoGet software. This creates greater efficiencies for both customers and building control staff, and provides transparency for customers who are able to view the status of their applications online. Engagement was carried out with industry focus groups during the rollout of the new software, with much valuable feedback received.
- In the days before New Zealand moved towards alert level 4 the building team scanned more than 19,000 pages of building consent paperwork so that they could continue processing work remotely from home during the Covid-19 lockdown. An increased volume of applications was lodged and as physical building inspections resumed at alert level 3 business safety plans had to be stringently vetted, adding to the workload.
- In June 2019 there were 86 building consent applications lodged. In June 2020 there were 118.

Council Activities

- During 2019/2020 Council retained its unconditional status as a building control authority (BCA) with an unchanged low risk assessment, following its two-yearly audit by the International Accreditation New Zealand (IANZ). IANZ accreditation is legally required for any organisation to be able to continue its building control function.
- A major project in 2019/2020 was clearing a backlog of code compliance certificate (CCC) refusal letters. The work required a huge commitment of staff resources and time, to enable and support the community to rectify any issues with documentation of their building projects.
- A review of Council's functions by the Ministry of Business and Innovation (MBIE) identified a shortfall in community safety activities, specifically around on-site audits for Building Warrants of Fitness and pool/spa pool audits. This work requires specialised skills and has been typically difficult to resource. As a result, Council has committed resources to provide training for its building control staff to enable increased safety inspections and compliance work, and we are reporting on our progress quarterly to MBIE.
- The building team continued its work to identify priority earthquake-prone buildings throughout the District.

Resource management

- There was continued uncertainty around central government regulation and the development of national policy. This included changes to the Resource Management Act (RMA) when a full review of the RMA and associated environmental laws was announced in November 2018. A number of national policy statements were released for consultation, including urban development capacity, highly productive land and indigenous biodiversity, national hazards and climate change resilience.
- Council has decided to bring forward its review of the landscape section of the District Plan and work on developing this has begun.
- Council provided a submission on the Proposed National Policy Statement for Indigenous Biodiversity in March 2020.
- The team assisted with the response to the flooding in February 2020.
- The team worked from home throughout the Covid-19 lockdown so consents continued to be processed. Consent numbers remain similar to last year.
- A number of breaches of the District Plan required enforcement orders to be given out.

Performance results

This activity has nine KPIs and 11 targets. 6 of the targets were achieved and 4 not achieved and one was not measured. Of the four targets that were not achieved, reasons included a higher volume of consents, more technical consents that took longer to process and a lack of resource.

Performance measures

A safe built environment (building control)			
Level of service (LoS) 13: A safe built environment for the community to use			
Key performance indicator	Target	Result	How Council performed
KPI 13.1: Average time ¹ to process applications for:			a) Achieved
(a) Building consents	a) ≤ 18 working days	a) 15.66	While the team have met the 'average' processing timeframe KPI across the year, compliance to legislative requirements have not been regularly met. This
(b) LIM	b) ≤ 9 working days	b) 7.65	

Council Activities

(c) PIM	c) ≤ 9 working days	c) 13.91	<p>is due to a capacity issue in the team which is being addressed.</p> <p>b) Achieved</p> <p>LIM Applications have consistently been processed within legislated timeframe (10 days) and well within this KPI throughout the year.</p> <p>LIMs are a priority document for Council as they enable customers to purchase property with confidence.</p> <p>c) Not achieved</p> <p>PIM applications have exceeded the KPI average of 9 days consistently through the year. This is due to the legislated requirement to process being 20 days and the team having insufficient capacity to exceed the legislated requirement.</p> <p>PIM applications have exceeded the KPI average of 9 days consistently through the year. This is due to the legislated requirement to process being 20 days and the team having insufficient capacity to meet the 9 day KPI target.</p> <p>(2018/2019: Achieved a) 15, b) Achieved – 6, c) Not achieved – 13)</p>
KPI 13.2: Maintain accreditation ² as a Building Consent Authority	Retain accreditation	Accreditation retained	<p>Achieved</p> <p>The BCA have maintained full accreditation throughout the year. The next accreditation assessment is scheduled for Feb/March 2021.</p> <p>Council received its re accreditation certificate from IANZ at the start of June 2019 (2018/2019: Achieved – Accreditation received)</p>
<p>1 - The Building Act/Code interpretation of "working days" is expected to change during the period which will affect performance reporting</p> <p>2 - BCA accreditation auditors have determined substantive compliance for meeting legislative timeframes to be in the 95% to 100% range</p>			
Ensure the development of the District and use of its resources is carried out in a sustainable manner, compatible with community values while not compromising environmental bottom lines (resource management)			
Level of service (LoS) 9: Efficient and cost effective processing of resource consent applications			
KPI 9.1: Median time to process non-notified consent applications	≤ 18 working days	19.25 working days	<p>Not achieved</p> <p>The consent volume was higher than anticipated during the second half of 2019 which added to the work going through the department. Additional Covid-19 impacts and internal processing delays from other departments have also hampered our capability to get decisions issued within KPI levels</p> <p>(2018/2019: Not Achieved – 19)</p>
KPI 9.2: Median charge per non-notified resource consent application	≤ \$1,000	\$1,026	<p>Not achieved</p> <p>This is the total median cost of processing resource consents for the financial year which is not achieving the KPI of being under \$1,000. This KPI seeks to maintain an affordable resource consent service. Higher costs than anticipated have arisen due to an increase in more technical consents and also outsourcing consent processing due to incoming volume and capacity within the team</p> <p>(2018/2019: Achieved – \$834)</p>

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Council Activities

Level of service (LoS) 10: Maintain an up-to-date and responsive regulatory policy environment			
KPI 10.1: Report ¹ two-yearly on the District Plan effectiveness	Not Measured	Not measured	Not measured There is no report required this financial year. The District Plan effectiveness report will next be reported in 2020/2021 (2018/2019: Achieved – Report adopted)
<i>1. Reports on the effectiveness of the District Plan are prepared every 2 years with information gathered in the intervening year</i>			
Encourage responsible animal ownership and protect the public from harm (animal control)			
Level of service (LoS) 11: Effective and appropriate control of animals that minimises potential for public harm			
KPI 11.1: Number of serious injuries to the public from dog attacks	0	0	Achieved There have been no reports of a serious dog attack on a person this year. (2018/2019: Achieved – 0)
KPI 11.2: Percentage of non-working dogs subject to the responsible owner category	86%	90%	Achieved Microchipping of non-working dogs is an important factor with the responsible owner discount. Chipping is encouraged by Council's free chipping, incentivising chipping via this discount and education/follow-up. There are two criteria for receiving this discount: - The dog is microchipped as required by the Dog Control Act 1996 - there has been no written warning, barking abatement notice, seizure or infringement under the Dog Control Act 1996 within the last two years relating to any dog owned by the person applying for the registration. Chipping is encouraged by Council's free chipping, and by this discount and education/follow-up. The actual numbers are about 5,700 dogs out of 6,300 (applies to non-working dogs only). (2018/2019: Achieved – 90% against a target of 85%)
Enhance the health, safety and well-being of the community, through the effective implementation of a range of public health related legislation (environmental health)			
Level of service (LoS) 12: Effective and appropriate control of activities that minimise the potential for public harm			
KPI 12.1: Number of incidents ¹ of foodborne illness believed ² to be caused by food sold at a Council-verified business	0	0	Achieved There were no incidents of foodborne illness caused by food sold at a Council-verified business. (2018/2019: Achieved – 0)
KPI 12.2: Number of alcohol licensees that fail a controlled purchase operation (CPO) ³	≤10%	22%	Not achieved Police conducted a CPO operation in December 2019 in the District. The result was that 2 out of the 9 off licences sampled sold to a minor or 22%. CPOs are conducted in partnership between the police, Council, and Public Health South. (2018/2019: Not Measured – 0)
<p>1 - "Incident" means illness arising from a common food source that has made one or more people ill, and includes an outbreak (more than 2 people ill).</p> <p>2 - "Believed" means that there is strong evidence suggesting the cause is the business concerned. The term 'suspected' would be used when there is weak evidence linking a food business to the incident.</p> <p>3 - Police is the lead agency in conducting CPOs. The police confirmed the intention to continue CPOs over the three-year period 2018 to 2021, being an effective way to test compliance.</p>			

Council Activities

Southland District Council: Funding impact statement for the year ended 30 June 2020 for regulatory services

2018/2019 Budget (LTP) (\$000)		2018/2019 Actual (\$000)	2019/2020 Actual (\$000)	2019/2020 Budget (AP) (\$000)
Sources of operating funding				
1,617	General rates, uniform annual general charges, rates penalties	1,622	1,696	1,692
-	- Targeted rates	-	-	-
15	Subsidies and grants for operating purposes	13	6	15
2,209	Fees and charges	2,062	2,179	2,192
298	Internal charges and overheads recovered	308	317	275
68	Local authorities fuel tax, fines, infringement fees, and other receipts ¹	79	73	48
4,207	Total operating funding	4,085	4,271	4,222
Applications of operating funding				
2,977	Payments to staff and suppliers	2,788	3,383	2,836
-	- Finance costs	-	-	-
1,223	Internal charges and overheads applied	1,232	1,448	1,479
2	Other operating funding applications	2	10	2
4,202	Total applications of operating funding	4,201	4,841	4,317
5	Surplus (deficit) of operating funding	63	(580)	(95)
Sources of capital funding				
-	- Subsidies and grants for capital expenditure	-	-	-
-	- Development and financial contributions	-	-	-
(13)	Increase (decrease) in debt	43	(13)	(14)
10	Gross proceeds from sale of assets	33	13	31
-	- Lump sum contributions	-	-	-
(3)	Total sources of capital funding	76	-	17
Applications of capital funding				
Capital expenditure				
-	- to meet additional demand	-	-	-
-	- to improve the level of service	5	19	-
35	to replace existing assets	143	37	133
(33)	Increase (decrease) in reserves	196	(636)	(211)
-	- Increase (decrease) in investments	-	10	-
2	Total applications of capital funding	139	(570)	(78)
(5)	Surplus (deficit) of capital funding	(63)	570	95
-	- Funding balance	-	-	-

¹ includes all other operating funding from sources not identified above.

Council Activities

Funding impact statement – budget variations

Payments to staff and suppliers are higher than budget due to increased consultancy charges in the building control department. The work required to retain accreditation by Council as a Building Consent Authority was in excess of what the existing team could manage, and therefore additional staff and contractors costs were required to be engaged to maintain accreditation with IANZ.

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Council Activities

Roading and footpaths**What we deliver**

The Southland roading network is the second largest of any territorial authority in the country. The network consists of a total of 4,967km of roads, 852 bridges, 207km of footpaths, 236 stock underpasses and 2,450 streetlights. There are also eight State Highways in the District (1, 6, 94, 95, 96, 97, 98 and 99), which are managed by NZ Transport Agency (NZTA) and are not part of Council's network.

Roading and footpaths manages both assets (such as roads, signs, bridges and lighting) and non-asset functions (such as road safety promotion). Overall management of the assets is provided by Council, with operational work carried out by contractors.

Funding for the management and maintenance of the roading and footpaths network is provided from rates, loans and user charges, together with financial assistance received from central government through NZTA.

The roading network maintenance is operated under an "alliance" model, a form of collaborative partnership contract between Council and contractors. Council also utilises engineering professional services to help develop and deliver its renewal and capital programmes.

The footpath network is operated by Council with input from local community boards and community development area subcommittees. Contractors are used for specific maintenance and renewal projects.

Council also operates the Around the Mountains Cycle Trail that runs from Kingston to Walter Peak Station on the shores of Lake Wakatipu. The majority of other off-road walkways and cycleways are managed under Council's parks and reserves activity.

Why we do it

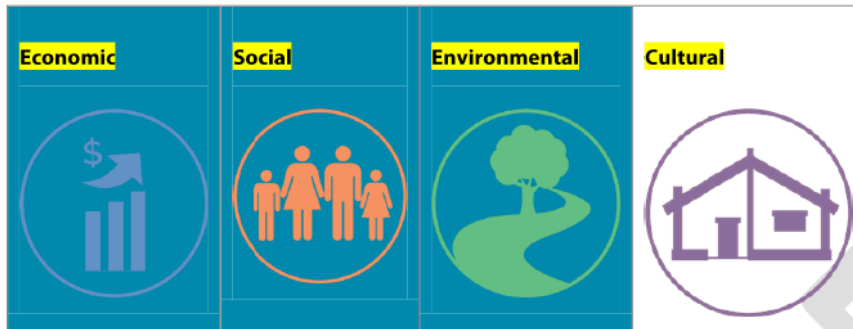
The roading network is crucial infrastructure for the District. It aims to provide a safe and integrated corridor, enabling goods and services to move throughout the District, supporting people's ability to live, work, visit and travel safely throughout Southland.

Community outcomes

The primary outcome of this activity group is "proud, connected communities that have an attractive and affordable lifestyle". The secondary outcome is "resilient communities that leave a legacy for tomorrow".

Council Activities

Identified effects on community wellbeing



While roading and footpaths plays an integral part in Southland District, there are inherently some significant negative effects on the community's well-being associated with it. Council has processes in place to reduce the likeliness of their occurrence. An example of a significant negative effect is fatalities. The possibility of these occurring is reduced through maintenance, renewals and road safety strategies. Other negative effects that could arise from the roading activity are economic effects such as travel delays as a result of road construction or upgrade works. Negative environmental effects could also occur, such as excessive noise, dust, contamination of waterways by stormwater discharge from road surfaces and environmental degradation from road construction or upgrade works.

How we did – Key highlights and performance results

Key highlights

- 2020 was a challenging year for the roading activity. The February floods stretched resources and caused extensive damage requiring urgent repairs to roads across the District where major landslips and washouts had occurred. Some of this work was delayed because of the Covid-19 lockdown. Then, some roads that had been reinstated after the February floods were damaged again during flooding in July.
- Lower Hollyford Road was one of the roads extensively damaged in February's floods. Work is continuing to decide the best long-term options for that road.
- The Covid-19 lockdown meant Council was unable to carry out the final week of its reseal programme, but 93% of the targeted reseals programme for the year was still achieved. This \$5.5 million programmed roading works included 1 million square metres – about 150 kilometres – of reseals on District roads.
- The roading team achieved its road rehabilitation programme targets for 2019/2020, with a total of 5.8km of road rehabilitations completed at six sites. The cost of this work was around \$2.8 million.
- A project to divert part of Ringaringa Road at Oban, on Stewart Island/Rakiura, was also substantially completed during 2019/2020. A portion of the existing road had significant erosion issues so an alternative gravel road was constructed linking to Ringaringa Road to Deep Bay Road. The at-risk section of Ringaringa Road will be closed during 2020/2021.

Council Activities

- Public consultation on changes to Council's Speed Limits Bylaw was carried out in 2019/2020 and, following public submissions and Council hearings, the new bylaw was adopted in July 2020 and was to come into effect on 12 August 2020.

Bridges

Of the 850 bridges in Southland District, 171 need to be replaced or closed in the next 12 years and a further 22 in the eight years after that. Based on Southland District Council's current allocated funding there is a significant shortfall in money available to replace all these bridges within the next 12 years.

Key highlights include:

- The accelerated bridge replacement programme began. This allows for the replacement of up to an additional 19 bridges spread over two contracts throughout the District. By year's end six of the 19 design-build bridges had been completed. Council approved unbudgeted expenditure of \$3 million for this programme, of which \$1.47 million is Council's share and \$1.53 million is being funded by the NZ Transport Agency. The unbudgeted expenditure amount will be funded through an internal loan over 20 years.
- The Mararoa bridge was replaced.
- The new Pyramid bridge was completed and officially opened. This was a joint project between Southland District Council, Gore District Council and NZTA.
- Council also approved the contract for \$310,000 to replace the Lake Monowai Road canal bridge.

Around the Mountains Cycle Trail

- Funding was approved in April 2019 from the Ministry of Business, Innovation and Employment (MBIE) to install 28 interpretation panels capturing the unique history of the local areas, along with bike stands and water tanks to enhance the shelters. Installation was completed in December 2019. The total cost of this project was \$61,523 + GST with 50% of this being funded by MBIE.
- In May 2019 SDC employed a dedicated trail manager, instead of an external provider. With the recruitment of the trail manager, Council has been able to set a new strategic direction, with a strong vision of taking the Around the Mountains Cycle Trail from good to great. Community engagement, branding and marketing have been key priorities.

Key successes from the past year have included:

- maintaining Great Ride status and continuing to be recognised as one of New Zealand's 22 Great Rides
- roll-out of an updated brand, look and feel
- development of a new website and Facebook page
- ownership of the URL www.aroundthemountains.co.nz
- trademarking the brand and logo
- development of an Official Partnership Programme with 36 local businesses
- development of a trail brochure and tear-off map

Council Activities

- installation of interpretation panels, bike stands and water tanks.

Performance results

This activity has six KPIs and six targets. The activity achieved two of the targets, three were not achieved and one was not measured. Of the three targets that were not achieved, reasons included that the Covid-19 lockdown lead to the sealing season being cut short, a lack of education around timeframes and an increase in the number of fatalities and serious injury crashes due to factors including alcohol,

Performance measures

A safe and integrated corridor that enables people, goods and services to move throughout Southland and makes it easy to live, work, play and visit here			
Level of service (LoS) 16: Roads are fit for purpose and provide for comfortable and efficient travel			
Key performance indicator	Target	Result	How Council performed
KPI 16.1: Average quality of ride on sealed local roads (MM 2: road condition)	Smooth Travel Exposure ¹ ≥ 97%	-	Not measured The survey will not be undertaken until February 2021 (Carried out every two years). High-speed data collected by WDM for Council sealed roads has been uploaded into RAMM database (Road Assessment Maintenance and Management). (2018/2019: Achieved - 99%)
KPI 16.2: Percentage of sealed local road network resurfaced (MM 3: renewal programme)	7.3% (equates to ≥970,000 m ² per annum)	6.92%	Not achieved Target of 7.3% was not achieved due to the sealing season being cut short due to the Covid-19 lockdown. If this hadn't of happened we were on target to achieve 7.45%. The sites that weren't sealed due to this impact have been carried forward into next year's sealing programme. Note that Stewart Island/Rakiura roads were not included. (2018/2019: Achieved - 7.47%)
KPI 16.3: Percentage of customer service requests responded to within required timeframes ² (MM 5: response to service requests)	≥90%	83%	Not achieved 83% of roading requests responded to within timeframes - shy of the minimum target of 90%. In the early part of the year some education was given around the timeframes which has led to an improvement overall. (2018/2019: Not achieved - 80%)
KPI 16.4: Percentage of gravel road tests where road roughness ³ meets acceptable standards	≥85%	88%	Achieved The survey was carried out in December 2019 with the overall result of 88% good and satisfactory - exceeding minimum target of 85%. Note that Stewart Island/Rakiura roads were not included. (2018/2019: Achieved - 88.1%)
Level of service (LoS) 17: A safe roading network			
KPI 17.1: Annual change in the number of fatalities and serious injury crashes (MM 1: road safety)	≤13	20	Not achieved There were 20 serious or fatal injury crashes in the Southland District year in 2019/2020. This exceeds the target of 13. The main theme of these crashes is alcohol. More crashes may get uploaded into the CAS database for 2019/2020 year at a later date by police. (2018/2019: Not achieved - 16)
Level of service (LoS) 18: Footpaths are safe, well designed and well maintained			
KPI 18.1: Percentage of footpaths in reasonable or better	≥70%	96.3%	Achieved

Council Activities

condition ⁴ (MM 4:footpath condition)			Footpath survey result was much higher than previous years which is good considering a large investment of renewals have occurred last year. However, even with this great result there are still approximately \$1.5M worth of footpaths outstanding for renewal in near future (2018/2019: Achieved – 81.5%)
<p>1 - Smooth travel exposure is an Index that determines the proportion of travel on sealed roads which are smoother than a defined threshold.</p> <p>2 - Timeframes for responding to requests related to roads and footpaths vary from 24 hours to up to 60 days depending on the urgency and risk associated with the request. Overall around 80% of the Council's requests for service have a target timeframe of 10 days or less. The Roads and Footpaths AMP includes more detail about the individual request types and timeframes.</p> <p>3 - Road roughness is measured by RoadRoid testing.</p> <p>4 - Footpaths are assessed and given a condition rating that uses a visual rating scale of 1-5 where 1 is the highest (3 is reasonable). The percentage is calculated according to the length of the network that meets or exceeds the average of all condition ratings.</p>			

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Council Activities

Southland District Council: Funding impact statement for the year ended 30 June 2020 for roading and footpaths

2018/2019 Budget (LTP) (\$000)	2018/2019 Actual (\$000)	2019/2020 Actual (\$000)	2019/2020 Budget (AP) (\$000)
Sources of operating funding			
285 General rates, uniform annual general charges, rates penalties	283	275	277
14,076 Targeted rates	14,117	14,206	14,250
5,870 Subsidies and grants for operating purposes	8,809	6,656	5,870
12 Fees and charges	10	20	20
337 Internal charges and overheads recovered	451	500	519
918 Local authorities fuel tax, fines, infringement fees, and other receipts ¹	885	986	945
21,499 Total operating funding	23,754	22,642	21,881
Applications of operating funding			
12,631 Payments to staff and suppliers	12,696	13,918	12,876
- Finance costs	-	-	-
1,493 Internal charges and overheads applied	970	1,124	1,149
52 Other operating funding applications	104	526	1,825
14,177 Total applications of operating funding	13,770	15,568	15,850
7,322 Surplus (deficit) of operating funding	9,985	7,074	6,031
Sources of capital funding			
7,350 Subsidies and grants for capital expenditure	8,405	7,371	7,237
- Development and financial contributions	12	-	26
4,731 Increase (decrease) in debt	(319)	426	1,459
10 Gross proceeds from sale of assets	23	-	20
- Lump sum contributions	-	-	-
12,090 Total sources of capital funding	8,122	7,797	8,742
Applications of capital funding			
Capital expenditure			
95 to meet additional demand	302	19	51
2,519 to improve the level of service	2,664	1,024	2,595
12,329 to replace existing assets	15,071	14,076	12,299
4,469 Increase (decrease) in reserves	69	(256)	(172)
- Increase (decrease) in investments	1	8	-
19,413 Total applications of capital funding	18,107	14,871	14,774
(7,322) Surplus (deficit) of capital funding	(9,985)	(7,074)	(6,031)
- Funding balance	-	-	-
¹ includes all other operating funding from sources not identified above.			

Council Activities

Funding impact statement – budget variations

Subsidies and grants for operating purposes are higher than expected due to the emergency work undertaken since the flooding in February, the costs incurred were funded at the standard 51% by NZTA. Accordingly, payments to staff and suppliers were also higher than budget due to costs associated with emergency repairs as a result of the February flooding. Other funding applications are lower than expected due to the Council's share of Pyramid bridge replacement costs being significantly less than expected. This was due to a combination of a higher subsidy rate received from NZTA than originally expected along with the replacement costs being lower.

Subsidies and grants for capital expenditure are higher than expected with NZTA approving funding for the replacement of additional bridges throughout the district. The reduced debt required during the year is a reflection of the reduced cost of Pyramid bridge offset by the Council portion of the additional bridges and emergency works being funded by loans. The decrease in capital expenditure for level of service reflects a number of items not completed during the year. There are additional footpaths in both Riverton and Stewart Island that have not been started during the year along with the funding for minor improvements has been spent during the year replacing existing bridges rather than increasing the level of service. The increase in replacement of existing assets is predominately the additional bridges approved by Council and NZTA during the year. The decrease in reserves is the result of depreciation funding not yet being used to fund asset replacements.

Council Activities

Solid waste

What we deliver

Council provides a kerbside collection service on alternate weeks for rubbish and recyclables to be picked up from all townships within the District, as well as voluntary collection to properties on collection routes in rural areas. Stewart Island/Rakiura is serviced by a weekly kerbside refuse bag, recycling and food scrap collection. There are seven waste transfer stations for disposal of rubbish, greenwaste, hazardous waste and collection of recyclables; 11 recycling centres and two greenwaste-only sites throughout the District. Regional waste is transported to the regional landfill operated by AB Lime at Kings Bend, near Winton, for disposal.

The solid waste activity also provides for ongoing waste minimisation education throughout the region through WasteNet Southland, a joint committee of Southland District Council, Invercargill City Council and Gore District Council.

Why we do it

The activity provides controlled, convenient and reliable waste disposal options which help to make it easy for people to dispose of their waste and contributes to making the District a clean and desirable place to live. The activity also helps to reduce the impact waste disposal has on the environment by diverting waste from landfill and ensuring that any waste sent to landfill is disposed of and managed appropriately so that people living here now and in the future can grow and prosper without compromising the District's natural environment.

Community outcomes

The primary outcomes of this activity group are “resilient communities that leave a legacy for tomorrow” and “proud, connected communities that have an attractive and affordable lifestyle”.

Council Activities

Identified effects on community wellbeing

The waste the District produces is in itself a negative effect on the environment. Council's solid waste activity is aimed at dealing with these negative effects in ways that cause the least possible long term-harm. Negative effects from landfills can include leachate and production of gases. Council manages closed landfills with the aim of reducing or mitigating these effects where possible. Council is taking steps to reduce the amount of waste disposed of at landfills in accordance with the Regional Waste Management and Minimisation Plan. Pests and rodents could potentially become a problem but there are pest control methods in place to manage this. The potential impacts of this activity are mitigated through efficient management and cleaning of transfer sites.

How we did – Key highlights and performance results**Key highlights**

- Council will continue to work through WasteNet to provide core services and try various methods to reduce the amount of rubbish going to landfill.
- WasteNet Southland has begun reviewing and updating the Southland Waste Management and Minimisation Plan.
- It was confirmed that the contract for kerbside collection and transfer station operation was extended for a further eight years and will now run through to July 2027. The incumbent contractor Bond Contracts will continue to deliver the service.
- Arrangements were finalised with Invercargill City Council (ICC) for the continuation of providing recycling services to the District following expiry of the previous contract. This means that Council will continue to provide recycling services while we look for a longer term solution. The initial contract is for 18 months.
- Council submitted on Environment Southland's proposed Southland Water and Land Plan. The proposed plan's purpose is to seek to address activities that are known to have a significant effect on water quality, such as land use intensification, urban discharges, wintering, and stock access to waterways. The appeals process is continuing and the findings may have an impact on parts of Council's solid waste activity, most notably through a small number of historic closed landfill sites. Consents may be required at these sites if they are assessed as having a medium to high risk of affecting water sources.

Council Activities

- The three strikes policy helps address contamination in kerbside recycling. Under the policy, WasteNet officers collect the bin and, if the contents are deemed bad enough, the bin will not be emptied. If three instances of contamination occur at a specific address, the service will be suspended. Bin inspections continue and a number of repeat offenders have had the service withdrawn.
- On 27 November the government 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. 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 overseas. It is also proposed that the scheme will be extended to include all landfill types (currently it only applies to those receiving household waste). It is estimated that the proposals would result in an increase of levy revenue of around \$220 million by 2023. The consultation document outlines four potential options for transitioning from current arrangements to future arrangements by 2023. The WasteNet-prepared submission was submitted to the Ministry for the Environment (MfE) on 31 January. Further decisions are anticipated in 2020.

During the Covid-19 lockdown:

- rubbish collection services continued as usual
- transfer stations were closed under alert level four and reopened with restrictions under alert level three
- recycling services resumed under alert level three, then level two
- greenwaste sites reopened under alert level two.

Council Activities

Performance results

This activity has six KPIs and six targets. Four targets were achieved and two not achieved. Of the two targets that were not achieved, the main reason was that due to the covid-19 lockdown the recyclables had to be sent to landfill.

Performance measures

Protect public health and reduce environmental impacts through waste collection, disposal, reduction, reuse and recycling			
Level of service (LoS) 14: Provide convenient and reliable rubbish and recycling services			
Key performance indicator	Target	Result	How Council performed
KPI 14.1: Percentage of resident satisfaction with the services provided (refuse and recycling):			
(a) wheelie bins (rubbish and recycling)	a) 90%	a) 91%	Achieved This is measured annually through the Residents' Survey. (2018/2019: Achieved – 90%)
(b) transfer station locations	b) 80%	b) 89%	Achieved This is measured annually through the Residents' Survey. (2018/2019: Achieved – 91%)
(c) transfer station hours	c) 80%	c) 81%	Achieved This is measured annually through the Residents' Survey. (2018/2019: Achieved – 85%)
(d) recycle locations	d) 80%	d) 87%	Achieved This is measured annually through the Residents' Survey. (2018/2019: Achieved – 89%)
Level of service (LoS) 15: Minimise the amount of waste going to landfill			
Key performance indicator	Target	Result	How Council performed
KPI 15.1: Amount of waste:			
(a) diverted from landfill (tonnes) as a percentage of total waste	a) 40%	a) 29%	Not achieved Due to the Covid-19 lockdown recyclables were sent to landfill from 25 March 2020 to 11 May 2020, which contributed to the annual target not being met. Council and WasteNet will continue to carry out further educational initiatives to encourage people to recycle appropriately. (2018/2019: Not achieved – 35.3%)
(b) maximum per property disposed of to landfill	b) 650 kg per property	b) 651kg	Not achieved The annual result was .0651 (651 kg) per property. During the Covid-19 lockdown the recyclables were sent to landfill from 25 March 2020. The Covid-19 response had the recycling facility closed for the month of April 2020. (2018/2019: Achieved – 588 kg)
1 - Total waste diverted by weight includes material from drop-off centres, (yellow) recycling wheelie bins, greenwaste sites and scrap metal. Weight calculations are estimated based on the number of collection containers processed multiplied by an average weight for different material types			

Finance and Assurance Committee
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Council Activities

Southland District Council: Funding impact statement for the year ended 30 June 2020 for solid waste

2018/2019 Budget (LTP) (\$000)		2018/2019 Actual (\$000)	2019/2020 Actual (\$000)	2019/2020 Budget (AP) (\$000)
	Sources of operating funding			
-	General rates, uniform annual general charges, rates penalties	-	-	-
4,426	Targeted rates	4,432	4,690	4,683
88	Subsidies and grants for operating purposes	120	79	88
192	Fees and charges	305	320	196
255	Internal charges and overheads recovered	252	259	263
12	Local authorities fuel tax, fines, infringement fees, and other receipts ¹	46	40	13
4,973	Total operating funding	5,155	5,387	5,243
	Applications of operating funding			
3,403	Payments to staff and suppliers	3,676	3,932	3,478
-	Finance costs	-	-	-
1,191	Internal charges and overheads applied	1,175	1,233	1,255
-	Other operating funding applications	1	1	-
4,594	Total applications of operating funding	4,851	5,166	4,733
379	Surplus (deficit) of operating funding	304	222	510
	Sources of capital funding			
-	Subsidies and grants for capital expenditure	-	-	-
-	Development and financial contributions	-	-	-
(292)	Increase (decrease) in debt	(351)	(174)	(346)
-	Gross proceeds from sale of assets	-	-	-
-	Lump sum contributions	-	-	-
(292)	Total sources of capital funding	(315)	(174)	(346)
	Applications of capital funding			
	Capital expenditure			
-	▪ to meet additional demand	-	-	-
-	▪ to improve the level of service	50	52	-
58	▪ to replace existing assets	16	-	-
28	Increase (decrease) in reserves	(112)	(4)	164
-	Increase (decrease) in investments	-	-	-
87	Total applications of capital funding	(47)	48	164
(379)	Surplus (deficit) of capital funding	(304)	(222)	(510)
-	Funding balance	-	-	-

¹ includes all other operating funding from sources not identified above.

Council Activities

Funding impact statement – budget variations

Fees and charges income is higher than budget as a result of increased revenue from transfer stations. Payments to staff and suppliers are over budget as a result of additional costs incurred for recycling and disposal to landfill.

Capital expenditure in this activity relates to replacement/additional wheelie bins acquired during the year.

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Council Activities

Stormwater

What we deliver

Council provides stormwater infrastructure in 25 townships that deal with rainfall and dispose of surface water through a mix of piped reticulation, open ditches, drains and soakholes. The infrastructure is designed to cater for an average 10-year flood event (ie, the scale of a flood that is predicted to occur once a decade).

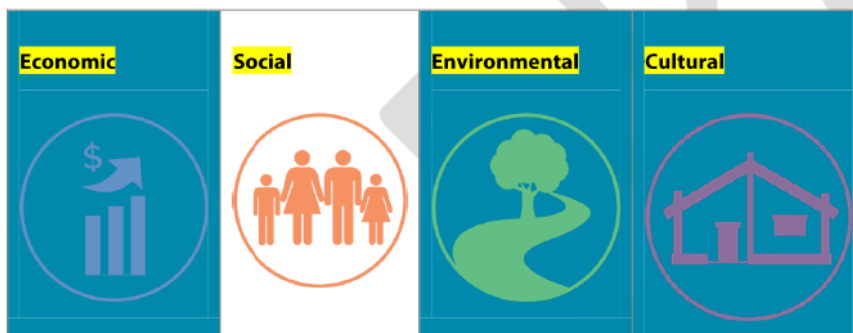
Why we do it

Stormwater systems safeguard people and properties from flooding via the collection and redirection of rainwater. These systems ensure rainfall is quickly and efficiently removed, and reduce risks to public health and safety. The collection, treatment and disposal of stormwater also helps to control the level of pollutants being discharged to waterways and groundwater.

Community outcomes

This primary outcome of this activity is “proud, connected communities that have an attractive and affordable lifestyle”. The secondary outcome is “resilient communities that leave a legacy for tomorrow”.

Identified effects on community wellbeing



Severe storm events which exceed stormwater system design standards may result in localised flooding or overflows that adversely impact property or result in pollutants entering waterways and groundwater.

Council Activities

How we did – Key highlights and performance results

- Central government is reviewing the regulation and supply arrangements for three waters (wastewater, stormwater and drinking water) activities throughout New Zealand. Currently these activities are managed by local authorities, including Southland District Council. The regulatory components of this work are well progressed, with the decision made in December 2019 to form a new independent water service regulator (Taumata Arowai) to oversee and enforce a new drinking water regulatory framework, with an additional oversight role for wastewater and stormwater networks. In July 2020, the government announced a funding package of \$761 million to provide immediate post-Covid-19 stimulus to local authorities to maintain and improve three waters infrastructure, and to support reform of local government water services delivery arrangements. This is subject to councils agreeing to look at potential ways of working together more collaboratively to deliver services.
- In September 2019 the government released its Essential Freshwater package for consultation. The proposals included three proposed management documents – a replacement National Policy Statement for Freshwater (NPS), proposed National Environmental Standards for Freshwater (NES) and the draft Regulations for Stock Exclusion from Waterways. Council was awaiting details of these standards to understand implications across all three waters activities.
- Appeals to the Proposed Southland Water and Land Plan got under way in the Environment Court. Southland District Council, Invercargill City Council and Gore District Council – which presented a joint submission in 2017 – have appealed a number of policies and rules that are likely to have significant implications across all three waters activities.
- The upgrade of stormwater pipes in Winton was completed.

Performance results

This activity has five KPIs with 10 targets. Eight targets were achieved, two were not achieved. Of the two targets that were not achieved, reasons included a major flooding event in February and additional costs incurred through monitoring and reporting requirements and costs associated with the Winton stormwater upgrade

Performance measures

Reliable stormwater collection, treatment and disposal that protects people and property from flooding and minimises the impact of any discharges on the environment			
Level of service (LoS) 7: Provide a reliable stormwater system			
Key performance indicator	Target	Result	How Council performed
KPI 7.1: Overflows resulting from the stormwater system that result in flooding of a habitable floor: (a) total number per year (b) number per 1000 properties connected (MM1: system and adequacy)	a) ≤ 5 b) ≤ 1	a) 0 b) 0	a) Achieved There were no internal flooding events that affected habitable floors and as such the result is reported as achieved. (2018/2019: Achieved – a) 0) b) Achieved There were no internal flooding events that affected habitable floors and as such the result is reported as achieved. (2018/2019: Achieved – b) 0)

Council Activities

KPI 7.2: Median response time between the time of notification and the time when service personnel reach the site when habitable floors are affected by flooding resulting from faults in the stormwater system (MM3: response to stormwater issues)	≤ 2 hours	0	Achieved The mandatory measure methodology defines flooding events as those that affect "habitable floors". There was no flooding of habitable floors for the year and as such the result is reported as achieved. (2018/2019: Achieved – 0)
KPI 7.3: Complaints about the stormwater system (a) number per 1000 properties connected (MM4: Customer satisfaction) (b) total number per year	a) ≤ 15 per 1000 properties b) ≤ 60	a) 15 per 1000 properties b) 102	Achieved There were 102 total calls were logged against the 6,872 connections. This is 14.84 per 1000 properties for the period July 2019 to June 2020 (2018/2019: Achieved – 9) Not achieved There were 102 complaints for the year. There was a large number of requests during the wet summer period and the major weather event in early February. (2018/2019: Not achieved – 62)
Level of service (LoS) 8: Deliver to the required environmental standard			
KPI 8.1: Compliance with the resource consents for stormwater system discharges, measured by the number of: (a) abatement notices (b) infringement notices (c) enforcement orders (d) convictions received in relation to those resource consents. (MM2: Management of environmental impacts)	a) 0 b) 0 c) 0 d) 0	a) 0 b) 0 c) 0 d) 0	a) Achieved No abatement notices issued. (2018/2019: Achieved - 0) b) Achieved No infringements issued. (2018/2019: Achieved - 0) c) Achieved No enforcement orders issued. (2018/2019: Achieved - 0) d) Achieved No convictions (2018/2019: Achieved - 0)
KPI 8.2: Average annual cost per property connected ¹ (incl GST)	\$98	\$124	Not achieved Additional costs incurred through monitoring and reporting requirements and costs associated with the Winton stormwater upgrade (2018/2019: Not achieved - \$110)
¹ – Cost per stormwater connection is the total budgeted expenditure divided by total number of rating units. For years 2-10 the number of rating units have been estimated using the annual change forecasted the LTP rating unit assumption.			

Council Activities

Southland District Council: Funding impact statement for the year ended 30 June 2020 for stormwater

2018/2019 Budget (LTP) (\$000)	2018/2019 Actual (\$000)	2019/2020 Actual (\$000)	2019/2020 Budget (AP) (\$000)
Sources of operating funding			
- General rates, uniform annual general charges, rates penalties	-	-	-
339 Targeted rates	335	446	448
- Subsidies and grants for operating purposes	-	-	-
- Fees and charges	1	1	-
58 Internal charges and overheads recovered	52	46	60
- Local authorities fuel tax, fines, infringement fees, and other receipts ¹	-	8	-
397 Total operating funding	388	502	508
Applications of operating funding			
164 Payments to staff and suppliers	109	163	250
- Finance costs	-	-	-
111 Internal charges and overheads applied	109	130	138
- Other operating funding applications	-	-	-
276 Total applications of operating funding	218	293	388
121 Surplus (deficit) of operating funding	170	209	120
Sources of capital funding			
- Subsidies and grants for capital expenditure	135	20	-
- Development and financial contributions	-	-	-
732 Increase (decrease) in debt	398	647	433
- Gross proceeds from sale of assets	-	-	-
- Lump sum contributions	-	-	-
732 Total sources of capital funding	532	667	433
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
35 to improve the level of service	6	35	23
1,000 to replace existing assets	745	677	810
(181) Increase (decrease) in reserves	(49)	164	(280)
- Increase (decrease) in investments	-	-	-
854 Total applications of capital funding	703	876	552
(121) Surplus (deficit) of capital funding	(170)	(209)	(120)
- Funding balance	-	-	-

¹ includes all other operating funding from sources not identified above.

Council Activities

Funding impact statement – budget variations

Payments to staff and suppliers were under budget as a result of less maintenance being required during the year than expected.

Capital expenditure to replace existing assets is under budget due to the Winton stormwater replacement project being completed under budget. There has been an increase in debt as there has been more loans drawn down. There has also been an increase in reserves as there has been surpluses in the activity.

Wastewater

What we deliver

Council's wastewater activity provides and manages wastewater collection, treatment and disposal facilities for properties connected to one of Council's 19 wastewater schemes.

Why we do it

The activity allows for the convenient treatment and disposal of wastewater, which helps to protect public health from the spread of disease, protects residents' quality of life by keeping communities clean, and reduces the effects of wastewater discharges into the environment. It also helps to enable economic growth by providing core infrastructure for industry and businesses.

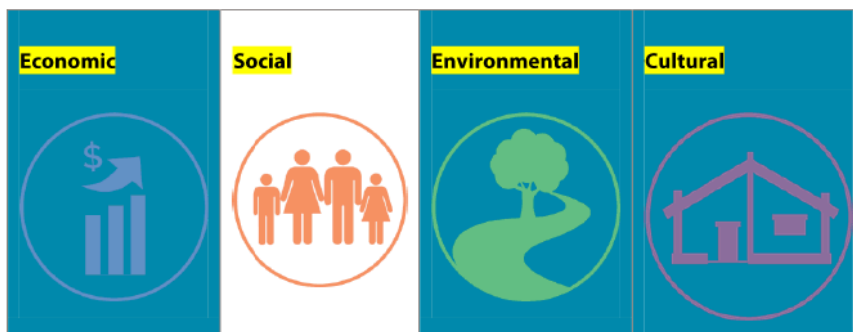
Community outcomes

This primary outcome of this activity is "proud, connected communities that have an attractive and affordable lifestyle". The secondary outcome is "resilient communities that leave a legacy for tomorrow".

Identified effects

Council Activities

Identified effects on community wellbeing



If not dealt with appropriately, wastewater can have significant negative effects on public health and the environment. Council's work is aimed at dealing with these negative effects in ways that cause the least possible harm. Wastewater is treated to make it safe for disposal. With these major infrastructure assets, the negative effects from service failure are far more serious than the effects from service provision. Council manages its assets to avoid service failures by carrying out a programme of regular monitoring and maintenance, and by prioritising critical work.

How we did – Key highlights and performance results

Key highlights

Changes in regulations applying to three waters services will mean changes to the way Council carries out its operations in this activity. What these changes are have yet to be determined.

- In September 2019 the government released its Essential Freshwater package for consultation. The proposals included three proposed management documents – a replacement National Policy Statement for Freshwater (NPS), proposed National Environmental Standards for Freshwater (NES) and the draft Regulations for Stock Exclusion from Waterways.
- The Ministry for the Environment (MfE) continued work to support improvements to regulatory arrangements for three waters infrastructure. This includes progressing the development of a proposed new National Environmental Standard for wastewater discharges.
- Central government is reviewing the regulation and supply arrangements for three waters across New Zealand. The regulatory components of this work are well progressed, with the decision made in December 2019 to form a new independent water regulator, called Taumata Arowai.
- The local authorities in Otago and Southland were granted government funding support for a joint investigation across the two regions to consider the benefits that might come from a range of different service delivery collaboration models.
- Appeals to the Proposed Southland Water and Land Plan got under way in the Environment Court. Southland District Council, Invercargill City Council and Gore District Council – which presented a joint submission in 2017 – have appealed a number of policies and rules that are likely to have

Council Activities

significant implications across all three waters activities. Interim stage one decisions around the appeals were released in December 2019. Further decisions are expected next year. Environment Southland recognised and specified the importance of key infrastructure in the proposed plan. This means the proposed plan aligns with the national policy statement and regional policy statement.

- Council lodged an appeal around one of the rules in the proposed plan related to making wastewater discharges to water a non-compliant activity. This is likely to have significant impacts on Council as a number of its discharges are to water. The appeal was yet to be heard.
- Overall, about \$27 million will be spent on the Te Anau wastewater project. There were delays to timeframes due to the Covid-19 lockdown, especially relating to the pipeline construction, but contracts for the last two major pieces of work have been awarded. These are for the design/build of the treatment plant at Te Anau and the design and installation of the sub-surface drip field at Kepler. The successful contractors are Downer (Te Anau) and Fulton Hogan (Kepler) respectively. An application was lodged for an extension for three years to the current Upukerora bridge consent, which is due to expire in December 2020.

Performance results

This activity has five KPIs with six targets. The activity achieved all six targets.

Performance measures

We want to provide reliable wastewater collection and treatment that protects public health and the environment			
Level of service (LoS) 1: Provide reliable wastewater collection and treatment that protects public health			
Key performance indicator	Target	Result	How Council performed
KPI 1.1: Number of dry weather overflows per 1000 wastewater connections ¹ (MM1: system and adequacy)	≤1	Less than 1	Achieved The result was 0.41 which is 0 when expressed as a whole number per 1000 connections. (2018/2019: Achieved – 0.32)
KPI 1.2: Median response and resolution times ² for sewage overflows resulting from blockages or other faults with the sewerage system: (a) between the time of notification and the time when service personnel reach the site; and (b) between the time of notification and resolution of the blockage or other fault (MM3: fault response times)	a) ≤ 1 hour b) ≤ 6 hours	a) 18 minutes b) 5 hours and 20 minutes	a) Achieved The result is .30 of an hour or 18 minutes from the date the incident is logged to the time of attendance. (2018/2019: a) Achieved – 47 mins) b) Achieved The median resolution time is 5.33 or 5 hrs and 20 minutes from date of incident logged to resolution. Severe wet weather conditions have impacted on resolution times. (2018/2019: Not Achieved – 28hr 44min)
KPI 1.3: Total number of sewerage system complaints about: (a) odour (b) faults (c) blockages (d) the way Council responds to any of these issues (MM4: customer satisfaction)	≤8 per 1,000 connections	7	Achieved There were 64 complaints across 9431.75 connections which equates to 6.79 per 1000 properties which is 7 when expressed as a whole number. (2018/2019: Achieved – 7 per 1000 connections)
Level of Service (LoS) 2: Deliver to the required Environmental standard			
Key performance indicator	Target	Result	How Council performed
KPI 2.1: Compliance with resource consents for wastewater	0	0	Achieved

Council Activities

discharges, measured by the total number of: (a) abatement notices (b) infringement notices (c) enforcement orders (d) convictions received in relation to the resource consents (MM 2: discharge compliance)			a-d) No compliance breaches (2018/2019: Achieved a-d – 0)
KPI 2.2: Annual cost per wastewater connection (incl GST) ³	\$592	\$577	Achieved Costs for the year are under target primarily as a result of delays in capital works as a result of Covid-19 lockdown and less than expected expenditure on Te Anau wastewater upgrade. (2018/2019: Achieved - \$559)
<p>1 - "Dry Weather" is defined as a period of 72 hours prior to an event of no catchment rainfall.</p> <p>2 - In accordance with operations and maintenance contract timeframes.</p> <p>3 - Cost per wastewater connection is the total budgeted expenditure divided by total number of rating units. For years 2-10 the number of rating units have been estimated using the annual change forecasted the LTP rating unit assumption.</p>			

Finance and Assurance Committee
11 September 2020

Council Activities

Southland District Council: Funding impact statement for the year ended 30 June 2020 for wastewater

2018/2019 Budget (LTP) (\$000)		2018/2019 Actual (\$000)	2019/2020 Actual (\$000)	2019/2020 Budget (AP) (\$000)
	Sources of operating funding			
	- General rates, uniform annual general charges, rates penalties	-	-	-
4,059	Targeted rates	4,116	4,153	4,133
	- Subsidies and grants for operating purposes	-	-	-
	- Fees and charges	14	16	-
141	Internal charges and overheads recovered	140	127	135
58	Local authorities fuel tax, fines, infringement fees, and other receipts ¹	29	39	32
4,258	Total operating funding	4,299	4,335	4,300
	Applications of operating funding			
2,311	Payments to staff and suppliers	4,335	2,248	1,856
	- Finance costs	-	-	-
533	Internal charges and overheads applied	522	579	569
	- Other operating funding applications	-	-	-
2,843	Total applications of operating funding	4,857	2,827	2,425
1,414	Surplus (deficit) of operating funding	(558)	1,507	1,875
	Sources of capital funding			
	- Subsidies and grants for capital expenditure	-	4,000	3,000
	- Development and financial contributions	64	343	343
4,552	Increase (decrease) in debt	1,042	1,584	9,676
	- Gross proceeds from sale of assets	-	-	-
	Lump sum contributions	-	-	-
4,552	Total sources of capital funding	1,106	5,926	13,018
	Applications of capital funding			
	Capital expenditure			
1,963	▪ to meet additional demand	805	2,827	4,937
3,865	▪ to improve the level of service	202	4,890	8,592
507	▪ to replace existing assets	(135)	291	1,031
(368)	Increase (decrease) in reserves	(349)	(575)	333
	- Increase (decrease) in investments	25	-	-
5,967	Total applications of capital funding	548	7,434	14,893
(1,414)	Surplus (deficit) of capital funding	558	(1,507)	(1,875)
	Funding balance	-	-	-

¹ includes all other operating funding from sources not identified above.

Council Activities

Funding impact statement – budget variations

The payments to staff and suppliers is higher than budgeted due to increased consultants, electricity as well as unplanned maintenance required.

Subsidies and grants for capital expenditure is over budget due to an additional \$1 million of grant funding from the Ministry of Business, Innovation and Employment for the Te Anau wastewater project. This portion of the grant was budgeted to be received in 2020/21.

Capital expenditure is under budget for the year due to the Te Anau wastewater project not being as far progressed as anticipated, as well as a number of other projects being delayed as a result of COVID-19. Accordingly funding sources (loans and reserves) were lower than budgeted.

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Council Activities

Water supply

What we deliver

The water supply activity provides drinkable water to 12 supplies including 10 townships and two rural water supplies, as well as water for stock use for nine rural water supplies. The activity involves managing water sources, treatment, storage and distribution. The township supplies are generally on-demand at the tap. The rural drinking and stockwater schemes are trickle-feed supplies to private storage tanks.

Why we do it

The provision of drinkable water is a fundamental requirement of life and supports healthy living. Water is also necessary to provide critical public services and enable economic growth. Industries, businesses, hospitals and schools all require water to operate. It also provides for firefighting capacity in most urban reticulated areas to improve public safety.

Community outcomes

This primary outcome of this activity is “proud, connected communities that have an attractive and affordable lifestyle”. The secondary outcome is “resilient communities that leave a legacy for tomorrow”.

Identified effects

Identified effects on community wellbeing



The treatment of drinking water and maintenance of pipes and pumps is crucial to ensure that water supplies are managed appropriately and do not pose risks to public health through lack of treatment or supply failures, which could also have a negative impact on commercial/industrial users. Managing water use in a sustainable way helps to minimise adverse impacts on the environment, discourages water wastage and ensures water is directed to the best purposes.

Council Activities

How we did – Key highlights and performance results

- Changes in regulations applying to three waters services will mean changes to the way Council carries out its operations in this activity. What these changes are have yet to be determined.
- In September 2019 the government released their Essential Freshwater package for consultation. The proposals released included three proposed management documents – a replacement National Policy Statement for Freshwater (NPS), proposed National Environmental Standards for Freshwater (NES) and draft Regulations for Stock Exclusion from Waterways.
- The Ministry for the Environment is continuing its work to support improvements to regulatory arrangements for Three Waters infrastructure. This includes progressing the development of a proposed new National Environmental Standard for wastewater discharges.
- Central government is reviewing the regulation and supply arrangements for three waters across New Zealand. The regulatory components of this work are well progressed with the decision made in December 2019, to form a new independent water regulator – called Taumata Arowai.
- The local authorities across Otago and Southland have been granted government funding support for a joint investigation across the two regions to consider the benefits that might come from a range of different service delivery collaboration models.
- Appeals to the proposed Southland Water and Land Plan have got under way in the Environment Court. Southland District Council, Invercargill City Council and Gore District Council, which presented a joint submission in 2017, have appealed a number of policies and rules that are likely to have significant implications across all three waters activities.

Key projects

- replacement of water mains throughout Te Anau and Otautau valued at more than \$2 million, with further renewals programmed for 2020/2021
- UV plant installation at Riverton

Performance results

This activity has six KPIs and 10 targets. The activity achieved five targets and five targets were not achieved. Of the five targets not achieved reasons included a drinking water issue in Riverton that was subsequently resolved, sampling exceeded the number of days allowable between samples on one occasion, there was a faulty valve and the awaiting the construction of a new plant, the cost per connection measured incurred additional costs during the year for maintenance across the **District and the litres per person per day xxx**

Performance measures

We want to provide reliable water supplies that are safe to drink and have adequate supply for use			
Level of service (LoS 4): Provide a reliable and adequate supply of water			
Key performance indicator	Target	Result	How Council performed
KPI 4.1: Median response and resolution times for drinking water supply faults or unplanned interruptions:			
(a) to attend <u>urgent</u> call-outs ¹	a) ≤ 1 hour	a) 15 minutes	a) Achieved The result is 0.25 hrs or 15 minutes from date and time the incident is logged to the date and time attended. (2018/2019: Achieved –9 mins)
(b) to resolve <u>urgent</u> call-outs ¹	b) ≤ 6 hours	b) 4 hours, 52 minutes	
	c) ≤ 4 hours	c) 1 hour 1 minute	
	d) ≤ 24 hours		b) Achieved

Council Activities

(c) to attend <u>non-urgent</u> call outs ¹ (d) to resolve <u>non-urgent</u> call-outs ¹ (MM3: fault response times)		d) 20 hours, 29 minutes	The result is 4.87 hrs (4 hrs and 52 minutes) from date the incident is logged to resolution (2018/2019: Achieved –5hrs, 59 mins) c) Achieved The result is 1.02 hrs (1 hr and 1 minute) from date and time logged to date and time attended. (2018/2019: Achieved –50 mins) d) Achieved The result is 20.48 hrs (20 hrs and 29 minutes) from date and time logged to date and time resolved. (2018/2019: Not Achieved –26hrs, 5min)																																				
KPI 4.2: Total number of drinking water complaints regarding: (a) clarity (b) taste (c) odour (d) pressure or flow (e) continuity of supply, and (f) the way Council responds to any of these issues (MM4: customer satisfaction)	≤10 per 1,000 connections	16	Not achieved The result is 16.28 per 1,000 connections. The majority of these occurred as a result of issues in Riverton, which have since been resolved. (2018/2019: Not Achieved –13)																																				
Level of Service (LoS 5): Provide safe drinking water																																							
KPI 5.1: Extent of compliance with drinking water standards: (a) bacteria (b) protozoal (MM1: safety of drinking water)	a) 100% b) 100%	a) 82% b) 82%	a) Not Achieved Council testing indicates bacteria absent. Full compliance with standards based on regulatory samples taken. Please note these are interim results to be confirmed by the Drinking Water Assessor report and are reported on by plant basis. Council's testing indicates 82% compliance with standards.. See the table below for details. Please note these are interim results to be confirmed by the Drinking Water Assessor report and are reported on by plant basis <table><tr><th>Plant</th><th>Met</th><th>Reason</th></tr><tr><td>Edendale</td><td>Y</td><td></td></tr><tr><td>Eastern Bush/Otahu Flat</td><td>N</td><td>Exceeded number of days allowable between samples on one occasion. A new plant is to be built starting in the 2020/2021 financial year.</td></tr><tr><td>Lumsden/Balfour</td><td>Y</td><td></td></tr><tr><td>Manapouri</td><td>N</td><td>Exceeded number of days allowable between samples on one occasion</td></tr><tr><td>Mossburn</td><td>Y</td><td></td></tr><tr><td>Ohai/Nightcaps</td><td>Y</td><td></td></tr><tr><td>Otautau</td><td>Y</td><td></td></tr><tr><td>Riverton</td><td>Y</td><td></td></tr><tr><td>Te Anau</td><td>Y</td><td></td></tr><tr><td>Tuatapere</td><td>Y</td><td></td></tr><tr><td>Winton</td><td>Y</td><td></td></tr></table> (2018/2019: a) Not Achieved – 91%) b) Not achieved	Plant	Met	Reason	Edendale	Y		Eastern Bush/Otahu Flat	N	Exceeded number of days allowable between samples on one occasion. A new plant is to be built starting in the 2020/2021 financial year.	Lumsden/Balfour	Y		Manapouri	N	Exceeded number of days allowable between samples on one occasion	Mossburn	Y		Ohai/Nightcaps	Y		Otautau	Y		Riverton	Y		Te Anau	Y		Tuatapere	Y		Winton	Y	
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Winton	Y																																						

Council Activities

			<p>To be advised Dependent on Drinking Water Assessor report results published in October. Council's testing indicates a possible interim result of 9 out of 11 schemes (interim result in August).</p> <table><tr><th>Plant</th><th>Met</th><th>Reason</th></tr><tr><td>Edendale</td><td>Y</td><td></td></tr><tr><td>Eastern Bush/Otahu Flat</td><td>N</td><td>Currently there is no protozoal treatment in place, A new plant to be built starting in the 2020/2021 financial year.</td></tr><tr><td>Lumsden/Balfour</td><td>Y</td><td></td></tr><tr><td>Manapouri</td><td>Y</td><td></td></tr><tr><td>Mossburn</td><td>Y</td><td></td></tr><tr><td>Ohai/Nightcaps</td><td>N</td><td>Automatic integrity test not completed due to a faulty value. This has now been fixed. Overall Ohai was 98% compliant.</td></tr><tr><td>Otautau</td><td>Y</td><td></td></tr><tr><td>Riverton</td><td>Y</td><td></td></tr><tr><td>Tuatapere</td><td>Y</td><td></td></tr><tr><td>Winton</td><td>Y</td><td></td></tr></table> <p>(2018/2019: b) Not achieved – 91%)</p>	Plant	Met	Reason	Edendale	Y		Eastern Bush/Otahu Flat	N	Currently there is no protozoal treatment in place, A new plant to be built starting in the 2020/2021 financial year.	Lumsden/Balfour	Y		Manapouri	Y		Mossburn	Y		Ohai/Nightcaps	N	Automatic integrity test not completed due to a faulty value. This has now been fixed. Overall Ohai was 98% compliant.	Otautau	Y		Riverton	Y		Tuatapere	Y		Winton	Y	
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Level of service (LoS 6): Provide a well maintained and managed reticulation network																																				
KPI 6.1: Percentage of water lost ² from the reticulation network (MM2: reticulated network maintenance)	≤25%	19.30%	Achieved Actual leakage measured via surveys and water balance studies. (2018/2019: Not achieved –27.46%)																																	
KPI 6.2: Average consumption of water per resident per day (MM5: demand management)	≤ 850 litres per person per day	889 litres/person per day	Not achieved The target as assessed using the Department of Internal Affairs methodology is 850 litres per person but does not consider losses across the network. Consumption per person per day is static and still awaiting current Census data. (2018/2019: Not achieved – 924 litres)																																	
KPI 6.3: Annual cost per connection (incl GST) ³	\$645	\$717	Not achieved Additional costs have been incurred during the year for maintenance across the District for example Curio Bay water supply. (2018/2019: Not Achieved - \$673)																																	
<p>1 - Attendance means from the time that the Council receives notification to the time that service personnel reach the site. Resolution means from the time that the Council receives notification to the time that service personnel confirm resolution of the fault or interruption. "Urgent" is considered complete loss of drinking-water to an urban drinking water supply. "Non-urgent" includes all other fault/interruptions to an urban drinking water supply</p> <p>2 - The water loss calculation is the weighted averaged percentage loss reduction per urban drinking water supply</p> <p>3 - Cost per water connection is the total budgeted expenditure divided by total number of rating units. For years 2-10 the number of rating units have been estimated using the annual change forecasted the LTP rating unit assumption. Please note that this includes both expenditure and connections for urban water schemes and rural water.</p>																																				

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Council Activities

Southland District Council: Funding impact statement for the year ended 30 June 2020 for water supply

2018/2019 Budget (LTP) (\$000)	2018/2019 Actual (\$000)	2019/2020 Actual (\$000)	2019/2020 Budget (AP) (\$000)
Sources of operating funding			
- General rates, uniform annual general charges, rates penalties	-	2	-
3,829 Targeted rates	3,832	3,786	3,836
- Subsidies and grants for operating purposes	-	-	-
- Fees and charges	5	13	-
46 Internal charges and overheads recovered	46	37	47
1 Local authorities fuel tax, fines, infringement fees, and other receipts ¹	1	1	1
3,876 Total operating funding	3,884	3,839	3,883
Applications of operating funding			
2,245 Payments to staff and suppliers	2,367	2,744	2,392
- Finance costs	-	-	-
665 Internal charges and overheads applied	608	666	664
- Other operating funding applications	(2)	-	-
2,910 Total applications of operating funding	2,974	3,410	3,054
966 Surplus (deficit) of operating funding	910	429	829
Sources of capital funding			
- Subsidies and grants for capital expenditure	-	-	-
- Development and financial contributions	7	-	-
1,084 Increase (decrease) in debt	1,081	1,086	2,515
- Gross proceeds from sale of assets	-	-	-
- Lump sum contributions	-	-	-
1,084 Total sources of capital funding	1,088	1,086	2,515
Applications of capital funding			
Capital expenditure			
- to meet additional demand	11	-	-
1,433 to improve the level of service	561	423	1,369
322 to replace existing assets	1,463	1,101	1,836
295 Increase (decrease) in reserves	(37)	(11)	140
- Increase (decrease) in investments	-	1	-
2,050 Total applications of capital funding	1,999	1,515	3,344
(966) Surplus (deficit) of capital funding	(910)	(429)	(829)
- Funding balance	-	-	-
¹ includes all other operating funding from sources not identified above.			

Council Activities

Funding impact statement – budget variations

Payments to staff and suppliers are higher than budgeted due to additional monitoring and maintenance costs during the year.

Capital expenditure is under budget for the year with the Te Anau water main renewal, Otautau Main Street water main renewal and the additional UV disinfection project in Riverton being delayed as a result of COVID-19. Accordingly funding sources (loans and reserves) were lower than budgeted.

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Council Activities

Council-controlled organisations

Milford Community Trust

Southland District Council, Environment Southland and the Department of Conservation jointly established the trust in 2007 to provide leadership and governance for the Milford community. It allows the Milford community to determine its priorities and provides an avenue for local consultation and engagement, as well as public meetings. Milford covers the developed area of land and adjacent coastal marine area at the end of State Highway 94 at the head of Milford Sound. The Milford community covers residents of Milford, the holders of concessions from the Crown operating at Milford and iwi. The activities of the trust contribute towards the achievement of the community outcome, proud, connected communities. The trust has adopted a statement of intent that outlines the strategic goals, specific focus areas and activities proposed for 2019-2022.

Ownership and control of the organisation

The trust was formed as a council-controlled organisation (CCO). It contributes to the Southland District Council community outcome of "proud, connected communities that have an attractive and affordable lifestyle". The Milford Community Trust is an incorporated charitable trust. This structure was chosen because it creates an obligation for trustees towards the trust beneficiaries, who in this case are the Milford community. In addition, an incorporated charitable trust can continue in perpetuity for the benefit of the future Milford community.

Significant policies

The trust reviewed and approved its Suspected Fraud Policy and also updated its Financial Delegations Policy in 2018/2019. Council itself does not have any significant policies in relation to the ownership and control of the organisation except for the trust deed, which sets out the way the business of the trust is to be conducted. Southland District Council has not developed policies specific to the operation and governance of the Milford Community Trust.

Nature and scope of activities

This extract is from the statement of intent and is subject to change after consultation with stakeholders. Milford Community Trust's vision is the long-term sustainability of Milford Sound/Piopiotaahi with a community focus. Outputs from the Milford Community Trust activity primarily contribute to the achievement of supporting our communities. We want Southland's communities to be desirable places to grow up, work, run a business, live, raise a family, retire and enjoy a safe and satisfying life.

Strategic goals and focus areas

Vision: Long-term sustainability of Milford Sound /Piopiotaahi, with a community focus		
Provide leadership and governance for the Milford community in Milford Sound/Piopiotaahi	Advocate for the general benefit of the Milford community	Co-ordinate and communicate with all parties having interests in Milford Sound/Piopiotaahi.
Advocating for better planning to address specific issues: highway safety, control of illegal camping, toilet facilities, community facilities, coordinated emergency response, and recognition of the area's World Heritage status.	Advocate on behalf of the Milford community to central government, Environment Southland, Department of Conservation, Southland District Council, Iwi and other authorities.	Communicate the roles of the Trust and other authorities more clearly to the Milford community. Affirm the trust role as a voice for the Milford community.

Council Activities

Vision: Long-term sustainability of Milford Sound / <i>Piopiota</i> hi, with a community focus		
		<p>Maintain closer relationships with Milford infrastructure providers.</p> <p>Provide clear information to concessionaires regarding intentions and implementation of Trust policies.</p> <p>Consult with the community and concessionaires to develop a strategic project plan for the Trust to deliver for the benefit of the community.</p>

Planned activities/services 2019/2020

- The February 2020 floods, which had a serious impact on Fiordland, followed by the Covid-19 lockdown, curtailed progress on the Milford Community Trust's main projects for the year.
- The trust has been assisting the Milford Community Association with the ongoing development of the Cleddau Village recreation area to accommodate the community centre. The project had progressed to the point of being about to put out a design-and-build request for process when the February floods occurred, followed by the Covid-19 lockdown. As a result, the trust board has put the recreation centre development project on hold for 12 months.
- MCT had allocated funding in its 2020 statement of intent to provide funding for an increase in the level of medical service provision in the village but because of uncertainty over tourism activities following Covid-19 this is unlikely to happen at this time.
- The trust advocates and assists other organisations for strategic improvements in community planning in Milford Sound.
- It advocates the continuation of maintaining beautification and roading issues within the village and Deepwater Basin, and advocates with other organisations for public toilets and shelter at the airport.

Performance measures

Level of service	Key performance indicator	Target	Result	How MCT performed
Maintain a structure that facilitates local decision-making.	Number of Milford Community Trust meetings held annually.	4	3	Not achieved Although four meetings were held in 2019/2020 in September, December, February and June the February meeting did not have a quorum. (2018/2019 : Achieved - 4)
Keep the Milford community informed about Trust plans and outcomes	Number of public forums held in Milford each year:	1	0	Not achieved Due to trustee commitments then the flood event and Covid-19 no forum was held in Milford during 2019/2020. (2018/2019 : Achieved - 1)

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	2019/2020	2019/2020
	Actual	Budget
	\$	\$
Income		
Concessionaires income	112,938	150,583
Interest	9,994	-
Trustee Fees Forgiven	3,000	-
Total Income	125,931	150,583
Operational Costs:		
Management/administration ¹	25,856	34,495
Operations and Maintenance	-	-
Projects and Grants:		
Medical Clinic	-	15,000
Total Expenses	25,856	49,495
Operational Surplus/(Deficit)	100,075	101,088
Capital Projects		
Recreation Centre	-	500,000
Net Assets	463,586	403,843

¹ Management/Administration costs include Chairperson's fees, Trustees' fees, mileage allowances, insurance, accommodation costs and general meeting costs.

