



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

Date: Thursday, 28 January 2021
Time: 10am
Meeting Room: Council Chamber
Venue: 20 Don Street
Invercargill

Council Agenda OPEN

MEMBERSHIP

| | |
|--------------|-------------------|
| Mayor | Mayor Gary Tong |
| Deputy Mayor | Ebel Kremer |
| Councillors | Don Byars |
| | John Douglas |
| | Paul Duffy |
| | Bruce Ford |
| | Darren Frazer |
| | George Harpur |
| | Julie Keast |
| | Christine Menzies |
| | Karyn Owen |
| | Margie Ruddenklau |
| | Rob Scott |

IN ATTENDANCE

| | |
|-------------------|------------------|
| Chief Executive | Cameron McIntosh |
| 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.

TABLE OF CONTENTS

| ITEM | PAGE |
|--|------|
| PROCEDURAL | |
| 1 Apologies | 5 |
| 2 Leave of absence | 5 |
| 3 Conflict of Interest | 5 |
| 4 Public Forum | 5 |
| 5 Extraordinary/Urgent Items | 5 |
| 6 Confirmation of Council Minutes | 5 |
| REPORTS - POLICY AND STRATEGY | |
| 7.1 Draft Significance and Engagement Policy - Submissions Received | 7 |
| 7.2 Draft Policy on Development and Financial Contributions - Submissions Received | 35 |
| 7.3 Draft Procurement Policy - Submissions | 79 |
| 7.4 Draft Revenue and Financing Policy and Rating Review - Continued Deliberations and Adoption | 99 |
| 7.5 Audit NZ Engagement Letter for the 2021-2031 Long Term Plan | 199 |
| 7.5 Draft Accounting Policies for the Long Term Plan 2031 | 233 |
| 7.6 Participation in the Local Government Funding Agency | 253 |
| REPORTS - OPERATIONAL MATTERS | |
| 8.1 Monthly Financial Report - November 2020 | 275 |
| REPORTS - GOVERNANCE | |
| Nil | |
| PUBLIC EXCLUDED | |
| Procedural motion to exclude the public | 293 |
| C10.1 Taramea Bay Toilet and Wyndham Camping Ground Toilet Replacements - Unbudgeted Expenditure Request | |
| C10.2 Great South - Statement of Intent 2021/2022 | |

1 Apologies

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

2 Leave of absence

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

3 Conflict of Interest

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

4 Public Forum

Notification to speak is required by 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 Council to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

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

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

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

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

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

6 Confirmation of Council Minutes

6.1 Meeting minutes of Council, 16 December 2020

Draft Significance and Engagement Policy - Submissions Received

Record No: R/20/12/69538
Author: Carrie Adams, Intermediate Policy Analyst
Approved by: Rex Capil, Group Manager Community and Futures

Decision Recommendation Information

Purpose

- 1 The purpose of this report is to provide information to councillors on the feedback that was received through submissions on the draft Significance and Engagement Policy (the draft policy).

Executive Summary

- 2 On 21 October 2020, Council endorsed the draft policy for public consultation. A copy of the draft policy is included with this report as Attachment A. Submissions were accepted between 4 November and 4 December 2020.
- 3 Four submissions were received on the draft policy during the consultation period. These are presented with this report in a submission booklet included as Attachment B.
- 4 All four submissions supported all the provisions in the draft policy.
- 5 At the Council meeting on 3 March 2021, staff are proposing to present the draft policy to Council for it to deliberate and adopt.

Recommendation

That the Council:

- a) **Receives the report titled “Draft Significance and Engagement Policy - Submissions Received” dated 21 January 2021.**
- 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 all the written submissions on the draft Significance and Engagement Policy.

Background

- 6 The current Significance and Engagement Policy was adopted in 2017 as per the requirements of the Local Government Act 2002 (LGA). The policy is reviewed every three years in the lead up to the release of the Long Term Plan (LTP). The current policy is included with this report as Attachment A.
- 7 The LGA provides some flexibility on how and when councils consult on a range of matters outlined in the LGA. A significance and engagement policy is the partner to that flexibility, in that the policy must advise the public of a council's 'house rules' – that is how a council will utilise the flexibility.
- 8 The proposed changes to the current policy are minor and include:
- clarification of the factors used to assess the significance of an issue
 - changes to the provisions about engaging with iwi/Māori
 - updates to terminology and legislative references updates
 - removal of reference to community development area subcommittees
 - reformatting the engagement spectrum approach table, to make it more user friendly.
- 9 The LGA requires Council to list the assets it considers to be strategic, in this policy. The list of strategic assets in the draft policy includes:
- roading and bridge network as a whole
 - Around the Mountain Cycle Trail network as a whole
 - water treatment plants and reticulation networks as a whole
 - township wastewater treatment plants and reticulation networks as a whole
 - township stormwater reticulation networks as a whole
 - portfolio of District reserves (parks/reserves) as a whole
 - Stewart Island Electricity Supply Authority
 - Te Anau Airport at Manapouri as a whole
 - community housing as a whole.
- 10 The Around the Mountain Cycle Trail has been included as a strategic asset in the draft policy, since it was last reviewed.
- 11 The effect of an asset being identified as strategic, is that a decision to transfer the ownership or control of these assets must be explicitly provided for in Council's LTP (LGA s.97(1)(b)). The proposal for the decision to transfer ownership or control of the strategic asset must also be explicitly included in the LTP consultation document (LGA s.97(2)(b)).
- 12 The wording 'as a whole' has been included in the description of a strategic asset in the draft policy. This language permits the opportune purchase, replacement, sale or other dealings with **components** of a strategic asset, outside of the LTP process. Where a strategic asset is a network or has many components, decisions can be made on individual components within the network.

Issues

- 13 Four submissions were received on the draft policy. All of the submissions are presented in the submission booklet included with this report as Attachment B.
- 14 All submitters supported all of the provisions in the draft policy.
- 15 A synopsis of the written feedback Council received on the draft policy, is outlined below.

| TOPIC | FEEDBACK |
|-------------------------|--|
| Strategic assets | <ul style="list-style-type: none">- notes that the Te Anau Manapouri airport will continue to be considered as a strategic asset- believes that it is appropriate to add the Around the Mountain Cycle Trail to the list of strategic assets given the considerable investment in the trail and the level of community interest and comment that it has attracted- supportive of the amended wording regarding wastewater and stormwater facilities throughout the entire District- agrees that community housing is a strategic asset- strongly supports the inclusion of community housing being listed as a strategic asset. This is because this housing allows a diverse range of people to remain in our communities, and there should be significant District-wide discussion before Council considers not owning these assets. |
| Engagement | <ul style="list-style-type: none">- considers that it is important to ensure that matters of significance are brought to the community's attention. It should be noted that online/social media platforms cannot be relied upon and that local print media should be used to obtain as wide a spread as possible when consulting on relevant matters- believe that the link between Council and community boards needs to be maintained and reflected in the policy in terms of Council's requirement to consult with the community boards on matters affecting all or parts of the community. This needs to be formally recognised in this policy. An approach that works, regardless of meeting schedules, should be found. |

Factors to Consider

Legal and Statutory Requirements

- 16 Under s.76AA of the LGA, a significance and engagement policy is required to outline:
- Council's general approach to determining significance
 - any criteria or procedures that are to be used by Council in assessing extent to which matters are significant or may have significant consequences

- how Council will respond to community preferences about engagement, including the form of consultation that may be desirable
 - how Council will engage with communities on other matters.
- 17 A significance and engagement policy also must list the assets considered by councils to be strategic assets.
- 18 Council has undertaken consultation on the draft policy in accordance with s.82 of the LGA. The draft policy and relevant information was made widely available, and people were encouraged to give their feedback on Council's 'make it stick' platform by:
- placing an advertisement in the Ensign and Southland Express
 - promoting 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.

Community Views

- 19 A synopsis of the community views captured through the formal consultation process on the draft policy has been outlined in the issues section of this report. The full submission booklet is also attached.
- 20 Under Section 78 of the LGA, Council must, when deciding how to proceed, consider the views and preferences of persons likely to be affected by, or to have an interest in, the matter.
- 21 There is not a requirement to agree with the submitters, but Council must consider the views that have been expressed, with an open mind.

Costs and Funding

- 22 The costs associated with reviewing the policy include staff time and advertising. The draft policy does not propose any significant changes to operational practice within Council. Costs will be met within existing budgets.

Policy Implications

- 23 The draft policy proposes minor changes to the current policy. If adopted, it is likely that Council will reach similar conclusions on the level of significance of particular matters, and that community engagement will occur with similar frequency and in similar form, to what is done currently.

Analysis

Assessment of Significance

- 24 Staff have assessed receiving submissions on the draft policy as not significant in accordance with the LGA and Council's current Significance and Engagement Policy.

Recommended Option

- 25 Staff recommend Council proceed with the only practical option available to it - to receive the written submissions on the draft Significance and Engagement Policy. The advantage of this option is that Council can consider community views on this matter, and to comply with s.82 consultation requirements in the LGA. There are no known disadvantages associated with this option.

Next Steps

- 26 Staff will present issues and options to Council for deliberation on 3 March 2020. Staff will also present, at this meeting, the draft policy for adoption.
- 27 There is a requirement to review this policy within three years of it being adopted, so if the draft bylaw is adopted in March 2021, a subsequent review will need to be completed in 2024.

Attachments

- A DRAFT Significance and Engagement Policy [↓](#)
- B Submissions booklet - Draft Significance and Engagement Policy [↓](#)

DRAFT Significance and Engagement Policy

Group responsible: Chief executive

Date adopted: xx 2021

File no: R/20/8/46866

Southland District Council ([Council](#)) has developed the Significance and Engagement Policy (the policy) to determine the significance of issues within the District, and how to align our engagement with the public based on the degree of significance of the issue. The policy aligns with provisions the Local Government Act 2002 (the act).

1. Purpose

The purpose of this policy is:

- to enable the local authority and its communities to identify the degree of significance attached to particular issues, proposals, decisions or matters; and
- to provide clarity about how and when communities can expect to be engaged in decisions about different issues, proposals, decisions or matters; and
- to inform Council, from the beginning of a decision-making process about
 - the extent of any public engagement that is expected before a particular decision is made; and
 - the form or type of engagement required.

This policy will also guide staff on:

- the extent that options are identified and assessed; and
- the degree benefits and costs are quantified; and
- the extent and detail of information considered; and
- the extent and nature of any written record kept on legal compliance; and
- on the extent Council must consider the views and preferences of people likely to be affected by, or to have an interest in a matter;

as these decisions should be undertaken in proportion to significance of the matter.



2. General approach

Council will follow a three-step process to inform decision-making:

Step 1 - determine significance - Council will use particular factors to decide if a matter is of higher or lower significance. This part of the policy also gives guidance on what to do if a matter is of high significance.

Step 2 - identify community views - Council will determine what it knows about community views and identify if there is a need for more information.

Step 3 - deciding on an approach to community engagement - the level of significance and what Council wants to know about community views will guide Council on an appropriate level of engagement, and how and when to engage. This part of the policy provides clarity on how and when communities can expect to be engaged in different issues. It also identifies how Council will respond to community preferences about engagement.

3. Step 1 - Determining the level of significance

Significance is about measuring the degree of importance of an issue, proposal, decision, or matter. Council has to determine how people, services, facilities and infrastructure in the District will be affected. Significance is a continuum ranging from matters that have a low impact/risk and therefore low significance, right up to matters that have very high levels of impact/risk and significance.

During the development stages of an issue, proposal, decision or matter, significance should be considered as it will guide both the extent options should be developed, and the degree to which advantages and disadvantages are assessed. Significance should also be considered when determining the appropriate extent and type of community engagement.

Factors How to assess significance

Each issue, proposal or decision will be considered on a case by case basis to determine whether the decision is significant. Council will take into account the following factors when determining the level of significance. These factors are of equal weighting. The greater the cumulative impact of the matter as assessed by these factors, the more significant the issue, proposal, decision or matter will be: ~~Significance means the degree of importance of the matter as assessed by its likely impact on, and likely consequences for~~

- the likely impact/consequences of the issue, decision or proposal on the current and future social, economic, environmental or cultural wellbeing of the District or region
- the effect on people who are likely to be particularly affected by or interested in; the issue, ~~proposal~~ decision or ~~matter~~proposal
- the financial and non-financial costs and implications of the issue, decision or proposal on Council's capability and capacity ~~the capacity of Council to performs its role, and the financial and other costs of doing so~~
- the scale of any proposed change to levels of service

- the ownership or function of a strategic asset.

Council may also take into account knowledge it has previously gained about the community and its views on an issue to assess whether the matter has a high level of significance.

When determining the significance of a matter that could have a high level of significance, ~~it is recommended that~~ Council staff will discuss the importance of the matter ~~to Māori through Council's partnership with Te Ao Mārama Incorporated, or to take the matter to Te Roopu Taiao forum, which is a meeting of local councils and iwi with our iwi partners.~~

Committees of Council and elected bodies can also be used to help assess the significance of a matter.

Strategic assets

In respect to “strategic assets”, a key consideration is whether an asset is essential to the continued delivery of an “outcome” that Council considers important for the well-being of the community. Decisions to transfer ownership or control of a strategic asset to or from Council cannot be made unless they are first included in the Long Term Plan.

For the purpose of section 76AA(3) of the act, Council considers the following assets, or a network of assets, to be strategic assets:

- ~~roading, /~~ bridge network as a whole
- Around the Mountain Cycle Trail as a whole
- ~~individual~~ water treatment plants and reticulation networks as a whole
- ~~individual~~ township ~~sewage wastewater~~ treatment plants and reticulation networks as a whole
- ~~individual~~ township stormwater reticulation networks as a whole
- portfolio of District reserves (parks/reserves)
- Stewart Island Electricity Supply Authority.
- ~~Te Anau Airport at Manapouri~~
- ~~community housing as a whole.~~

What to do if a matter is significant

If a matter is considered to be significant, reports will include a statement indicating why this conclusion was reached. The statement will include an explanation of which factors indicate the decision is significant, the potential implications of the decision, the range of community views that might exist, and whether there is a need for a further degree of community engagement before a final decision is made.

Where the proposal or decision is considered to be significant, the report will also include a statement addressing the appropriate observance of ss.77, 78, 79, 80, 81, 82 and 82A of the Act as applicable, together with the corresponding degree of community engagement considered.



4. Step 2 - Identify community views

Step 2 involves Council identifying what it already knows about the community views on a matter, and identifying if there is a need to get more information about community views. Community views are the views and preferences of people likely to be affected by, or to have an interest in, the matter. Determining how Council will identify community views may lead to community engagement. The process of how Council will decide if it needs to seek more information to understand the views in the community is outlined in Appendix 1. In general, Council will take steps to identify community views in the circumstances described below.

When Council will identify community views

When it is required by legislation

Council will consider community views when it has a legislative requirement to do so (as set out by the Local Government Act 2002, Resource Management Act 1991, Reserves Act 1977, [Building Act 2004](#) and Land Transport Management Act 2003. Examples of when Council will identify community views include the adoption and amendment(s) to both the Long Term Plan and a bylaw, transfer of ownership of a significant strategic asset, and changes to financial policies. Council may identify community views more broadly than what is legally required.

When it relates to a significant matter

Subject to consideration of factors in [paragraph 3.3 of this policy the section 'how to assess significance' above](#), Council will identify community views whenever a 'significant decision' needs to be made. A significant decision is one which has been identified as such under this policy.

Note: a 'significant' decision will not automatically trigger consultation or application of the Special Consultative Procedure (SCP). An outline of what Council must do when it is required to use or adopt the special consultative procedure is outlined in Appendix 2. Further information on the SCP is in ss.86, 87, and 93A of the Act.

For some matters that are not considered significant

In general, where a matter is not considered significant under this policy, Council is unlikely to seek additional information on community views. However, in some situations where Council staff deem community involvement or notification is appropriate, informal feedback or notification processes may be followed.

When Council may not seek additional information on community views

Information is always necessary for the decision making process. However, there are times when it is not necessary, appropriate or possible to seek additional information on community views. If this is the case, Council will make this determination in accordance with the criteria below and notwithstanding any legislative requirements. Council will not identify community views when:

- the matter is not of a nature or significance that requires consultation (s.82(4)(c) LGA)



- Council already has a sound understanding of the views and preferences of the persons likely to be affected by or interested in the matter (s.82(4)(b) LGA)
- there is a need for confidentiality or commercial sensitivity (s.82(4)(d) LGA)
- the costs of consultation outweigh the benefits of it (s.82(4)(e) LGA)
- engagement will not be beneficial as it will not influence the decision (for example if there is only one or very limited viable options available, there may be no benefit in engaging with the community)
- the matter has already been addressed by Council's policies or plans, which have previously been consulted on
- an immediate or quick response or decision is needed or it is not reasonably practicable to engage
- works are required unexpectedly or following further investigations on projects, already approved by Council
- business as usual - the works required are related to the operation and maintenance of a Council asset and responsible management requires the works to take place
- when Council has consulted on the unchanged issue in the last 24 months.

Where the above listed circumstances apply and community feedback is not sought, Council is still required to give consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter (s. 78(1) LGA). The Act requires that this consideration be in proportion to the significance of the matters affected by the decision (s.79(1)).

5. Step 3 – Deciding on an approach to community engagement

Once Council has determined the significance of a matter and has determined it needs more information on the range of views held, Council will consider how and when it should engage with the community. Depending on the matter being considered and the stakeholders involved, the preferred method(s) or combination of engagement tools will be identified and applied to meet the goals of the specific engagement.

Council will respond to community preferences about engagement, including the form of consultation that may be desirable, by informing and seeking guidance from councillors. Council will also use engagement methods that have proven over time to be effective at informing the public and generating responses.

There is a variety of ways in which Council engages with the community. In this policy, the types of engagement described relate specifically to Council, community boards and delegated decision-making. The types of engagement described are given as a guide, and Council is not limited to or by the stated methods of engagement.

The significance of the issue, proposal or decision will influence the extent Council explores and evaluates options and obtains the views of affected and interested parties.

Council will apply the principles of s.82 of the act when determining engagement. Council will select the engagement method that it considers most appropriate in the circumstance.



Factors to consider

Southland District Council's strong community focus

The Southland community is at the heart of Council's purpose, vision and mission; therefore, engagement will reflect the need for community input into Council decision-making.

Council is also keen to build on existing relationships and networks with individuals and communities, and look to extend the range of parties involved in the community engagement as appropriate. Council will work to ensure the community is sufficiently informed to understand the issue(s) or proposal, options and impacts and has time to respond, so they are able to participate in engagement processes with confidence.