The fourth-quarter concessionaires invoicing was not completed as the trust resolved on the 19 June 2020 to forgo this revenue, to provide relief for the concessionaries due to the impact on tourism from the February floods and Covid-19.

Operations and maintenance expenditure includes consent fees. There was no actual spend in 2019/2020 as Department of Conservation and Environment Southland are still finalising their approach.

Milford Community Trust representatives		
Designation	Name	Term Expires
Independent chair	<i>Vacant</i>	
Mararoa/Waimea ward councillor , ex-officio appointment	Ebel Kremer	October 2022
Interim chair		December 2020
Milford Community Association elected representative	Brad Johnstone	30 June 2020
Milford community appointee	Tim Holland	30 June 2020
Milford community appointee	Jason Steele	30 June 2022
Milford community appointee	<i>Vacant</i>	
Milford community appointee	Roscoe Gaudin	30 June 2023

Further details about the trust's activities and budgets can be found in its Statement of Intent 2019-2022.

Council Activities

Medical clinic support discussions/contracts were not finalised by 30 June 2020, hence no costs incurred.

The trust had included a capital project to construct the recreation centre in 2019/2020. The trust has budgeted \$500,000 to go towards the project (using reserves held and a term loan), this project has been put on hold for 12 months.

Sources of funding

Southland District Council: Council will provide administration and technical advice to support the trust and independent chairperson. This administrative portion of the operations will be funded by Council the same as in any other community in the District with community boards and community development area subcommittees.

Milford community: The operational and project costs are those which the Milford Community Trust considers will provide benefit for all concessionaires at Milford and should be recovered from the Milford concessionaires through the Implied Concession Activity Fee, apportioned as per the Department of Conservation apportionment of cost schedule. The costs indicated above in the supporting forecasted accounts are funded from the annual implied concession activity fee and monies held.

The value of the annual concession to be charged will continue to be reviewed each year. For 2019/2020, the total amount sought from concessionaires was \$150,583 excluding GST. Any surplus funds will be held by the trust in its bank account for future project funding.

Council Activities

Southland Museum and Art Gallery Trust (SMAG)

The Southland Museum and Art Gallery Trust's mission is to preserve and tell the story of Southland – the experience of people and places over time – and inspire Southlanders to explore and understand the world around them. The Southland Museum and Art Gallery Trust contributes towards the achievement of the community outcome of "supporting our communities". The current museum facility was closed indefinitely on 13 April 2018 for health and safety reasons. The trust is now working through options for the redevelopment of the facility and working with Invercargill City Council on the delivery of an interim museum experience based in the Invercargill central business district.

The trust board has eight members and three ex officio members who represent the contributing authorities. The board also has the authority to appoint additional members whose skills and experiences benefit the trust and its functions.

Organisation	Invercargill City Council	Gore District Council	Southland District Council	Tangata whenua	Trustee appointments	Friends of the Museum	Ex officio
Representatives	Cr Toni Biddle (chair) Cr Darren Ludlow Cr Rebecca Amundsen	Cr Bret Highsted	Mayor Gary Tong Cr Christine Menzies	Evelyn Cook	Gwen Neave Roger Eagles	Christine Henderson	Manager – David Luoni Cameron McIntosh – ICC group manager - strategy and engagement Secretary – T Amarasingha Financial controller – Jaimee Botting

Significant policies and objectives

Council itself does not have any significant policies in relation to the ownership and control of the organisation except for the trust deed which sets out the way the business of the trust is to be conducted.

Nature and scope of activities

The Southland Museum and Art Gallery is in Queens Park. The original museum on the site was built in 1942. Various single-storey extensions were added between 1960 and 1980. The pyramid was constructed in 1990 over all existing buildings to give an approximate floor area of 4,500 square metres, including the observatory. There are more than 71,000 items held in the collections, some of which are important in terms of regional, national and international significance. In the Long Term Plan as part of an intended development plan there were several projects scheduled in the 2018/2019 year. However, closure of the facility has meant that these have not occurred.

The scope and nature of the activities that the Southland Museum and Art Gallery Trust intended to provide was to focus the museum as a regional facility in the community and to provide a variety of experiences to the people of Southland that they would not otherwise have access to. The trust is focused on ensuring appropriate guardianship of these post closure of the current facility and while future options are worked through.

Council Activities

Key highlights

- Cataloguing and rehousing of the collection continues. Total number of records processed at 30 June 2020: 8,288 records at stage 1: full documentation 12,834 records pertaining to items that are ready for relocation 803 records at stage 3: photography
- A newly developed analytical tool indicates this represents around 18,200 individual items/components.
- Work continues on processing the archive collection and large 3D objects.
- Work continues on preparing the collection material required for He Waka Tuia.
- 234 specimens have been processed to stage 1: full documentation in relation to the museum's Marine Mammal Permit, representing about one third of the total material held that falls under the Marine Mammal Protection Act 1978.
- The museum's annual report to the Department of Conservation was submitted on 29 June 2020, including an inventory of all of the material processed to date.
- The fitout for the interim museum and gallery space has now been completed. Some remedial work is still to be completed on three small items before Certificate of Code Compliance can be issued.
- Other public services continue as usual via email and telephone – research, photography, art exhibitions and genealogy.

Outputs planned

Strategies to achieve outputs	2019/2020 target	2019/2020 result
The collections: Caring for, developing, and researching collections		
<i>The collection is developed to enable the Museum to document, illustrate and explore Southland's unique natural and cultural heritage</i>		
Collection management policies are reviewed as required. Number reviewed annually	One review annually	Policies are continuously being developed and reviewed
New acquisitions are considered according to the Collection Management Policy. Compliance achieved annually.	100% of objects acquired are considered	100% of objects acquired are considered
New acquisitions are entered into Vernon CMS (Collection Management System). Achieved annually.	Reduce the current backlog from 2,150 items	Opening backlog reduced by 633 items (30%). New acquisitions received not entered yet: 1,113 items. Backlog at 30 June 2020: 2,600 items
Existing CMS records are to be reviewed and updated as funds are available. Achieved annually.	Stage One: 6,000 items (Stage 1 of current the collection Relocation Plan involves entering or updating core data for objects in Vernon CMS so they can be identified and tracked for relocation.)	Stage One: 1,843 records completed in 2019/2020 (8,288 total records completed to date, representing around 17,000 items) Unable to carry out this task for the duration of Covid-19 lockdown.
Collections items to have digital images made as funds are available. Achieved annually.	Stage Three: 0 items (The Board has resolved not to make digital copies of images so as to	Stage Three: 208 items completed in 2019/2020 (803 total records complete)

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Council Activities

	advance the relocation of the collection.)	
<i>Collections are maintained in optimal conditions for their long term preservation</i>		
Storage space is kept at humidity of 50%±5%, percentage of time in range	Minimise variance	15% of the time
Storage space is monitored for infestation by pests and moulds. No. of reports annually.	Minimum pests, moulds and pollutants found	Minimum sightings
A procedure to minimise deterioration by light is followed.	Followed	Achieved (Followed)
A procedure to avoid loss or damage to objects in the collection or on loan is followed.	Followed	Achieved (Followed)
The community: Be the facilitator, connector, activator, conductor and co-creator working with community		
<i>Maintain strong relationships with iwi over issues relating to the collections, exhibitions and tuatara management</i>		
Iwi Liaison Komiti meet regularly. Meeting achieved annually.	Four meetings	Four meetings
<i>Promotion of a museum presence</i>		
Develop & implement a marketing strategy for a museum presence.	Develop by December 2019 & implement by June 2020	Communication and Branding Plan completed July 2019 and implementation commenced May 2020
Provide outreach to other museums and related organisations in the region and community.	No target	Actual hours were not recorded during the 2019/20 year. The Trust board has been working in partnership with the Invercargill Public Art Gallery to establish a temporary museum and art presence within the city. Staff have also worked with other museums and organisations regarding exhibitions, loans, and advice (Te Hikoī, Rakiura, Bluff Maritime Museum)
The experience: Interactive and social connections. A whole brain learning – sparking memories of lifetime connections with the past and the future, connecting with the mauri of our taonga, celebrating our land, people and culture.		
<i>Establish a temporary museum presence within the city.</i>		
Open a temporary museum presence within the city.	Complete by Dec 2019	Not achieved. Opening date now expected September 2020 due to delays awaiting building consents, fitting out the gallery and Covid-19 lockdown.
Deliver short-term exhibitions within the museum presence.	Regular short-term exhibitions.	Nil as museum presence is not open.
The Development: Planning, consulting and establishing a future direction.		
<i>Establish a clear strategic direction for the SMAGTB and the future of the museum (including collection and building on the current site)</i>		
Establish concept design plans for a future museum on the current site.	Complete by June 2020	N/A*
Establish funding plans for a future museum on the current site.	Complete by June 2020	N/A*
Promote plans for a future museum on the current site.	Complete by June 2020	N/A*
Begin developing plans for the museum collection, including storage and public accessibility.	Complete by June 2020	N/A*

Council Activities

**With the museum building ownership now clarified to belong to Invercargill City Council and the boards future governance structure to be finalised, the Boards focus has turned to packaging the collection for relocation when the time comes.*

Financial summary

	Actual 2019/2020 \$
Revenue	
Grants and donations revenue	1,181,617
Interest revenue	6,439
Revenue from providing services	977,449
Total Revenue	2,165,505
Expenses	
Cost of providing services	2,146,698
Depreciation of property, plant and equipment	2,534
Loss on disposal	84,050
Audit fees	8,188
Total expenses	2,241,470
Total surplus / (deficit)	(75,965)
Net assets	1,245,779

Sources of funding

Grants received from Southland Regional Heritage Committee and Invercargill City Council are the primary sources of funding to the trust.

Council Activities

Southland Regional Development Agency Limited (trading as Great South)

With a vision of “even better lives through sustainable development”, Great South’s long-term goals are to diversify the Southland economy, create exciting jobs, grow innovative businesses, and grow the population.

In 2015, it was identified that in order to encourage Southland’s future prosperity, a renewed focus on regional development was required. To embrace this new focus, and address the challenges identified in the Southland Regional Development Strategy, it was recommended that a regional agency was established to implement change and build on the foundation laid by Venture Southland (the previous economic development agency for Southland).

As a result, Great South came into effect on 1 July 2019 and is tasked with building the future prosperity of Southland and making sure that this region is able to compete on both the national and international stage.

Defined as a council-controlled organisation by Section 6 of the Local Government Act 2002, Great South is and has a clear mandate to leverage opportunities in the areas of economic and business development, tourism, and events. The Board of up to seven independent directors are responsible for the strategic direction of Great South and Chief Executive, Graham Budd is responsible for the day-to-day operations.

Great South’s class A shareholders are Southland District Council, Invercargill City Council, Gore District Council and Environment Southland; its class B shareholders are Invercargill Licensing Trust, Maitua Licensing Trust, Southland Chamber of Commerce and Southern Institute of Technology; and Community Trust South is a non-shareholder member.

Key Highlights

Establishment of the Southland Regional Development Agency

The Southland Regional Development Agency celebrated its first official day of trading on 1 July 2019. Trading as Great South, the council-controlled organisation has a clear mandate to leverage opportunities in the areas of economic and business development, tourism, and events. Building on the work previously carried out by Venture Southland, Great South incorporates Southland’s Regional Tourism Organisation (RTO), central government’s Regional Business Partner (RBP) Network, and delivers a range of initiatives and government-funded contracts that pave the way for regional growth.

Launch of the Southland Murihiku Destination Strategy

Providing a blueprint for increasing visitation and tourism revenue, the Southland Murihiku Strategy was launched in 2019. The Strategy has identified over 60 actions that relate to one or more of the five components of destination management: product development, infrastructure, governance, sustainability and marketing and promotion. Great South is working alongside key stakeholders to implement the opportunities identified. The Strategy provides the strong foundation needed to grow the visitor economy in alignment with social, cultural, infrastructural, and environmental considerations – all of which are pivotal to the region’s future success.

Council Activities

Provincial Growth Fund support for Southland Youth Futures

In November 2019, Great South's career exploration programme, Southland Youth Futures, received \$1.55 million from the Provincial Growth Fund to support the programme's expansion. The funding is for a three-year period and provides the resource to build upon the programme's strong foundation and enable stronger connections to be made with youth, educational institutions, local employers, and sector representatives. This will result in greater outcomes for Southland's future labour market

COVID-19 Business response

Recognising the importance of understanding the regional economic impact and addressing the concerns of local businesses, Great South established a COVID-19 Business Response during New Zealand operating at alert levels 3 and 4. This focused on connecting local businesses with the support, resources and networks needed to navigate the uncertainty and involved engaging with over 1,300 businesses and administering over \$290,000 of COVID-19 advisory funding. As a result of the COVID-19 pandemic, Great South has also identified four short-term goals which will provide direction to the organisation's activities over the coming year. These are to retain jobs and a skilled workforce, facilitate economic restart and rebuild, champion significant projects and identify opportunities for diversification

Outputs planned

Strategies to achieve outputs	Outcome	2019/2022 Target	2019/2020 Result
Diversify our economy			
Develop satellite ground station services	Contracts for Earth observation and satellite ground station services will encourage investment from outside of the region and assist with land-use decision-making	Increase ground station revenue	Great South secured additional contracts for ground station services during the reporting period which resulted in increased ground station revenue. This involved providing southern hemisphere ground segment support to space agencies and satellite operators from around the world
Extend the primary sector	New initiatives that encourage land use activity and reduce the environmental impact of farming will help to successfully extend Southland's primary sector	Establish governance groups for specific projects	Great South supported the establishment of the Thriving Southland governance group, a community-led group with a vision to create a prosperous Southland by driving change and environmental improvements across the agriculture sector
Support the aquaculture industry	Development of Southland's aquaculture industry will create a competitive advantage of international scale for the Southland region	Assist with attracting investment opportunities	Great South worked alongside key stakeholders of the aquaculture industry to advocate for increased investment, including supporting provincial growth fund applications.
Promote regional talent pathways	The attraction, development and retention of regional talent will fill skills shortages and strengthen local business	Increase regional talent pathways	Great South hosted migrant-focused workshops and coordinated school talks and workplace visits for Southland youth during the reporting period. This helped to highlight the pathways to employment for youth and those new to Southland.

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Council Activities

Enable digital connectivity	Development of Southland's connection services will help to increase regional connectivity and support rural businesses	Advocate for improved digital enablement	Great South responded to community and business requests for increased digital connectivity by monitoring the deployment of the Rural Broadband Programme, mobile black spot sites and fibre across the Southland region.
Grow innovative business			
Manage business development programmes	Supporting businesses to expand, innovate and succeed will encourage the ease of doing business across Southland and enhance the region's reputation as business friendly	Increase number of businesses actively engaged with	To build business capability and success across the region, Great South engaged with over 300 businesses. This involved connecting them with the resources and networks needed to respond to challenges and grow efficiently
Develop Southland's workforce			
Manage the development of career pathway programmes	Delivering national contract programmes focused on Southland youth and skilled migrants is vital for growing Southland's future labour market	Maintain participation in Southland Youth Futures career exploration activities	Southland Youth Futures received Provincial Growth Funding in November 2019 to support the programme's expansion. This has enabled the programme to expand its focus, deliver further career exploration activities and assist Southland youth in gaining the skills and training needed to secure meaningful employment in Southland
		Increase number of job-seeking migrants engaged with	For the reporting period, Great South engaged with over 180 job-seeking migrants, helping 78 to find direct employment in Southland. This involved hosting workshops and meeting with job-seeking migrants to provide relevant information about Southland workplaces and recruiting practices.
Attract visitors to Southland			
Champion the Southland Murihiku Destination Strategy	Positioning Southland as a preferred tourism destination through the development of new commissionable products, accommodation offerings and events will attract visitors to Southland and support the region's economic growth	Increase number of commercial tourism products	During the reporting period, Great South supported the development of 19 expansions/or enhancements of commercial products across the region. This was achieved through Great South giving confidence to tourism businesses to go to market by connecting them with direct product development and business support services.
Manage Regional Tourism Organisation services	Partnering with media, trade and industry representatives to promote the Southland region will help increase Southland's exposure to national and international markets	Increase visitor nights	To measure visitor nights across the region, Great South previously relied on the Government's Commercial Accommodation Monitor. Unfortunately, this tool was disestablished during the reporting period and as a result Great South has access to data only up until September 2019. For this period, guest nights in commercial accommodation was confirmed as 1,205,345.
		Increase tourism expenditure	Tourism expenditure for the Southland region for the reporting period was \$581m. This significant decrease from the previous year is attributed to the border closures and the COVID-19 pandemic.
		Increase website traffic and usage	SouthlandNZ (southlandnz.com) is the regional web platform which has been designed to promote the Southland region as a great place to visit, live and work. Innovative campaigns and promotional activity delivered during the reporting period contributed to increased website traffic and usage.

Council Activities

Attract events and conferences to Southland	Hosting events and conferences in Southland will add vibrancy to the region through increased visitation and economic benefit	Increase destination events	the region was home to 15 destination events, including the Waimumu Field Days and the Burt Munro Challenge. Great South also delivered the family-favourite event, the ILT Kidzone Festival, which was attended by over 10,000 people
		Increase number of conferences held in Southland	11 conferences were held across Southland up until January 2020, when unfortunately due to COVID-19 many events had to be postponed or cancelled.
Grow the population			
Support the delivery of events across the Southland region	Events add diversity to the Southland region and contribute to the overall wellbeing of the region's residents	Increase number of groups supported with event delivery	To support the development of a regional events calendar, Great South connects event organisers with the resources, advice and promotional tools needed to encourage success. For the reporting period this involved Great South connecting with over 80 event organisers.
Co-ordinating the Welcoming Communities programme	Developing a welcoming community for newcomers will build capability of the host and newcomer communities and support the region's social and economic development	Southland accreditation of the Welcoming Communities Standard	On behalf of the four territorial councils, Great South coordinated Immigration New Zealand's Welcoming Communities programme and led the region to gain accreditation as an 'Established Welcoming Community'
Support the development of housing in Southland through work with the Southland Housing Forum	Increased investment in Southland housing will help to meet current and future housing needs and is essential for supporting population growth and creating better lives for Southlanders	Increase investment for housing across Southland	To support the development of housing across the region during the reporting period, Great South provided data, insights, and advocacy support to the Southland Housing Action Forum to encourage additional investment

Financial summary (numbers to be confirmed post GS audit)

	Actual 2019/2020 \$
Revenue	
Council funding	2,660,000
Revenue from providing services	1,669,118
Total Revenue	4,329,118
Expenses	
Employee-related costs	771,930
Directors fees	101,740
Other costs	3,528,967
Audit fees	-
Total expenses	4,402,637

Council Activities

	Actual
	2019/2020
	\$
Total surplus / (deficit)	(73,519)
Net assets	1,398,183

Sources of funding

Contributions received from Southland District Council, Invercargill City Council, Gore District Council and Environment Southland are the primary sources of funding to the agency.

Financial information

Financial information

Financial information

This section presents the financial statements for the 2019/2020 year, comparing actuals to budget. These include statements of comprehensive income, changes in equity, financial position and cashflows. Following the statements are notes explaining these in more detail.

The section also includes the accounting policies used to prepare the financial information.

Accounting policies

Reporting entity

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

The Council financial statements represent the results of Council’s nine significant activity groups (detailed on pages 70 -157), including the Stewart Island Electrical Supply Authority (SIESA), as well as Council’s share of its joint ventures and associates (including Venture Southland, WasteNet, Southland Regional Heritage committee, Emergency Management Southland, and Great South).

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

The group financial statements represent the results of the ultimate parent, Southland District Council, and its subsidiary, Milford Community Trust.

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

The financial statements of SDC are for the year ended 30 June 2020. The financial statements were authorised for issue by Council on 21 October 2020.

Basis of preparation

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

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

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

Measurement base

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

Functional and Presentation Currency

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

Associates

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

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

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

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

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

Joint Ventures

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Joint control is the agreed sharing of control over the activity.

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

For jointly controlled entities, Council recognises its interest in jointly controlled entities using the equity method.

Council has a 42 percent interest in Venture Southland. Venture Southland is in the process of winding up as at 30 June 2020. The audited financial statements of Venture Southland as of 30 June 2019, have been accounted for in Council's financial statements using the proportionate method of consolidation. At 30 June 2020, Council's interest in Venture Southland has been accounted for using the equity method as a result of implementation of PBE IPSAS 36 *Investments in Associates and Joint Ventures*.

Specific accounting policies

a) Revenue

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are:

The following policies for rates have been applied:

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

- revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis
- rates remissions are recognised as a reduction in rates revenue when Council has received an application that satisfies its rates remission policy.

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

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

Interest is recognised using the effective interest method.

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

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

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

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

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

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

Financial Information

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

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

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

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

Borrowing Costs

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

b) Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of SDC's decision.

c) Foreign currency transactions

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

d) Leases

Operating Leases

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

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

e) Equity

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

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

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

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

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

f) Cash and Cash Equivalents

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

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

g) Trade and Other Receivables

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

h) Inventories

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

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

i) Financial Assets

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

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

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

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

The four categories of financial assets are:

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for

the purpose of selling in the short term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short term profit-taking.

Financial assets acquired principally for the purpose of selling in the short term or part of a portfolio classified as held for trading are classified as a current asset.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the surplus or deficit.

Loans and receivables

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

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

Held to maturity investments

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

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

Financial assets at fair value through other comprehensive revenue and expense

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

This category encompasses:

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

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

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

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

j) Impairment of Financial Assets

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

k) Goods and Services Tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

l) Property, Plant and Equipment

Property, plant and equipment consist of:

- *Infrastructure Assets*

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

- *Operational Assets*

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

- *Restricted Assets*

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

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

- *Additions*

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

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

- *Disposals*

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

- *Subsequent costs*

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

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

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- *Depreciation*

Depreciation is provided on a straight-line (SL) or on a diminishing value (DV) basis. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Estimated Economic Life		Depreciation	
Asset Category	(years)	Percent	Method
Operational Assets			
Improvements	10-12	8.33% - 10.00%	SL
Buildings	10-100	2.50%	SL or DV
Light Vehicles	5-11	9.00% - 20.00%	SL
Heavy Vehicles	4-8	12.00% - 21.60%	DV
Other Plant	3-15	6.67% - 33.33%	SL
Furniture and Fittings	7-13	8.00% - 30.00%	SL
Office Equipment	7-10	10.00% - 14.00%	SL
Computer Equipment	2-8	18.00% - 40.00%	SL
SCADA Equipment	5-7	14.00% - 20.00%	SL
Other Equipment	6-8	13.50% - 18.00%	SL
Library Books	10	10.00%	SL

Estimated Economic Life		Depreciation	
Asset Category	(years)	Percent	Method
Infrastructural Assets			
Electrical Generation Plant	1-100	1.00% - 100.00%	SL or DV
Sealed Roads	5-80	1.25% - 20.00%	SL
Unsealed Roads	4-5	20.00% - 25.00%	SL
Bridges	70-120	0.83% - 1.43%	SL
Footpaths	30-60	1.67% - 3.33%	SL
Streetlighting	20-40	2.50% - 5.00%	SL
Cycle Trail	10-99	1.01% - 10.00%	SL
Sewerage Schemes	5-100	1.00% - 20.00%	SL
Stormwater Schemes	80-100	1.00% - 1.25%	SL
Water Supply Schemes	5-100	1.00% - 20.00%	SL
Marine Assets	5-50	2.00% - 20.00%	SL
Transfer Stations	10	10.00%	SL

Estimated Economic Life		Depreciation	
Landfill Sites	10-40	2.50% - 10.00%	SL

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

Revaluations

Roads, water reticulation, sewerage reticulation and stormwater systems are revalued on an annual basis. Council-owned heritage assets include artworks, war memorials, viaducts and railway memorabilia. Artworks are revalued every three - five years.

All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed each balance date to ensure that those values are not materially different to fair value. The valuation basis for the different asset categories are described in more detail below.

Land and Buildings

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

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

Infrastructural Assets

Appropriately qualified personnel from WSP Opus have completed a revaluation of District roading, footpaths and bridge asset networks as at 30 June 2020. This revaluation established a depreciated replacement cost to component level for those infrastructural assets as at 30 June 2020.

Land values associated with Council's roading network are the values from the 2005/2006 road network valuation, which is deemed cost and have not been revalued.

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Appropriately qualified personnel from Waugh Infrastructure Management Limited have completed a revaluation as at 30 June 2020 of the water supply, sewerage scheme and stormwater assets.

This revaluation established a depreciated replacement cost to component level for those infrastructural assets as at 30 June 2020. Revaluations of roading, water, sewerage and stormwater assets are carried out annually.

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

Plant and Vehicles (including Electrical Generation Plant) items are shown at historical cost less provision for depreciation.

Library Books

Books have been valued by SDC staff on a depreciated replacement cost basis, using New Zealand Library Association guidelines, as at 30 June 1993 representing deemed cost. Additions to library book stocks since 30 June 1993 are recorded at cost.

Heritage assets

The only assets to be included under this category are art works owned by the Council, which have been valued by an independent valuer, Mr R Thomson of International Art Centre, Auckland, as at 30 June 2019 and recorded at fair value in accordance with NZ IAS 16.

Other assets, which would normally be classified under heritage assets, for example war memorials, have been included under "other assets". Due to the nature of the item, art works are revalued on a three to five-yearly cycle and not depreciated.

Other Assets

Other assets are shown at historic cost or depreciated replacement cost, less a provision for depreciation. Additions and deletions to other assets since 30 June 1993 are recorded at cost.

Accounting for Revaluations

SDC accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset.

Where this results in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit.

Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

m) Work in Progress

Assets under construction are not depreciated. Work in progress is recognised at cost less impairment. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

n) Intangible Assets

- Software acquisition and development
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs directly associated with the development of software for internal use by Council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

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Costs associated with maintaining computer software are recognised as an expense when incurred.

- **Amortisation**

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

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

- **Emissions Trading Scheme**

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

Should the land be deforested (ie: the land is changed from forestry to some other purpose), a deforestation penalty will arise.

Given the deforestation restriction, compensation units are being provided from the government.

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

However, the estimated liability that would arise should deforestation occur has been estimated in the notes to the accounts.

Compensation units received are recognised based on the market value at balance date (30 June). They are recognised as income in the financial statements. They are not amortised, but are tested for impairment annually.

Emissions Trading Units are revalued annually at 30 June.

The difference between initial value or the previous revaluation, and disposal or revaluation value of the units, is recognised in other comprehensive revenue and expense.

o) Forestry Assets

Forestry assets are revalued independently annually at fair value less estimated point of sale costs. Appropriately qualified personnel from Woodlands Pacific Consulting Limited completed a revaluation as at 30 June 2020. Fair value is determined based on the present value of expected net cashflows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus or deficit.

The costs to maintain the forestry assets are recognised in the surplus or deficit when incurred.

p) Impairment of property, plant and equipment and intangible assets

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

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

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

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount.

The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash generating assets

Non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, or a service unit

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approach. The most appropriate approach used to measure the value in use depends on the nature and impairment and availability of information.

Value in use for cash generating assets

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

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

q) Creditors and other payables

Short-term creditors and other payables are recorded at their face value

r) Employee Benefits

Short term benefits

Employee benefits that SDC expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months.

Long term benefits

- Long service leave and retirement leave

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

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cashflows.
- Superannuation schemes

Defined contribution schemes - Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit when incurred.

Presentation of employee entitlements

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

s) Trade and other payables

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

t) Provisions

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

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

Financial Guarantee Contracts

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

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received.

When no consideration is received a provision is recognised based on the probability Council will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability. If the fair value of a guarantee cannot be reliably determined, a liability is

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only recognised when it is probable there will be an outflow under the guarantee.

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

Landfill Post-Closure Costs

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

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

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

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

u) Internal Borrowings

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

v) Critical Accounting Estimates and Assumptions

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

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost (DRC) valuations over infrastructural assets. These include:

The physical deterioration and condition of an asset. For example, Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground.

- estimating any obsolescence or surplus capacity of an asset;
- estimating the replacement cost of the asset. The replace cost is derived from recent construction contracts; and
- estimating any obsolescence or surplus capacity of an asset.
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then SDC could be over or under estimating the annual depreciation charge recognised as an expense in the Statement of comprehensive revenue and expense.

To minimise this risk SDC's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience.

Asset inspections, deterioration and condition modelling are also carried out regularly as part of SDC's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform Council's infrastructural asset revaluations.

w) Critical Judgements in Applying SDC's Accounting Policies

Management has exercised the following critical judgements in applying SDC's accounting policies for the period ended 30 June 2020:

Classification of property

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

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x) Statement of Cashflows

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

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

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

y) Rounding

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

z) Budget figures

The budget figures are those approved by SDC in its Annual Plan 2019/2020.

The budget figures have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and are consistent with the accounting policies adopted by SDC for the preparation of financial statements.

(aa) Change in accounting policies

The only changes in accounting policies for the year ended 30 June 2020 relate to accounting for associates and joint ventures as a result of mandatory adoption of PBE IPSAS 36 *Investments in Associates and Joint Ventures* and PBE IPSAS 37 *Joint Arrangements*.

(ab) Standards issued and not yet effective that have not been early adopted

Standards and amendments, issued but not yet effective that have not been early adopted are:

- *PBE FRS 48 Service Performance Reporting*
- *PBE IPSAS 40 PBE Combinations*
- *PBE IFRS 9 Financial Instruments*
- *PBE IFRS 17 Insurance Contracts*
- *PBE IPSAS 41 Financial Instruments*

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Southland District Council: Statement of comprehensive revenue and expense for the year ended 30 June 2020

	Note	COUNCIL	GROUP	COUNCIL	COUNCIL	GROUP
		2018/2019	2018/2019	2019/2020	2019/2020	2019/2020
		Actual	Actual	Actual	Budget (AP)	Actual
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Income						
Rates revenue	1	46,578	46,578	48,112	48,411	48,112
Other revenue	2	12,496	12,633	11,037	8,372	11,150
Interest and dividends		573	580	313	68	326
NZ Transport Agency		16,011	16,011	14,028	13,129	14,028
Grants and subsidies		1,688	1,688	6,090	4,171	6,090
Other gains/(losses)	3	(1,554)	(1,554)	494	(1,447)	494
Vested Assets		1,012	1,012	684	-	684
Development and financial contributions		92	92	543	368	543
	4	76,895	77,039	81,301	73,073	81,428
Expenditure						
Employee benefit expenses	5	13,997	13,997	14,426	13,388	14,426
Depreciation and amortisation	9	23,173	23,174	23,888	23,183	23,890
Finance costs		22	22	23	22	23
Other council expenditure	6	41,319	41,424	42,438	39,834	42,463
Scheme capital recovery for sewerage/water schemes - refund		-	-	-	-	-
		78,510	78,616	80,775	76,427	80,801
Share of associate's surplus/(deficit)		314	314	55	-	55
SURPLUS/(DEFICIT) BEFORE TAX		(1,300)	(1,263)	581	(3,353)	681
Income tax benefit	8	-	-	-	-	-

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SURPLUS/(DEFICIT) AFTER TAX		(1,300)	(1,263)	581	(3,353)	681
Financial assets at fair value through other revenue and expense	10	298	298	910	-	910
Gain/(Loss) on property, plant and equipment revaluations	10	49,655	49,655	15,528	30,544	15,528
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		48,653	48,690	17,019	27,191	17,120

Explanations of major variances against budget can be found in Note: 36.

The accompanying notes form part of these financial statements

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Southland District Council: Statement of changes in equity for the year ended 30 June 2020

	Note	COUNCIL	GROUP	COUNCIL	COUNCIL	GROUP
		2018/2019	2018/2019	2019/2020	2019/2020	2019/2020
		Actual	Actual	Actual	Budget (AP)	Actual
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Balance at 1 July		1,537,047	1,537,373	1,585,700	1,561,495	1,586,064
Total comprehensive revenue and expense for the year		48,653	48,690	17,019	27,191	17,120
Balance at 30 June		1,585,700	1,586,064	1,602,720	1,588,686	1,603,183

Explanations of major variances against budget can be found in Note: 36.

The accompanying notes form part of these financial statements.

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Southland District Council: Statement of financial position as at 30 June 2020

	Note	COUNCIL 2018/2019 Actual (\$000)	GROUP 2018/2019 Actual (\$000)	COUNCIL 2019/2020 Actual (\$000)	COUNCIL 2019/2020 Budget (AP) (\$000)	GROUP 2019/2020 Actual (\$000)
Equity						
Retained earnings	10	718,367	718,405	719,665	716,633	719,765
Asset revaluation reserves	10	822,120	822,120	837,648	830,003	837,648
Fair value reserves	10	2,666	2,666	3,577	2,369	3,577
Other reserves	11	42,546	42,546	41,829	39,681	41,829
Other equity	10	-	326	-	-	364
TOTAL EQUITY		1,585,700	1,586,064	1,602,720	1,588,686	1,603,183
Current assets						
Cash and cash equivalents	12	15,724	15,767	12,817	(3,173)	12,835
Trade and other receivables	13	9,864	9,868	11,126	4,633	11,129
Inventories	14	134	134	127	85	127
Other financial assets	15	1,508	1,783	998	314	1,408
Property, plant and equipment	16	196	196	-	-	-
		27,426	27,748	25,068	1,860	25,499
Non-current assets						
Property, plant and equipment	16	1,557,472	1,557,522	1,577,325	1,582,338	1,577,374
Intangible assets	17	2,565	2,565	3,618	2,521	3,618
Forestry assets	18	11,900	11,900	12,260	10,342	12,260
Investment in associates	25	314	314	945	-	945

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Other financial assets	15	303	303	2	607	2
		1,572,555	1,572,605	1,594,150	1,595,808	1,594,198
TOTAL ASSETS		1,599,981	1,600,353	1,619,218	1,597,668	1,619,697
Current liabilities						
Trade and other payables	19	7,038	7,046	7,077	4,481	7,092
Income in advance		1,355	1,355	2,664	-	2,664
Contract retentions and deposits		452	452	450	571	450
Employee benefit liabilities	20	1,583	1,583	1,984	1,675	1,984
Development & financial contributions	21	2,113	2,113	1,789	2,189	1,789
Provision for decommissioning	23	14	14	14	14	14
Borrowings	22	1,700	1,700	2,500	-	2,500
		14,255	14,263	16,478	8,931	16,494
Non-current liabilities						
Employee benefit liabilities	20	18	18	19	49	19
Provision for decommissioning	23	8	8	2	2	2
Borrowings	22	-	-	-	-	-
		26	26	21	51	21
TOTAL LIABILITIES		14,281	14,289	16,499	8,982	16,514
NET ASSETS		1,585,700	1,586,064	1,602,720	1,588,686	1,603,183

Explanations of major variances against budget can be found in Note: 36.

The accompanying notes form part of these financial statements

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Southland District Council: Statement of cashflows for the year ended 30 June 2020

	Note	COUNCIL 2018/2019 Actual (\$000)	GROUP 2018/2019 Actual (\$000)	COUNCIL 2019/2020 Actual (\$000)	COUNCIL 2019/2020 Budget (AP) (\$000)	GROUP 2019/2020 Actual (\$000)
Cash flows from operating activities						
Receipts from rates revenue		46,433	46,433	47,967	48,411	47,967
Receipts from NZ Transport Agency		15,692	15,692	15,002	13,129	15,002
Interest and dividends		572	578	315	68	324
Contribution from developers		38	38	220	-	220
Receipts from other revenue		12,616	12,752	14,991	12,669	15,105
Payment to suppliers and employees		(51,779)	(51,883)	(55,987)	(53,012)	(56,006)
Interest paid		(22)	(22)	(23)	(22)	(23)
GST (net)		(405)	(420)	433	-	440
Net cash inflow (outflow) from operating activities		23,144	23,168	22,918	21,244	23,028
Cash flows from investing activities						
Receipts from sale of property, plant and equipment		362	362	134	123	134
Receipts from sale of investments		6,007	6,297	-	-	275
Purchase of property, plant and equipment		(26,134)	(26,134)	(27,187)	(37,134)	(26,912)
Acquisition of investments		-	(275)	809	-	399
Purchase of intangible assets		(240)	(240)	(380)	(557)	(380)
Net cash inflow (outflow) from investing activities		(20,004)	(19,990)	(26,625)	(37,569)	(26,760)
Cash flows from financing activities						

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Proceeds from borrowings		1,700	1,700	2,500	-	2,500
Repayment of borrowings		-	-	(1,700)	-	(1,700)
Net cash inflow (outflow) from financing activities		1,700	1,700	800	-	800
Net increase/(decrease) in cash and cash equivalents		4,839	4,878	(2,906)	(16,324)	(2,932)
Cash and cash equivalents at the beginning of the year		10,885	10,887	15,724	13,152	15,765
Cash and cash equivalents at the end of the year	12	15,724	15,765	12,818	(3,173)	12,836

The accompanying notes form part of these financial statements

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Southland District Council: Funding impact statement for the year ended 30 June 2020 (whole of Council)

COUNCIL 2018/2019 Budget (LTP) (\$000)		COUNCIL 2018/2019 Actual (\$000)	COUNCIL 2019/2020 Actual (\$000)	COUNCIL 2019/2020 Budget (AP) (\$000)
	Sources of operating funding			
16,623	General rates, uniform annual general charges, rates penalties	16,661	17,585	17,571
30,157	Targeted rates	30,256	30,786	30,840
6,118	Subsidies and grants for operating purposes	8,484	8,186	6,103
3,729	Fees and charges	3,813	4,004	3,734
140	Interest and dividends from investments	559	328	68
4,935	Local authorities fuel tax, fines, infringement fees, and other receipts ¹	6,272	5,729	5,187
61,703	Total operating funding	66,045	66,619	63,503
	Applications of operating funding			
46,124	Payments to staff and suppliers	49,097	51,680	48,132
22	Finance costs	22	23	22
3,959	Other operating funding applications	3,886	4,252	5,252
50,105	Total applications of operating funding	53,004	55,954	53,407
11,598	Surplus (deficit) of operating funding	13,041	10,665	10,096
	Sources of capital funding			
7,658	Subsidies and grants for capital purposes	8,833	11,631	10,806
64	Development and financial contributions	92	543	368
-	Increase (decrease) in debt	(6,619)	-	-
168	Gross proceeds from sale of assets	327	130	123
-	Lump sum contributions	-	-	-
-	Other dedicated capital funding	-	-	-

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7,890	Total sources of capital funding	2,633	12,305	11,297
	Applications of capital funding			
	Capital expenditure			
2,121	- to meet additional demand	1,118	2,845	4,988
8,356	- to improve the level of service	4,552	6,957	12,967
18,297	- to replace existing assets	18,308	17,949	19,736
2,710	Increase (decrease) in reserves	663	(717)	(1,130)
(11,996)	Increase (decrease) in investments	(8,967)	(4,065)	(15,168)
19,488	Total applications of capital funding	15,674	22,970	21,393
(11,598)	Surplus (deficit) of capital funding	(13,041)	(10,665)	(10,096)
-	Funding balance	-	-	-
	¹ includes all other operating finding from sources not identified above.			

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Southland District Council: Reconciliation of surplus/(deficit) of operating funding to net surplus/(deficit) before tax

	COUNCIL 2018/2019	COUNCIL 2019/2020	COUNCIL 2019/2020
	Actual	Actual	Budget (AP)
	(\$000)	(\$000)	(\$000)
Surplus/(deficit) of operating funding from funding impact statement	13,237	10,665	10,096
Depreciation	(23,173)	(23,888)	(23,183)
Subsidies and grants for capital purposes	8,833	11,631	10,806
Development and financial contributions	92	543	368
Gain on sale	(26)	64	123
Vested assets	1,012	684	-
Forestry revaluation	(1,528)	360	(1,570)
Emission trading units	-	119	-
Landfill contingency	6	6	6
Internal capital costs	28	(38)	-
Share of associates	314	55	-
Share of WasteNet	-	379	-
Share of Venture Southland (42%)	101	-	-
Net Surplus (deficit) before tax in Statement of Revenue and Expense	(1,104)	581	(3,353)

Southland District Council: Notes to the financial statements for the year ended 30 June 2020

1. Rates revenue

	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
General rates	35,980	37,272
Targeted rates attributable to activities		
Water	3,545	3,544
Wastewater	4,061	4,135
Refuse	2,595	2,788
Septic tank cleaning	3	3
Rates penalties	393	370
Total revenue from rates	46,578	48,112

Rates revenue is shown net of rates remissions. SDC's rates remission policy, as set out in the 10 Year Plan, allows Council to consider the remission of rates in a number of circumstances. These include land voluntarily protected for Natural, Historical or Cultural Conservation purposes, properties that can be, but are not connected to, water and wastewater schemes, Sports Associations who have liquor licences, and licensed halls owned by General Clubs, Societies or Associations. Remissions will also be considered where extreme financial hardship can be shown or natural calamities occur. Rates remissions during the year totalled \$402,033 (2019: \$37,604), rates on non-rateable land are included in these figures.

In accordance with the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates: schools, places of worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of wastewater, water or refuse.

Rating base information

In accordance with the Local Government Act 2002 Amendment Act 2014, Clause 30A of Schedule 10, the following rating base information is disclosed based on the rating base information at the end of the **preceding** financial year:

	COUNCIL/GROUP	COUNCIL/GROUP
	1 July 2018	1 July 2019
	Actual	Actual

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	(\$000)	(\$000)
Number of rating units within the Southland District	20,687	20,621
Total rateable capital value within the Southland District	20,241,754	21,200,175
Total rateable land value within the Southland District	14,223,602	14,592,251

2. Other revenue

	COUNCIL 2018/2019	GROUP 2018/2019	COUNCIL 2019/2020	GROUP 2019/2020
	Actual	Actual	Actual	Actual
	(\$000)	(\$000)	(\$000)	(\$000)
Regulatory income	1,820	1,820	1,847	1,847
Other income (including Council's share of Venture Southland/WasteNet)	3,899	3,899	2,813	2,813
Provision of services	496	496	476	476
Rental and hire income	655	655	669	669
User charges	1,968	2,105	1,946	2,059
Sales revenue	3,536	3,536	3,015	3,015
Fines and infringements	39	39	29	29
Targeted water rates	278	278	243	243
Total other revenue	12,692	12,829	11,037	11,140

3. Other gains/(losses)

	COUNCIL/GROUP 2018/2019	COUNCIL/GROUP 2019/2020
	Actual	Actual
	(\$000)	(\$000)
Gain/(loss) on changes in fair value of forestry assets	(1,528)	360
Gain/(loss) on disposal of property, plant and equipment	(26)	134
Total gains/(losses)	(1,554)	494

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4. Exchange/non-exchange revenue

	COUNCIL	GROUP	COUNCIL	GROUP
	2018/2019	2018/2019	2019/2020	2019/2020
	Actual	Actual	Actual	Actual
	(\$000)	(\$000)	(\$000)	(\$000)
Exchange revenue	9,305	9,305	7,352	7,352
Non-exchange revenue	67,786	67,930	73,950	74,076
Total revenue	77,092	77,235	81,302	81,428

5. Employee benefit expense

	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Salaries and wages	13,515	13,897
Defined contribution plan employer contributions	501	528
Increase/(decrease) in employee entitlements	(19)	1
Total employee benefit expense	13,997	14,426

Employer contributions to defined contribution plans include contributions to KiwiSaver.

6. Other Council expenditure

	COUNCIL	GROUP	COUNCIL	GROUP
	2018/2019	2018/2019	2019/2020	2019/2020
	Actual	Actual	Actual	Actual
	(\$000)	(\$000)	(\$000)	(\$000)
Audit fee - Southland District Council Annual Report	118	118	126	126

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Audit fee - Venture Southland Group Annual Report	19	19	-	-
Audit fee – Southland District Council Long Term Plan	-	-	-	-
Other assurance services from Audit NZ	23	27	32	36
Grants	3,560	3,647	3,470	3,470
Contractors	22,279	22,279	24,420	24,420
Insurance	431	434	572	575
Consultants and legal fees	2,530	2,530	3,447	3,448
Operating lease costs	248	248	260	260
Donations	19	19	20	20
Impairment of receivables	(7)	(7)	17	17
Write-off of Te Anau wastewater costs	2,218	2,218	-	-
Loss on fair value of emission trading units	-	-	-	-
Other	9,881	9,892	10,071	10,087
Total other expenses	41,319	41,424	42,438	42,462

7. Remuneration – Mayor, councillors and chief executive**Chief executive**

The SDC chief executive appointed under Section 42 of the Local Government Act 2002 received a salary of \$356,269 (2019: \$337,789), plus a discretionary performance bonus of \$Nil (2019: \$Nil).

For the year ended 30 June 2020, the total annual cost, including fringe benefit tax, to SDC of the remuneration package being received by the Chief Executive is calculated at \$360,267 (2019: \$341,596).

Elected representatives	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Mayor: Tong, Gary*^ (including FBT and private use of motor vehicle)	126	137

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Baird, Stuart (including FBT) (resigned October 2019)	27	11
Byars, Donald (appointed October 2019)	-	21
Dillon, Brian* (including FBT) (resigned October 2019)	32	14
Douglas, John^	27	30
Duffy, Paul*^ (including FBT)	37	38
Ford, Bruce (including FBT)	27	30
Frazer, Darren*	27	30
Harpur, George^	27	30
Keast, Julie*	32	36
Kremer, Ebel	32	40
Macpherson, Gavin (including FBT) (resigned October 2019)	32	14
Menzies, Christine* (appointed October 2019)	-	21
Owen, Karyn (appointed October 2019)	-	21
Paterson, Neil (including FBT) (resigned October 2019)	27	10
Perham, Nicholas (including FBT) (resigned October 2019)	27	10
Ruddenklau, Margaret* (appointed October 2019)	-	21
Scott, Rob (appointed October 2019)	-	21
Annual cost	481	530

Remuneration for councillors who are members of Council's Resource Management Committee* may be shown as higher than for other councillors.

This additional remuneration is related to the number of hours these councillors spend in hearings and meetings for resource consent applications. These additional costs are recovered from resource consent applicants via a separate Resource Consent Hearing Charge. The per hour fee is set by the Remuneration Authority at \$100 per hour for chairpersons (2019: \$100) and \$80 per hour for members (2019: \$80).

Remuneration for councillors who are members of the District Licensing Committee^ may be shown as higher than for other Councillors. This additional remuneration is related to the number of hours these councillors spend in hearings and meetings for licensing applications. These additional costs are recovered from licensing applications. The per hour fee is set in accordance with section 195 of the Sale and Supply of Alcohol Act 2012 at \$78 per hour for chairpersons (2019: \$78) and \$51 per hour for members (2019: \$51).

Travel and other reimbursements are excluded from the above totals.

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Total annual remuneration band for employees as at 30 June:	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
< \$60,000	74	71
\$60,000 - \$79,999	43	46
\$80,000 - \$99,999	21	30
\$100,000 - \$119,999	20	17
\$120,000 - \$139,999	8	13
\$140,000 - \$360,000	9	10
Total employees	175	187

Total remuneration includes non-financial benefits provided to employees.

At balance date Council employed 135 (2019: 125) full-time employees, with the remaining 52 (2019: 50) staff representing 33 (2019: 34) full-time equivalent employees. As at 30 June 2020 there were eleven vacant positions (2019: eleven). A full-time employee is determined on the basis of a 40-hour working week.

8. Taxation

SDC and Milford Community Trust are exempt from income tax.

9. Depreciation and amortisation expense by group of activity

	COUNCIL	GROUP	COUNCIL	GROUP
	2018/2019	2018/2019	2019/2020	2019/2020
	Actual	Actual	Actual	Actual
	(\$000)	(\$000)	(\$000)	(\$000)
Community services	1,066	1,066	1,064	1,064
District leadership	417	417	548	548
Emergency Management	-	-	-	-
Regulatory Services	66	66	81	81
Roads and Footpaths	17,570	17,570	18,089	18,089

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Solid Waste Management	115	115	119	119
Stormwater	440	440	448	448
Wastewater	1,950	1,950	1,976	1,976
Water Supply	1,525	1,525	1,562	1,562
Total directly attributable depreciation and amortisation by group of activity	23,150	23,150	23,888	23,888
Depreciation and amortisation not directly related to group activities	23	24	-	2
Total depreciation and amortisation expense	23,173	23,174	23,888	23,890

10. Changes in equity and reserves

Retained earnings	COUNCIL	GROUP	COUNCIL	GROUP
	2018/2019	2018/2019	2019/2020	2019/2020
	Actual	Actual	Actual	Actual
	(\$000)	(\$000)	(\$000)	(\$000)
As at 1 July	720,331	720,331	718,368	718,368
Transfer from other reserves (note 11)	(663)	(663)	717	717
Transfer from reserves	-	-	-	-
Transfer to fair value through statement of comprehensive revenue and expense reserve	-	-	-	-
Operating surplus for the year	(1,300)	(1,263)	581	681
As at 30 June	718,368	718,405	719,666	719,766

Asset Revaluation Reserves	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
As at 1 July	772,465	822,120
Revaluation surplus/(deficit)	49,655	15,528

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As at 30 June	822,120	837,648
Asset revaluation reserves consist of:		
Infrastructural assets		
Wastewater system	46,168	47,450
Water system	27,533	30,117
Stormwater system	15,593	15,912
Roading network	732,820	744,163
Artwork	6	6
Total	822,120	837,648

Fair value through statement of comprehensive revenue and expense reserve	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
As at 1 July	2,369	2,666
Net revaluation gains/(losses)	298	910
Transfer to retained earnings	-	-
Reclassification to surplus/(deficit) on disposal	-	-
As at 30 June	2,666	3,577

Fair value through statement of comprehensive revenue and expense reserve consist of:	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Share revaluation reserve	384	382
Emission Trading Unit revaluation reserve	2,282	3,195

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Total	2,666	3,577
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Other equity consists of:	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Milford Community Trust	326	364
Total	326	364

11. Other reserves

	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
As at 1 July	41,883	42,546
Transfers from/(to) retained earnings	663	(717)
As at 30 June	42,546	41,829

Reserves consist of:	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
General reserves	39,134	38,409
Allocation committees	3,362	3,421
Total	42,546	41,829

See note 37 for detailed schedule of Council's reserves.

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12. Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the cash flow statement:	COUNCIL	GROUP	COUNCIL	GROUP
	2018/2019	2018/2019	2019/2020	2019/2020
	Actual	Actual	Actual	Actual
	(\$000)	(\$000)	(\$000)	(\$000)
Cash at bank and in hand	(536)	(493)	3,798	3,816
Short term deposits and other investments maturing within three months	16,260	16,260	9,020	9,270
Total cash and cash equivalents	15,724	15,767	12,818	13,086

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

Financial assets recognised in a non-exchange transaction that are subject to restrictions

Council holds unspent funds, included in cash at bank and investments, of \$3.5 million (2019: \$3.6 million) that are subject to restrictions. These unspent funds relate to trusts and bequests received, waste minimisation reserve and other funds received with restrictions where the spending of the funds is separately monitored. The restrictions generally specify how the funds are required to be spent.

13. Trade and other receivables

	COUNCIL	GROUP	COUNCIL	GROUP
	2018/2019	2018/2019	2019/2020	2019/2020
	Actual	Actual	Actual	Actual
	(\$000)	(\$000)	(\$000)	(\$000)
Rates receivables	2,183	2,183	2,351	2,351
General receivables	1,738	1,738	4,688	4,688
Other receivables	5,118	5,122	3,586	3,589
Prepayments	852	852	533	533
	9,892	9,896	11,158	11,161
<i>Less provision for doubtful debts</i>	(28)	(28)	(32)	(32)
Net trade and other receivables	9,864	9,868	11,126	11,129
Total receivables comprise:				

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Receivables from non-exchange transactions - this includes outstanding amounts for rates, grants, infringements, and fees and charges that are partly subsidised by rates	8,543	8,547	9,987	9,990
Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates	1,321	1,321	1,139	1,139

Fair value

Receivables are generally short-term and non-interest bearing. Therefore, the carrying value of receivables approximates their fair value.

Impairment

Council does not provide for any impairment on rates receivable, as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit. Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material. The ageing profile of receivables at year end is detailed below:

Aged trade and other receivables	COUNCIL	COUNCIL	COUNCIL	COUNCIL	COUNCIL	COUNCIL	GROUP	GROUP	GROUP
	2019	2019	2019	2020	2020	2020	2020	2020	2020
	Gross	Impairment	Net	Gross	Impairment	Net	Gross	Impairment	Net
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Not past due	8,144	-	8,144	8,894		8,894	8,894		8,894
Past due 1-60 days	264	-	264	631		631	631		631
Past due 60-120 days	35	-	35	43		43	43		43
Past due > 120 days	1,448	(28)	1,420	1,590	(32)	1,558	1,590	(32)	1,558
Total	9,892	(28)	9,864	11,158	(32)	11,126	11,158	(32)	11,126

All receivables greater than 30 days in age are considered to be past due.

The impairment provision has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual

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	(\$000)	(\$000)
Individual impairment	28	32
Collective impairment	-	-
Total Provision for impairment	28	32

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor.
An analysis of these individually impaired debtors is as follows:

	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Past due 1-60 days	-	-
Past due 60-120 days	-	-
Past due > 120 days	28	32
Total individual impairment	28	32

Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

14. Inventories

	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Roading	85	85
Other	49	41
	134	127

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The carrying amount of inventories held for consumption that are measured at current replacement cost as at 30 June 2020 amounted to \$126,512 (2019: \$134,056). The write-down of inventory during the year was \$2,890 (2019: \$98). There have been no reversals of write-downs \$Nil (2019: \$Nil). The carrying amount of inventories pledged as security for liabilities is \$Nil (2019: \$Nil).

15. Other financial assets

Current portion	COUNCIL 2018/2019	GROUP 2018/2019	COUNCIL 2019/2020	GROUP 2019/2020
	Actual	Actual	Actual	Actual
	(\$000)	(\$000)	(\$000)	(\$000)
Short term deposits with maturities 1 - 3 months from 30 June	-	150	-	250
Short term deposits with maturities 4 - 12 months from 30 June	1,020	1,145	550	710
Short term loans	75	75	37	37
Unlisted shares in Civic Assurance	22	22	13	13
Unlisted shares in Milford Sound Tourism	392	392	398	398
Total current portion	1,508	1,783	998	1,408

Security

Council holds a Security Stock Certificate dated 22/12/2009 for \$25,000,000 in favour of Westpac NZ Limited and Westpac Banking Corporation under a Debenture Trust Deed between SDC and Corporate Trust Limited (trading as Foundation Corporate Trust).

Fair value

Term deposits

The carrying amount of term deposits approximates their fair value.

Short-term loans

The carrying amount of short-term loans approximates their fair value.

Unlisted shares

Unlisted shares are recognised at fair value. Due to the immaterial size and nature of Council's investment in Civic Assurance and the Milford Sound Tourism, Council has estimated the fair value of this investment based on the net assets of each entity as at 31 December and 31 March respectively.

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Impairment

There were no impairment expenses or provisions for other financial assets. At balance date, none of these financial assets are either past due or impaired.

Non-current portion	COUNCIL	GROUP	COUNCIL	GROUP
	2018/2019	2018/2019	2019/2020	2019/2020
	Actual	Actual	Actual	Actual
	(\$000)	(\$000)	(\$000)	(\$000)
External loans with maturities greater than one year	3	3	2	2
Investments with maturities greater than one year	300	300	-	-
Total non-current portion	303	303	2	2
Total other financial assets	1,811	2,086	1,000	1,410

Maturity analysis and effective interest rates

This analysis is for short term deposits and other investments held with banking institutions, government stock or company bonds and incorporates the following:

	COUNCIL/GROUP	COUNCIL/GROUP	COUNCIL/GROUP	COUNCIL/GROUP	COUNCIL/GROUP	COUNCIL/GROUP	COUNCIL/GROUP	COUNCIL/GROUP
	2019	2019	2019	2019	2020	2020	2020	2020
	Short term deposits	Other Term deposits	Stocks & Bonds	Total	Short term deposits	Other Term deposits	Stocks & Bonds	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Short term deposits with maturities three months or less from 30 June*	15,400	-	-	15,400	9,020	-	-	9,020
weighted average effective interest rate	2.43%			2.43%	1.16%			1.16%
Short term deposits with maturities of	1,020	-	-	1,020	550	-	-	550

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four - 12 months from 30 June	3.29%			3.29%	2.30%			2.30%
weighted average effective interest rate								
	16,420	-	-	16,420	9,570			9,570

* These short term deposits and investments are included in cash and cash equivalents (refer to Note 12).

16. Property, plant and equipment

2019/2020 Actual	Cost Reval- uation 1 Jul 2019 (\$000)	Current Year Addi- tions (\$000)	Trans- fers (\$000)	Vested Assets (\$000)	Current Year Dispos- als (\$000)	Reval- uation (\$000)	Cost/ Reva- luation 30 Jun 2020 (\$000)	Accumu- lated Depreci- ation and Impairment Charges 1 Jul 2019 (\$000)	Current Year Depreci- ation (\$000)	Current Year Dispos- als (\$000)	Reval- uation/ Write-Off* (\$000)	Accumu- lated Depreci- ation and Impairment Charges 30 Jun 2020 (\$000)	Carrying Amount 30 Jun 2020 (\$000)	Carrying Amount 1 Jul 2019 (\$000)
Operational assets														
Art	76	-	-	-	-	-	76	-	-	-	-	-	76	76
Buildings	15,897	10	513	-	-	-	16,421	(7,449)	(407)	-	-	(7,856)	8,564	8,448
EDP hardware	1,284	705	-	-	-	-	1,989	(1,150)	(249)	-	-	(1,398)	591	134
Furniture and fittings	778	58	-	-	-	-	835	(543)	(59)	-	-	(602)	234	235
Improvements	7,284	426	112	-	-	-	7,822	(5,189)	(342)	-	-	(5,531)	2,291	2,094
Land	10,529	357	-	187	(134)	-	10,939	-	-	-	-	-	10,939	10,529
Library	1,839	149	-	-	(119)	-	1,869	(776)	(174)	-	-	(950)	919	1,063
Motor vehicles	2,081	196	-	-	(162)	-	2,115	(756)	(301)	134	-	(923)	1,192	1,325
Office equipment	195	-	-	-	-	-	195	(178)	(4)	-	-	(182)	13	17
Other equipment	304	7	-	-	(4)	-	307	(260)	(11)	-	-	(271)	36	44

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Other plant	4,991	75	8	-	-	-	5,074	(3,747)	(158)	-	-	(3,906)	1,168	1,243
Landfill sites	115	-	-	-	-	-	115	(115)	-	-	-	(115)	-	-
Transfer stations	457	-	-	-	-	-	457	(457)	-	-	-	-	-	-
Work in progress	766	365	(671)	-	-	-	461	-	-	-	-	-	461	766
Work in progress – Intangibles (note 17)	-	-	37	-	-	-	-	-	-	-	-	-	-	-
	46,597	2,348	-	187	(420)	-	48,675	(20,621)	(1,705)	134	-	(22,192)	26,483	25,975
Infrastructural assets at valuation														
Bridges	146,343	2,611	-	-	-	(2,942)	146,012	(2,708)	(2,712)	-	2,708	(2,712)	143,301	143,635
Footpaths	18,478	317	8	102	-	(244)	18,660	(608)	(619)	-	608	(619)	18,041	17,869
Wastewater other	62,751	232	196	-	-	214	63,393	(1,125)	(1,155)	-	1,125	(1,155)	62,238	61,626
Wastewater plant	14,275	-	53	-	-	(901)	13,427	(844)	(841)	-	844	(841)	12,586	13,431
Water other assets	40,939	532	-	-	-	1,295	42,766	(962)	(997)	-	962	(997)	41,769	39,977
Water plant	12,032	170	1,180	-	-	(235)	13,147	(562)	(564)	-	562	(564)	12,582	11,470
Stormwater system	18,506	-	-	-	-	(121)	18,385	(440)	(448)	-	440	(448)	17,936	18,066
Unsealed roads	433,149	2,259	-	-	-	858	436,266	(3,254)	(3,257)	-	3,254	(3,257)	433,008	429,895
Cycle trail	6,609	60	271	-	-	(7)	6,933	(116)	(118)	-	116	(118)	6,816	6,493
Sealed roads	788,123	9,567	-	395	-	(4,077)	794,009	(10,624)	(11,083)	-	10,624	(11,083)	782,926	777,499
Street lighting	2,749	32	-	-	-	264	3,045	(180)	(196)	-	180	(196)	2,849	2,569
Work in progress	5,647	10,085	-	-	-	-	15,733	-	-	-	-	-	15,733	5,647

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	1,549,601	25,865	1,708	497	-	(5,895)	1,571,775	(21,423)	(21,990)	-	21,423	(21,990)	1,549,785	1,528,177
Infrastructural assets at cost														
Marine	951	-	-	-	-	-	951	(470)	(21)	-	-	(491)	460	481
Runways	5,059	-	-	-	-	-	5,059	(5,001)	(40)	-	-	(5,040)	19	59
Work in Process	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6,010	-	-	-	-	-	6,010	(5,471)	(61)	-	-	(5,531)	479	540
Total SDC	1,602,207	28,213	1,708	684	(420)	(5,895)	1,626,460	(47,515)	(23,756)	134	21,423	(49,713)	1,576,747	1,554,692

2019/2020 Actual	Cost Revaluation 1 Jul 2019 (\$000)	Current Year Additions (\$000)	Transfers (\$000)	Vested Assets (\$000)	Current Year Disposals (\$000)	Revaluation (\$000)	Cost/ Revaluation 30 Jun 2020 (\$000)	Accumulated Depreciation and Impairment Charges 1 Jul 2019 (\$000)	Current Year Depreciation (\$000)	Current Year Disposals (\$000)	Revaluation/ Write-Off* (\$000)	Accumulated Depreciation and Impairment Charges 30 Jun 2020 (\$000)	Carrying Amount 30 Jun 2020 (\$000)	Carrying Amount 1 Jul 2019 (\$000)
Milford Community Trust-														
Building	54	-	-	-	-	-	54	(4)	(2)	-	-	5	49	50
Total Milford Community Trust	54	-	-	-	-	-	54	(4)	(2)	-	-	5	49	50
TOTAL GROUP	1,602,261	28,213	1,708	684	(420)	(5,895)	1,626,514	(47,519)	(23,758)	134	21,423	(49,718)	1,576,795	1,554,742

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2018/2019 Actual	Cost Revaluation 1 Jul 2018 (\$000)	Current Year Additions (\$000)	Transfers (\$000)	Vested Assets (\$000)	Current Year Disposals (\$000)	Revaluation (\$000)	Cost/ Revaluation 30 Jun 2019 (\$000)	Accumulated Depreciation and Impairment Charges 1 Jul 2018 (\$000)	Current Year Depreciation (\$000)	Current Year Disposals (\$000)	Revaluation/ Write-Off* (\$000)	Accumulated Depreciation and Impairment Charges 30 Jun 2019 (\$000)	Carrying Amount 30 Jun 2019 (\$000)	Carrying Amount 1 Jul 2018 (\$000)
Operational assets														
Art	69	7	-	-	-	-	76	-	-	-	-	-	76	69
Buildings	15,772	211	10	-	(96)	-	15,897	(7,099)	(397)	47	-	(7,449)	8,448	8,673
EDP hardware	1,179	118	-	-	(13)	-	1,284	(1,084)	(79)	13	-	(1,150)	134	95
Furniture and fittings	749	47	-	-	(18)	-	778	(501)	(55)	13	-	(543)	235	247
Improvements	6,548	169	160	412	(5)	-	7,284	(4,845)	(348)	4	-	(5,189)	2,094	1,703
Land	10,561	18	-	58	(108)	-	10,529	-	-	-	-	-	10,529	10,561
Library	1,900	145	-	-	(208)	-	1,839	(925)	(176)	206	-	(895)	944	975
Motor vehicles	2,120	609	-	-	(648)	-	2,081	(959)	(284)	484	-	(760)	1,321	1,161
Office equipment	183	13	-	-	(1)	-	195	(177)	(2)	1	-	(178)	17	6
Other equipment	284	22	-	-	(2)	-	304	(262)	(9)	1	-	(271)	33	22
Other plant	4,911	94	-	-	(15)	-	4,991	(3,594)	(167)	14	-	(3,747)	1,243	1,318
Landfill sites	115	-	-	-	-	-	115	(115)	-	-	-	(115)	-	-
Transfer stations	457	-	-	-	-	-	457	(456)	(1)	-	-	(457)	-	1
Work in progress	240	704	(170)	-	-	-	774	-	-	-	-	-	774	240
	45,090	2,156	-	470	(1,114)	-	46,603	(20,020)	(1,519)	784	-	(20,754)	25,849	25,071

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Infrastructural assets at valuation														
Bridges	144,650	741	-	-	-	951	146,343	(2,633)	(2,708)	-	2,633	(2,708)	143,635	142,018
Footpaths	18,312	474	-	169	-	(477)	18,478	(585)	(608)	-	585	(608)	17,869	17,727
Wastewater other	63,863	232	196	-	-	(760)	63,531	(1,112)	(1,125)	-	1,112	(1,125)	62,406	62,751
Wastewater plant	15,095	-	53	-	-	(245)	14,904	(821)	(844)	-	821	(844)	14,060	14,275
Water other assets	41,887	532	1,180	-	-	(1,635)	41,963	(948)	(962)	-	948	(962)	41,001	40,939
Water plant	12,575	170	-	-	-	(233)	12,512	(543)	(562)	-	543	(562)	11,950	12,032
Stormwater system	18,702	-	-	-	-	(196)	18,506	(435)	(440)	-	435	(440)	18,066	18,267
Unsealed roads	418,386	4,342	-	-	-	10,420	433,149	(3,136)	(3,254)	-	3,136	(3,254)	429,895	415,251
Cycle trail	7,804	39	271	-	-	(1,505)	6,609	(146)	(116)	-	146	(116)	6,493	7,658
Sealed roads	752,298	12,231	-	372	-	23,223	788,124	(10,075)	(10,624)	-	10,075	(10,624)	777,499	742,222
Street lighting	3,192	44	-	-	-	(487)	2,749	(165)	(180)	-	165	(180)	2,569	3,027
Work in progress	4,633	4,949	(1,700)	-	-	-	7,882	-	-	-	(2,243)*	(2,243)	5,639	4,633
	1,501,399	23,754	-	541	-	29,056	1,554,750	(20,599)	(21,423)	-	18,356	(23,666)	1,531,083	1,480,800
Infrastructural assets at cost														
Marine	875	76	-	-	-	-	951	(450)	(20)	-	-	(470)	481	426
Runways	5,059	-	-	-	-	-	5,059	(4,959)	(41)	-	-	(5,001)	59	100
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5,934	76	-	-	-	-	6,010	(5,409)	(61)	-	-	(5,471)	540	525
Total SDC	1,552,421	25,986	-	1,011	(1,114)	29,056	1,607,363	(46,028)	(23,003)	784	18,356	(49,891)	1,557,472	1,506,396

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2018/2019 Actual	Cost Revaluation n 1 Jul 2018 (\$000)	Current Year Additions (\$000)	Trans- fers (\$000)	Vested Assets (\$000)	Current Year Dispos- als (\$000)	Revalu- ation (\$000)	Cost/ Revalu- ation 30 Jun 2019 (\$000)	Accumu- lated Depreci- ation and Impairment Charges 1 Jul 2018 (\$000)	Current Year Depreci- ation (\$000)	Current Year Dispos- als (\$000)	Revalu- ation/ Write-Off* (\$000)	Accumu- lated Depreci- ation and Impairment Charges 30 Jun 2016 (\$000)	Carrying Amount 30 Jun 2019 (\$000)	Carrying Amount 1 Jul 2018 (\$000)
Venture Southland														
Furniture and fittings	92	7		-	(4)	-	95	(68)	(6)	3	-	(71)	25	24
Office equipment	33	1		-	(4)	-	30	(25)	(5)	3	-	(27)	2	7
Other equipment	62	8		-	(2)	-	68	(23)	(5)	3	-	(26)	42	39
Set up cost	-	-		-	-	-	-	-	-	-	-	-	-	-
Venture Southland Trust vehicles	22	50		-	-	-	71	(7)	(5)	-	-	(11)	60	15
Building	51	31		-	-	-	82	(18)	(1)	-	-	(20)	63	33
Charitable trust	11	-		-	-	-	11	(5)	(1)	-	-	(7)	4	6
Total Venture Southland	270	97		-	(9)	-	358	(147)	(23)	8	-	(162)	196	124
Milford Community Trust														
Building	54	-		-		-	54	(2)	(2)			(4)	50	52
Total Milford Community Trust	54	-		-		-	54	(2)	(2)			(4)	50	52
TOTAL GROUP	1,552,745	26,083	-	1,011	(1,123)	29,056	1,607,775	(46,177)	(23,028)	792	18,356	(50,057)	1,557,718	1,506,572

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Urban portions of the State Highway network

The ownership of urban portions of the State Highway network is unclear although there is legal opinion that the ownership rests with local authorities. NZTA maintains these highways in their entirety without any costs accruing to local authorities. As a consequence, even if ownership resides with local authorities, NZTA controls the economic resources. Pending clarification of ownership and further consideration of the accounting issues that may arise, SDC has not recognised the urban portion of the State Highway network as an asset in these financial statements.