Legislative Considerations

When Council makes decisions, often legislation will prescribe the consultation and decision-making procedures required. This includes the procedures to be used for public notification, considering submissions and making decisions. Section 82(5) of the Act says that where specific consultation is required under the LGA, or any other enactment, and if inconsistent with any s.82 principle – the other provisions will prevail (to the extent of the inconsistency). Those other acts include, among others, the Reserves Act 1977, the Biosecurity Act 1993, Land Transport Act 1998, [Building Act 2004](#) and the Resource Management Act 1991.

There are a number of decisions that can only be made if they are explicitly provided for in Council's LTP as set out by the LGA 2002 Amendment Act 2014.

These are:

- to alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of Council, including a decision to commence or cease any such activity
- to transfer the ownership or control of a strategic asset to or from Council.

In addition, Council is required at times to use [the](#) Special Consultative Procedure (SCP), as set out in s.83 of the Act. The SCP is a prescribed process for consultation set out in the Act. In brief, the SCP requires Council to issue and widely distribute a proposal, which is open for consultation for at least a month, and the community can provide its views. The SCP may also be used for any other decision Council wishes to consult on, and generally this will be when a matter is of high significance. The requirement or use of the SCP does not preclude the need to engage with affected communities. The use of the SCP is predominantly a reflection of the significance of an issue, which in turn identifies the need for appropriate community engagement. Schedule 2 outlines when an SCP is required, and what is required under s.83 of the Act.

Remaining flexible

It is important that Council does not use a [homogenous 'one size fits all'](#) approach, and that engagement tools are appropriate to the location, significance of the issue, and community affected. Differing levels and forms of engagement may be required during the varying phases of consideration and decision-making on an issue or proposal, and for different community groups or stakeholders. Council will review the appropriateness and effectiveness of the engagement strategy and methods as the process proceeds. There



may be occasions in which Council chooses to carry out engagement at a level higher than that indicated by the significance of the decision as part of its commitment to promote participatory democracy.

Council will also be open to new and developing methods of engagement through the use of technology and innovation.

The role of elected members

This policy recognises the role of elected representatives, both councillors and community board members, as valued and recognised conduits to the communities they represent. Council, when engaging with affected or interested communities, will recognise the relationship elected members have with the location, specific communities and individuals affected by consultation or engagement initiatives. Participation of elected representatives is an essential step to consider, in light of broader community good, when initiating any project requiring engagement.

Engagement Partnership with Iwi/Māori

A strategic focus for Council is maintaining and enhancing our partnership with Māori. Council has a strong partnership with Te Ao Mārama Incorporated on environmental and Resource Management Act 1991 matters. Council will openly engage with iwi and Māori on other Council business, and encourages openly engaging with Iwi/Māori through this channel or through the Te Roopu Taiao forum.

The level of engagement

Using the International Association of Public Participation engagement spectrum as a basis¹, the method(s) of engagement adopted by Council before it makes a decision may depend on whether or not:

- the matter is of low or no significance (e.g. technical and/or minor amendments to a bylaw or Council policy) and there may be a very small group of people affected by or with an interest in the decision. Council is unlikely to engage on these matters
- the matter is significant only to a relatively small group of people or is of low impact to many. They should be informed about the problem, alternatives, opportunities and/or solutions and/or consulted so that any concerns, alternatives and aspirations they have are understood and considered
- the matter is significant not only to a small group of people particularly affected but also to a wider community that may have an interest in the decision to be made. They may be informed, consulted and/or involved to seek public input and feedback on analysis, alternatives and/or decisions
- for more significant matters Council may elect to collaborate, or partner, with a community in any aspect of a decision including the development of alternatives and the identification of preferred solutions. This is more likely to occur where there is a distinct group of affected or particularly interested people.

¹ International Association of Public Participation [IAP2] - (2007) - IAP2 Spectrum of Public Participation (https://iap2.org.au/wp-content/uploads/2019/07/IAP2_Public_Participation_Spectrum.pdf, Date accessed: 14 August 2020). Retrieved from http://c.yimcdn.com/sites/www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum_vertical.pdf on 2 January 2017.



Depending on the level of significance and the nature of the issue, proposal or decision being made, by using a range of engagement methods communities may be **empowered** to participate in the decision-making process.

How and when we will engage

Once the appropriate level of engagement has been assessed (~~in accordance with paragraphs 5.15 and 5.16 above~~), Council will then consider the range of engagement methods that are appropriate. This process supports community participation through ~~an the Engagement engagement Spectrum-spectrum~~ Approach~~approach~~.

Council will select the method it considers appropriate in the circumstance, taking into account a range of factors, such as who is affected or who is likely to have a view. Council will remain flexible in its approach to engagement, to ensure that the most appropriate methods are used.

Table 1 below outlines Council's engagement spectrum. The table gives guidance on how and when communities can expect to be engaged in particular matters, relative to their significance. The table also gives examples of what significance has been placed on particular matters in the past, and what types of community engagement has been used for those matters. The table is also a valuable tool for Council staff to inform on the extent of public engagement that might be expected on a matter before a decision is made, and the form or type of engagement that may be required and appropriate.



| | LOW LEVEL OF SIGNIFICANCE | | | HIGH LEVEL OF SIGNIFICANCE | |
|---|---|--|---|--|--|
| Level | Inform | Consult | Involve | Collaborate | Empower |
| what it involves | to provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions | to obtain public feedback on analysis, alternatives and/or decisions | to work directly with the public throughout the process to ensure that public concerns and aspirations are consistently understood and considered | to partner with the public in each aspect of the decision including the development of alternatives and the identification of the preferred solution. | to place final decision making is in the hands of the public |
| types of matters we might use this type of engagement for | minor change to how Council manages groups of activities upgrade of a reserve area | LTP and Annual Plan where there are significant changes from the content of the LTP for that financial year policies such as the Easter Sunday Shop Trading Policy and the Unmanned Aerial Vehicle Policy | development of options for a policy change that is deemed significant (eg. moving from land to capital value for rating purposes) | development options for a new large capital project which has a community focus and has a large number of options (eg. Te Anau wastewater project) | community halls |
| examples of engagement tools Council might use | Council newsletter, weekly/daily newspapers, community newsletters, electronic messages (eg. email, online newsletters, social media posts), flyers, website, radio | submissions, hearings, feedback processes, surveys, open days | local meetings, social media, targeting existing organisations within the community (eg. service clubs) | talking with communities, key partnerships with existing community organisations, hall committees | community boards; Community Development Area Subcommittees. |
| when the community can expect to be involved | Council will generally advise the community when a decision is made | Council will advise the community when a draft decision is made and generally provides the community with up to four weeks to participate and respond | Council will generally provide the community with a greater lead-in time to allow them time to be involved in the process | Council will generally involve the community at the start to scope the issue, again after information has been collected and again when options are being considered | Council will generally involve the community at the start to scope the issue |

Table 1: Southland District Council's engagement spectrum approach



6. Roles and responsibilities

| ROLE | RESPONSIBILITIES |
|-----------------------------|--|
| Council | <ul style="list-style-type: none"> determine degree of significance of an issue determine whether or not to engage link level of significance to appropriate levels of engagement use determined level of significance to decide how much time, money and effort Council will invest in exploring and evaluating options and obtaining the views of affected and interested parties. |
| Communications manager, ELT | ensure that engagement with the community meets the degree of significance determined by Council |
| <u>All Council staff</u> | <u>ensure that the policy is given full effect</u> |

7. Associated documents

Local Government Act 2002

Southland District Council Engagement Strategy

8. Review and revision record

The policy will be reviewed within three years of adoption at each triennial, aligned with Council elections or sooner as required. Any amendments shall be made with the approval of Council.

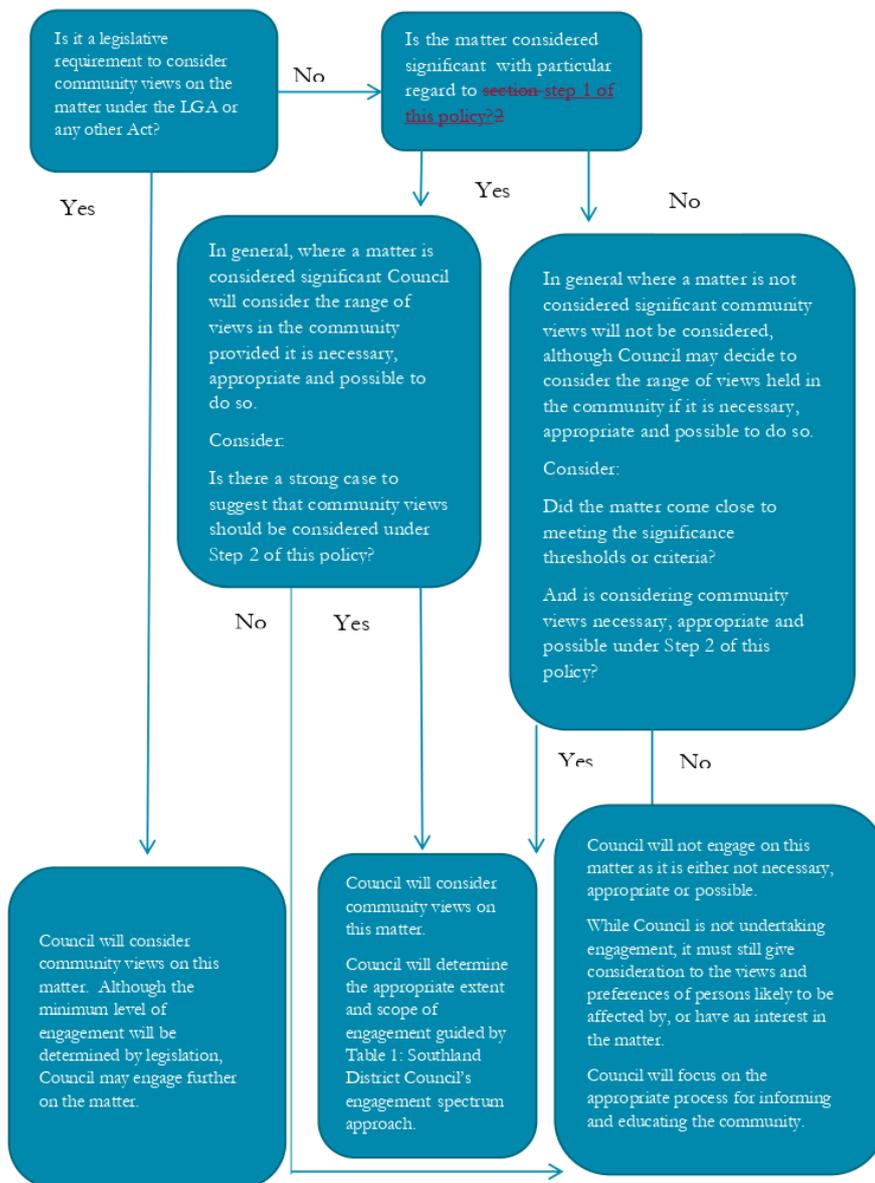
| Date | Version | Revision description |
|------------------|---------------------|--|
| 28 January 1999 | N/A | Consultation Policy |
| 27 November 2003 | R/03/7/6677 | Consultation Policy |
| 26 June 2003 | R/09/9/13601 | Significance Policy |
| 28 June 2006 | R/12/1/808 | Significance Policy |
| 29 October 2014 | R/14/8/11821 | Significance and Engagement Strategy Policy |
| 2017 | R/16/11/19694 | Significance and Engagement Strategy Policy |
| <u>xx 2021</u> | <u>R/20/8/46866</u> | <u>Significance and Engagement Policy</u> |

9. Implementation

This policy will become effective immediately upon adoption by Council.

10. Appendices

Appendix 1: Significance and engagement flowchart





Appendix 2: Special Consultative Procedure (SCP)

The Local Government Act 2002 requires Council to use the SCP for:

- adoption of or amendment to the LTP (including significant amendments to the Revenue and Financing Policy)
- revocation, adoption or amendment to a bylaw
- transfer of ownership of a significant strategic asset.

It is important to note that formal consultation by the SCP is a structured process outlined in legislation and supported by caselaw. This type of consultation applies in some decision making processes. In other engagement processes, however, there are no explicit statutory or legal rules constraining or defining community engagement processes. The Act has given local authorities the ability to determine this as appropriate for their communities.

At the time of writing this policy there are a number of other acts that require use of the Special Consultative Procedure, including but not limited to:

- Sale and Supply of Alcohol Act 2012
- Local Government Act 1974
- Building Act 2004
- Local Government (Rating) Act 2002
- Psychoactive Substances Act 2013,
- Dog Control Act 1996
- Waste Minimisation Act 2008
- Freedom Camping Act 2011
- Land Transport Management Act 2003
- Biosecurity Act 1993
- ~~Fire and Emergency New Zealand Act 2017~~ ~~Civil Defence Emergency Management Act 2001~~
- Maritime Transport Act 1994.

Section 83 of the act states the requirements of the SCP. This section is included below.

83 Special Consultative Procedure

- 1 Where this act or any other enactment requires a local authority to use or adopt the special consultative procedure, that local authority must -
 - (a) prepare and adopt -
 - (i) a statement of proposal; and
 - (ii) if the local authority considers on reasonable grounds that it is necessary to enable public understanding of the proposal, a summary of the information contained in the statement of proposal (which summary must comply with section 83AA of the act; and
 - (b) ensure that the following is publicly available:



- (i) the statement of proposal; and
 - (ii) a description of how the local authority will provide persons interested in the proposal with an opportunity to present their views to the local authority in accordance with section 82(1)(d) of the Act; and
 - (iii) a statement of the period within which views on the proposal may be provided to the local authority (the period being not less than 1 month from the date the statement is issued); and
- (c) make the summary of the information contained in the statement of proposal prepared in accordance with paragraph (a)(ii) of the Act (or the statement of proposal, if a summary is not prepared) as widely available as reasonably practicable as a basis for consultation; and
- (d) provide an opportunity for persons to present their views to the local authority in a manner that enables spoken English, Māori, and/or New Zealand sign language interaction between the person and the local authority, or any representatives to whom an appropriate delegation has been made in accordance with Schedule 7 of the Act; and
- (e) ensure that any person who wishes to present his or her views to the local authority or its representatives as described in paragraph (d)
- (i) is given a reasonable opportunity to do so; and
 - (ii) is informed about how and when he or she may take up that opportunity.
2. For the purpose of, but without limiting, subsection (1)(d), a local authority may allow any person to present his or her views to the local authority by way of audio link or audio visual link.



Submission booklet

Draft Significance and Engagement Policy

| Index of Submitters | page |
|---------------------------------------|------|
| 1. Robin McCall | 1 |
| 2. Fiordland Community Board..... | 3 |
| 3. Carolyn Smith..... | 6 |
| 4. Oraka Aparima Community Board..... | 8 |

Southland District Council
Te Rohe Pōtae o Murihiku

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🏠 southlanddc.govt.nz

Draft Significance and Engagement Policy

#1

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Wednesday, November 11, 2020 9:53:31 PM
Last Modified: Wednesday, November 11, 2020 9:57:09 PM
Time Spent: 00:03:38

Page 1

Q1

Name and contact information - Please provide your name and contact information.

| | |
|-----------------|---------------------|
| Name | Robin McCall |
| Address | [Redacted] |
| City/Town | Riverton |
| ZIP/Postal Code | 9822 |
| Country | New Zealand |
| Email Address | [Redacted] |

Q2

I support some of the provisions in the draft policy

Support or oppose - Please indicate your views about the draft policy.

Q3

Suggested changes or feedback - Please indicate in the appropriate space below, possible changes or feedback on the following topics covered in the draft policy.

Strategic assets - step 1 of the draft policy It is proposed the following assets are listed as strategic:

- roading, bridge network as a whole
- Around the Mountain Cycle Trail as a whole
- water treatment plants and reticulation networks as a whole
- township wastewater treatment plants and reticulation networks as a whole
- township stormwater reticulation networks as a whole
- portfolio of District reserves (parks/reserves) as a whole
- Stewart Island Electricity Supply Authority as a whole
- Te Anau Airport Manapouri
- community housing as a whole.

I agree that Community Housing is a strategic asset

Q4

Respondent skipped this question

Other feedback - Please provide any other feedback you may have in the space provided below.

1

Draft Significance and Engagement Policy

Q5

Respondent skipped this question

Uploads - Please attach any files here.

Draft Significance and Engagement Policy

#2

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Friday, December 04, 2020 3:04:35 PM
Last Modified: Friday, December 04, 2020 3:06:21 PM
Time Spent: 00:01:45

Page 1

Q1

Name and contact information - Please provide your name and contact information.

| | |
|-----------------|----------------------------------|
| Name | Sarah Greaney |
| Company | Fiordland Community Board |
| Address | Town Centre |
| Address 2 | Te Anau |
| City/Town | Te Anau |
| State/Province | Southland |
| ZIP/Postal Code | 9600 |
| Country | New Zealand |
| Email Address | |
| Phone Number | |

Q2

I support all the provisions in the draft policy

Support or oppose - Please indicate your views about the draft policy.

Q3

Respondent skipped this question

Suggested changes or feedback - Please indicate in the appropriate space below, possible changes or feedback on the following topics covered in the draft policy.

Q4

Other feedback - Please provide any other feedback you may have in the space provided below.

See attached

3

Draft Significance and Engagement Policy

Q5

Uploads - Please attach any files here.

Submission - Significance and Engagement Policy Dec 2020.docx (21.2KB)

FIORDLAND COMMUNITY BOARD SUBMISSION – SIGNIFICANCE & ENGAGEMENT POLICY**DECEMBER 2020**

The Fiordland Community Board wishes to submit in favour of the significance and engagement policy. We note that there have been only minor changes to this policy.

The Board is pleased that both financial and non financial considerations will be made in determining whether an issue is significant or not as impacts on people are not always financial in nature but may be detrimental in some other way.

We note that the Te Anau Manapouri airport will continue to be considered as a strategic asset. We also believe that it is appropriate to add the Around the Mountain Cycle Trail to the list of strategic assets given the considerable investment in the Trail and the level of community interest and comment that it has attracted. We are also supportive of the amended wording regarding wastewater and stormwater facilities throughout the entire district.

The Board considers that it is important to ensure that matters of significance are brought to the community's attention across all forms of media to ensure that members of our community feel that they have been informed and that they can engage in discussion on significant matters. It should be noted that online/social media platforms cannot be relied upon and that local print media should be used to obtain as wide a spread as possible when consulting on relevant matters.

Sarah Greaney

Chair

On Behalf of the Fiordland Community Board

Dec 2020

Draft Significance and Engagement Policy

* 1. Name and contact information - Please provide your name and contact information.

Name* Carolyn Smart

Company _____

Address* _____

Address 2 _____

City/Town* Lumsden

State/Province _____

ZIP/Postal Code 91730

Country _____

Email Address* _____

Phone Number _____

* 2. Support or oppose - Please indicate your views about the draft policy.

- I support all the provisions in the draft policy
- I support some of the provisions in the draft policy
- I do not support any of the provisions in the draft policy
- I neither support nor oppose the provisions in the draft policy

3. Suggested changes or feedback - Please indicate in the appropriate space below, possible changes or feedback on the following topics covered in the draft policy.

How to assess significance - step 1 of the draft policy

Strategic assets - step 1 of the draft policy

It is proposed the following assets are listed as strategic:

- roading, bridge network as a whole
- Around the Mountain Cycle Trail as a whole
- water treatment plants and reticulation networks as a whole
- township wastewater treatment plants and reticulation networks as a whole
- township stormwater reticulation networks as a whole
- portfolio of District reserves (parks/reserves) as a whole
- Stewart Island Electricity Supply Authority as a whole
- Te Anau Airport Manapouri

Southland District Council
14 DEC 2020
Riverton Office

30 November 2020

TO: Southland District Council
FROM: Oraka Aparima Community Board
SUBJECT: Submission to: Significance and Engagement Policy

Thank you for the opportunity to submit on the four draft policies: Development and Financial Contributions; Revenue and Finance; Significance and Engagement; Procurement.

Significance and Engagement Policy

In general the board supports the Significance and Engagement Policy. In particular the board wish to communicate their support for the following:

- Strongly support the inclusion of Community Housing being listed as a strategic asset. This is because this housing allows a diverse range of people to remain in our communities, and there should be significant district wide further discussion before council considers not owning these assets.

The board also wishes to communicate this point:

- We believe that the link between the councils and community boards needs to be maintained and reflected in the policy in terms of the council's requirement to consult with the community boards on matters affecting all or parts of the community. This needs to be formally recognized in the policy. An approach that works regardless of meeting schedules should be found.

Please do not hesitate to contact us should you like to have any further clarification on our points above.

This submission is subject to formal approval from the Oraka Aparima community board at its meeting scheduled 9 December 2020.



Graeme Stuart
Chairperson
Oraka Aparima Community Board

Draft Policy on Development and Financial Contributions - Submissions Received

Record No: R/20/12/69552
Author: Carrie Adams, Intermediate Policy Analyst
Approved by: Anne Robson, Chief Financial Officer

Decision Recommendation Information

Purpose

- 1 The purpose of this report is to provide information to councillors on the feedback that was received through submissions on the draft Policy on Development and Financial Contributions (the draft policy).

Executive Summary

- 2 On 21 October 2020, Council endorsed the draft policy for public consultation. A copy of the draft policy is included with this report as Attachment A. Submissions were accepted between 4 November and 4 December 2020.
- 3 Three submissions were received on the draft policy during the consultation period. These are presented with this report in a submission booklet included as Attachment B.
- 4 All three submissions supported all the provisions in the draft policy.
- 5 At the Council meeting on 3 March 2020, staff are proposing to present the draft policy to Council for it to deliberate and adopt.

Recommendation

That the Council:

- a) **Receives the report titled “Draft Policy on Development and Financial Contributions - Submissions Received” dated 21 January 2021.**
- 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 all the written submissions on the draft Policy on Development and Financial Contributions.

Background

- 6 Council has a combined policy that outlines the approach to both development and financial contributions.
- 7 Development contributions (DCs) are established under the Local Government Act 2002 (the LGA) 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.
- 8 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.
- 9 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 that have a demand related component.

Issues

- 10 Three submissions were received on the draft policy. These submissions are presented in the submission booklet included with this report as Attachment B.
- 11 All three submitters supported all of the provisions in the draft policy.
- 12 A synopsis of the written feedback Council received on the draft policy is outlined below.

| TOPIC | FEEDBACK |
|----------------------------------|--|
| General | - wishes to see Council continue to address the previous underfunding of infrastructure projects to ensure these are fit for purpose, both now and in the future. |
| Development contributions | - supports Council to continue to support and enable the economic growth and development of the community and region at large by continuing to keep the payment of development contributions in remission - should development contributions be reintroduced at any point, requests that there should be prior consultation. If these are reintroduced they should be fairly and transparently calculated and charged in relation to the activity being undertaken. |
| Financial contributions | - supportive of continuing to charge financial contributions to offset the negative impacts of development. Acknowledges the substantial cost towards maintaining the roading network. When FCs are used for reserves, development should be in keeping with natural environment/surrounding. |

Factors to Consider

Legal and Statutory Requirements

- 13 Section 102 of the LGA requires that Council have a policy on DCs or FCs.
- 14 Section 106 of the LGA sets out the requirements of the policy. Sections 197-211 and Schedule 13 cover the application and calculation methodology related to contributions.
- 15 When developing a financial and development contributions policy, Council must consider a number of principles that are outlined in the LGA. 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.
- 16 Council must also consider the principle in s.197AB(c) of the LGA, 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.
- 17 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 an LTP. The current policy therefore must be reviewed by June 2021. 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.
- 18 Council has undertaken consultation on the draft policy in accordance with s.82 of the LGA. The draft policy and relevant information was made widely available, and people were encouraged to give their feedback on Council's 'make it stick' platform by:
 - placing an advertisement in the Ensign and Southland Express
 - promoting 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.

Community Views

- 19 A summary of the community views captured through the formal consultation process on the draft policy, has been outlined in the issues section of this report. The full submission booklet is also attached.
- 20 Under Section 78 of the LGA, Council must, when deciding how to proceed, consider the views and preferences of persons likely to be affected by, or to have an interest in, the matter.
- 21 There is not a requirement to agree with the submitters, but Council must consider the views that have been expressed, with an open mind.

Costs and Funding

- 22 As the draft policy has the same approach to both DCs and FCs 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.

- 23 The costs associated with reviewing the policy include staff time and advertising. The draft policy does not propose any significant changes to operational practice within Council. Costs will be met within existing budgets.

Policy Implications

- 24 The draft policy would continue to have DCs in remission. If adopted, DCs will not be assessed when development takes place.
- 25 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 Southland District, recognising that this will benefit the community as a whole.

Analysis

Assessment of Significance

- 26 Staff have assessed receiving submissions on the draft policy as not significant in accordance with the LGA and Council's current Significance and Engagement Policy.

Recommended Option

- 27 Staff recommend Council proceed with the only practical option available to it - to receive the written submissions on the draft Policy on Development and Financial Contributions. The advantage of this option is that Council can consider community views on this matter, and to comply with s.82 consultation requirements in the LGA. There are no known disadvantages associated with this option.

Next Steps

- 28 Staff will present issues and options to Council for deliberation on 3 March 2020. Staff will also present, at this meeting, the draft policy for adoption.
- 29 There is a requirement to review this policy within three years of it being adopted, so if the draft bylaw is adopted in March 2021, a subsequent review will need to be completed in 2024. It is intended that the draft policy would come into effect in line with the new financial year (1 July 2021).

Attachments

- A DRAFT Policy on Development and Financial Contributions [↓](#)
- B Submissions booklet - Draft Policy on Development and Financial Contributions [↓](#)



DRAFT Policy on Development and Financial Contributions 2021-2031

| | |
|-----------------------------|---------------------|
| Group responsible: | Finance |
| Date adopted: | XX 2021 |
| Implementation date: | 1 July 2021 |
| 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.

Draft Policy on Development and Financial Contributions
Enter publish date

Southland District Council
Te Rohe Pōtae o Murihiku

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15 Forth Street
Invercargill 9840

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1.3 Growth and development

~~The population of Southland District grew by 1176 persons (4.1%) in the six 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. Council has also considered requirements in s.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 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 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 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 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 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

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 existing <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 proposed <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 |
| 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 |



| TABLE 1 UNITS OF DEMAND GENERATED BY SUBDIVISION AND DEVELOPMENT | |
|--|---|
| 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 <u>existing</u> <i>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 <u>proposed</u> 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:

- 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.

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.

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~~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, 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 (eg 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:

- 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.



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

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).

| | | 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 2028/2031, 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 2048/2051, 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 2048/2051.



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 and Disposal | LTP Project | \$27,019,939.00 | 1.27% | 98.73% |
| Community services | Riverton/Aparima CB | Cemetery - Riverton | LTP Project | \$231,707.00 | 15.11% | 84.89% |
| Total | | | | \$27,251,646.00 | | |

* 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, 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 | \$250,481,231,707 | \$ - | \$ - | \$ - | \$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, 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 (**Seweragewastewater**) 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 Community Board | \$-* | \$- | \$- | \$- | \$- | \$- |
| 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 Review and 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 |
|----------------------|--|------------------------|
| <u>R/xx/xx</u> | <u>Policy on Development and Financial Contributions 2021-31</u> | <u>LTP 2021-31</u> |
| 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 Implementation

This policy will come into effect on 1 July 2021.

9 Appendix 1 - Definitions and abbreviations

| DEFINITIONS | |
|--|--|
| Term | Meaning |
| accommodation unit | Has the definition given to it in s.197(2) of the Act 2002, “ <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 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: <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 7.A 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> |
| 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 <u>2021</u> 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 2021, 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 | any lot or development that is not for residential purposes. This includes: <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> |

10 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 • Tokanui • Tuatapere • Otautau • Wallacetown • Winton | Development in any separate sewerage wastewater scheme |
| community infrastructure | Waihopai Toetoes Ward, Winton Wallacetown Ward, Mararoa Waimea Ward, Waiiau Aparima Ward, Stewart Island Rakiura Ward | Development in each separate ward |

11 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 |

12 Appendix 4 - Summary of financial contribution provisions in District Plan

Section 106(2)(f) of the act states that; if 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.

13 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 **seweragewastewater**, 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

seweragewastewater:

***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
2,840 litres per day (1,000 m² NLA) is 3.1 units of demand; then
322 m² NLA is one 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

14 Appendix 6 - Calculation of development contribution amount on a development

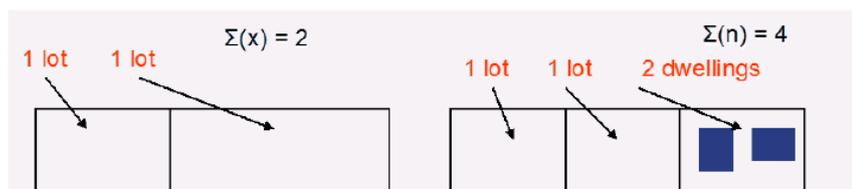
The formula in **Section 3.2.1** of this policy calculates the demand on infrastructure from any development site after the proposed development has taken place (n) and subtracts the existing demand already generated by the site before the development occurs (x). In this way, it identifies only additional 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) X [Σ(n) - Σ(x)]] + 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:



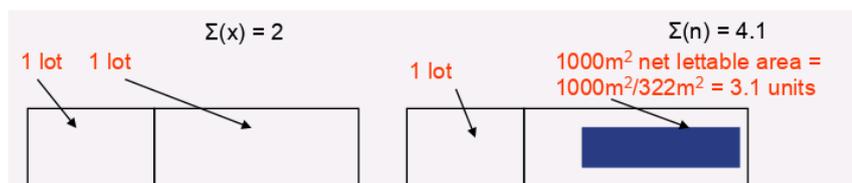
BEFORE DEVELOPMENT

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



Submission booklet

Draft Policy on Development and Financial Contributions

| Index of Submitters | page |
|---------------------------------------|------|
| 1. Carolyn Smith | 1 |
| 2. Oraka Aparima Community Board..... | 3 |
| 3. Fiordland Community Board..... | 4 |

Southland District Council
Te Rohe Pōtae o Murihiku

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Draft Policy on Development and Financial Contributions

*** 1. Name and contact information - Please provide your name and contact information.**

Name * Carolyn Smart

Company _____

Address * _____

Address 2 _____

City/Town * Lumsden

State/Province _____

ZIP/Postal Code 9730

Country _____

Email Address * _____

Phone Number _____

*** 2. Support or oppose - Please indicate your views about the draft policy.**

- I support all the provisions in the draft policy
- I support some of the provisions in the draft policy
- I do not support any of the provisions in the draft policy
- I neither support nor oppose the provisions in the draft policy

3. Suggested changes or feedback - Please indicate in the appropriate space below, possible changes or feedback on the following topics covered in the draft policy.

Development contributions being in remission (ie. not charged)

Financial contributions being operative (ie. being charged)

Southland District Council
04 DEC 2020
Riverton Office

30 November 2020

TO: Southland District Council
FROM: Oraka Aparima Community Board
SUBJECT: Submission to: Development and Financial Contribution Policy

Thank you for the opportunity to submit on the four draft policies: Development and Financial Contributions; Revenue and Finance; Significance and Engagement; Procurement.

Development and Financial Contributions Policy

In general the board support the Development and Contributions Policy as proposed. In particular the board wish to communicate their support for the following:

- Financial and Development contributions not being paid, the board supports these as proposed, on the basis that we want to encourage development in our communities, avoiding prohibitive costs for developers.

Please do not hesitate to contact us should you like to have any further clarification on our points above.

This submission is subject to formal approval from the Oraka Aparima community board at its meeting scheduled 9 December 2020.

Graeme Stuart
Chairperson
Oraka Aparima Community Board

#1

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Friday, December 04, 2020 3:06:44 PM
Last Modified: Friday, December 04, 2020 3:15:48 PM
Time Spent: 00:09:03

Page 1

Q1

Name and contact information - Please provide your name and contact information.

| | |
|-----------------|----------------------------------|
| Name | Sarah Greaney |
| Company | Fiordland Community Board |
| Address | |
| Address 2 | Te Anau |
| City/Town | Te Anau |
| State/Province | Southland |
| ZIP/Postal Code | 9600 |
| Country | New Zealand |
| Email Address | |
| Phone Number | |

Q2

I support all the provisions in the draft policy

Support or oppose - Please indicate your views about the draft policy.

Q3

Respondent skipped this question

Suggested changes or feedback - Please indicate in the appropriate space below, possible changes or feedback on the following topics covered in the draft policy.

Q4

Other feedback - Please provide any other feedback you may have in the space provided below.

There should be consultation if any changes are considered in the future.

4

Draft Policy on Development and Financial Contributions

Q5

Uploads - Please attach any files here.

Submission - Development and Financial Contributions Policy Dec 2020.docx (22.1KB)

FIORDLAND COMMUNITY BOARD SUBMISSION ON THE DEVELOPMENT & FINANCIAL CONTRIBUTIONS POLICY

DECEMBER 2020

The Fiordland Community Board wishes to submit in favour of adopting the draft development and financial contributions policy.

It is noted that the payment of development contributions is in remission, whilst provision for financial contributions is not.

The Community Board wishes for Council to continue to support and enable the economic growth and development of the community and region at large.

The Fiordland area has been particularly hard hit by the February flooding, Covid 19 and subsequent decline in tourism. The Community Board's Community Futures plan outlines a desire to diversify business opportunity to new or alternative sources which will allow for employment, rather than having our workforce so reliant on tourism. Ensuring Council supports this intention is important to the Board and is enabled by continuing to keep the payment of development contributions in remission.

We note that the fact that development contributions are not being charged means that the Te Anau Wastewater project is being funded through rates, some central government funding allocations and contributions that have already been recovered.

The Board is also supportive of continuing to charge financial contributions to offset the negative impacts of development. It acknowledges the substantial cost towards maintaining the roading network. It also acknowledges that provisions for reserves should be made to allow development areas to remain in keeping with the natural environment and surrounding.

Should development contributions be re-introduced at any point, the Board requests that there should be prior consultation with the Fiordland Community Board. If these are reintroduced they should be fairly and transparently calculated and charged in relation to the activity being undertaken.

The Board also wishes to see that Council continues to address the previous underfunding of infrastructure projects in order that progress continues to be made on ensuring that these assets, including but not limited to the provision of water, wastewater and roading, are fit for purpose, both now and in the future.

Sarah Greaney

Chair

Fiordland Community Board

Draft Procurement Policy - Submissions

Record No: R/21/1/191
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 to provide councillors the feedback that was received through submissions on the draft Procurement Policy.

Executive Summary

- 2 Staff are currently in the process of reviewing Council's Procurement Policy.
- 3 On 21 October 2020, Council endorsed a draft policy for public consultation. A copy of the draft policy is included with this report as Attachment A. Four submissions were received during the consultation period that ran from 4 November to 4 December 2020. The submissions are presented with this report in a submission booklet included as Attachment B.
- 4 The draft policy outlines a set of procurement policy objectives, and includes policy statements on how Council will achieve those objectives. The draft policy will be applied when any good, service or asset is actively being sought from a supplier.
- 5 To sit alongside the policy, staff have been developing a procurement manual that will include the practical steps that staff will have to go through to procure.
- 6 Staff are proposing that Council deliberate on the draft policy on 24 February 2021. At that meeting, staff will recommend Council endorse a policy approach.
- 7 Following the 24 February Council meeting, staff will:
 - finalise the procurement manual and ensure it implements Council's desired policy approach
 - present the procurement manual to the Finance and Assurance Committee, and recommend that the committee endorse the manual
 - request ELT adopt the procurement manual, with the manual to come into effect upon implementation of the draft policy
 - present the draft policy to Council for adoption
 - ensure appropriate information and training is provided to staff, so staff can effectively implement the policy.

Recommendation

That Council:

- a) **Receives the report titled “Draft Procurement Policy - Submissions ” dated 21 January 2021.**
- 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 written submissions on the draft Procurement Policy.

Background

- 8 The current Procurement Policy was adopted in 2010, and is due for review.

The Draft Policy

- 9 The draft 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).
- 10 The draft policy establishes 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.
- 11 The draft 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.
- 12 Council’s current procurement 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 this policy approach.
- 13 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

- 14 A draft manual is also being produced that contains a series of steps that staff must complete before they procure. This manual will practically implement the procurement policy. As the procurement manual is an operational document, it will not be put out for formal public consultation. When it is completed, staff will request that the Finance and Assurance Committee endorse the draft manual. This is appropriate as the Finance and Assurance Committee has the

delegated authority to ensure Council is complying with laws and best practice guidelines, and to ensure that Council has embedded a culture that is committed to probity and ethical behaviour.

- 15 Due to the operational nature of the procurement manual, the final version will be adopted by the executive leadership team. The draft manual states that changes to the manual can be made with approval by the chief executive and the chair of the Finance and Assurance Committee.