Leased assets

The net value of plant and equipment held under finance lease is \$Nil (2019: \$Nil).

Insurance of assets

The following disclosures are made in accordance with the Local Government Act 2002 Amendment Act 2014, Clause 31A of Schedule 10:

	COUNCIL	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Total value of all assets that are covered by insurance contracts	52,235	52,130
Maximum amount to which these assets are insured	200,021	205,425
Total value of all assets that are covered by financial risk sharing arrangements	129,269	140,525
Maximum amount available to Council under those arrangements	140,000	140,000
Total value of all assets that are self-insured (roads, footpaths, bridges)	1,375,391	1,384,092
Value of any fund maintained by Council for that purpose ¹	1,409	1,443

In the event of natural disaster, central government may contribute up to 60 percent towards the restoration of water, drainage and sewerage assets, and provide a subsidy towards the restoration of roads.

Heritage assets

Council-owned heritage assets include artworks, war memorials, viaducts and railway memorabilia.

Artworks are revalued every three - five years.

War memorials, viaducts and railway memorabilia are typically vested to Council and thus are recorded at no consideration in the fixed asset schedule. Given the nature of these assets, Council is unable to determine their fair value as there is no active market for such assets.

17. Intangible assets

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Computer software	COUNCIL/GROUP	
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Opening cost at 1 July	111	205
Additions	240	146
Disposals	(58)	(12)
Closing cost at 30 June	293	340
Amortisation and impairment	(88)	(121)
Net Book Value at 30 June	205	219

Trademarks/Patents	COUNCIL/GROUP	
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Opening cost at 1 July	-	-
Additions	-	8
Disposals	-	-
Closing cost at 30 June	-	-
Amortisation and impairment	-	-
Net Book Value at 30 June	-	8

Emission Trading Units	COUNCIL/GROUP	COUNCIL/GROUP	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2018/2019	2019/2020	2019/2020
	Units	Actual	Units	Actual
		(\$000)		(\$000)

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Opening balance at 1 July	101,940	2,161	101,940	2,360
Additions	-	-	3,692	119
Disposals / Surrendered	-	-	-	-
Change in market value 30 June		199	-	912
Closing balance at 30 June	101,940	2,360	105,632	3,391
Accumulated amortisation and impairment		-		-
Net Book Value at 30 June		2,360		3,391
Total Intangible Assets		2,565		3,618

Council is part of the Emissions Trading Scheme (ETS) for both its pre-1990 forests (mandatory participation) and its post-1989 forests (voluntary participation).

Under the ETS Council is allocated New Zealand Units (NZUs). An initial free allocation of NZUs is provided in relation to pre-1990 forests. An annual allocation of NZUs is provided in relation to post 1989 forests as carbon is sequestered (from 1 January, 2008).

Council accounts for NZUs allocated at a market value of \$32.10 per unit (2019: \$23.15)

Emission Trading Units 2020			
Productive area (hectares)	1,384	116.8	1,500.8
NZUs opening balance 1 July	82,914	19,026	101,940
NZUs allocated/transferred during the year	-	3,692	3,692
NZUs sold during the year	-	-	-
NZUs on hand at 30 June	82,914	22,718	105,632

Emission Trading Units 2019	COUNCIL		COUNCIL
	Pre-1990 Forest	Post-1989 Forest	Total
Productive area (hectares)	1,384	116.8	1,500.8
NZUs opening balance 1 July	82,914	19,026	101,940
NZUs allocated/transferred during the year	-	-	-
NZUs sold during the year	-	-	-
NZUs on hand at 30 June	82,914	19,026	101,940

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Post-1990 Forests

3,692 units (2019: No units) were received during the year on 116.8 hectares of post-1989 land. Future allocation of NZUs relating to post-1989 forests will depend on the amount of carbon sequestered by those forests. The units have been valued at the balance sheet date based on the estimated market value of \$32.10 per unit. Tax is payable on the receipt or sale of the post-1989 units. Liabilities for emissions relating to post-1990 forest land are capped at the amount of NZUs previously allocated. Accordingly, NZUs are gained as forests grow and are surrendered as forests are harvested or removed in any other way. At balance date no liability for surrender of post-1989 NZUs has been accrued, because the forests are intact.

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.

Impairment**Emission Trading Units**

Council considers there is no impairment of ETUs held as they are expected to be fully utilised in satisfying carbon obligations from its landfill operations. ETUs have been assessed as having an indefinite useful life because they have no expiry date and will continue to have economic benefit as long as the Emissions Trading Scheme is in place.

18. Forestry assets

	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Balance at 1 July	13,428	11,900
Increase due to purchases	-	-
Gains/(losses) arising from changes attributed to physical changes	1,230	1,250
Gains/(losses) arising from changes attributed to price changes	(1,448)	800
Decreases due to harvest	(1,310)	(1,690)
Balance at 30 June	11,900	12,260

SDC owns 1,839 hectares of forest in five areas: Dipton, Gowan Hill, Ohai (2 sites), and Waikaia, which are managed as one forest. The tree crop covers 1,391 hectares (2019: 1,382 hectares). The predominant species grown in these four blocks is Radiata pine followed by Douglas fir. The age of the tree crop ranges from one year to 33 years. In the year ending 30 June 2020, Council sold 52 hectares of timber for \$3 million (2019: 44.8 hectares of timber for \$3.52 million).

There are no restrictions over the title of forestry assets. No forestry assets are pledged as security for liabilities.

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Council instructed Woodlands Pacific Consulting Limited (Woodlands Pacific), to independently value its forestry assets. Woodlands Pacific is a firm of forestry consultants and valuation experts with extensive experience valuing forests nationally and internationally. The valuation was undertaken in a manner consistent with Public Benefit Entity International Public Sector Accounting Standard 27. The objective of the PBE IPSAS 27 Standard is estimating “fair value” for financial reporting purposes. The valuation date is 30 June 2020.

Valuation Conventions

A pre-tax discount rate of 7.5% (2019: 7.5%) has been used in discounting the present value of expected future cash flows;

Only the current tree crop is valued, in accordance with the valuation standard;

Land use cost are recognised by applying notional land rental based on the prevailing market rentals of forestry land in the Otago/Southland region;

Woodlands Pacific assumes inflation will affect costs and prices equally;

Current log prices are used reverting to long-term prices.

Financial Risk Management Strategies

Council is exposed to financial risks arising from changes in timber prices. Council is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future. Therefore, no measures have been taken to manage the risks of a decline in timber prices. Council reviews its outlook for timber prices regularly in considering the need for active financial risk management.

The normal risks to forests in New Zealand are assumed to be incorporated into the discount rates chosen for the valuation. Forest fire is covered by way of insurance and the annual premiums are included in the overhead costs.

19. Trade and other payables

	COUNCIL	GROUP	COUNCIL	GROUP
	2018/2019	2018/2019	2019/2020	2019/2020
	Actual	Actual	Actual	Actual
	(\$000)	(\$000)	(\$000)	(\$000)
<i>Payables and deferred revenue under exchange transactions</i>				
Trade payables and accrued expenses	5,756	5,764	5,593	5,601
Total	5,756	5,764	5,593	5,601
<i>Payables and deferred revenue under non-exchange transactions</i>				
Income taxes payable	249	249	180	180
Other taxes payable (ie GST and FBT)	28	28	31	36
Grants payable	131	131	277	277

Financial Information

Other	874	874	995	995
Total	1,282	1,282	1,483	1,488
Total trade and other payables	7,038	7,046	7,077	7,089

Payables are generally non-interest bearing and are normally settled on 30 day terms. Therefore, the carrying value of payables approximates their fair value. All trade and other payables are current. There is nothing past due.

20. Employee benefit liabilities

	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Current		
Holiday pay accrual	1,274	1,536
Long service leave	5	5
Wages accrual	304	443
	1,583	1,984
Non-current		
Retirement gratuity	18	19
Long service leave (potential)	-	-
	18	19
Total employment entitlements	1,601	2,003

Key assumptions in measuring retirement and long service leave obligations

The present value of retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability. A discount rate of 7.0% (2019: 7.0%) and an inflation rate of 3.0% (2019: 3.0%) were used.

21. Development and financial contributions

	COUNCIL/GROUP	COUNCIL/GROUP
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Financial Information

	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Roading contributions	414	414
Wastewater contributions	907	565
Water contributions	432	432
Reserves contributions	359	378
Total development and financial contributions	2,113	1,789

22. Borrowings

Current portion	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Short term loan – Westpac	1,700	2,500
Total current portion	1,700	2,500

Council's external borrowings is a Multi Option Credit Line which is secured by a security stock certificate in favour of Westpac NZ Limited and Westpac Banking Corporation under a Debenture Trust Deed between Southland District Council and Corporate Trust Limited (trading as Foundation Corporate Trust). Interest is incurred at 1.45% per annum at 30 June 2020 (2019: 2.70%).

Internal loans

Internal loans total \$35.4 million (2019: \$31.3 million). These loans are not represented in the statement of financial position.

Council's internal loans are designed to help local communities within the Southland District to develop or improve new or existing facilities and undertake other major projects. Loans are for a maximum period of 30 years depending on the nature of the project being funded. The interest rate applied to these loans was 4.65 percent (2019: 4.65 percent). A summary of these internal loans by group activity follows:

Internal loans

Financial Information

	COUNCIL/GROUP	COUNCIL/GROUP	COUNCIL/GROUP	COUNCIL/GROUP	COUNCIL/GROUP
	Balance	New Advances	Total Repayments	Interest Paid	Balance
	2019	(\$000)	(\$000)	(\$000)	2020
	(\$000)				(\$000)
Community Services	3,635	829	(415)	164	4,048
District Leadership	2,508	315	(191)	141	2,631
Regulatory Services	68	-	(13)	3	55
Roads and Footpaths	7,740	617	(186)	358	8,171
Solid Waste	152	168	(19)	162	301
Stormwater	650	672	(25)	30	1,296
Wastewater	8,213	1,866	(599)	220	9,479
Water Supply	8,351	1,310	(246)	352	9,415
	31,316	5,776	(1,695)	1,429	35,397

23. Provisions

Provisions are represented by:	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Opening balance - Landfill aftercare provision	28	22
Unused amounts reversed during the year	(6)	(6)
Closing balance - Landfill aftercare provision	22	16
Other Provisions	-	-
	22	16

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Current	14	14
Non-Current	8	2
Closing balance	22	16

All SDC landfill sites have been closed. Council has a responsibility, under the various consents, to provide ongoing maintenance and monitoring of the sites after they are closed. There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

- Final cover application and vegetation
- Incremental drainage control features
- Completing facilities for leachate collection and monitoring
- Completing facilities for water quality monitoring.

Post closure responsibilities:

- Treatment and monitoring of leachate
- Ground water and surface monitoring
- Implementation of remedial measures such as cover and control systems
- Ongoing site drainage and final cover and vegetation.

The cash outflows for post-closure costs are not expected to occur until 2025. The long-term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. For instance, some sites may not be required to be continually monitored for the full 20 years, if the results are found to be within appropriate levels. The provision has been estimated taking this into account and is discounted using a discount rate of 5 percent.

24. Investment in joint ventures

Venture Southland

Council has a 42 percent (2019: 42 percent) participating interest in Venture Southland, a joint committee of Council. The principal activity of Venture Southland is to promote a co-ordinated approach to economic development in Southland.

For the year ended 30 June 2019, Council's interest in the joint venture is disclosed in the financial statements under the classifications shown below.

However, as at 30 June 2020, Council's interest in Venture Southland was accounted for as an associate under the new accounting standard PBE IPSAS 36 *Investments in Associates and Joint Ventures*, refer to note 25 below for details of Council's interest.

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Council's interest in Venture Southland is represented by:	COUNCIL/GROUP
	2018/2019
	Actual
	(\$000)
Share of Income	2,465
Share of Expenses	(2,364)
Share of surplus/(deficit)	101
<i>Share of:</i>	
Current Assets	1,322
Current Liabilities	(746)
Equity	576

Details of joint initiative commitments and contingencies are disclosed in their respective notes. The Venture Southland financial statements include Venture Southland Charitable Trust, which has been consolidated on a line-by-line basis.

The original Heads of Agreement under which Venture Southland was established was for a period of five (5) years from 1 July 2001. This agreement has been renewed at varying intervals since. In August 2018, Southland District, and Gore District Council gave notice under clause 4.1 of the Venture Southland Agreement, of their intention to withdraw from the Venture Southland Agreement 2014-2018.

On 30 June 2019 Venture Southland operations and staffing ceased and therefore the Venture Southland financial statements have been prepared on a disestablishment basis. All assets, liabilities and contracts are expected to transfer to the Southland Regional Development Agency/Great South. Venture Southland will continue to exist whilst the operations and contracts are moved to the Southland Regional Development Agency Limited Trading as Great South.

WasteNet

Council has a 31 percent interest in WasteNet, a jointly controlled operation of Council. The principal activity of WasteNet is managing the disposal of rubbish and recycling in Southland.

Council's interest in the joint venture is disclosed in the financial statements under the classifications shown below.

Council's interest in WasteNet is represented by:	COUNCIL/GROUP
	2019/2020
	Actual

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	(\$000)
Share of Income	1,263
Share of Expenses	(1,072)
Share of surplus/(deficit)	191
<i>Share of:</i>	
Current Assets	742
Current Liabilities	(363)
Equity	379

25. Investment in Associates

Council has investments in the following associated entities:

- Southland Regional Heritage Committee (SRHC) – 33%
- Emergency Management Southland (EMS) – 28.27%
- Southland Regional Development Agency Limited Trading as Great South (GS) – 48.73% (2019: 18.75%)
- Venture Southland – 42%

					COUNCIL/GROUP 2019/2020 Actual (\$000)
<i>Council's interest in Associates is represented by:</i>	VS	SRHC	EMS	GS	Total
Share of Income	214	565	595	2,110	3,485
Share of Expenses	(94)	(586)	(711)	(2,145)	(3,537)
Share of surplus/(deficit)	119	(21)	(116)	35	(52)
Share of Assets	74	222	32	1,493	1,821
Share of Liabilities	(18)	(47)	-	(812)	(877)
Share of Equity	56	175	32	681	945

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Share of associates' contingent liabilities incurred jointly with other investors					
Share of associates' joint commitments with other investors	-	-	-	-	-

	COUNCIL/GROUP			
	2018/2019			
	Actual			
	(\$000)			
<i>Council's interest in Associates is represented by:</i>	SRHC	EMS	GS	Total
Share of Income	554	392	-	947
Share of Expenses	(625)	(350)	(29)	(1,005)
Share of surplus/(deficit)	(71)	42	(29)	(58)
Share of Assets	250	147	72	470
Share of Liabilities	(54)	-	(102)	(156)
Share of Equity	196	147	29	314
Share of associates' contingent liabilities incurred jointly with other investors	-	-	-	-
Share of associates' joint commitments with other investors	15	-	-	15

26. Reconciliation between the operating surplus (from the statement of revenue and expense) and net cash from operating activities (from the statement of cash flows)

	COUNCIL	GROUP	COUNCIL	GROUP
	2018/2019	2018/2019	2019/2020	2019/2020
	Actual	Actual	Actual	Actual
	(\$000)	(\$000)	(\$000)	(\$000)
Operating Surplus	(1,300)	(1,066)	581	681

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Add/(Less) Non-Cash Items				
Share of associate's surplus	(314)	(314)	(630)	(630)
Depreciation and Amortisation	23,173	23,174	23,888	23,889
Vested Assets	(1,012)	(1,012)	(684)	(684)
Forestry Revaluation	1,528	1,528	(360)	(360)
Loss on Emission Trading Units	-	-		
Reclassification of Work in Progress (Intangibles)	-	-		
Add/(Less) Movements in Working Capital Items				
Trade and Other Receivables	(1,269)	(1,270)	(1,717)	(1,718)
Interest Receivable	(1)	(1)	22	22
Inventories and Work in Progress	(28)	(28)	8	8
Trade and Other Payables	2,623	2,625	1,340	1,342
Provision	-	-	-	-
Net GST	(405)	(420)	413	420
Development & Financial Contributions	(55)	(55)	(324)	(324)
Other				
Movement in Employee Benefit Liabilities	(13)	(13)	402	402
(Gains)/Losses on Disposal of Investments	26	26	(15)	(15)
Movement in Provision for Decommissioning	(6)	(6)	(6)	(6)
Movement in Work in Progress (Non-Current)	-	-		-
Net Cash Inflow/(Outflow) from Operating Activities	23,144	23,168	22,918	23,028

27. Financial instruments

Council has policies providing risk management for interest rates and the concentration of credit risk. Council is risk averse and seeks to minimise exposure from its treasury activities and has established a treasury policy specifying what transactions can be entered into. The policy does not allow any transactions that are speculative in nature to be entered into.

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Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return from an investment. Council's exposure to fair value rate risk is limited to its short-term bank deposits at floating interest rates and a bank advance facility.

The interest rates on Council's investments are disclosed in Note 15. There are no interest rate options or interest rate swap agreements in place at 30 June 2020 (2019: Nil).

Sensitivity analysis

The table below illustrates the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on Council's financial exposures at the balance date.

Interest Rate Risk	COUNCIL/GROUP		COUNCIL/GROUP	
	2018/2019		2019/2020	
	Actual		Actual	
	(\$000)		(\$000)	
	+100bps	-100bps	+100bps	-100bps
Cash and Cash Equivalents	163	(163)	90	(90)
Borrowings	-	-		

Explanation of Sensitivity Analysis

Cash and cash equivalents include short-term deposits at call totalling \$9.0 million (2019: \$16.3 million) which are at floating rates. A movement in interest rates of plus or minus 1.0 percent has an effect on interest income of \$90,200 (2019: \$162,600).

Council has a bank advance facility of \$5.0 million. This can be drawn down on when required. At 30 June 2020, the loan facility was partially used \$2.5 million (2019: \$1.7 million), however it was repaid on 2 July 2020. Therefore, there is no interest rate risk (2019: Nil).

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Council has minimal transaction in the overseas market so the exposure to this risk is very low.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to Council causing Council to incur a loss.

SDC has minimal credit risk in its holdings of various financial instruments. These financial instruments include bank balances and company bonds.

Council limits the amount of credit exposure to any one institution by using a risk weighting methodology based on Standard and Poor's credit ratings.

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In the normal course of business Council incurs credit risk with both general and rates debtors. Council has approved a credit control policy to monitor and manage its exposure to this credit risk and has special legislative powers to collect rates.

Council's maximum exposure to each class of financial instruments is as follows:

	Note	COUNCIL/GROUP	COUNCIL/GROUP
		2018/2019	2019/2020
		Actual (\$000)	Actual (\$000)
Cash and Cash Equivalents	12	15,724	12,818
Trade and Other Receivables (excluding prepayments)	13	9,012	11,126
Other Financial Assets (excluding shares in companies)	15	1,397	589
Total Credit Risk		26,133	24,533

	Note	COUNCIL/GROUP	COUNCIL/GROUP
		2018/2019	2019/2020
		Actual (\$000)	Actual (\$000)
Cash at Bank and Term Deposits			
AA-	12	15,724	12,818
Total Cash at Bank and Term Deposits		15,724	12,818
Other Financial Assets			
AA-	15	1,811	1,000
Total Financial Assets		1,811	1,000

Liquidity Risk

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Liquidity risk is the risk that Council will encounter difficulty in raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, and the ability to access investment funds whenever necessary.

Contractual maturity analysis of financial assets and liabilities

The table below analyses Council's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	Note	Less than 1 Year	1 Year	2 - 5 Years	COUNCIL/GROUP Total 2020
Financial Assets					
Cash and Cash Equivalents	12	12,818	-	-	12,818
Trade and Other Receivables (excluding prepayments)	13	11,126	-	-	11,126
Other Financial Assets (excluding shares in companies)	15	589	-	-	589
Financial Liabilities					
Trade and Other Payables	19	7,077	-	-	7,077
Borrowings	22	2,500	-	-	2,500

	Note	Less than 1 Year	1 Year	2 - 5 Years	COUNCIL/GROUP Total 2019
Financial Assets					
Cash and Cash Equivalents	12	15,724	-	-	15,724
Trade and Other Receivables	13	9,012	-	-	9,012
Other Financial Assets (excluding shares in companies)	15	1,397	-	-	1,397
Financial Liabilities					
Trade and Other Payables	19	7,038	-	-	7,038
Borrowings	22	1,700	-	-	1,700

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28. Related parties

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect Council would have adopted in dealing with the party at arm's length in the same circumstances.

Council has a 42 percent interest in Venture Southland and carried out the following transactions with this related party:

Venture Southland	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Funding provided by SDC	2,005	-
Services provided by SDC	271	-
Accounts payable to SDC	809	-
Accounts receivable from SDC	-	-

Key Management Personnel	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
<i>Councillors</i>		
Remuneration	481	530
Full-time equivalent members	13	13
<i>Executive Leadership Team, including the Chief Executive</i>		
Remuneration	1,587	1,553
Full-time equivalent members	7.7	6.9
Total Key Management Personnel Compensation	2,068	2,083
Total Full-time equivalent personnel	20.7	19.9

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Key management personnel include the Mayor, Councillors, Chief Executive, Group Manager Environmental Services, Group Manager Services and Assets, Group Manager Community and Futures, Group Manager Customer Delivery, Chief Financial Officer, and People and Capability Manager.

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

29. Events after balance date

Council's current Chief Executive, Steve Ruru resigned on 3 July 2020. His final day at Council is 30 September 2020.

\$7.07 million government funding received for the three water reform.

Other than the matters noted above, there were no significant events subsequent to balance date.

30. Statement of contingencies

A contingency represents future expenditure that either:

May or may not be expended, in part or in full, at some future date; or

Future expenditure that will be incurred at a future date, but which is unable to be quantified at this time.

Contingent liabilities

Contingent liabilities as at 30 June 2020 total **\$XXX,000** (2019: \$973,000). Specific details are as follows:

(a) Guarantees

There are no guarantees at 30 June 2020 (2019: Nil)

(b) Building Act claims

The Building Act 2004 imposes certain obligations and liabilities on local authorities in respect to the issue of building consents and inspection of work done. At the date of this report there were several matters under this Act indicating liabilities to Council **of \$XXX,000** (2019: \$973,000). These potential claims have been brought to the SDC insurer's attention.

(c) Weather-tight Homes claims

The Weather-tight Homes Resolution Services (WHRS) receives claim applications and provides mediation services to resolve leaky home disputes as an alternative to the courts. Included in the Building Act potential liability noted in (b) above are potentially for Weather-tight Home claims. However, as of 30 June 2020 (2019: Nil), no claims have been lodged with the WHRS against the Council. If, in future, there are claims against Council, it is expected the successful claims will be substantially covered under the SDC's insurance policies.

(d) Council Mutual Insurance Fund - Riskpool

Council withdrew as a member of a mutual liability fund, Riskpool, as at 30 June 2015. This organisation was established in 1997 to provide councils with commercial insurance options for risk issues facing them. Over the past few years, as a result of the number of claims facing local authorities on the weather-tightness of homes, the fund has been required to be topped up by members by way of a number of calls. As Council was a member from 1 July 2000 to 30 June 2015 Council is liable for any calls for funds relating to these years. The fund currently has reinsurance from 1 July 2013. However, it is expected that there will not be any further calls in the future.

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(e) Emission Trading Scheme

Council owns approximately 1,513 hectares of forest, of which 1,384 hectares are pre-1990 land under the Emissions Trading Scheme. As at 30 June 2020 zero hectares (2019: zero) of forest were harvested and unplanted.

(f) Closed landfill sites

Council has a number of closed landfill sites. Council recognises that some of these may require a resource consent, and additional work may be required to meet the requirements of any consent. At balance date, the requirements have not been established by ES.

Council currently has a provision in relation to landfill post-closure costs that were identified in 2005, and details are included in Note 23 to these financial statements.

(g) Contingent assets

Council has no contingent assets as at 30 June 2020 (2019: Nil).

31. Capital commitments and operating leases

A commitment exists where Council has entered into contracts but the goods and/or services have not been provided by balance date.

	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual (\$000)	Actual (\$000)
Capital commitments		
<i>Commitments for capital expenditure contracted, but not provided for:</i>		
Water System	-	
Stormwater System	668	
Sewerage System	6,291	
Roading	20,001	
Other	474	
	27,434	

Council has no operating lease commitments as at 30 June 2020 (2019: Nil).

Joint venture

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Venture Southland	COUNCIL/GROUP	COUNCIL/GROUP
	2018/2019	2019/2020
	Actual	Actual
	(\$000)	(\$000)
Operating commitments		
<i>Commitments for non-cancellable operating leases and other operating commitments:</i>		
Not later than one year	83	-
Later than one year and not later than five years	56	-
Later than five years	-	-
	139	-

Joint venture commitments disclosed above go beyond 30 June 2020 (the disestablishment date of Venture Southland). This is on the basis that all assets, liabilities, contracts and commitments will be assigned to Southland Regional Development Agency Ltd (trading as Great South).

32. Severance payments

For the year ended 30 June 2020, the Council made one severance payment of \$25,000 (2019: three employees totalling \$86,959).

33. Capital management

Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The LGA requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA requires Council to make adequate and effective provision in its Long Term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The LGA also sets out the factors that Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in Council's LTP.

Council has the following Council-created reserves:

- reserves for different areas of benefit;
- general reserves; and

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trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from payers of general rates. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

General reserves are built up typically from specific events (i.e. an asset sale) and are made available for specific unforeseen events or major projects. The release of these funds can generally only be approved by Council.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable, and deductions are made where funds have been used for the purpose they were donated.

34. The impact of COVID-19 on Council

On 11 March 2020, the World Health Organisation declared the outbreak of Covid-19 a pandemic and two weeks later the New Zealand government declared a State of National Emergency. The country was in lockdown at alert level four from 26 March 2020 to 27 April 2020, and then remained in lockdown at alert level three until 13 May 2020. Additionally the country's borders have been closed throughout lockdown and continue to date.

During this period, the Council closed all its offices and public facilities. Staff moved to "working from home", and essential Council services (such as roading, water and wastewater) continued to be delivered.

After 13 May, Council returned to providing all services to the community, however heightened health and safety measures around social distancing, personal protective equipment and cleaning regimes were in place during Level 2.

The effect on Council's operations is reflected in these financial statements, based on the information available to the date these statements are signed. The impact is considered to be relatively minimal as Council does not operate significant public facilities (such as transport systems, pools, stadiums, galleries, museums, event venues etc) and minimal income is driven from tourism other than Stewart Island visitor levy and Te Anau Manapouri airport charges. Additionally as a result of changes in the economic environment in response to Covid-19, Council's return on investments has deteriorated. Council predominantly invests in cash based deposits therefore the risk is limited to movements in the official cash rate. Other than the revenue streams noted, the main Council function impacted was the delay in delivery of capital programmed works, and accordingly progress, subsidies and expenditure on these items have been deferred, however Council did not incur significant contract variations as a result of Covid-19.

As at the date of this report, Council have not received significant enquiries from customers or ratepayers raising concerns about their ability to pay. Additionally our key infrastructure assets (being roading, water, wastewater and stormwater) have been independently revalued at 30 June 2020 and the valuers have given consideration to the impact of Covid-19 on the valuations, which was not considered significant.

On this basis it is anticipated that the ongoing effect of Covid-19 on Council will be minimal, however some uncertainties remain. There could also be other matters that affect Council in the future, of which we are not yet aware.

Covid-19 pandemic timeline in New Zealand	
11 March 2020	The World Health Organisation characterized the outbreak of Covid-19 as a pandemic

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25 March 2020	The New Zealand Government issued a State of National Emergency
26 March – 27 April 2020	New Zealand under Alert Level 4 and in lockdown
28 April – 13 May 2020	New Zealand under Alert Level 3 and in lockdown
13 May 2020	The New Zealand Government ends State of National Emergency
14 May – 8 June 2020	New Zealand under Alert Level 2
9 June – 12 August 2020	New Zealand under Alert Level 1
12 August – 30 August 2020	New Zealand under Alert Level 2 (except Auckland which was placed under Alert Level 3)
31 August – to date	New Zealand under Alert Level 2

35. Prior Period Error

Council has adjusted its comparative year financial statements for the year ended 30 June 2019 for the correction of a prior period error.

During 2019/2020, Council has undertaken a significant amount of work on outstanding building consents and believes it can now reliably estimate the value of the liability as at 30 June 2019. \$855,562 of historic building consent income was incorrectly accounted for as revenue over numerous years up until 30 June 2019, however because some building inspections had not been undertaken at balance date, the income should have been accounted for as revenue in advance as at 30 June 2019 in accordance with Council's accounting policy. The financial statements for 2019, which are presented as comparative information in the 30 June 2020 financial statements, have been restated to correct this error.

The adjustments are shown in the table below:

	Before adjustments	Correction of error	After adjustments
	(\$000)	(\$000)	(\$000)
Council			
Revenue – Other revenue	12,692	(195)	12,496
Current liabilities – Income in advance	500	855	1,355
Equity – Retained earnings	719,223	(659)	719
Group			
Revenue – Other revenue	12,829	(195)	12,633
Current liabilities – Income in advance	500	855	1,355

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Equity – Retained earnings	719,260	(659)	719
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36. Explanation of major variances against budget

	Note	COUNCIL 2019/2020 Actual (\$000)
Revenue (excluding asset development revenue)	(a)	8,108
Asset Development Revenue		
- Development and Financial Contributions	(b)	175
Expenditure	(c)	(4,348)
Net impact of variance on surplus(deficit)		3,934
Revaluation surplus	(d)	(14,106)
Total variance in Statement of comprehensive revenue and expense		(10,172)

Explanatory Notes

Statement of comprehensive revenue and expense

(a) **Revenue**

Overall revenue was \$8.1 million more than budgeted mainly due to:

\$2.7 million additional other revenue primarily due to increased forestry sales (\$0.4 million) and Council's share of WasteNet revenue not being included in the budget (\$1.4 million).

\$0.2 million additional interest and dividends received.

\$0.9 million additional NZTA revenue primarily due to the emergency works as a result of the February flooding event.

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\$1.9 million additional grants received for projects, including Te Anau wastewater, Milford and Stewart Island/Rakiura Opportunities and Manapouri carpark.

\$1.9 million increase in forestry revaluation.

\$0.7 million of vested assets.

\$0.1 million additional revenue from share of associate's surplus.

(b) **Asset development revenue**

When compiling the Annual Plan, a number of assumptions were made in regards to when developments requiring resource consents would be started or completed and the value of contributions or infrastructure assets vested in Council would be received. This has affected vested assets and development and financial contributions as described below.

Development and financial contributions

Development and financial contributions are contributions paid to Council where a development (such as a subdivision) generates demand for infrastructure (such as water and wastewater or reserves). They aim to collect the costs of capital projects, which are planned, or have been undertaken, from those that are creating the demand. The budget estimated the amount of contributions revenue for the year based on the amount of planned demand capital projects. The number and cost of demand capital projects during the year were in line with the budget, with no material variance reflecting this.

(c) **Expense**

Overall operating expenditure was \$4.3 million more than budgeted primarily due to:

\$1.0 million increase in employee benefit expenditure primarily due to increases in building control staff to manage workflows and accreditation, as well as new positions to enable Council to manage legislative changes, predominantly around the water reforms.

\$2.6 million increase in other council expenditure predominantly due to roading emergency works as a result of the February flooding (\$1.3 million), increased rubbish and recycling waste costs (\$0.5 million), increased consultants costs (\$2.0 million) of which the majority is associated with Milford Opportunities Project and building regulation and Council's share of WasteNet expenditure not being included in the budget (\$1.1 million). These increases are offset by a lower than budgeted contribution to the Pyramid bridge project (\$1.3 million).

\$0.7 million more depreciation and amortisation as a result of the increased infrastructure valuations.

(d) **Revaluation surplus**

Overall revaluation surplus was \$14.1 million less than budgeted due to the assumptions made during the budgeting process for programmed capital works and expected market conditions, differing to the actual results. Current market conditions and cost changes have been built into the infrastructure revaluations which has resulted in actual increases significantly less than those budgeted (\$30.5 million).

Statement of changes in equity

Changes in equity are reflected in the variance analysis of the statement of comprehensive revenue and expense above.

Statement of financial position

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Cash and cash equivalents are \$16.0 million more than budgeted primarily due to increased revenue, less capital works being completed than budgeted and conversion of term investments to short term deposits.

Trade and other receivables are \$6.5 million above budget due to inclusion of Council's share of WasteNet debtors (\$1.9 million) and increased revenues across Council activities.

Property, plant and equipment is \$5.0 million less than budgeted, predominantly as a result of the lower-than-budgeted revaluation of infrastructural assets.

Intangible assets are \$1.1 million higher than budget predominantly due to increased value of Emission Trading Units.

Forestry assets are \$1.9 million more than budgeted due to the higher-than-budgeted revaluation of these assets.

Investment in associates is \$0.9 million higher than budgeted due to accounting for the various entities associated with Council, including the acquisition of a number of C class shares in Great South/Southern Regional Development Agency.

Income in advance is \$2.7 million higher than budgeted due to various grants received for projects that are still in progress at balance date as well as outstanding building consents.

Borrowings are \$2.5 million more than budgeted due to short term cashflow requirements to fund operations. This borrowing was repaid in full in July 2020.

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Schedule of financial reserves

Restricted reserves

Reserves	Community	Business Unit	Activity to which it relates	Purpose	Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Closing Balance 30/6/2020 (\$000)
District Reserves								
	Holding	SDC - Officers Association	Customer Support	Held on behalf of SDC Officers Association	1	-	-	1
	Assets & Services	Waste Minimisation	Solid Waste Management	Waste Minimisation reserve	97	72	(168)	1
	Environmental Services	Dog and Animal Control	Animal Control	Residual funds from Dog and Animal Control Activity	20	(1)	(83)	(64)
	John Beange	John Beange	Community Assistance	Funding available in Edendale and Wyndham Area	32	-	(3)	29
	Sthld Joint Mayoral Fund	Sthld Joint Mayoral Fund	Community Assistance	Residual Funds from Southland Flood Relief	175	63	-	238
	Allocation Committee	Com Development Fund	Community Assistance	Development of Community Facilities, Recreational Opportunities and events	238	6	(17)	226
	Allocation Committee	Contributions and Levies	Community Assistance	Raised through the District Plan to be used to remedy, mitigate or offset adverse effects arising from, and in consequence of, or in association with any development	228	73	(67)	301
	Allocation Committee	Creative NZ	Community Assistance	Support local communities to create diverse opportunities for accessing and participating in arts activities with their specific geographical area, as well as defined communities of interest	1	14	-	15
	Allocation Committee	SPARC	Community Assistance	To subsidise travel costs for people 5-19 years of age participating in regular sporting competition	3	2	-	5
	Allocation Committee	Meridian Contribution	Community Assistance	Support Northern Southland community initiatives by way of grants	323	8	(10)	321

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	Allocation Committee	Ohai Railway Board	Community Assistance	Support Ohai community initiatives by way of grants	1,908	50	(65)	1,892
	Allocation Committee	Ohai/Nightcaps Doc	Community Assistance	Medical services within Ohai and Nightcaps, including local ambulance	39	1	-	40
	Allocation Committee	District Heritage Grant	Community Assistance	Support the heritage in the district area	24	1	(3)	21
	Allocation Committee	Fonterra Res Contribution	Community Assistance	Support community initiatives by way of grants	392	9	(69)	332
	Allocation Committee	Stewart Island Visitor Levy	Community Assistance	Stewart Island Visitor Levy funds	47	50	-	97
	Specific	ECNZ - Projects	Customer Support	Funds available for future projects in accordance with ECNZ requirements	21	1	-	22
Total Restricted District Reserves					3,548	348	(418)	3,477

Reserves	Community	Business Unit	Activity to which it relates	Purpose	Opening Balance 1/7/2019	Deposits In (\$000)	Withdraws Out (\$000)	Closing Balance 30/6/2020
Local Reserves								
	Wallacetown	Cemetery Bequest	Cemetery	Wallacetown Cemetery	77	2	(6)	73
Total Restricted Local Reserves Wallacetown					77	2	(6)	73
Total Restricted Local Reserves					77	2	(6)	73
Total Restricted District Reserves					3,625	349	(424)	3,550

Council created – General

Reserves	Community	Business Unit	Activity to which it relates	Purpose	Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Closing Balance 30/6/2020 (\$000)
District Reserves								
	Council	Global	Customer Support	General Reserve	979	25	-	1,004

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	Council	District Operations	Customer Support	General Reserve	1,852	1,355	(1,328)	1,879
	Council	Strategic Assets Reserve	Customer Support	Offset Rates	8,508	-	-	8,508
Total Council Created General District Reserves					11,339	1,380	(1,328)	11,391
Total Council Created -General Reserves					11,339	1,380	(1,328)	11,391

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Council created – Special

Reserves	Community	Business Unit	Activity to which it relates	Purpose	Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Closing Balance 30/6/2020 (\$000)
District Reserves								
	Asset & Services	Community Housing	Community Housing	Operational reserve for community housing	169	108	(87)	190
	Asset & Services	District Reserves	Parks and Reserves	Operation reserve for district reserves	119	13	(82)	50
	Asset & Services	Community Task Force	Community Assistance	Operational reserve for community task force	10	-	(10)	-
	Asset & Services	Forestry Council Reserve	Forestry	Residual funds from forestry activities	6,959	397	-	7,356
	Asset & Services	Forestry Reserve	Forestry	Residual funds from forestry activities	1,000	1,373	(1,349)	1,024
	Asset & Services	Gravel Reserves	Roads and Footpath	Ensure Council has sufficient funds available for reinstatement of Council's pits	595	14	(24)	585
	Asset & Services	Depreciation Motor Vehicle	Various	Fund Motor Vehicle Fleet Replacements	651	336	(196)	791
	Asset & Services	Depreciation Buildings	Various	Fund Building Replacements	189	103	(5)	288
	Asset & Services	Depreciation IT	Various	Fund IT Replacements	369	250	(421)	199
	Asset & Services	Depreciation Matuku	Water Supply	Fund Matuku Water Scheme Replacements	-	3	-	3
	Asset & Services	Depreciation Public Conveniences	Various	Fund Public Conveniences Replacements	-	44	(44)	-
	Asset & Services	Depreciation Te Anau Rural Water	Water Supply	Fund Te Anau Rural Water Scheme Replacements	-	78	(78)	-
	Asset & Services	Depreciation Waste Management	Waste management	Fund Waste Management Replacements	23	18	(9)	32

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	Asset & Services	Depreciation Wheelie Bin	Waste management	Fund Wheelie Bin Replacements	51	41	(3)	89
	Asset & Services	Depreciation Sewerage	Sewerage	Fund Sewerage Replacements	170	1,006	(1,168)	8
	Asset & Services	Depreciation Roothing	Roothing	Fund Roothing Replacements	103	4,226	(4,328)	-
	Asset & Services	Public Toilets Capital Pro Reserve	Various	Fund Public Toilets Capital	-	281	(281)	-
	Asset & Services	Property Development	Various	Balancing fund for sales and operational building expenditure	536	99	(214)	420
	Asset & Services	Proposed Water	Water Supply	Operational account for proposed water	540	13	-	553
	Asset & Services	Roothing	Roads and Footpath	Rate smoothing reserve	1,731	104	(48)	1,786
	Asset & Services	Road Safety Community	Roads and Footpath	Funding accrued from programmes not completed by year end	(2)	2	-	-
	Asset & Services	Waste Management	Solid Waste Management	General waste reserve	121	68	(23)	167
	Asset & Services	Water Schemes	Water Supply	Development for water schemes	450	7	(356)	101
	Asset & Services	District Wastewater	Wastewater	Development for Wastewater schemes	390	205	(590)	5
	Asset & Services	District Stormwater	Stormwater	Stormwater Investigations	32	30	-	61
	Asset & Services	District Water	Water	Development for Water schemes	3	-	(3)	-
	Asset & Services	Wastewater Contribution	Wastewater	Development for building Wastewater	6	-	(6)	-
Total Council Created - Special Reserves Assets & Services					14,215	9,515	(10,023)	13,707
	Chief Exec	SDC/DOC Joint Project	District Support	Residual funds from past joint projects for future projects	61	-	-	61
	Chief Exec	Around the Mountains	Roothing and Transport	Around the Mountains Cycle Trail	-	19	-	18

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Total Council Created - Special Reserves Chief Exec					61	19	-	79
	Policy and Community	Waimumu Field Day	Corporate Support	Fund Council's Field Day every three years	13	-	(13)	-
	Policy and Community	Community Outcomes	Strategy and Communication	Contribute Southland Regional Development Strategy	43	1	-	44
	Policy and Community	Elections	Representation and Advocacy	Fund Council's election costs every three years	85	-	(31)	53
	Policy and Community	War Memorial Grant	Community Assistance	Funding received for Memorial Archway	-	2	-	2
Total Council Created - Special Reserves Policy and Community					141	3	(44)	100
	Development and Financial	Parks Contribution	Parks and Reserves	Contribution to capital activity - Parks and Reserves	137	3	-	141
	Development and Financial	Roading Contribution	Roading and Transport	Contribution to capital activity - Rooding and transport	302	7	-	309
	Development and Financial	Wastewater Contribution	Wastewater	Contribution to capital activity - Wastewater	345	8	(24)	329
	Development and Financial	Water Contribution	Water Supply	Contribution to capital activity - Water	106	3	-	108
Total Council Created - Special Reserves Development and Financial Contributions					890	21	(24)	887
	Environment & Community	Alcohol Licensing	Environmental Health	Residual funds from Alcohol Licensing	46	(1)	(130)	(84)
	Environment & Community	Health Licensing	Environmental Health	Residual funds from Health Licensing	-	2	28	30
Total Council Created - Special Reserves Environment Service					46	1	(102)	(54)
	Holding	Milford Flood Protect	Corporate Support	Residual funds from Milford Flood Protection	45	1	-	46
	Holding	International Relationship	Community Assistance	Residual funds from International Relationship activities	57	1	-	58
	Holding	Shared Services	District Support	Shared Services Balance	35	(30)	-	5

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	Holding	Stewart Island Heritage Building	Community Assistance	Set up for new Heritage Building	-	-	-	-
Council Created - Special Reserves Holding					137	(27)	-	109
	Specific	Biodiversity Initiative	Community Assistance	Funds set aside for future biodiversity initiatives	21	1	-	21
	Specific	Disaster Recovery	Community Assistance	Funds set aside in case of disaster in accordance with insurance requirements	1,409	34	-	1,443
	Specific	Predator Free Rakiura	District Leadership	Contribution to the Predator Free Rakiura programme	49	1	(38)	12
	Specific	Rates Civil Defence/ Rural Fi	Emergency Management	Fund emergency management	10	-	-	11
	Specific	Tuatapere (Clifden Bridge)	Various	Residual funds from Tuatapere project in 2000, to be used for community projects at Council's discretion	19	-	-	19
	Specific	North Makarewa Rec Reserve	Parks and Reserves	North Makarewa Rec Reserve	-	1	-	1
Council Created - Special Reserves Specific Reserves					1,508	37	(38)	1,507
Total Council Created -Special District Reserves					16,998	9,569	(10,232)	16,335

Reserves	Community	Business Unit	Activity to which it relates	Purpose	Opening Balance 1/7/2019 (\$000)	Deposits In (\$000)	Withdraws Out (\$000)	Opening Balance 30/6/2020 (\$000)
Local Reserves								
	Athol	General	Various	Athol General Purpose	39	4	(21)	22
	Athol	Community Centres	Community Centres	Athol Hall	7	-	-	8
Council Created - Special Reserves Athol					46	5	(21)	30
	Balfour	General	Various	Balfour General Purpose	114	8	(2)	120
Council Created - Special Reserves Balfour					114	8	(2)	120

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	Browns	General	Various	Browns General Purpose	49	2	(2)	49
Council Created - Special Reserves Browns					49	2	(2)	49
	Brydone	Community Centres	Community Facilities	Brydone Hall	1	-	(1)	-
Council Created - Special Reserves Brydone					1	-	(1)	-
	Clifden	Community Centres	Community Facilities	Clifden Hall	29	-	(22)	7
	Clifden	Rec Reserve Committee	Parks and Reserves	Clifden Reserves	31	4	-	35
Council Created - Special Reserves Clifden					60	4	(22)	42
	Colac Bay	Community Centres	Community Facilities	Colac Bay Hall	8	1	-	9
	Colac Bay	General	Various	Colac Bay General Purpose	44	5	-	50
Council Created - Special Reserves Colac Bay					52	7	-	59
	Dipton	Cemetery	Cemetery	Dipton Cemetery	14	2	-	16
	Dipton	General	Various	Dipton General Purpose	58	4	(5)	57
	Dipton	Stormwater	Stormwater	Dipton Stormwater	21	-	(7)	15
	Dipton	Community Centres	Community Facilities	Dipton Hall	32	-	(32)	-
Council Created - Special Reserves Dipton					126	6	(44)	88
	Drummond	General	Various	Drummond General Purpose	10	1	-	11
	Drummond	Rec Reserve Committee	Parks and Reserves	Drummond Reserves	13	3	-	16
Council Created - Special Reserves Drummond					23	3	-	26
	Edendale	Cemetery	Various	Edendale Cemetery	12	-	(3)	9
	Edendale-Wyndham	Community Centre	Community Facilities	Edendale Wyndham Hall	156	3	(54)	105
	Edendale	Pool	Various	Edendale Pool	-	-	-	-
	Edendale-Wyndham	Footpaths	Various	Footpaths	1	50	(36)	15
	Edendale-Wyndham	General	Various	General Purpose	53	12	(24)	41
	Edendale-Wyndham	Stormwater	Stormwater	Stormwater	407	20	-	427
Council Created - Special Reserves Edendale-Wyndham					628	86	(117)	597
	Five Rivers	Community Centre	Community Facilities	Five Rivers Hall	19	-	(19)	-

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Council Created - Special Reserves Five Rivers					19	-	(19)	-
	Fortrose	Community Centre	Community Facilities	Fortrose Hall	2	1	-	3
Council Created - Special Reserves Fortrose					2	1	-	3
	Garston	Special Projects	Various	Garston General Purpose	32	5	-	37
Council Created - Special Reserves Garston					32	5	-	37
	Gorge Road	Gorge Road General	Various	Gorge Road General Purpose	41	2	(1)	42
Council Created - Special Reserves Gorge Road					41	2	(1)	42
	Limehills	General	Various	Limehills General Purpose	7	4	(1)	11
	Limehills	Stormwater	Stormwater	Limehills Stormwater	55	2	-	57
Council Created - Special Reserves Limehills					62	6	(1)	68
	Lumsden	Cemetery	Cemetery	Lumsden Cemetery	1	-	-	1
	Lumsden	Footpaths	Roading and Footpaths	Lumsden Footpaths	22	-	(17)	5
	Lumsden	General	Various	Lumsden General Purpose	59	18	(4)	74
	Lumsden	Property Sales	Various	Lumsden General Purpose	-	-	-	-
	Lumsden	Stormwater	Stormwater	Lumsden Stormwater	69	2	(3)	68
	Lumsden	Community Centre	Community Facilities	Lumsden Community Centre	6	-	(1)	5
Council Created - Special Reserves Lumsden					157	20	(25)	152
	Manapouri	Frasers Beach	Parks and Reserves	Frasers Beach Reserve	32	11	-	43
	Manapouri	General	Various	Manapouri General Purpose	68	27	(24)	70
	Manapouri	Community Centre	Community Facilities	Manapouri Community Centre	18	2	-	20
	Manapouri	Swimming Pool Area	Parks and Reserves	Manapouri Pool	21	3	-	24
Council Created - Special Reserves Manapouri					139	44	(24)	158
	Mararoa/Waimea Ward	Mararoa/Waimea Ward	Various	Mararoa/Waimea Ward	299	36	(206)	128
Council Created - Special Reserves Mararoa/Waimea Ward					299	36	(206)	128

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	Mataura Island	Community Centre	Community Facilities	Mataura Island Community Centre	5	-	(1)	4
Council Created - Special Reserves Mataura Island					5	-	(1)	4
	Matuku	Rural WS General	Water Supply	Matuku Water	2	-	(1)	1
Council Created - Special Reserves Matuku					2	-	(1)	1
	Menzies Ferry	Community Centre	Community Facilities	Menzies Ferry Community Centre	5	3	-	8
Council Created - Special Reserves Menzies Ferry					5	3	-	8
	Mokoreta/Redan	Community Centre	Community Facilities	Mokoreta/Redan Community Centre	18	1	-	19
Council Created - Special Reserves Mokoreta/Redan					18	1	-	19
	Mossburn	General	Various	Mossburn General Purpose	105	6	(8)	103
	Mossburn	Community Centre	Community Facilities	Mossburn Community Centre	-	-	-	-
Council Created - Special Reserves Mossburn					105	6	(8)	103
	Nightcaps	McGregor Park	Parks and Reserves	Nightcaps McGregor Park	109	11	(24)	96
	Nightcaps	Community Centre	Community Facilities	Nightcaps Community Centre	10	3	-	12
	Nightcaps	General	Various	Nightcaps General Purpose	29	5	(11)	23
	Nightcaps	Stormwater - OPR	Various	Nightcaps General Purpose	-	10	-	10
Council Created - Special Reserves Nightcaps					148	29	(35)	142
	Ohai	Community Centre	Community Facilities	Ohai Community Centre	8	-	(8)	-
	Ohai	General	Various	Ohai General Purpose	118	3	(6)	115
	Ohai	Stormwater	Stormwater	Ohai Stormwater	150	6	-	156
Council Created - Special Reserves Ohai					277	9	(15)	271
	Orawia	Community Centre	Community Facilities	Orawia Community Centre	38	1	(10)	29
Council Created - Special Reserves Orawia					38	1	(10)	29
	Orepuki	General	Various	Orepuki General Purpose	36	2	(6)	32
	Orepuki	Community Centre	Community Facilities	Orepuki Community Centre	16	4	(1)	19

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Council Created - Special Reserves Orepuki					52	6	(7)	51
	Oreti	Community Centre	Community Facilities	Oreti Community Centre	13	3	-	15
Council Created - Special Reserves Oreti					13	3	-	15
	Otapiri/Lora	Community Centre	Community Facilities	Otapiri/Lora Community Centre	49	6	-	55
Council Created - Special Reserves Otapiri/Lora					49	6	-	55
	Otautau	Baths	Community Facilities	Otautau Pool	22	1	-	23
	Otautau	Brightwood Develop Co	Community Facilities	Otautau Financial Contribution	16	-	-	17
	Otautau	CB Conference	Community Facilities	Community board conference	6	-	-	7
	Otautau	Forestry	Forestry	Holt Park Forestry	162	4	-	166
	Otautau	General	Community Facilities	Otautau General Purpose	119	24	(67)	76
	Otautau	Bowling Club	Community Facilities	Bowling Club	1	-	(1)	-
	Otautau	Stormwater	Stormwater	Otautau Stormwater	255	6	(18)	243
	Otautau	Community Centre	Community Facilities	Otautau Community Centre	28	1	-	28
Council Created - Special Reserves Otautau					610	36	(87)	559
	Riversdale	Fire Bore	Various	Riversdale General Purpose	-	-	-	-
	Riversdale	General	Various	Riversdale General Purpose	31	2	(3)	29
Council Created - Special Reserves Riversdale					31	2	(3)	29
	Riverton	Cemetery Maintenance	Cemetery	Riverton Cemeteries	63	1	(2)	62
	Riverton	Doc Profits Lib Sale	Various	Riverton Projects	66	2	-	68
	Riverton	General	Various	Riverton General Purpose	360	31	(18)	373
	Riverton	Riverton Harbour General	Community Facilities	Riverton Harbour	13	12	-	25
	Riverton	Parks & Res Develop	Parks and Reserves	Riverton Parks and Reserves	28	1	-	29
	Riverton	Property Sales	Various	Riverton General Purpose	240	6	-	246
	Riverton	War Memorial	Parks and Reserves	Riverton War Memorial	13	1	-	14

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	Riverton	Stormwater Headworks	Stormwater	Riverton Stormwater	121	39	-	160
	Riverton	Taramea Bay/Rocks Development	Community Facilities	Taramea Cay Foreshore	30	6	-	36
	Riverton	Taramea Howells Point	Community Facilities	Taramea Howells Point	24	6	-	29
Council Created - Special Reserves Riverton					958	103	(20)	1,041
	Ryal Bush	Community Centre	Community Facilities	Ryal Bush Community Centre	8	-	-	8
Council Created - Special Reserves Ryal Bush					8	-	-	8
	SIESA	Operations	SIESA	SIESA Operations	494	-	-	494
Council Created - Special Reserves SIESA					494	-	-	494
	Stewart Island	General	Various	Stewart Island General Purpose	245	24	(18)	251
	Stewart Island	Waste Management	Various	Stewart Island General Purpose	30	4	-	34
	Stewart Island	Jetties	Various	Stewart Island Jetties	28	25	-	53
	Stewart Island	Wharf Golden Bay	Various	Replacement of Golden Bay Wharf	114	-	(114)	-
	Stewart Island	Wharf Ulva Island	Various	Replacement of Ulva Island Bay Wharf	116	98	-	214
Council Created - Special Reserves Stewart Island					534	151	(132)	552
	Te Anau	Te Anau Carpark Res	Various	Te Anau General Purpose	25	1	0	25
	Te Anau	Cemetery Improvements	Cemeteries	Te Anau Cemetery	-	-	-	-
	Te Anau	General	Various	Te Anau General Purpose	799	159	(172)	786
	Te Anau	Luxmore	Various	Luxmore Subdivision	1,075	26	(36)	1,064
	Te Anau	Manapouri Airport	Te Anau Manapouri Airports	Te Anau Manapouri Airports	153	22	-	176
	Te Anau	Rural WS General	Water Supply	Te Anau Water	10	5	(16)	-
	Te Anau	Stormwater	Various	Te Anau General Purpose	495	25	-	520
	Te Anau	Sandy Brown Loan	Loan	Loan to Ratepayers	(7)	7	-	-

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Council Created - Special Reserves Te Anau					2,550	261	(224)	2,587
	Thornbury	Community Centre	Community Facilities	Thornbury Community Centre	1	-	(1)	-
	Thornbury	General	Various	Thornbury General Purpose	18	-	(4)	14
Council Created - Special Reserves Thornbury					19	-	(4)	14
	Tokanui	General	Various	Tokanui General Purpose	64	4	(7)	61
	Tokanui	Community Centre	Community Facilities	Tokanui Community Centre	8	-	-	7
Council Created - Special Reserves Tokanui					72	4	(7)	69
	Tuatapere	Water Meridian Contract	Various	Tuatapere General Purpose	7	-	-	7
	Tuatapere	Community Centre	Community Facilities	Tuatapere Community Centre	23	4	-	27
	Tuatapere	General - OPR	Various	Tuatapere General Purpose	23	1	-	24
	Tuatapere	General	Various	Tuatapere General Purpose	254	32	(25)	260
	Tuatapere	Property	Various	Tuatapere General Purpose	3	-	-	3
	Tuatapere	Waiau River Collection	Various	Tuatapere Waiau River	1	-	-	1
Council Created - Special Reserves Tuatapere					311	36	(25)	322
	Waianiwa	Community Centre	Community Facilities	Waianiwa Community Centres	16	7	-	23
Council Created - Special Reserves Waianiwa					16	7	-	23
	Waiau/Aparima Ward	Arboretum Reserve	Various	Arboretum Reserve	14	-	(1)	13
	Waiau/Aparima Ward	Wairio Cemetery	Cemeteries	Wairio Cemetery	54	2	-	56
	Waiau/Aparima Ward	Wairio Town General	Various	Wairio General Purpose	5	-	-	5
	Waiau/Aparima Ward	Wairio Reserve	Various	Wairio Reserve	7	-	-	7
	Waiau/Aparima Ward	Takitimu Pool Reserve	Various	Takitimu Pool	21	-	(8)	14
	Waiau/Aparima Ward	Tuatapere Ward Pool	Various	Tuatapere Ward Pools	35	6	-	41
	Waiau/Aparima Ward	Cosy Nook	Various	Cosy Nook General Purpose	21	4	-	25
	Waiau/Aparima Ward	Hirstfield Reserve	Various	Hirstfield Reserve General Purpose	21	3	-	24

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	Waiau/Aparima Ward	Waiau/Aparima Ward	Various	Waiau/Aparima Ward	269	38	(36)	271
	Waiau/Aparima Ward	Calcium Cemetery	Cemeteries	Calcium Cemetery	19	2	-	22
Council Created - Special Reserves Waiau/Aparima Ward					467	56	(44)	478
	Waihopai/Toetoes Ward	Waihopai/Toetoes Ward	Various	Waihopai/Toetoes Ward	136	12	(31)	117
Council Created - Special Reserves Waihopai Toetoes Ward					136	12	(31)	117
	Waikaia	Dickson Park	Parks and Reserves	Waikaia General Purpose	16	2	-	18
	Waikaia	Drain Filing	Various	Waikaia Drains	2	4	-	6
	Waikaia	General	Various	Waikaia General Purpose	96	6	-	103
	Waikaia	Museum Donations	Community Facilities	Waikaia Museum	5	2	-	7
	Waikaia	Refuse Removal	Solid Waste Management	Waikaia General Purpose	10	-	-	10
	Waikaia	Stormwater	Stormwater	Waikaia Stormwater	108	3	-	110
Council Created - Special Reserves Waikaia					236	17	-	254
	Waikawa/Niagara	Community Centre	Community Facilities	Waikawa/Niagara Community Centres	6	2	-	8
Council Created - Special Reserves Waikawa/Niagara					6	2	-	8
	Waitane Glencoe	Res Reserve Committee	Parks and Reserves	Waitane Glencoe Reserves	1	1	-	2
Council Created - Special Reserves Waitane Glencoe					1	1	-	2
	Wallacetown	General	Various	Wallacetown General Purpose	200	8	(22)	185
	Wallacetown	Stormwater	Stormwater	Wallacetown General Purpose	39	3	-	41
Council Created - Special Reserves Wallacetown Ward					238	10	(22)	227
	Winton	Community Centre	Community Facilities	Winton Community Centres	11	11	(1)	22
	Winton	General	Various	Winton General Purpose	308	51	(10)	349
	Winton	Medical Centre General	Community Facilities	Winton Medical Centre	137	23	(3)	157
	Winton	Multi Sports	Parks and Reserves	Winton Sports Complex	6	-	-	6
	Winton	Property Sales	Various	Winton General Purpose	240	18	-	257

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	Winton	Res Capital Development	Various	Winton General Purpose	100	2	-	103
	Winton	Stormwater	Stormwater	Winton Stormwater	25	56	-	81
Council Created - Special Reserves Winton					828	161	(13)	975
	Winton/Wallacetown Ward	Winton/Wallacetown Ward	Various	Winton/Wallacetown Ward	425	26	(10)	440
Council Created - Special Reserves Winton/Wallacetown Ward					425	26	(10)	440
	Woodlands	General	Various	Woodlands General Purpose	79	7	(24)	62
	Woodlands	Septic Tank Rates	Wastewater	Woodlands Septic Tank Cleaning	8	-	-	8
Council Created - Special Reserves Woodlands					87	7	(24)	70
Total Council Created - Special Local Reserves					10,584	1,178	(1,209)	10,553
Total Council Created - Special Reserves					27,583	10,747	(11,441)	26,889
Total Restricted					3,625	349	(424)	3,550
TOTAL RESERVE FUNDS					42,546	12,476	(13,193)	41,829

Financial information

Interim Performance Report - Period three - 1 July 2019 to 30 June 2020

Record No: R/20/8/47187

Author: Shannon Oliver, Planning and Reporting Analyst

Approved by: Rex Capil, Group Manager Community and Futures

☐ Decision

☐ Recommendation

☒ Information

Purpose

- 1 The purpose of the report is to provide the Finance and Assurance Committee with the Interim Performance Report for the period 1 July 2019 to 30 June 2020 for review and feedback.

Executive Summary

- 2 The Interim Performance Report (IPR) forms part of the Corporate Performance Framework (CPF), the purpose of which is to streamline Council planning and reporting functions.
- 3 The IPR provides a 'snapshot in time' record of the status of Council's key performance indicators (KPIs) and is reported to the Finance and Assurance Committee every four months. This report provides a cumulative record of the whole 12 months of the financial year, 1 July 2019 to 30 June 2020.
- 4 For the June 2020 reporting period the results for the 113 KPIs indicate that 77 (68%) were achieved and 36 (32%) were not achieved.
- 5 In comparison for reporting period one (July-October 2019) 71 (63%) were on target to be achieved and 42 (37%) were not on target to being achieved. In report period two (July to February) 80 (71%) were on target to be achieved and 33 (29%) were not achieved.
- 6 In the last financial year (2018/2019) at year end the results showed that 81 (72%) of the KPI's were achieved and a total of 32 (28%) were not achieved which is fairly similar to this year. Whilst the KPIs may not be identical, it does show that little improvement has occurred over this new financial year (2019/2020). However, some KPI results were impacted by significant events in this financial year such as Covid-19 and regional flooding.
- 7 The final interim performance report results at the end of June 2020 are used in the Annual Report 2019/2020. The Annual Report is audited by Audit NZ and will be examined to ensure that the final result is correct and the methodology for monitoring the KPI is recorded and robust.
- 8 Staff recommend that the committee receive this report and provide feedback.

Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled “Interim Performance Report - Period three - 1 July 2019 to 30 June 2020” dated 7 September 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.**

Background

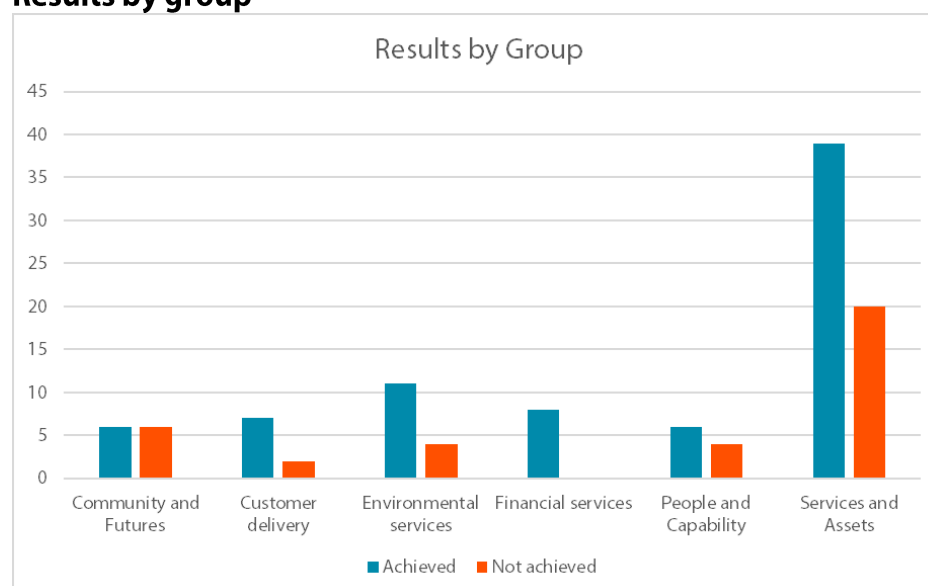
- 9 The Corporate Performance Framework (CPF) aligns Council’s high-level direction to its activities and outcomes, and its purpose is to streamline Council planning and reporting functions.
- 10 As part of the framework, Council produces interim performance reports for the periods - July to October,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

Results and Analysis

- 16 The results show that of the total KPI's for Council (113), 77 (68%) were achieved and 36 (32%) were not achieved. Two were not measured in this financial year as they are measured on a biannual basis.