Early Feedback Received on Draft Policy

- 16 Staff sought early feedback from both internal and external stakeholders, on the draft policy.
- 17 Staff provided a selection of suppliers with a copy of the draft policy, and sought feedback from suppliers and Te Ao Marama. Staff only received a response from two suppliers, who were supportive of the policy approach proposed.
- 18 On 11 September 2020, the Finance and Assurance Committee also considered the draft policy. The committee gave feedback on two main aspects of the draft policy. The committee were interested in how staff would try and achieve public value, and staff outlined that a procurement manual would guide staff through that process. The committee were also interested in how the policy would be monitored and reviewed. The committee recommended to Council that the policy was put out for public consultation.

ISSUES

- 19 Four submissions were received on the draft policy. All of the submissions are presented in the submission booklet included with this report as Attachment B.
- 20 In response to a survey question drafted by staff, three of the submitters stated that they either supported 'all' or 'some' of the provisions in the draft policy. One submitter did not answer this survey question.

- 21 A synopsis of the written feedback Council received on the draft policy, is outlined below.

| TOPIC | FEEDBACK |
|---|---|
| Local businesses | <ul style="list-style-type: none"> - that a new policy objective should be included, outlining that Council will support local business (where qualifying criteria are met) - if the new objective is included, Council should take a more proactive approach with local suppliers, encouraging them to be involved in tenders - Council should be proactive, educating and encouraging local suppliers to become an 'approved supplier' - tenders from local suppliers should be appropriately weighted in tender assessments. |
| Public value | <ul style="list-style-type: none"> - all factors in relation to supply should be considered (not just price)– the proposed evaluation criteria (considering economic, social, environmental and cultural) should achieve this - assessments should be made against future liability as well as initial cost. |
| Government Procurement Rules and the Best Practice Guidelines of the Office of the Auditor General | <ul style="list-style-type: none"> - agreement that Council should have a policy in line with the rules/guidelines. |
| Relationship with Procurement Manual | <ul style="list-style-type: none"> - that as long as the procurement manual reflects the procurement policy, the policy will be delivered - the policy should be the overarching document that guides the procurement manual. As the policy refers to the manual, and the manual was not available at the time of consultation, a submitter felt they were unable to provide adequate feedback, as the policy did not adequately inform the public of the approach (as some information is outlined in the manual). |
| Other | <ul style="list-style-type: none"> - agreement that procurement processes should be fair, equitable, transparent and consistent - agreement that procurement processes should appropriately manage risk. |

Factors to Consider

Legal and Statutory Requirements

- 22 The OAG and Government Procurement Rules outline that councils should have their own procurement policy and processes in place, that are tailored to their operating environment.

- 23 The LGA (section 14) details principles relating to local authorities. A number of these principles relate to Council's procurement activities, and the draft policy is in accordance with these principles.
- 24 Other legislation that is relevant to procurement is:
- Civil Defence Emergency Management Act 2002
 - Commerce Act 1986
 - Construction Contracts Act 2002
 - Contract and Commercial Law Act 2017
 - 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.
- 25 Best practice guidelines are an important part of Council's procurement activity. The Government's procurement policy framework, consisting of principles, a charter, rules and good practice guidance set 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 currently bound by the rules. Other government entities, such as government departments and ministries, are bound. In October 2020, the Ministry of Business, Innovation and Employment sought feedback from the local government sector on potential impacts if the sector was required to apply the Government Procurement Rules. This indicates changes may be afoot in the procurement space, but that this stage staff cannot be certain of the exact nature of the changes or when they would be implemented.
- 26 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.
- 27 Staff have consulted on the draft policy in accordance with section 82 of the LGA. Staff have made the draft policy and relevant information publicly available and encouraged people to give feedback on Council's 'make it stick' platform, by:
- placing an advertisement in the Ensign and Southland Express
 - promoting 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.

Community Views

- 28 A synopsis of the community views captured through the formal consultation process on the draft policy, has been outlined in the 'issues' section of this report. The full submission booklet is also attached.
- 29 Under Section 78 of the LGA, Council must, when deciding how to proceed, consider the views and preferences of persons likely to be affected by, or to have an interest in, the matter. There is not a requirement to agree with the submitters, but Council must consider the views that have been expressed, with an open mind.

Costs and Funding

- 30 Costs associated with staff time and advertising will be met within current budgets.
- 31 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

- 32 The current procurement 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.
- 33 If adopted in its current state, the draft policy sets an expectation that staff will undertake thorough procurement planning, keeping good records of procurement processes, and identify and manage risk appropriately. The extra time staff will have to spend on these tasks has not been formally quantified – but staff consider the tasks are necessary, to meet best-practice standards.

Analysis

Assessment of Significance

- 34 Staff have assessed receiving submissions on the draft policy as not significant in accordance with the LGA and Council's Significance and Engagement Policy.

Recommended Option

- 35 Staff recommend Council proceed with the only practical option available to it - to receive the written submissions on the draft policy. The advantages of this option are that Council can consider community views on this matter, and comply with s.82 consultation requirements in the LGA. There are no known disadvantages associated with this option.

Next Steps

Progressing to Adopt the Policy and Manual

- 36 Staff intend to hold deliberations on the draft policy at the Council meeting being held on 24 February 2021. At that meeting, staff will seek input from councillors and request Council to endorse particular policy positions.

- 37 Staff will use the information obtained at the Council meeting on 24 February 2020 to finalise the procurement manual (staff will ensure the manual implements Council's desired policy position). Staff will then present the draft manual to the Finance and Assurance Committee, and request the committee endorse the manual.
- 38 The final step will be for Council to adopt the procurement policy. Council may also have to make some minor changes to the Delegations Manual at this time, to ensure appropriate delegations/authorities are in place. It is proposed that the executive leadership team will bring the Procurement Manual into effect at the same time as the new Procurement Policy.

Implementation and review

- 39 Staff will be informed about the new policy and manual, and training will be provided. Particular roles within Council will receive more in-depth training and support. It is being considered whether minimum training standards for staff are appropriate. In some areas of Council, there will be specialist procurement roles to help ensure consistent procurement.
- 40 Staff are aware procurement within Council will need to be evaluated, to ensure that Council is achieving its policy objectives. It has been discussed whether a group within Council should be tasked with reviewing a set number of procurements on an annual basis, when the contracts are finished. The review would involve establishing evaluation criteria and liaising with staff to assess whether Council has been effectively implementing the procurement policy.
- 41 It is proposed to review the new procurement policy and manual, triennially.

Attachments

- A Draft Procurement Policy [↓](#)
- B Submission booklet - draft 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 provides 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

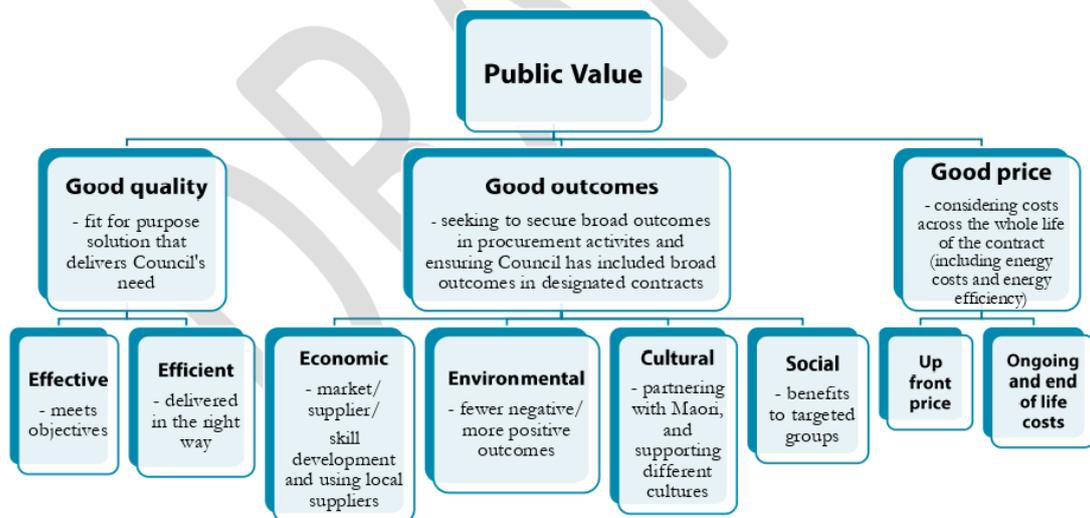
Council will foster relationships with suppliers to help ensure Council gets the best results. Where possible, relationships will be:

- 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.



Submission booklet

Draft Procurement Policy

| Index of Submitters | page |
|---------------------------------------|------|
| 1. Robin McCall | 1 |
| 2. Fiordland Community Board..... | 2 |
| 3. Carolyn Smith..... | 4 |
| 4. Oraka Aparima Community Board..... | 6 |

Southland District Council
Te Rohe Pōtae o Murihiku

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Draft Procurement Policy

#1

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Wednesday, November 11, 2020 9:41:47 PM
Last Modified: Wednesday, November 11, 2020 9:49:45 PM
Time Spent: 00:07:57

Page 1

Q1

Name and contact information - Please provide your name and contact information.

| | |
|-----------------|---------------------|
| Name | Robin McCall |
| Address | |
| City/Town | |
| ZIP/Postal Code | 9822 |
| Country | New Zealand |
| Email Address | |

Q2

I support some of the provisions in the draft policy

Support or oppose - Please indicate your views about the draft policy.

Q3

Suggested changes or feedback - Please indicate in the appropriate space below, possible changes or feedback on the following topics covered in the draft policy.

| | |
|--|---|
| Having good relationships with suppliers | SDC needs to actively engage with the local business community to encourage approved supplier status |
| Achieving 'public value' | The public value needs to take account of the benefit of providing a weighting for Southland based businesses where other criteria have been met |
| Other content included in the draft policy | The objective of supporting local procurement where qualifying are met |

Q4

Respondent skipped this question

Other feedback - Please provide any other feedback you may have in the space provided below.

Q5

Respondent skipped this question

Uploads - Please attach any files here.

1

Draft Procurement Policy

#2

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Friday, December 04, 2020 2:52:03 PM
Last Modified: Friday, December 04, 2020 3:04:14 PM
Time Spent: 00:12:10

Page 1

Q1

Name and contact information - Please provide your name and contact information.

| | |
|-----------------|----------------------------------|
| Name | Sarah Greaney |
| Company | Fiordland Community Board |
| Address | Town Centre |
| City/Town | Te Anau |
| State/Province | Southland |
| ZIP/Postal Code | 9600 |
| Country | New Zealand |
| Email Address | |
| Phone Number | |

Q2**I support all the provisions in the draft policy**

Support or oppose - Please indicate your views about the draft policy.

Q3**Respondent skipped this question**

Suggested changes or feedback - Please indicate in the appropriate space below, possible changes or feedback on the following topics covered in the draft policy.

Q4

Other feedback - Please provide any other feedback you may have in the space provided below.

Refer to attached.

Q5

Uploads - Please attach any files here.

Submission - Procurement Policy Dec 2020.docx (20.4KB)**2**

FIORDLAND COMMUNITY BOARD SUBMISSION – PROCUREMENT POLICY**DECEMBER 2020**

The Fiordland Community Board wishes to submit in favour of the draft procurement policy that will bring the policy in line with Government Procurement Rules.

The Board believes it is important to consider robust processes around procurement and that all factors in relation to supply are considered, not simply opting for the lowest price bid. We hope that by having set evaluation criteria that include economic, social, environmental and cultural factors within the Council's needs should achieve this.

We also consider that processes should be fair and equitable and are supportive of Council having a transparent and consistent policy that appropriately manages risk.

We believe that benchmarking against the standards of the Office of the Auditor General are in the interests of our community and the general public.

We also believe it is important that assessments are made against future liability as well as initial cost.

Whilst the draft policy does not contain the specific steps for procurement, as long as the supporting procurement manual reflects the policy then it is considered that the delivery against the policy will be aligned.

Sarah Greaney

Chair

Fiordland Community Board

Dec 2020

Draft Procurement Policy

* 1. Name and contact information - Please provide your name and contact information.

Name * Carolyn Smith

Company _____

Address * _____

Address 2 _____

City/Town * Lynsden

State/Province _____

ZIP/Postal Code 9730

Country _____

Email Address * _____

Phone Number _____

* 2. Support or oppose - Please indicate your views about the draft policy.

- I support all the provisions in the draft policy
- I support some of the provisions in the draft policy
- I do not support any of the provisions in the draft policy
- I neither support nor oppose the provisions in the draft policy

3. Suggested changes or feedback - Please indicate in the appropriate space below, possible changes or feedback on the following topics covered in the draft policy.

Having good relationships with suppliers

Achieving 'public value'

Having a sound business approach to procurement

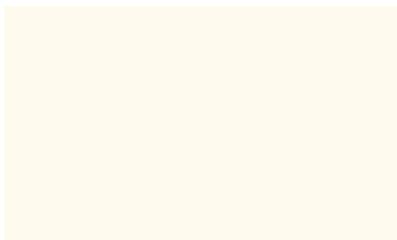
Managing risk appropriately

Other content included in the draft policy

4. Other feedback - Please provide any other feedback you may have in the space provided below.

5. Uploads -

Southland District Council
11 DEC 2020
Riverton Office



30 November 2020

TO: Southland District Council
FROM: Oraka Aparima Community Board
SUBJECT: Submission to: Procurement Policy

Thank you for the opportunity to submit on the four draft policies: Development and Financial Contributions; Revenue and Finance; Significance and Engagement; Procurement.

Procurement Policy

In general the board wishes to communicate the following:

- The fourth paragraph in the introduction states that the policy informs any person working for or on behalf of council of the policy approach that should be followed. However, because the policy refers to a manual which is not available to the public, it does not adequately inform the public of the approach. The board considers that the policy should be the overarching document that guides the procurement manual, but without the manual being available at the time of consultation we are unable to provide adequate feedback.
- We suggest that an overall objective of this policy should include support of local suppliers, because council procurement is a key way that council can support the local economy. If this were included as an objective, we would expect to see council take a more proactive approach with encouraging local suppliers to be involved in tenders. Our suggestion is that this proactive approach should include public invitations to workshops to learn more about how to become an approved supplier. We should also see the locality of tenders being appropriately weighted in tender assessment procedures.

Please do not hesitate to contact us should you like to have any further clarification on our points above.

This submission is subject to formal approval from the Oraka Aparima community board at its meeting scheduled 9 December 2020.

Graeme Stuart
Chairperson
Oraka Aparima Community Board



6

Draft Revenue and Financing Policy and Rating Review - Continued Deliberations and Adoption

Record No: R/21/1/43
Author: Nicole Taylor, Finance Development Co-ordinator
Approved by: Anne Robson, Chief Financial Officer

Decision Recommendation Information

Purpose

- 1 The purpose of this report is to present the draft Revenue and Financing Policy (the draft policy) for continued deliberations and adoption. This report also confirms the changes associated with the rating review for use in the Long Term Plan 2031 (LTP), and related consultation document and supporting information.

Executive summary

- 2 Council has completed public consultation on the draft policy and rating review and has considered the 29 submissions that were received.
- 3 At its meeting on 16 December 2020, Council deliberated and recommended changes to the draft policy and rating approach. In this report, staff are confirming the changes that have been made as detailed below.

Changes endorsed by Council to the rating review

- amend the Fiordland Community Board rural rating area to exclude the Milford community
- amend the Fiordland Community Board urban rating area to exclude properties in Patience Bay, Rocky Ridge, the area around the golf course and William Stephens Drive and to the east and define these properties as Fiordland Community Board semi-urban rating area.

Changes endorsed by Council to the draft Revenue and Financing Policy

- retain general rate funding (low band) towards the Te Anau Airport Manapouri noting that the actual level of general rate funding for the activity in the LTP will be set at 0% until a long-term business case (clarifying the district benefit of the activity and development plan for the airport) is considered by Council.
- 4 In addition, staff are proposing a number of other changes to the version of the draft policy and rating approach that went out for public consultation for Council to deliberate including:
 - updating the operating expenditure funding summary in the draft policy (page 7-8 attachment A and relevant activities in section 2.3.2 from page 9 onwards) to reflect the funding sources from the draft LTP 2031 budgets. This has resulted in the changes to the activity funding sources for the four activities - Airport, Council/Community buildings, Waste Services and Community Assistance.

The operating expenditure funding summary has also been amended to include information related to the LTP activity groups as well as the sub-activities which make these up. The information means that non-direct corporate overhead costs (for corporate functions like

information management, people and capability, finance and customer service) are allocated at the activity group level only (these are typically funded by the general rate). This enables the funding sources for the activity groups to be matched with the LTP activity funding impact statements.

- various other minor administrative changes to the draft policy (attachment A) including:
 - amending the wording in the draft policy about phasing in depreciation to enable the timeframe to be amended as part of the LTP discussions (page 5)
 - specifying targeted rates as a capital expenditure funding source for cemeteries and Council/community buildings to enable any local rate contributions for specific cemetery/community building projects (page 10)
 - explanation about cycle trail operating expenditure being funded by the general rate under the roads activity funding needs analysis (page 16)
 - removal of overhead commentary in the water and wastewater activity funding needs analysis (page 18-19) following on from the review of overhead allocations
 - addition of “district” to targeted rate catchment description for the community assistance activity funding tools in the activities funding needs analysis (to reflect regional heritage rate) (page 21)
 - other grammatical and wording changes as detailed in the tracked changes
- confirming the rating boundary map to define the area of service for the new Stewart Island Electricity Supply Authority (SIESA) local targeted rate (Map 219 attachment B).

- 5 Staff have incorporated these changes into the draft policy (attachment A) and rating boundaries (attachment B). The changes that relate to rating will be used in the finalisation of the upcoming LTP consultation document and associated supporting information. Council will determine the specific funding amounts (within the funding bands identified in the draft policy) when finalising the LTP budgets.
- 6 Staff are now asking Council to deliberate on the changes to the draft policy proposed in this report and adopt the draft policy. As well, this report requests Council deliberate and endorse the proposed rating changes and associated boundaries. These will form a supporting document for the LTP.
- 7 If Council adopt the draft policy, this will come into force from 1 July 2021 and also be included in the final LTP document.
- 8 If any further material changes to the policy are indicated as a result of the finalisation of the budgets for the LTP consultation document, Council may also need to undertake further consultation alongside the LTP 2031.