Result by Group			
Community and Futures	6	6	12
Customer Delivery	7	2	9
Environmental Services	11	4	15
Financial Services	8	0	8
People and Capability	6	4	10
Services and Assets	39	20	59
All	77	36	113

Results by group



- 17 Of the 36 not achieved, the reasons have been put into four categories and included:

Targets	Resource	Demand	External
stretch targets meant that it was difficult to reach (e.g. health and safety)	lack of resource	increased volumes of consents	impact of Covid-19 (see 24.1, 3.1, 16.2)
lower than industry standard target was set	outsourcing required to meet the target		flooding event impacts
changes of approach or timelines	lack of a quorum		survey results showed dissatisfaction

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due to being off track in period one this meant that they could not meet the year-end target.	extra sampling is required (see 8.3)		
	awaiting new plant build to be compliant (see 5.1.a)		

Not achieved KPIs

Below is the full list of all of the not achieved KPI's table with the results for each reporting period if applicable.

KPIs that did not meet target	KPI target	Oct actual	Feb actual	June actual	June 2020 staff comment
19.2 - Number of community leadership plan processes held/completed.	3	0	0	0	This piece work has been replaced by the development of nine community board plans that are reflective of Council's new governance structure. All of the boards have now agreed on their vision and outcomes and these have been reported to the Community and Strategy Committee and SDC staff for use in the development of activity management plans and the Long Term Plan. Next steps include further discussions with the boards (and their communities) about the development of objectives and/or actions with a view to finalising the plans.
25.1.a - Percentage of residents that have confidence in Council decision-making.	85%			73%	The result is from the annual resident survey which is conducted in June. The result is 73% which is similar to the previous year when the result was 75%. A programme to inform the community about the recently amended governance structure and how to make best use of their Community Boards and Councilors will be designed to lift those in the not so confident and not at all confident response

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KPIs that did not meet target	KPI target	Oct actual	Feb actual	June actual	June 2020 staff comment
					category to a somewhat confident or very confident response category.
25.1.b - Percentage of residents that feel Council decision-making represents local and District needs.	85%			44%	<p>The result is 44% which is slight increase on the 2019 result of 40%. The result is from the annual resident survey which is conducted in June. Although only 44% of respondents were either satisfied or very satisfied that Council decision making reflects local and district needs, 34% of those surveyed returned a neutral response. This neutral response, those who are neither satisfied nor dissatisfied, will be targeted for improvement over the coming year. The verbatim feedback illustrates a level of community sentiment that Council is 'disassociated with grass roots', 'disconnected with the district' and that 'Community boards should have been kept'. A programme to inform the community about the recently amended governance structure and how to make best use of their Community Boards and Councillors will be designed to lift those in the neutral response rate to a satisfied response. Staff anticipate that this programme would also lift the percentage of residents that have confidence in Council decision-making.</p>

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KPIs that did not meet target	KPI target	Oct actual	Feb actual	June actual	June 2020 staff comment
25.2 - Proportion of main items held in open meetings	85%	60%	70%	81%	There were 224 meeting items for the year. Of which 181 were held in open meetings and 43 were held in closed meetings. The result is off target because the first reporting period coincided with the first four months of the new triennium where a number of major issues were required to be considered - some of these in public excluded. Since then staff have a heightened awareness of the importance of transparency.
31.1 - Number of Milford Community Trust meetings held annually	4	1	3	3	Although four meetings were held in 2019/2020 in September, December, February and June the February meeting did not have a quorum. The fourth meeting was held on 19 June via a Zoom meeting.
31.2 - Number of public forums held in Milford each year	1	0	0	0	A meeting in Milford was intended to be held in the second half of the financial year, however, first the flood event and then Covid-19 prevented that from occurring. The fourth trust meeting which was held via Zoom was also live streamed to enable anyone from the Milford community who was interested to observe.
3.1 - Percentage of requests for service resolved within service levels.	85%	84%	84%	84%	The total number of requests for service for the year was 7,177. Of these 6,029 were resolved within expected timeframes. Over level 4 lockdown of Covid-19, numbers of requests were reduced but of those that were received some were unable to meet time-frames. We continue to send reminders regarding overdue requests to activity managers for follow up. These

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KPIs that did not meet target	KPI target	Oct actual	Feb actual	June actual	June 2020 staff comment
					are also reported monthly in the management report to council.
24.1 - Active library membership per capita.	17.5%	14.50%	14.50%	14.40%	An active member is considered any user that has used their library card within the previous 12 months. We are short of our target active user percentage of 17.5% of the Southland District population. We can attribute this to a couple reasons. Prior to the Winton library closure our numbers were consistently steady. Although our reporting system cannot retroactively break the active library membership to an individual library and show how each library has fared over the last 12 months we can look at the fact that there is a direct decline in membership that correlates with the exact timing of the closure. We have moved to a much smaller space with a much smaller collection and this space may not meet the requirements of many within our community resulting in a decrease in user-ship. On top of this we also have the effect of the Covid-19 pandemic which may have also affected library membership during the recorded period. The active library membership only reports users who checkout collection items and does not record those who visit and use our other library services. This KPI for libraries is to look at the number of active members rather than measuring only books issued to borrowers.

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KPIs that did not meet target	KPI target	Oct actual	Feb actual	June actual	June 2020 staff comment
9.1 - Median time to process non-notified consent applications	18 days	20 days	18.5 days	19.25	The consent volume was higher than anticipated during the second half of 2019 which added to the work going through the department. Additional Covid-19 impacts and internal processing delays from other departments have also hampered our capability to get decisions issued within KPI levels
9.2 - Median charge per non-notified resource consent application.	\$1,000.00	\$925.75	\$920.00	\$1,026.00	This is the total median cost of processing resource consents for the financial year which is not achieving the KPI of being under \$1,000. This KPI seeks to maintain an affordable resource consent service. Higher costs than anticipated have arisen due to an increase in more technical consents and also outsourcing consent processing due to incoming volume and capacity within the team.
11.3 - Percentage of people contacting Council about dog/animal control satisfied with the response to their request.	90%	0	0	0	This was not completed due to administration resourcing issues which will continue to be an issue in the next financial year. The priority for this year has been on moving to online services and continued training of the technical support partners who provide administration support to the team.
12.2 - Number of alcohol licensees that fail a controlled purchase operation	10%	0%	22%	22%	The Police did not conduct a CPO operation in the reporting period (March-June). However, in December 2019, Police conducted a CPO in the District. The result was that there were 2 out of 9 of the off licenses that sold to a minor; or 22%. Staff did expect more CPOs to be conducted this year. The main reason that CPOs have not been

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KPIs that did not meet target	KPI target	Oct actual	Feb actual	June actual	June 2020 staff comment
					conducted is due to Police resourcing issues.
13.1.c - Average time to process applications for PIM	9 days	21.5 days	13.2 days	13.91 days	PIM applications have exceeded the KPI average of 9 days consistently through the year. This is due to the legislated requirement to process being 20 days and the team having insufficient capacity to exceed the legislated requirement.
29.2 - Labour turnover	8%	6.00%	4.32%	14.33%	For the reporting period the result was 4.36% which was 7 resignations divided by an average of 161 employees. However, the result for the year is 14.33% (23 resignations) which was higher than the target of 8%. Exit interviews were held with the majority of the staff leaving and reasons vary. Any areas of concerns raised were worked through with the leaders and Group Managers within the particular areas.
29.4.b - Number of medical treatment injuries	0	2	7	7	No medical treatment injuries for the reporting period March to June. For the year there were 7 medical treatments. There were two Medical Treatment Incidents (MTI) in December, this involved an employee whose knee gave way causing a fall and an employee who had a trip/fall on the stairs that required physio treatment. Both were ACC claims. In January there were two MTIs. These were a twisted knee that occurred on 24 December 2019 that was not reported until January 2020 and a cat bite that caused infection. In February there was one MTI, this involved an employee getting lacerations to her fingers that required stitches

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KPIs that did not meet target	KPI target	Oct actual	Feb actual	June actual	June 2020 staff comment
29.4.c - Number of health and safety incidents	0	23	51	70	Even though this target is zero we have had 70 incidents reported for the year. However there have been no major incidents or events to date, the number includes hazards, near miss and early reporting for pain/discomfort. The targets will be reviewed as part of the new Long Term Plan to ensure they are realistic and more tangible
29.4.d - Number of lost time due to injury incidents	0	0	1	1	There was one incident this year that involved seven days lost time due to a sprain/strain. This was in November 2019.
2.3 - Percentage of effluent tests that comply with relevant resource consent condition	100%	100%	100%	93%	Tests 41 out of 44 tests were compliant. Tests at Riversdale and Ohai. Projects are already in place to address these issues
2.4 - Total number of overflow incidents	0	6	9	10	YTD: 2 Dry and 8 Wet Weather Overflows. Dry weather overflows occurred as a result of blockages in networks, whereas the wet weather overflows largely occurred as a result of the major weather event in February 2020
4.2 - Total number of drinking water complaints regarding; clarity, taste, odour, pressure or flow, continuity of supply, and the way Council responds to any of these issues per 1000 connections	10	5.13	12.65	16.28	The YTD result for Jul 19 - Jun 20 = 16.28. The majority of these occurred as a result of issues in Riverton, which have since been resolved.
5.1.a - Percentage of compliance with drinking water standards for bacteria	100%	100%	100%	82%	In Eastern Bush/Otahu Flat and Manapouri the reason for non-compliance was that the number of days allowable between samples was exceeded on one occasion. At Eastern

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KPIs that did not meet target	KPI target	Oct actual	Feb actual	June actual	June 2020 staff comment
					Bush/Otahu Flat a new plant is to be built starting in the 2020/2021 financial year
5.1.b - Percentage of compliance with drinking water standards for Protozoal	100%			82%	Eastern Bush and Ohai were non-compliant. Currently there is no protozoal treatment in place at Eastern Bush, A new plant is to be built starting in the 2020/2021 financial year. At Ohai an automatic integrity test not completed due to a faulty value. This has now been fixed. Overall Ohai was 98% compliant. These are interim results and are awaiting the Drinking Water Assessor report results published in Oct.
6.2 - Average consumption of water per resident per day	850 Litres	823.44 Litres	887 Litres	889 Litres	The target as assessed using the Department of Internal Affairs methodology is 850 litres per person but does not consider losses across the network. Consumption per person per day is static and still awaiting current Census data
6.3 - Annual cost per water connection incl. GST	\$645	\$229	\$245	\$717	Additional costs have been incurred during the year for maintenance across the District for example Curio Bay water supply
7.3.b - Number of complaints about the stormwater system	60	11	62	102	Year to date total is 102 complaints for the period July 2019 to Jun 2020. Large number of requests during wet summer period and the major weather event in early February
8.2 - Average annual cost per property connected to stormwater network incl. GST	\$98	\$34	0	\$124	Additional costs incurred through monitoring and reporting requirements and costs associated with the Winton stormwater upgrade

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KPIs that did not meet target	KPI target	Oct actual	Feb actual	June actual	June 2020 staff comment
8.3 - Stormwater - percentage of monitoring results that show compliance with resource consent conditions	100%	90%	87%	84.76%	For the 19/20 year there was 127 sites sampled for with 12 site returning non-compliant results. SWWIN7 - Winton - suspected cross-connection, further investigations are required in this area to confirm suspicions. SWMOS1,2,3 - Mossburn - all sites in Mossburn receive runoff from the road. Grant Isaacs is in talks with NZTA in regards to NZTA taking ownership of these soakpits as they are a roading asset. All other sites either require investigations or extra sampling to confirm that the initial samples non-compliance
15.1.a - Amount of waste diverted from landfill as a percentage of total waste	40%	30%	37%	29%	Due to the Covid-19 pandemic recyclables were sent to landfill from 25 March 2020 to 11 May 2020, which contributed to target not being met
16.1 - Average quality of ride on sealed local road	97%				The biennial target is 97%. The survey will not be undertaken until February 2021 (Carried out every two years).
16.2 - Percentage of sealed local road network that is resurfaced	7.30%	56%	5.83%	6.92%	Target of 7.3% was not achieved due to the sealing season being cut short due to Covid-19. If this hadn't of happened we were on target to achieve 7.45%. The sites that weren't sealed due to this impact have been carried forward into next year's sealing programme.
16.3 - Percentage of customer service requests responded to within required time frames	90%	91%	83%	83%	83% of roading requests responded to within timeframes - shy of the minimum target of 90%. In the early part of the year some education was given around the time frames which has led to an improvement overall

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KPIs that did not meet target	KPI target	Oct actual	Feb actual	June actual	June 2020 staff comment
17.1 - Annual change in the number of fatalities and serious injury crashes	13	8	16	20	There were 20 Serious or Fatal injury crashes in the Southland District year in 19/20. This exceeds the target of 13. The main theme of these crashes is alcohol
22.1.b - Percentage of facilities that meet desired standards - wharves and jetties	100%	91%	91%	91%	<p>Riverton five out of six – One of the Council structures is non-compliant due to an ongoing access issue which has meant we are unable to repair the structure. We have yet to resolve an issue with a wharf licence holder that is stopping us from undertaking the work required to bring the structure in Riverton up to standard.</p> <p>Stewart Island – A report was tabled at the Stewart Island Rakiura Community Board meeting on 29 June recommending to Council that the Ulva Island wharf be replace with in the current location within the existing coastal permit foot print. The Board approved the recommendation with some minor changes. The report will now go to the Services and Assets Committee and then to Council. Once it receives approval this process and the funding is approved Council staff can initiate the project to replace the wharf</p>
23.2.a - Complete Open Space Strategy implementation plan within budget for open spaces projects	100%	30%	40%	50%	Some initial work has been done toward progressing this project. Council staff have worked with a consultant to prepare minimum levels of service for work associated with open spaces. This will support the preparation of the tender documents for the new contracts that are being prepared as part of the Section 17A review.

KPIs that did not meet target	KPI target	Oct actual	Feb actual	June actual	June 2020 staff comment
					Additional work is planned around updating the reserve management plans and tree\garden management in Councils open spaces. Council staff have recently engaged Xyst to undertake a Tree Survey that includes data collection and mapping of all of the green assets throughout the urban areas of the district. This worked started in June having been delayed by the Covid-19 lockdown.
23.2.b - Complete Open Space Strategy implementation plan within budget for public toilet projects	100%	20%	30%	40%	The condition assessment report commissioned will enable staff to prepare a works programme and subsequent implementation through the next LTP. The report identified structural issues with a number of the toilets and this requires further investigation to determine what level of resource and funding will be necessary to manage these facilities at the appropriate level of service.
23.4 - Cost of parks and reserves per hectare	\$89	\$39	\$79.59	\$101.83	The target cost per hectare spend for the 2019/2020 year is \$89. This is a yearly target which we over by 10%. This is well down on the cost per hectare for actively maintained park land of \$8,300 Yardstick median annual expenditure per hectare (2018 to 2019) and is indicative of the need for investment in this activity.

18 Nearly a third (32%) of the overall KPIs were not achieved for the third reporting period. The more off-track KPIs there are for Council, the increased risk that levels of service, legislative requirements and community expectations are not being met.

19 The reason that a KPI is not achieved could indicate that:

- the target was not set to the correct level or was incorrect in the Long-Term Plan
- demand or priorities have changed since the target was set

- there is a potential need for more resources or information to improve performance
- a process improvement may be needed or an improvement plan needs to be put in place

Issues

Flooding Event Impacts

- 20 On 3 February 2020, a state of emergency was declared due to a flood event in the Southland region including areas within the Southland District. The flooding event caused damage to the Milford Road and a number of people had to be evacuated. A number of townships including Gore and Mataura were evacuated and the southern region was effectively cut off from travelling north for a number of days. The state of emergency was not lifted until 18 February 2020.
- 21 From a performance perspective, this event impacted on our levels of service and ability to respond to the increased requests for service from our ratepayers. There were a number of KPIs that were impacted by this flooding event including 2.4 (overflows) and 7.3b (stormwater complaints) contributing to those KPIs not being achieved.

Covid-19 Impacts

- 22 On 11 March 2020, the World Health Organisation (WHO) declared Covid-19 as a global pandemic. NZ developed an alert system with levels from 1-4. On Monday 23 March the NZ alert level was raised to a 3 and it was declared that the alert level would rise to a 4 by 11.59pm on Wednesday 25 March. This meant that the nation went into lockdown for four weeks with only essential services running and the majority of New Zealanders staying inside their houses to help reduce the spread of Covid-19. There will be a number of far-reaching long-term impacts of the global pandemic but most of these are still unknown.
- 23 From a performance perspective, this event has impacted on some levels of service and the ability to respond to requests for service and also to complete planned work (see KPI results for 24.1, 3.1, 16.2).

KPI structure

Year-end KPIs

There are a number of “year-end” KPIs that do not show their performance result until the end of year which means that no action can be taken in advance to improve its performance if the final KPI result is off track.

Annual Surveys

- 24 A number of the KPIs are reliant on annual surveys that are generally not conducted until the final reporting period.

Restating the target

- 25 KPI 29.1 which measures the budgeted FTE had the target restated from 134 to 153.

Change in focus

- 26 KPI 19.2 could not meet its target because instead of a focus on community leadership plans the focused had changed to community board plans.

Lack of resource

- 27 KPI 11.3 did not have the resource to measure the KPI.

Biannual targets

- 28 There are two KPI's that are measured biannually. They are both not measured in the 2019/2020 financial year.
- 10.1 - report two-yearly on the District Plan effectiveness, and
 - 16.1 - average quality of ride on sealed local roads.

Factors to Consider

Legal and Statutory Requirements

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

Community Views

- 30 Community views on Council's KPI's were sought as part of the 2018-2028 Long Term Plan (LTP) consultation process.

Costs and Funding

- 31 Council uses an online software strategic reporting system, CAMMs. There is no additional cost for producing this report.

Policy Implications

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

Analysis

Options Considered

- 33 Option 1 – receive the interim performance report.
- 34 Option 2 – do not receive the interim performance report.

Analysis of Options

Option 1 – receive the interim performance report

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

Option 2 – do not receive the interim performance report

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

Assessment of Significance

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

Recommended Option

- 36 Staff recommend that the Finance and Assurance committee considers option 1 and receives the interim performance report.

Next Steps

- 37 The next interim performance report will be presented to the Finance and Assurance committee in December 2020. The report will be the first report for the new financial year (2020/2021).

Attachments

- A Interim Performance Report - Period 3 - 1 July 2019 to 30 June 2020 [↗](#)



Southland District Council

Performance Report






Printed: 03-Sep-2020
Applied Filters

Date Select: From 01 Jul 2019 To 30 Jun 2020

Community and Futures Group







01 Jul 2019 – 30 Jun 2020

Group Manager Comments: The Community & Futures group KPI results reflect the operational approaches and challenges faced throughout the year – especially over the final reporting period as a result of impact of Covid-19. Overall the performance tracked satisfactorily for the year. It is recognised the community planning approach was amended early in the year to reflect and better link with the community board representation structure aligning with a community board planning approach. This will continue to evolve as the community led development approach embeds in with council and community way of working in the future. Further work will be undertaken to analyse and understand the results with regards to council decision making and meeting matters. This will be worked through with communication and engagement opportunities and from part of ongoing conversations with residents and ratepayers in terms of the decisions council, committees and community boards make. The matter related to items being considered in open meetings will be further assessed and staff are conscious of the need to, wherever possible and with respect to statutory limitation, conduct matters in open meetings.

Key Performance Indicator	Unit	Target	YTD	Indicator
19.1 - Number of community conversations held	#	10.00	56.00	 GREEN
We have held 56 engagement meetings and events throughout the 2019/2020 year. This does not include one-on-one engagement that all our staff do on a daily basis. The last four months have been quiet because of the Covid-19 lockdown and ongoing controls.				
19.2 - Number of community leadership plan processes held/completed	#	3.00	0.00	 RED
This piece work has been replaced by the development of nine community board plans that are reflective of Council's new governance structure. All of the boards have now agreed on their vision and outcomes and these have been reported to the Community and Strategy Committee and SDC staff for use in the development of activity management plans and the Long Term Plan. Next steps include further discussions with the boards (and their communities) about the development of objectives and/or actions with a view to finalising the plans.				
20.1 - Percentage of funds distributed through contestable community grants and funding schemes that comply with grant criteria	%	100.00	100.00	 GREEN
All grants which have been approved have met the set criteria. Criteria will now change in the new financial year as we move to the new community partnership fund.				
21.1 - Southland regional unemployment rate	%	4.20	2.50	 GREEN
In March 2020 the Southland unemployment rate was 2.5% compared with the national rate of 4.2%. The methodology calculates the result based on a march to march year. This is based off the Labour market statistics snapshot MBIE figures.				
21.2 - Southland regional GDP	\$	5.82	6.35	 GREEN
The year ending March 2019 regional GDP figure for Southland is \$6,359B. This was an 8.75% increase on the previous year. (6.359B March 2019 vs 5.826B March 2018). This is based off Statistics New Zealand figures.				

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25.1.a - Percentage of residents that have confidence in Council decision-making	%	85.00	73.00	 RED
The result is from the annual resident survey which is conducted in June. The result is 73% which is similar to the previous year when the result was 75%. A programme to inform the community about the recently amended governance structure and how to make best use of their Community Boards and Councillors will be designed to lift those in the not so confident and not at all confident response category to a somewhat confident or very confident response category.				
25.1.b - Percentage of residents that feel Council decision-making represents local and District needs	%	85.00	44.00	 RED
The result is 44% which is slight increase on the 2019 result of 40%. The result is from the annual resident survey which is conducted in June. Although only 44% of respondents were either satisfied or very satisfied that Council decision making reflects local and district needs, 34% of those surveyed returned a neutral response. This neutral response, those who are neither satisfied nor dissatisfied, will be targeted for improvement over the coming year. The verbatim feedback illustrates a level of community sentiment that Council is 'disassociated with grass roots', 'disconnected with the district' and that 'Community boards should have been kept'. A programme to inform the community about the recently amended governance structure and how to make best use of their Community Boards and Councillors will be designed to lift those in the neutral response rate to a satisfied response. Staff anticipate that this programme would also lift the percentage of residents that have confidence in Council decision-making.				
25.2 - Proportion of main items held in open meetings	%	85.00	81.00	 RED
There were 224 meeting items for the year. Of which 181 were held in open meetings and 43 were held in closed meetings. The result is off target because the first reporting period coincided with the first four months of the new triennium where a number of major issues were required to be considered - some of these in public excluded. Since then staff have a heightened awareness of the importance of transparency.				
27.1 - Level of public attendance at engagement activities/opportunities	#	200.00	333.00	 GREEN
There has been little public engagement in terms of meetings over the past few months because of Covid-19. However, staff have been involved with one-on-one meetings with community members and key stakeholders.				
27.2 - Percentage of residents who are satisfied with Council communications	%	50.00	50.00	 GREEN
The result is 50% which is a slight decrease on the 2019 result of 51%. The result is from the annual resident survey which is carried out in June 2020. Respondent were asked if they had any comments about the questions in the survey. The majority of the verbatim comments around communication were negative. Respondents listed reasons including: opinions don't count, poor condition of gravel roads, lack of consultation, taking too long to make decisions, removal of CDAs, cost of the Around the Mountains Cycle Trail, not getting back to customers, building consent delays, not listened to, project cost blowouts, Te Anau wastewater project is a bad idea and the recycle contract.				
31.1 - Number of Milford Community Trust meetings held annually	#	4.00	3.00	 RED
Although four meetings were held in 2019/2020 in September, December, February and June the February meeting did not have a quorum. The fourth meeting was held on 19 June via a Zoom meeting.				

31.2 - Number of public forums held in Milford each year	#	1.00	0.00	
A meeting in Milford was intended to be held in the second half of the financial year, however, first the flood event and then Covid-19 prevented that from occurring. The fourth trust meeting which was held via Zoom was also live streamed to enable anyone from the Milford community who was interested to observe.				

Customer Delivery Group






01 Jul 2019 – 30 Jun 2020

Group Manager Comments: This reporting period's results show the impact of COVID-19 in two of our under-performing results - service request service levels were not able to be maintained due to lockdown restrictions and active library membership declined as our services were closed. It is pleasing to note the positive movement in our net promoter score and we are seeing an improvement in the IT area. A challenging reporting period for all the staff and the results reflect well on their efforts. Over the course of the 2019/2020 financial year, the group has delivered a number of projects especially in the IT space. Covid-19 did impact on the teams but they have remained resilient and committed to supporting our community.

Key Performance Indicator	Unit	Target	YTD	Indicator
3.1 - Percentage of requests for service resolved within service levels	%	85.00	84.00	
The total number of requests for service for the year was 7,177. Of these 6,029 were resolved within expected timeframes. Over level 4 lockdown of Covid-19, numbers of requests were reduced but of those that were received some were unable to meet time-frames. We continue to send reminders regarding overdue requests to activity managers for follow up. These are also reported monthly in the management report to council.				
3.2 - Percentage of abandoned calls	%	2.00	1.86	
Over April and May there was a significant drop in call volumes however once we entered COVID-19 Level 1, calls increased again. As per industry standards we have excluded short abandoned calls to give us a true picture of the abandonment rate. ie calls where someone hangs up before the calls connects completely into the queue.				
3.3 - Request for service net promoter score	#	35.00	52.95	
The net promoter score results are from an external survey conducted on our behalf. The result is well over target which means we have high satisfaction levels.				
24.1 - Active library membership per capita	%	17.50	14.40	
An active member is considered any user that has used their library card within the previous 12 months. We are short of our target active user percentage of 17.5% of the Southland District population. We can attribute this to a couple reasons. Prior to the Winton library closure our numbers were consistently steady. Although our reporting system cannot retroactively break the active library membership to an individual library and show how each library has fared over the last 12 months we can look at the fact that there is a direct decline in membership that correlates with the exact timing of the closure. We have moved to a much smaller space with a much smaller collection and this space may not meet the requirements of many within our community resulting in a decrease in user-ship. On top of this we also have the effect of the Covid-19 pandemic which may have also affected library membership during the recorded period. The active library membership only reports users who checkout collection items and does not record those who visit and use our other library				

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services. This KPI for libraries is to look at the number of active members rather than measuring only books issued to borrowers.				
24.2 - Cost of library service per person	\$	55.00	52.75	 GREEN
Our library spending per person came out under \$55. There were a number of reasons that this has occurred. Covid-19 has had a great effect on supply lines for many of our publishers resulting in multiple missing shipments, missing orders and release postponements. Australia is the home to many of our publishers and the change from air freight to shipping by sea has created a lot of chaos for the industry. This has directly impacted on 3-4 months of expected orders for our service and will continue to do so until a trans-Tasman bubble is established. We have also changed our selection method for ordering this year which we believe has directly resulted in a lower but more targeted and precise method.				
24.3 - Library programme net promoter score	#	100.00	100.00	 GREEN
Our public is still not willing to negatively mark our programming. We believe that the fact that we are offering a free service is the main reason for the lack of negative feedback and would propose dropping this measurement for the next Long Term Plan cycle.				
28.1.a - User satisfaction with information management usability	%	67.00	73.00	 GREEN
This percentage shows the overall satisfaction staff have with the IT department. The survey shows that the department is achieving our goals of providing the right equipment, software and support to enable our staff to work efficiently and effectively. The survey also provided us with areas where we can improve, particularly around customer facing technologies.				
28.1.b - User satisfaction with information management features	%	70.00	73.00	 GREEN
This percentage shows the overall satisfaction staff have with the IT department. The survey shows that the department is achieving our goals of providing the right equipment, software and support to enable our staff to work efficiently and effectively. The survey also provided us with areas where we can improve, particularly around customer facing technologies.				
28.1.c - User satisfaction with information management data quality	%	63.00	64.00	 GREEN
There are several factors that affect the quality of data at SDC including the way we collect and validate data, lack of data standards, lack of formal policies and guideline and the use of multiple data sources that can be easily misinterpreted. This is an area where we as an organisation have a significant amount of work to do to ensure we are working with accurate and quality data. Unfortunately, we are currently constrained by a lack of resources and other competing priorities like cyber security and business improvement. While some of the data quality issues can be addressed through technology solutions, there is a large portion of work that will require user education and cultural change.				









Environmental Services Group

01 Jul 2019 – 30 Jun 2020

Group Manager Comments: The group has been disrupted with the Covid-19 lockdown during the final quarter of the financial year. The additional workload involved with assessing building construction Covid-19 plans added extra pressure to the inspection processes. Resourcing constraints have meant that some of our target time frames were unable to be achieved. However, the building team did implement the new electronic consent system which will ultimately provide better customer service once it has been fully bedded in. The planning and environmental health teams are continuing to provide a satisfactory level of service.

Key Performance Indicator	Unit	Target	YTD	Indicator
9.2 - Median charge per non-notified resource consent application	\$	1,000.00	1,026.00	 RED
This is the total median cost of processing resource consents for the financial year which is not achieving the KPI of being under \$1,000. This KPI seeks to maintain an affordable resource consent service. Higher costs than anticipated have arisen due to an increase in more technical consents and also outsourcing consent processing due to incoming volume and capacity within the team.				
9.1 - Median time to process non-notified consent applications	Days	18.00	19.25	 RED
The consent volume was higher than anticipated during the second half of 2019 which added to the work going through the department. Additional Covid-19 impacts and internal processing delays from other departments have also hampered our capability to get decisions issued within KPI levels				
10.1 - Report two-yearly on District Plan effectiveness	#	0.00	0.00	 GREEN
There is no report required this financial year. The District Plan effectiveness report will next be reported in 2020/2021.				
11.1 - Number of serious injuries to the public from dog attacks	#	0.00	0.00	 GREEN
There have been no reports of serious dog attacks to the public.				
11.2 - Percentage of non-working dogs subject to the responsible owner category	%	86.00	89.98	 GREEN
<p>There are two criteria for receiving this discount:</p> <ul style="list-style-type: none"> - The dog is microchipped as required by the Dog Control Act 1996 - there has been no written warning, barking abatement notice, seizure or infringement under the Dog Control Act 1996 within the last two years relating to any dog owned by the person applying for the registration. <p>Chipping is encouraged by Council's free chipping, and by this discount and education/follow-up. The actual numbers are about 5,700 dogs out of 6,300 (applies to non-working dogs only).</p>				

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11.3 - Percentage of people contacting Council about dog/animal control satisfied with the response to their request	%	90.00	0.00	 RED
This was not completed due to administration resourcing issues which will continue to be an issue in the next financial year. The priority for this year has been on moving to online services and continued training of the technical support partners who provide administration support to the team.				
12.1 - Number of incidents of foodborne illness believed to be caused by food sold at a Council-certified business	#	0.00	0.00	 GREEN
There have been no incidents of foodborne illness caused by food sold at a Council-verified business within the year.				
12.2 - Number of alcohol licensees that fail a controlled purchase operation	%	10.00	22.00	 RED
The Police did not conduct a CPO operation in the reporting period (March-June). However, in December 2019, Police conducted a CPO in the District. The result was that there were 2 out of 9 of the off licenses that sold to a minor; or 22%. Staff did expect more CPOs to be conducted this year. The main reason that CPOs have not been conducted is due to Police resourcing issues.				
13.1.a - Average time to process applications for building consents	Days	18.00	15.66	 GREEN
While the team have met the 'average' processing timeframe KPI across the year, compliance to legislative requirements have not been regularly met. This is due to a capacity issue in the team which is being addressed.				
13.1.b - Average time to process applications for LIM	Days	9.00	7.65	 GREEN
LIM Applications have consistently been processed within legislated timeframe (10 days) and well within this KPI throughout the year.				
13.1.c - Average time to process applications for PIM	Days	9.00	13.91	 RED
PIM applications have exceeded the KPI average of 9 days consistently through the year. This is due to the legislated requirement to process being 20 days and the team having insufficient capacity to meet the 9 day KPI target.				
13.2 - Maintain accreditation as a Building Consent Authority	#	1.00	1.00	 GREEN
The BCA have maintained full accreditation throughout the year. The next accreditation assessment is scheduled for Feb/March 2021.				
13.3 - Number of building consents where code of compliance certificates are yet to be issued	#	4,294.00	2,360.00	 GREEN

The team were required to make a significant number of CCC decisions this year which has greatly helped over achieving on this KPI.

26.1 - Number of Southland communities covered by a community response plan

#	8.00	10.00	 GREEN
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The number of communities that have this plan in this year is 10, which takes us to a total of 23. These communities are Gore - Croydon Lodge, Mossburn, Athol, Ohai/Nightcaps, Coastal Tokanui, Invercargill - Lindisfarne, Invercargill - College of Education, Otautau, Wallacetown, Manapouri.

26.2 - Percentage of surveyed households that have a written or verbal emergency plan

%	58.00	67.00	 GREEN
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The survey had 419 respondents which was a good outcome. The target has been exceeded which is a pleasing result.

Financial Services Group






01 Jul 2019 – 30 Jun 2020

Group Manager Comments: Overall we have met the KPI targets set in the 2018-2028 Long Term Plan. Although we did not meet the targeted level of capital expenditure planned in the 2019/2020 Annual Plan, overall our capital expenditure still exceeded depreciation. Estimating the cashflow needs is still challenging and as the year end result reflects, it requires us to borrow at times for short term periods while awaiting investments to mature.

Key Performance Indicator	Unit	Target	YTD	Indicator
30.1.a - Rates income complies with the limits set in the financial strategy - rates increase over previous year (affordability benchmark/rates benchmark)	%	4.20	3.49	 GREEN
This is the actual rate increase as published in the 2019/2020 Annual Plan.				
30.1.b - Rates income complies with the limits set in the financial strategy - rates as a proportion of total revenue (affordability benchmark/rates benchmark)	%	70.00	61.00	 GREEN
The 2019/2020 Annual Plan forecast this benchmark to be at 66% at year end. The actual result is lower than forecast due to more income from other sources being received in the year such as funding from MBIE for the Milford Sound Opportunities, SIESA and the Te Anau wastewater projects.				
30.2 - Debt complies with the limits set in Council's financial strategy - external debt as a proportion of total revenue (Affordability benchmark/Debt benchmark)	%	100.00	3.16	 GREEN
Council has the ability to loan up to 100% of its revenue as set out in Council's financial strategy. Council planned to have no borrowings in the 2019/2020 Annual Plan. Throughout the year Council has utilised short term borrowings to fund operational cash shortfalls. At 30 June 2020 Council had short-term borrowings of \$2.5M. This was repaid in full on the 2 July 2020.				

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30.3 - Revenue (excluding income from development and financial contributions, revaluations and vested assets) exceeds operating expenditure (sustainability benchmark/balanced budget benchmark)	%	100.00	101.00	 GREEN
The 2019/2020 Annual Plan forecasts this benchmark to be at 95% at year-end due to Council not yet fully funding depreciation. The current result is due to additional revenue being received from MBIE for the Milford Sound Opportunities, SIESA and the Te Anau wastewater projects.				
30.4 - Capital expenditure on the five network infrastructure services exceeds depreciation on those five services (essential services benchmark)	%	100.00	122.00	 GREEN
Council has budgeted as part of its 2019/2020 Annual Plan to achieve 159% in this benchmark at year-end. The current actual result reflects that not all of Councils planned capital expenditure (projects) were undertaken by 30 June 2020. One contributing factor being the nationwide Covid-19 lockdown during late March to early May.				
30.5 - Borrowing costs are less than 10% of operating revenue (sustainability benchmark/debt servicing benchmark)	%	10.00	0.03	 GREEN
Councils 2019/2020 Annual Plan, forecast that it would end the year at 0.03% due to borrowing costs associated with access to Councils loan facility and interest on short term borrowings.				
30.6 - Net cash flow from operations equals or exceeds budget (Predictability benchmark/Operations control benchmark)	\$	20,320,000.00	24,703,265.00	 GREEN
Council received unbudgeted revenue from MBIE for the Milford Sound Opportunities, SIESA and the Te Anau wastewater projects. Due to the timing of the work regarding the Te Anau wastewater project, \$1 million was received in the current year that was budgeted for in 2020/21.				
30.7 - Net debt is less than or equal to forecast net debt in the local authority's long term plan (predictability benchmark/debt control benchmark)	\$	7,800,000.00	2,500,000.00	 GREEN
The 2019/2020 Annual Plan noted the planned target as \$0. At 30 June 2020, Council had short term borrowings of \$2.5M, due to the timing of operational expenditure. This was repaid in full on 2 July 2020.				




People and Capability Group

01 Jul 2019 – 30 Jun 2020

Group Manager Comments: The majority of the people and capability results were within target. The turnover rate for the year was 14.33% was higher than the target of 8%. Even though this is still lower than the industry average of approximately 20% it is still a disappointing result. Exit interviews were held with the majority of the staff leaving and reasons vary. Any areas of concerns raised were worked through with the leaders and Group Managers within the particular areas. Ensuring turnover remains at an acceptable level for the 20/21 year will be a priority. Annual leave targets tracked downwards which was good especially given the impact of COVID-19 and the interruption to a number of leave plans. The three health and safety KPIS that were outside target were a result of having a target of 0 for Health and Safety incidents and medical treatment injuries. These targets will be reviewed in the LTP as they are unrealistic to achieve. Near miss reporting was down over the quarter and then the year due to people being at home working rather than out and about where near misses are more likely to occur.

Key Performance Indicator	Unit	Target	YTD	Indicator
29.1 - Budgeted FTE	#	153.00	156.00	 GREEN
FTE numbers are as expected at this time of the year. There are always over and under's with vacancies and appointments				
29.2 - Labour turnover	%	8.00	14.33	 RED
For the reporting period the result was 4.36% which was 7 resignations divided by an average of 161 employees. However, the result for the year is 14.33% (23 resignations) which was higher than the target of 8%. Exit interviews were held with the majority of the staff leaving and reasons vary. Any areas of concerns raised were worked through with the leaders and Group Managers within the particular areas.				
29.3.a - Percentage of staff with annual leave greater than 25 days	%	20.00	7.78	 GREEN
We finished the year with 13 people with leave over 25 days but less than 40 days – The covid-19 lockdown impacted a large number of existing leave plans which would have seen this number improved even further.				
29.3.b - Percentage of staff with annual leave greater than 40 days	%	10.00	4.19	 GREEN
We finished the year with 7 people with leave in excess of 40 days - The Covid -19 lockdown impacted leave plans of our staff which would have further reduced these.				
29.4.a - Number of Worksafe notifications	#	0.00	0.00	 GREEN
There were no worksafe notifications in this period or for the year.				
29.4.b - Number of medical treatment injuries	#	0.00	7.00	 RED
No medical treatment injuries for the reporting period March to June. For the year there were 7 medical treatments. There were two Medical Treatment Incidents (MTI) in December, This involved an employee whose knee gave way causing a fall and an employee who had a trip/fall on the stairs that required physio treatment. Both were ACC claims. In January there were two MTIs. These were a twisted knee that occurred on 24 December 2019 that was not reported until January 2020 and a cat bite that caused infection. In February there was one MTI, this involved an employee getting lacerations to her fingers that required stitches.				
29.4.c - Number of health and safety incidents	#	0.00	70.00	 RED
Even though this target is zero we have had 70 incidents reported for the year. However there have been no major incidents or events to date, the number includes hazards, near miss and early reporting for pain/discomfort. The targets will be reviewed as part of the new Long Term Plan to ensure they are realistic and more tangible.				

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29.4.d - Number of lost time due to injury incidents	#	0.00	1.00	 RED
There was one incident this year that involved seven days lost time due to a sprain/strain. This was in November 2019.				
29.4.e - Number of health and safety near misses	#	40.00	11.00	 GREEN
There were two near misses for the reporting period (March to June), none of which were significant. This was lower than normal because of the impact of COVID-19 as people were not out and about working. There were 11 near misses reported for the year.				
29.4.f - Percentage of health and safety investigations completed	%	100.00	91.42	 GREEN
In the period March to June there were 3 reported events and 2 of these were investigated. Overall we were pleased with this result as not all events warrant an investigation as some are very minor in nature. Heading into the 20/21 year the methodology will change as our new system is designed to investigate all health and safety event reporting regardless of nature.				



Services and Assets Group








01 Jul 2019 – 30 Jun 2020

Group Manager Comments: KPI performance for the year to date has been impacted by both adverse weather events and Covid-19. In particular in relation to overflows, road reseals and waste diversion.









The development of budgets and works programmes for LTP 2021 has enabled focus to be applied to areas that are not meeting KPI thresholds. For example, drinking water standards, water losses and storm water compliance will be subject to additional focus and expenditure.

Further, it is anticipated that progress will be made in a number of other areas, including jetties, community centres and public toilets should additional investment be approved.

Key Performance Indicator	Unit	Target	YTD	Indicator
1.1 - Number of dry weather overflows per 1000 wastewater connections	#	1.00	0.41	 GREEN
2 Dry weather overflows for the 19-20 year.				
1.2.a - Median response times for sewage overflows resulting from blockages or other faults with the sewerage system between the time of notification and the time when service personnel reach the site	Hours	1.00	0.30	 GREEN

Median Response Year to Date : 0.30 of an hr or 18 minutes from the date the incident is logged to the time of attendance.				
1.2.b - Median resolution times for sewage overflows resulting from blockages or other faults with the sewerage system between the time of notification and resolution of the blockage or other fault	Hours	6.00	5.33	 GREEN
YTD Median Resolution time = 5.33 or 5 hrs and 20 minutes from date of incident logged to resolution. Severe wet weather conditions have impacted on resolution times				
1.3 - Total number of sewerage system complaints about; odour, faults, blockages, and the way Council responds to any of these issues	#	8.00	6.79	 GREEN
Year to date : 64 Complaints across 9431.75 connection = 6.79 per 1000 properties for Jul 19 - Jun 20				
2.1.a - Compliance with resource consents for wastewater discharges measured by the total number of Abatement Notices issued received in relation to the resource consents	#	0.00	0.00	 GREEN
No Abatement Notices issued				
2.1.b - Compliance with resource consents for wastewater discharges measured by the total number of Infringement Notices issued received in relation to the resource consents	#	0.00	0.00	 GREEN
No Infringements issued				
2.1.c - Compliance with resource consents for wastewater discharges measured by the total number of Enforcement Orders issued received in relation to the resource consents	#	0.00	0.00	 GREEN
No enforcement orders Issued				
2.1.d - Compliance with resource consents for wastewater discharges measured by the total number of Convictions received in relation to the resource consents	#	0.00	0.00	 GREEN
No convictions				
2.2 - Annual cost per wastewater connection incl. GST	\$	592.00	576.92	 GREEN
Costs for the year are under target primarily as a result of delays in capital works as a result of Covid-19 lockdown and less than expected expenditure on Te Anau wastewater upgrade.				

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2.3 - Percentage of effluent tests that comply with relevant resource consent conditions	%	100.00	93.00	 RED
Tests 41 out of 44 tests were compliant. Tests at Riversdale and Ohai. Projects are already in place to address these issues.				
2.4 - Total number of overflow incidents	#	0.00	10.00	 RED
YTD: 2 Dry and 8 Wet Weather Overflows. Dry weather overflows occurred as a result of blockages in networks, whereas the wet weather overflows largely occurred as a result of the major weather event in February 2020.				
4.1.a - Median time to attend urgent drinking water supply faults or unplanned interruption call-outs	Hours	1.00	0.25	 GREEN
The year to date median is 0.25 hrs = 15 minutes from date and time the incident is logged to the date and time attended.				
4.1.b - Median time to resolve urgent drinking water supply faults or unplanned interruption call-outs	Hours	6.00	4.87	 GREEN
The year to date median is 4.87 hrs (4 hrs and 52 minutes) from date the incident is logged to resolution.				
4.1.c - Median time to attend non-urgent drinking water supply faults or unplanned interruption call-outs	Hours	4.00	1.02	 GREEN
Median year to date is 1.02 hours (1 hour and 1 minute) from date and time logged to date and time attended.				
4.1.d - Median time to resolve non-urgent drinking water supply faults or unplanned interruption call-outs	Hours	24.00	20.48	 GREEN
Year to date median is 20.48 hrs (20 hrs and 29 minutes) from date and time logged to date and time resolved.				
4.2 - Total number of drinking water complaints regarding; clarity, taste, odour, pressure or flow, continuity of supply, and the way Council responds to any of these issues per 1000 connections	#	10.00	16.28	 RED
The YTD result for Jul 19 - Jun 20 = 16.28. The majority of these occurred as a result of issues in Riverton, which have since been resolved.				
5.1.a - Percentage of compliance with drinking water standards for bacteria	%	100.00	82.00	 RED

In Eastern Bush/Otahu Flat and Manapouri the reason for non-compliance was that the number of days allowable between samples was exceeded on one occasion. At Eastern Bush/Otahu Flat a new plant is to be built starting in the 2020/2021 financial year.

5.1.b - Percentage of compliance with drinking water standards for Protozoal

%

100.00

82.00



Eastern Bush and Ohai were non-compliant. Currently there is no protozoal treatment in place at Eastern Bush, A new plant is to be built starting in the 2020/2021 financial year. At Ohai an automatic integrity test not completed due to a faulty value. This has now been fixed. Overall Ohai was 98% compliant. These are interim results and are awaiting the Drinking Water Assessor report results published in Oct.

6.1 - Percentage of water lost from the reticulation network

%

25.00

19.30



Actual leakage measured via surveys and Water Balance studies. Trending down is positive, indicating that leak detection is reducing water loss.

6.2 - Average consumption of water per resident per day

L

850.00

889.00



The target as assessed using the Department of Internal Affairs methodology is 850 litres per person but does not consider losses across the network. Consumption per person per day is static and still awaiting current Census data.

6.3 - Annual cost per water connection incl. GST

\$

645.00

716.94



Additional costs have been incurred during the year for maintenance across the District for example Curio Bay water supply

7.1.a - Overflows resulting from the stormwater system that result in flooding of a habitable floor, total number per year

#

5.00

0.00



No Habitable floor flooding incidents for July 2019 to Jun 2020

7.1.b - Overflows resulting from the stormwater system that result in flooding of a habitable floor - number per 1000 properties connected

#

1.00

0.00



No Habitable floor flooding incidents for July 2019 to Jun 2020

7.2 - Median response time between the time of notification and the time when service personnel reach the site when habitable floors are affected by flooding resulting from faults in the stormwater system

Hours









2.00









0.00










No Habitable floor flooding incidents for July 2019 to Feb 2020









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7.3.a - Complaints about the stormwater system, number per 1000 properties connected	#	15.00	14.84	 GREEN
Year to date 102 total calls were logged against the 6872 connections. This is 14.84 per 1000 properties for the period July 2019 to June 2020				
7.3.b - Number of complaints about the stormwater system	#	60.00	102.00	 RED
Year to date total is 102 complaints for the period July 2019 to Jun 2020. Large number of requests during wet summer period and the major weather event in early February.				
8.1.a - Compliance with resource consents for stormwater discharges, measured by the total number of stormwater abatement notices issued	#	0.00	0.00	 GREEN
No Abatement Notices Issued				
8.1.b - Compliance with resource consents for stormwater discharges, measured by the total number of infringement notices issued	#	0.00	0.00	 GREEN
No Infringements Issued				
8.1.c - Compliance with resource consents for stormwater discharges, measured by the total number of enforcement orders issued	#	0.00	0.00	 GREEN
No Enforcement Orders Issued				
8.1.d - Compliance with resource consents for stormwater discharges, measured by the total number of convictions	#	0.00	0.00	 GREEN
No convictions				
8.2 - Average annual cost per property connected to stormwater network incl. GST	\$	98.00	124.01	 RED
Additional costs incurred through monitoring and reporting requirements and costs associated with the Winton stormwater upgrade				
8.3 - Stormwater - Percentage of monitoring results that show compliance with resource consent conditions	%	100.00	84.76	 RED
For the 19/20 year there was 127 sites sampled for with 12 site returning non-compliant results. In Winton there was suspected cross-connection, further investigations are required in this area to confirm suspicions. In Mossburn, all sites in Mossburn receive runoff from the road. Staff are in talks with NZTA in regards to NZTA taking ownership of these soakpits as they are a roading asset. All other sites either require investigations or extra sampling to confirm that the initial samples non-compliance.				


14.1.a - Percentage resident satisfaction with the services provided - rubbish and recycling wheelie bins	%	90.00	91.00	 GREEN
The result was an improvement on the previous year when the result was 72%. There has been no changes to the level of service during this year.				
14.1.b - Percentage resident satisfaction with the services provided - transfer station locations	%	80.00	89.00	 GREEN
The result is an improvement on the previous year which was 70%. There has been no changes to the level of service during this year.				
14.1.c - Percentage resident satisfaction with the services provided - transfer station hours	%	80.00	81.00	 GREEN
The result is an improvement on the previous year of 57%. There has been no changes to the level of service during this year.				
14.1.d - Percentage resident satisfaction with the services provided - recycle locations	%	80.00	87.00	 GREEN
The result is an improvement on the previous year when the result was 68%. There has been no changes to the level of service during this year.				
15.1.a - Amount of waste diverted from landfill as a percentage of total waste	%	40.00	29.00	 RED
Due to the Covid-19 pandemic recyclables were sent to landfill from 25 March 2020 to 11 May 2020, which contributed to the annual target not being met.				
15.1.b - Amount of waste per property disposed of to landfill	T	0.65	0.65	 RED
The annual result was 0.65 tonnes (651 kg) per property. Covid-19 pandemic recyclables were sent to landfill from 25 March 2020. The Covid-19 response had the recycling facility closed for the month of April 2020.				
16.1 - Average quality of ride on sealed local roads	%	97.00	0.00	 RED
The biennial target is 97%. The survey will not be undertaken until February 2021 (Carried out every two years).				
16.2 - Percentage of sealed local road network that is resurfaced	%	7.30	6.92	 RED
Target of 7.3% was not achieved due to the sealing season being cut short due to Covid-19. If this hadn't of happened we were on target to achieve 7.45%. The sites that weren't sealed due to this impact have been carried forward into next year's sealing programme.				

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16.3 - Percentage of customer service requests responded to within required time frames	%	90.00	83.00	 RED
83% of roading requests responded to within timeframes - shy of the minimum target of 90%. In the early part of the year some education was given around the time frames which has led to an improvement overall.				
16.4 - Percentage of gravel road tests where road roughness meets acceptable standards	%	85.00	88.00	 GREEN
Survey carried out December 2019 with a score of 88% Good & Satisfactory - exceeding minimum target of 85%.				
17.1 - Annual change in the number of fatalities and serious injury crashes	#	13.00	20.00	 RED
There were 20 Serious or Fatal injury crashes in the Southland District year in 19/20. This exceeds the target of 13. The main theme of these crashes is alcohol.				
18.1 - Percentage of footpaths in reasonable or better condition	%	70.00	96.30	 GREEN
Footpath survey result was much higher than previous years which is good considering a large investment of renewals have occurred last year. However even with this great result there are still approximately \$1.5M worth of footpaths outstanding for renewal in near future.				
22.1.a - Percentage of community centres that meet desired standards	%	100.00	100.00	 GREEN
All community centres met the standards				
22.1.b - Percentage of facilities that meet desired standards - wharves and jetties	%	100.00	90.91	 RED
<p>Riverton five out of six – One of the Council structures is non-compliant due to an ongoing access issue which has meant we are unable to repair the structure. We have yet to resolve an issue with a wharf licence holder that is stopping us from undertaking the work required to bring the structure in Riverton up to standard.</p> <p>Stewart Island – A report was tabled at the Stewart Island Rakiura Community Board meeting on 29 June recommending to Council that the Ulva Island wharf be replace with in the current location within the existing coastal permit foot print. The Board approved the recommendation with some minor changes. The report will now go to the Services and Assets Committee and then to Council. Once it receives approval this process and the funding is approved Council staff can initiate the project to replace the wharf</p>				
22.2 - Community housing occupancy rate	%	90.00	94.00	 GREEN
The percentage of occupied flats has been stable over the last quarter with tenancies increasing to 94% occupancy for the last two months. Of the four current vacancies one flat is being refurbished, one is having a tenancy agreement prepared and seeking suitable tenants for the remaining two flats.				

22.3 - Community housing net cost (rates)	\$	0.00	0.00	 GREEN
This measure equals community housing operational and capital costs are to be fully self-funded from rental income so there is no impact on rates. There has been no requirement to increase rates to fund the Community Housing for this reporting period.				
22.4 - Cemetery internment net cost (rates)	\$	0.00	0.00	 GREEN
Internment income exceeds internment costs by \$15,740 for the full year.				
22.5 - Percentage of burial plots prepared by the time requested	%	100.00	100.00	 GREEN
76 Burials for year - all plots prepared on time				
22.6 - Number of unplanned interruptions to Stewart Island electricity supply	#	6.00	0.00	 GREEN
There have been no unplanned interruptions to the supply of electricity to the Stewart Island consumer during the 2019/2020 period.				
23.1.a - Percentage of parks and reserves that meet desired standards	%	95.00	100.00	 GREEN
The parks and reserves are inspected by Councils contractors and no issues have been reported. There have been 16 Requests for Service (RFS) for issues related to reserves that have been responded to within the assigned time frames.				
23.1.b - Percentage of playgrounds that meet desired standards	%	95.00	95.00	 GREEN
Council staff have been working with our maintenance contractors to ensure that they have the appropriate levels of qualification to carry out playground inspections on behalf of Council. Staff are working through the next priority level issues that were identified in the playground assessment. Individual detailed reports will be provided to each Community Board at their next meeting to start working towards a works programme to resolve the level 2 and 3 issues.				
23.1.c - Percentage of sportsfields that meet desired standards	%	95.00	100.00	 GREEN
Council sportsfields are inspected by our contractors and contract managers and there have been no issues identified or any Requests for Service (RFS) for sports fields.				
23.1.d - Percentage of public toilets that meet desired standards	%	95.00	98.50	 GREEN
There is currently one toilet at Athol that is currently out of service. This is due to the plumbing connection and the septic tank not being able to meet the demand placed on it. Council staff now have an arrangement with a member of the community to provide public toilets while they investigate options for the provision of service in Athol.				

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23.2.a - Complete Open Space Strategy implementation plan within budget for open spaces projects	%	100.00	50.00	
Some initial work has been done toward progressing this project. Council staff have worked with a consultant to prepare minimum levels of service for work associated with open spaces. This will support the preparation of the tender documents for the new contracts that are being prepared as part of the Section 17A review. Additional work is planned around updating the reserve management plans and tree\garden management in Councils open spaces. Council staff have recently engaged Xyst to undertake a Tree Survey that includes data collection and mapping of all of the green assets throughout the urban areas of the district. This work started in June having been delayed by the Covid-19 lockdown.				
23.2.b - Complete Open Space Strategy implementation plan within budget for public toilet projects	%	100.00	40.00	
The condition assessment report commissioned will enable staff to prepare a works programme and subsequent implementation through the next LTP. The report identified structural issues with a number of the toilets and this requires further investigation to determine what level of resource and funding will be necessary to manage these facilities at the appropriate level of service.				
23.3 - Number of complaints about public toilets	#	24.00	21.00	
Council received 9 Requests for Service (RFS) over the period. One of these were for a non Council owned toilet, six requesting additional cleaning and one reporting a needle had been found. This report came via the New Zealand Police. We are still having issues with vandalism throughout the district and experienced an increase in toilet paper theft prior to lockdown.				
23.4 - Cost of parks and reserves per hectare	\$	89.00	101.83	
The target cost per hectare spend for the 2019/2020 year is \$89. This is a yearly target which we over by 10%. This is well down on the cost per hectare for actively maintained park land of \$8,300 Yardstick median annual expenditure per hectare (2018 to 2019) and is indicative of the need for investment in this activity.				

Quarterly risk management report - September 2020

Record No: R/20/6/23169

Author: Jane Edwards, Policy Analyst

Approved by: Rex Capil, Group Manager Community and Futures

☐ Decision

☐ Recommendation

☒ Information

Purpose

- 1 The purpose of this report is to submit the September 2020 Quarterly Risk Management report for consideration by the Finance and Assurance Committee (the committee).

Executive Summary

- 2 Risk management is about identifying events that may occur in the future that will have an impact on Council's objectives. Council's approach to risk management involves four key steps:
 - a) identifying the risk
 - b) evaluating the severity of any identified risks
 - c) applying possible solutions to those risks
 - d) monitoring and analysing the effectiveness of any subsequent steps taken.
- 3 A risk management framework (RMF) was adopted by Council in February 2019. This framework supports risk thinking across Council so that risk can be understood, planned for and mitigated across all levels and activities.
- 4 As part of the RMF, Council's priority strategic and corporate risks were also identified and endorsed in June 2020 and these form the basis of the Finance and Assurance Committee quarterly report including the risk register.
- 5 The executive leadership team (ELT) have reviewed the status of the primary strategic risks for the September 2020 quarter and they are presented as attachment A with their assessment, any current and proposed mitigations, and their residual risk assessment.
- 6 The matrices used to assess the risks are included for information as attachment B.

Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled “Quarterly risk management report - September 2020” dated 7 September 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.**

Quarterly Risk Report

Background

- 7 The top ten corporate risks endorsed by Council are jointly owned by the ELT and form the basis of the risk register.
- 8 ELT review the status of the ten primary strategic and corporate risks, and any emerging operational risks, on a quarterly basis and this report is then presented to the committee for consideration. After feedback from the committee each quarter, the RMF requires those risks categorised as very high and high to be reported to the next Council meeting.
- 9 Risks are ranked in accordance with their priority weighted scoring, from highest to lowest. The current risk scorings were assessed at an ELT workshop in February 2020. As a living document, these scorings are required by the RMF to be reviewed formally on an annual or as required basis. The weighted priority scorings are due to be reviewed again in February 2021.
- 10 The consequences, likelihoods and thresholds for each risk have been given after review of the ELT risk register and they reflect the highest assessed aspect of each risk for this current quarter.
- 11 The status of each risk is a summary of the mitigations that are currently in place for each risk and indicate whether the mitigations are assessed as causing the threshold to rise, lower or remain static.

Overview of Council's highest strategic risks

- 12 The risk register update for the September 2020 quarter is attached as attachment A.
- 13 The risk register has ten top risks of which there are five ‘high’, four ‘medium’ and one ‘low’ rated risk post mitigation.
- 14 A number of changes were made this quarter to better articulate the risk descriptions and controls, and to provide additional context around the risks and mitigations.
- 15 Changes for the September 2020 quarter include:
 - Risk 1 – Inaccurate data leads to bad decisions/asset failure.

This risk has decreased from very high to high pre-mitigation. Post-mitigation remains at high.

This decrease pre-mitigation reflects the adjustment in consequence of the aspect of the risk of 'data analysis not being perceived as a priority of Council'. The consequence of this aspect being realised has been assessed as dropping to major pre-mitigation and as a result has decreased the overall risk threshold.

The narrative and mitigations around this risk have been extended to emphasise not only the risk of data deficit, but also the way in which the available data Council has is utilised and managed within the organisation.

- Risk 2 – Underinvestment in infrastructure

Caution is given to the anticipated impact of the Long Term Plan work programme on the risk profile. Likelihoods may change depending on whether the spend profile is approved or not.

- Risk 4 – Inadequate, incomplete or lack of strategy/policy impacts the wellbeing of the District

The outline of this risk is continuing to be developed including further narrative of its potential impact, and the controls and mitigations that could be put in place against it.

- Risk 5 – Natural or biosecurity event impacts the wellbeing of the District

Response to the Covid-19 lockdown (March-May 2020) was managed through the formation of an Incident Management team (IMT) who worked closely with Emergency Management Southland to ensure alignment of activity.

During this current quarter, a review and update of Council's pandemic response was undertaken by the IMT to ensure that Council's response to this risk was timely and effective and with clear ownership of actions.

The IMT reassembled 12 August 2020 to define and determine the response to the latest Covid-19 developments.

- Risk 8 – Difficulty retaining or recruiting staff affects service levels

This risk likelihood continues to improve – Council is currently receiving a high level of interest from high calibre applicants for available positions.

- While risk thresholds remain unchanged, the status of Risk 9 (over commitment and work programme) and Risk 10 (growth and demand dependent model) remains as 'worsening'. This status reflects aspects of the Covid-19 situation that are currently being realised and these risks continue under watching brief.

Emergent risks

- 16 No emergent risks have been identified by the ELT during the September 2020 quarterly review process.

Operational risk assurance

- 17 The next step is to review the operational risk register development process and ensure that it is appropriate and aligns with the RMF. This is scheduled to begin this year.
- 18 In the interim, Council's chief executive will provide an operational risk report to the committee in a separate report.
- 19 Group managers will continue to work with their respective teams to identify and mitigate operational risks.

Deep dive analysis

- 20 Council's top strategic risks are subject to 'deep dives' on a rotational basis to provide assurance to the committee that the risks are being effectively managed and that controls are operating as intended.
- 21 Preparations for the Risk 1 (inaccurate data) and Risk 6 (health and safety) deep dives were completed by the ELT in August 2020. Risk descriptions, causes, controls and rationale have been updated and will be included for discussion by the committee at a separate workshop after the meeting.
- 22 Subsequent to the workshop discussions, any changes to the risk assessments will be reported at the next scheduled committee meeting.

Next Steps

- 23 Following the committee's consideration of the September 2020 quarterly risk management update, those strategic risks that are assessed as high or very high will be reported to Council at its 29 September 2020 meeting.

Attachments

- A Risk Register - Finance and Assurance committee - September 2020 quarterly update [↓](#)
- B Risk management framework - risk matrices [↓](#)



Finance and Assurance Committee – Quarterly risk update Sept 2020

KEY:

CONSEQUENCE	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
LIKELIHOOD	RARE	UNLIKELY	POSSIBLE	LIKELY	HIGHLY LIKELY
THRESHOLD		LOW	MEDIUM	HIGH	VERY HIGH
STATUS		IMPROVING	STATIC	WORSENING	

RISK 1	Inaccurate data leads to bad decisions/asset failure			Weighted score: 3.50	Status: Improving
DESCRIPTION	Council does not have the data and information it needs to make informed decisions				
PRE TREATMENT	Consequence:	Major	Likelihood:	Likely	
THRESHOLD	HIGH				
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • review and prioritisation of data analytics • community facilities implementing asset management data tool • Master Data Specifications for Council • contract alignment to asset management processes • improve internal cost estimation process • ensure communication with communities is appropriate and accurate throughout identified project milestones • ensure staff are trained and supported to adequately use the tools they have available • Long Term Plan and subsequent work programme • standardisation of as-builts 				
POST TREATMENT	Consequence:	Major	Likelihood:	Possible	
TARGET THRESHOLD	HIGH				



PROPOSED MITIGATIONS	<ul style="list-style-type: none">• create process for independent review and independent reconciliation• look at reporting options through JDE (Council's accounting tool) to enable managers to assess summary to detail information easily
COMPLETED MITIGATIONS	<ul style="list-style-type: none">• Infor Public Sector (IPS)/Geographic Information System (GIS) management process established



RISK 2	Underinvestment in infrastructure	Weighted score: 3.40	Status: Improving
DESCRIPTION	Failure to maintain infrastructure that has the capacity and capability needed to meet an agreed level of service		
PRE TREATMENT	Consequence: Major/Catastrophic	Likelihood: Possible	
CURRENT THRESHOLD	VERY HIGH		
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • allocation of appropriate funding and resources to deliver the prioritised work plan identified through the Infrastructure Strategy and the Activity Management Plan process • development of a prioritised programme to address deficits to an acceptable level over time is underway • development of established minimum levels of service (LoS) for community facilities • business continuity planning • E-delivery project and regular updating of IT equipment • Council buildings assessed as fit for purpose 		
POST TREATMENT	Consequence: Major/Catastrophic	Likelihood: Unlikely	
TARGET THRESHOLD	HIGH		
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • look to 'quantify', in descriptive and financial terms, the extent of the deficit in different asset and service areas • set targets for 2021 Long Term Plan and beyond • develop a view on acceptable level of risk by different service areas 		



RISK 3	Infrastructure not fit for purpose to withstand climate change		Weighted score: 3.00	Status: Static
DESCRIPTION	Infrastructure fails to deliver the agreed levels of service as a result of changing weather patterns			
PRE TREATMENT	Consequence:	Moderate	Likelihood:	Possible
THRESHOLD	MEDIUM			
CURRENT MITIGATIONS	<ul style="list-style-type: none"> research programme, including stakeholder input, to develop a position on likely changes in future demands for Council services review of activity against the climate change assumptions in the Long Term Plan, and make investments and delivery decisions appropriately options to reduce risks posed to lifeline infrastructure to be considered 			
POST TREATMENT	Consequence:	Moderate	Likelihood:	Possible
TARGET THRESHOLD	MEDIUM			
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> building climate change impact assessments into business cases and activity management plans research Council's carbon emission footprint 			



RISK 4	Inadequate, incomplete or lack of strategy/policy impacts the wellbeing of the District		Weighted score: 2.85	Status: Improving
DESCRIPTION	A lack of consistent strategic direction-setting could result in poorly aligned and uninformed decisions that impact the community			
PRE TREATMENT	Consequence:	MAJOR	Likelihood:	LIKELY
THRESHOLD	VERY HIGH			
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • strategy development work plan • research projects instigated to meet RMA reform requirements 			
POST TREATMENT	Consequence:	MAJOR	Likelihood:	POSSIBLE
TARGET THRESHOLD	MEDIUM			
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • integrated strategic planning • long term formal commitment to collaboration between Council and key agencies 			



RISK 5	Natural or biosecurity event impacts the wellbeing of the District		Weighted score: 2.70	Status: Static
DESCRIPTION	External event negatively impacts the landscape that Council is operating in and/or its communities			
PRE TREATMENT	Consequence:	Major/catastrophic	Likelihood:	Unlikely
THRESHOLD	HIGH			
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • review of pandemic preparedness and planning • essential services prioritisation • business continuity plans completed in order to assist in incident management and response • provision of funding and resources to Emergency management Southland to assist with civil defence emergency management 			
POST TREATMENT	Consequence:	Catastrophic	Likelihood:	Unlikely
TARGET THRESHOLD	Low			
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • none proposed for September 2020 quarterly update 			
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> • debrief by Incident Management team of process followed during March-May 2020 lockdown • adequate financial capacity in place to assist with recovery costs • review of rates remission and rates postponement policy. 			