Recommendation

That Council:

- a) **Receives the report titled “Draft Revenue and Financing Policy and Rating Review - Continued Deliberations and Adoption” dated 21 January 2021**
- 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) Notes that the draft policy that Council endorsed for consultation included a number of key changes from the current policy including:
 - funding the rate portion of the waste management activity from the general rate (high band)
 - funding the rate portion of the cemeteries, litter bins and local representation (community board) business units fully from the general rate
 - funding a portion of the operating costs of the water facility activity (related to Stewart Island wharfs and jetties) from the general rate (low band)
 - funding a portion of the operating costs of the airport activity (Te Anau Airport Manapouri) from the general rate (low band)
 - funding a portion of the operating costs for the Stewart Island Electricity Supply Authority activity from a targeted rate (low band).
- e) Notes that at the 16 December 2020 Council meeting, Council agreed to confirm the draft policy and rating review as consulted on with the following changes:
 - amend the Fiordland Community Board rural rating area to exclude the Milford community
 - amend the Fiordland Community Board urban rating area to exclude properties in Patience Bay, Rocky Ridge, area around golf course and William Stephens Drive and to the east and define these properties as Fiordland Community Board semi-urban rating area
 - agrees to the inclusion of general rate funding (low band) towards the Te Anau Airport Manapouri in the Revenue and Financing Policy, noting this sit at 0% until a long-term business case and development plan for the airport is considered by Council that clarifies the district benefit of the activity.

- f) Considers and endorses the following minor amendments to the draft policy since it was put out for consultation:
- amending the operating expenditure funding summary (page 7-8 Attachment A) to include information related to the LTP activity groups as well as the sub-activities which make these up
 - updating the operating expenditure funding summary (page 7-8 Attachment A and section 2.3.2) for airport, Council/community buildings, waste services and community assistance sub-activities to reflect the funding sources for the draft LTP 2031 budgets
 - various other minor administrative changes.
- g) Adopts the draft Revenue and Financing Policy, which will come into effect on 1 July 2021 (Attachment A).
- h) Endorses the revised rating approach for the Long Term Plan 2031 including the rating area of service boundaries (Attachment B) as follows:
- nine targeted community board rates with urban (full charge), semi-urban (half charge) and rural (quarter charge) differentials based on defined areas of service
 - a district-wide targeted stormwater rate with serviced (full charge) and unserved (quarter charge) differentials based on defined areas of service
 - a local targeted Stewart Island Electricity Supply Authority rate based on a defined area of service for properties able to be connected to the supply with a differential:
 - full charge for all rating units (other than vacant non-contiguous)
 - half charge for vacant non-contiguous rating units.

Background

- 9 The draft Revenue and Financing Policy (the draft policy) sets out the ways Council intends to pay for the operating and capital expenditure of each of the activities that Council provides, and why. It is the first step in the rate-setting process as it identifies the activities that will be funded by rates, as well as determining the levels of fees and charges and other sources funding.
- 10 The current policy was adopted in 2018 in conjunction with the LTP 2018-2028. The current policy is included in attachment C.
- 11 Council is required to review the policy every three years and must adopt the final policy before the Long Term Plan (LTP) 2031. The statutory provisions relating to the review of the policy are detailed in s.103 and s.101(3) Local Government Act 2002 (LGA). This requires Council to follow a set process for developing the policy by applying a set of principles to consider how each activity should be funded and then considering the overall impact that the proposed funding allocation has on community wellbeing.
- 12 The draft policy is intended to be set at a relatively high level and provides the overall framework and guidelines for how Council will fund its activities and, as a result, how it will set rates and fees as part of the LTP 2031 (effective from 1 July 2021).
- 13 Council endorsed the draft policy and associated approach to rating for public consultation at its meeting on 21 October 2020.

- 14 The public consultation period ran from 4 November to 4 December 2020 and 29 submissions were received.
- 15 Council considered submissions and deliberated the draft policy at its meeting on 16 December 2020, and indicated the changes to be made to the draft policy and approach to rating as a result.
- 16 Staff have incorporated these changes into the draft policy (attachment A) with relevant rating changes to be incorporated into the upcoming LTP consultation document and associated supporting information including the rates funding impact statement and finalised rating maps (attachment B).
- 17 If Council adopts the draft policy, it will come into force from 1 July 2021.
- 18 If any further material changes to the draft policy are indicated as a result of the finalisation of the budgets for the LTP consultation document, Council may also need to undertake further consultation on these proposed changes alongside the LTP.

ISSUES

- 19 In the consultation Council sought feedback on the full draft policy and specific proposals for change in terms of how certain activities were funded and the method of rating including:
- i. **local activities** to be funded by nine new **targeted local (community board) rates** with urban (full charge), semi-urban (half charge) and rural (quarter charge) differentials based on revised rating boundaries
 - ii. funding **local representation** (community boards), cemeteries and litter bins district-wide through the **general rate**
 - iii. funding **stormwater** through a new district-wide **targeted rate** with serviced (full charge) and unserved (quarter charge) differentials based on new rating boundaries
 - iv. funding a portion of the costs of the **Stewart Island Rakiura wharves and jetties** from the **local targeted (community board) rate**, district-wide through the **general rate**, as well as through **grants/subsidises** (e.g. visitor levy) and **commercial user fees**
 - v. funding a portion of the costs of the **Stewart Island Electricity Supply Authority** from a new **targeted local rate**
 - vi. funding a portion of the costs of the **Te Anau Airport Manapouri** district-wide through the **general rate**
 - vii. funding waste management through the district-wide **general rate**
 - viii. proposed retention of the current approach for funding wastewater per pan taking into account other options considered.
- 20 Council considered submissions and deliberated on the draft policy at its meeting on 16 December 2020, and agreed to retain the all of the proposals put forward in the draft policy for consultation) with two changes and one clarification as follows:
- amending the Fiordland Community Board rural rating area to exclude the Milford community (refer to map 178 in attachment B)
 - amending the Fiordland Community Board urban rating area to exclude properties in Patience Bay, Rocky Ridge, area around the golf course and William Stephens Drive and to the east and define these properties as Fiordland Community Board semi-urban rating area (refer to maps 206 and 220 in attachment B)

- resolving that any general rate funding for the Te Anau Airport Manapouri be set at 0% until a long-term business case and development plan for the airport is considered by Council.
- 21 A number of rating boundary maps were prepared to identify the catchments for the area of service related to the proposed new rates (attachment B). These included maps for the new community board and stormwater rates.
- 22 Staff have subsequently defined the catchment for the new Stewart Island Electricity Supply Authority local rate which is based on an assessment of the electricity network area of service (refer to map 219 in attachment B). All rateable land within the area (red line) capable of connecting to the power supply will pay the rate on the basis of a differential. Staff have circulated the proposed rating boundary to representatives of the Stewart Island Community Board for review. Staff will advise Council verbally at this meeting of any resulting feedback. Any further changes can then be considered by staff and Council ahead of finalising the proposed boundary that will be applied in the LTP rates funding impact statement.
- 23 Staff are also proposing changes to the operating expenditure funding summary (page 7-8 attachment A) to include information related to the LTP activity groups as well as the sub-activities which make these up. The information means that non-direct corporate overhead costs (for corporate functions like information management, people and capability, finance and customer service) are allocated at the activity group level only (these are typically funded by the general rate). This enables the funding sources for the activity groups to be matched with the LTP activity funding impact statements. This stems from the change in activity groups and the review of how corporate overhead costs are being allocated for the LTP. The draft policy also clarifies that the activity funding analysis presented at the sub-activity level (from page 9 of attachment A onwards) excludes the non-direct corporate overhead costs. This change enables readers to see the overall funding for each activity group that will link to the funding impact statements in the LTP whilst retaining the additional detail at the sub-activity level which is likely to be more relevant for the reader.
- 24 Staff are also proposing further changes to the operating expenditure funding summary in the policy (page 7-8 attachment A and section 2.3.2 where relevant). These changes reflect the updated the funding sources to reflect the draft LTP 2031 budgets. This has resulted in the changes to the activity funding sources for the four activities as follows:
- Airport targeted rate funding changing from medium to high given Council's decision to set general rate funding at 0%.
 - Council / community buildings funding mix changing from the draft policy (general rate from high to medium, targeted rate funding from 0 to low and other funding from low to medium). The draft policy did not incorporate funding for community buildings like the Winton Maternity Centre and various camping grounds which are part-funded through community board (targeted) rates. The policy has been updated to include the funding for these buildings as part of the Council/community buildings sub-activity. The inclusion of these targeted rates has also resulted in subsequent change in the proportion of funding from the general rate and other funding.
 - Waste Services funding mix changing from the draft policy (general rate from high to low, targeted rates from low to medium). The draft policy did not reflect the appropriate level of funding from the targeted rates for rubbish/recycling bins. This has now been incorporated into the final policy and the funding proportions have been adjusted as a result.

- Community Assistance funding mix changing (general rate from high to medium, fees and charges from low to 0). The draft policy did not reflect the funding of the Regional Heritage Rate which is a targeted rate. This reduced the level of general rate funding overall. The draft LTP budgets also have no funding needed from fees and charges for this activity so this has been removed from the policy.

25 Staff have also made a number of minor administrative amendments to the draft policy and approach to rating including:

| Description of Change | Page Reference Attachment A |
|--|-----------------------------|
| 1. amending the wording in the draft policy about phasing in depreciation | 5 |
| 2. removal of overhead commentary in the water and wastewater activity funding needs analysis | 18-19 |
| 3. specifying targeted rates as a capital expenditure funding source for cemeteries and council/community buildings to enable any local rate contributions for specific cemetery or local community building projects | 10 |
| 4. explanation about the Around the Mountains Cycle Trail operating expenditure being funded by the general rate under the roads activity funding needs analysis | 16 |
| 5. addition of “District” to targeted rate catchment description for the community assistance activity funding tools in the activities funding needs analysis (to reflect regional heritage rate) | 21 |
| 6. inclusion of an additional disclosure in appendix A – Overview of the Roding Rate Model to clarify that this information is provided for explanatory purposes only and does not form part of the policy. This is because the rates data and some of the model data changes for each annual plan and long term plan. Do we need to update the roding rate table for 2021/2031 or can we at this stage? | 24 |
| 7. other grammatical and wording changes as detailed in the tracked changes. | Various |

Factors to consider

Legal and statutory requirements

- 26 Council is required by LGA (s.102) to adopt and include a Revenue and Financing Policy for inclusion in the final adopted LTP, to provide predictability and certainty about sources and levels of funding of Council’s activities.
- 27 The policy allows Council to comply with legislation by operating a balanced budget and being financially prudent.
- 28 Section 103 of the LGA outlines the mix of funding tools available to Council.

- 29 The policy must detail Council's approach for funding operating and capital expenses from these sources (refer sections 2.2 and 2.3 on pages 2-6 of the draft policy in attachment A).
- 30 Where the policy allows a general rate to fund activities, the policy must also set out the choice of valuation base, the use of differentials (and matters used to construct the differential) and the use of uniform annual general charges.
- 31 Table 1 on page 4 of the draft policy details this by stating "*the general rate is set on a rate in the dollar charged on capital value and a Uniform Annual General Charge (UAGC), which is a flat amount levied on each rating unit. The general rate is not set on a differential basis*".
- 32 Where the draft policy allows for targeted rates, it must identify what activities these fund, however no other information is required about the nature of the targeted rates (refer to table 3 and section 2.3.2 in the draft policy in attachment A).
- 33 The funding choices made in the draft policy balance the requirements of the LGA, s.101(3). This requires a two stage process to be followed when making decisions about how activities will be funded, taking into account a set of funding principles (s.101(3)(a)) and then considering the impact of the overall allocation of revenue liability on community wellbeing (s.101(3)(b)).
- 34 The draft policy was developed after considering these principles and this is detailed in the draft policy in the detailed activity funding analysis (from page 9 onwards).
- 35 Council has undertaken consultation on the draft policy in a manner which complies with the principles of the LGA (s.82).

Community views

- 36 A summary of the community views captured through the consultation process on the draft policy were outlined in the report that went to Council on 16 December 2020. The full submission booklet of the feedback received was also included as an attachment to that report.
- 37 29 submissions were received on the draft policy and rating review. This feedback added to that provided by community boards in workshops held throughout 2020 was used to develop the proposed rating approach and inform the funding tool selection in the draft policy.
- 38 Overall, the submissions were generally supportive of the draft policy and proposed rating approach with the 21 completed feedback forms indicating:
- 89% support for all properties contributing towards local services through community board rates and 95% supporting the use of urban, semi-urban and rural differentials for these rates
 - 95% support of district-wide funding for local representation, cemeteries and litter bins
 - 86% support of district-wide funding for stormwater with serviced and unserviced differentials
 - 76% support for local rate funding for the Stewart Island Electricity Supply Authority
 - 52% support for funding a portion of the costs of the Stewart Island wharves and jetties from local rates (up to 10%) and a district-wide rate (up to 30%) and other sources including visitor levy (up to 20%) and fees and charges (60-70%)
 - 43% support for funding a portion of the costs of the Te Anau Airport Manapouri (excluding the existing loan repayments) from a district-wide rate with the level of support split between up to 15% and up to 30%

- requests to change the urban and rural rating areas for the Fiordland Community Board rate and stormwater serviced and unserviced rates related to Patience Bay and Milford.

39 Council considered the feedback and made changes to the proposed differential rating areas for the Fiordland Community Board rate. Council also signalled that it would retain the proposal for general rate funding (low band) for the airport activity, but set this at 0% until a long-term business case and development plan for the airport is considered by Council that clarifies the district benefit of the activity.

40 Representatives of the Fiordland Community Board have been informed of Council's decision to establish a semi-urban rating area for the board area (refer to map 220 in attachment B).

Costs and funding

41 As has been outlined to Council previously, the draft policy would impact both the selection of funding mechanisms and the quantum to be funded from each tool, for each activity.

42 The consultation material highlighted the financial impact of the proposed changes using the 2020/2021 rate information for comparative purposes.

43 The additional changes made by Council during deliberations will have a minor impact on rates for the Fiordland Community Board urban, rural and semi-urban (new) areas. 123 rating units have been moved from the Fiordland Community Board urban rate to a new Fiordland Community Board semi-urban rate. The table below shows the movement and the impact on the 2020/2021 rate used in the consultation material.

| Fiordland Community Board Rate - Differential | Indicative Rate 2020/2021 (excluding GST) | |
|---|---|--------------|
| | Original Rate | Revised Rate |
| Urban (x 1.0) | \$206 | \$212 |
| Rural (x 0.25) | \$52 | \$53 |
| Semi-Urban (x 0.5) | N/A | \$106 |

44 Setting the general rate contribution for the Te Anau Airport Manapouri at \$0 will mean that there will be no rate contribution from properties outside of the Fiordland Community Board area towards the activity. This means there will be no change to how the activity is currently funded and rated for. Any proposals to provide a general rate contribution in the future will most likely be progressed as part of the relevant annual or long term plan process.

45 The revised policy and rating approach will form the basis on which the rating information contained within the LTP consultation document and associated supporting information will be prepared.

46 The new rates will be applied from 1 July 2021 once the LTP and associated funding impact statement has been adopted.

Policy implications

47 The LGA requires that councils include their Revenue and Financing Policy in the LTP. The funding of operating and capital expenses for each LTP activity must comply with the sources (and bands) set in the policy.

48 The resulting changes to the way activities are funded and how rates will be set will be incorporated into the LTP funding impact statement.

- 49 The previous section explains the financial impact of the changes resulting from the submissions which will flow through into the LTP consultation document and supporting information (including the funding impact statement).
- 50 With the LTP consultation document still being finalised for audit, if there are significant unexpected changes to funding or expenditure levels that would impact the proposed funding mix, there may be a need to further review the policy and proposed rating approach in conjunction with the LTP.

Analysis

Options Considered

- 51 Council could choose to

Option 1 - Adopt the draft Revenue and Financing Policy (as attached to this report) and confirm the rating approach for the LTP consultation document; or

Option 2 - Adopt a different form of Revenue and Financing Policy and rating approach.

Analysis of Options

Option 1 – Adopt the draft Revenue and Financing Policy and confirm the rating approach for the LTP consultation document

| <i>Advantages</i> | <i>Disadvantages</i> |
|--|--|
| <ul style="list-style-type: none"> • provides clarity and certainty about the funding sources that Council will use to fund its activities and how it will set rates as part of Council’s financial management obligations and ensuring financial prudence and sustainability • introduces consistency in how local activities are rated across the district and reflects the new community board areas • simplifies the approach to rating • provides some flexibility for how activities are funded to enable Council to respond to unexpected circumstances • achieves legislative compliance and reflects legislative funding principle. • the draft policy and approach to rating has been developed with input from community boards and the community. The approach received general support during the development and consultation phases with some changes suggested. Council has subsequently considered this feedback and proposed amendments to the draft policy and rating approach where this was | <ul style="list-style-type: none"> • while there are a number of options available to fund Council activities, no significant disadvantages to the overall approach proposed in the draft policy and approach to rating have been identified • may not reflect some community views. |

| | |
|--|--|
| considered to be appropriate after considering the overall community impact. | |
|--|--|

Option 2 – Adopt a different form of Revenue and Financing Policy and rating approach

| <i>Advantages</i> | <i>Disadvantages</i> |
|---|--|
| <ul style="list-style-type: none"> would give clarity on Council’s preferred approach. | <ul style="list-style-type: none"> key amendments to the draft policy and approach to rating have been carefully considered by staff and elected members and have received general support during consultation. Any additional changes would likely require further resources to process and would delay the adoption of the policy and require consultation to undertaken in conjunction with the LTP in order to achieve legislative compliance to include the policy in the adopted LTP it may appear Council is reluctant to make a decision on this matter. |

Assessment of significance

- 52 The draft policy is a fundamental policy of Council. It determines how Council collects revenue and funds activities, services and assets.
- 53 In relation to Council’s Significance and Engagement Policy, the decision Council is being asked to make in this report is likely to have an impact on all ratepayers in the district as a result of the changes to the general rate, new community board rates and stormwater rate and on Stewart Island Rakiura ratepayers as a result of the new SIESA rate. However, the financial impact will differ for specific properties depending on their location and how their current rates are comprised. Some properties will have an increase in rates and others will have a decrease in rates. Given that the changes largely relate to local activities that make up around just 7% of Council’s total rates, the impact is considered to be relatively minor overall and the financial impacts have been considered in detail during the development and consultation over the proposed approach.
- 54 The significance of the decision being made is heightened as this is the point that Council actually adopts the draft policy, and confirms its policy approach. Staff see it as appropriate that Council consider this decision to be significant as it is deciding on how its activities should be funded in the future.
- 55 Council has undertaken a thorough review of its policy and complied with the legislative requirements for making significant decisions as required by LGA s.82, s.82A and s 3.10 of the Council’s Significance and Engagement Policy. This has included identifying all reasonably practicable options and assessing the options in terms of their advantages, disadvantages, and financial implications and the extent and type of community engagement.

Recommended option

- 56 It is recommended that Council proceed with Option 1 and adopt the draft Revenue and Financing Policy and confirm the rating approach for the LTP consultation document.

Next steps

- 57 If Council adopts the amended policy, the policy and associated rate funding impact statement (which will include the more detailed description of how the new rates will be set) and updated rating boundary maps will be included in the material for audit related to the LTP 2031.
- 58 The policy will determine how Council collects revenue and funds activities, services and assets.
- 59 A copy of the final policy and rate funding impact statement will be included in the LTP 2031 for adoption in June 2021 and be used to set rates from 1 July 2021.
- 60 Staff would also write to the people who submitted informing them of the Council's decisions and policy adoption.

Attachments

- A Revenue and Financing Policy 2021-2031 - Final draft for adoption with changes tracked [↓](#)
- B Updated Area of Service Rating Boundary Maps [↓](#)
- C Current Revenue and Financing Policy (2018) [↓](#)

DRAFT Revenue and Financing Policy 2021-2031

| | |
|-----------------------------|--------------------------|
| Group responsible: | Finance |
| Date adopted: | 28 JanuaryXX 2021 |
| Implementation date: | 1 July 2021 |
| File no: | R/20/10/60770 |

1 Introduction

Council's Revenue and Financing Policy sets out the ways Council intends to pay for each activity that Council provides and why.

Council is required to have this policy by Section 102 of the Local Government Act 2002 to provide predictability and certainty to residents and ratepayers about the sources and levels of funding for Council's activities.

When read in conjunction with the Funding Impact Statement in Council's long term and annual plans, this policy links the funding decisions with the rates that each ratepayer is required to pay.

2 Policy Details

2.1 Legislative considerations

The purpose of the Revenue and Financing Policy is to describe how Council funds its operating and capital expenses from the funding sources available to it and why it chooses the various mechanisms. Section 103 of the Local Government Act 2002 (LGA) details the funding sources that Council can use to fund its activities including rates, fees, subsidies, borrowing and other revenue.

In addition to identifying the sources of funding, the policy must outline why the Council has decided to fund its activities in this way. These funding decisions follow a two-step funding process outlined in the LGA that involves consideration of a set of funding principles to determine appropriate funding sources for activities (Section 101(3)(a)) and then considering the impact that the resulting allocation of revenue liability has on current and future community wellbeing (Section 101(3)(b)).

Firstly, for each activity, the Council must consider the following matters:

- the community outcomes to which the activity primarily contributes
- the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals (the 'beneficiary -pays' principle).
- the period in or over which those benefits are expected to occur (the 'inter-generational equity' principle). For example, the benefits of some activities will occur over the entire life of the asset. This will benefit not only existing generations but future generations who should also contribute towards paying for the cost.

- the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity (the ‘exacerbator-pays’ principle which suggests that exacerbators should meet at least part of the cost of an activity).
- the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities. This particularly relates to transparency and accountability, but may also relate to factors like the financial scale of the activity (e.g. a small activity may not warrant separate funding due to the cost of establishing systems to support cost recovery).

Secondly, following consideration of these elements, the Council must consider the overall impact of any allocation of liability for revenue needs on the community, and to consider if any changes are needed. This involves weighing up the impact of the policy on the community. Such considerations might include:

- affordability - the ability to pay by low income households or small communities;
- barriers to accessing services;
- legal constraints (such as the ability of Council to only receive 30% of Council revenue from rates set on a uniform basis);
- fair treatment of the different sectors - balancing the ability to pay and the benefits actually received;
- alignment with the Council’s objectives and financial strategy which sets limits on rates increases and debt levels.

The Council may, as a final measure, modify the overall mix of funding in response to these considerations. Council’s consideration of these matters is noted under each individual activity in the detailed activity analysis from page 9.

2.2 Our funding approach

Southland District communities are diverse and there are many different users of Council services.

Wherever practical Council aims to maintain a relationship between the benefits received by groups of residents and ratepayers and the contributions they make for those services, especially where communities within the District have differing levels of service (the ‘beneficiary-pays’ principle).

Where the benefits are shared more equally and everyone is expected to make a contribution, or where it is impractical to exclude users or identify groups that principally benefit, it is deemed to be **“public”** and more likely to be collectively funded (e.g. through General rate).

Where individuals/groups receive the direct benefit of the activity exclusively, and the costs of the activity can easily be attributed to that individual/group or, their use of the service excludes others, or the nature of the benefit differs across the community, it is deemed to be **“private”** and more likely to be funded on a user pays basis (e.g. through fees and charges, targeted rates). In principle, Council seeks to recover the maximum amount possible from the direct users of a service (the ‘user-pays’ principle) or from those that create the need for a service (the ‘exacerbator-pays’ principle). However, Council must also ensure that the level of fees or charges (and targeted rates) are not at a point where the cost becomes prohibitive and could potentially impact the community’s use of the service, create detrimental effects or work against the achievement of community outcomes. As such their use needs to be balanced with other funding sources.

Council also seeks to ensure that people pay for services at the time they consume them, (the ‘inter-generational equity’ principle). Costs of service include capital costs, direct operational costs, depreciation, interest and loan repayments. The tools Council uses to achieve inter-generational equity include borrowing and depreciation funding.

In reality, most Council services sit somewhere on the continuum between providing public and private benefits and most activities have characteristics of both private and public goods. As part of developing this policy, Council has endeavoured to use the public/private benefit to summarise its consideration of the LGA funding principles, initially in relation to each activity around assessing the nature of the benefits and who benefits (the whole community, identifiable parts of the community or individuals) over what period (Section 101(3)(a)) and then again after considering the overall impact on the community (Section 101(3)(b)).

It must be noted that Council's funding approach is a complex assessment of determining where the benefits of Council services apply, what the best methods for funding those services are and how this can be equitably applied across district communities. Council must also consider affordability, both from a ratepayer perspective, and for individuals and groups using Council provided services. Council has considered all of these elements and considers the overall funding approach detailed in this policy to be fair and equitable.

The outcome of these considerations is outlined in the activity funding analysis table in section 2.3.2 and has been used to inform the Council's thinking on what are the most appropriate sources of funding for operating and capital expenditure for each activity.

The indicative funding proportions that have been specified are not intended as an exact realisable proportion, they are intended to be a guideline. It is recognised that within each activity there may be justification for variation from those proportions on a case-by-case basis and in considering the impact that the allocation of liability for revenue has on the whole community.

The approach taken in this policy is to give the reader a high level of understanding of the key funding methods. As such the "key" funding sources are detailed in the indicative funding section of the activity funding analysis on page 9. At times minor costs may be funded from a source not indicated.

2.3 Funding mechanisms

Types of Expenditure

Broadly speaking, Council has two types of expenses: operating expenditure and capital expenditure.

Operating expenditure is used to fund the ongoing day-to-day activities and services of the Council. Operating revenue is set at such a level for the Council to meet its projected operating expenditure, as well as comply with applicable legislation and generally accepted accounting practice.

Capital expenditure is money spent in acquiring or upgrading a business asset such as equipment or buildings. The Council has three categories of capital expenditure spread across its activities:

- **renewals** - Defined as capital expenditure that increases the life of an existing asset with no increase in service level.
- **increased level of service (ILOS)** - Defined as capital expenditure that increases the service level delivered by the asset.
- **additional demand (AD)** - Defined as capital expenditure that is required to provide additional capacity necessary to accommodate growth or demand.

The Council's funding of capital expenditure must comply with applicable legislation and generally accepted accounting practice, and is derived from a mix of revenue sources. The method of funding generally depends on the asset expenditure – whether it is a renewal of an existing asset or an upgrade of an existing asset or a completely new asset.

The major sources of funding operating (opex) and capital expenditure (capex) is summarised in Table 1.

Table 1: Description of the funding mechanisms and their general application

| Funding source | Definition | Rationale for application | Application | | | |
|--------------------------------------|--|---|-------------|-------------|-------------------------------|---------|
| | | | Opex | Demand (AD) | Capex Levels of service (LOS) | Renewal |
| General rate (including UAGC) | The General rate is assessed across all rateable properties in the Ed district. The General rate is set on a rate in the dollar charged on capital value and a Uniform Annual General Charge (UAGC), which is a flat amount levied on each rating unit. The General rate is not set on a differential basis. | <p>The General rate is used to fund those services where there is a benefit to the Ed district as a whole. It is typically used when there is a high public benefit in the services provided, when Council considers the community as a whole should meet the costs of the service, and when Council is unable to achieve its user-charge targets and must fund expenditure.</p> <p>Capital value (compared to land value) is seen as the best mechanism because it is easier to calculate given market sales information, is well understood, reflects the total investment in the property and is considered a better proxy for ability to pay and use of services/ infrastructure than other tools.</p> <p>The size of the UAGC is set each year by Council and is used as a levelling tool in the collection of the General rates. If the Uniform Annual General Charge (UAGC) were set at zero the effect would be to increase the amount of rates assessed on capital value which would increase the share levied on properties with higher capital values and decrease the share levied on lower capital values. In setting the level of the UAGC, Council balances the impact of high fixed charges (including the UAGC and other fixed charges) on those with low incomes/ and relatively low property values against the impact of a low UAGC on the relative share of rates levied on high value properties, such as large rural properties.</p> | ✓ | | ✓* | ✓* |
| Targeted rates | Targeted rates are set for a specific activity or group of activities and can be charged in a number of different ways as defined in the Local Government (Rating) Act 2002 to collect funds over specific areas of benefit. | <p>Targeted rates are used when the Council considers that transparency is important, or where the location or method of rating makes the use of a targeted rate more appropriate and more equitable or a better match to the benefits of the activity.</p> <p>The Rates Funding Impact Statement in the Long Term Plan or Annual Plan outlines the Council's rating policies including details about how the rate is set and on which properties it will apply to.</p> | ✓ | ✓ | ✓* | ✓* |
| Grants and subsidies | Funding received from other agencies, usually for a specific purpose. | Council will use grants or subsidies from central government or other organisations where available, usually for a specific purpose. This approach minimises the cost to the community of undertaking projects and activities. Generally these are used for capital expenditure, but may also be used for operating expenditure in certain circumstances. | ✓ | ✓ | ✓ | ✓ |

| Funding source | Definition | Rationale for application | Application | | | |
|--|---|---|-------------|-------------|--------------------------------|---------|
| | | | Opex | Demand (AD) | Capex Levels of service (ILOS) | Renewal |
| Fees and Charges | Fees charged to individuals or groups who are directly using Council services. | The Council uses a range of fees and charges to recover a proportion of the costs of providing Council facilities and services. Generally, the greater the degree of identifiable private benefit, the more likely it is that the service costs can be recovered through fees /and charges. The Council also considers issues like the affordability of user charges, particularly where the Council believes that setting a charge too high will reduce the use of a service and therefore diminish its value to the community and impose a greater cost on ratepayers. | ✓ | | ✓* | ✓* |
| Investment Income | Income received from any investments (e.g. forestry) | This income is generally used to reduce the amount of rate required or may be added to reserves to future fund projects. | ✓ | ✓ | ✓ | ✓ |
| Lump Sum Contributions | Lump Sum contributions are where ratepayers agree to pay a capital (or lump sum) payment towards meeting the cost of providing a particular asset in their community (eg upgrading of a water supply) rather than paying for these capital costs via an annual targeted rate. | These contributions will be used to fund the repayment of debt for specific capital activity from time to time. | ✓ | ✓* | ✓* | ✓* |
| Proceeds from Asset Sales | Proceeds from asset sales are the monies received from selling physical assets, such as plant and equipment. | Proceeds from asset sales will be used for the repayment of debt or the acquisition of new assets. | | ✓ | ✓ | ✓ |
| Depreciation Reserves | Depreciation reserves are set to allow for the replacement of Council's capital assets when they reach the end of their useful life. | These reserves are used to fund both the renewal and increased level of service categories of capital expenditure, along with any debt repayment relating to prior year capital expenditure. Council will use depreciation from current and prior years that has not already been applied to fund asset replacements. Council's current approach is to phase in funding depreciation of roading, water, wastewater, solid waste, computers and vehicle assets. by 10% per annually until 100% is achieved in 2024/2025. Once this is completed Council will consider funding depreciation for other assets. | ✓ | | ✓ | ✓ |
| Financial and Development Contributions | Financial contributions are a capital charge for works undertaken to mitigate the environmental effects of subdivision, land use and development. Development contributions are a capital charge on development to recover share of the capital costs that development imposes on network/community infrastructure. | Financial or development contributions are used to ensure that a fair proportion of the cost of infrastructure needed to serve growth or capital works needed to mitigate environmental effects is funded by those who cause the need (i.e. the developments leading to growth). Council's Policy on Development Contributions and Financial Contributions sets out the conditions in which contributions are required and the method used to calculate them. Development Contributions are currently in remission under this policy, due to Council's desire to encourage growth in the E district. | | ✓ | | |

| Funding source | Definition | Rationale for application | Application | | | |
|-----------------------------|--|---|-------------|-------------|-------------------------------|---------|
| | | | Opex | Demand (AD) | Capex Levels of service (LOS) | Renewal |
| Borrowing - internal | Council currently operates an internal treasury function. This means that Council uses cash surpluses from some activities to lend to other activities that need to borrow. This reduces the overall cost of borrowing. Council charges interest on the funds lent to the borrowing activities, and receives interest on the funds borrowed from the lending activities. | Council will fund short term deficits with internal borrowing where this is considered to be prudent. Interest on reserves is calculated on the average balance of each reserve during the year. Interest is allocated at a prescribed interest rate (as discussed in the Long Term Plan assumptions). Both positive and negative reserves get interest charged or applied. For the majority of reserves held by local communities, this interest is added to the reserve, which has no impact on the rate requirement as these reserves are usually positive and are set aside for future projects. For the majority of District reserves, interest will reduce the rates required or increase the rates required if the reserve has a negative balance. | ✓ | ✓ | ✓ | ✓ |
| Borrowing – external | Borrowing is not a source of revenue itself. Rather it is a 'bridging' mechanism to assist with the financing required for the construction of long term assets. Debt arising from borrowing still needs to be repaid from other sources of revenue (eg rates). | Borrowing to fund capital expenditure spreads the repayment of that borrowing over several years and helps to ensure fairness or intergenerational equity so that current ratepayers pay for the services they use now, and future ratepayers pay their share too. Generally the Council will not borrow to fund operating costs, however Council may enter into short-term borrowing arrangements for the management of cashflows. More detail about Council's borrowing is set out in its Investment and Liability Policy. | ✓ | ✓ | ✓ | ✓ |
| Council Reserves | Reserves are made up of funds that are either received or set aside for a specific activity or savings specific to each activity that may be available to fund expenditure subject to Council approval. This can be used for both private good and public good. | Where past surpluses are available these may be used to fund capital expenditure and in some instances operating expenditure at Council's discretion. Reserves will be applied to expenditure in line with the purpose for which the funds were collected or in line with any conditions that were in place when the funds were received. These are typically classified as local reserves (where reserves are for the benefit of specific communities), or district reserves (where reserves are held for the benefit of the wider district). | ✓ | ✓ | ✓ | ✓ |

* Application depends on how the activity to which capital expenditure relates is funded.

Table 2 below outlines the general considerations for funding against the legislative requirements of the Local Government Act (2002) section 101(3)(a).

Table 2: Legislative assessment of funding considerations

| LGA s101(3)(a) | Operating funding consideration | Capital funding considerations |
|---------------------------------|--|--|
| Community Outcome | Council needs to take into account whether the proposed funding source will promote or work against the achievement of community outcomes. | |
| Distribution of benefits | Determining distribution of benefit is subjective and is for Council to determine. Council will consider how the benefit of an activity applies to households, businesses and the community as a whole. Generally, individual benefit leads to fees and charges, location based benefits lead to targeted rates, and community wide benefits leads to General rates or targeted rates applied across the district. | As per operating expenditure unless Council resolves otherwise. Council may also choose to target those people or organisations who primarily benefit through lump sum options or targeted rates. |
| Period of benefit | For most operating expenditure the benefit is received in the year the expense is incurred. For most activities Council will cash fund depreciation (an operating expense) from revenue sources and this, along with other surplus cashflow, will be used to fund capital expenditure for asset renewal or debt repayments. Some operational expenditure (provisions) may | For most capital projects the benefit is received over the life of the asset. Council will have regard to the equitable distribution of costs to each generation for the building and renewal of the asset. Funding depreciation and borrowing (with |

| | | |
|-----------------------------|--|--|
| LGA s101(3)(a) | Operating funding consideration | Capital funding considerations |
| | have a benefit over multiple years and so Council may choose to fund the activity over that period. | associated interest costs) are the primary ways to spread the cost of asset over its life. |
| Who creates the need | Some things Council must do because the actions or inactions of individuals or groups creates the need to undertake the activity. Council may choose to target these people or organisations through fines, charges or targeted rate . | |
| Separate funding | Council must consider the practicalities of separate funding along with transparency and accountability. In some cases, while it may be desirable to charge individuals, there may be no practical way of doing so. When considering what rates will be charged, the costs and benefits of separate rating mechanisms for separate activities should be weighed up. Council does not wish to make a complex rating system that is expensive to maintain and confusing to interpret, as this will not contribute to improved transparency and accountability. | |

2.3.1 Summary of funding sources

Table 3 shows the indicative percentages from each funding source used to fund operating costs following consideration of the relevant funding principles (summarising the activity funding analysis from page 9).

The table includes information related to the LTP activity groups as well as the sub-activities which make these up. Non-direct corporate overhead costs (for corporate functions like information management, people and capability, finance and customer service) are allocated at the activity group* level only (grey shading). These costs are largely funded by the General rate.

For operational expenditure, funding portions for each activity are expressed as ranges - **low** (0-33%); **medium** (34-67%); **high** (67-100%).

Capital expenditure funding contributions are also identified in the detailed activity analysis. The proportion of capital costs funded from each source will vary depending on the nature of each capital project.