RISK 6	Health and safety controls fail to protect staff and contractor safety		Weighted score: 2.55	Status: Improving
DESCRIPTION	Systems processes and controls fail to protect our workers			
PRE TREATMENT	Consequence:	Catastrophic	Likelihood:	Possible
THRESHOLD	VERY HIGH			
CURRENT MITIGATIONS	<ul style="list-style-type: none"> comprehensive audit framework use of assessment methodology to identify the potential corrective actions required training and education of contractors appropriate health and safety controls in response to lockdown requirements due to COVID-19 			
POST TREATMENT	Consequence:	Catastrophic	Likelihood:	Unlikely
TARGET THRESHOLD	HIGH			
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> site observations of contractors undertaken by all contract managers and activity managers GPS to be introduced in all Council vehicles in 2020 creation of a wellbeing programme 			
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> health and safety plan adopted by Council correct procurement/contractor induction processes in place for all project work review of pre-qualification process for contractors completed fatigue guidelines implemented alcohol and drug policy implemented 			



RISK 7	Financial conservatism constrains progress towards strategic objectives		Weighted score: 2.55	Status: Improving
DESCRIPTION	Council's work programme and levels of service are constrained to conservative financial targets being set.			
PRE TREATMENT	Consequence:	Major	Likelihood:	Likely
THRESHOLD	VERY HIGH			
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • work to understand prioritisation, delivery and affordability across the district that brings a greater understanding of generational responsibility • robust business cases, with clear strategic objectives, will help put projects in context of other works needed and help achieve strategic outcomes and transparency 			
POST TREATMENT	Consequence:	Major	Likelihood:	Possible
TARGET THRESHOLD	HIGH			
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • next Long Term Plan – what are the challenges for the next ten years? Identify financial requirements, levels of service and risk • better data needed to make good business decisions • investigate sources of revenue and funding 			



RISK 8	Difficulty retaining or recruiting staff affects service levels		Weighted score: 2.40	Status: Improving
DESCRIPTION	Lack of accredited, specialized and experienced staff available across multiple industries locally, regionally and nationally			
PRE TREATMENT	Consequence:	Moderate	Likelihood:	Possible
THRESHOLD	MEDIUM			
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • look after staff by building a culture that encourages staff to stay and to recruit into • monitoring organisational climate • working closely with industry providers and training institutions • currently resource sharing with other councils 			
POST TREATMENT	Consequence:	Moderate	Likelihood:	Possible
TARGET THRESHOLD	MEDIUM			
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • potential for secondments, internships and development of a cadet system 			



RISK 9	Over commitment and work programme		Weighted score: 2.30	Status: Worsening
DESCRIPTION	Unable to deliver the organization's agreed work programme			
PRE TREATMENT	Consequence:	Moderate	Likelihood:	Highly likely
THRESHOLD	HIGH			
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • executive leadership team to ensure work programme is deliverable, achievable and resourced • create an understanding/recognition of purpose and roles/responsibilities that come with Long Term Plan • understand capacity and capability and ensure realistic commitments • ensure adequate planning and correct resources, including contractors availability, for the achievement of the plan • use of CAMMs (Council's project management tool) 			
POST TREATMENT	Consequence:	Minor	Likelihood:	Likely
TARGET THRESHOLD	MEDIUM			
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • implement robust team business planning and reporting processes • ensure adequate community engagement 			



RISK 10	Growth and demand dependent model make it hard to fund new infrastructure		Weighted score: 2.00	Status: Worsening
DESCRIPTION	Inability to access funding, despite increasing need, due to lack of eligibility			
PRE TREATMENT	Consequence:	Moderate	Likelihood:	Highly Likely
THRESHOLD	HIGH			
CURRENT MITIGATIONS	<ul style="list-style-type: none">• lobby available funding sources where appropriate• researching and identifying why and where Council is ineligible			
POST TREATMENT	Consequence:	Moderate	Likelihood:	Highly Likely
TARGET THRESHOLD	HIGH			
PROPOSED MITIGATIONS	<ul style="list-style-type: none">• consider the demand and need for new infrastructure – consideration to be given to whether replacement is 'like-for-like'			



Risk management framework – risk matrices

CONSEQUENCE	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 Letter to CEO, complaints to Councillors 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 changes to service level 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 of 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 months 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
HEALTH, SAFETY AND WELLBEING	No Medical treatment required Issue noted, no action required	Minimal personal injury and/or sickness AND Less than 2 weeks incapacitation H&S issue noted by Worksafe	Personal injury and/or sickness with up to 3mths incapacitation OR H&S issue to court	Significant public health impact OR Personal injury and/or sickness with 3+ months incapacitation or long term disability OR	Permanent severe disability or loss of life OR H&S issue taken to court resulting in imprisonment OR

Risk management framework – risk matrices
5/12/2019

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CONSEQUENCE	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
				H&S issue to court and fine imposed	Widespread community sickness
SOCIAL, CULTURAL, ENVIRONMENTAL	No significant community Impact	Single community affected	Multiple communities affected	Many communities affected	Most or all communities
	Localised short-term reversible environmental, economic or social impact	Localised short-term reversible environmental, economic or social damage	Localised medium term (1 month +) reversible damage or disruption (environmental, economic, social or cultural)	Localised or widespread long term (3-6m) reversible damage or disruption (environmental, economic, social or cultural)	OR Extensive or irreversible damage or disruption (environmental, economic, social or cultural)
REGULATORY AND COMPLIANCE	Fine/ liability less than \$10K	Fine/ liability \$10 - \$100K	Fine/ liability \$100 - \$250K	Fine/ liability \$250K - \$1M	Fine/ liability \$1M+



LIKELIHOOD	
HIGHLY LIKELY	Risk event is expected to occur in most circumstances; or 90% chance within the next 12 months; or 18 out of every 20 years
LIKELY	Risk event will probably occur in most circumstances; or 55% chance within the next 12 months; or 11 out of every 20 years
POSSIBLE	Risk event should occur at some time; or 25% chance within the next 12 months; or 5 out of every 20 years
UNLIKELY	Risk event could occur at some time; or 10% chance within next 12 months; or 1 out of every 10 years
RARE	Risk event may occur only in exceptional circumstances Up to 4% chance within next 12 months Once in 25 years

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

Draft Policy on Development and Financial Contributions

Record No: R/20/8/32315

Author: Carrie Adams, Intermediate Policy Analyst

Approved by: Anne Robson, Chief Financial Officer

☐ Decision

☒ Recommendation

☐ Information

Purpose

- 1 The purpose of this report is for the Finance and Assurance Committee (the committee) to consider the draft Policy on Development and Financial Contributions (the draft policy). This report seeks feedback from the committee.
- 2 It is proposed that the committee recommend to Council that it endorse the draft policy for public consultation.

Executive Summary

- 3 This report outlines the draft policy, and proposes that the committee recommend to Council that the draft policy, including any changes the committee or Council may wish to make, be endorsed and released for public consultation.
- 4 Council has a combined policy that outlines the approach to both development and financial contributions. The current policy is included with this report as Attachment A.
- 5 Development Contributions (DCs) are established under the Local Government Act 2002 (the Act) and are a capital charge on development to recover a fair, equitable and proportionate share of the capital costs that development imposes on network/community infrastructure. Financial contributions (FCs) are established under the Resource Management Act 1991 (the RMA) and are a capital charge for works undertaken to mitigate the environmental effects of subdivision, land use and development.
- 6 The draft policy is included with this report as Attachment B. The draft policy is consistent with the current policy in that it puts the collection of DCs into remission on the basis that Council wants to encourage growth. The FC part of the policy is operative.
- 7 Only minor changes have been made to the draft policy. Data on projected population growth in the District has been updated to give a more accurate view of the likely growth. Minor changes have also been made to update legislation and dates. Schedules One and Two have also been updated. These schedules outline the projects being undertaken over the period for the Long Term Plan (LTP) 2021-31 period that have a demand related component.
- 8 If approved, it is intended that the draft policy will be consulted on via a process which will be run concurrently with the consultation for a number of other Council policies from 4 November to 4 December 2020.

Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled “Draft Policy on Development and Financial Contributions” dated 7 September 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) **Considers the draft Policy on Development and Financial Contributions and provides feedback.**
- e) **Endorses the draft Policy on Development and Financial Contributions.**
- f) **Recommends to Council that it release the draft Policy on Development and Financial Contributions for public consultation in accordance with section 82 of the Local Government Act 2002, from 4 November to 4 December 2020.**

Background

- 9 In the past, Council has had a number of different approaches to collecting DCs and FCs. Prior to 2015, DCs were collected for water and wastewater in Te Anau and reserves across the District.
- 10 From 2012-2015, FCs were collected for roading and esplanade reserves. Prior to 2012, FCs were collected for roading, esplanade reserves, water and wastewater for areas excluding Te Anau and development levies.
- 11 Council currently has a combined policy on development and financial contributions. For the 2015-25 LTP and the 2018-28 LTP, the DCs part of the policy was put into remission, so no DCs are currently being collected. Council agreed that not collecting DCs was appropriate as encouraging development in the District would result in benefits for the broader community. Council also recognised that when new developments occur, these often contribute significantly to ongoing community wellbeing and also contribute financially on an ongoing basis through rates.
- 12 If operative, in its current state, the Financial and Development Contributions Policy would allow DCs to be taken for water supply, wastewater and community facilities. The FCs in the policy, which are collected through resource consents under the District Plan, currently apply in the District, and are taken for roading and reserves.
- 13 DCs and FCs have not been a significant revenue stream for Council. Approximately \$57,000 of FCs have been collected since the current policy was adopted in 2018. While contributions do have the potential to be a useful funding source for some specific projects, the ability to realise that

revenue is dependent on the economic cycle and trends in development and also what demand-related capital expenditure is carried out.

- 14 It should also be noted that any DCs and FCs collected, which are not used for the specified purposes for which they were collected, must be returned within 10 years. For FCs, this only includes FCs collected under the provisions of the current District Plan. Under the previous District Plan, not all FCs included a time limit for return.

Issues

Having the DC part of the policy in remission

Requirement for growth

- 15 Section 197AB(a) of the Act requires that DCs only be assessed for demand related expenditure. As such, DCs should only be assessed where there is projected growth that is likely to increase demand for services/activities and where capital expenditure is planned to meet this additional demand. As was discussed at the LTP Workshop held in late August, there is some population growth predicted in parts of the District over the period of the 2021-31 LTP, which may justify imposing DCs.
- 16 In order to justify DCs, activity managers would also need to be planning capital expenditure related to growth. This is the only type of expenditure that can be considered in the assessment of DCs (all operational costs, maintenance and overheads etc are excluded). As was outlined at the Council workshop in August, there are two projects planned that will have capital expenditure relating to growth. It is possible that more projects may be identified as budgets are finalised.

Further legislative requirements

- 17 Council must also consider s.101(3)(a) of the Act, when it determines the sources for expenditure requirements. This section states that funding needs to meet expenditure requirements, must be met from sources that Council determines to be appropriate, following a consideration of a number of matters. These factors include who is benefiting, and when the benefits are expected to occur. Council also must consider the overall impact of any allocation of liability for revenue needs on the community.
- 18 Council's consideration of these matters, as it relates to the funding of capital expenditure, is outlined in the Revenue and Financing Policy. The analysis contained in the Revenue and Financing Policy is also applicable to this policy. Council has previously had regard to and made the following determinations under each activity in relation to the matters set out under s.101(3)(a)(i) to (v) of the Act:
- that development contributions are an appropriate source of funding for providing additional capacity in water supply, wastewater and community infrastructure assets. This is because when development occurs it takes up capacity in these assets and requires Council to provide additional capacity in existing assets or new assets or to serve the development. Community infrastructure contributions will only be required on residential developments.

Incorporating feedback from the LTP workshop in August

- 19 In the LTP Workshop in August 2020, Councillors discussed that DCs may discourage new development and consequently impede or act as a barrier to new economic development. This was

viewed as contrary to Council's aspirations for encouraging growth. Councillors recognised that when new developments occur, these often contribute significantly to ongoing community wellbeing and also contribute financially on an ongoing basis through rates. On this basis, Councillors were keen to continue with the current approach of having the DC part of the Policy in remission.

Changes included in the draft policy

- 20 Only minor changes have been made to the draft policy. Population projection data has been updated to try and give a current view on the likelihood of growth in the District. Minor changes have also been made to update legislation and dates.
- 21 Staff have also included in the draft policy the projects being undertaken in the LTP 2021-31 that have a demand related component. Currently two demand related projects have been identified, the Te Anau wastewater and Riverton cemetery projects. It is possible that additional projects and updated figures may be identified prior to the draft policy being released for consultation. Any updates will be provided to Council at its meeting on 21 October 2020.

Factors to Consider

Legal and Statutory Requirements

LGA requirements to have a policy on DCs or FCs

- 22 Section 102 of the Act requires that Council have a policy on DCs or FCs.
- 23 Section 106 of the Act sets out the requirements of the policy. Sections 197-211 and Schedule 13 cover the application and calculation methodology related to contributions.
- 24 When developing a financial and development contributions policy, Council must consider a number of principles that are outlined in the Act. Section 197AB(a) outlines that DCs should only be required if developments will create or have created the need for Council to provide new or additional assets or assets of increased capacity.
- 25 Council must also consider the principle in s.197AB(c) of the Act, which outlines that cost allocations used to establish DCs should be determined according to, and be proportional to, the persons who will benefit from the assets to be provided (including the community as a whole) as well as those who created the need for those assets.
- 26 Council may review its position on contributions at any time, but is required do so no more than three years from the date on which it adopts a LTP. The policy therefore must be reviewed by June 2020. The reason that review of this policy is occurring now, is so that decisions made as outcomes of the review process can inform the LTP 2021-31.
- 27 There is no legislative requirement for this policy to be included in the LTP. The policy is required to be released for public consultation in compliance with s.82 of the Act.

Community Views

- 28 As stakeholders, all community boards were notified of the review of this policy in August, either through the community leadership reports or email. No queries were received by staff regarding the current policy at the time of writing of this report.

29 Council will make the draft policy and relevant information publicly available (in accordance with s.82A of the Act), and encourage people to give feedback on Council's 'make it stick' platform, by:

- placing an advertisement in the Ensign and Southland Express
- promoting the consultation on Council's facebook page
- having the draft policy accessible on Council's website and at all of its offices
- encouraging community boards to make a submission.

30 It is proposed that this consultation process be run parallel to other Council policies.

31 The consultation process proposed will allow Council to consider community views regarding this policy.

Costs and Funding

32 As the draft policy has the same approach to both DCs and FC as the current policy, the funding obtained through FCs is likely to be similar to what is currently collected. The revenue collected will be dependent on the economic cycle and trends in development.

33 To put the draft policy out for consultation and to undertake the steps required to progress a draft policy through to adoption, there will be costs associated with staff time and advertising.

Policy Implications

34 The draft policy would continue to have DCs in remission. This means that if the draft policy is adopted, DCs will not be assessed when development takes place.

35 Continuing to have the DC part of the policy in remission would mean that the costs associated with demand are borne by ratepayers (and by those who have paid previous DCs). However, Council has taken an approach that encourages development in the Southland District, recognising that this will benefit the community as a whole.

Analysis

Options Considered

36 There are two options for consideration in this report:

- Option 1 – that the committee recommend that Council endorse the draft policy for consultation in accordance with s.82 of the Act (in making any amendments to the draft policy, Council must ensure that the requirements of the Act are met).
- Option 2 – propose a different way forward.

Analysis of Options

Option 1 – that the committee recommend that Council endorse the draft policy for consultation

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> the draft policy has been updated achieves legislative compliance may encourage growth and development in the Southland District, which would have wide public benefit. 	<ul style="list-style-type: none"> may not reflect Councillor's views on the policy by having the DC part of the policy in remission, it may frustrate some developers who have already paid DCs Council may miss assessing DCs on a large scale development rate payers may not like bearing the cost of demand related expenditure.

Option 2 – propose a different way forward

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> would give further clarity on Councillors' views regarding the policy. 	<ul style="list-style-type: none"> may put pressure on procedural preference to review the policy prior to 2021-31 LTP consultation no other known disadvantages.

Assessment of Significance

- 37 It has been identified that this matter is of lower significance in relation to Council's Significance and Engagement Policy and the Act. No major changes are proposed to the current policy. In addition, there are very few projects have been identified with a demand component and a nominal amount of funds are raised through FCs. Five submissions were received when this policy was last reviewed, indicating a lower level of community engagement with the issue.

Recommended Option

- 38 It is recommended that the committee proceed with Option 1 and recommend that Council endorse the draft policy for consultation.

Next Steps

- 39 If the committee endorses Option 1, staff will make any recommended changes and undertake any other necessary steps, and present the draft policy to Council at its meeting 21 October 2020. Staff would recommend to Council that the draft documents be adopted for consultation in accordance with s.82 of the Act. It is proposed that the consultation process will take place from 4 November to 4 December 2020 alongside other Council policies.

Attachments

- A Current Policy on Development and Financial Contributions [↓](#)
- B Draft Policy on Development and Financial Contributions [↓](#)



Policy on Development and Financial Contributions 2018-2028

Group Responsible: Finance

Date Approved: 20 June 2018

Date Amended:

File No: r/17/10/24438

1 Introduction

1.1 Purpose

To provide predictability and certainty about the sources and levels of funding by enabling Council to recover development contributions from those persons undertaking development, a fair, equitable, and proportionate share of the total cost of capital expenditure necessary to service growth over the long term and to recover financial contributions to deal with the adverse effects of new development in the Southland District.

1.2 Statutory context

- 1.2.1 Council is required by Section 102(2)(d) of the Local Government Act 2002 (the Act), to have a policy on development contributions or financial contributions.
- 1.2.2 Council has chosen to use both development contributions and financial contributions to recover the total cost of capital expenditure necessary to service new development and to deal with its effects.
- 1.2.3 Financial contribution provisions for recovering the growth related costs of roading and reserves are detailed in Section 2.14 of the Proposed District Plan.
- 1.2.4 This policy deals with development contributions for water supply, sewerage and community infrastructure.
- 1.2.5 Council, in addition to determining matters of content in this policy, has determined:
 - a) that the decision to adopt the Southland District Policy on Development and Financial Contributions 2018 - 2028 is a significant decision;
 - b) that it believes it has met the decision-making and consultation requirements of the Act to the extent required.

Development and Financial Contributions Policy 2018-2028
Enter publish date

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1.3 Growth and development

- 1.3.1 The population of Southland District grew by 900 persons (3.1%) in the 12 years between 2001 and 2013. The total number of dwellings increased by just over 1,000 (9.4%) and the number of rating units increased in the same period. Projections by Infometrics Limited estimate there will be approximately 2,000 more people in the District by 2028, based on a medium growth projection. It has been identified that growth is not going to be evenly distributed across towns in the District, and that some towns will experience negative growth.
- 1.3.2 In making this policy, Council has considered the matters under Section 101(3) of the Act. Section 101(3)(b) of the Act states that the funding needs to meet expenditure requirements must be met from sources that the local authority determines to be appropriate, following a consideration of the overall impact of any allocation of liability for revenue needs on the community.

1.4 Remission of policy and background

- 1.4.1 This Southland District Policy on Development and Financial Contributions 2018 – 2028 policy is currently in remission and development contributions will not be required under it. The financial contributions provisions in the Southland District Plan are not in remission and continue to apply to development in the Southland District.
- 1.4.2 As Council want to encourage development and economic growth in the District, Council proposes to fund the total cost of capital expenditure for water supply and sewerage necessary to service development from sources other than development contributions. Development contributions will not be required under this policy until resolved otherwise by Council in which case the provisions of the policy will apply in full. Council has full discretion as to the timing of a review.
- 1.4.3 Council will continue to require financial contributions for roading and reserves under Section 2.14 of the Proposed Southland District Plan. Council is concerned that in the event of any substantial development, the resulting costs for roads and reserves to serve the development could affect the level of rates unless funded by financial contributions. The ability to require financial contributions will not limit the ability of Council to impose resource consent conditions requiring an applicant to carry out roading and reserves works to offset the adverse effects of a development.
- 1.4.4 Council may review its position on remissions at any time but shall do so no more than three years from the date on which it adopts its Long Term Plan.
- 1.4.5 Prior to 2012, the development contributions policy applied to development across Southland District and application of the policy resulted in persons undertaking new developments in the Southland District being subject to a development contributions regime.
- 1.4.6 Council has been conscious of the fact that development contributions may have previously been an impediment or barrier to new economic development. This is contrary to the Council's aspirations for encouraging growth. The Council also recognises that when new developments



occur, these often contribute significantly to ongoing community wellbeing and also contribute financially on an ongoing basis through rates.

- 1.4.7 In recognition of this, the Council removed development contributions from most parts of the District in 2012. The 2012-22 development contribution policy was limited to reserves across the district, and water and sewerage projects at Te Anau (and only in cases where developments proposed to connect to reticulated services).

2 Policy details

Council has considered all matters it is required to consider under the Act when making a policy on development contributions or financial contributions. The Council has also considered requirements in Section 106, Section 201 and Section 201A of the Act relating to the content of such a policy. Policy resulting from these considerations is set out in this section. The way in which the policy will be applied in practice is set out in Section 3.

2.1 Appropriate sources of funding

- 2.1.1 Council incurs capital works expenditure in order to:
- a) provide additional capacity in assets to cater for new development;
 - b) improve the level of service to existing households and businesses;
 - c) meet environmental and other legislative requirements; and
 - d) renew assets to extend their service life.
- 2.1.2 Section 101(3)(a) of the Act states that the funding needs to meet these expenditure requirements must be met from sources that Council determines to be appropriate, following a consideration, in relation to each activity, of a number of matters. Council's consideration of these matters as it relates to the funding of capital expenditure is outlined in the Revenue and Financing Policy. The analysis contained in the Revenue and Financing Policy is also applicable to this policy.
- 2.1.3 Council has had regard to and made the following determinations under each activity in relation to the matters set out under section 101(3)(a)(i) to (v) of the Act:
- a) that development contributions are an appropriate source of funding for providing additional capacity in water supply, sewerage and community infrastructure assets because when development occurs it takes up capacity in these assets and requires Council to provide additional capacity in existing assets or new assets or to serve the development;
 - b) that financial contributions are an appropriate source of funding for roading and reserves assets because the Council only seeks contributions towards these assets to mitigate adverse effects in the vicinity of developments and not to fund these assets in the wider network;
 - c) community infrastructure contributions will only be required on residential developments although the Council may still require financial contributions for reserves on non-residential developments as a condition of resource consent under the Resource Management Act 1991.
- 2.1.4 In keeping with the principles in Sections 197AB(e) and (f) of the Act, Council is required to make information available and provide certain schedules.



- 2.1.5 Section 201A of the Act requires a development contribution policy to include a schedule of assets, and specifies the contents of that schedule. This requirement is met by Schedule 1 of this policy.
- 2.1.6 Section 106 of the Act requires Council to:
- a) summarise and explain the total cost of capital expenditure that Council expects to incur to meet the increased demand for community facilities resulting from growth; and
 - b) state the proportion of that total cost of capital expenditure that will be funded by—
 - i. development contributions;
 - ii. financial contributions; and
 - iii. other sources of funding.
- 2.1.7 These requirements are met in Schedule 2 of this policy.
- 2.1.8 Section 201 of the Act requires inclusion in a development contribution policy of a schedule of development contributions. This requirement is met by Schedule 3 of this policy.

2.2 Financial contributions

- 2.2.1 The Resource Management Act 1991 authorises local authorities to impose financial contributions to address effects associated with subdivision, land use or development. Council may require a financial contribution, as a condition of consent, in accordance with any relevant rule in the Southland District Plan.
- 2.2.2 Provisions regarding financial contributions towards roading and reserves infrastructure are detailed in Section 2.14 of the Proposed District Plan and should be referred to when reading this policy. The financial contribution rules in Section 2.14 the Proposed Southland District Plan are operative.
- 2.2.3 Section 106(2)(f) of the Act states that if financial contributions will be required this policy must summarise the provisions that relate to financial contributions.
- This summary is set out in Appendix 4.

2.3 Limitations on contributions

- 2.3.1 While Council is able to seek both development contributions for infrastructure under the Local Government Act 2002 and financial contributions under the Resource Management Act 1991, Section 200 of the Local Government Act 2002 prevents Council from requiring a development contribution where it has imposed a contribution requirement on the same development under the Resource Management Act 1991 or where developers or other parties fund the same infrastructure for the same purpose.
- 2.3.2 Although under the Southland District Plan, Council may impose a financial contribution as a condition of resource consent, it shall ensure that no condition of resource consent is imposed that would require work to be done or funded that is identified in the Long Term Plan and funded in whole or in part by development contributions.



- 2.3.3 Nothing in this policy, including the amounts of development contribution payable in Schedule 3, will diminish from any other legal requirement to make a payment for community facilities other than a development contribution, including connection fees or any other fee required to be paid pursuant to any other policy or bylaw or by agreement with Council.

2.4 Limitations on costs eligible for inclusion in development contributions

- 2.4.1 In calculating development contributions under this policy, the contributions shall not include the value of any project or work or part of any project or work required for:
- a) rehabilitating or renewing an existing asset; or
 - b) operating and maintaining an existing asset.
- 2.4.2 In accordance with Section 200(1) of the Act, no development contribution calculated under this policy shall include the value of any funding obtained from third parties, external agencies or other funding sources in the form of grants, subsidies or works. This limitation shall not include the value of works provided by a developer on behalf of Council and used as a credit against contributions normally payable, which Council may seek to recover from other developers in contributions.
- 2.4.3 Council may require development contributions where it has incurred capital expenditure via a third party and has provided a credit against development contributions payable by any person where that person has incurred capital expenditure on behalf of Council, which provides additional capacity to serve further development.
- 2.4.4 The value of any subsidy or grant toward the value of any project or work shall be deducted prior to the allocation for funding of the balance portion of project cost between development contributions and other sources of Council funding.

2.5 Vested assets and local works

- 2.5.1 The value of assets vested or expenditure made by a developer, pursuant to a requirement under the Resource Management Act 1991, shall not be used to off-set development contributions payable on a development unless all or a portion of such assets or expenditure can be shown to avoid or reduce the need for Council to incur costs providing an asset that is included in its capital works programme, for which development contributions are sought.
- 2.5.2 The value of assets vested or expenditure made voluntarily by a developer to enhance a development shall not be used to offset development contributions payable on development.

2.6 Past surplus capacity provided

- 2.6.1 In accordance with Section 199(2) of the Act, development contributions may be required to fund capital expenditure already incurred by Council in anticipation of development, prior to the adoption of this policy.
- 2.6.2 Where Council has in recent years incurred expenditure to undertake works or acquire land in anticipation of development, it may seek to recover this expenditure from development



contributions yet to be made. Council may include the value of past surplus capacity in its calculation of development contributions.

2.7 Cumulative and network effects

- 2.7.1 In accordance with Section 199(3) of the Act, development contributions may be required under this policy, where a development, in combination with other developments, has a cumulative effect including the cumulative effect of developments on network infrastructure.

2.8 Geographic grouping (Catchments)

- 2.8.1 In keeping with the principle in Section 197AB(g) of the Act, Council considers that development contributions should be required from new development on a geographic basis using separate catchments those being determined:
- a) in a manner that balances practical and administrative efficiency with considerations of fairness and equity; and
 - b) avoids, wherever practical, grouping across the entire District.
- 2.8.2 A catchment is an area of the Southland District within which growth and development is occurring, which is likely, either solely or cumulatively, to give rise to the need for, or benefit from, particular Council activities.
- 2.8.3 This policy avoids the use of district-wide catchments for the recovery of development contributions.
- 2.8.4 This policy uses four separate ward based catchments for community infrastructure assets because it is considered impractical to divide the areas of benefit of these types of asset into smaller geographic areas.
- 2.8.5 The policy uses separate local scheme-by-scheme catchments for water supply and sewerage activities. Development contributions will be payable only where the service is available and in the case of water supply and sewerage, only to those new households, businesses or other developments connecting to the networks concerned. It is considered reasonably practical to administer the policy using local scheme-by-scheme catchments.
- 2.8.6 The catchments used in this policy are summarised in Appendix 2.

2.9 Principles of cost allocation

- 2.9.1 In keeping with the principle in Section 197AB(a) of the Act an asset should not be considered for cost allocation for recovery through a development contribution unless it is a new or additional asset or an asset of increased capacity required to be provided by the Council to deal with the effects of developments.
- 2.9.2 In keeping with the principle in Section 197AB(c) of the Act, the cost of any project identified in the Long Term Plan will, after deductions for subsidies and other sources of funding, be allocated between:



- a) the costs if any for improving levels of service to existing households and businesses by bringing assets up to the service standard and/or by providing additional service life, to be expressed as the ILOS cost; and
 - b) the costs if any for providing additional capacity to service the development of new households and businesses, to be expressed as the AC cost.
- 2.9.3 Council will allocate project cost between ILOS costs and AC costs, in the manner described in Section 4.0 - Methodology.
- 2.9.4 The methodology used to allocate costs is a need/benefits matrix approach.

2.10 Capacity life of assets

- 2.10.1 In keeping with the principle in Section 197AB(b) of the Act, Council has considered the period over which the benefits of capital expenditure for new development are expected to occur. It considers that capital expenditure on infrastructure during the Long Term Plan period should be recovered over the full take-up period of each asset, from all development that created the need for that expenditure or will benefit from capacity it provides, including development occurring after the Long Term Plan period.
- 2.10.2 Council has determined that:
- a) new development occurring in the Long Term Plan period will contribute only to that proportion of additional asset capacity that it is expected to consume;
 - b) future development occurring after the Long Term Plan period will contribute toward the remaining surplus capacity in assets at the end of that period.
- 2.10.3 In calculating the development contributions payable by new development for each activity type, Council will:
- a) include the value of any past surplus capacity in assets provided after 1 July 2005 that is expected to be consumed by new development, where this can be identified and where it can be shown to have been provided in anticipation of growth;
 - b) include the value of capacity in assets to be provided in the Long Term Plan period, that is expected to be consumed by new development; and
 - c) exclude the value of remaining surplus capacity in assets at the end of the Long Term Plan period, which is likely to be consumed by future development.
- 2.10.4 Recovery of the whole of a project's cost from only those households and businesses establishing in the Long Term Plan period may place an unfair burden on them. Households and businesses developing after the period will arrive to a fully paid up asset with spare capacity for their developments.
- 2.10.5 This policy uses a development contributions calculation period extending from 1 July 2005 (to include past surplus capacity) to 30 June 2048 - 30 years after the adoption of the Policy to ensure more equitable attribution under Schedule 13 of the Act.
- The 30 year future outlook is to take account of major infrastructure projects that may retain spare capacity for up to 30 years, particularly as a result of prolonged periods of slow growth as have been experienced in Southland District.



2.11 Significant assumptions

- 2.11.1 Section 201(1)(b) of the Act requires this policy to set out the significant assumptions underlying the calculation of the schedule of development contributions, including an estimate of the potential effects, if there is a significant level of uncertainty as to the scope and nature of the effects.
- 2.11.2 The significant assumptions underlying the calculation of the schedule of development contributions are that:
- a) the rate, level and location of growth will occur as forecast in the rating growth projections accompanying the Long Term Plan;
 - b) capital expenditure will be in accordance with the capital works programme in the Long Term Plan and future capital expenditure is based on the best available knowledge at the time of preparation. These are to take into account known or likely construction costs and assumed inflation rates;
 - c) no significant changes to service standards are expected to occur in the Long Term Plan period other than those planned for in the Asset Management Plans;
 - d) the level of any third party funding for projects will continue at predicted levels for the period of the Long Term Plan;
 - e) there will be no significant variations to predicted rates of interest and inflation to those set out in the Long Term Plan;
 - f) each residential dwelling comprises the average number of residents from the 2013 Census. The demand on Council assets placed by a standard dwelling (Unit of Demand) is assumed to be 2.5 persons per dwelling and this is applied district-wide.
- 2.11.3 An assessment of effects, if there is a significant level of uncertainty as to the scope and nature of the effects, is set out in Appendix 3 of this policy.

2.12 Financial policy

- 2.12.1 All project costs used in the development contributions section of the policy should be based on current estimates of infrastructure construction prices at the time of planning in the dollars of the year of planning, with inflation of all capital costs over the period using local government cost adjusters supplied by a commercial research and analysis agency, such as BERL.
- 2.12.2 All capital expenditure and development contributions contained in this policy are exclusive of GST (except where shown to be inclusive).
- 2.12.3 No cost of capital, including interest is included in growth cost calculations for the purposes of this policy.

2.13 Policy on existing lots or development

- 2.13.1 When granting a consent or authorising a connection for development, and calculating the units of demand from that development, Council will deduct the units of demand generated by existing



lots or development already legally established at the date of granting consent, other than as required in sections 2.13.2, 2.13.3 and 2.13.5 below.

- 2.13.2 Section 2.13.1 shall apply to any lot or development that:
- a) was already legally established at the date on which this policy became operative, on 1 July 2018; or
 - b) has been legally established since the date on which this policy became operative and for which a development contribution has been paid; or
 - c) is not yet legally established but for which a development contribution has been paid (and not refunded).
- 2.13.3 Legally established development includes buildings and structures which can be shown to have been in existence on but have been demolished up to three years prior to this policy becoming operative on 1 July 2018.
- 2.13.4 Section 2.13.1 shall not apply to any lot or development for which a contribution has been required and has not yet been paid.
- 2.13.5 Council may require a development contribution to be paid for any existing legally established lot or development, in a water supply or sewerage area, with no connection to the service, which is to be connected for the first time or seeks connection to either a water supply network or a sewerage network, as the case may be, where no development contribution or other such payment for these services can be shown to have been previously paid.
- 2.13.6 Council may require a development contribution to be paid for any existing legally established lot that has previously been prevented from being developed by any open space covenant or by any other restriction registered against the title of the lot and that covenant or restriction has been removed.
- 2.13.7 In considering legally established developments already on a development site, the Council will use the current or most recent use of the site and not its zoning to determine the existing units of demand that will be deducted when calculating the development contribution.

2.14 Use of development contributions

- 2.14.1 In keeping with the principle in Section 197AB(d) of the Act, development contributions will be used:
- a) for or towards the purpose of the activity or the group of activities for which the contributions were required; and
 - b) for the benefit of the Southland District or the part of the district that is identified in the Southland District Policy on Development and Financial Contributions 2018 – 2028 in which the development contributions were required.
- 2.14.2 Development contributions will be used for the capital expenditure for which they were required in accordance with section 204(1) of the Act and will not be used for the maintenance of reserves, network infrastructure or community infrastructure.



2.15 Network infrastructure

- 2.15.1 Under Section 197 of the Act, the term development excludes the pipes and lines of any network utility operator. Council will not seek development contributions for the installation or expansion of network infrastructure, including the pipes, lines, roads, water supply, wastewater and stormwater networks by network utility operators.
- 2.15.2 Section 2.15.1 does not apply to development by network utility operators carried out in order to run their normal business such as offices, industrial buildings, warehouses and storage areas, which may be liable for the payment of development contributions.

2.16 Policy on remission or postponements of development contributions

- 2.16.1 In accordance with Section 201(1)(c) of the Act, Section 3.5 of this policy includes provisions that will enable Council to consider remissions and postponements of development contributions.

2.17 Policy on refunds

- 2.17.1 Council will refund development contributions in accordance with the requirements of Sections 209 and 210 of the Act.

2.18 Development agreements

- 2.18.1 The Council may enter into development agreements with developers for the provision, supply, or exchange of infrastructure, land, or money to provide network infrastructure, community infrastructure, or reserves the District or a part of the District. The provisions of Sections 207A to 207F shall apply to such agreements.

3 Practical Application

3.1 Requirement for Development Contributions

- 3.1.1 Upon granting:

- a) a resource consent under the Resource Management Act 1991;
- b) a building consent under the Building Act 1991;
- c) an authorisation for a service connection;

Council will determine whether the activity to which the consent or authorisation relates is a "development" under the Act, which:

- a) has the effect of requiring new or additional assets or assets of increased capacity (including assets which may already have been provided by Council in anticipation of development); and



- b) as a consequence requires (or has required) Council to incur capital expenditure to provide appropriately for those assets; and
 - c) that capital expenditure is not otherwise funded or provided for.
- 3.1.2 Upon determining that the activity is a “development”, Council may require a development contribution to be made towards the activity associated with that development, according to the geographic catchment in which the development is located, for:
 - a) water supply;
 - b) sewerage; and
 - c) community infrastructure.
- 3.1.3 Council shall calculate the development contribution payable at the time of granting the consent or authorisation and issue an assessment of development contributions payable.
- 3.1.4 A development contribution may be paid at any time from the date of assessment up to the date when the contribution is required to be paid as a result of Council issuing an invoice.
- 3.1.5 In accordance with Section 198(2A) of the Act, a development contribution must be consistent with the content of the policy that was in force at the time that the application for a resource consent, building consent, or service connection was submitted.
- 3.1.6 Council will invoice a development contribution at the following times:
 - a) in the case of a resource consent for subdivision, at the time of application for a certificate under section 224(c) of the Resource Management Act 1991, with payment required prior to the issue of the certificate;
 - b) in the case of a resource consent for land use, at the time of notification of commencement or commencement of the consent, whichever is the earlier, with payment required prior to commencement of the consented activity;
 - c) in the case of a building consent, at the time of granting the building consent with payment no later than 90 days from the date of granting consent or prior to the issue of a code compliance certificate, whichever is the earlier;
 - d) in the case of a service connection, at the time of approval of the service connection with payment prior to connection.
- 3.1.7 In accordance with Section 208 of the Local Government Act 2002, if contributions are not paid at the times required in section 3.1.6, the Council may:
 - a) withhold a certificate under section 224(c) of the Resource Management Act 1991 in the case of a subdivision;
 - b) prevent the activity commencing in the case of a land use consent;
 - c) withhold a code compliance certificate or certificate of acceptance in the case of a building consent;
 - d) withhold a service connection to the development.

If, after exercising its powers under Section 208 of the Act, any development contribution remains unpaid, the Council may under Section 252 of the Act regard the amount payable as a debt and take debt recovery action to recover that development contribution.
- 3.1.8 In the case of a resource consent for land use only, where a building consent is required to give effect to the resource consent, the applicant may apply for a postponement of payment under



Section 3.5 of this policy. If this is granted the Council will only require payment at the time it issues a building consent.

- 3.1.9 If a grantee of consent is in possession of two development contribution invoices for different consents relating to the same lot, both invoices will continue to have effect until payment is made of one of those invoices. When the first invoice is paid, the second invoice will be withdrawn and a reassessment of development contributions payable for the subdivision or development, as the case may be, relating to the second invoice will be made under Section 3.2.1. If any development contribution is payable on re-assessment, a new invoice will be issued.
- 3.1.10 No consented activity or building work shall commence prior to the payment of the development contribution and where such activity or work has commenced prior to such payment, Council shall require this to cease until payment has been made.

3.2 Amount of Total Development Contribution

- 3.2.1 The total amount of development contribution payable when issuing any consent or authorisation for subdivision or development, shall be the sum of the development contribution payable for each activity, calculated as:

$$[(a) \times (\Sigma(n) - \Sigma(x))] + \text{GST}$$

Where:

(a) = the applicable development contribution per unit of demand determined from Schedule 3 and the activity-funding area for each type of community facility in which the subdivision or development lies.

Σ = the sum of the terms inside the brackets.

(n) = for each lot at the completion of the consent or authorisation application, the total lot units of demand OR the total activity units of demand, determined by Table 1, whichever is the greater.

(x) = for each lot in existence (or for which a section 224 certificate under the Resource Management Act 1991 has been issued) prior to the date of the consent or authorisation application, the total lot units of demand OR the total activity units of demand for the existing development, determined by Table 1, whichever is the greater.

- 3.2.2 Examples of the method for calculating units of demand from different types of development are set out in Appendix 6.
- 3.2.3 The development contribution per unit of demand in Schedule 3, may be increased for any Producer Price Index adjustment in accordance with Section 106(2B) of the Act.

3.3 Determination of Units of Demand

- 3.3.1 In accordance with Schedule 13 of the Act, the additional capacity (AC cost) component of capital expenditure associated with new development in any catchment will be allocated equally



between the numbers of new units of demand expected to occur in that catchment during the development contributions calculation period.

- 3.3.2 Council has determined that units of demand generated by different land use types shall be those reflected in Table 1.
- 3.3.3 Demand for services may be necessitated by the creation of new lots (lot units of demand) that are required to be serviced in advance of their occupation. Demand for services may also be generated by the use and development of lots (activity units of demand), including the intensification or expansion of activity on those lots.

TABLE 1 UNITS OF DEMAND GENERATED BY SUBDIVISION AND DEVELOPMENT	
Lot Unit of Demand	Units of demand
One residential or rural lot	1.0
One mixed-use residential/commercial lot	1.0
One commercial, industrial or other non-residential lot with an area of less than 1,000 m ²	Lot area divided by 1,000 per square metre
One commercial, industrial or other non-residential lot with an area of 1,000 m ² or more	1.0
For the purposes of calculating community infrastructure development contributions only, one commercial, industrial or other non-residential lot	0
For the purposes of calculating water supply and sewerage development contributions ONLY, any <u>existing</u> <i>legally established lot</i> not connected to either the water supply network or the sewerage network as the case may be	0
For the purposes of calculating water supply and sewerage development contributions ONLY, any <u>proposed</u> <i>lot</i> not to be connected to either the water supply network or the sewerage network as the case may be	0
One <i>serviced camping site</i>	Special application
One <i>lot</i> : <ul style="list-style-type: none"> wholly covenanted in perpetuity as provided for by section 22 of the Queen Elizabeth the Second National Trust Act 1977 the title of which prevents any form of development on the <i>lot</i>. 	0
Activity Unit of Demand	Units of demand
One <i>dwelling unit</i> or <i>accommodation unit</i> (excluding a serviced camping site) of two or more <i>bedrooms</i> per unit	1.0



TABLE 1

UNITS OF DEMAND GENERATED BY SUBDIVISION AND DEVELOPMENT

One commercial unit including the commercial part of any activity but excluding any part that comprises accommodation units	The <i>net lettable area</i> on the <i>lot</i> multiplied by the applicable <i>unit of demand</i> factors in this table.
One industrial unit or any other non-residential development	Special application
For the purposes of calculating community infrastructure development contributions only, one commercial, industrial or other non-residential development	0
Any <i>dwelling unit</i> , or <i>accommodation unit</i> (excluding a serviced camping site) of one or fewer <i>bedrooms</i> per unit	0.5
Any room in an <i>accommodation unit</i> or any room in a retirement village or school, normally accommodating more than 3 persons	The number of persons able to be accommodated in the room divided by 6
Any <i>retirement unit</i> for purposes of calculating the water supply and sewerage contributions only	0.5 otherwise 0
Any <i>aged care room</i> for purposes of calculating the water supply and sewerage contributions only	0.2 otherwise 0
Other activity (Activity not specified elsewhere in this table).	Special application
For the purposes of calculating water supply and sewerage development contributions ONLY, any <u>existing</u> <i>legally established</i> development not connected to either the water supply network or the sewerage network as the case may be.	0
For the purposes of calculating water supply and sewerage development contributions ONLY, any <u>proposed</u> development not to be connected to either the water supply network or the sewerage network as the case may be.	0
Network infrastructure, including pipes, lines and installations, roads, water supply, wastewater and stormwater collection and management systems	0
Farm buildings associated with normal farming operations including sheds, barns, garages and buildings for indoor poultry livestock and crop production.	0
Crown developments	0
Unit of demand factors commercial development	Calculated in Appendix 5
Water Supply – Commercial development	1 per 769 m ² <i>net lettable area</i>
Sewerage - Commercial development	1 per 322 m ² <i>net lettable area</i>



- 3.3.4 The different units of demand generated by a unit of commercial activity, as compared with a unit of residential activity, arise mainly from the different scale and nature of activity when compared to demand from a standard dwelling unit.

To ensure fair and equitable assessment this policy:

- a) uses lot size in the case of subdivision for commercial purposes;
 - b) uses net lettable area in the case of commercial development as a proxy for assessing the different units of demand on services, likely to be generated respectively by residential and commercial activity and incorporates multipliers (unit of demand factors) to quantify those differences;
 - c) requires a special application to assess development contributions on industrial activity.
- 3.3.5 The assumptions used in this policy to derive the unit of demand factors for commercial development in Table 1 are described in Appendix 5 of this policy.

3.4 Information Requirements

- 3.4.1 The applicant for any consent or authorisation shall provide all information necessary for Council to calculate the amount of a development contribution, including the net lettable area of the development if required for purposes of an assessment under Table 1.
- 3.4.2 The applicant shall be responsible for providing proof of the legal establishment of existing units of demand for purposes of an assessment under Table 1.
- 3.4.3 Existing units of demand may include legally established buildings and structures that have been demolished up to three years prior to this policy becoming operative on 1 July 2018. «Type

3.5 Remissions and Postponements of Development Contributions

- 3.5.1 In addition to rights to reconsideration provided for by Section 199A and 199B of the Local Government Act 2002, the Council will consider applications for remission or postponement of development contributions.
- 3.5.2 The Council will consider applications for and may grant a remission of any development contribution where the applicant has provided and/or funded the same infrastructure that a development contribution has been required for but that remission shall be limited to the value of infrastructure provided or funded. In cases where the value of infrastructure provided or funded exceeds the development contribution payable, the Council shall meet the excess costs by separate agreement with the applicant.
- 3.5.3 Council will consider applications for and may grant a postponement of the payment of a development contribution in the case of resource consent for land use only, where a building consent is required to give effect to that resource consent. At the discretion of the Council, the payment of a development contribution on the resource consent may be postponed until a building consent is granted.



- 3.5.4 Council will consider applications for a postponement of the payment of a development contribution in the case of a subdivision consent. If it grants a postponement it may do so on whatever terms the Council thinks fit, including that it may:
- a) issue a certificate under Section 224(c) of the Resource Management Act 1991, prior to the payment of a development contribution; and
 - b) register the development contribution under the Statutory Land Charges Registration Act 1928, as a charge on the title of the land in respect of which the development contribution was required.
- 3.5.5 An applicant may formally request Council to review the development contribution required and remit or postpone the development contribution payment.
- 3.5.6 Any such request shall be made in writing no later than 15 working days after the date on which Council issues an invoice under Section 3.1.5, setting out the reasons for the request.
- 3.5.7 Prior to accepting any such request for review, Council shall require the applicant to provide specific details of the manner in which its proposals qualify for a remission or postponement.
- 3.5.8 In undertaking the review, Council or a Committee of Council or an officer so delegated:
- a) shall, as soon as reasonably practicable, consider the request;
 - b) may determine whether to hold a hearing for the purposes of the review and if it does, give at least five working days' notice to the applicant of the date, time and place of the hearing;
 - c) may at its discretion uphold, remit in whole or in part or postpone (as the case may be) the original development contribution required and shall advise the applicant in writing of its decision within ten working days of making that decision;
 - d) may charge such fee as determined in its annual schedule of fees, to consider the request.

3.6 Reconsideration process

- 3.6.1 As required by Section 202A of the Act, this policy must set out the process for requesting reconsideration of a requirement for a development contribution under section 199A of the Act. The process for reconsideration must set out:
- a) how the request can be lodged with the Council; and
 - b) the steps in the process that the Council will apply when reconsidering the requirement to make a development contribution.
- 3.6.2 An applicant who is required to make a development contribution may request a reconsideration of that requirement if they believe that:
- a) the development contribution was incorrectly calculated or assessed under this policy; or
 - b) the Council incorrectly applied this policy; or
 - c) the information used to assess the applicant's development against this policy, or the way the Council has recorded or used it when requiring the development contribution, was incomplete or contained errors.
- 3.6.3 Any request for reconsideration shall be made in writing, no later than 15 working days after the date on which Council issues an invoice under Section 3.1.6 of this policy.



- 3.6.4 Prior to accepting any request for review, the Council shall require the applicant to state the reasons under Section 3.6.2 for reconsideration and provide sufficient information to enable the Council to reconsider the development contribution.
- 3.6.5 The Council (or a Committee of Council or an officer so delegated) will limit its considerations to matters set out in Section 199A of the Act (Section 3.6.2 of this policy).
- 3.6.6 In accordance with Section 199B(1) of the Act, the Council must, within 15 working days after the date on which it receives all required relevant information relating to a request, give written notice of the outcome of its reconsideration to the applicant who made the request.
- 3.6.7 In accordance with Section 199B(2) of the Act, an applicant who requested reconsideration may object to the outcome of the reconsideration.

3.7 Special applications

- 3.7.1 Where developments are marked for special application or not adequately represented in Table 1 or there are specific circumstances related to the applications, these may be considered on a case-by-case basis. Units of demand calculated are based on potential demand not actual demand at any one time. Accordingly specific circumstances do not include those where the users do not utilise the full potential demand (e.g., a hotel with a 50% occupancy rate will still be assessed at a 100% of the unit of demand relating to hotels; a house with one occupant will be assessed at the unit of demand for a household).

3.8 Crown developments

- 3.8.1 The Crown is exempt from the provisions of this policy by virtue of Section 8 of the Local Government Act 2002. If an applicant considers that it is the Crown for the purposes of avoiding liability to pay a development contribution, the Council may require the applicant to provide written advice to the Council outlining the basis on which the applicant considers that it is the Crown.

3.9 Statement on GST

- 3.9.1 Any development or financial contribution referred to in this policy or in the accompanying development contributions model and any development contribution required in the form of money, pursuant to this policy, is exclusive of Goods and Services Tax.

4 Methodology

The calculation of the separate portions of the cost of any combined project (AC/ILOS project) between that for improving levels of service to existing households and businesses (ILOS costs), and that for providing additional capacity to accommodate new development of households and businesses (AC costs) under this policy, is carried out using the following procedure.



4.1 Step 1: Listing projects

- 4.1.1 Every project in the capital works programme of the Long Term Plan for the activities for which the Council intends to require development contributions is listed in the Project Allocation Schedule of the Development Contributions Model.
- 4.1.2 Every surplus capacity project is listed in the Surplus Capacity Schedule.
- 4.1.3 Where possible, distinct stages of a project or distinct parts of a project are listed in the schedules as separate components and separate calculations carried out for each.
- 4.1.4 For each project in the schedules, the following base information is provided:
 - a) the total project cost;
 - b) the catchment which the project will serve;
 - c) the level of any subsidy, third party funding or other source of funding if any which is deducted from the total project cost to give the net project cost;
 - d) the year in which the project or component is to be carried out in the Long Term Plan, or in the case of each surplus capacity project (SC project), the year it was completed.
 - e) the year in which the project capacity is expected to be fully consumed.

4.2 Step 2: Initial screening

- 4.2.1 Each project in the Project Allocation Schedule is categorised "Yes" or "No" in answer to the question – "Is this capital expenditure required at least partly to provide appropriately for new or additional assets or assets of increased capacity in order to address the effects of development?" By answering:
 - a) "No" - the project is treated as a pure renewal or level of service project and the cost of the project is removed from the development contribution calculation;
 - b) "Yes" - the project is treated as either a combined project (AC/ILOS project) or an additional capacity for growth project (AC project) and is subject to further analysis.
- 4.2.1 Each project in the Surplus Capacity Schedule is categorised "Yes" or "No" in answer to the question – "Was capital expenditure on this project incurred, at least partly, in anticipation of development?" By answering:
 - a) "No" - the project is treated as a pure renewal or level of service project and the cost of the project is removed from the development contribution calculation;
 - b) "Yes" - the project is treated as either a combined project (AC/ILOS project) or an additional capacity for growth project (AC project) and is subject to further analysis.

4.3 Step 3: Cost allocation of combined projects or additional capacity for growth projects

- 4.3.1 Using the information provided on combined projects (AC/ILOS projects) and additional capacity for growth projects (AC projects) in the project schedules, a needs/benefits matrix analysis is carried out by which it is required to state for each project:



- a) the degree, on a scale of 0 to 10 to which growth created the need for the project to be undertaken. (0=Not at all, 10=Totally);
- b) the degree on a scale of 0 to 10 to which the growth community will benefit from the project being undertaken. (0=Not at all, 10=Totally);

Calculation of Growth Component % - Need/Benefit Matrix

NEED

To what degree does Growth create the need for the project 0 - not at all, 10 - totally

Factor	0	1	2	3	4	5	6	7	8	9	10
0	0	5	10	15	20	25	30	35	40	45	50
1	5	10	15	20	25	30	35	40	45	50	55
2	10	15	20	25	30	35	40	45	50	55	60
3	15	20	25	30	35	40	45	50	55	60	65
4	20	25	30	35	40	45	50	55	60	65	70
5	25	30	35	40	45	50	55	60	65	70	75
6	30	35	40	45	50	55	60	65	70	75	80
7	35	40	45	50	55	60	65	70	75	80	85
8	40	45	50	55	60	65	70	75	80	85	90
9	45	50	55	60	65	70	75	80	85	90	95
10	50	55	60	65	70	75	80	85	90	95	100

BENEFIT

To what degree does Growth benefit from the project 0 - not at all, 10 - totally

- 4.3.2 The value is chosen in each case from the need/benefits matrix in the model which produces an estimated percentage of cost attributable to growth.
- 4.3.3 The matrix generates 121 different need/benefit combinations. The percentage derived is applied to the net project cost to determine the AC cost. The remainder of the net project cost is the ILOS cost.
- 4.3.4 A unit price is calculated for each project by dividing the project cost by the total units of demand that will consume its capacity comprising:
 - a) existing units of demand at 2018; plus
 - b) additional units of demand expected to consume capacity in the asset by the end of its asset life.

4.4 Step 4: Capacity life - Cost allocation between new and future units of demand

- 4.4.1 Using information provided on the year in which capacity take up of a project is expected to start and the year in which the project capacity is expected to be fully consumed, the AC cost of the project is divided between new units of demand (N) arriving in the activity-funding area in the Long Term Plan period and future units of demand (F) arriving after the end of the Long Term Plan period, as follows:
 - a) the AC cost to F is the AC cost determined in section 5.3 above multiplied by the years of capacity take up after the Long Term Plan period divided by total years of capacity take-up;
 - b) the AC cost to N is the AC cost less the AC cost to F.
- 4.4.2 Only the AC Cost to N is used in the calculation of development contributions.
- 4.4.3 In addition to predicting the capacity take up an asset, by comparing the start and end years of capacity life against rating unit projections, the development contributions model is able to accept



a finite capacity figure from the asset manager which, regardless of years of take-up, can be used to share the cost of an asset equitably among the known number of units of demand that will eventually consume its capacity.

4.5 Step 5: Growth assumptions - Sharing 10-year costs among projected growth

- 4.5.1 In order to calculate the amount of new development to which the growth related portion of capital expenditure (AC costs) for infrastructure will be attributed, area-by-area projections of new and future units of demand for services in the period 2018 to 2048 are required.
- 4.5.2 Council maintains a detailed rating database that provides the numbers of rating units for all parts of the District.
- 4.5.3 The numbers of rating units provide a close correlation with numbers of lots in the Southland District and a measure of separate units of activity on any lot where this is the case. They are considered to provide a reasonably sound measure of the units of demand for infrastructure and services.
- 4.5.4 The growth projection worksheet of the development contributions model, Projections Schedule, contains as the base year, the number of rating units (units of demand) for each activity type existing at the time of the 2017/2018 rates year. Rating data is available for the whole Southland District, and each of the water supply, wastewater and community infrastructure catchments.
- 4.5.5 Long Term Plan assumptions have been used to determine the expected annual increase in the numbers of rating units and hence units of demand to 2028, in each of these catchment areas.
- 4.5.6 Projections Schedule also provides long-term estimates for future Rating Units (units of demand) after the Long Term Plan period to 2048, in order to ensure that any portion of remaining surplus capacity at the end of the period may be attributed to future development.
- 4.5.7 Geographic catchments will apply to each activity type. Projections Schedule provides rating units at 2018 and projected rating units for each activity-funding area to 2048.

4.6 Step 6: Allocation of costs to units of demand - Schedule of development contributions

- 4.6.1 The development contribution for each activity and each catchment to be charged per Unit of Demand is derived by dividing the costs of growth in the Long Term Plan period (AC Cost to N), derived in Step 3 and Step 4 by the number of additional rating units expected in the period, derived in Step 5.
- 4.6.2 A full schedule of development contributions (Schedule 3) must be prepared as part of the policy to enable the development contributions to be calculated by infrastructure type and catchment on each development application.



4.7 Interest and inflation

- 4.7.1 The development contributions model does not include interest on growth related capital expenditure in the calculation of the development contribution amounts.
- 4.7.2 Council does not intend to recover past interest that has been funded from rates from development contributions and has not included it in the development contribution calculation.
- 4.7.5 The development contributions model uses the inflated capital costs in the Long Term Plan to calculate development contributions.



5 Schedules

5.1 Schedule 1 – Schedule of Assets

Activity Group	DCP Catchment	Project name	Type	Project Cost	Proportion recovered through Development Contributions	Proportion recovered through Other Sources
Wastewater	Te Anau CB	Te Anau/Manapouri Treatment & Disposal	LTP Project	14,433,965.00	0.00%	100.00%
Roads and footpaths	Stewart Island/Rakiura CB	Streetworks Stewart Island	LTP Project	94,649.00		
Community Services	Stewart Island/Rakiura CB	Waterfront Playground Stewart Island	LTP Project	68,936.00	0.00%	100.00%
Roads and footpaths	Te Anau CB	Streetworks Te Anau	LTP Project	51,100.00	0.00%	100.00%
Community Services	Te Anau CB	Parks & Reserves Te Anau	LTP Project	58,445.00	0.00%	100.00%
Community Services	Riverton/Aparima CB	Cemetery - Riverton	LTP Project	234,737.00	0.00%	100.00%
Community Services	Winton CB	Cemetery - Winton	LTP Project	15,744.00	0.00%	100.00%
				14,957,576.00		

* The Council has deemed that the Te Anau/Manapouri Treatment and Disposal project has a demand component. The demand component of this project has been calculated at 36.80%. However, the Council is has put development contributions into remission across the district in order to encourage economic growth. Whilst development contributions are in remission, the demand share of the project will be funded by rates and previously collected contributions. Council would periodically review its decision to remit development contributions to ensure that it remains appropriate in consideration of the economic and population grow



5.2 Schedule 2 - Capital Expenditure Identified to Meet Increased Demand Resulting From Growth* and Sources of Funding by Activity

ACTIVITY	2018-28 LTP					SURPLUS CAPACITY					
	Total Cap Project Costs	Dev Contrib (New)	Dev Contrib (Future)	Rates	Subsidies/ Grants/ Contrib recov	Total Value of Surplus Capacity Projects	Dev Contrib (New)	Dev Contrib (Future)	Dev Contrib (already used)	Rates	Subsidies/ Grants/ Contrib recov
WASTEWATER	\$14,433,965	\$ -	\$ -	\$14,091,360	\$342,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CEMETERIES	\$250,481	\$ -	\$ -	\$ -	\$250,481	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PARKS AND RESERVES	\$127,381	\$ -	\$ -	\$ -	\$127,381	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ROADING AND TRANSPORT	\$145,749	\$ -	\$ -	\$ -	\$145,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$14,957,576	\$ -	\$ -	\$14,091,360	\$866,036	\$ -	\$ -	\$ -		\$ -	\$ -

* Although there are a number of projects with demand components scheduled, the Council is proposing to place the collection of development contributions into remission. Under this proposal, funding for the Te Anau / Manapouri Treatment and Disposal project (Sewerage) will be sourced from contributions already recovered and rates. The demand component of this project (currently calculated at \$5,311,375), would typically be funded by development contributions. If Council deems it appropriate to reinstate development contributions in the future, they will be used as a source of funding for this project and reduce the rates requirement.



5.3 Schedule 3 - Schedule of Development Contributions

AREA	WASTEWATER	WATER SUPPLY	COMMUNITY INFRASTRUCTURE	RESERVES	ROADING	TOTAL
TE ANAU CB	\$-*	\$-	\$-	\$-	\$-	\$-
NOTE 1: THESE CONTRIBUTION AMOUNTS DO NOT INCLUDE GST						

Council will invoice a development contribution at the following times:

- in the case of a resource consent for subdivision, at the time of application for a certificate under section 224(c) of the Resource Management Act 1991, with payment required prior to the issue of the certificate;
- in the case of a resource consent for land use, at the time of notification of commencement or commencement of the consent, whichever is the earlier, with payment required prior to commencement of the consented activity;
- in the case of a building consent, at the time of granting the building consent with payment no later than 90 days from the date of granting consent or prior to the issue of a code compliance certificate, whichever is the earlier;
- in the case of a service connection, at the time of approval of the service connection with payment prior to connection.

* The Council has put development contributions into remission across the district in order to encourage economic growth. As such, the Te Anau / Manapouri Treatment and Disposal project will be funded through rates and contributions which have already been recovered. Council will periodically review its decision to remit development contributions to ensure that it remains appropriate in consideration of the economic and population growth.

If development contributions were not placed in remission, the amount of contributions for the Te Anau / Manapouri Treatment and Disposal project would be \$2,968.40 per unit of demand (GST exclusive) from 1 July 2018.



6 Roles and Responsibilities

ROLE	ROLES AND RESPONSIBILITIES
Council	Decision on whether to review and reinstate the policy when in remission

7 Revision Record

This policy may be reviewed at any time but no longer than three years from the date of its adoption.

Section 106(6) of the Local Government Act 2002 requires that a policy on development or financial contributions must be reviewed at least once every three years using a consultation process that gives effect to Section 82 of the Act.

DATE	VERSION	REVISION DESCRIPTION
R/17/10/24438	Development and Financial Contributions Policy	Long Term Plan 2018-28
R/14/11/17513	Development and Financial Contributions Policy	Long Term Plan 2015-25
R/14/6/8794	Development and Financial Contributions Policy	Annual Plan 2014-15
R/13/2/1981	Development and Financial Contributions Policy	June 2013
R/09/9/13493	Development Contributions and Reserve Contributions under Local Government Act 2002 Policy	LTP 2009-2019

8 Appendix 1 - Definitions and Abbreviations

DEFINITIONS	
Term	Meaning
Accommodation unit	Has the definition given to it in Section 197 2 of the Local Government Act 2002 which <i>“means units, apartments, rooms in 1 or more buildings, or cabins or sites in camping grounds and holiday parks, for the purpose of providing overnight, temporary, or rental accommodation.”</i>
“AC cost”	means the cost for providing additional capacity to service the development of new households and businesses.
“Activity”	means a good or service provided by the Council under Section 5 of the Local Government Act 2002), and for which development contributions are normally collected.
“Activity unit of demand”	means the demand for a community facility generated by development activity other than subdivision
“Additional capacity project” or “AC project”	means a capital project in the Long Term Plan intended only to provide additional capacity to service new and future households and businesses.
“Aged care room”	means any residential unit in a “rest home” or “hospital care institution” as defined in Section 58(4) of the Health and Disability Service (Safety) Act 2001.
“Allotment” or “lot”	<p>has the meaning given to the term “allotment” in Section 218(2) of the Resource Management Act 1991.</p> <p>“Allotment” is defined under section 218(2) of the Resource Management Act 1991 as follows:</p> <ul style="list-style-type: none"> (a) <i>any parcel of land under the Land Transfer Act 1952 that is a continuous area and whose boundaries are shown separately on a survey plan, whether or not:</i> <ul style="list-style-type: none"> (i) <i>the subdivision shown on the survey plan has been allowed, or subdivision approval has been granted, under another Act; or</i> (ii) <i>a subdivision consent for the subdivision shown on the survey plan has been granted under this Act; or</i> (b) <i>any parcel of land or building or part of a building that is shown or identified separately—</i> <ul style="list-style-type: none"> (i) <i>on a survey plan; or</i> (ii) <i>on a licence within the meaning of Part 7A of the Land Transfer Act 1952; or</i> (c) <i>any unit on a unit plan; or</i> (d) <i>any parcel of land not subject to the Land Transfer Act 1952.</i>

DEFINITIONS	
"Bedroom"	means a room used for sleeping, normally accommodating no more than three persons.
Catchment	is an area of the District identified in this policy within which growth and development is occurring, which is likely, either solely or cumulatively, to give rise to the need for, or benefit from, particular Council activities.
"Combined project" or "AC/ILOS project"	means a project in the Long Term Plan intended to deal with shortfalls in levels of service to existing households and businesses by bringing assets up to the <i>service standard</i> and/or by providing additional service life, and to provide capacity for further growth.
"Commercial"	means non-residential development using land or buildings for the provision of goods and services in the course of a trade or business and includes retail development.
"Community facilities"	means parks and reserves, network infrastructure, or community infrastructure for which development contributions may be required.
"Community infrastructure"	has the definition given to it in Section 197(2) of the Local Government Act 2002.
"Development"	has the definition given to it in Section 197(1) of the Local Government Act 2002.
"Development contributions calculation period"	means the period between 1 July 2018 and a date 30 years after the date of adoption of this policy.
District plan	The Operative Southland District Plan including any proposed plan or variation.
"Dwelling unit"	means any building or group of buildings or any part of those buildings, used or intended to be used solely or principally for residential purposes and occupied or intended to be occupied by not more than one household – and includes a minor household unit, a utility building or any unit of commercial accommodation.
"Household unit"	A building or part of a building capable of being used as an independent residence and includes dwelling apartments, semi-detached or detached houses, units, town houses, granny flats (or similar), and caravans (where used as a place of residence or occupied for a period of time exceeding six months in a calendar year).
"ILOS cost"	means the cost of improving levels of service to existing households and businesses by bringing assets up to the <i>service standard</i> and/or by providing additional service life.

DEFINITIONS	
"Improved level of service project" or "ilos project"	means a capital project in the Long Term Plan intended only to deal with shortfalls in levels of service to existing households and businesses by bringing assets up to the <i>service standard</i> and/or by providing additional service life.
"Industrial"	<p>A non-residential development using land or buildings where people use material and physical effort in the course of a trade or business to:</p> <ul style="list-style-type: none"> • extract or convert natural resources, • produce goods or energy from natural or converted resources, • repair goods; but <p>does not include mineral extraction or farm buildings associated with normal farming operations including sheds, barns, garages and buildings for indoor poultry livestock and crops production.</p>
"Legally established"	means, in relation to any <i>lot</i> or development, any <i>lot</i> for which a title has been issued, or any dwelling, commercial or industrial unit for which a code compliance certificate has been issued. <i>Legally established</i> development includes buildings and structures that can be shown to have been in existence when this policy became operative on 1 July 2018, but have since been demolished.
"Lot unit of demand"	means the demand for a community facility generated by the creation of lots through subdivision.
"Net lettable area"	means the area for which a tenant could be charged for occupancy under a lease. Generally, it is the floor space contained within a tenancy at each floor level measured from the internal finished surfaces of permanent external walls and permanent internal walls but excluding features such as balconies and verandahs, common use areas, areas less than 1.5 m in height, service areas, and public spaces and thoroughfares.
"Non-residential lot or development"	<p>Any lot or development that is not for residential purposes. This includes:</p> <ul style="list-style-type: none"> • all buildings that are considered a fundamental place of work such as dairy milking sheds, shearing sheds, and indoor farming facilities such as chickens or pigs • all buildings for the provision of sport, recreation or entertainment, <p>All buildings for the provision of social and cultural pursuits.</p>
"Past surplus capacity"	means capacity in assets provided as a result of capital expenditure made in anticipation of development since 1 July 2005.
"Remaining surplus capacity"	means the estimated remaining capacity in capital assets at the end of the Long Term Plan period, available to service future development occurring after the Long Term Plan period.

DEFINITIONS	
"Residential development"	any use of land and/or buildings by people for the purpose of living accommodation. It includes accessory buildings and leisure activities associated with needs generated principally from living on the site.
"Retirement unit"	means any residential unit other than an aged care room, in a " <i>retirement village</i> " as defined in section 6 of the Retirement Villages Act 2003.
"Serviced site"	means any site dedicated for the location of a vehicle or tent for the accommodation of persons, which is provided with utility services such as water supply, wastewater disposal, solid waste disposal, electricity or gas, either directly to the site or in the immediate vicinity.
"Surplus capacity project" or "sc project"	means a past capital expenditure project carried out since 1 July 2005 in anticipation of new development and providing surplus capacity for further development.
"Utility building"	is a structure containing facilities (such as toilet, shower, laundry, hot water cylinder, laundry tub) that make the site habitable prior to or during the erection of a dwelling.
"Unit of demand"	is a unit of measurement by which the relative demand for an activity, generated by different types of development (existing or proposed), can be assessed. A <i>unit of demand</i> may be expressed as a <i>lot unit of demand</i> or an <i>activity unit of demand</i> .

9 Appendix 2 - Development Contribution Catchments

Community facility	Catchment	Development to which development contribution applies
Water supply	10 drinking water supply scheme areas: <ul style="list-style-type: none"> • Edendale/Wyndham • Manapouri • Mossburn • Ohai/Nightcaps/Wairio • Orawia • Otautau • Riverton • Te Anau • Tuatapere • Winton 2 mixed potable / rural water supply areas: <ul style="list-style-type: none"> • Eastern Bush/Otahu Flat • Lumsden/Balfour 	Development in any separate water supply scheme
Sewerage	18 sewerage scheme areas: <ul style="list-style-type: none"> • Balfour • Browns • Edendale/Wyndham • Gorge Road • Lumsden • Manapouri • Monowai • Nightcaps • Ohai • Riversdale • Riverton • Stewart Island • Te Anau • Tokonui • Tuatapere • Otautau • Wallacetown • Winton 	Development in any separate sewerage scheme
Community infrastructure	Waihopai Toetoes Ward, Winton Wallacetown Ward, Mararoa Waimea Ward, Waiau Aparima Ward, Stewart Island Rakiura Ward	Development in each separate ward

10 Appendix 3 - Assessment of Significant Assumptions

ASSUMPTION	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS
The rate, level and location of growth will occur as forecast in the rating growth projections accompanying the Long Term Plan	High	Lower than forecast growth will result in a significant under-recovery of development contributions revenue
Capital expenditure will be in accordance with the capital works programme in the Long Term Plan and future capital expenditure is based on the best available knowledge at the time of preparation. These are to take into account known or likely construction costs and assumed inflation rates	Moderate	In current circumstances significant changes to the capital programme are unlikely
No significant changes to service standards are expected to occur in the Long Term Plan period other than those planned for in the Asset Management Plans	Low	No significant effects anticipated
The level of third party funding (such as NZ Transport Agency subsidies) will continue at predicted levels for period of the Long Term Plan	Low	No significant effects anticipated
There will be no significant variations to predicted rates of interest and inflation to those set out in the Long Term Plan	Low/Moderate	No significant effects anticipated
Each residential dwelling comprises the average number of residents from the 2013 Census. The demand on Council assets placed by a standard dwelling (Unit of Demand) is assumed to be 2.5 persons per dwelling and this is applied District-wide	Moderate	The average dwelling occupancy will remain steady over time but there may be local areas where residential occupancy goes above the District average and places increased demands on infrastructure from that anticipated

11 Appendix 4 - Summary of Financial Contribution Provisions

Section 106(2)(f), if the Council is to require financial contributions then this policy must summarise the provisions that relate to financial contributions in the District Plan.

Section 2.14 of the Proposed Southland District Plan 2012 requires the following contributions:

Roading - A contribution may be required for the development, maintenance and upgrading of roading infrastructure that serves the subdivision. The amount of contribution is 100% of the cost of the required work reduced with regard to:

- a) the current status and standard of roading leading to and fronting the site;
- b) the benefit of works to existing users and the wider public;
- c) the standard and classification of the road and expenditure required to meet this standard;
- d) the use or likely future use of the road by other parties; contributions made by central government and other agencies towards the development of the road; and
- e) previous financial contributions from developers who will benefit from the work.

Reserves - A contribution may be required in the following situations:

- a) a contribution of 2% of the value of additional allotments created by subdivision, up to a maximum value of 2% of the value of 1,000 m² per lot, where existing reserves in the locality cannot deal with additional demand; or
- b) a contribution of 1% of the value (given as money or land) of additional allotments created by subdivision for minor improvements to existing reserves in the locality up to a maximum value of 1% of the value of 100 m² per lot;
- c) a contribution of the value of 20 m² for each additional residential unit created in a development; or
- d) a contribution of the value of 4 m² of land for each additional 100 m² of net non-residential building floor area created in a development in the Urban Zone, Commercial Precinct or Industrial Zone.

12 Appendix 5 - Calculating Units of Demand for Commercial Development

Industrial and other non-residential development (other than commercial development) will be subject to special application under section 3.7 of this policy. In calculating the units of demand generated by commercial development for water supply and sewerage, as compared to that of an average dwelling unit, Council accepts that demand may vary between different types of commercial activity. However changes to the type of business over time may not constitute “development” under the Act or even trigger a resource consent, building consent or new connection requiring a development contribution. This policy therefore treats all types of commercial activity as generating the same average unit of demand for a given net lettable area.

Water - comparison of residential and commercial demand

The residential daily demand for water comprises that for domestic purposes and non-domestic uses (eg gardening, car washing, fire fighting, leakages etc). The following figures are used in the assessment:

- a) The average daily residential demand for domestic purposes is 230 litres/person/day.
- b) The average daily residential demand for non-domestic purposes is 1,200 litres/dwelling.

In determining the units of demand for one dwelling unit, it is noted that not all potential demand will occur at the same time and therefore an average peak of four persons per household is used to assess peak usage per dwelling at 2,120 litres/day (4×230 litres/day + 1200 litres).

Water consumption sampling¹ of various commercial premises, offers data for premises which may be typical of many Southland main street businesses in the range 0 - 5,000 m² net lettable area (NLA). These would also generally be premises naturally rather than mechanically cooled with air conditioning systems using higher quantities of water.

Sampling found consumption in the range 875 - 1,200 m³ (average 1,037 m³) per annum per 1,000 m² NLA. This converts as follows:

Commercial premises consuming an average 2,840 litres per day per 1,000 m² NLA; thus

If 2,120 litres per day is 1 unit of demand for residential; then

2,840 litres per day (1,000 m² NLA) is 1.3 units of demand; then

769 m² NLA is 1 unit of demand.

Sewerage - comparison of residential and commercial demand

Average daily residential wastewater flows are assumed to equate to the domestic purposes water use of 230 litres/person/day, with water for non-domestic purposes not finding its way to the sewer. Average peak usage per property at 4 persons per dwelling is therefore 920 litres/day (4×230 litres/day).

It is assumed that all water consumption on commercial premises (2,840 litres per day per 1,000 m² NLA) in main street situations will find its way to the sewer. To calculate the units of demand for sewerage:

Commercial premises generate an average 2,840 litres sewerage per day per 1,000 m² NLA; thus

If 920 litres per day is 1 unit of demand for residential; then

2,840 litres per day (1,000 m² NLA) is 3.1 units of demand; then

322 m² NLA is 1 unit of demand.

¹ Water Performance Benchmarks for New Zealand: an approach to understanding water consumption in commercial office buildings, Bint, Isaacs and Vale, School of Architecture, Victoria University Wellington

13 Appendix 6 - Calculation of Development Contribution Amount On A Development

The formula in **Section 3.2.1** of this policy calculates the demand on infrastructure from any development site after the proposed development has taken place (n) and subtracts the existing demand already generated by the site before the development occurs (x). In this way, it identifies only additional demand placed on infrastructure as a result of the development. This additional demand is multiplied by the development contribution amount for each type of infrastructure to calculate the total development contribution payable.

Using Table 1 of this policy, the units of demand before and after development are calculated, as the greater of the number of lot units of demand making up the development site OR activity units of demand (building development) on the development site at the time.

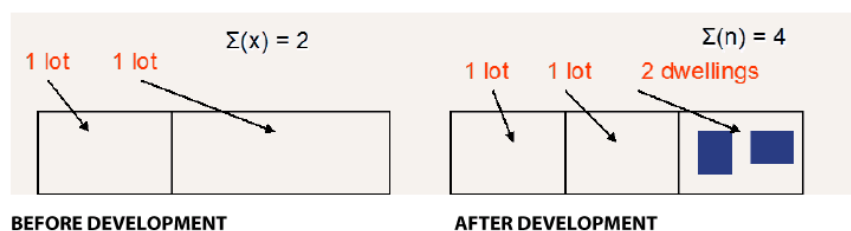
The calculation is $[(a) \times [\Sigma(n) - \Sigma(x)]] + \text{GST}$ where:

(a) is the development contribution for the catchment eg sewerage \$1,316 per unit;

(x) is, for each lot existing before development, the lot units of demand OR activity units of demand whichever is the greater;

(n) is, for each lot after the development, the lot units of demand OR activity units of demand whichever is the greater.

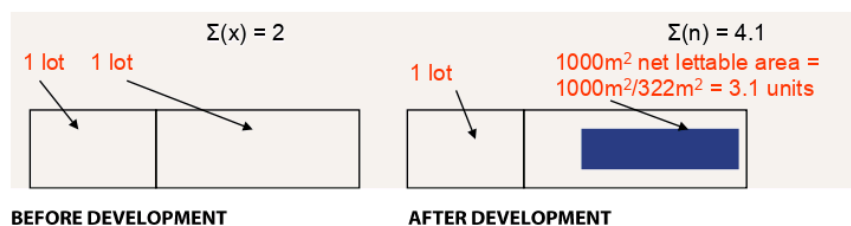
Residential development example using Table 1:



Additional units of demand $\Sigma(n) - \Sigma(x) = 4(n) - 2(x) = 2$ Units

Development contribution for sewerage is 2 units \times \$1,316 = \$2,632 + GST

Commercial development example using Table 1:



Additional units of demand $\Sigma(n) - \Sigma(x) = 4.1(n) - 2(x) = 2.1$ Units

Development contribution for sewerage is 2.1 units \times \$1,316 = \$2,764 + GST



DRAFT Policy on Development and Financial Contributions 2021-2031

Group responsible: Finance

Date approved:

Date amended:

File no: R/20/7/30795

1 Introduction

1.1 Purpose

To provide predictability and certainty about how and when Council proposed to use development contributions and financial contributions, what they fund and why. ~~the sources and levels of funding by enabling Council to may recover a fair, equitable, and proportionate share of the total cost of capital expenditure necessary to service growth over the long term through~~ development contributions from those persons undertaking development; ~~a fair, equitable, and proportionate share of the total cost of capital expenditure necessary to service growth over the long term and to Council may~~ recover financial contributions to deal with the adverse environmental effects of new development in the District.

1.2 Statutory context

Council is required by s.102(2)(d) of the Local Government Act 2002 (the Act), to have a policy on development contributions or financial contributions.

Council has chosen to use both development contributions and financial contributions to recover the total cost of capital expenditure necessary to service new development and to deal with its effects.

Financial contribution provisions for recovering the growth-related costs of roading and reserves are detailed in 2.14 of the District Plan.

This policy on Development and Financial Contributions (the -policy) deals with development contributions for water supply, sewerage-wastewater and community infrastructure.

Council, in addition to determining matters of content in this policy, has determined:

- a) that the decision to adopt the policy is not a significant decision;
- b) that it believes it has met the decision-making and consultation requirements of the Act to the extent required.

Enter publish date

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1.3 Growth and development

~~The population of Southland District grew by 1176 persons (4.1%) in the 6 years between 2006 and 2013. The total number of dwellings increased by 873 (7.9%) and the number of rating units increased in the same period. Projections by BERL estimate there will be approximately 6,400 more people in the District by 2043. 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. At the other end, Monowai, Nightcaps, Riversdale, Tokanui, and Otautau are projected to either maintain their 2013 population through to 2043 or see a small decline. The population of Southland District grew by 900 persons (3.1%) in the 12 years between 2001 and 2013. The total number of dwellings increased by just over 1,000 (9.4%) and the number of rating units increased in the same period. Projections by Infometrics Limited estimate there will be approximately 2,000 more people in the District by 2028, based on a medium growth projection. It has been identified that growth is not going to be evenly distributed across towns in the District, and that some towns will experience negative growth.~~

In making this policy, Council has considered the matters under s.101(3) of the Act. This section of the Act states that the funding needs to meet expenditure requirements must be met from sources that the local authority determines to be appropriate, following a consideration of the overall impact of any allocation of liability for revenue needs ~~on the current and future social, economic, environmental, and cultural well-being of the community, on the community.~~

1.4 Remission of policy and background

This policy is currently in remission and development contributions will not be required under it. The financial contributions provisions in the Southland District Plan are not in remission and continue to apply to development in the District.

As Council wants to encourage development and economic growth in the District, Council proposes to fund the total cost of capital expenditure for water supply and ~~sewerage-wastewater~~ necessary to service development from sources other than development contributions. Development contributions will not be required under this policy until resolved otherwise by Council in which case the provisions of the policy will apply in full. Council has full discretion as to the timing of a review.

Council will continue to require financial contributions for roading and reserves under 2.14 of the ~~Proposed~~ Southland District Plan. Council is concerned that in the event of any substantial development, the resulting costs for roads and reserves to serve the development could affect the level of rates unless funded by financial contributions. The ability to require financial contributions will not limit the ability of Council to impose resource consent conditions requiring an applicant to carry out roading and reserves works to offset the adverse effects of a development.

Council may review its position on remissions at any time but shall do so no more than three years from the date on which ~~it adopts its Long Term Plan~~ this policy becomes operative.

~~Prior to 2012, the development contributions policy applied to development across Southland District and application of the policy resulted in persons undertaking new developments in the Southland District being subject to a development contributions regime.~~



~~Council has been conscious of the fact that development contributions may have previously been an impediment or barrier to new economic development. This is contrary to the Council's aspirations for encouraging growth. The Council also recognises that when new developments occur, these often contribute significantly to ongoing community wellbeing and also contribute financially on an ongoing basis through rates.~~

~~In recognition of this, the Council removed development contributions from most parts of the District in 2012. The 2012-22 development contribution policy was limited to reserves across the district, and water and sewerage projects at Te Anau (and only in cases where developments proposed to connect to reticulated services).~~

2 Policy details

Council has considered all matters it is required to consider under the Act when making a policy on development contributions or financial contributions. The Council has also considered requirements in ss.106, 201 and 201A of the Act relating to the content of such a policy. Policy resulting from these considerations is set out in this section. The way in which the policy will be applied in practice is set out in Section 3.

2.1 Appropriate sources of funding

Council incurs capital works expenditure in order to:

- a) provide additional capacity in assets to cater for new development;
- b) improve the level of service to existing households and businesses;
- c) meet environmental and other legislative requirements; and
- d) renew assets to extend their service life.

Section 101(3)(a) of the Act states that the funding needs to meet these expenditure requirements must be met from sources that Council determines to be appropriate, following a consideration, in relation to each activity, of a number of matters. Council's consideration of these matters as it relates to the funding of capital expenditure is outlined in the Revenue and Financing Policy.

The analysis contained in the Revenue and Financing Policy is also applicable to this policy.

Council has had regard to and made the following determinations under each activity in relation to the matters set out under s.101(3)(a)(i) to (v) of the Act:

- a) that development contributions are an appropriate source of funding for providing additional capacity in water supply, ~~sewerage-wastewater~~ and community infrastructure assets because when development occurs it takes up capacity in these assets and requires Council to provide additional capacity in existing assets or new assets or to serve the development;
- b) that financial contributions are an appropriate source of funding for roading and reserves assets because the Council only seeks contributions towards these assets to mitigate adverse effects in the vicinity of developments and not to fund these assets in the wider network;
- c) community infrastructure contributions will only be required on residential developments although the Council may still require financial contributions for reserves on non-residential



developments as a condition of resource consent under the Resource Management Act 1991 (the RMA).

In keeping with the principles in ss.197AB(e) and (f) of the Act, Council is required to make information available and provide certain schedules.

Section 201A of the Act requires a development contribution policy to include a schedule of assets for which development contributions will be used, and specifies the contents of that schedule. This requirement is met by Schedule 1 of this policy.

Section 106 of the Act requires Council to:

- a) summarise and explain the total cost of capital expenditure that Council expects to incur to meet the increased demand for community facilities resulting from growth; and
- b) state the proportion of that total cost of capital expenditure that will be funded by—
 - i. development contributions;
 - ii. financial contributions; and
 - iii. other sources of funding.

These requirements are met in Schedule 2 of this policy.

Section 201 of the Act requires inclusion in a development contribution policy of a schedule of development contributions. This requirement is met by Schedule 3 of this policy.

2.2 Financial contributions

The RMA authorises local authorities to impose financial contributions to address effects associated with subdivision, land use or development. Council may require a financial contribution, as a condition of consent, in accordance with any relevant rule in the Southland District Plan.

Provisions regarding financial contributions towards roading and reserves infrastructure are detailed in Section 2.14 of the ~~Proposed~~ District Plan and should be referred to when reading this policy. The financial contribution rules in Section 2.14 the ~~Proposed~~ Southland District Plan are operative.

Section 106(2)(f) of the Act states that if financial contributions will be required this policy must summarise the provisions that relate to financial contributions. This summary is set out in Appendix 4.

2.3 Limitations on contributions

While Council is able to seek both development contributions for infrastructure under the Local Government Act 2002 and financial contributions under the RMA, s. 200 of the Local Government Act 2002 prevents Council from requiring a development contribution where it has imposed a contribution requirement on the same development under the RMA or where developers or other parties fund the same infrastructure for the same purpose.

Although under the Southland District Plan, Council may impose a financial contribution as a condition of resource consent, it shall ensure that no condition of resource consent is imposed that would require work to be done or funded that is identified in the Long Term Plan and funded in whole or in part by development contributions.



Nothing in this policy, including the amounts of development contribution payable in Schedule 3, will diminish from any other legal requirement to make a payment for community facilities other than a development contribution, including connection fees or any other fee required to be paid pursuant to any other policy or bylaw or by agreement with Council.

2.4 Limitations on costs eligible for inclusion in development contributions

In calculating development contributions under this policy, the contributions shall not include the value of any project or work or part of any project or work required for:

- a) rehabilitating or renewing an existing asset; or
- b) operating and maintaining an existing asset.

In accordance with s.200(1) of the Act, no development contribution calculated under this policy shall include the value of any funding obtained from third parties, external agencies or other funding sources in the form of grants, subsidies or works. This limitation shall not include the value of works provided by a developer on behalf of Council and used as a credit against contributions normally payable, which Council may seek to recover from other developers in contributions.

Council may require development contributions where it has incurred capital expenditure via a third party and has provided a credit against development contributions payable by any person where that person has incurred capital expenditure on behalf of Council, which provides additional capacity to serve further development.

The value of any subsidy or grant toward the value of any project or work shall be deducted prior to the allocation for funding of the balance portion of project cost between development contributions and other sources of Council funding.

2.5 Vested assets and local works

The value of assets vested or expenditure made by a developer, pursuant to a requirement under the RMA, shall not be used to off-set development contributions payable on a development unless all or a portion of such assets or expenditure can be shown to avoid or reduce the need for Council to incur costs providing an asset that is included in its capital works programme, for which development contributions are sought.

The value of assets vested or expenditure made voluntarily by a developer to enhance a development shall not be used to offset development contributions payable on development.

2.6 Past surplus capacity provided

In accordance with s.199(2) of the Act, development contributions may be required to fund capital expenditure already incurred by Council in anticipation of development, prior to the adoption of this policy.

Where Council has in recent years incurred expenditure to undertake works or acquire land in anticipation of development, it may seek to recover this expenditure from development contributions yet to be made. Council may include the value of past surplus capacity in its calculation of development contributions.



2.7 Cumulative and network effects

In accordance with s.199(3) of the Act, development contributions may be required under this policy, where a development, in combination with other developments, has a cumulative effect including the cumulative effect of developments on network infrastructure.

2.8 Geographic grouping (catchments)

In keeping with the principle in s.197AB(g) of the Act, Council considers that development contributions should be required from new development on a geographic basis using separate catchments those being determined:

- a) in a manner that balances practical and administrative efficiency with considerations of fairness and equity; and
- b) avoids, wherever practical, grouping across the entire District.

A catchment is an area of the Southland District within which growth and development is occurring, which is likely, either solely or cumulatively, to give rise to the need for, or benefit from, particular Council activities.

This policy avoids the use of District-wide catchments for the recovery of development contributions.

This policy uses five separate ward based catchments for community infrastructure assets because it is considered impractical to divide the areas of benefit of these types of asset into smaller geographic areas.

This policy uses separate local scheme-by-scheme catchments for water supply and wastewater activities. Development contributions will be payable only where the service is available and in the case of water supply and ~~sewerage~~wastewater, only to those new households, businesses or other developments connecting to the networks concerned. It is considered reasonably practical to administer the policy using local scheme-by-scheme catchments.

The catchments used in this policy are summarised in Appendix 2.

2.9 Principles of cost allocation

In keeping with the principle in s.197AB(a) of the Act, an asset should not be considered for cost allocation for recovery through a development contribution unless it is a new or additional asset or an asset of increased capacity required to be provided by the Council to deal with the effects of developments.

In keeping with the principle in s.197AB(c) of the Act, the cost of any project identified in the Long Term Plan will, after deductions for subsidies and other sources of funding, be allocated between:

- a) the costs if any for improving levels of service to existing households and businesses by bringing assets up to the service standard and/or by providing additional service life, to be expressed as the ILOS cost; and
- b) the costs if any for providing additional capacity to service the development of new households and businesses, to be expressed as the AC cost.



Council will allocate project cost between ILOS costs and AC costs, in the manner described in Section 4.0 - Methodology.

The methodology used to allocate costs is a need/benefits matrix approach.

2.10 Capacity life of assets

In keeping with the principle in s.197AB(b) of the Act, Council has considered the period over which the benefits of capital expenditure for new development are expected to occur. It considers that capital expenditure on infrastructure during the Long Term Plan period should be recovered over the full take-up period of each asset, from all development that created the need for that expenditure or will benefit from capacity it provides, including development occurring after the Long Term Plan period.

Council has determined that:

- a) new development occurring in the Long Term Plan period will contribute only to that proportion of additional asset capacity that it is expected to consume;
- b) future development occurring after the Long Term Plan period will contribute toward the remaining surplus capacity in assets at the end of that period.

In calculating the development contributions payable by new development for each activity type, Council will:

- a) include the value of any past surplus capacity in assets provided after 1 July 2005 that is expected to be consumed by new development, where this can be identified and where it can be shown to have been provided in anticipation of growth;
- b) include the value of capacity in assets to be provided in the Long Term Plan period, that is expected to be consumed by new development; and
- c) exclude the value of remaining surplus capacity in assets at the end of the Long Term Plan period, which is likely to be consumed by future development.

Recovery of the whole of a project's cost from only those households and businesses establishing in the Long Term Plan period may place an unfair burden on them. Households and businesses developing after the period will arrive to a fully paid up asset with spare capacity for their developments.

This policy uses a development contributions calculation period extending from 1 July 2005 (to include past surplus capacity) to 30 June ~~2048-2051 in order-30 years after the adoption of the Policy~~ to ensure more equitable attribution under Schedule 13 of the Act.

~~This 30-year~~ future outlook ~~in excess of 30 years~~ is to take account of major infrastructure projects that may retain spare capacity for up to 30 years, particularly as a result of prolonged periods of slow growth as have been experienced in the District.

2.11 Significant assumptions

Section 201(1)(b) of the Act requires this policy to set out the significant assumptions underlying the calculation of the schedule of development contributions, including an estimate of the potential effects, if there is a significant level of uncertainty as to the scope and nature of the effects.



The significant assumptions underlying the calculation of the schedule of development contributions are that:

- a) the rate, level and location of growth will occur as forecast in the rating growth projections accompanying the Long Term Plan
- b) capital expenditure will be in accordance with the capital works programme in the Long Term Plan and future capital expenditure is based on the best available knowledge at the time of preparation. These are to take into account known or likely construction costs and assumed inflation rates
- c) no significant changes to service standards are expected to occur in the Long Term Plan period other than those planned for in the ~~Asset Activity~~ Management Plans
- d) the level of any third party funding for projects will continue at predicted levels for the period of the Long Term Plan
- e) there will be no significant variations to predicted rates of interest and inflation to those set out in the Long Term Plan
- f) each residential dwelling comprises the average number of residents from the 2013 Census. The demand on Council assets placed by a standard dwelling (Unit of Demand) is assumed to be 2.5 persons per dwelling and this is applied District-wide.

An assessment of effects, if there is a significant level of uncertainty as to the scope and nature of the effects, is set out in Appendix 3 of this policy.

2.12 Financial policy

All project costs used in the development contributions section of the policy should be based on current estimates of infrastructure construction prices at the time of planning in the dollars of the year of planning, with inflation of all capital costs over the period using local government cost adjusters supplied by a commercial research and analysis agency, such as BERL.

All capital expenditure and development contributions contained in this policy are exclusive of GST (except where shown to be inclusive).

No cost of capital, including interest, is included in growth cost calculations for the purposes of this policy.

2.13 Policy on existing lots or development

When granting a consent or authorising a connection for development, and calculating the units of demand from that development, Council will deduct the units of demand generated by existing lots or development already legally established at the date of granting consent, other than as required in the three paragraphs below.

The paragraph above shall apply to any lot or development that:

- a) was already legally established at the date on which this policy became operative, on 1 July ~~2018~~2021; or
- b) has been legally established since the date on which this policy became operative and for which a development contribution has been paid; or



- c) is not yet legally established but for which a development contribution has been paid (and not refunded).

Legally established development includes buildings and structures which can be shown to have been in existence on but have been demolished up to three years prior to this policy becoming operative on 1 July ~~2018~~2021.

The paragraph in Section 2.13 shall not apply to any lot or development for which a contribution has been required and has not yet been paid.

Council may require a development contribution to be paid for any existing legally established lot or development, in a water supply or ~~sewerage wastewater~~ area, with no connection to the service, which is to be connected for the first time or seeks connection to either a water supply network or a ~~sewerage wastewater~~ network, as the case may be, where no development contribution or other such payment for these services can be shown to have been previously paid.

Council may require a development contribution to be paid for any existing legally established lot that has previously been prevented from being developed by any open space covenant or by any other restriction registered against the title of the lot and that covenant or restriction has been removed.

In considering legally established developments already on a development site, Council will use the current or most recent use of the site and not its zoning to determine the existing units of demand that will be deducted when calculating the development contribution.

2.14 Use of development contributions

In keeping with the principle in s.197AB(d) of the Act, development contributions will be used:

- a) for or towards the purpose of the activity or the group of activities for which the contributions were required; and
- b) for the benefit of the Southland District or the part of the ~~district~~-District that is identified in this policy in which the development contributions were required.

Development contributions will be used for the capital expenditure for which they were required in accordance with s.204(1) of the Act and will not be used for the maintenance of reserves, network infrastructure or community infrastructure.

2.15 Network infrastructure

Under s.197 of the Act, the term development excludes the pipes and lines of any network utility operator. Council will not seek development contributions for the installation or expansion of network infrastructure, including the pipes, lines, roads, water supply, wastewater and stormwater networks by network utility operators.

The paragraph above does not apply to development by network utility operators carried out in order to run their normal business such as offices, industrial buildings, warehouses and storage areas, which may be liable for the payment of development contributions.



2.16 Policy on remission or postponements of development contributions

In accordance with s.201(1)(c) of the Act, Section 3.5 of this policy includes provisions that will enable Council to consider remissions and postponements of development contributions.

2.17 Policy on refunds

Council will refund development contributions in accordance with the requirements of ss.209 and 210 of the Act.

2.18 Development agreements

The Council may enter into development agreements with developers for the provision, supply, or exchange of infrastructure, land, or money to provide network infrastructure, community infrastructure, or reserves to the District or a part of the District. The provisions of ss.207A to 207F shall apply to such agreements.

3 Practical application

3.1 Requirement for development contributions

Upon granting:

- a) a resource consent under the RMA;
- b) a building consent under the Building Act ~~1991~~2004;
- c) an authorisation for a service connection;

Council will determine whether the activity to which the consent or authorisation relates is a "development" under the Act, which:

- a) has the effect of requiring new or additional assets or assets of increased capacity (including assets which may already have been provided by Council in anticipation of development); and
- b) as a consequence requires (or has required) Council to incur capital expenditure to provide appropriately for those assets; and
- c) that capital expenditure is not otherwise funded or provided for.

Upon determining that the activity is a "development", Council may require a development contribution to be made towards the activity associated with that development, according to the geographic catchment in which the development is located, for:

- a) water supply;
- b) ~~sewerage~~wastewater; and
- c) community infrastructure.

Council shall calculate the development contribution payable at the time of granting the consent or authorisation and issue an assessment of development contributions payable.



A development contribution may be paid at any time from the date of assessment up to the date when the contribution is required to be paid as a result of Council issuing an invoice.

In accordance with s.198(2A) of the Act, a development contribution must be consistent with the content of the policy that was in force at the time that the application for a resource consent, building consent, or service connection was submitted.

Council will invoice a development contribution at the following times:

- a) in the case of a resource consent for subdivision, at the time of application for a certificate under s.224(c) of the RMA, with payment required prior to the issue of the certificate;
- b) in the case of a resource consent for land use, at the time of notification of commencement or commencement of the consent, whichever is the earlier, with payment required prior to commencement of the consented activity;
- c) in the case of a building consent, at the time of granting the building consent with payment no later than 90 days from the date of granting consent or prior to the issue of a code compliance certificate, whichever is the earlier;
- d) in the case of a service connection, at the time of approval of the service connection with payment prior to connection.

In accordance with s.208 of the Act, if contributions are not paid at the times required this section, the Council may:

- a) withhold a certificate under s.224(c) of the RMA in the case of a subdivision;
- b) prevent the activity commencing in the case of a land use consent;
- c) withhold a code compliance certificate or certificate of acceptance in the case of a building consent;
- d) withhold a service connection to the development.

If, after exercising its powers under s.208 of the Act, any development contribution remains unpaid, Council may under s.252 of the Act regard the amount payable as a debt and take debt recovery action to recover that development contribution.

In the case of a resource consent for land use only, where a building consent is required to give effect to the resource consent, the applicant may apply for a postponement of payment under Section 3.5 of this policy. If this is granted the Council will only require payment at the time it issues a building consent.

If a grantee of a consent is in possession of two development contribution invoices for different consents relating to the same lot, both invoices will continue to have effect until payment is made of one of those invoices. When the first invoice is paid, the second invoice will be withdrawn and a reassessment of development contributions payable for the subdivision or development, as the case may be, relating to the second invoice, will be made under section 3.2. If any development contribution is payable on re-assessment, a new invoice will be issued.

No consented activity or building work shall commence prior to the payment of the development contribution and where such activity or work has commenced prior to such payment, Council shall require this to cease until payment has been made.



3.2 Amount of total development contribution

The total amount of development contribution payable when issuing any consent or authorisation for subdivision or development, shall be the sum of the development contribution payable for each activity, calculated as:

$$[(a) \times (\Sigma(n) - \Sigma(x))] + \text{GST}$$

Where:

(a) = the applicable development contribution per unit of demand determined from Schedule 3 and the activity-funding area for each type of community facility in which the subdivision or development lies.

Σ = the sum of the terms inside the brackets.

(n) = for each lot at the completion of the consent or authorisation application, the total lot units of demand OR the total activity units of demand, determined by Table 1, whichever is the greater.

(x) = for each lot in existence (or for which a s.224 certificate under the RMA has been issued) prior to the date of the consent or authorisation application, the total lot units of demand OR the total activity units of demand for the existing development, determined by Table 1, whichever is the greater.

Examples of the method for calculating units of demand from different types of development are set out in Appendix 6.

The development contribution per unit of demand in Schedule 3, may be increased for any Producer Price Index adjustment in accordance with s.106(2B) of the Act.

3.3 Determination of units of demand

In accordance with Schedule 13 of the Act, the additional capacity (AC cost) component of capital expenditure associated with new development in any catchment will be allocated equally between the numbers of new units of demand expected to occur in that catchment during the development contributions calculation period.

Council has determined that units of demand generated by different land use types shall be those reflected in Table 1.

Demand for services may be necessitated by the creation of new lots (lot units of demand) that are required to be serviced in advance of their occupation. Demand for services may also be generated by the use and development of lots (activity units of demand), including the intensification or expansion of activity on those lots.

Table 1 Units of demand generated by subdivision and development	
Lot unit of demand	Units of demand
one residential or rural lot	1.0



Table 1 Units of demand generated by subdivision and development	
one mixed-use residential/commercial lot	1.0
one commercial, industrial or other non-residential lot with an area of less than 1,000 m ²	Lot area divided by 1,000 per square metre
one commercial, industrial or other non-residential lot with an area of 1,000 m ² or more	1.0
for the purposes of calculating community infrastructure development contributions only, one commercial, industrial or other non-residential lot	0
for the purposes of calculating water supply and sewerage-wastewater development contributions ONLY, any <u>existing</u> <i>legally established lot</i> not connected to either the water supply network or the sewerage-wastewater network as the case may be	0
for the purposes of calculating water supply and sewerage-wastewater development contributions ONLY, any <u>proposed</u> <i>lot</i> not to be connected to either the water supply network or the sewerage-wastewater network as the case may be	0
one <i>serviced camping site</i>	Special application
one <i>lot</i> : <ul style="list-style-type: none"> wholly covenanted in perpetuity as provided for by s.22 of the Queen Elizabeth the Second National Trust Act 1977 the title of which prevents any form of development on the <i>lot</i>. 	0
Activity unit of demand	Units of demand
one <i>dwelling unit</i> or <i>accommodation unit</i> (excluding a serviced camping site) of two or more <i>bedrooms</i> per unit	1.0
one commercial unit including the commercial part of any activity but excluding any part that comprises accommodation units	the <i>net lettable area</i> on the <i>lot</i> multiplied by the applicable <i>unit of demand</i> factors in this table
one industrial unit or any other non-residential development	special application
for the purposes of calculating community infrastructure development contributions only, one commercial, industrial or other non-residential development	0
any <i>dwelling unit</i> , or <i>accommodation unit</i> (excluding a serviced camping site) of one or fewer <i>bedrooms</i> per unit	0.5



Table 1	
Units of demand generated by subdivision and development	
any room in an <i>accommodation unit</i> or any room in a retirement village or school, normally accommodating more than three persons	the number of persons able to be accommodated in the room divided by 6
any <i>retirement unit</i> for purposes of calculating the water supply and sewerage wastewater contributions only	0.5 otherwise 0
any <i>aged care room</i> for purposes of calculating the water supply and sewerage wastewater contributions only	0.2 otherwise 0
other activity (activity not specified elsewhere in this table)	special application
for the purposes of calculating water supply and sewerage wastewater development contributions ONLY, any <i>existing legally established</i> development not connected to either the water supply network or the sewerage wastewater network as the case may be	0
for the purposes of calculating water supply and sewerage wastewater development contributions ONLY, any <i>proposed</i> development not to be connected to either the water supply network or the sewerage wastewater network as the case may be	0
network infrastructure, including pipes, lines and installations, roads, water supply, wastewater and stormwater collection and management systems	0
farm buildings associated with normal farming operations including sheds, barns, garages and buildings for indoor poultry livestock and crop production	0
Crown developments	0
Unit of demand factors commercial development	Calculated in Appendix 5
water supply – commercial development	1 per 769 m ² <i>net lettable area</i>
Sewerage wastewater - commercial development	1 per 322 m ² <i>net lettable area</i>

The different units of demand generated by a unit of commercial activity, as compared with a unit of residential activity, arise mainly from the different scale and nature of activity when compared to demand from a standard dwelling unit.

To ensure fair and equitable assessment this policy:

- uses lot size in the case of subdivision for commercial purposes;
- uses net lettable area in the case of commercial development as a proxy for assessing the different units of demand on services, likely to be generated respectively by residential and commercial activity and incorporates multipliers (unit of demand factors) to quantify those differences;
- requires a special application to assess development contributions on industrial activity.



The assumptions used in this policy to derive the unit of demand factors for commercial development in Table 1 are described in Appendix 5 of this policy.

3.4 Information requirements

The applicant for any consent or authorisation shall provide all information necessary for Council to calculate the amount of a development contribution, including the net lettable area of the development if required for purposes of an assessment under Table 1.

The applicant shall be responsible for providing proof of the legal establishment of existing units of demand for purposes of an assessment under Table 1.

3Existing units of demand may include legally established buildings and structures that have been demolished up to three years prior to this policy becoming operative on 1 July ~~2018~~2021.

3.5 Remissions and postponements of development contributions

In addition to rights to reconsideration provided for by s.199A and 199B of the Act, Council will consider applications for remission or postponement of development contributions.

Council will consider applications for and may grant a remission of any development contribution where the applicant has provided and/or funded the same infrastructure that a development contribution has been required for but that remission shall be limited to the value of infrastructure provided or funded. In cases where the value of infrastructure provided or funded exceeds the development contribution payable, Council shall meet the excess costs by separate agreement with the applicant.

Council will consider applications for and may grant a postponement of the payment of a development contribution in the case of resource consent for land use only, where a building consent is required to give effect to that resource consent. At the discretion of Council, the payment of a development contribution on the resource consent may be postponed until a building consent is granted.

Council will consider applications for a postponement of the payment of a development contribution in the case of a subdivision consent. If it grants a postponement it may do so on whatever terms Council thinks fit, including that it may:

- a) issue a certificate under s.224(c) of the RMA, prior to the payment of a development contribution; and
- b) register the development contribution under ~~subpart 5 of the Land Transfer Act 2017 the Statutory Land Charges Registration Act 1928~~, as a charge on the title of the land in respect of which the development contribution was required.

An applicant may formally request Council to review the development contribution required and remit or postpone the development contribution payment.

Any such request shall be made in writing no later than 15 working days after the date on which Council issues an invoice under section 3.1, setting out the reasons for the request.

Prior to accepting any such request for review, Council shall require the applicant to provide specific details of the manner in which its proposals qualify for a remission or postponement.



In undertaking the review, Council or a Committee of Council or an officer so delegated:

- a) shall, as soon as reasonably practicable, consider the request
- b) may determine whether to hold a hearing for the purposes of the review and if it does, give at least five working days' notice to the applicant of the date, time and place of the hearing
- c) may at its discretion uphold, remit in whole or in part or postpone (as the case may be) the original development contribution required and shall advise the applicant in writing of its decision within ten working days of making that decision
- d) may charge such fee as determined in its annual schedule of fees, to consider the request.

3.6 Reconsideration process

As required by s.202A of the Act, this policy must set out the process for requesting reconsideration of a requirement for a development contribution under s.199A of the Act. The process for reconsideration must set out:

- a) how the request can be lodged with Council; and
- b) the steps in the process that Council will apply when reconsidering the requirement to make a development contribution.

An applicant who is required to make a development contribution may request a reconsideration of that requirement if they believe that:

- a) the development contribution was incorrectly calculated or assessed under this policy; or
- b) Council incorrectly applied this policy; or
- c) the information used to assess the applicant's development against this policy, or the way Council has recorded or used it when requiring the development contribution, was incomplete or contained errors.

Any request for reconsideration shall be made in writing, no later than 15 working days after the date on which Council issues an invoice under Section 3.1 of this policy.

Prior to accepting any request for review, Council shall require the applicant to state the reasons for reconsideration and provide sufficient information to enable Council to reconsider the development contribution.

Council or a Committee of Council (or an officer so delegated) will limit its considerations to matters set out in s.199A of the Act.

In accordance with s.199B(1) of the Act, the Council must, within 15 working days after the date on which it receives all required relevant information relating to a request, give written notice of the outcome of its reconsideration to the applicant who made the request.

In accordance with s.199B(2) of the Act, an applicant who requested reconsideration may object to the outcome of the reconsideration.

3.7 Special applications

Where developments are marked for special application or not adequately represented in Table 1 or there are specific circumstances related to the applications, these may be considered on a case-by-case basis.



Units of demand calculated are based on potential demand not actual demand at any one time. Accordingly specific circumstances do not include those where the users do not utilise the full potential demand (e.g., a hotel with a 50% occupancy rate will still be assessed at a 100% of the unit of demand relating to hotels; a house with one occupant will be assessed at the unit of demand for a household).

3.8 Crown developments

The Crown is exempt from the provisions of this policy by virtue of s.8 of the Act. If an applicant considers that it is the Crown for the purposes of avoiding liability to pay a development contribution, Council may require the applicant to provide written advice to Council outlining the basis on which the applicant considers that it is the Crown.

3.9 Statement on GST

Any development or financial contribution referred to in this policy or in the accompanying development contributions model and any development contribution required in the form of money, pursuant to this policy, is exclusive of Goods and Services Tax.

4 Methodology

The calculation of the separate portions of the cost of any combined project (AC/ILOS project) between that for improving levels of service to existing households and businesses (ILOS costs), and that for providing additional capacity to accommodate new development of households and businesses (AC costs) under this policy, is carried out using the following procedure.

4.1 Step 1: Listing projects

Every project in the capital works programme of the Long Term Plan for the activities for which the Council intends to require development contributions is listed in the Project Allocation Schedule of the Development Contributions Model.

Every surplus capacity project is listed in the Surplus Capacity Schedule.

Where possible, distinct stages of a project or distinct parts of a project are listed in the schedules as separate components and separate calculations carried out for each.

For each project in the schedules, the following base information is provided:

- a) the total project cost
- b) the catchment which the project will serve
- c) the level of any subsidy, third party funding or other source of funding if any which is deducted from the total project cost to give the net project cost
- d) the year in which the project or component is to be carried out in the Long Term Plan, or in the case of each surplus capacity project (SC project), the year it was completed
- e) the year in which the project capacity is expected to be fully consumed.



4.2 Step 2: Initial screening

Each project in the Project Allocation Schedule is categorised “Yes” or “No” in answer to the question – “Is this capital expenditure required at least partly to provide appropriately for new or additional assets or assets of increased capacity in order to address the effects of development?” By answering:

- “No” - the project is treated as a pure renewal or level of service project and the cost of the project is removed from the development contribution calculation
- “Yes” - the project is treated as either a combined project (AC/ILOS project) or an additional capacity for growth project (AC project) and is subject to further analysis.

Each project in the Surplus Capacity Schedule is categorised “Yes” or “No” in answer to the question – “Was capital expenditure on this project incurred, at least partly, in anticipation of development?” By answering:

- “No” - the project is treated as a pure renewal or level of service project and the cost of the project is removed from the development contribution calculation;
- “Yes” - the project is treated as either a combined project (AC/ILOS project) or an additional capacity for growth project (AC project) and is subject to further analysis.

4.3 Step 3: Cost allocation of combined projects or additional capacity for growth projects

Using the information provided on combined projects (AC/ILOS projects) and additional capacity for growth projects (AC projects) in the project schedules, a needs/benefits matrix analysis is carried out by which it is required to state for each project:

- the degree, on a scale of 0 to 10 to which growth created the need for the project to be undertaken. (0 = not at all, 10 = totally)
- the degree on a scale of 0 to 10 to which the growth community will benefit from the project being undertaken. (0 = not at all, 10 = totally).

		NEED										
		To what degree does Growth create the need for the project: 0 = not at all, 10 = totally										
BENEFIT	Factor	0	1	2	3	4	5	6	7	8	9	10
	0	0	5	10	15	20	25	30	35	40	45	50
	1	5	10	15	20	25	30	35	40	45	50	55
	2	10	15	20	25	30	35	40	45	50	55	60
	3	15	20	25	30	35	40	45	50	55	60	65
	4	20	25	30	35	40	45	50	55	60	65	70
	5	25	30	35	40	45	50	55	60	65	70	75
	6	30	35	40	45	50	55	60	65	70	75	80
	7	35	40	45	50	55	60	65	70	75	80	85
	8	40	45	50	55	60	65	70	75	80	85	90
	9	45	50	55	60	65	70	75	80	85	90	95
	10	50	55	60	65	70	75	80	85	90	95	100

The value is chosen in each case from the need/benefits matrix in the model which produces an estimated percentage of cost attributable to growth.



The matrix generates 121 different need/benefit combinations. The percentage derived is applied to the net project cost to determine the AC cost. The remainder of the net project cost is the ILOS cost.

A unit price is calculated for each project by dividing the project cost by the total units of demand that will consume its capacity comprising:

- a) existing units of demand at ~~2018~~2021; plus
- b) additional units of demand expected to consume capacity in the asset by the end of its asset life.

4.4 Step 4: Capacity life - cost allocation between new and future units of demand

Using information provided on the year in which capacity take up of a project is expected to start and the year in which the project capacity is expected to be fully consumed, the AC cost of the project is divided between new units of demand (N) arriving in the activity-funding area in the Long Term Plan period and future units of demand (F) arriving after the end of the Long Term Plan period, as follows:

- a) the AC cost to F is the AC cost determined in section 4.3 above multiplied by the years of capacity take up after the Long Term Plan period divided by total years of capacity take-up;
- b) the AC cost to N is the AC cost less the AC cost to F.

Only the AC cost to N is used in the calculation of development contributions.

In addition to predicting the capacity take up of an asset, by comparing the start and end years of capacity life against rating unit projections, the development contributions model is able to accept a finite capacity figure from the asset-activity manager which, regardless of years of take-up, can be used to share the cost of an asset equitably among the known number of units of demand that will eventually consume its capacity.

4.5 Step 5: Growth assumptions - sharing 10-year costs among projected growth

In order to calculate the amount of new development to which the growth related portion of capital expenditure (AC costs) for infrastructure will be attributed, area-by-area projections of new and future units of demand for services in the period ~~2018-2021~~ to ~~2048-2051~~ are required.

Council maintains a detailed rating database that provides the numbers of rating units for all parts of the District.

The numbers of rating units provide a close correlation with numbers of lots in the District and a measure of separate units of activity on any lot where this is the case. They are considered to provide a reasonably sound measure of the units of demand for infrastructure and services.

The growth projection worksheet of the development contributions model, Projections Schedule, contains as the base year, the number of rating units (units of demand) for each activity type existing at the time of the ~~2017/2018-2020/2021~~ rates year. Rating data is available for the whole Southland District, and each of the water supply, wastewater and community infrastructure catchments.



Long Term Plan assumptions have been used to determine the expected annual increase in the numbers of rating units and hence units of demand to 20282031, in each of these catchment areas.

The Projections Schedule also provides long-term estimates for future Rating Units (units of demand) after the Long Term Plan period to 20482051, in order to ensure that any portion of remaining surplus capacity at the end of the period may be attributed to future development.

Geographic catchments will apply to each activity type. Projections Schedule provides rating units at 2018 2021 and projected rating units for each activity-funding area to 20482051.

4.6 Step 6: Allocation of costs to units of demand - schedule of development contributions

The development contribution for each activity and each catchment to be charged per Unit-unit of Demand-demand is derived by dividing the costs of growth in the Long Term Plan period (AC Cost to N), derived in Step 3 and Step 4 by the number of additional rating units expected in the period, derived in Step 5.

A full schedule of development contributions (Schedule 3) must be prepared as part of the policy to enable the development contributions to be calculated by infrastructure type and catchment on each development application.

4.7 Interest and inflation

The development contributions model does not include interest on growth related capital expenditure in the calculation of the development contribution amounts.

Council does not intend to recover past interest that has been funded from rates from development contributions and has not included it in the development contribution calculation.

The development contributions model uses the inflated capital costs in the Long Term Plan to calculate development contributions.



5 Schedules

Schedule 1 – Schedule of assets **for which development contributions will be used (s.201A of the Act)**

Activity group	DCP catchment	Project name	Type	Project cost	Proportion recovered through Development Contributions	Proportion recovered through other sources
Wastewater	Te Anau CB	Te Anau/Manapouri Treatment & Disposal	LTP Project	14,433,965.00	0.00%	100.00%
Community services	Riverton/Apanima CB	Cemetery - Riverton	LTP Project	\$229,684.00	15.24%	84.76%
Total				14,957,576.00		

* The Council has deemed that the Te Anau/Manapouri Treatment and Disposal project has a demand component. The demand component of this project has been calculated at 36.80%. However, the Council is has put development contributions into remission across the District in order to encourage economic growth. Whilst development contributions are in remission, the demand share of the project will be funded by rates and previously collected contributions. Council would periodically review its decision to remit development contributions to ensure that it remains appropriate in consideration of the economic and population grow



Schedule 2 - Capital expenditure identified to meet increased demand resulting from growth* and sources of funding by activity

ACTIVITY	2021-31 LTP					SURPLUS CAPACITY					
	Total cap project costs	Dev Contrib (New)	Dev Contrib (Future)	Rates	Subsidies/ grants/ Contrib recov	Total value of surplus capacity projects	Dev Contrib (New)	Dev Contrib (Future)	Dev Contrib (already used)	Rates	Subsidies/ grants/ contrib recov
Wastewater	\$27,019,939	\$ -	\$ -	\$21,677,334	\$5,342,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cemeteries	\$250,481 229,684	\$ -	\$ -	\$ -	\$250,481 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Parks and reserves	\$127,381	\$-	\$-	\$-	\$127,381	\$-	\$-	\$-	\$-	\$-	\$-
Roading	\$145,749	\$-	\$-	\$-	\$145,569	\$-	\$-	\$-	\$-	\$-	\$-
Total	\$14,957,576	\$ -	\$ -	\$14,091,360	\$866,036	\$ -	\$ -	\$ -		\$ -	\$ -

* Although there are a number of projects with demand components scheduled, the Council is proposing to place the collection of development contributions into remission. Under this proposal, funding for the Te Anau / Manapouri Treatment and Disposal project (~~Sewerage~~wastewater) will be sourced from contributions already recovered and rates. The demand component of this project (currently calculated at \$5,311,375), would typically be funded by development contributions. If Council deems it appropriate to reinstate development contributions in the future, they will be used as a source of funding for this project and reduce the rates requirement.



Schedule 3 - Schedule of development contributions

AREA	Wastewater	Water supply	Community infrastructure	Reserves	Roading	TOTAL
Te Anau CB	\$-*	\$-	\$-	\$-	\$-	\$-
Note 1: These contribution amounts do not include GST						

Council will invoice a development contribution at the following times:

- in the case of a resource consent for subdivision, at the time of application for a certificate under s.224(c) of the RMA, with payment required prior to the issue of the certificate;
- in the case of a resource consent for land use, at the time of notification of commencement or commencement of the consent, whichever is the earlier, with payment required prior to commencement of the consented activity;
- in the case of a building consent, at the time of granting the building consent with payment no later than 90 days from the date of granting consent or prior to the issue of a code compliance certificate, whichever is the earlier;
- in the case of a service connection, at the time of approval of the service connection with payment prior to connection.

* Council has put development contributions into remission across the District in order to encourage economic growth. As such, the Te Anau / Manapouri Treatment and Disposal project will be funded through rates and contributions which have already been recovered. Council will periodically review its decision to remit development contributions to ensure that it remains appropriate in consideration of the economic and population growth.

If development contributions were not placed in remission, the amount of contributions for the Te Anau / Manapouri Treatment and Disposal project would be ~~\$2,968.40x~~ per unit of demand (GST exclusive) from 1 July ~~2018~~2021.



6 Roles and responsibilities

Role	Roles and responsibilities
Council	Decision on whether to review and reinstate the policy when in remission
<u>all Council staff</u>	<u>ensure that the policy is given full effect</u>

7 Revision record

This policy may be reviewed at any time but no longer than three years from the date of its adoption.

Section 106(6) of the Act requires that a policy on development or financial contributions must be reviewed at least once every three years using a consultation process that gives effect to s.82 of the Act.

Date	Version	Revision Description
R/17/10/24438	Development and Financial Contributions Policy	Long Term Plan 2018-28
R/14/11/17513	Development and Financial Contributions Policy	Long Term Plan 2015-25
R/14/6/8794	Development and Financial Contributions Policy	Annual Plan 2014-15
R/13/2/1981	Development and Financial Contributions Policy	June 2013
R/09/9/13493	Development Contributions and Reserve Contributions under Local Government Act 2002 Policy	LTP 2009-2019
<u>R/xx/xx</u>	<u>Policy on Development and Financial Contributions 2021-31</u>	<u>LTP 2021-31</u>

8 Appendix 1 - Definitions and abbreviations

Definitions	
Term	Meaning
accommodation unit	Has the definition given to it in s.197(2) of the Act 2002, “means units, apartments, rooms in 1 or more buildings, or cabins or sites in camping grounds and holiday parks, for the purpose of providing overnight, temporary, or rental accommodation.”
AC cost	means the cost for providing additional capacity to service the development of new households and businesses
activity	means a good or service provided by the Council under s.5 of the Act, and for which development contributions are normally collected
activity unit of demand	means the demand for a community facility generated by development activity other than subdivision
additional capacity project or AC project	means a capital project in the Long Term Plan intended only to provide additional capacity to service new and future households and businesses
aged care room	means any residential unit in a “rest home” or “hospital care institution” as defined in s.58(4) of the Health and Disability Service (Safety) Act 2001
allotment or lot	has the meaning given to the term “allotment” in s.218(2) of the RMA: (a) any parcel of land under the Land Transfer Act 1952 that is a continuous area and whose boundaries are shown separately on a survey plan, whether or not: (i) the subdivision shown on the survey plan has been allowed, or subdivision approval has been granted, under another Act; or (ii) a subdivision consent for the subdivision shown on the survey plan has been granted under this Act; or (b) any parcel of land or building or part of a building that is shown or identified separately— (i) on a survey plan; or (ii) on a licence within the meaning of Part 7A of the Land Transfer Act 1952; or (c) any unit on a unit plan; or (d) any parcel of land not subject to the Land Transfer Act 1952.
bedroom	means a room used for sleeping, normally accommodating no more than three persons

Definitions	
catchment	is an area of the District identified in this policy within which growth and development is occurring, which is likely, either solely or cumulatively, to give rise to the need for, or benefit from, particular Council activities.
combined project or AC/ILOS project	means a project in the Long Term Plan intended to deal with shortfalls in levels of service to existing households and businesses by bringing assets up to the <i>service standard</i> and/or by providing additional service life, and to provide capacity for further growth
commercial	means non-residential development using land or buildings for the provision of goods and services in the course of a trade or business and includes retail development
community facilities	means parks and reserves, network infrastructure, or community infrastructure for which development contributions may be required
community infrastructure	has the definition given to it in s.197(2) of the Act
development	has the definition given to it in s.197(1) of the Act
development contributions calculation period	means the period between 1 July 2018 2021 and a date 30 years after the date of adoption of this policy.
District Plan	The Operative Southland District Plan including any proposed plan or variation.
dwelling unit	any building or group of buildings or any part of those buildings, used or intended to be used solely or principally for residential purposes and occupied or intended to be occupied by not more than one household – and includes a minor household unit, a utility building or any unit of commercial accommodation
household unit	a building or part of a building capable of being used as an independent residence and includes dwelling apartments, semi-detached or detached houses, units, town houses, granny flats (or similar), and caravans (where used as a place of residence or occupied for a period of time exceeding six months in a calendar year)
ILOS cost	the cost of improving levels of service to existing households and businesses by bringing assets up to the <i>service standard</i> and/or by providing additional service life
Improved level of service project or ILOS project	a capital project in the Long Term Plan intended only to deal with shortfalls in levels of service to existing households and businesses by bringing assets up to the <i>service standard</i> and/or by providing additional service life
industrial	a non-residential development using land or buildings where people use material and physical effort in the course of a trade or business to: <ul style="list-style-type: none"> • extract or convert natural resources • produce goods or energy from natural or converted resources

Definitions	
	<ul style="list-style-type: none"> • repair goods, but <p>does not include mineral extraction or farm buildings associated with normal farming operations including sheds, barns, garages and buildings for indoor poultry livestock and crops production</p>
legally established	in relation to any <i>lot</i> or development, any <i>lot</i> for which a title has been issued, or any dwelling, commercial or industrial unit for which a code compliance certificate has been issued. <i>Legally established</i> development includes buildings and structures that can be shown to have been in existence when this policy became operative on 1 July 2018 <u>2021</u> , but have since been demolished.
lot unit of demand	the demand for a community facility generated by the creation of lots through subdivision
net lettable area	the area for which a tenant could be charged for occupancy under a lease. Generally, it is the floor space contained within a tenancy at each floor level measured from the internal finished surfaces of permanent external walls and permanent internal walls but excluding features such as balconies and verandahs, common use areas, areas less than 1.5 m in height, service areas, and public spaces and thoroughfares
non-residential lot or development	<p>any lot or development that is not for residential purposes. This includes:</p> <ul style="list-style-type: none"> • all buildings that are considered a fundamental place of work such as dairy milking sheds, shearing sheds, and indoor farming facilities such as chickens or pigs • all buildings for the provision of sport, recreation or entertainment • all buildings for the provision of social and cultural pursuits
past surplus capacity	capacity in assets provided as a result of capital expenditure made in anticipation of development since 1 July 2005.
remaining surplus capacity	the estimated remaining capacity in capital assets at the end of the Long Term Plan period, available to service future development occurring after the Long Term Plan period
residential development	any use of land and/or buildings by people for the purpose of living accommodation. It includes accessory buildings and leisure activities associated with needs generated principally from living on the site
retirement unit	any residential unit other than an aged care room, in a “ <i>retirement village</i> ” as defined in s.6 of the Retirement Villages Act 2003.
serviced site	any site dedicated for the location of a vehicle or tent for the accommodation of persons, which is provided with utility services such as water supply, wastewater disposal, solid waste disposal, electricity or gas, either directly to the site or in the immediate vicinity

Definitions	
surplus capacity project or SC project	a past capital expenditure project carried out since 1 July 2005 in anticipation of new development and providing surplus capacity for further development.
utility building	is a structure containing facilities (such as toilet, shower, laundry, hot water cylinder, laundry tub) that make the site habitable prior to or during the erection of a dwelling
unit of demand	is a unit of measurement by which the relative demand for an activity, generated by different types of development (existing or proposed), can be assessed. A <i>unit of demand</i> may be expressed as a <i>lot unit of demand</i> or an <i>activity unit of demand</i>

9 Appendix 2 - Development contribution catchments

Community facility	Catchment	Development to which development contribution applies
water supply	<p>10 community potable water suppliesdrinking water supply scheme areas:</p> <ul style="list-style-type: none"> • Edendale/Wyndham • Manapouri • Mossburn • Ohai/Nightcaps/Wairio • Orawia • Otautau • Riverton • Te Anau • Tuatapere • Winton <p>2 mixed potable / treated rural water supply areas:</p> <ul style="list-style-type: none"> • Eastern Bush/Otahu Flat • Lumsden/Balfour 	Development in any separate water supply scheme
sewerage wastewater	<p>18 sewerage wastewater scheme areas:</p> <ul style="list-style-type: none"> • Balfour • Browns • Edendale/Wyndham • Gorge Road • Lumsden • Manapouri • Monowai • Nightcaps • Ohai • Riversdale • Riverton • Stewart Island • Te Anau • Tokonui • Tuatapere • Otautau • Wallacetown • Winton 	Development in any separate sewerage wastewater scheme
community infrastructure	Waihopai Toetoes Ward, Winton Wallacetown Ward, Mararoa Waimea Ward, Waiau Aparima Ward, Stewart Island Rakiura Ward	Development in each separate ward

10 Appendix 3 - Assessment of significant assumptions

Assumption	Level of uncertainty	Potential effects
the rate, level and location of growth will occur as forecast in the rating growth projections accompanying the Long Term Plan	high	lower than forecast growth will result in a significant under-recovery of development contributions revenue
capital expenditure will be in accordance with the capital works programme in the Long Term Plan and future capital expenditure is based on the best available knowledge at the time of preparation. These are to take into account known or likely construction costs and assumed inflation rates	moderate	in current circumstances significant changes to the capital programme are unlikely
no significant changes to service standards are expected to occur in the Long Term Plan period other than those planned for in the Activity Management Plans	low	no significant effects anticipated
the level of third party funding (such as NZ Transport Agency subsidies) will continue at predicted levels for period of the Long Term Plan	low	no significant effects anticipated
there will be no significant variations to predicted rates of interest and inflation to those set out in the Long Term Plan	low/moderate	no significant effects anticipated
each residential dwelling comprises the average number of residents from the 2013 census. The demand on Council assets placed by a standard dwelling (Unit of Demand) is assumed to be 2.5 persons per dwelling and this is applied District-wide	moderate	the average dwelling occupancy will remain steady over time but there may be local areas where residential occupancy goes above the District average and places increased demands on infrastructure from that anticipated

11 Appendix 4 - Summary of financial contribution provisions in District Plan

Section 106(2)(f) of the Act states that, if the Council is to require financial contributions then this policy must summarise the provisions that relate to financial contributions in the District Plan.

Section 2.14 of the Southland District Plan requires the following contributions:

Roading - A contribution may be required for the development, maintenance and upgrading of roading infrastructure that serves the subdivision. The amount of contribution is 100% of the cost of the required work reduced with regard to:

- a) the current status and standard of roading leading to and fronting the site;
- b) the benefit of works to existing users and the wider public;
- c) the standard and classification of the road and expenditure required to meet this standard;
- d) the use or likely future use of the road by other parties;
- e) contributions made by central government and other agencies towards the development of the road; and
- f) previous financial contributions from developers who will benefit from the work.

Reserves - A contribution ~~may~~ shall be required in the following situations:

- a) a contribution of 2% of the value of additional allotments created by subdivision, up to a maximum value of 2% of the value of 1,000 m² per lot, where existing reserves in the locality cannot deal with additional demand; or
- b) a contribution of 1% of the value (given as money or land) of additional allotments created by subdivision for minor improvements to existing reserves in the locality up to a maximum value of 1% of the value of 100 m² per lot;
- c) a contribution of the value of 20 m² for each additional residential unit created in a development;
- d) a contribution of the value of 4 m² of land for each additional 100 m² of net non-residential building floor area created in a development in the Urban Zone, Commercial Precinct or Industrial Zone.

12 Appendix 5 - Calculating units of demand for commercial development

Industrial and other non-residential development (other than commercial development) will be subject to special application under section 3.7 of this policy. In calculating the units of demand generated by commercial development for water supply and ~~sewerage wastewater~~, as compared to that of an average dwelling unit, Council accepts that demand may vary between different types of commercial activity. However changes to the type of business over time may not constitute “development” under the Act or even trigger a resource consent, building consent or new connection requiring a development contribution. This policy therefore treats all types of commercial activity as generating the same average unit of demand for a given net lettable area.

Water - comparison of residential and commercial demand

The residential daily demand for water comprises that for domestic purposes and non-domestic uses (eg gardening, car washing, firefighting, leakages etc). The following figures are used in the assessment:

- a) the average daily residential demand for domestic purposes is 230 litres/person/day
- b) the average daily residential demand for non-domestic purposes is 1,200 litres/dwelling.

In determining the units of demand for one dwelling unit, it is noted that not all potential demand will occur at the same time and therefore an average peak of four persons per household is used to assess peak usage per dwelling at 2,120 litres/day (4 x 230 litres/day + 1200 litres).

Water consumption sampling¹ of various commercial premises, offers data for premises which may be typical of many Southland main street businesses in the range 0 - 5,000 m² net lettable area (NLA). These would also generally be premises naturally rather than mechanically cooled with air conditioning systems using higher quantities of water.

Sampling found consumption in the range 875 - 1,200 m³ (average 1,037 m³) per annum per 1,000 m² NLA. This converts as follows:

Commercial premises consuming an average 2,840 litres per day per 1,000 m² NLA; thus

If 2,120 litres per day is one unit of demand for residential; then

2,840 litres per day (1,000 m² NLA) is 1.3 units of demand; then

769 m² NLA is 1 unit of demand.

~~Sewerage Wastewater~~ - comparison of residential and commercial demand

Average daily residential wastewater flows are assumed to equate to the domestic purposes water use of 230 litres/person/day, with water for non-domestic purposes not finding its way to the sewer. Average peak usage per property at four persons per dwelling is therefore 920 litres/day (4 x 230 litres/day).