Table 3: Summary of operating expenditure funding sources by activity group* and sub-activity

| Activity Group Activity | Sub-activity | General rate | Targeted Rates | Fees and Charges | Grants, Subsidies and other funding |
|--|---|---------------|----------------|------------------|-------------------------------------|
| Community Resources* | | Medium | Medium | Low | Low |
| Community Facilities | Halls | | High | Low | Low |
| | Toilets | High | | Low | |
| | Offices and Buildings Council/community buildings | Medium High | Low | | Medium-Low |
| Community Services | Cemeteries | High | | Low | Low |
| | Community Housing | Low | | | High |
| | Library Services | High | | Low | Low |
| Open Spaces | | Medium | High | | Low |
| Waste Services | | Low High | Medium Low | Low | Low |
| Electricity Supply (SIESA) | | | Low | High | Low |
| Stormwater Drainage* | | Low | High | | Low |
| Transport* | | Low | High | Low | Low |
| Roads, Footpaths, Airport and Cycle Trails | Roads, Footpaths and Cycle Trails | Low | High | Low | Low |
| | Airport | Low | High Medium | Low | Low |
| Water Facilities | | Low | Low | High | Low |
| Sewerage* | | Low | High | Low | Low |
| Water Supply* | | Low | High | Low | Low |
| Community Leadership* | | High | Low | | Low |
| Representation and Advocacy | | High | | | Low |

| Activity Group Activity | Sub-activity | General rate | Targeted Rates | Fees and Charges | Grants, Subsidies and other funding |
|------------------------------|----------------------|---------------|----------------|------------------|-------------------------------------|
| Community and Futures | | High | Low | | Low |
| Community Assistance | | MediumHigh | Low | Low | Low |
| Environment Services* | | Medium | | Medium | Low |
| Environment Services | Resource Management | High | | Low | Low |
| | Animal Services | Low | | High | Low |
| | Environmental Health | Medium | | Medium | Low |
| | Building Solutions | Low | | High | |
| Emergency Management | | High | | | |
| Key: | | | | | |
| 0-33% | | 34%-66% | | 67%-100% | |
| Low | | Medium | | High | |

Generally the process for funding operating costs of these activities is as follows:

- where it is practical to recover the designated portion of the net operating cost of an activity from a private user or exacerbator, fees and charges are set at levels designed to achieve this, provided there are no legislative constraints
- operating grants or subsidies for a particular activity are used to reduce the gross cost
- other income sources that may be appropriate such as interest, reserves and borrowing (largely for financially significant one-off projects that ~~that~~ extend the life of an asset e.g. painting)
- where a fee or charge is not practical, targeted rates may be set in line with Council’s rating policies
- any net income from investments may then be applied and any residual requirement will be funded through the General rate. For the purposes of this policy, any reference to the General rate as a funding source is considered to include the Uniform Annual General Charge (UAGC).

More detailed rating policies (including the details of targeted rates and how they are applied, the level of the UAGC, and the details of any differentials) will be outlined in the Funding Impact Statement in the Long Term Plan or Annual Plan, as appropriate.

2.3.2 Detailed Activity funding analysis (sub-activity level)

The detailed sub-activity funding analysis below excludes the non-direct corporate overhead costs.

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate |
|--|--|---|---|---|---|---|---|--|---|---------|---|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | |
| | | | | | | | Public | Private | Public | Private | |
| GROUP: COMMUNITY RESOURCES | | | | | | | | | | | |
| Activity: Community Facilities | | | | | | | | | | | |
| Halls | | | | | | | | | | | |
| <ul style="list-style-type: none"> Inclusive connected communities A diverse economy creating healthy and affordable lifestyles <p>The activity provides spaces for people to come together, which strengthens social connections within communities.</p> <p>The activity also provides common spaces where people can carry out recreational and physical activity.</p> | <p>Low</p> <p>The whole community benefits from the option they have to use halls which are available for public use.</p> <p>Facilities are spread widely across the district and have a range of community uses.</p> <p>The Council also supports some privately owned halls.</p> | <p>Medium</p> <p>Parts of the community that have a hall nearby have easier access and may experience a greater benefit than those who have to travel a longer distance to use a facility, particularly where other options are unavailable.</p> | <p>Medium</p> <p>Groups and individuals that use halls for community and recreational use experience a direct benefit.</p> | <p>Groups and individuals who wish to use facilities for events and activities in their community or to provide a focal point for communities.</p> <p>People wanting to use a hall pay a hire charge. In some cases, vandalism and accidental damage may cause additional costs. Where possible, costs will be recovered.</p> | <p>Current and future years</p> <p>Halls have long useful lives and will benefit both current and future generations.</p> <p>Council does not currently fund the depreciation on halls, with decisions on how to fund replacements or renewals to be made once individual halls reach the end of their useful life.</p> <p>Council may look to divest where ownership where this is not critical to the provision of the activity, or the community feedback/usage indicates the hall is no longer needed.</p> | <p>While halls are a relatively small part of Council's overall expenditure, Council is aware that each community generally has a stronger connection to the halls in their local area compared to those in other parts of the District. For this reason Council has chosen to amalgamate the overall funding of this activity under the community resources activity whilst retaining separate targeted rates for individual halls. This provides clarity over the funding needs of individual halls and reflects the variations in the types of halls and levels of service provided across the district.</p> | <p>50%</p> <p>50%</p> <p>80%-100%</p> <p>0%-20%</p> | <p>Rationale</p> <p>While users of the service can easily be identified and a strong user pays approach could be implemented, it is considered that this would deter people from using the Council provided halls and would provide insufficient funding to maintain halls at an appropriate level. As such, those who use the facilities should pay a reasonable charge that is set at a level to encourage use.</p> <p>It is recognised there are wider community benefits from the availability of halls in terms of social/cultural outcomes which, on balance, merits funding the majority of costs from rates.</p> <p>Operational costs are predominantly funded through targeted rates, reflecting the public good component of this activity. Operational costs are also funded through fees and charges which recognises the private benefit component of this activity.</p> <p>Capital costs will primarily be funded by borrowing to match funding to the expected life of the asset for intergenerational equity and to smooth rates input. Grants may also be available from time to time, but are difficult to predict.</p> | <p><i>Operational</i></p> <p>Targeted rates (High) – Area of Service</p> <p>Fees and Charges (Low)</p> <p>Other sources (Low)</p> <p><i>Capital</i></p> <p>Targeted rates</p> <p>Fees and Charges</p> <p>Grants and Subsidies</p> <p>Borrowing</p> <p>Proceeds from Asset Sales</p> <p>Other sources including reserves</p> | | |
| Public Toilets | | | | | | | | | | | |
| <ul style="list-style-type: none"> Kaitiakitanga for future generations Empowered communities with the right tools to deliver the best outcomes <p>The activity provides clean, safe and sanitary toilet facilities for visitors and residents along key travel routes and in high public use areas such as commercial zones/areas, parks, beaches, playgrounds and freedom camping areas.</p> <p>The activity also ensures that human waste is appropriately dealt with to minimise any environmental or public health impacts.</p> | <p>High</p> <p>The whole community benefits because all people from within and outside of the District have the ability to use public toilets. There are also wider public health and environmental benefits through providing facilities for sanitary purposes.</p> <p>Facilities are spread widely across the district.</p> | <p>Medium</p> <p>Parts of the community that have a high number of visitor toilet facilities nearby may experience a greater benefit. Shops located near to public toilets may also benefit indirectly.</p> | <p>High</p> <p>Visitors and residents that use toilet facilities experience a direct benefit.</p> | <p>Visitors and residents. While there are benefits to individuals who use the facilities, charging them for use may act as a disincentive and result in negative outcomes.</p> <p>In some cases, vandalism may cause additional costs. Where possible, costs will be recovered if perpetrators are caught.</p> | <p>Current and future years</p> <p>Public toilets have long useful lives and will benefit both current and future generations.</p> | <p>Toilets make up a small part of Council's overall expenditure. Given this and that toilets are generally maintained to a consistent standard across the District, there is no benefit perceived from separate funding. For this reason Council has chosen to amalgamate the overall funding of this activity under the community resources activity with the rating mechanism to be funded by a district-wide rate to reduce collection costs.</p> | <p>50%</p> <p>50%</p> <p>80%-100%</p> <p>0-20%</p> | <p>Rationale</p> <p>While users of the service can easily be identified and a strong user pays approach could be implemented, it is considered that this would deter people from using public toilets and have negative public health and environmental consequences. Toilets could also benefit nearby shop owners as when people stop to use toilets they quite often take a break and visit cafes etc. The benefit is not easily measurable and could be seen as negligible. Given this and the general public benefit overall, the majority of costs should be funded from rates.</p> <p>Operational costs are predominantly funded through the General rate, reflecting the public good component of this activity with a small portion funded by fees charged at a small number of facilities.</p> <p>Capital costs will primarily be funded by reserves or borrowing (to match funding to the expected life of the asset for intergenerational equity and to smooth</p> | <p><i>Operational</i></p> <p>General rate (High) - District</p> <p>Fees and Charges (Low)</p> <p><i>Capital</i></p> <p>General rate</p> <p>Fees and Charges</p> <p>Grants and Subsidies</p> <p>Borrowing</p> <p>Other sources including reserves</p> | | |

| | | | | | | | | | | | | rates input). Grants may also be available from time to time but are difficult to predict. | |
|--|--|--|---|--|--|---|-----------------------|------------|------------------------|----------------------|--|---|--|
| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate | | |
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | | | |
| | | | | | | | Public | Private | Public | Private | | | |
| Council/community buildings | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> ▶ Kaitiakitanga for future generations ▶ Inclusive connected communities ▶ Empowered communities with the right tools to deliver the best outcomes <p>The activity involves the maintenance and management of other Council properties which support the provision of Council services (like libraries) and other community delivered services (like maternity services or communication services). Some of the buildings and structures have a tourism/economic or heritage/memorial value.</p> | <p>Medium</p> <p>The whole community benefits from land and buildings that support the delivery of Council services or that are available for public use.</p> | <p>Medium</p> <p>Parts of the community that have land and buildings that supports the delivery of community services in that location, benefit directly.</p> | <p>Low</p> <p>Property lessees are the direct beneficiaries of the activity and generally the space can only be occupied by one lessee at a time.</p> | <p>Groups and individuals who wish to use buildings or access the services delivered in them or retain them for their economic heritage/memorial value.</p> | <p>Current and future years</p> <p>Community buildings and structures have long useful lives and will benefit both current and future generations.</p> | <p>Given that the majority of these buildings support the delivery of other services there is no benefit perceived from separate funding other than rents. For this reason, Council has chosen to amalgamate the overall funding of this activity under the community resources activity with the rating mechanism to be funded by a district-wide rate or relevant local targeted rate.</p> | <p>50%</p> | <p>50%</p> | <p>80%-100%</p> | <p>0-20%</p> | <p>Rationale</p> <p>Most of these buildings and structures are used to support the delivery of other Council services and as such are funded from rates. The remainder, where there is exclusive use of community buildings, are funded via community organisation or individual leases. Some leases are at subsidised rates to 'not for profit' organisations, considering the positive impacts of these organisations on the community. Operational costs are funded through the General rate as well as rental/lease income. Capital expenditure will primarily be funded by reserves or borrowing to match funding to the expected life of the asset for intergenerational equity and to smooth rates input.</p> | <p><i>Operational</i></p> <p>General rate (MediumHigh) – District</p> <p>Targeted rate (Low) - Areas of Service</p> <p>Other sources (MediumLow)</p> <p><i>Capital</i></p> <p>General and targeted rates</p> <p>Borrowing</p> <p>Proceeds from Asset Sales</p> <p>Other sources including reserves</p> | |
| Activity: Community Services | | | | | | | | | | | | | |
| Cemeteries | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> ▶ Kaitiakitanga for future generations ▶ Inclusive connected communities ▶ Empowered communities with the right tools to deliver the best outcomes <p>The activity provides a memorial space where family and friends can remember others as well as a record of a community's history and heritage.</p> <p>The activity also ensures interments are managed in a way to minimise any environmental or public health impacts.</p> | <p>Low-Medium</p> <p>The whole community benefits from the provision of an interment system that remembers and respects those who have passed away and maintains public health and environmental standards through safe disposal of human remains. Records of interment are linked to the history of the community and are of public benefit. Facilities are spread widely across the district.</p> | <p>Low-Medium</p> <p>Parts of the community that have a council owned and operated cemetery nearby may experience a greater benefit from being able to have family members buried nearby.</p> | <p>Medium-High</p> <p>Families and friends of the deceased (from within and outside of the District) are the direct beneficiaries of the service with individual gravesites provided for remembrance and burial as well as cemetery records which are available to those researching family history.</p> | <p>People wanting to be buried in the district pay interment fees. In some cases, vandalism and failure to maintain headstones may cause additional costs. Where possible, costs will be recovered if perpetrators are caught.</p> | <p>Current and future years</p> <p>Cemeteries have long useful lives and will benefit both current and future generations. The cemeteries do have limited capacity and extensions are required when existing capacity is exhausted.</p> | <p>Cemeteries make up a small part of Council's overall expenditure. Given this and that cemeteries are generally maintained to a consistent standard across the district, there is no benefit perceived from separate funding. For this reason Council has chosen to amalgamate the overall funding of this activity under the community resources activity with the rating mechanism to be funded by a district-wide rate to reduce collection costs.</p> | <p>60%</p> | <p>40%</p> | <p>80%-100%</p> | <p>0%-20%</p> | <p>Rationale</p> <p>While the main beneficiaries of the activity are those who use the service for interments, there are also a number of costs related maintaining cemetery grounds and interment records. Council believes that the costs of interments should be borne by the users through fees. The costs of providing and maintaining cemetery grounds and interment records have wider public benefit and should be funded from the General rate, particularly given that there is limited ability to charge for future maintenance costs through interment fees. Operational costs are funded through a mix of fees and rates, reflecting the private and public good components of this activity. Capital costs will primarily be funded by borrowing to match funding to the expected life of the asset for intergenerational equity and to smooth rates input. Some communities may also choose to provide grant funding for specific discretionary projects for cemeteries in their area.</p> | <p><i>Operational</i></p> <p>General rate (High) – District</p> <p>Fees and Charges (Low)</p> <p>Grants and Subsidies (Low)</p> <p>Other sources (Low)</p> <p><i>Capital</i></p> <p>General and targeted rates</p> <p>Grants and Subsidies</p> <p>Borrowing</p> <p>Proceeds from Asset Sales</p> <p>Other sources including reserves</p> | |

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate |
|--|--|--|--|---|--|---|---|--|--|---------|--|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | |
| | | | | | | | Public | Private | Public | Private | |
| Community Housing | | | | | | | | | | | |
| <ul style="list-style-type: none"> Inclusive connected communities A diverse economy creating healthy and affordable lifestyles Empowered communities with the right tools to deliver the best outcomes <p>This activity provides good quality affordable housing to people in need enabling them, where possible, to remain socially connected and living in their local community.</p> | <p>Low</p> <p>The whole community benefits as the provision of low cost housing provides comfort to the wider community that vulnerable groups are being assisted supporting the current and future social and economic wellbeing of the District.</p> | <p>Low</p> <p>Vulnerable groups in the community can access affordable housing to remain living in their local community where this is provided. Parts of the community that have council owned and operated housing nearby may experience a greater benefit from having friends and family living nearby. Facilities are available at key locations in the District.</p> | <p>High</p> <p>Occupants of the housing units and their friends and family.</p> | <p>People who have a need for assistance with accommodation with either limited financial means or living in communities with limited housing availability.</p> | <p>Current and future years</p> <p>Housing units have long useful lives and will benefit both current and future generations but require ongoing repairs and maintenance. Council does not currently fund the depreciation on community housing, with decisions on how to fund replacements or renewals to be made once units reach the end of their useful life.</p> | <p>Community housing makes up a small part of Council's overall expenditure and is largely funded from rent. Given this, there is no benefit perceived from separate funding. For this reason, Council has chosen to amalgamate the overall funding of this activity under the community resources activity with the rating mechanism to be funded by a district-wide rate.</p> | <p>10%</p> <p>90%</p> <p>0%-20%</p> <p>80%-100%</p> | <p>Rationale</p> <p>Given that the main benefit of providing the activity is to the tenants (private benefit) Council believes the activity would be largely funded from fees (rents) as users are easily identifiable and excludable (meaning there can only be one person in a unit at a time) and user fees can be easily administered. A small portion of indirect costs (such general inquiries and related support activities) are funded by the General rate reflecting public benefit. Operational costs are funded through a mix of fees and rates, reflecting the private and public good components of this activity. Capital expenditure will be funded by reserves or by borrowing to match funding to the expected life of the asset for intergenerational equity and to smooth funding input. Repayment of any borrowings will be via user fees (rents). Grants may be available from time to time but are difficult to predict. Asset sales may also be used.</p> | <p><i>Operational</i></p> <p>General rate (Low) - District</p> <p>Other sources (High)</p> <p><i>Capital</i></p> <p>General rate</p> <p><i>Borrowing</i></p> <p>Proceeds from Asset Sales</p> <p>Other sources including reserves</p> | | |
| Library Services | | | | | | | | | | | |
| <ul style="list-style-type: none"> Kaitiakitanga for future generations Inclusive connected communities Empowered communities with the right tools to deliver the best outcomes <p>The activity provides access to printed and digital resources for education and recreation which promotes literacy and supports people to be more socially connected through the exchange of thoughts and ideas. They also provide access to resources to help with family or local history research and act as a community hub.</p> | <p>Medium</p> <p>The activity benefits the whole community by building the knowledge and skills of residents, providing for their general enjoyment and social interaction. These resources are available and accessible to all. Facilities (including the bookbus) are available throughout the district and online.</p> | <p>Medium</p> <p>Parts of the community that have a library nearby have easier access and may experience a greater benefit than those who have to travel a longer distance to use a facility.</p> | <p>High</p> <p>Individuals who use the educational, recreational and information resources provided receive a direct benefit.</p> | <p>Library members and other users who access books, computers and other library resources. In addition, visitors who use library computers, resources and staff knowledge. In some instances Council incurs costs where people do not return items on time. In these instances Council will charge penalties (i.e. overdue fines).</p> | <p>Current and future years</p> <p>The library resources have relatively short useful lives and are renewed and replenished on a rolling basis. The benefits to individuals accessing information and learning are ongoing.</p> | <p>There is limited benefit from perceived from separate funding. For this reason, Council has chosen to amalgamate the overall funding of this activity under the community resources activity with the rating mechanism to be funded by a district-wide rate to reduce collection costs.</p> | <p>50%</p> <p>50%</p> <p>80%-100%</p> <p>0%-20%</p> | <p>Rationale</p> <p>While users of the service can easily be identified and a strong user pays approach could be implemented, the fees required might deter people from using libraries. Instead, Council charges for the use of some services (such as photocopying and DVDs). It is recognised there are wider community benefits from the availability of libraries and the resources they provide in terms of social/cultural outcomes which, on balance, merits funding the majority of costs from rates to ensure resources are available to all regardless of whether they use it. Operational costs of this activity are funded mainly through the General rate to reflect the public good component of this activity. Fees and charges are also used but not to a level in keeping with the private good component of the activity. Capital expenditure primarily for related to book replacement is funded annually from the General rate.</p> | <p><i>Operational</i></p> <p>General rate (High) - District</p> <p>Fees and Charges (Low)</p> <p>Grants and Subsidies (Low)</p> <p>Other sources (Low)</p> <p><i>Capital</i></p> <p>General rate</p> <p>Grants and Subsidies</p> <p><i>Borrowing</i></p> <p>Other sources including reserves</p> | | |