It is assumed that all water consumption on commercial premises (2,840 litres per day per 1,000 m² NLA in main street situations) will find its way to the sewer. To calculate the units of demand for

~~sewerage wastewater~~:

Commercial premises generate an average 2,840 litres ~~sewerage wastewater~~ per day per 1,000 m² NLA; thus

If 920 litres per day is one unit of demand for residential; then

¹ Water Performance Benchmarks for New Zealand: an approach to understanding water consumption in commercial office buildings, Bint, Isaacs and Vale, School of Architecture, Victoria University Wellington

*2,840 litres per day (1,000 m2 NLA) is 3.1 units of demand; then
322 m2 NLA is one unit of demand.*

13 Appendix 6 - Calculation of development contribution amount on a development

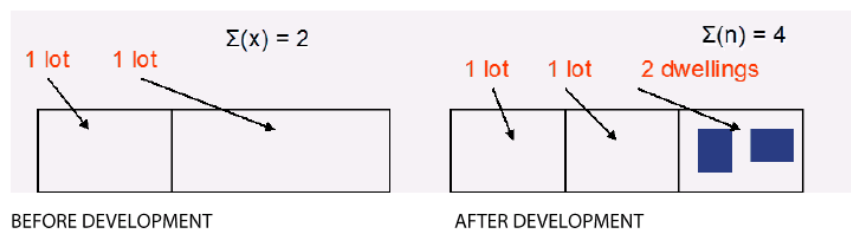
The formula in **Section 3.2.1** of this policy calculates the demand on infrastructure from any development site after the proposed development has taken place (n) and subtracts the existing demand already generated by the site before the development occurs (x). In this way, it identifies only additional demand placed on infrastructure as a result of the development. This additional demand is multiplied by the development contribution amount for each type of infrastructure to calculate the total development contribution payable.

Using Table 1 of this policy, the units of demand before and after development are calculated, as the greater of the number of lot units of demand making up the development site OR activity units of demand (building development) on the development site at the time.

The calculation is $[(a) \times [\Sigma(n) - \Sigma(x)]] + \text{GST}$ where:

- (a) is the development contribution for the catchment eg sewerage-wastewater \$1,316 per unit;
- (x) is, for each lot existing before development, the lot units of demand OR activity units of demand whichever is the greater;
- (n) is, for each lot after the development, the lot units of demand OR activity units of demand whichever is the greater.

Residential development example using Table 1:



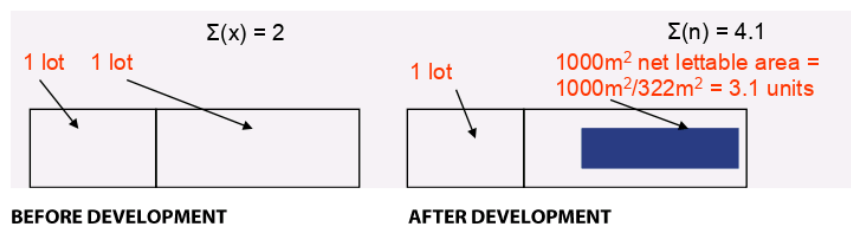
BEFORE DEVELOPMENT

AFTER DEVELOPMENT

Additional units of demand $\Sigma(n) - \Sigma(x) = 4(n) - 2(x) = 2$ Units

Development contribution for sewerage-wastewater is 2 units X \$1,316 = \$2,632 + GST

Commercial development example using Table 1:



BEFORE DEVELOPMENT

AFTER DEVELOPMENT

Additional units of demand $\Sigma(n) - \Sigma(x) = 4.1(n) - 2(x) = 2.1$ Units

Development contribution for sewerage-wastewater is 2.1 units X \$1,316 = \$2,764 + GST

Draft Procurement Policy

Record No: R/20/8/47416

Author: Robyn Rout, Policy Analyst

Approved by: Matt Russell, Group Manager Services and Assets

☐ Decision

☒ Recommendation

☐ Information

Purpose

- 1 The purpose of this report is for the Finance and Assurance Committee to consider a draft Procurement Policy (the draft policy). This report seeks feedback from the committee.
- 2 It is proposed that the committee recommend to Council that it endorse the draft policy for public consultation.

Executive Summary

- 3 This report presents the draft policy to the committee, for its consideration. The draft policy outlines a set of policy objectives, and includes policy statements on how Council will achieve those objectives. The draft policy is included as Attachment A.
- 4 A draft procurement manual is also included with this report as Attachment B, as a reference document. Staff are still making final amendments to the manual. The manual outlines a step by step process that staff will have to go through to procure. The manual is an operational document, so staff are not seeking feedback on it from the committee, but the manual is being provided with this report to show how staff will implement the procurement policy.
- 5 If this committee or Council wish to amend the draft policy, staff will make any required changes to the manual, to implement the new policy approach.
- 6 Staff have undertaken engagement on the draft policy, but it is proposed a formal consultation period will also take place.
- 7 Staff are proposing this committee recommend to Council that it endorse the draft policy for public consultation. If this endorsement is given, it is intended that the draft policy will be consulted on via a process which will be run concurrently with the consultation for a number of other Council policies from 4 November to 4 December 2020. Staff would present any submissions received on the draft policy, to Council, in the new year.

Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled “Draft Procurement Policy” dated 11 September 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) **Considers the draft Procurement Policy and provides feedback.**
- e) **Recommends to Council that it release the draft Procurement Policy for public consultation in accordance with section 82 of the Local Government Act 2002 from 4 November to 4 December 2020.**

Background

The current policy

- 8 The current Procurement Policy was adopted in 2010, and is overdue for review. It is included with this report as Attachment C. The current policy needs to be reviewed for a number of reasons, including:
- procurement ‘best practice’ has changed since 2010
 - the cost of goods and services has changed, and the financial thresholds in the current policy are no longer appropriate/practical for Council
 - the requirement in the current policy to seek quotes from three suppliers is not always practical or appropriate for staff
 - the nature of relationships between councils and suppliers has changed since the current policy was developed.
- 9 At the end of 2019, Deloitte completed a review of Councils procure to pay process. The review stated that Council’s current policy is in line with good practice as well as guidance for public entities, and that it provides sufficient framework for decision making around the type of procurement process and decision making required. On a measurement scale, it was outlined that the policy puts adequate controls in place.

The review process to date

- 10 Council has taken the opportunity over the last two years to review and revise procurement practices across the business. Other work being undertaken in the procurement space is the use of CAMMs, contract management changes, and development of a contract management policy. As a thorough review of procurement processes have been undertaken, it has taken staff time to complete the review of the policy and manual.

- 11 The current policy includes both policy information and information on the practical steps that staff must undertake when they procure. A decision was made early in the current review process to separate the policy and operational parts of the procurement, and consequently to have a procurement policy and manual.
- 12 The policy has been informed by the best practice guidelines of the Office of the Auditor General (OAG) and the Government Procurement Rules, and the requirements of the Local Government Act 2002 (LGA).
- 13 When Deloitte undertook the procure to pay review, it also reviewed a version of the draft manual and recommended changes. Staff have largely incorporated the suggested changes. The last of the changes will be considered/incorporated as the manual reaches the stage of being a final draft.

Engagement

- 14 Staff have sought feedback from both internal and external stakeholders. The services and assets, finance, and strategy and policy teams have been involved in developing the draft procurement documents.
- 15 Staff have also provided a selection of suppliers with a copy of the draft policy, and have sought feedback. Staff have also discussed the policy approach with a representative from Te Ao Marama. Staff only received feedback from two suppliers, who were supportive of the policy approach proposed. At the time of writing this report, no response had been received from Te Ao Marama.

Issues

The draft policy

- 16 The draft policy and manual establish a decision-making framework for procurement that aims to achieve a number of objectives. The draft policy has a series of high-level policy statements on how Council will achieve those objectives. The policy statements are:
 - procurement will be in accordance with legal process/legislation
 - procurement will be consistent across Council
 - Council will foster relationships with suppliers
 - Council will make procurement decisions based on achieving public value
 - there will be a sound business approach to procurement
 - risk will be managed appropriately
 - procurement decisions will be made in accordance with delegated authority.
- 17 The policy outlines that to achieve public value, Council will consider (in addition to quality and whole-of-life costs) other outcomes that can be generated from procurement activities. These outcomes can be social, environmental, cultural or economic, and include costs and benefits to the District. The policy enables staff to identify evaluation criteria (such as supporting local suppliers, achieving environmental outcomes etc) and make procurement decisions based on those criteria.

- 18 The current policy also has a similar policy approach, as it outlines that Council will try and achieve broader social outcomes. The draft policy does not propose a significant change in this policy approach.
- 19 Compared to the current policy, the draft policy places more emphasis on undertaking appropriate procurement planning, keeping good records of procurement processes, and having good relationships with suppliers. The draft policy also places more emphasis on identifying and managing risk appropriately, through the procurement process.

The draft manual

- 20 The draft manual is nearing the stage of being a final draft. The manual describes how staff will implement the policy approach set by Council, so the manual may change if this committee or Council wish to change the policy approach. Other minor changes may also be made as the manual progresses through the final review stages.
- 21 The draft manual has a series of steps that staff must complete before they procure. Staff have to use the information captured through the first steps, to identify an appropriate procurement method. Standard procurement methods are outlined in the draft manual, that illustrate the minimum procurement process that will be undertaken by staff.
- 22 Staff are required to record information about how they will procurement goods/services that are valued at \$5,000 or more, in a procurement form. The procurement form must be signed off in accordance with Council's Delegation Manual, before a staff member can proceed. The manual gives guidance on how to proceed to get quotes, and to conduct a tender process.

Delegations

- 23 The procurement manual does not contain any delegations, it refers to the Delegations Manual. Some minor changes to the Delegations Manual will be required when the procurement manual is implemented, to ensure appropriate delegations/authorities are in place.

Factors to Consider

Legal and Statutory Requirements

- 24 The OAG and the Government Procurement Rules outline that councils should have their own procurement policy and processes in place, that are tailored to their operating environment.
- 25 Legislation outlines aspects of the procurement process. A list of the applicable legislation is outlined in Appendix B of the draft manual.
- 26 The Local Government Act 2002 (LGA) (section 14) details principles relating to local authorities. The principles most relevant to Council's procurement activity are that:
- (a) a local authority should
 - i. conduct its business in an open, transparent, and democratically accountable manner
 - ii. give effect to its identified priorities and desired outcomes in an efficient and effective manner
 - (f) a local authority should undertake any commercial transactions in accordance with sound business practices

- (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
- (h) in taking a sustainable development approach, a local authority should take into account
 - i. the social, economic, and cultural interests of people and communities
 - ii. the need to maintain and enhance the quality of the environment
 - iii. the reasonably foreseeable needs of future generations.

The draft policy reflects these principles as they relate to Council's procurement activity.

- 27 Best practice guidelines are an important part of Council procurement activity. Government's procurement policy framework, consisting of principles, a charter, rules and good practice guidance sets the government's expectations for how government agencies should approach procurement activities. The draft policy is informed by this framework, but it is noted that Council is not bound by the rules. Other government entities, such as government departments and ministries, are bound by the Government Procurement Rules. The OAG also provides guidance on procurement that is designed for use by any public entity. Again, the draft policy has been informed by this guidance.
- 28 When Deloitte undertook the procure to pay review, the draft manual was reviewed against the government procurement rules. Staff have incorporated most of the changes recommended by Deloitte, and all of the recommendations will be addressed by the time the manual is adopted.
- 29 If Council endorses the draft policy and releases it for public consultation at its meeting on 21 October 2020, staff are proposing that the draft policy will be consulted on in accordance with sections 82 and 82A of the LGA. These sections require that those who wish to have their views considered should be provided with a reasonable opportunity to do so. In this case, staff consider it appropriate to have a formal consultation period of one month, where people are encouraged to provide a written submission. This process would not include holding hearings.

Community Views

- 30 Staff have sought internal feedback on the draft policy and manual, and feedback has been sought from key suppliers, community boards and Te Ao Marama. Only a small amount of feedback has been received from suppliers to date.
- 31 If Council endorses the draft policy and releases it for public consultation at its meeting on 21 October 2020, staff will make the draft policy and relevant information publicly available (in accordance with sections 82 and 82A of the LGA), and encourage people to give feedback on Council's 'make it stick' platform, by:
 - placing an advertisement in 'First Word'
 - placing an advertisement in the Ensign and Southland Express
 - promoting the consultation on Council's Facebook page
 - having the draft policy accessible on Council's website and at all of its offices
 - encouraging community boards to make a submission.
- 32 It is proposed that this consultation process be run parallel to other Council policies.

- 33 The consultation process proposed will allow Council to consider further community views regarding this policy.

Costs and Funding

- 34 To put the draft policy out for consultation and to undertake the steps required to progress a draft policy through to adoption, there will be costs associated with staff time and advertising. These costs will be met within current budgets.
- 35 As an indication of the amount Council spends on procurement, in the year ended 30 June 2019, Council spent \$24.994m on 'activity capital expenditure' (including vested assets) and \$41.319m on operational expenditure (excluding employee benefit expenses, depreciation and amortisation and finance costs). As Council spends a significant amount of public money, it is seeking to ensure all procurement is undertaken and managed in a way consistent with legislation, good practice and a sound business approach.

Policy Implications

- 36 As has been indicated above, the current policy includes high level policy statements and the procedural steps necessary to undertake procurement. The draft policy differs from the current policy, as the draft just includes high-level policy information. On this basis, the current and draft policies will be used quite differently.
- 37 If adopted in their current state, the draft policy and manual will require staff to spend more time planning procurement and keeping records. The extent of time this will take has not been formally quantified. Staff consider the additional planning and recording keeping necessary, to meet best-practice standards.

Options Considered

- 38 There are two options for consideration in this report:
- option 1 – that the committee recommends that Council endorse the draft policy for consultation in accordance with section 82 and 82A of the LGA
 - option 2 – that the committee propose a different way forward.

Analysis of Options

Option 1 – that the committee recommends that Council endorse the draft policy for consultation in accordance with section 82 and 82A of the LGA

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> the draft policy proposes a sound approach to procurement, that aligns to legislation and recommended procurement practice public consultation provides opportunity for stakeholders and members of the public to have their say it is a legislative requirement to consult a small amount of feedback has been received in support of the draft policy. 	<ul style="list-style-type: none"> may not reflect councillor and community views on the draft policy.

Option 2 – that the committee propose a different way forward

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> would give further clarity on councillors' views regarding the policy may better reflect community views. 	<ul style="list-style-type: none"> any proposed amendments to the draft policy, must comply with legislation and align with recommended procurement practice.

Assessment of Significance

- 39 Staff do not believe the decision to recommend to Council that it endorse the draft policy for consultation, meets the threshold of being a significant decision (in accordance with Council's Significance and Engagement Policy, and the LGA).
- 40 The current and draft policies have similar objectives in relation to achieving broad social outcomes through procurement, so there isn't a substantial change in this policy approach. Because this similar approach is proposed, people may be less interested in and affected by the draft policy, and the draft policy may not achieve different outcomes in relation to the four community 'wellbeings'.
- 41 Council is aware, that it spends public money and that its procurement activities have an impact on the local and domestic economy. For this reason, staff are aware the recommendation proposed in this report is still an important decision. Decisions that are likely to be made by Council at a later date, such as endorsing a draft policy for public consultation, and adopting a draft policy, are likely to have higher levels of significance, due to the more final nature of the policy at that time, and the greater level of importance of the steps being undertaken.

Recommended Option

- 42 Staff propose that the committee recommends that Council endorse the draft policy for consultation in accordance with section 82 and 82A of the LGA.

Next Steps

- 43 If the committee endorses option 1, staff will make any recommended changes and undertake any other necessary steps, and present the draft policy to Council at its meeting on 21 October 2020.
- 44 Staff will then recommend to Council that the draft documents be adopted for consultation in accordance with sections 82 and 82A of the LGA. It is proposed that the consultation process will take place 4 November to 4 December 2020. Council staff are intending to consult on a group of policies at that time.
- 45 In the new year, staff will present any submissions received to Council, and progress the policy through to adoption. Staff will also make any required amendments to the manual, to reflect any amendments made to the draft policy. The manual will then be presented again to this committee.
- 46 If the committee endorse option 2, staff would action the request of the committee.

Attachments

- A Draft Procurement Policy [↓](#)
- B Draft Procurement Manual [↓](#)
- C Current Procurement Policy [↓](#)



Procurement Policy

Group responsible: Services and Assets/Finance

Date approved: XX 2020

File no: R/16/10/16349

Introduction

This policy contains high level policy statements that will guide procurement decisions for Southland District Council (Council).

Procurement is all aspects of acquiring and delivering goods, services and works. It starts with identifying the need and finishes with either the end of a service contract or the end of the useful life and disposal of an asset.

Council recognises that it is a significant user of public money and the expenditure of this money has an impact on the local and domestic economy. As such, Council seeks to ensure all procurement of goods, services and works are undertaken and managed in a way consistent with legislation, good practice and a sound business approach.

This policy informs any person working for or on behalf of Council of the policy approach that should be followed when conducting procurement. It also provide potential suppliers information about Council's procurement practices.

Council's procurement manual contains the practical steps that should be completed when procuring.

Objectives

This policy and the procurement manual are to establish a decision making framework for procurement that:

- ensures procurement is managed in accordance with legal process/legislation
- is used consistently across Council
- encourages good relationships with suppliers
- helps achieve public value
- establishes a sound business approach to procurement
- appropriately manages risk
- aligns with the delegation manual and facilitates compliance with that manual.

Scope

This policy and the procurement manual apply when goods, services and assets are actively being sought from a supplier.

Neither this policy, nor the procurement manual, cover:



- the setting of levels of service and budgets which are part of the long term plan process
- the setting of financial delegations for individual staff
- decisions about the preferred method of service delivery at the activity level (such decisions will be made in accordance with service delivery reviews required under section 17A of the Local Government Act 2002)
- how contracts should be managed.

Associated documents and important considerations

There are a number of factors that guide procurement for Council. These include:

- legislation/legal process – there are specific pieces of legislation that guide Council procurement, depending on the nature of the procurement
- the Government Procurement Rules – these rules are not compulsory for councils but they are a benchmark against which councils are measured
- the standards of the Office of the Auditor General – the Office of the Auditor General is interested in ensuring that councils conduct their business, including procurement, in a prudent and business-like manner. They are also the auditor of all public sector entities
- Council's Procurement Manual – this outlines the detailed processes that staff are required to follow to conduct procurement in line with this policy
- Council's policies – including Council's Conflict of Interest and Fraud Policies
- Council's Delegation Manual
- Council's Code of Conduct for staff
- major funder requirements, for example the New Zealand Transport Agency (NZTA), and the Ministry for Business Innovation and Employment (MBIE) can have specific procurement requirements in order for Council to attract funding.

Deviations from this policy

In exceptional situations, procurement may need to fall outside this policy. Council will comply with section 80 the Local Government Act 2002, if it makes decisions inconsistent with this policy.

Policy statements

This section outlines policy statements that are to be applied to all procurement activities, to achieve Council's procurement objectives.

Procurement will be in accordance with legal process/legislation

Council will abide by legal process and by legislation when it procures.

Procurement will be consistent across Council

All purchasing activity will be undertaken in accordance with the requirements set out in this policy and in the procurement manual.



The standard procurement methods outlined in the procurement manual will be followed. Any deviation from the standard procurement methods will be appropriately authorised.

Council will foster relationships with suppliers

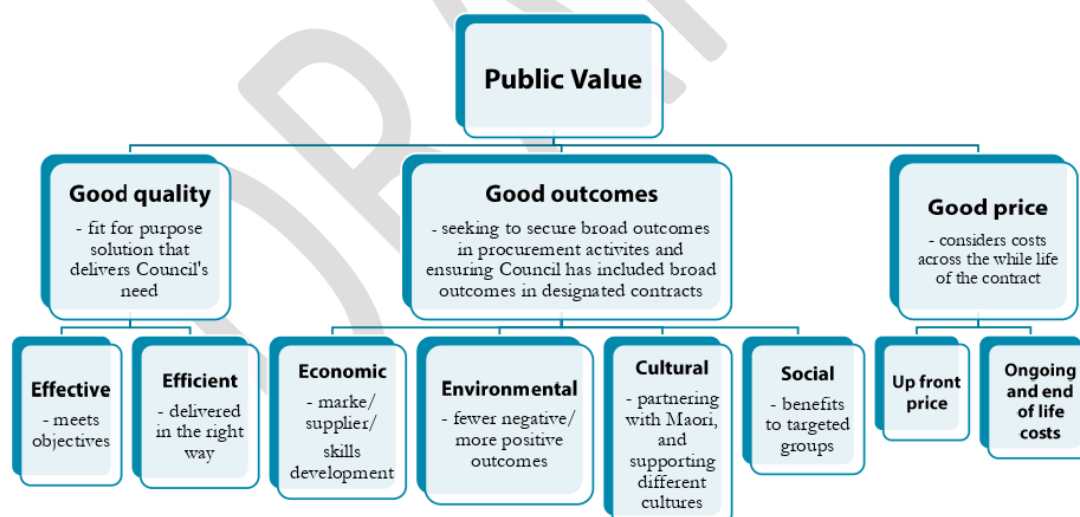
Council will foster relationships with suppliers to help ensure Council gets the best results. Where possible, relationships will be:

- collaborative
- professional
- demanding, but fair and productive
- focused on results and objectives
- mutually rewarding.

Council will make procurement decisions based on achieving public value

To procure responsibly, Council will aim to achieve public value. As is shown in figure 1 below, public value includes trying to procure quality and cost-effective goods/services, but also trying to procure in a way that achieves other broader Council outcomes.

Figure 1. Public value¹



The Local Government Act 2002 prioritises achieving economic, social, cultural and environmental outcomes. Council, through its procurement processes, will leverage these outcomes where possible.

¹ Amended from the New Zealand Government Procurement Rules, 4th Edition.



This will include:

- considering whether economic, environment, cultural and social outcomes can be achieved when identifying Council's business need and setting evaluation criteria
- getting the best possible procurement result
- using resources effectively, economically and without waste
- considering whole-of-life costs
- making it as easy as possible for suppliers to do business with Council, and where possible, ensuring opportunities are accessible for all
- making procurement decisions to consider a low emissions economy and to promote greater environmental responsibility.

There will be a sound business approach to procurement

Council will ensure a sound business approach by conducting procurement in accordance with the Government Procurement Rules and other 'good practice' guidelines, and also by:

- planning appropriately
- ensuring that procurement is effective and efficient
- acting with integrity
- making decisions based on public value
- abiding by the Health and Safety at Work Act 2015, and prioritising keeping staff, contractors and members of the public safe and healthy
- recognising the requirements of other agencies that provide funding, to assist with the delivery of Council services, such as the NZ Transport Agency.

Risk will be managed appropriately

Although risk is inherent in any procurement activity, Council will manage risk so it is acceptable from from a contractual and delivery point of view, to ensure that ratepayers are not exposed to significant unmitigated risk and future liability.

An element of risk management will be achieved by selecting the appropriate procurement method, contract, and basis of payment methods.

Council staff, are responsible for identifying and managing or mitigating risk effectively through each stage of the procurement process within their respective areas of responsibility.

The risk of fraud or impropriety will be reduced by conducting procurement in a fair and transparent manner, following appropriate procurement policies and procedures, and having appropriate internal controls in place.

Council will ensure that each employee or agent involved in a procurement process has the required skills for the type and level of procurement.

The general principle of risk management will be for Council to only transfer an appropriate level of risk.



Procurement decisions will be made in accordance with delegated authority

Council staff will act within their delegation when undertaking procurement and contracting activities. Procurement will not be undertaken without appropriate approval.

Review

This policy will be reviewed within three years of adoption. Any amendments shall be made with the approval of Council.

There will be ongoing evaluations of the effectiveness of procurement activities.

Implementation

This policy will become effective immediately upon approval by Council. The Procurement Manual will be used to implement this policy.



The Procurement Manual

Southland District Council 2019

DRAFT

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Document Revision

Date	Amendment	Amended by	Approved by	Approval date

1. Introduction

To guide its procurement activities, Council currently has a Procurement Policy and this procurement manual.

To achieve the procurement objectives stated in Council's Procurement Policy, Council purchasing activities will be in accordance with this manual.

2. Purpose

This manual is to:

- ensure procurement is managed in accordance with legal process/legislation
- ensure procurement is consistent across Council (which can help reduce administration and legal costs)
- help ensure people know their responsibilities
- identify the desired outcome of public value and to help achieve that outcome
- ensure there is a sound business approach to procurement
- appropriately manage risk
- facilitate compliance with the delegations manual
- encourage good relationships with suppliers.

3. Definitions

Key terms are defined in Appendix A.

4. Scope

This manual applies at all times when any good, service or asset is actively being sought from a supplier.

This manual should not be relied upon in isolation when undertaking procurement – other important considerations are outlined in Appendix B.

Procurement that is outside of this manual (to which this manual does not apply), is outlined in Appendix C.

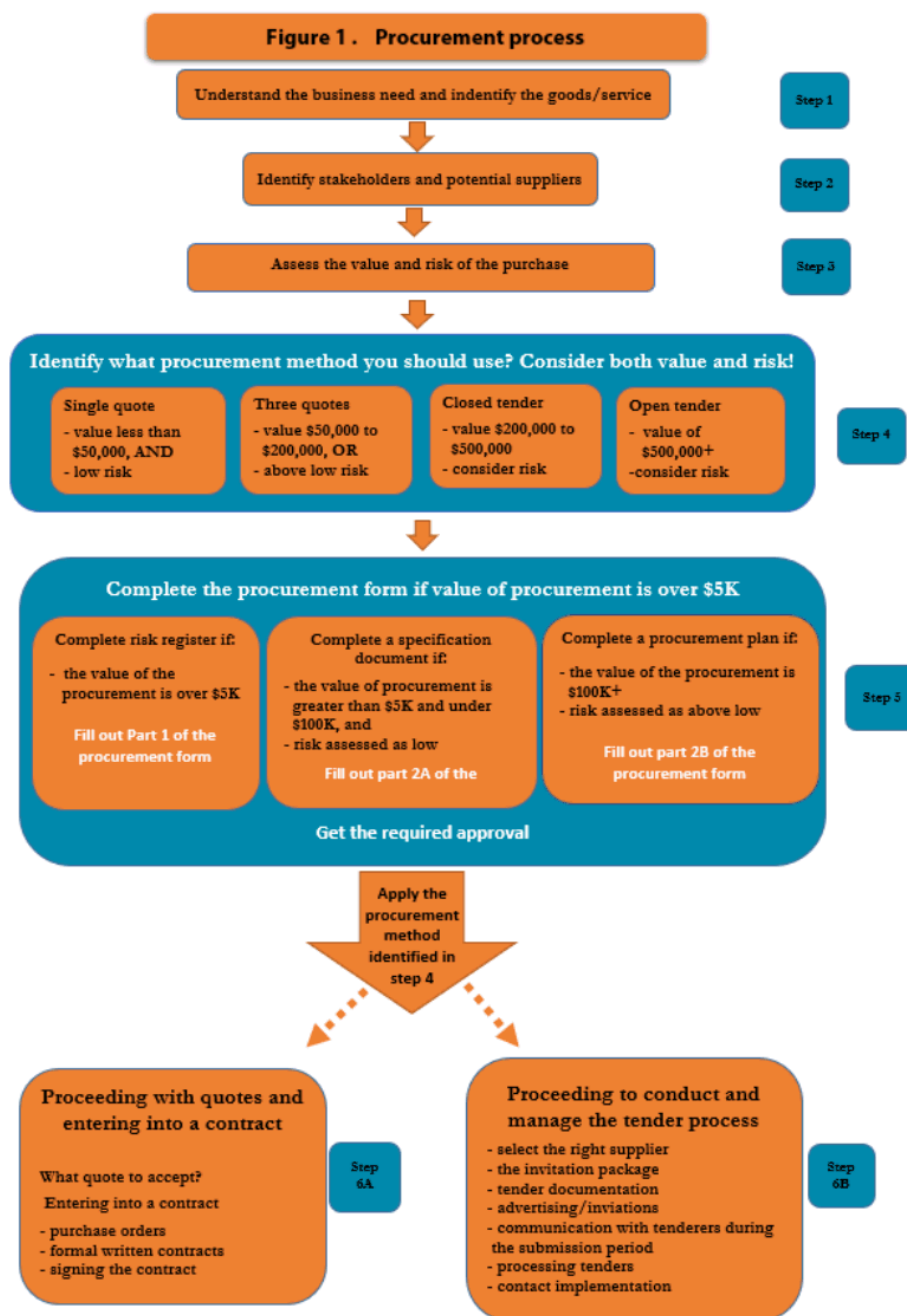
5. I want to procure – what do I do?

There are a number of steps staff must complete when undertaking procurement. The required steps are outlined in Figure 1 below and in this section of the manual.

Staff should read all of the procurement steps, but every step may not need to be completed (depending on the procurement being undertaken). Staff should work their way through the procurement steps.

A procurement form needs to be completed for each purchase made. In the form there is a risk register that must be filled in (at step 3), and depending on the value and risk of the purchase, either a specification document or a procurement plan have to be completed (at step 5). The procurement form requires and records each step of the procurement process.

Once the procurement form has been approved in accordance with Council's delegation manual, the staff member can then proceed with getting quotes or conduct the tender process.



Step 1 - Understand the business need and identify the goods/service

The first step in procuring is understanding what Council needs and what it is trying to achieve through a procurement process. Identifying the business need will shed light on the nature of the particular procurement, its value and its risk.

Staff should carefully consider the business needs against Procurement Policy statements to ensure the procurement scope is appropriate. In some cases aggregating scope is appropriate to leverage purchasing power and reduce administrative cost of procurement. In other cases it may be appropriate to separate scope to spread risk amongst multiple suppliers, improve market competitiveness or engage alternative specialties.

To identify Council's business need for a particular procurement, it may be necessary to:

- engage with key stakeholders and involve them in the decision making process
- engage with suppliers in an appropriate manner – they can be the experts
- get subject matter expert advice and input
- provide potential suppliers with detailed, complete and accurate information (not rough estimates, summaries or samples), so that they can:
 - propose the best solutions
 - price accurately and reduce their risks (otherwise the incumbent has a distinct advantage or suppliers have to build a risk margin into their prices)
 - only have criteria and questions that are based on what Council needs from each particular procurement process.

Step 2 – Identifying stakeholders and potential suppliers

This step requires a robust process to identify internal and external stakeholders and suppliers relevant to the procurement process. This can include identifying:

- the staff responsible for the procurement process
- the party that will be ultimately accountable. This will always include Council, but can also include the relevant committee, community board and staff, including the appropriate activity manager
- the staff who need to do the work associated with delivery of the specific project or output including operate and maintain an asset once commissioned
- other parties whose input will add value to the procurement process.

Key stakeholders may be involved in developing:

- the procurement plan including the project objectives
- specifications
- evaluation criteria
- relative weightings for evaluation criteria
- key performance indicators.

As part of identifying stakeholders, it is important to determine the potential supplier market. Methods to identify potential suppliers are:

- using existing knowledge/experience
- knowledge from allied agencies
- assessing the market by using a variety of sources such as previously used contractors Google or the Yellow Pages.

Approved contractor list

All suppliers and contractors undertaking work or services on behalf of Council need to be on the approved contractor list or be willing to undertake the requirements. The approved contractor list contains contractors who have been included in an approved health and safety list and have been included as a creditor. To be a creditor, a contractor has to accept Council's standard terms and conditions. To obtain health and safety approval the must provide Council with health and safety documentation and return the applicable forms to demonstrate understanding and compliance with current health and safety regulations.

Preferred suppliers

Council staff must honour commitments that have been given to suppliers, and manage leakage outside preferred supplier arrangements.

Step 3 – Assess the value and risk of the purchase

An assessment of the value and risk of the procurement should be completed to help determine whether a specification document or procurement plan should be produced. The value and risk of the procurement determine an appropriate procurement method.

Value

The value of the procurement should be estimate by considering recent similar purchases that have been made, other institutional knowledge or informal inquiries to suppliers.

When determining the value of the procurement, it is important to aggregate goods and services together where possible. For example, if a number of items are procured from a supplier over the course of a year or years, then it may be appropriate to view the value of the purchase as the value of all the purchases combined.

The value of a procurement includes the upfront costs, and any additional ongoing costs, above those accounted for in existing budgets.

Risk

The risk of the procurement should also be assessed. Information on assessing risk is provided in Appendix E. A procurement form is included with this manual as Appendix D. The first section of the form is a risk register. This register must be completed for every procurement process and it will identify the overall risk associated with the procurement.

Step 4 – Identify what procurement method you should use

It is now necessary to determine the most appropriate procurement method, taking into account the value (upfront and ongoing costs) and risk of the procurement.

People initiating procurement should check current budgets and current commitments for all types of purchases, and undertake any required approval processes (such as for unbudgeted expenditure). When ascertaining the approval required, upfront costs and any additional ongoing costs above those accounted for in existing budgets, must be considered.

The person initiating a procurement cannot also be the sole approver of the procurement as per the delegations manual.

Council's standard procurement methods

As a minimum, Council will undertake procurement as is outlined below.

An open tender process will be used for contracts or purchases with a value of \$500,000 or more.

A closed tender process will be used for contracts or purchases with a value of \$200,000 to \$500,000.

A competitive quotation process, requiring three quotations, will be used for purchases from \$50,000 to \$200,000.

A **single quotation process**, requiring just one quotation, will be used for purchases that are for less than \$50,000, however, more quotes may be obtained if it is considered appropriate. Where the same or similar procurements are being made on a regular basis, a competitive quotation process should be undertaken every two years, to ensure Council is achieving public value.

Notable exceptions that may require more stringent procurement processes, above and beyond the minimums indicated above, include contracts or purchases that are assessed as being above 'low risk'.

All New Zealand Transport Agency (NZTA) related procurement will align with the NZTA Procurement Policy. The requirements in the NZTA Procurement Policy should be followed for NZTA related procurement, instead of this manual, when different requirements are stated.

The process of completing the procurement form, will help identify the appropriate procurement method.

Procurement outside of these standard methods can only be undertaken if the steps outlined in Appendix F are followed.

Possible procurement methods

There are many types of procurement. Procurement generally fall into two categories – direct or competitive processes (or a combination). A competitive procurement process can often be used to put in place a direct procurement method.

Other possible ways to procure include:

- design and build
- design, build and operate
- alliancing
- public private partnerships
- joint arrangements with other agencies (such as shared service arrangements with other councils).

Step 5 – Complete the procurement form

For every purchase with a value greater than \$5,000, a procurement form must be completed. The procurement form is included with this manual as Appendix D. In the form, staff must fill in:

- the risk register, and
- either a specification document or a procurement plan.

Procurement plans shall be approved in accordance with Council's Delegations Manual.

Specification document

A specification document must be produced for all procurement valued under \$100,000 that is identified as 'low risk'.

Procurement plan

A procurement plan must be produced for all procurement over \$100,000, and for any lower value procurement that is identified as being above 'low risk'.

For procurement activity to be fully effective and achieve public value, it needs to be planned. Once planning is complete, the procurement plan serves as the basis for the procurement process and ensures that the procurement has appropriate controls in place.

Level of approval required

To proceed and conduct a procurement process staff must complete the procurement form and have it approved in accordance with Council's delegation manual.

Step 6A – Proceed with quote/s and enter into a contract

This step applies when staff are procuring by seeking quotes. Three different methods of seeking quotes can be used including verbal quotes, written quotes and requests for quotations (RFQs). Guidance on how and when these types of quotes should be used, is given in Appendix G.

What quote to accept

The main objective of any Council procurement process is to achieve the best public value.

Public value means getting the best possible result from the procurement, using resources effectively, economically, and without waste, and considering other outcomes that Council may want to achieve, such as the benefit a procurement could bring to the local community or environment.

Additional information on public value is in the Procurement Policy and in Appendix B.

An established track record or history with Council can be included as part of the assessment in selecting a supplier.

Further guidance on selecting a supplier is provided in step 6B below.

An evaluation summary

When a procurement plan is being produced, the plan will outline any evaluation criteria. This states how a supplier will be selected, when suppliers are competing for Council business. It may be appropriate to write an evaluation summary that records why a particular supplier is chosen. Part 6B includes further information on writing an evaluation summary.

Entering into a contract

All purchases, no matter how big or small, will involve Council entering into a contract.

The form of a contract will depend on the value and complexity of the procurement as well as the nature of the goods or services being procured.

Staff must be aware of, and able to comply with, the relevant law concerning the formation and performance of contracts.

Staff must take particular care to avoid inadvertently creating a contractual situation during the procurement process itself. It should be noted that offers and acceptances do not have to be written. A contract is binding in law if anything is said or done that can be construed as an offer and acceptance.

Purchase orders

Council terms and conditions of purchase are detailed when organisations are established as a supplier, and the supplier will be bound by those terms and conditions. For low value and low risk procurement, the only contract that may be required is completing a purchase order with appropriate authorisation. The supplier must have a valid purchase order number before supplying the goods and services.

Formal written contracts

Where there is commercial relationship that requires extended terms and conditions, or the purchase is of higher risk or value, a written contract will usually be required.

Council's contracts and projects coordinator should be involved and lead the contract development process. There is a Contract Establishment Checklist included with this manual as Attachment H, which must be filled out and sent to the Contracts and Projects Coordinator prior to entering into a contract.

Council has a suite of standard contract templates that will be used. Where a contract needs to be created for a unique supply arrangement, a legal opinion should be sought if there is a significant change to the standard contracts.

Further information on contract implementation is given in step 6B below.

Information on the different types of contracts, and on what clauses should be included, are outlined in Appendix I.

Signing the contract

Contract documentation should be prepared as soon as possible following the awarding of a contract and be signed by the supplier, and by the appropriate signatory on behalf of Council (under the appropriate delegated authority).

The contract document should be finalised before any delivery of goods, services or works under the contract. There should be no issues at the time the contract document is signed.

Ensure that the correct version of the contract and the schedules are presented for signing and that the documents are also dated, as the terms may commence on the date of signing. The fully signed and initialled copy must be saved in RM8.

Step 6B – Proceed to conduct and manage a tender process

Staff conducting a tender process should follow the requirements set out in this step of the manual. Parts of this section should also be referred to when other procurement processes are being undertaken.

When undertaking a tender process, the process in this manual from Step 1 through to Step 5 must be followed. This includes undertaking the value and risk analysis required in Step 3, and determining which procurement method should be used under Step 4.

To assist staff in the Services and Assets team, a procurement workflow document is included with this manual as Appendix J. This document outlines on one page all the practical steps that must be undertaken to complete an open tender process.

Select the right supplier – the evaluation model

The main objective of any procurement process is to achieve the best public value. Selecting the most appropriate model to evaluate submissions will help the evaluation team achieve this objective.

The chosen evaluation model should provide the evaluation team with a methodology to assess the relative strengths and weaknesses of each participant's submission. Within the proposal and tender documentation, the evaluation process described should disclose the evaluation criteria unless good reason exists to withhold that information.

The evaluation team

The team should be nominated early enough so that they will have sufficient time to assist in developing the evaluation criteria and weightings when creating the competitive process documentation. Early nomination will also allow the procurement project manager or facilitator to ensure that the evaluation team members can set aside sufficient time for the duration of the project to perform their role and responsibilities. It is critical that once confirmed, all members of the evaluation team see the whole procurement through to completion.

An evaluation team is required when:

- a tender process will be undertaken
- the value of the purchase is \$200,000 or more and/or the procurement is assessed as above medium risk.

The size and membership of the evaluation team will depend on the value, complexity and risk of the procurement. For all procurements where an evaluation team is required, at least three members are required. The team may include non-voting external advisors. The evaluation team must meet particular requirements when the procurement has NZTA funding (for example the evaluation team must have at least one suitably qualified member for purchases valued at over \$200,000).

It is good practice to have a selection of the following people on the evaluation team:

- the project manager
- a person with commercial or financial expertise
- a person with appropriate subject matter technical expertise
- a person with procurement process experience.

Evaluation criteria

The procedure for evaluating tenders and proposals will vary depending on the nature of the procurement.

Evaluation criteria are the specific and objective attributes used to compare submissions. They must be identified and described in terms of:

- differentiating submissions
- relative weightings or pass or fail
- a balance between price and non-price attributes.

Evaluation criteria will normally consist of:

- compliance checks or mandatory criteria scored as a pass or fail (or yes or no)
- non-mandatory criteria that participants are evaluated against.

The limit on a supplier's liability should also be considered when evaluating suppliers.

Further information on evaluating tenders, and evaluation methods, are outlined in Appendix K.

Probity advisor

For procurement projects in excess of \$5 million or for high risk procurement, an independent probity advisor must be appointed to the project team at the beginning of the process. For procurement in excess of \$5 million or procurements that are high risk, written approval from the chief executive can be sought, to not have a probity advisor.

The invitation package

When preparing an invitation package, staff should consider what information is required to ensure that the prospective suppliers understand the requirements in terms of both the outcomes to be achieved and the procurement process.

The procurement methods used will impact what to include in the invitation package. The following documentation is required for competitive tender or proposal processes:

- covering letter to all prospective suppliers if it is not a public tender (invitation to tender or proposal)
- the form of the contract
- the competitive process documentation (outlined below).

The objective when publishing invitations is to target the potential suppliers identified in the procurement form. The type and extent of advertising should be in keeping with the value and risk associated with the goods, services or works.

Contract numbers

Approaches to the market that will ultimately form a contract must have a unique contract number. This is allocated by the contract administrator. This system is used Council wide and forms the basis for the creation of the formal contract file.

Where procurement methods are governed by legislation (e.g. the Land Transport Management Act 2003 or the Construction Contracts Act 2002), or where external funding organisations such as NZTA may require a particular procurement process to be followed in order for their funding to be available to the Council, Council will use the required process.

Tender documentation

Wherever possible, the format of the documentation is to be standardised, though the content of contract documents will vary depending on the value, type and form of contract. Below is a description of different competitive process documents/methods. The quality, accuracy and completeness of this documentation will set the tone for the entire procurement process.

Methods

Depending on the complexity of your procurement, a single or multi-stage and an open or closed tender process will be used. This will include one or more of the following invitation methods.

- Registration of interest (ROI)
- Request for information (RFI)
- Expression of interest (EOI)
- Request for proposal (RFP)
- Request for tender (RFT).

It must be made clear that there is no commitment by the Council to purchase goods or services or to proceed to an RFP or RFT as a result of issuing an ROI, RFQ, EOI or RFI.

RFPs and RFTs

RFPs and RFTs must contain, at a minimum, the information set out in Appendix L.

Council and staff acting on behalf of Council must not, during a supplier selection process, act in a manner that is materially inconsistent with the process set out in the RFP.

To encourage competition and innovation, the RFP should generally avoid specifying the methods to be used to achieve outcomes.

Advertising/invitations**Contents of advertisements/letters of invitation**

Advertisements and letters of invitation should include the following information:

- the contract name and number
- the type of invitation
- the target market
- a description of the goods, services or works required
- the form of submission required
- the conditions and process that suppliers must fulfil to participate and any limitations on contractual obligations
- the time limits for submitting tenders or proposals
- where the invitation package can be obtained
- how to submit

- a contact person and their contact details for any enquiries or clarifications
- the closing date and time for submissions.

The advertising for a competitive tender or proposal process should also be appropriate for the target market.

Guidance on advertising and distribution of the invitation package

When undertaking a tender process, staff should ensure the cost of advertising does not outweigh the expected benefits of advertising. The extent of advertising shall be determined by the scope of the project.

Advertising of tenders is to be conducted by the commercial infrastructure team or an external consultant.

In order to allow adequate time for tender submission preparation thereby encouraging competition to obtain best value for money, Council will apply Rule 34 of the Government Procurement Rules to allow interested suppliers sufficient time to prepare and submit a tender or proposal. This timeline may be extended depending on the nature and complexity of your procurement.

Staff must also ensure that:

- no participant should get an undue time advantage or disadvantage
- any changes during the tender or proposal process, including extension of time, suspension or cancellation must be communicated to the market and registered tenderers in writing
- a supplier register is kept of all participants who request a copy of the tender or proposal package
- an acknowledgement is required from each participant as soon as they have received the invitation package
- all responses to any queries are provided to all participants on an equal basis except where the enquiry is commercially sensitive. The response may be regarded as 'commercial in confidence' and should be limited to the particular participant
- the advertising tool used can identify suppliers that have downloaded the documents thus enabling any subsequent amendments to be sent to them.

Staff will use the following methods to advertise tenders:

Methods	When method will be used	Why method will be used
Government Electronic Tenders Service (GETS) (preferred) Tenderlink, LG Tenders	<ul style="list-style-type: none"> • all open and closed tenders 	<ul style="list-style-type: none"> • to give public notice of procurement opportunities and related information • to meet requirements associated with 'open' public consultation and probity • to receive activity reports on suppliers who have reviewed or downloaded the attachments of respective tenders or proposals
Newspapers	<ul style="list-style-type: none"> • rarely used, but possibly used for open tenders where lower value/risk goods or services are being procured 	<ul style="list-style-type: none"> • to give public notice of procurement opportunities and related information

Communication with tenderers during the submission period

It is essential to ensure all communications within the proposal or tender submissions process:

- do not disadvantage any prospective supplier
- are able to show the reasons for any decisions made
- comply with the conditions of submission and require the same of prospective suppliers

- respect the privacy of prospective suppliers and the confidentiality of their submissions and intellectual property.

Notices

Considerable care should be taken to ensure that the documents are sufficiently clear and informative to allow tendering without questions. Ideally, there should be no need for any verbal communications with tenderers prior to acceptance.

If questions are posed during the tender period, one person (usually the project manager) should answer any questions received. All answers to questions should be written and sent to all potential tenderers as a 'notice to tenderers'.

Clarification meetings or site visits

Meetings or visits with prospective suppliers should be held only when essential and prior to the tender submission.

Participant briefings (site meetings)

If participant briefings are a formal part of the procurement process, the competitive process documentation should include this requirement and how the participants will be advised of the briefing.

Participant briefing records must include at least:

- the names and positions of the people attending
- the date, location and time (start and finish) of the briefing
- the presentation material
- a record of questions asked
- a record of answers
- any amendments to or clarification of the competitive process documents by way of a formal written addendum.

Processing tenders**Location of tender box**

Council's tender box (for tenders that are not submitted electronically) is located in the foyer of Council's main office, at 15 Forth Street, Invercargill.

Management of tender box

The box is to remain locked at all times between the calling for tenders and the closing of tenders.

Tender closing

Electronic tenders will close at the time specified on GETS and/or on Tenderlink. Council's tender box will also close at the time specified.

Late tenders or proposals

Although Council reserves the right to extend the tender period allowed for the submission of a tender, at its sole discretion Council's policy is that late tenders will be disqualified unless there are exceptional circumstances where the tenderer is unable to deliver the tender on time.

Late tenders or proposals should only be accepted when:

- there were circumstances outside of the control of the tenderer that prevented the achievement of receipt by closing time
- there is no possibility of unfair advantage
- the participant has no knowledge of the other tenders or proposals

- the late tender conforms in all other aspects to the criteria set out in the competitive proposal documents
- the tender is receipted into the Council tender box.

Facsimile tenders will not be accepted. Where it has been advertised that tenders will be accepted at a specific Council email address, tenders emailed to that address will be accepted.

If there are a number of queries about potential tenderers not being able to get tenders in on time, then special arrangements may include:

- extending the period for receiving submissions
- giving those who have already submitted documents the opportunity to submit an addendum to be read with their original submission as long as this does not create an unfair advantage over the other participants.

Opening tenders

Electronic tenders are opened by the Contracts and Projects Co-ordinator and are not opened in public.

The tender box will be opened at the time and place specified. The Delegations Manual outlines who has the authority to open public tenders received. Tenders must be opened in the presence of at least two people and will not be opened in public. All conditions of the tender and/or contract must be adhered to.

Cancelling a tender or proposal process

Council reserves the right, prior to the acceptance of any tender, to reject all tenders and not award the contract. This may only be done by the staff with appropriate delegated authority.

Confidentiality of tenders

As a general principle, Council has an obligation to tenderers to protect both commercial details and intellectual property contained in tenders. This obligation must be balanced against the responsibility for transparency of decision-making processes. No information relating to tenders received may be disclosed prior to award of a contract.

In responding to requests for information (either written or oral) on prices received, the name and price of the successful tenderer, and the other prices received, can be disclosed for lowest price conforming process once the tender process has been concluded. The following information can be disclosed once the tender process has been concluded for weighted attribute or two-envelope processes:

- name and price of the successful tenderer
- the highest and lowest prices tendered.

Checking references

Council staff will check the references of potential suppliers. The objective of checking references is to obtain factual information about prospective suppliers:

- technical expertise
- financial status
- management skills
- track record in delivering results and managing health and safety.

Reference check records must include:

- the name of the prospective supplier being checked
- the name and position of the person checking the reference
- the name, position and company of the referee
- the questions asked and the responses obtained
- confirmation that confidentiality has been assured.

The project manager or tender evaluation team leader will nominate one person to coordinate reference and due diligence checks.

Interviews and presentation

If interviews or presentations are to be held, it needs to be stated in the competitive process documentation. Consider whether presentations will be invited and the way the evaluations will be scored. All prospective suppliers must be given equal opportunity to clarify and provide additional information. A record should be kept of both the before and after presentation scores, as well as the reason for the differences. After each interview or presentation is completed, the evaluation team should review the participants' scores and agree on the final ranking.

Clarifying documents submitted by a potential supplier

During the evaluation, it may be necessary to clarify aspects of responses that are unclear or have errors and/or items that have been tagged. It is acceptable to contact a potential supplier to do this, however, it is imperative that a record of all communications be kept to ensure fairness and to preserve the integrity of the evaluation process. It is expected that this process does not provide the potential supplier with the opportunity to improve their offer in a way that they would gain an unfair advantage over another participant.

Errors and omissions in documents submitted by a potential supplier

One of the most frequent difficulties in tender evaluation is how to deal with errors and omissions, especially when these occur in the price.

Errors can arise from many sources, including:

- an error in the extension of rate and quantity to price
- an omission or double counting of schedule items
- an omission of contingency
- a typing, arithmetical or carry-forward errors
- a misunderstanding or misinterpretation of schedule items.

Whatever the source, there are very few tenders or proposals that close without there being some error identified. If arithmetic errors are found in the prospective supplier's price or costing details, the prospective supplier must be given the opportunity to:

- confirm the total price or cost as stated in the submission
- withdraw its submission.

If the total price or cost is allowed to stand, then adjustments to the schedules of rates or lump sum prices making up the total must be agreed with the prospective supplier.

Another common problem arising with tenders is incomplete information - something specifically asked for in the competitive process documentation is not or is partially supplied. Practices on handling this can vary. The evaluation team can make a judgment call on whether asking for the information will compromise the process. They need to consider if allowing extra information to be added later is unfair on the other participants, as the offending participant is effectively given extra time to complete their submission.

Asking for extra or missing information is not the same as seeking clarification of the information submitted. Clarification of the information provided is permitted. Care is required as the boundaries between the two issues are sometimes blurred. The test that the evaluation team should always apply in marginal cases is - does this unfairly advantage one participant over any or all others?

Supplier selection/evaluation

Tenders will be evaluated in accordance with the supplier selection model/evaluation criteria that was chosen (see earlier in this step). The objective of the evaluation exercise is to select the best supplier to

achieve public value. Staff should do this in a way that is repeatable, rational, transparent and auditable. Discussing the scores and reaching a team consensus is preferable to averaging the scores

Alternative tender proposals

Alternative tender proposals are not usually accepted unless specified in the tender documents.

If an alternative tender is received and not allowed under the RFT/RFP, it will be date stamped as received and returned unopened. Where an alternative tender is received electronically and identified separately it will not be passed onto the tender evaluation team with the contracts and projects co-ordinator advising the submitter it will not be evaluated. If the alternative is part of one document the tender evaluation team will not score the alternative.

Pre-acceptance meeting

A pre-acceptance meeting may be held with the recommended supplier to ensure that all aspects of the submission are clear. This is to ensure the critical elements of the submission are still valid and have not materially changed from the evaluated submission.

Negotiation

As a general rule, the Council will negotiate first with the highest ranked participant and, if the outcome is unsatisfactory, it will then negotiate with the next highest ranked participant until a satisfactory outcome is achieved.

Evaluation summary required

The results of the tender evaluation must be recorded as an 'evaluation summary' and saved in RM8. How the evaluation summary is documented will depend on the nature of the invitation and the complexity of the evaluation process. Standard templates are available from the contracts and projects co-ordinator.

The evaluation summary will include:

- the names of prospective suppliers
- the prices received
- the evaluation criteria and weighting factors
- any pass or fail requirements
- a summary of the ranking or scoring
- the consensus reached/the recommendation – this may be the exclusion, inclusion or selection depending on the nature of the invitation or the process.
- signed and dated by each evaluation team member.

Any personal notes and individual score sheets created by the evaluation team members should not be kept/recorded, as they may not reflect the final consensus decisions of the evaluation team.

An evaluation summary is a mandatory document for all procurements that follow a competitive process. The summary and the recommendation should be approved in accordance with Council's delegations manual and the procurement plan. The summary should provide the holder of the delegation with enough information on the evaluation process and the rationale for the recommendation, for them to be able to make an informed decision about whether the evaluation complies with the Local Government Act 2002.

Accepting the successful offer

Acceptance of the successful offer or submission may be communicated when the 'award of contract' recommendation report has been approved. The acceptance should be in writing with detail of the supplier's final offer, or acceptance of the submission (including confirmation of any further negotiations). It is also important to confirm the process going forward, and insure that there is a common understanding of the requirements, the conditions of contract and the supplier's final offer.

Contract implementation

The information presented in step 6A, on entering into a contract, should also be used in relation to contracts entered into following a tender process.

Award and signing a contract

The timing for preparing and signing the contract documents is, for those contracts based on NZS 3910 (conditions of contract for building and civil engineering construction), set out in section 2.6.2 of the Standard.

Council should not enter into a contract that is materially different from that described in the RFP.

Retentions, bonds and insurance should be considered when entering into a contract— further information on these bonds and insurance are provided in Appendix M.

Participant debriefs

After the procurement process is complete and the contract is awarded, it is important the unsuccessful/successful participants are given the opportunity to discuss their responses with a member of the evaluation team. This will benefit all parties to the process and provide opportunity for continuous improvement in participants' approach to the process.

Care should be taken not to disclose any information that is likely to reveal another supplier's market strategy in a competitive market, or any other confidential or commercially sensitive information.

6. Review

To ensure this manual remains current, from time to time amendments may be necessary. Amendments can be made with approval by the chief executive and the chair of the Finance and Assurance Committee.

This manual will be reviewed every three years, in conjunction with the review of the Procurement Policy.

Appendix A - Definitions

Term	Definition
Alliance contracts	An open book arrangement which shares the risk between the Principal and the Contractor.
Closed tender	An invitation to tender is issued to a limited number of suppliers.
Competitive process/procurement	A procurement process where suppliers are competing for business, including: <ul style="list-style-type: none"> • open tenders • closed tenders • quotations (oral or written).
Competitive tender	An open invitation for tender or proposal is advertised through an appropriate forum such as GETS. It can involve a multi-stage process including registration of interest (ROI), request for proposal (RFP) and/or request for tender (RFT).
Contract	An agreement with specific terms between two or more persons or entities in which there is a promise to do something in return for a valuable benefit known as consideration
Council	Southland District Council
Competitive procurement	Where the process is an invitation involving more than one prospective supplier.
Defects liability certificate / Final Completion Certificate	Certificate issued by the Engineer to the Principal and to the Contractor for the Contract works or any Separable Portion where the Defects Notification period has expired and the Contractor has remedied all defects notified by the Engineer.
Direct procurement	Where a supplier is approached directly about supplying a good or a service. Includes processes such as <ul style="list-style-type: none"> • selective procurement • standing arrangements • supplier panel arrangements • syndicated procurement • relational purchases.
Hold harmless clause	
Expression of interest/EOI	This is an optional first stage in a multi-stage procurement process and is used to reduce the number of interested suppliers in order to minimise costs to all parties. It identifies suppliers interested in and capable of delivering the required goods or services. Price information is generally not requested at the EOI stage. The only time indicative price information might be requested would be where the project had a limited budget and suppliers with solutions over the budget would not be considered. Enough detail must be given for prospective suppliers to decide if they are interested and to enable them to communicate their capabilities and experience on similar activities. An EOI advertisement will communicate:

	<ul style="list-style-type: none"> background information the specific outcomes required the types of outputs or inputs required any key constraints the qualifications required that written submissions are required.
LGA	Local Government Act 2002
Lowest price conforming model	An evaluation method where the preferred supplier meets the requirements set out in the RFP / RFT and offers the lowest priced proposal.
NZTA	New Zealand Transport Agency
Open tender	This is where an open invitation for tender or proposal is advertised through an appropriate forum such as GETS
Probity	Probity means the quality of having strong moral principles – in short, acting ethically and fairly.
Open book contract	See “Alliance Contract” definition
Panel of preferred suppliers	A list of suppliers that have been pre-approved to supply particular goods or services and who have agreed to Councils terms and conditions for supply.
Practical completion certificate	A certificate issued by the Engineer stating the date and time at which the Contract Works or Separable Portion were so completed.
Procurement	Procurement is all aspects of acquiring and delivering goods, services and works. It starts with identifying the need and finishes with either the end of a service contract or the end of the useful life and disposal of an asset.
Public value	Public value means getting the best possible result from procurement, using resources effectively, economically, and without waste, and considering: the total costs and benefits of a procurement and its contribution to the results you are trying to achieve. The principle of public value is about getting the best possible result over the whole-of-life of the goods, services or works. Public value includes considerations that are not solely focused on price, for instance what benefit your procurement could bring to the local community or environment.
Registration of interest/ROI	This is used to identify suppliers interested in and capable of delivering the required goods or services. Potential suppliers are asked to provide information on their capability to do the work. It is usually the first stage of a multi-stage tender process. A ROI advertisement or letter will request all necessary details of the prospective supplier (e.g. name, title, organisation, address, email) and identify the general areas of interest or experience. Information from the respondents should be supplied in a clear format and be limited to a few pages.

Relational purchases	No meaningful market, or strategic importance means that normal procurement processes would not be effective.
Request for information/RFI	A formal request for information to gain a more detailed understanding of the supplier market as well as the range of solutions and technologies that may be available. The RFI will seek information relating to specific outcomes that might be possible or technology that might be used.
Request for proposal/RFP	A formal means of seeking proposals from the market for goods, services or works where Council is open to supplier innovation and seeks a solution to a problem or process.
Request for tender/RFT	A formal means of seeking tenders from the market to provide goods, services or works where Council's specifications or requirements are clearly defined and there is little room for flexibility or innovation.
Retentions	"an amount withheld by a party to a construction contract (party A) from an amount payable to another party to the contract (party B) as security for the performance of Party B's obligation under the contract."
Selective procurement	Goods or services requiring specialised skills, are complex in nature, have a limited number of suppliers and/or specific knowledge of Council needs.
Standing arrangement	A contract in place for the supply of everyday goods and/or services regularly used by Council.
State of emergency	When a state of local emergency is declared in accordance with the Civil Defence Emergency Management Act 2002.
Supplier panel arrangement	Contracts that Council has in place with a supplier(s) to provide specified goods and services when required at an agreed rate.
Syndicated procurement	Where Council has an aggregated procurement arrangement with another Council or other party to improve purchasing power.
Waivers of indemnity or subrogation clauses	
Weighted attribute model	Assessment of attributes and price in varying proportions, to come up with a preferred bidder that optimises price and quality factors.

Appendix B - Important considerations when undertaking procurement

In addition to this manual, there are other things staff will need to abide by and consider when undertaking procurement. These important considerations are outlined below.

Legislation

Staff must comply with all applicable legislation throughout the procurement process. Legislation includes, but is not limited to:

- Civil Defence Emergency Management Act 2002
- Commerce Act 1986
- Contracts (Privity) Act 1982
- Construction Contracts Act 2002
- Contractual Mistakes Act 1977
- Electronic Transactions Act 2002
- Fair Trading Act 1986
- Goods and Services Tax Act 1985
- Health and Safety at Work Act 2015
- Land Transport Act 1998
- Land Transport Management Act 2003
- Local Authorities (Members' Interests) Act 1968
- Local Government Act 2002
- Local Government Official Information and Meetings Act 1987
- Official Information Act 1982
- Privacy Act 1993
- Public Audit Act 2001
- Public Finance Act 1989
- Public Records Act 2005
- Public Works Act 1981
- Resource Management Act 1991
- Withholding Tax Regulations.

Best-practice guidelines

Staff must also comply with 'good practice' guidelines. This manual draws on various good practice guidelines including:

- Government Rules of Sourcing, 4rd Edition 2019
- Procurement guidance for public entities (Controller and Auditor General 2008)
- Managing Conflicts of Interest: Guidance for Public Entities (Office of the Auditor-General, 2007)
- Sustainable Procurement in Government –Sustainable Business Council - 2009
- NZTA Procurement Manual – 2018
- NZTA Programme and Funding Manual

Delegations

All staff must seek approval from the appropriate level of delegation in accordance with Council's Delegations Manual for decisions made during the procurement process. Accordingly, all staff should be aware of and act within their delegated authority, including their financial delegations.

Policies/manuals etc

Staff should also be aware of and adhere to various Council policies/manuals that are associated with procurement. Key documents that relate to procurement are the:

- Code of Conduct for elected members
- Conflict of Interest Policy
- Delegations Manual
- Fraud Policy
- Health and Safety Policy
- Insurance Policy
- Partnership with the Private Sector Policy
- Record Keeping Policy
- Sensitive Expenditure Policy
- Significance and Engagement Policy
- Vehicle Policy
- Risk Management Framework
- Rooding Procurement Strategy

Public value, sustainability and environmental protection

Council has obligations to procure in a way that achieves public value, and to take a sustainable development approach. Council will achieve public value and sustainable development when it procures by considering:

- the social, economic, environmental, and cultural well-being of people and communities
- the need to maintain and enhance the quality of the environment
- the needs of future generations
- the ability of a supplier to meet the competitive process criteria and requirements for the procurement
- all costs including base price, maintenance costs, operating costs, ongoing supplier costs, contract management costs and possible price improvement through bulk buying, available discounts and potential leveraged discounts
- price stability and sustainability over the life of the contract
- rationalisation of suppliers
- the ability to leverage existing supply arrangements
- the sustainability of supply
- having a consistent approach.

Significance

Council staff should be mindful of the significance of the matter when undertaking procurement. Information about significance is outlined in the Local Government Act 2002 ('LGA') and in Council's Significance and Engagement Policy. Situations where a decision may be significant, and where formal consultation might be appropriate, would be if there were substantial changes to the content or form of services that Council delivers, or a change of approach to the way Council funds some services.

Public law obligations

Council's fundamental public law obligation is to always act fairly and reasonably, and in accordance with the law. This imposes a higher standard of conduct than that which applies in the private sector.

Staff should always be aware of the risk that their procurement actions and decisions could be subject to judicial review, or a complaint to the Ombudsman, or to the Office of the Auditor-General.

Source of funding

Approval of all known or proposed procurement expenditure should be obtained by the relevant activity manager in the budget of the appropriate activity/cost centre in the year that the expenditure is anticipated in accordance with the Annual Plan procedures.

All expenditure within a financial period will be funded from the pre-determined budgetary provisions for that period.

Where adequate provision does not exist for expenditure, the provisions relating to 'unbudgeted expenditure', as detailed in the Delegations Manual, will apply.

Where approval has been obtained but expenditure is likely to exceed the sum approved, it will be necessary to obtain additional approval to the original sum before any further expenditure is incurred.

Note that unbudgeted capital expenditure that involves the purchase or construction of a new asset must be approved by Council in accordance with section **xx** of the LGA.

Ethics

The following principles must be followed by all staff and people acting on behalf of Council, in respect to the management of, involvement in, and advice on procurement processes:

- no staff member shall engage in deceptive or misleading conduct (as defined under the Fair Trading Act 1986)
- price fixing must be avoided (refer to the Commerce Act 1986)
- staff cannot use the procurement process for personal gain
- staff must not be under any obligation (or appear to be under obligation) to anyone other than Council for the performance of their duties
- no gifts or gratuities are to be accepted from prospective suppliers who are actively tendering for the provision of goods and services
- staff must not request any gifts, favours or forms of entertainment in return for business, services or information
- all gifts or gratuities offered by suppliers must be managed in accordance with Council's Sensitive Expenditure Policy.

Procurement activity plans

Projected procurement activity plans with a three year horizon are a required component of annual business planning and must be included in activity plans. Expected procurement activity over the next one to three years will be identified, showing:

- categories of goods and services that Council expects to be procuring
- the approaches that are proposed to be used to procure goods and services
- approximate spend involved
- the expected timing
- key risks
- contract expectations.

In developing a plan, staff should have regard to the last service delivery review completed (in accordance with section 17A of the LGA) for that activity.

Including a procurement plan in an activity plan:

- makes the activity plan more complete
- provides an easy way to identify all major procurements that are going to be undertaken by Council (by reviewing all the activity plans)
- provides an opportunity for activity managers to streamline their subsequent procurement processes by outlining how they would procure parts of their activity in advance in their activity plan
- assists Council to start planning for specific procurement reviews with enough lead in time to do a thorough review
- to a limited extent, helps suppliers be aware of future Council work.

Conflicts of interest

As part of the general obligation to act fairly, Council shall take care that its decision-making processes cannot be challenged on the basis of actual or potential bias and/or conflicts of interest. The Local Authorities (Members' Interests) Act 1968, Council's Conflict of Interest Policy, and the elected members Code of Conduct shall be followed at all times.

Staff should be aware of the potential for conflicts of interest of anyone who is directly or indirectly involved in any aspect of the procurement process. This includes governance, management, operational staff and the person approving the procurement.

Staff should also be aware of section 3 of the Local Authorities (Members' Interest) Act 1968 which places an annual restriction on the contractual payments made or to be made by or on behalf of Council (\$25,000.00), that are of concern or interest to a member. If there is going to be expenditure above \$25,000.00 Council must apply to the office of the Auditor-General in advance to get written approval for the spending. If approval is not received the member must resign.

Any staff member involved in the procurement process shall declare a conflicts of interest that may affect, or could be perceived to affect, their impartiality. If there is any doubt as to whether or not a particular course of action (including a decision to take no action) raises a conflict of interest, then the staff member should seek guidance from a group manager or the chief executive.

Liability

When contracting for goods or services, a supplier may try to limit its liability under the contract. This is particularly common with consultancy contracts.

Limiting a supplier's liability within a contract has the effect of exposing Council to liability above the limit within the contract. This may have both direct and indirect costs to Council. The contract needs to be very clear about the:

- scope and limit of the liability
- events that might cause liability to be incurred
- number of those events to be covered.

In circumstances where there is a limit on a supplier's liability, potential associated costs to Council should be taken into account when considering that supplier's goods or services.

Without a limit being defined in the contract, the supplier's liability will be determined by the general law.

Officers should be aware of any "hold harmless" or "waivers of indemnity or subrogation" clauses that may be contained in any response, or amended within the indemnity and insurance sections of contracts or agreements. Generally, these are detrimental to Council and have the potential to adversely affect Council's insurance programme and/or legal rights.

Any waivers, hold harmless provisions or general limits on a supplier's liability should be referred to Council's insurers for comment prior to referral to the Chief Executive for acceptance or sign-off.

Confidentiality and intellectual property

Confidentiality is an important aspect of any competitive procurement process and Council must take particular care when handling commercially sensitive information. Confidentiality obligations apply throughout the entire procurement process and also after the contract has terminated or expired.

Confidentiality obligations can involve:

- not including information that is confidential to a particular supplier in the documents
- carefully managing questions and answers during the process
- carefully managing site visits and discussions with suppliers during the process
- evaluations of proposals – taking care with storage of documents and where they are reviewed
- not discussing proposals with people outside the decision making process.

Legal advice may be sought where Council needs to balance confidentiality requirements with statutory requirements for disclosure and consultation, including those imposed through the Local Government Official Information and Meetings Act 1987.

Where procurement involves the purchase of intellectual property rights, such as computer software development, staff shall determine whether it would be more beneficial for the rights to be held by the supplier or by Council. Relevant factors may include the effect on the price of the contract and the ongoing ability of the parties to develop innovations.

In each case, staff shall:

- identify all intellectual property likely to be developed or created during a procurement
- seek legal advice, where necessary, on how to secure its continuing right to use intellectual property as required, including if Council procures the goods or services from a different supplier in future
- be clear about the difference between what is intellectual property and what is said commercially in confidence
- determine who should own any intellectual property
- be satisfied that claims of intellectual property by suppliers are valid.

For information and communication technology contracts, Council shall adopt the default position that the supplier owns new intellectual property with licenses granted to Council. Any variation from this must be approved by the chief executive.

Keeping records

Council must keep adequate records of all procurement decisions. The Public Records Act 2005 requires public entities to maintain full and accurate records in keeping with normal, prudent business practice. Guidance on keeping records is also in Rule 52 of the Government Procurement Rules.

The value and risk of the procurement will determine the nature and amount of documentation that is required. Key information to be retained by Council should include adequate records to:

- show that Council followed due process and observed the basic principles set out in the policy and this manual
- establish that it identified and appropriately managed potential conflicts of interest issues
- all key documents that were published to the open market or sent to suppliers
- questions from suppliers and corresponding answers
- show the outcomes of team evaluations and decisions
- provide evidence for accountability and audit purposes

- plan any subsequent procurement.

Council will keep procurement records in RM8 to facilitate audit and other processes of accountability. Document and contract storage will meet requirements set out in Records Keeping Policy and other related policies and procedures. To comply with the Records Keeping Policy, the following documentation will be saved in RM8:

- copies of approved procurement plan, tender documentation, tender process and evaluation procedures/summary and documentation
- supplier quotes, tender responses, associated correspondence, recommendations, notification of acceptance, payments and variations
- reviews or probity reviews
- copies of all signed agreements / contracts / variations entered into with suppliers
- contract performance records, including any items under dispute
- correspondence between Council and its suppliers, including, but not limited to;
 - o notices
 - o contract performance reports
 - o variations
 - o contract extensions
 - o invoices and payment documentation
 - o price increase or decrease documentation
 - o contract closure documentation.

Internal audit

Reviewing that procurement projects and processes have been conducted in line with the policy and this manual is an important aspect to be considered as part of the development of Council's internal audit programme, which is approved by the Finance and Assurance Committee.

The service delivery methods to deliver a particular activity (eg by external contract or internal staff) will have generally been determined as a result of a service delivery review process conducted in accordance with section 17A of the LGA.

Efficient and appropriate procurement and contract management is essential to ensure the provision of infrastructure and services in the most efficient manner.

Appendix C - Procurement that is outside of this manual

Situations where this manual does not apply and where formal approval may be sought using different processes, includes but is not limited to:

- permanent and fixed-term employment contracts
- treasury management functions
- grants
- gifts/koha
- procurement during a state of emergency or a time critical situation (a time critical situation will be declared by the chief executive)
- disposal or acquisition of land and interests in land (including leases and licences)
- disposal of assets (other than land and interests in land. Note that disposal of forestry assets occurs in accordance with an approved Forestry Estate Management Plan and is not an exception to procurement policies and principles)
- projects when Council is engaged with other bodies, councils or consortiums (however, Council will ensure the procurement process is appropriate in the circumstance).

Appendix D – Procurement Form

All staff must complete this form when they are undertaking procurement valued at over \$5,000. This form is made up of three documents:

1. The risk register – this must be completed by all staff before seeking approval to procure items valued at over \$5,000.
- 2A. A specification document – this must be completed by all staff before seeking approval to undertake procurement valued at over \$5,000 and under \$100,000, that is assessed as low risk.
- 2B. A procurement plan - this must be completed by all staff before seeking approval to undertake procurement valued at \$100,000 or over, and for lower value procurement that is assessed as being above low risk.

1) Risk register – complete for procurement valued over \$5,000

For this procurement, please state the level of risk you have determined for each category of risk. See Appendix K of this manual for guidance on how to complete this part of the procurement form.

Description of identified risks	Category	Consequence	Likelihood	Mitigations	Level of risk after mitigation

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The level of risk that should be assigned to this procurement process as a whole, is the highest assessed level of risk identified for any of the identified risks.

2A) Specification document – complete for procurement valued between \$5,000 and \$100,000, that is assessed as low risk

Please fill in the specification document below. The description should be as detailed as possible. This document must be signed by an appropriate manager before proceeding to get a quote for the procurement.

Specification document	
Step 1 - What is the aim / business need?	
<p>Focus on the desired outcome rather than how it will be achieved.</p> <p>For example, include:</p> <ul style="list-style-type: none"> - what must be provided/obtained (the physical characteristics of goods – size, capacity etc) - should this procurement be aggregated with other related works/service? - other aspects of public value that can be achieved (environmental, social, economic, cultural outcomes) - any performance parameters and functional requirements - any required accreditation/approval - what quality standards apply (including to meet international standards, national technical standards or building codes, performance standards - including key performance indicators and targets) - how much is required (quantity or volume) - mandatory requirements and non-mandatory preferences - key delivery dates, set milestones etc - term of contract - how will the procurement be delivered (required qualifications, accreditation, approval, required standards, health and safety/where/required milestones etc). 	
Step 2 - Identify stakeholders and potential suppliers	
<p>Who will be impacted?</p> <p>Who could deliver the project/task?</p> <p>Who is/are the most appropriate supplier/s? – Council aims to achieve public value, which includes considering cost, quality, and other outcomes such as</p>	

economic, environmental, social and cultural outcomes.	
Step 3 – Assess the value and risk of the procurement	
<p>Up-front costs</p> <p>What is the estimated up front cost for this procurement?</p> <p>What is the estimate based on?</p> <p>Is the estimated up front cost within existing budgets? Which business unit/account code and the year(s).</p> <p>Ongoing costs</p> <p>What is the estimated ongoing costs for this procurement (please provide details)?</p> <p>What are these estimates based on?</p> <p>Does this differ from current ongoing costs? (both value and what needs to be undertaken)</p> <p>Are the estimated ongoing cost within existing budgets? Which business unit/account code and the amount allowed per annum.</p> <p>Under the procurement manual, the 'value' of the procurement is the upfront costs and any additional ongoing costs, above those accounted for in existing budgets.</p> <p>Risk</p> <p>Outline the level of risk determined through the risk register – this is the highest assessed level of risk identified.</p>	
Step 4 - Procurement method	
<p>What method will be used? Why has this method been chosen (i.e. cost or risk)?</p> <p>Is this a deviation from the procurement manual?</p> <p>If a deviation to Council's standard procurement methods is being proposed, why?</p> <p>Include any perceived benefits, disadvantages of the procurement method.</p>	
Step 5 – Complete the procurement form	
Step 6 - Quotes and entering into a contract	
<p>Provide any information about:</p> <ul style="list-style-type: none"> - the evaluation criteria. The main objective of any procurement process is to achieve the best public value. Consider factors such as cost and quality, and also desired environmental, social, economic and cultural outcomes. - accepting the quote/s 	

<ul style="list-style-type: none"> - entering into a contract - purchase orders - approved contractors - preferred suppliers - etc. 	
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2B) Procurement plan – complete for procurement valued over \$100K and for procurement assessed as being above low risk

The level of detail provided in this form should be tailored to the value and risk of the procurement. Pages with additional information should be included with this form, where necessary.

Procurement Plan	
Step 1 –What is the aim / business need?	
1. What is the aim?	
<p>Focus on the desired outcome rather than how it will be achieved.</p> <p>What public value could this procurement achieve (positive social, environmental, cultural, economic impacts)?</p> <p>For example, could it</p> <ul style="list-style-type: none"> - generate employment - contribute to community benefits - facilitate Council acting sustainably/improve the environment etc. 	
2. Identify the goods or service / describe the project	
<p>Give a detailed description of the procurement. For example:</p> <ul style="list-style-type: none"> - what primary activities will be required from the supplier to complete the project/work - description of the goods, services - identify any portions of the work that are specialised or require particular resources/skills/relationship to succeed - explain what aspects of the project the successful supplier will be responsible for, and identify any elements that are not included in the scope. <p>Should this procurement be aggregated with other related works/service?</p>	
3. How will the procurement be delivered?	
<p>For example</p> <ul style="list-style-type: none"> - do the people delivering services require any qualifications, 	

accreditation, approval, required standards, health and safety etc? - where will the services be delivered? - how will the services be delivered? - who will be involved in the delivery (single supplier or a group of suppliers/subcontracting)?	
4. Are there any required time frames or key milestones?	
For example any mandatory or key delivery dates, set milestones, the term of contract etc.	
5. Describe where the procurement is being undertaken/the area affected	
For example the type of area is it located in - urban/rural/virtual etc. How will this affect the types of stakeholders who will be affected by the project? Will the community be consulted/involved/informed etc?	
6. Outline the required resources and responsibilities	
What resources will be needed? Such as, project manager, evaluation team, tender or proposal manager, and approving authority. Will a probity advisor be used? If so, provide details. Will there be other oversight or assurance over the process. What are the responsibilities of staff and stakeholders?	
7. Related projects	
What other projects or works, either previous, concurrent or future, would have an impact on the work on this contract? This may lead you into considering whether to bundle or aggregate this project with other works, whether to combine elements of design and build, or design a program of related works around this project.	
Step 2 - Identify stakeholders and potential suppliers	
8. Interested parties	

<p>Who or what is the project aimed to benefit?</p> <p>Who could be disadvantaged by the project, either during the contract works or in the longer term?</p> <p>Are there any stakeholders who have already shown an interest (either positive or negative) in the project?</p>	
9. Number of known capable suppliers	
<p>What is the size of your market?</p> <p>If the number of potential suppliers is large, then it may be logical to use a two-staged process of preconditions to short-list early in the process.</p>	
10. Potential cost of procurement to potential suppliers	
<p>Estimate what the potential cost to suppliers would be.</p>	
11. Location of suppliers	
<p>Where the potential suppliers are located - local, regional, national, international?</p>	
12. Supplier size	
<p>Are most of the potential suppliers large or small companies, or a mixture?</p> <p>Does this project suit a larger or smaller one?</p>	
13. Supplier pricing	
<p>What do we know, based on experience, about pricing from our suppliers? Do we expect significant variation in tender box prices from the bidders, or will their prices be close. Consider the importance of price alongside other factors.</p>	
14. Supplier resources	
<p>In relation to potential suppliers, are there any issues around resource levels or quality that would not meet the project's needs? Outline those resourcing or quality issues.</p>	
15. Existing relationships and track records	

Who has been used previously? Nature of previous relationships In relation to potential suppliers, what elements of past performance would Council not want to happen again?	
16. Appetite and potential for new suppliers	
Are you keen to encourage new suppliers into your market? Why? Why not?	
Step 3 – Assess the value and risk of the procurement	
17. Value of up-front costs	
What is the estimated up front cost for this procurement? Provide the engineers estimate or a range if unsure. What is the estimate based on? Include as appropriate, the budget for conducting the procurement (such as, the potential costs of the process to Council, external quality assurance, independent assurance, legal advice and project management). An approved estimate of cost should also be prepared for all work that is put to tender and placed on the contract file in objective. Is the estimated up front cost within existing budgets? Which business unit/account code and year(s)?	
18. Value of ongoing costs	
What is the estimated ongoing costs for this procurement (please provide details)? What are these estimates based on? Does this differ from current ongoing costs? (both value and what needs to be undertaken) Are the estimated ongoing cost within existing budgets? Which business unit/account code and the amount allowed per annum? Under the procurement manual, the 'value' of the procurement is the upfront costs and any additional ongoing costs, above those accounted for in existing budgets.	
19. Level of risk associated with the procurement	

Outline the level of risk determined through the risk register – this is the highest assessed level of risk identified.	
Part C – Procurement method	
20. What procurement method will be used for this procurement?	
Outline the procurement method that will be used, based on Step 4 of the Procurement Manual.	
21. Is this a deviation from Council's standard procurement method?	
Yes/No?	
22. Why is this method being used?	
<p>Please state why this method has been chosen (i.e. cost or risk).</p> <p>If a deviation to Council's standard procurement methods is being proposed, why?</p> <p>Include any perceived benefits, disadvantages of the procurement method.</p>	
Step 6 – Proceeding with quotes or to tender	
23. Proceeding with quotes	
Provide any relevant information about: <ul style="list-style-type: none"> - purchase orders - approved contractors - preferred suppliers - etc. - 	
Selecting the right supplier	
24. Evaluation team	
Is an evaluation team required? If so, who will be in it?	
25. Outline the supplier selection model (determine the eliminators)	
List the mandatory criteria a supplier will meet. For example, a strong safety record, sustainable practices, co-operative working style etc.	

<p>Consider the aspects of past-performance that Council does not want to experience again (outlined in Step 2 above).</p> <p>They may also include 'must have' essential characteristics (eg completed three projects involving large structures valued over \$500K, confirmed by a referee, good employment practices, etc).</p> <p>Non-conformance must be easily defined by a fact-based definition.</p> <p>Some eliminators may also be included in the scored criteria (for example, additional quality if of value).</p>	
26. Outline the evaluation criteria	
<p>How Council will decide who gets the contract?</p> <p>The main objective of any procurement process is to achieve the best public value – consider factors such as cost and quality, and also desired environmental, social, economic and cultural outcomes.</p> <p>Does the potential supplier:</p> <ul style="list-style-type: none"> - connect meaningfully with communities - treat their employees and contractors well, such as being a Certified Living Wage employer - upskill people in areas where they provide work/services - lift skills and provide opportunities to people who may not normally be able to access them - embrace a diverse work force - reduce their carbon footprint, emissions, and waste - have other policies and procedures that align to the four well beings, such as child protection policies <p>The criteria focus on project specific risks or opportunities to add value. These should correspond to those risks identified in the risk assessment form and to the mandatory criteria identified above.</p> <p>Consider only the significant factors that will differentiate the bidders on their ability to deliver the project successfully. For example, time frames, budgets, endangering people/property/the environment, extraordinary results, and aspects of public value.</p> <p>These keys risks and opportunities should be scored.</p>	

27. Contract	
Outline what type of contract and contractual conditions are envisaged. Will a formal contract be proposed, if so, what will it include?	
28. Negotiation plan	
Is a negotiation plan required? If so, what is it?	

Authorisation

This procurement form has been authorised by..... in accordance with Council's delegation manual.

Dated.....

Upon obtaining the correct approval and completing purchase order requirements, authority is given to proceed and procure the goods/service.

Appendix E – Using the risk register

This appendix has been developed as a guide to using the risk register. The risk register must be completed for every procurement valued at over \$5,000, that is undertaken within Council.

Identifying risks

In column one of the risk register, identify all the risks associated with the procurement. Risks can relate to many aspects of Council business. The following categories, and the associated descriptions may assist in identifying relevant risks.

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

Identify which category the risk falls under

For the identified risks, the category of the risk (outlined above) should be recorded in column two of the risk register.

Identifying the consequences of the procurement

The next step is to identify the consequences of the risks that have been identified. The table below should be used to assess the consequences of the risks and to measure the consequences - such as the risk being 'insignificant', or 'major'. The consequence should be recorded in column three of the risk register.

Possible consequences of procurement					
	Consequence				
Category	Insignificant	Minor	Moderate	Major	Catastrophic
Strategic	No significant adverse public comment. No impact on achievement of LTP objectives.	Adverse comment in local or social media. Letters to CEO, complaints to Councillors.	National media coverage. Will impact achievement of one or more LTP objectives. Negative impact on key	National media coverage 2-3 days. Will significantly impact the achievement of multiple LTP objectives.	Coverage in national media 3+ days. Commission of Inquiry/ Parliamentary questions. Stakeholder relations irreparably damaged.

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

Mitigations

In the fourth column of the risk register, state all the mitigations that will be undertaken to alleviate the identified risks.

Identifying the likelihood

In column five of the risk register, record how likely the consequences associated with the risks are, if the mitigations are undertaken. The likelihood should be recorded as one of the following:

- highly likely
- likely
- possible
- unlikely
- rare.

Ascertaining the level of risk

The final step in the risk register, is to determine using the table below, the level of risk for each risk that has been identified. In accordance with the table below, the level of risk is determined by the possible consequences of the risk and the likelihood of those consequences. This should be recorded in the last column of the risk register, for each risk.

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

Appendix F – Deviations from Council's standard procurement methods

The intention is that Council will not deviate from the standard procurement methods outlined above, but in some instances a different procurement method might be more appropriate.

As a general approach to higher value and higher risk procurement, Council supports competitive procurement as a way to approach the market. Competitive procurement promotes open and effective competition and gives all potential suppliers an opportunity to participate. However, in some situations, Council may decide to procure directly from a supplier. In deciding to take this approach, Council will need to consider the value and risk of the purchase, as well as what will achieve the greatest public value.

The required approval

Any proposed variation from the standard procurement methods (outlined in step 4) will be outlined in the procurement plan, and will be signed off in accordance with Council's delegation manual.

When direct negotiations may be appropriate

Situations where it may be appropriate to negotiate directly with a supplier include:

- the value of the goods or services is very low
- the supplier selection process commences but only one potential supplier is identified
- the purchase of the goods or services is on an as-required basis
- it is not practical to aggregate separate orders for the goods or services
- the cost of seeking quotes or tenders would be out of proportion to the value of the benefits likely to be obtained or impractical in the circumstances
- the goods or services require specialised skills or are very complex
- the required goods or services are available from only one source
- only one supplier has the capacity to deliver within the time required
- standardisation or compatibility with existing equipment or services is necessary, and can be achieved through only one supplier
- where a competitive tender has previously occurred the supplier can be engaged at the rates provided in that tender process.
- the proposed suppliers track record and relationship with Council is acceptable
- when a state of emergency exists
- to maximise Council's ability to deliver additional works when there are tight time frames.

When direct negotiations will not be appropriate

Situations when it is not appropriate to negotiate directly with a supplier include:

- when negotiation excludes legitimate or anticipated variations to a contract, which falls within the scope of the goods, works or services. Negotiations conducted with a preferred participant in a properly run competitive process are not considered direct negotiations;
- when a contract is nearing completion and the market has not been tested for in excess of three years, even if the contracted supplier was the only participant in a previous process. Do not assume that there are no alternative suppliers;
- when following a tender process in which one tender is accepted, and subsequently the project specifications are changed so significantly that in effect it is a different project.

Appendix G – Information on quotes (verbal, written, RFQs)**Verbal quotes**

Verbal quotes provide a quick and convenient way of exploring the market and determining availability, and price. Verbal quotes should only be used for low value, low/medium risk goods or services. If you are seeking verbal quotes:

- ensure you are consistent in the description of goods/services required, so all the quotes are like-for-like
- have a clear, written statement of the requirements and any questions to ask before speaking to suppliers, so the same information is gathered and staff can properly compare the goods and services
- try and get written confirmation of the quote – as a minimum, document the time of conversation, who it was with, a description of the work the quote was for, and the amount)
- record quotes obtained, file notes and decisions made, including the reason for recommending and deciding on the offer selected (an evaluation summary)
- be careful when talking to suppliers to avoid inadvertently making a verbal promise to purchase from that supplier.

Written quotes and requests for quotations

Written quotes and RFQs should be used for goods and services with a higher value and risk (relative to those used for verbal quotes), where the selection criteria is price, and the requirement is for 'stock standard' or 'off the shelf' goods or services.

If the requirement is simple, a formal statement of requirements may not be needed. As quotes will be evaluated based solely on price, detailed conditions of submission should also not be required.

If you are seeking written quotes/RFQs:

- seek the quotation by letter, email, phone or fax - if by phone, file notes should be kept of the conversation
- stipulate how Council wants the price to be presented, and ensure adequate specification of the requirements
- record and save decisions in RM8, including reasons for the selection (an evaluation summary) and rejection of offers
- be careful when talking to suppliers to avoid inadvertently making a verbal promise to purchase from that supplier
- use the request for quotation template and the response template.

Appendix H – Contract Establishment Checklist

Contract Establishment Checklist

Name OF Contract:	
contract number:	
PROJECT NUMBER:	
contract manager	
team:	
type of contract	Maintenance / Construction Project / Consultant / Supplier
date OF HANDOVER:	

THIS CHECKLIST IS TO BE COMPLETED AS PART OF CONTRACT / TENDER ESTABLISHMENT. THIS WILL THEN BE SIGNED AND UPLOADED INTO THE RMS PROJECT FOLDER.

pre-tender		
Business case required – yes <input type="checkbox"/> no <input type="checkbox"/>	Approved	<input checked="" type="checkbox"/>
Procurement plan required - yes <input type="checkbox"/> no <input type="checkbox"/>		<input type="checkbox"/>
Scope of works / specifications defined		
Schedule of prices created		
Has value and risk been assessed?		
Procurement method	3 quotes/ RFP / RFT / RFI / EIO / Single source (open or closed)	
Publishing method	GETS / selected suppliers	
Contract type <ul style="list-style-type: none"> - measure and value - lump sum - lowest price conforming - price only 		
contract conditions		
Are alternative tenders acceptable?		
Rollover options (for maintenance contracts)		
Cost fluctuation	3910 / CPI / other	
Insurance types and cover <ul style="list-style-type: none"> - Public Liability - Motor Vehicle - Plant - Contract works - Professional liability 	If required – insurance limits \$ \$ \$ \$	
Tender weightings (add % - must add up to 100%) <ul style="list-style-type: none"> - Price - Experience - Methodology - Track Record - health and safety - technical skills - resources 	Insert %	

pre-tender		
- management skills		
Tender evaluation team:		
Liquidated Damages required	<input type="checkbox"/> Yes <input type="checkbox"/> No \$	
Retentions held	<input type="checkbox"/> Yes <input type="checkbox"/> No _____ months	<input type="checkbox"/>
- How long is defaults period?	\$	
- Value of retentions?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
- Finance informed of retentions held?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Bonds held	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Basis of payment	Claim / invoice / payroll	
Who will manage the bond or retention release		
Is Conflict of Interest and / or confidentiality forms required?		
Is a site specific safety plan required		
Is a site specific traffic management plan required		
Approval to go to tender	Approved by:	
BUDGET		RM8 ref
Expected Cost	\$	
Budgeted expenditure (in LTP / AP)	Yes NO – unbudgeted expenditure approved	
Budget approved by delegated authority		
GATEWAY ONE		RM8 ref
TENDER		
Tender Open date	Tender closing date	
Tender queries managed via	GETs / Tender Email / Contract Manager	
Number of NTT's		
GATEWAY TWO		RM8 ref
POST TENDER EVALUATION		RM8 ref
Number of conforming tenders received		
Legal vetting completed if over ?		
Tender recommendation report		
Tender recommendation report approved	Approved by: _____ Date _____	
Is preferred tenderer an approved contractor		
Approval to award contracts	Approved by: _____ Date _____	
Draft contract		
Letter to preferred tenderer		
Letter to unsuccessful tenderers		
Fully signed contract (by both parties)		
Proof of insurances		

pre-tender		
SSSP and TMP signed off by SDC		
GATEWAY THREE		RM8 ref
CONTRACTS	CONTRACT No.	IN CAMMS
Site possession date		<input type="checkbox"/>
Site induction date:		
Work order	Purchase order	<input type="checkbox"/>
Notice to Contractor register		
Cost control document		
Variations register		
CONTRACT CLOSURE		
O&M Manual received and approved - In RM8?		<input type="checkbox"/>
As-builts and ITP received and approved - In RM8?		<input type="checkbox"/>
Has practical completion certificate been given to contractor		
Have bonds been released		
Have 50% of retentions been released		
Has final completion certificate been given to contractor		
Has RAMM / IPS data been captured and uploaded		<input type="checkbox"/>
Lessons learned completed	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>
Contract closed in CAMMS	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/>
Contract container closed in RM8	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Contract close off - All variations signed off and included in budget?		<input type="checkbox"/>
Contracts Co-Ordinator informed? • Has post contract review including contractor been held?		<input checked="" type="checkbox"/>
SIGN OFF		
SIGNATURE:		
NAME:		
DATE:	ASSET MANAGER	CONTRACT MANAGER
notes		

notes

Appendix I - Types of contracts and clauses that should be included**What type of contracts are there?**

There are different contractual models that can be used. These include:

- traditional contracts
- NZS suite of contracts. i.e. 3910, 3915 etc
- alliance contracts or collaborative working agreements
- open book contracts
- panels of preferred suppliers.

The contractual model impacts the efficiency and effectiveness of the relationship. The contractual model is also important as it impacts how work is allocated to the supplier, particularly if there is a panel of suppliers.

What clauses should be in the contract?

In general, a contract provides a summary of what has been agreed between Council and the supplier. The contract documents:

- identify the parties to the contract
- describe the parties' basic obligations
- define which documents are included in the contract
- form the basis for administering the contract.

Clauses usually included (if relevant) in a contract are:

- general conditions of contract
- special conditions of contract
- schedule of prices
- basis of payment
- specification
- successful supplier's submission/tender
- letter of acceptance
- site/project specific health and safety plan
- insurance confirmation
- notices to tenderers
- tender correspondence
- minutes of meetings
- maps and drawings.

Additional information on some parts of a contract, are provided below.

Special conditions of contract

Special conditions are restricted to modifications and qualifications of the general conditions, such as the type of contract, the completion date, and retention, bond and insurance requirements.

Schedule of prices

The purpose of the schedule of prices is:

- to provide information to enable tenders to be prepared efficiently and accurately
- to provide prices for the proper and convenient comparison and evaluation of tenders
- to form a basis for accurate project planning
- to help calculate progress payments
- to value variations.

In the schedule, items of work should be grouped together in their respective asset categories, generally in accordance with their respective trades, and materials and labour should relate to finished work.

The schedule of prices identifies or locates the items of work and is not intended to be a repeat of the specification.

Provisional items may be inserted in the schedule to cover possible variations or additions to the contract work. The purpose of these items is to obtain rates for such work should it be required. In lump sum contracts where the quantity of work that will be required is unknown, provisional quantities may be nominated for the purpose of obtaining unit prices. Such quantities should be described as provisional and subject to measurement and adjustment on completion of the work.

Basis of payment

A basis of payment outlines how and when the specific items or work from the schedule of prices are to be paid. The basis of payment should be in all contracts. It is important to choose the right contract payment type to ensure procurement success. The objective, when selecting a contract payment type, is to have a reasonable distribution of risk between the organisation and the supplier. It can also be used as an incentive for the supplier's efficient and economical performance. Possible contract payment types include:

- fixed price (lump sum)
- cost reimbursement
- cost plus fixed fee/percentage fee
- cost plus incentive fee
- measure and value
- target price (purchaser nominated price).

The basis of payment method in a contract is also very important as it will drive behaviour. Suppliers will leverage the basis of payment to achieve maximum profit and the result can mean an undesirable outcome for the Council.

Specification

The specification is the written technical description of the work – it is complementary to (but not conflicting with) the pictorial descriptions and notes given on the drawings.

When writing the specification it is customary to divide the work into distinct sections or trades (e.g. scope of work, list of drawings, preliminaries, drainage, pavements, concrete, joinery, fencing etc). Clauses can be written to cover, where necessary:

- the materials to be used
- the method of work to be used
- the tests to be satisfied
- how defective work should be remedied
- and the method of measurement and payment.

Reference can be made to other documents (such as New Zealand Standards), but this should not be done indiscriminately.

The specification is an integral part of the design, as are the drawings. The specification is often overlooked resulting in inappropriate or outdated specifications being used, or the specification is replaced by a few brief notes on drawings. Sufficient time should be spent specifying the quality of the work, as it is not possible to price, build, test or measure the work correctly unless this is done.

Insurance confirmation

[Procurement Manual](#)

For purchase orders or works contracts up to \$50,000, insurance is generally not required. However, proof of insurance is necessary where a small value contract might affect high-value existing works, so it carries a large risk. Further information on insurance is outlined below in step 6B of this manual.

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Appendix J – Procurement workflow document



To be read in conjunction with the Procurement Manual, Policy and Delegations Manual

PROCUREMENT WORKFLOW							
	PROCESS	OVERVIEW	DELIVERABLE	LEAD	SUPPORT ROLES	APPROVALS	REPORTING REQUIREMENTS/ SIGN OFF
PRE-TENDER	STRATEGIC DRIVER and SCOPE	<ol style="list-style-type: none"> 1. Create Procurement plan 2. ID business case 3. ID goods and services required 4. Assess value and risk 5. Confirm procurement method 6. Confirm weightings 7. Confirm evaluation criteria 8. Confirm TET 9. Confirm L10, retention or bonds requirements 10. Create schedule of prices 11. Confirm payment terms 12. Confirm how tenders will be published 	<ol style="list-style-type: none"> 1. Procurement plan 2. Specifications 3. Contract folder created in RMS 4. Contract establishment checklist 5. Tender document 6. Schedule of prices 7. Approval to go to tender with Estimates 	Contract Manager	Contract Co-ordinator	Activity Manager Group Manager CEO Council Committees Council As per delegations Manual	Procurement plan approved
TENDER	GATHER PRICES	<ol style="list-style-type: none"> 1. Publish tenders 2. tender queries 3. clarification meetings / site visits 4. Tender closing date 5. Opening of tenders 	<ol style="list-style-type: none"> 1. Tender clarifications (NTT / NTP) 2. Quotes or proposals from tenderers 	Contract Co-ordinator	Project Engineer / Contract Manager		GATEWAY 1 Pre-tender to Tender Handover to CC
POST-TENDER	CONFIRM PREFERRED CONTRACTOR AND AWARD OF CONTRACT	<ol style="list-style-type: none"> 1. Evaluation of proposals 2. Post tender clarifications 3. Checking references 4. Negotiations with PT 5. Tender evaluation report drafted 6. Contract drafted 	<ol style="list-style-type: none"> 1. Post tender clarifications completed 2. Tender evaluation report 3. Approval of award of contract 4. Contract drafted 5. Letter to preferred tenderer 6. Letters to unsuccessful tenderers 7. Signed contract 8. Copies of insurances, bonds 	Contract Manager / Project Engineer	Contract Co-ordinator TET	Activity Manager Group Manager CEO Council Committees Council As per delegations Manual	GATEWAY 2 Tender to Post Tender Handover to TET
CONTRACT MANAGEMENT	MAKING IT HAPPEN	<ol style="list-style-type: none"> 1. Process claims 2. health and safety audits 3. site inspections 4. manage retentions and bonds 5. Cost Control 6. managing variations 	<ol style="list-style-type: none"> 1. PO / WO provided to contractor 2. payment certificates 3. performance records 4. monthly reporting 5. Registers for Variations, NTC etc 	Contract Manager / Project Engineer	Contract Co-ordinator Finance rep	PO / WO as per DM Engineers rep	GATEWAY 3 Post-tender to Contract Management Handover to CM
CONTRACT CLOSURE	FINISHING UP AND MOVING ON	<ol style="list-style-type: none"> 1. issue practical completion certificate 	<ol style="list-style-type: none"> 1. Practical completion certificate 2. final completion certificate 3. As built drawings 4. other documents i.e. O & M manual etc 5. Contract closure report 6. Close contract folder 	Contract Manager / Project Engineer	Contract Co-ordinator	Engineers rep	

Key:

LTP - Long Term Plan

AP – Annual Plan

UE – Unbudgeted Expenditure

CM – Contract Manager

TET – Tender Evaluation team

CC – Contract Co-ordinator PT - Preferred tenderer

Appendix K - Further information on evaluating tenders

The nature of the procurement and the outcomes required will determine which evaluation model is most appropriate. In simple evaluations, it is possible for the evaluation team to meet and complete a team evaluation.

It is important when asking for pricing information in a submission that the information received is comparable across the submissions. This is achieved by developing and providing to prospective tenders a costing template/schedule of pricing.

To assist the participants in understanding what is required, staff must provide a description of each of the evaluation attributes. It is best to discuss and agree on the description with the evaluation team. This will ensure each member has a good understanding of what is required and will be marking on the same criteria.

For NZTA subsidised activities, the Council is obliged to follow the NZTA methods and procedures to ensure funding approval

Information on different models

The weightings chosen for non-price attributes must reflect their importance. The balance between price and non-price attributes should reflect the potential variability in the quality of goods, services or works likely to be offered by participants and best value for Council. Pass or fail requirements may be used when criteria are critical for the successful implementation or management of the contract.

The 'lowest price conforming' and 'weighted attributes' models are the most commonly used evaluation models in local government. However, NZTA has now replaced the weighted attributes model with the 'price quality' model, citing greater transparency in the evaluation process as the reason for this decision. The 'price-quality model' and the 'quality based' model (also referred to as the 'Brook's Law' model) will generally be limited to evaluating proposals for professional services for transport projects. They will be used only by staff competent in the use of these tender processes.

For high risk/value procurements a 'two-envelope' evaluation may be used. This is where one envelope contains information about pricing and the other contains information about non-price attributes. Non-price attributes will be evaluated first in isolation, and signed off by the evaluation team prior to opening the pricing envelope. In order for the process to have credibility, it is essential that all team members individually read and evaluate the tenders. They then grade the non-price attributes noting their overall rating for each attribute. Each team member should record the reason behind their attribute grade allocation noting exceptions rather than compliance. It should be noted that if the tender evaluation was to be challenged, the individual markings of each team member are not discoverable in court. Instead, the courts will check the robustness of the evaluation process used. The best evaluations come from a meeting of minds, not from an individual evaluation.

As has been stated above, an established track record or history with Council can be included as part of the assessment in selecting a supplier.

Appendix L – Information that must be included in a RFP and RFT

At a minimum, the RFP and RFT must include:

- a clear statement of the scope of the procurement activity and intended outcome
- a description of the delivery model to be used
- the supplier selection method to be used
- the attributes against which proposals will be assessed, including (where applicable) the weights for price and non-price attributes
- a description of how price will be used in the proposal evaluation process (where applicable), including a description of how any proposal price may be modified
- whether alternative proposals are permitted and, if not, why
- whether a conforming proposal is required when an alternative proposal is submitted
- a statement about how variations to the contract will be managed
- proposed contract terms and conditions, including (where applicable) the proposed standard form of contract
- a statement that personnel listed in any proposal must be available to provide the services
- a statement about the quality assurance system requirements
- any proposed arrangements for bonds and retentions and for testing the financial viability of participants in a supplier selection process
- a statement about the proposed limit on the liability of the supplier(s) (only where professional services are being sought)
- a statement about the process to be followed in the event of errors or omissions in proposal documents
- the policy on late proposals
- a proposed schedule for the process, including any interviews/presentations required, and contract award and contract commencement dates
- a description of the method (if any) for contract price adjustment for cost fluctuations
- the key performance indicators (KPIs) that will be set - these should cover quality of performance, scheduled performance and relationships
- information on the possibility of post-evaluation negotiations - the parts of the competitive document that will be negotiated may be identified
- a provision to the effect that no contract exists unless and until a signed letter of acceptance is issued or a contract signed by both parties.

Appendix M – Contract clauses - bonds and insurance

Retentions

All retentions under a construction contract must be held in trust.

Retentions may be used to remedy defects in the performance of the contractor's obligations under a contract. The balance of the retentions, shall be payable to the contractor on completion of the contractor's obligations under this contract.

The process of releasing retentions is as follows:

- on approval of the Practical Completion certificate – release 50%
- On approval of the Final Completion Certification – release 50%.

An example of retention percentages for contracts work is a total retention of:

- 10% on the first \$200,000, and
- 5% on the next \$800,000, and
- 1.75% on amounts in excess of \$1,000,000, and with a maximum total retention when aggregated of \$200,000.

The finance team should be advised of all contracts subject to a retention.

Bonds/bond in lieu of retentions

A contractor's performance bond is normally required for all New Zealand standard contracts (see New Zealand Standards 3910, 3916, 3917).

The bond shall be 10% of the contract value or other amount as specified by the appropriate group manager upon consideration of the related risk. No bond shall be greater than the reasonably expected loss in the event of the contractor defaulting.

When required, bonds shall be in the form of New Zealand Standard 3910:2003 - third schedule. The security shall be a bank, insurance company or recognised lending company. Alternatively, the contractor may provide a cash bond. Where a bond is not required, or the basis of the bond calculation is other than 10%, approval must be obtained in accordance with the delegations manual.

Only contractor performance bonds that comply fully with the requirements of the Council standard 'Form of Contractor's Performance Bond', should be accepted from contractors. These can only be discharged upon satisfactory fulfilment of the requirements of the contract as evidenced by the issue of the Defects Liability Certificate. Performance bonds with expiry dates should be rejected.

Insurance

Insurance is one way to transfer financial risks in a project. Certificates of insurance are required to provide proof of insurance cover arranged by the contractor.

It is important that the staff member responsible for negotiating the contract understands the conditions requested in the certificates of insurance and the reasons for them. Staff should be aware that policies of insurance are contracts in their own right and they do not cover all risks.

The decision as to whether insurance is required is at the discretion of the contract manager.

All contractors shall provide evidence of general or public liability insurance (for a minimum amount of \$5,000,000) and all contractors or consultants providing professional advice or services to Council shall provide evidence of Professional Indemnity Insurance. It may also be appropriate to require plant and/or vehicle insurance.

For those persons, other than independent contractors or consultants, who may be undertaking work at the direction of Council (not-for-profit organisations, seconders and volunteers are good examples), the work performed will be covered under Council's public liability insurance.

POLICY: **PROCUREMENT**

GROUP RESPONSIBLE: Chief Executive

DATE APPROVED: 29 September 2010

DATE AMENDED:

FILE NO: 140/20/1/13

POLICY DETAIL:

OUTLINE OF THE PROCUREMENT POLICY

This policy sets out the strategic objectives for Council's procurement. In particular, there is an explicit emphasis on Value for Money (Section 4). Value for money is about whole of life costs and benefits, and non-monetary qualities that Council seeks to promote. These include sustainability across the four well-beings: economic, environmental, cultural and social.

Key tools for procurement included in this policy are:

- Market assessment: to ensure that Council considers the nature of the market it purchases from and the impact its procurement decisions have on the long term structure of the market (Section 6.1)
- Guidance on supplier selection (Section 7), including qualities of suppliers, competitive processes, and restricted processes.
- Clarity on the levels of procurement controls (Sections 8.2 and 9), in conjunction with the financial delegations).
- Guidance on dealing with sensitive expenditure (Section 8.3) and conflicts of interest, real and perceived (Section 8.5).
- Executive management team review of procurement documentation, as a means of identifying areas for improvement for the organisation as a whole, as well as high level internal audit (Section 8.1.1).

1. Objectives

- Ensure purchases are made in an open, fair and transparent manner.
- Deliver best value for money over whole of life: considering both cost and quality.
- Ensure open and effective competition.
- Support good environmental outcomes, where feasible.
- Appropriately manage risk.
- Promote efficient purchasing practices in a dynamic environment.

2. Principles of Good Practice in Procurement Process

The Office of the Auditor-General states good practice considerations include:

- Clearly articulated procurement policies and procedures.
- Regard for the legal implications surrounding procurement, including acting in accordance with the existing enabling legislation, along with wider legal and public law considerations.
- Operating with ethical standards covering confidentiality, disclosure and declarations of interest.
- Awareness of economic considerations in the procurement process including total cost of ownership, value for money and market impact.
- Effective management of risk throughout the procurement process.

3. Context of Council's Procurement

3.1. *Our Way Southland - Community Outcomes*

Southland local authorities have a shared set of community outcomes:

- Southland is a great place to live.
- A diverse economy built from our strengths for growth and prosperity.
- Safe places in a caring society that is free from crime.
- We are a healthy people.
- Strong effective leadership taking us into the future.
- A treasured environment which we care for and which supports us now and in the future.
- A well-educated and skilled community continually seeking further opportunities to learn.

Details of these outcomes, how Council's activities contribute to them, and progress against them are outlined in the LTCCP and Our Way Southland documents.

3.2. *Shared Procurement*

Southland District Council also pursues opportunities to establish shared services with other entities - primarily other Councils. Examples include Venture Southland, Civil Defence, and WasteNet.

Where appropriate Council may also establish shared services outside of local government. For example Southern Rural Fire is a shared service arrangement that includes the Department of Conservation and private forestry owners. These entities generally have their own governance structures, and procurement procedures. However, where these do not exist, clear procurement processes will be established that comply with good procurement practices, and fit within the relevant entities policies.

4. Value for Money, Current and Future

Value for Money is about more than cash. Council is committed to ensuring it obtains value for money in procuring goods and services. Value for Money is defined as the best possible outcome for the money spent. Considerations in assessing Value for Money include, but are not necessarily limited to:

- Whole of life financial cost assessment, including upfront costs, maintenance, depreciation, upgrades required within the life of the asset, and disposal costs (where applicable).
- Whole of life financial benefit assessment, including revenue (eg user pays fees), gain on sale (where applicable).
- Future costs and benefits shall be appropriately discounted, taking into account the costs of capital (eg interest rates), risk, and social returns. Guidance on selection of a discount rate can be found at the NZ Treasury website¹.
- Any additional considerations pertaining to the quality of good or service, such as guarantees, technological benefits, benefits/complementary nature with existing services or future good or service needs
- Identifying and mitigating any associated negative externalities, such as environmental impacts of an activity during construction/implementation and/or through the life of the asset or contract.
- Sustainable practices, including environmental, social, cultural, and economic sustainability which are outlined in Section 5 below.
- Long term competitive markets as outlined in Section 6 below.
- Flexibility in service delivery for Council, where appropriate.

The importance of the above factors may vary between projects, either because of the nature of the projects themselves, or because decision makers will bring different perspectives (Council, Community Boards, Community Development Area Sub-committees etc). Where possible, weightings (quantitative or qualitative) will be added to tender request documents to guide potential tenders to matters which are considered important to the specific purchase.

In making this assessment, the ability for Council to deliver the good or service internally will also be considered against the above criteria.

In addition, the costs of the procurement process (both financial and resource use) shall be appropriate for the value of the purchase.

5. Sustainable Procurement

Sustainable procurement involves considering the long-term as well as short term effects of purchase decisions across a broad range of objectives; and taking extra care when procurement causes changes that might be irreversible or uncertain.

¹ <http://www.treasury.govt.nz/publications/guidance/planning/costbenefitanalysis/primer/15.htm>

5.1. Socially Sustainable Procurement

Socially sustainable procurement involves supporting suppliers who are socially responsible and adopt ethical practices. The following points are relevant to socially sustainable procurement:

- Practices within the workplace eg suppliers who have high health and safety standards; suppliers who employ or support disadvantaged members of the community.
- The impact of procurement decisions on local businesses and employment in our communities.
- Mitigation of negative social impacts that may arise from the project.

5.2. Culturally Sustainable Procurement

Council works in partnership with local iwi, specifically through Te Ao Mārama. Where a project has implications for significant sites, or practices, Te Ao Mārama will be consulted. There may be specific requirements that need to be incorporated into the procurement process.

5.3. Environmentally Sustainable Procurement

Environmentally sustainable procurement is about working towards:

- Ensuring awareness of 'sustainable' procurement at all levels.
- Using recycled resources where appropriate and financially viable.
- Minimising and/or mitigating the effects of emissions, run off etc.
- Providing potential cost savings.
- Conserving natural resources and improving our environmental 'footprint'.

Council will favour purchasing goods, works and services that are less harmful to the environment - land, air, and water elements. Sustainable products are those that are made with less harmful material or which are produced, used and able to be recycled or disposed of with minimal impact on the environment. Council will consider the following characteristics in goods, works, and services it purchases:

- Recycled content or content from an environmentally sustainable source.
- Recyclable, biodegradable or able to be disposed of safely.
- Durable, as opposed to single use and ability to be repaired.
- Energy-efficient products, or processes.
- Shipped with minimal packaging or packaging that is recyclable.
- Works and services provided by suppliers with environmentally sustainable practices.

Council has a sustainable procurement guide, with checklists to assist in assessing environmental sustainability of goods, works, and services.

5.4. Economically Sustainable Procurement

Economically sustainable procurement includes:

- Adopting practices and strategies to avoid unnecessary consumption and manage demand.

- Considering whole of life financial costs and benefits, including the implications of quality trade-offs.
- Making procurement decisions in a way that supports long term affordability; this may include making decisions that support long term competitive markets, maintaining strategic relationships with suppliers.
- Taking into account the impact of procurement decisions on local communities and businesses.

6. Maintaining Competitive Markets

The majority of Council's procurement activities are ongoing, therefore the capability and capacity of providers and the local market are factors in maintaining value for money over the long term.

As noted above, the procurement market that Council operates within has specific features that mean its procurement choices have the potential to shape that market.

These features include:

- Limited number of providers based locally.
- Difficulty and/or expense of relying on national providers locating in Southland for specific projects.
- There are a large number of smaller contractors operating in Southland.
- Council is a major purchaser of engineering works and services in the lower South Island.
- Distance from major centres, and across the District brings its own costs and constraints.

For these reasons, when making procurement decisions, Council will need to consider not only the value for money of the individual procurement process/decision, but also its long term implications for maintaining a competitive market ie the implications for value for money of future purchases of goods and services.

Council will use a range of tools to ensure that its procurement choices are not to the detriment of a sustainable competitive market.

- Work will be packaged so as to give all players a fair chance to win business.
- Local contractors will be used, where they can provide equal or greater value for money (as outlined above in Sections 4, 5 and 6).
- Choice of tendering or direct negotiation as supplier selection methods.

6.1. Market Assessment

Council will complete a market assessment to support procurement decisions - both the method of procurement and the selection of supplier. A market assessment is required for all areas of procurement and will be reviewed in advance of major procurement decisions, or reviews of standing arrangements. The market assessment will consider, but not necessarily be limited to:

- The number and size of suppliers, both locally and those who have demonstrated an ability to supply in the lower South Island; and the level of competition in the market.
- Council's current spending intentions (as outlined in the LTCCP/AMPs).

- Impact of other Councils or significant purchasers in the market, locally; and opportunities for collaboration in purchasing and/or information sharing.
- Market testing. This may include:
 - (a) previous competitive tenders;
 - (b) quotes;
 - (c) early steps in the procurement process, including Expressions of Interest, Registration of Interest, and Requests for Information; and/or
 - (d) early contractor involvement with appropriate suppliers

The market assessment will be submitted to whomever is responsible for the procurement decision, as per Sections 8.2 and 9 below. It will also be reviewed by the Executive team, as outlined in Section 8.1.1 below.

7. Supplier Selection

7.1. Qualities of Potential Suppliers

The history and qualifications of potential suppliers will be an important factor in selecting a provider. Assessment will include:

- Any established track record with Council, or other Councils/entities where this can be reliably verified.
- The ability of the provider to meet the standards required. Required standards includes the quality of the good or service for procurement, any impacts that may arise incidentally to its provision eg noise control during construction, and safety practices.
- The sustainable practices used by the supplier (Section 5 refers).

7.2. Competitive Tender or Quotes

Procurement decisions of between \$5,000 and \$20,000 will generally be made on the basis of three quotes. It is the responsibility of the staff member completing the purchase (as per the financial delegations) to select the three suppliers and evaluate them.

Procurement decisions over \$20,000 will generally be made on the basis of a competitive tender, and will follow the processes outlined in Sections 7.2 and 0 below.

Where a contract has been tendered, and subsequently substantively amended, an explicit decision must be made by the authorised delegate (as per the financial delegations and Section 9 below) as to whether the contract should be put up for tender again, or negotiated with the winning tenderer. Re-letting the tender will be the default, and the decision documented, in line with Section 7.3. Factors to be considered include:

- If the changes are likely to have drawn tenders from further providers, had they formed part of the original tender document.
- Whether changes relate to the scope of the contract (ie Council amendments), or options for savings identified by winning contractor (in which case re-letting would be inappropriate).

7.3. **Alternative procurement methods**

Competitive process will be the predominant method for supplier selection. However, Council may consider opportunities to procure through alternative methods (such as negotiation with a single provider, limited invitation to price, and preferred suppliers), rather than through competitive tenders, where this can be demonstrated to provide a better outcome in the long run.

Any departure from the competitive process must be supported by the market assessment and a report outlining the reasons why a non-competitive process is preferred. The report will be submitted to whomever is responsible for the procurement decision, as per Section 9 below. It will also be reviewed by the Executive team, as outlined in Section 8.1.1 below, and be available to any member of the public on request.

Instances where this is likely to be the case include, but are not limited to:

- Sole provider of services, such as auditing services which are carried out by Audit NZ for Council.
- The market contains a strictly limited number of viable suppliers.
- Goods or services are of strategic importance to Council operations.
- There is a significant level of work required before a contract can be confirmed, such as for community projects relying on external funding (grants etc).
- The provider holds significant corporate knowledge which, if another provider was engaged, would cost the Council a significant sum of money to replicate.

Where Council purchases from a provider without a competitive tender process, the principles and practices contained within the Partnerships with the Private Sector Policy will apply. Considerations in negotiating a contract with a provider include:

- Higher quality results over the long term.
- Ensuring market sustainability, capacity, and capability in the long term.
- Enabling innovative approaches to providing the best outcomes.
- Providing flexibility to fast track works through direct appointment of suitably qualified suppliers.
- Track record of the provider in providing goods or services for Council.

Council acknowledges that some external funders, such as some Government Departments will require a competitive process, and where this is the case tenders or quotes will be used.

7.4. **Locally Based Suppliers**

In maintaining the provision of goods and services in the long term, Council has an interest in ensuring that there is a viable and competitive market able to provide goods and services now and into the future. In some areas of procurement, this may mean ensuring the ongoing viability of locally based suppliers. Council also has an interest in the economic well-being of the District, under the Local Government Act 2002.

Council will, therefore, choose to procure goods and services from locally based suppliers where:

- The value for money offered by the locally based supplier is at least as good as suppliers based outside the District or the province of Southland; and/or
- There is a need to ensure market capacity and capability in the long term; and/or
- Community will benefit from selection of local provider, through stronger commitment and/or local accountability.

Council will also bundle its procurement in a manner that ensures locally based (smaller) suppliers are able to supply, where this is practical ie it is cost effective and does not compromise efficient management systems.

8. Management and Implementation

8.1. Procurement Capability and Oversight

The Council employs appropriately experienced staff to manage its procurement programmes. Where required, additional specialist expertise (including legal expertise) may also be employed and will be required to comply with the Council's procurement policy.

The financial control and reporting functions are key components of the Council's procurement system. They support maintaining capability, by providing good information on the history of Council's procurement, including performance by suppliers and a standardised method for viewing/analysing proposals.

These systems also support appropriate oversight of procurement activities - through controls on approvals of purchases, and reporting through to various levels of the organisation.

8.1.1. Executive Management Team Review

The Executive Management team, supported by Policy and Finance and other staff as required, shall review procurement documentation: including market assessment, reviews of standing arrangements, and reports/recommendations for supplier selection (by tender and/or negotiation). Reviews shall be completed at least annually.

The purpose of Executive Management Team Review is to:

- Ensure that the procurement policy is being followed.
- Identify and share learning as part of a continuous improvement of procurement practice.
- Perform a (limited) internal audit of procurement documentation (as outlined in Section 8.6) and decision-making.
- Make recommendations for amendment of the procurement policy, if required.

8.2. Levels of Procurement Control

There are three categories of procurement control, delineated by relative levels of risk and financial value. All values are stated GST exclusive, and transactions must be within existing budgets and authorised approval levels.

8.2.1. Routine small goods and services

Definition: Low cost goods and services that have minimal risk to Council business, individual purchases total less than \$5,000.

Types: Stationery, office furniture, fuel, vehicle servicing.

Procurement Arrangements:

- (a) Individual transactions are the responsibility of staff, as required.
- (b) Where appropriate, arrangements to be made with a single supplier in order to minimise individual transaction costs.
 - (i) Supplier to be assessed annually against this policy, including a market assessment.
 - (ii) Designated staff member to be responsible for maintaining the relationship, and establishing and reviewing terms and conditions of provision with supplier.
- (c) Where standing arrangements are not in place, staff member responsible to undertake an appropriate level of price comparisons prior to purchase.

8.2.2. Specialised small goods and services

Definition: Goods and services that have specific time requirements and/or are of a higher value than (1), that require skilled/specialist administration, individual transactions total less than \$5,000.

Types: Travel, catering, advertising, minor printing, works schemes supplies.

Procurement Arrangements:

- (a) All purchasing to be done through designated staff only, due to specialised nature of good/service.
- (b) Where appropriate, arrangements to be made with a suitable range of providers to minimise individual transaction costs (as determined by designated staff member).
- (c) Where standing arrangements exist:
 - (i) Designated staff member is to be responsible for maintaining the relationship, and establishing and reviewing terms and conditions of provision with Supplier.
 - (ii) Supplier(s) to be assessed annually against this policy, including a market assessment.
- (d) Where standing arrangements are not in place, staff member responsible to undertake an appropriate level of price comparisons prior to purchase.

8.2.3. Higher value goods and services

Definition: Goods and services over \$5,000 in value

Types: Works and services contracts, printing, advertising, vehicles, professional services, office equipment leases.

Procurement Arrangements:

- (a) Procurement arrangements to follow the delegations and procedures outlined below.

- (b) Designated staff member to be assigned responsibility for overseeing contract, from design to evaluation of delivery.

8.3. ***Sensitive Expenditure***

Sensitive expenditure is expenditure that could be seen as giving some private benefit to an individual staff member or elected representative that is additional to the business benefit to Council. It can include travel, hospitality, and/or expenditure that may be considered unusual for Council. Council will ensure that all sensitive expenditure decisions:

- Have a justifiable business purpose;
- Preserve impartiality;
- Are made with integrity;
- Are moderate and conservative, having regard to the circumstances;
- Are made transparently; and
- Are appropriate in all respects.

In addition, Council has some specific policies governing areas of expenditure that include sensitive expenditure, such as the Elected Representatives Remuneration and Reimbursements Policy, which sets out what reasonable costs Council will reimburse for elected representatives in the course of their duties.

8.4. ***Contract and Performance Management***

Where appropriate, Council will use industry standard contract management practices. Terms of service, aggregation etc, shall be determined in a manner consistent with the nature of the procurement activity and maintaining a sustainable competitive market.

Performance indicators are incorporated in Council's Annual Report, LTCCP and Annual Plan. Performance measures for any project will be incorporated in the specification of the project and associated contracts; measures will include timeliness, cost, and quality dimensions. Performance against these measures will be assessed and reported on regularly, and performance will be taken into account when contracts come up for renewal, or in considerations for new contracts.

In addition to formal performance management systems, Council also receives regular feedback from Community Boards, Community Development Area Subcommittees on local works and services.

8.5. ***Risk Management***

Council has completed a council-wide risk assessment, including what existing policies and practices are in place that mitigates those risks. In the context of procurement, the following risks and mitigations are in place. Risks for specific procurement activities will be managed to a level appropriate for the activity by the individual responsible:

Risk	Mitigation
Staff turnover Changes in staff mean that institutional knowledge may be lost about individual contracts/suppliers. Staff turnover also poses risks to maintaining relationships with suppliers (potentially impacting on value for money of procurement).	Documentation of contracts, including clearly identifying who is responsible for them (enabling effective handover). Senior Management will maintain a relationship with significant suppliers, as well as those responsible for the day to day management of contracts. This ensures that relationship between supplier and Council is not reliant on a single individual.
Project-specific risks Risks to project results (quality, timeliness etc); or involving technical, environmental, or safety issues.	Appropriate skills and expertise will be utilised on a project - both internally and in assessing the supplier.
Policy change Council's activities are driven by democratically elected representatives, and are also heavily influenced by Central government policy. In this respect, a change in direction and/or funding has the potential for significant impact on activity (positive or negative)	Staff will ensure that Council is as fully informed as is possible in making its decisions. Council will make submissions on significant policy change from central government and maintain close relationships with Government departments/agencies. Council will maintain a close relationship with its major suppliers in order that changes in policy can be worked through in a constructive manner.
Legal Challenge Council's procurement may be challenged on legal grounds	Council procurement will comply with the procurement policy. For complex procurement arrangements, external legal or other specialist advice will be sought. Procurement processes and decisions will also be clearly documented, at a level appropriate for the size of the procurement activity. Industry standard contract management processes will also be used.
Fraud Procurement may be used by staff as a means to direct or indirect personal financial gain.	Council has a Fraud Policy in place to deal with instances where procurement has been inappropriately used for the benefit of individuals or entities.

Risk	Mitigation
Conflicts of Interest Procurement decisions may be affected by, or challenged on the basis of conflicts of interest.	<p>Councillors are required to list all commercial/financial interests, and to exclude themselves from decisions where they have a conflict of interest (direct or indirect). Councillors may also exclude themselves from decisions where there may be an appearance of bias, potentially opening up the decision to challenge. Council complies with the Local Authorities (Members' Interests) Act 1968.</p> <p>Staff operate on ethical standards, and shall declare any conflicts, or the appearance of conflicts of interest in writing prior to the commencement of the procurement process, or immediately any conflicts of interest arise. These may be direct or indirect. In the event of a conflict of interest, final procurement decisions will be escalated to the next tier of management.</p>

8.6. *Key documentation*

The following outlines the key documents that relate to procurement decisions, in general. It is a guideline only, it is up to the responsible staff member to decide on the appropriate level of documentation, and the content of that documentation, based on the scale and risk of the purchase. Documentation may be reviewed by the Executive Management Team:

- Project and procurement plans, where they exist (required for all roading procurement by NZTA).
- Market assessment (as outlined in Section 6.1).
- Report supporting non-competitive process (where this has been used).
- Market documents, including Request for Information, Expressions of Interest, Registration of Interest, Request for Proposal, Request for Tender, and Quotes.
- Notices to Tenderers.
- Tenders Register.
- Records of meetings or contact with tenderers.
- Tender evaluations, and evaluation report.
- Records of any negotiations.
- Approval decision (APAC or Council minutes, authorisation document).
- Letters of acceptance and decline.

9. Delegations and Procedures

The following procedures support a clear and transparent procurement process and shall apply wherever goods or services or works are to be provided to Council (note: all figures are GST exclusive).

1. The Council agrees to:
 - (a) Delegate authority to the Activities Performance and Audit Committee (APAC), of composition as determined from time to time by Council, to approve contracts/purchases in excess of \$200,000 in total value.
 - (b) Delegate authority to the Chief Executive to approve separate contracts/purchases for amounts between \$50,000 and \$200,000.
 - (c) Delegate authority to Group Managers for to approve separate contracts/purchases for amounts less than \$50,000.
 - (d) In the case of vehicle purchases, vehicles will be purchased in accordance with the Council's vehicle policy and authority delegated to:
 - (i) The Chief Executive for the purchase of new vehicles, and
 - (ii) The Group Manager Services and Assets for replacement vehicles.
2. A market assessment shall be completed to inform procurement decisions, as outlined in Sections 5.1 and 8.2 of this policy.
3. Method of supplier selection shall be as follows :
 - (a) Competitive tendering will be the default method for any goods, works and services expected to have a value over \$20,000.
 - (b) Decision to use direct negotiation shall be documented clearly and will require the following authorisation:
 - (i) Any goods, services or works expected to have a value over \$200,000 is to be approved by APAC.
 - (ii) Any goods, services or works expected to have a value between \$50,000 and \$200,000 is to be approved in writing by the Chief Executive.
 - (iii) Any goods, services or works expected to have a value between \$20,000 and \$50,000 is to be approved in writing by the appropriate Group Manager.
 - (c) A minimum of three written quotes shall be required for any purchase between \$5,000 and \$20,000, except with the written approval of the Group Manager. Approval may be given on an ongoing basis, where appropriate.
4. Calling of public tenders or commencement of negotiations for the supply of goods, services or works shall be dependent upon:
 - (a) Financial approval for those goods and services having been provided for in the current estimates, or
 - (b) Financial approval having been provided through a Council, Community Board, or Community Development Area Subcommittee resolution.

5. No tender shall be advertised or negotiations commenced without appropriate cost estimate, specifications and conditions being prepared and approved by the appropriate Group Manager prior.
6. Advertising will be appropriate to the activity, and may include, but not be limited to newspaper advertising, and the Government Electronic Tendering System (GETS). Information shall be disseminated to all interested parties at the same time, that is there shall be no early release.
7. The Group Manager is responsible for nominating a single contact person for the tender or negotiation process (this may be the Group Manager). All enquiries must be directed to that person during the procurement process, and responses appropriately documented. Informal contact is to be discouraged.
8. All tenders are to be deposited in the Tenders Box at Council's Invercargill Office. Any tender received after the prescribed closing time shall be excluded.
9. All tenders are to be opened in the presence of at least two senior officers one of whom shall be from the Customer and Financial Services area, and the second appointed by the appropriate Group Manager.
10. All tenders received are to be identified and entered into a Tenders Register.
11. The appropriate Group Manager is responsible for selecting the evaluation procedure, and evaluating tenders received or conducting negotiations in accordance with this policy, and any other relevant policies, plans or procedures.
12. At the time the evaluation of tenders is carried out, the appropriate Group Manager will consult in confidence, as they determine appropriate, with Councillors and/or Community Board and/or Community Development Area Subcommittee members on matters relating to submitted tenders.
13. The APAC will treat all tenders as confidential. Decisions made by the APAC may be recorded in open meeting and tenderers notified. Where appropriate, tenderers will be made aware of the dollar range of tenders received and/or scores (eg weighted attributes) as appropriate.
14. Where the APAC does not accept the recommendation of the Group Manager Services and Assets on the acceptance of a roading related tender and wishes to accept an alternative tender:
 - (a) Confirmation by the Council will be necessary.
 - (b) Legal advice may be sought to support Council's deliberations.
 - (c) Successful and unsuccessful tenderers will not be advised until the Council gives its decision.
15. Contracts for all tenders awarded, or direct negotiations completed under 1(a) and 1(b) above shall be signed by the Chief Executive on behalf of Council, and contracts for tenders awarded under 1(c) above shall be signed by the Mayor and Chief Executive under seal.
16. All works eligible for New Zealand Transport Agency funding shall be let in accordance with Agency requirements, as set out in the Agency's Procurement Manual and Council's Roading Procurement Strategy (as approved by the Agency).

17. Tenders and APAC recommendations are to be reported in GST-exclusive terms to enable direct comparison with estimates and Annual Plan figures.
18. Contracts approved or tenders let shall usually include an appropriate contingency figure to ensure total payments do not exceed the approved contract sum.
19. Any Variation Order form issued shall contain references to the contract sum.
20. Any contract/tender which exceeds the agreed price/estimate is to be considered/approved as follows:
 - (a) Up to \$20,000 by the appropriate Group Manager.
 - (b) Between \$20,000 and \$50,000 by the Chief Executive.
 - (c) Over \$50,000 by the APAC.
21. Bonds are required for physical construction contracts as outlined, unless alternative cover already exists, such as public indemnity insurance:
 - (a) Contracts with an estimated cost of less than \$100,000, no bond is required, unless specified by the Group Manager.
 - (b) Except as set out in (d) below, contracts with an estimated cost in excess of \$100,000, and less than \$1,000,000, a 10% bond is required.
 - (c) Except as set out in (d) below, contracts with an estimated cost in excess of \$1,000,000, a 10% bond on first \$1,000,000 and a 5% bond thereafter is required.
 - (d) For contracts that have very special characteristics such as complexity or for very large maintenance contracts the requirements for additional bonds are at the discretion of the Group Manager Services and Assets.
 - (e) Bonds in lieu of retentions may be used in addition to, or in place of performance bonds, at the discretion of the Group Manager.
22. The authority to make payments for approved purchases shall be in terms of the Financial Delegation schedule as approved by Council.

10. Related Documents/Policies

Partnerships with Private Sector
Activity Management Plans,
LTCCP, Annual Plan
Fraud Policy
Vehicle Policy

Sustainable Procurement Guide
Financial Delegations
Elected Members Remuneration and
Reimbursement Policy

11. Review

This policy will be reviewed every three years. Amendments may also be made in the interim, where there have been substantive developments in best procurement practices and/or capability.

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

Recommendation

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

C8.1 Health and Safety Events

C8.2 Milford Opportunities Project contract update

C8.3 Southland District Council Resurfacing Tender Award - Contract 19/54 and 19/55

C8.4 Award of Contact for the Provision of Power Supply to Stewart Island/Rakiura

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
Health and Safety Events	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.</p> <p>s7(2)(d) - The withholding of the information is necessary to avoid prejudice to measures protecting the health and safety of members of the public.</p>	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Milford Opportunities Project contract update	<p>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.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Southland District Council Resurfacing Tender Award - Contract 19/54 and 19/55	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.

<p>Award of Contact for the Provision of Power Supply to Stewart Island/Rakiura</p>	<p>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>	<p>That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.</p>
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