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate |
|---|---|--|--|---|---|--|---|---|----------|---------|--|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | |
| | | | | | | | Public | Private | Public | Private | |
| Activity: Open Spaces | | | | | | | | | | | |
| Parks, reserves, playgrounds and streetscapes | | | | | | | | | | | |
| <ul style="list-style-type: none"> Inclusive connected communities Kaitiakitanga for future generations Empowered communities with the right tools to deliver the best outcomes A diverse economy creating healthy and affordable lifestyles <p>The activity provides open spaces where people can relax, connect and participate in sport and recreation, contributing to community health and wellbeing. Green spaces, landscapes and streetscapes are restful and enhance, and maintain the visual appeal of areas and increase appreciation of natural areas.</p> | <p>High</p> <p>The whole community benefits through the provision of open spaces. Individuals and groups can pursue active and passive leisure pursuits and learn about the natural environment. This can enhance community pride, contribute to community health and wellbeing, and generate positive perceptions of the District.</p> <p>Facilities are available throughout the District.</p> | <p>High</p> <p>Parts of the community that have open spaces in their local area have easy access and may experience a greater benefit than those who have to travel a longer distance to use a facility.</p> <p>Open spaces and streetscapes also contribute to each community's sense of place.</p> <p>There may also be some benefit to business by having open spaces that attract and provide for visitors.</p> | <p>Yes</p> <p>Individuals and groups receive private benefit through their use of parks and sportsfields for recreational pursuits, events and organised sport. Some facilities are leased to sporting, recreational, cultural and community groups, who may have exclusive rights to use them.</p> | <p>The community in general creates the need, with some specific groups creating a need for particular facilities (sportsfields, playgrounds). Visitors who appreciate the aesthetic aspects and utilise the spaces and facilities also create a need.</p> <p>Those who dispose of rubbish to litter bins and vandals also create a need.</p> <p>New development may also create a need for additional open spaces.</p> | <p>Current and future years</p> <p>Parks, reserves, playgrounds and streetscapes have long useful lives and will benefit both current and future generations. These also require ongoing repairs and maintenance annually.</p> | <p>While open spaces are available across the District, there are differences in the scale and level of service provided in different areas. For this reason, Council will use a mix of rating mechanisms. Costs associated with local facilities provided in local areas will be funded from local targeted rates. Costs associated with facilities provided outside of these local areas or that have significance for the District will be amalgamated into the General rate. Where spaces are leased to clubs and community groups, Council will charge fees.</p> <p>As this activity makes up a relatively small amount of overall expenditure, Council has chosen to amalgamate the overall funding of this activity under the community resources activity.</p> | <p>80%</p> <p>20%</p> <p>80%-100%</p> <p>0%-20%</p> <p>Rationale</p> <p>Generally, access to open spaces is unrestricted and charging individuals for their enjoyment of open spaces is not practical or desirable. In addition, while fees (through leases and rental agreements) may apply where individuals or groups enjoy exclusive access or have additional requirements over and above standard maintenance, these are set at a level to ensure people are not deterred from using facilities. Charging those who use litter bins or vandalize open spaces is not practical and as such these costs will be funded through rates.</p> <p>While the whole community benefits from this activity, those in communities with open spaces should pay more via a targeted rate because of the direct benefits received. This acknowledges the private benefit to these communities and the properties within these areas that receive the benefit and reflects a user pays approach.</p> <p>The wider public benefits also mean that a proportion of the costs should be paid by all properties in the District.</p> <p>Operational costs of this activity are funded mainly through targeted rates and the General rate to reflect the public good component of this activity. Capital expenditure will be funded by reserves or by borrowing to match funding to the expected life of the asset for intergenerational equity and to smooth funding input. Grants may be available from time to time but are difficult to predict. Financial and development contributions from developers may also be used to fund capital expenditure related to mitigate the effect of developments or providing additional capacity.</p> | <p><i>Operational</i></p> <p>General rate (Medium) - District</p> <p>Targeted rates (High) - Area of Service</p> <p>Grants and Subsidies (Low)</p> <p>Other sources (Low)</p> <p><i>Capital</i></p> <p>General and targeted rates</p> <p>Grants and Subsidies</p> <p>Borrowing</p> <p>Proceeds from Asset Sales</p> <p>Development and/or Financial Contributions</p> <p>Other sources including reserves</p> | | | |

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate |
|--|--|---|--|---|---|---|---|---|--|---------|--|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | |
| | | | | | | | Public | Private | Public | Private | |
| Activity: Waste Services | | | | | | | | | | | |
| Refuse, Recycling, Transfer Stations, Greenwaste, Wheelie Bins | | | | | | | | | | | |
| <p>► Kaitiakitanga for future generations</p> <p>This activity provides a range of solid waste management facilities including transfer stations, recycling/greenwaste sites and wheelie bin collections that enable people to dispose of their waste appropriately. The activity also supports waste reduction, reuse and recycling facilities and initiatives that help to maintain the health of the community and the natural environment.</p> | <p>Medium</p> <p>The whole community benefits from facilities that enable the community to dispose of waste appropriately. This helps to protect public health, maintains the attractiveness of areas and reduces environmental contamination from incorrect waste disposal.</p> <p>Education and recycling programmes benefit the environment and society in general.</p> <p>Facilities are available throughout the District.</p> | <p>Medium</p> <p>Parts of the community that have solid waste collection services in their local area have easy access and may experience a greater benefit than those who have to travel a longer distance to use a facility (particularly rural properties).</p> | <p>High</p> <p>Individual users (households / businesses / visitors) of the various Council-provided services, particularly kerbside bin collections, transfer stations and recycling / greenwaste sites.</p> | <p>The community in general creates the need by producing waste. In some cases, inappropriate disposal of hazardous waste and illegal dumping-causes additional costs to the community. Costs will be recovered if it is possible and economically viable to do so.</p> | <p>Current and future years</p> <p>There are intergenerational benefits to the community of facilities that have long useful lives. The activity also protects the environment from the adverse impacts of waste which can have a longer term benefit.</p> | <p>While Council has chosen to amalgamate the overall funding of this activity under the community resources activity, given the high degree of private benefit for some parts of the activity, Council has chosen to set targeted rates and separate fees for parts of the activity (wheelie bin collections, transfer stations) to ensure users are contributing towards the true cost of collection and disposal. The remaining costs are funded by a district-wide rate to reduce collection costs.</p> | <p>30%</p> <p>70%</p> <p>0%-20%</p> <p>80%-100%</p> | <p>Rationale</p> <p>The private good components are largely paid for through targeted rates on households, businesses and communities where recycling and wheelie bin collection services are provided as well as fees and charges for users of the transfer stations. This approach ensures direct beneficiaries are contributing towards costs and also encourages users to minimise the amount of waste they produce. While a stronger user pays approach could be implemented, it is considered that this would result in a level of fees and charges that would deter users from disposing of their waste safely and appropriately.</p> <p>The General rate is used to fund the public benefit aspects of this activity associated with managing waste appropriately and safely including costs associated with the landfill, community recycling centres and waste minimisation.</p> <p>Operational costs are primarily funded through a mix of targeted rates (wheelie bin collections and Stewart Island/Rakiura Waste Management rate), General rate and fees and charges. Council also receives income from waste disposal levies which can be used to fund waste reduction initiatives.</p> <p>Capital expenditure will be funded by reserves or by borrowing to match funding to the expected life of the asset for intergenerational equity and to smooth funding input. Grants may be available from time to time but are difficult to predict and asset sales may be used to fund specific costs.</p> | <p><i>Operational</i></p> <p>General rate (LowHigh) - District Targeted rates (MediumLow) - Area of Service Fees and Charges (Low) Grants and Subsidies (Low) Other sources (Low)</p> <p><i>Capital</i></p> <p>General and targeted rates Fees and Charges Grants and Subsidies Borrowing Proceeds from Asset Sales Other sources including reserves</p> | | |

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate |
|---|---|--|--|--|---|---|-----------------------|-------------|---------------|-----------------|--|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | |
| | | | | | | | Public | Private | Public | Private | |
| Activity: Electricity Supply | | | | | | | | | | | |
| Stewart Island Electricity Supply (SIESA) | | | | | | | | | | | |
| <p>▶ Kaitiakitanga for future generations</p> <p>▶ A diverse economy creating healthy and affordable lifestyles</p> <p>▶ Empowered communities with the right tools to deliver the best outcomes</p> <p>This activity generates and supplies a convenient and reliable source of electricity, which is essential for business, industry and residential needs on Stewart Island/Rakiura. The activity also operates waste collection services for the island.</p> | <p>Low</p> <p>The whole community benefits because the electricity supply supports the island. As a key tourism destination, there is also a flow-on economic benefit to the rest of the District when visitors also choose to travel to other areas of the District. A coordinated supply also reduces the impact on the unique natural environment, which is located within a conservation estate.</p> | <p>Medium/High</p> <p>SIESA provides electricity services for the Stewart Island/Rakiura community and supports the community's economic and social wellbeing by providing an essential service to local residents, businesses and visitors.</p> <p>The single generation source of electricity and waste management practice also reduces the impact on the local environment and protects amenity values for residents.</p> | <p>High</p> <p>Individual property owners and businesses that are connected or able to connect to the supply receive a private benefit.</p> | <p>Residents, businesses and visitors create the need.</p> | <p>Current and future years</p> <p>The electricity lines have long useful lives and will benefit current and future generations. The current diesel generators have shorter lives.</p> | <p>While Council has chosen to amalgamate the overall funding of this activity under the community resources activity, given the high degree of private benefit, Council has chosen to set fees and charges for consumers to reflect a user pays approach to ensure consumers are aware of the costs associated with their use. A portion of the costs may also be collected through a local targeted rate to reflect the public benefit in having a supply available for properties to connect to.</p> | <p>0%</p> | <p>100%</p> | <p>0%-30%</p> | <p>70%-100%</p> | <p><i>Operational</i></p> <p>Targeted rates (Low) – Area of Service Fees and Charges (High) Grants and Subsidies (Low) Other sources (Low)</p> <p><i>Capital</i></p> <p>Targeted rates Fees and Charges Grants and Subsidies Borrowing Proceeds from Asset Sales Development and/or Financial Contributions Other sources including reserves</p> |

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate |
|---|--|---|---|--|---|---|--|---|----------|---------|--|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | |
| | | | | | | | Public | Private | Public | Private | |
| GROUP: STORMWATER DRAINAGE | | | | | | | | | | | |
| Activity: Stormwater | | | | | | | | | | | |
| Stormwater Drainage | | | | | | | | | | | |
| <p>► Kaitiakitanga for future generations</p> <p>► A diverse economy creating healthy and affordable lifestyles</p> <p>► Empowered communities with the right tools to deliver the best outcomes</p> <p>This activity provides a safeguard for public health/safety and also helps to maintain access to properties during periods of wet weather. The activity also protects the environment by controlling pollutants and sediments in stormwater discharges to waterways or coastal areas.</p> | <p>Medium</p> <p>The whole community benefits because of the decrease in the risk from flooding, the protection of community infrastructure, the treatment of stormwater to protect the environment, and the maintaining safe transport links and accessibility during rainfall events.</p> | <p>High</p> <p>Parts of the community where a stormwater network is provided (typically urban areas) are likely to experience a greater benefit because these people, their land and their property are better protected from flooding. Property owners downstream and people who visit these areas or use services in these areas also benefit, but to a lesser extent.</p> | <p>High</p> <p>Individual property owners connected to a scheme benefit from the safe and efficient management of stormwater away from their properties.</p> | <p>Urban development reduces the amount of permeable land area available for stormwater removal, which exacerbates the need for this activity. Changing weather patterns and increased rainfall also exacerbate the need for stormwater.</p> | <p>Current and future years</p> <p>Stormwater infrastructure has a long useful life and will benefit both current and future generations. Council does not currently fund the depreciation on stormwater, with decisions on how to fund replacements or renewals to be made once individual assets reach the end of their useful life.</p> | <p>Because this activity provides predominantly community benefits to specific locations, it is appropriate to fund the activity separately, as this allows Council to specifically charge those in the serviced areas. Given the increasing importance and increasing financial significance of this activity, ratepayers should be able to clearly identify the costs associated with the activity.</p> | <p>20%</p> <p>80%</p> <p>0%-20%</p> <p>80%-100%</p> <p>Rationale</p> <p>While the whole community benefits from this activity, those in communities serviced for stormwater should pay more because of the direct benefits received. This acknowledges the private benefit to these communities and the properties within these areas and reflects a user pays approach. The public benefit aspects of the activity also mean that a proportion of the costs should be paid by all properties in the District.</p> <p>Although each stormwater scheme has different costs to maintain and operate, schemes across the District have been amalgamated for funding purposes, rather than each scheme paying for its own costs. This means that all properties in communities serviced by stormwater, pay the same regardless of the costs related to each individual scheme. In general, this benefits smaller schemes that have a higher per ratepayer cost.</p> <p>Operational costs of this activity are funded through a District wide targeted rate with funding coming from two amalgamated funding streams. These are either communities serviced by stormwater across the District or properties that are outside of these serviced areas. Rural roading stormwater systems are funded through the roading activity. User fees may apply to recover costs of new connections to the stormwater system.</p> <p>Capital expenditure will be funded by reserves or by borrowing to match funding to the expected life of the asset for intergenerational equity and to smooth funding input. Grants may be available from time to time but are difficult to predict.</p> | <p><i>Operational</i></p> <p>General rate (Low) - District</p> <p>Targeted rates (High) – Area of Service Grants and Subsidies (Low)</p> <p><i>Capital</i></p> <p>Targeted rates</p> <p>Grants and Subsidies</p> <p>Borrowing</p> <p>Other sources including reserves</p> | | | |

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate |
|---|---|--|--|---|---|--|-----------------------|------------|---------------|-----------------|---|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | |
| | | | | | | | Public | Private | Public | Private | |
| GROUP: TRANSPORT | | | | | | | | | | | |
| Activity: Roads, Footpaths, Airports and Cycle Trails | | | | | | | | | | | |
| Roads, Footpaths (including Around the Mountains Cycle Trail) | | | | | | | | | | | |
| <ul style="list-style-type: none"> A diverse economy creating healthy and affordable lifestyles Inclusive connected communities Empowered communities with the right tools to deliver the best outcomes <p>This activity provides and maintains transport networks (such as roads, footpaths and bridges), and traffic control mechanisms (such as signage, lighting and road markings). This activity provides for the safe and efficient movement of goods, services and people throughout the District which helps the community to remain connected and have active lifestyles and supports the local economy. The activity also provides for the Around the Mountain Cycle trail, which provides accessibility, tourism and recreational opportunities.</p> | <p>Medium</p> <p>The whole community benefits from accessibility of the District and ease of transportation, connections to other transport networks, as well as property location/identification.</p> | <p>High</p> <p>Rural landowners, industries and businesses benefit from being able to efficiently transport goods, services, customers and employees to and from their properties as well as visitors and tourists. Pedestrians in communities where footpaths and streetlights are provided (typically urban areas) have easy access and may experience a greater benefit than those who live in areas without footpaths/streetlights.</p> | <p>High</p> <p>Individuals, groups and businesses using the roading and footpath network to carry out their day-to-day business and activities. Utility networks that use the road corridor for their services.</p> | <p>The community in general creates the need and an extensive network is needed to service urban and rural areas. Heavy vehicles transporting freight have a significant impact and are a significant cost driver with these vehicles causing most of the structural pavement damage requiring maintenance and renewal. Weather, climate and heavy vehicles can shorten the lives of portions of the network. In some cases, additional costs may be caused to Council through vandalism and accidents.</p> | <p>Current and future years</p> <p>Road, and footpath and cycle trail infrastructure has a long useful life and will benefit both current and future generations. Council does not currently fund the depreciation on footpaths and streetlights, with decisions on how to fund replacements or renewals to be made once individual assets reach the end of their useful life.</p> | <p>The scale of the activity means that it is appropriate to fund the activity separately. Given the importance and financial scale of the activity a district-wide level targeted rate has been set for roading to aid accountability and transparency. Footpaths and streetlights make up a small amount of expenditure in this activity. While footpaths are available across the district, there are differences in the scale and level of service provided in different areas. As such costs associated with footpaths and streetlights provided in local areas will be funded from local targeted rates with funding overall amalgamated in to roading activity.</p> | <p>30%</p> | <p>70%</p> | <p>0%-30%</p> | <p>70%-100%</p> | <p>Rationale</p> <p>Roads/Bridges: While the whole community benefits, some sectors benefit more or create additional costs for the activity. To reflect the differences in benefit and support a user pays approach, Council has chosen to use a targeted rate for roading that uses a sectorial approach to recognise the impact that different land uses sectors and the heavy vehicle movements that they create, can have on the network. The rate establishes a base contribution for access to the network (to reflect public benefit) and also allocates a higher share of the costs to the sectors that cause more damage to the network by allocating an amount per tonne (to reflect the exacerbator pays). A summary of the model used is included in Appendix A on page 24. A small amount of fees and charges may also be charged for activities that benefit individual properties. A portion of the private benefit is also collected via fuel taxes and road user charges by the government and allocated by a grant through NZ Transport Agency.</p> <p>Footpaths/Streetlights: Communities that have footpaths and streetlights should pay more because of the direct benefit received. This acknowledges the private benefit to these communities and the properties within these areas, and reflects a user pays approach through a local targeted rate. The wider public benefit means that is also appropriate for other properties in the District to contribute towards these costs, albeit at a lower level.</p> <p>Operational costs of these activities are partially funded by subsidies from the New Zealand Transport Agency, which provides funding toward the operating and capital costs of this activity with the remainder of the costs funded through a District-wide targeted rate and local targeted rates. <u>Cycle trail costs are funded district-wide through the General rate.</u></p> <p>Capital expenditure will also be funded by subsidies from the New Zealand Transport Agency, reserves or by borrowing to match funding to the expected life of the asset for intergenerational equity and to smooth funding input. Grants may be available from time to time for specific projects but are difficult to predict. Financial and development contributions are used for funding the additional capacity of capital projects and to mitigate the effect of new developments.</p> |

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate |
|--|--|--|---|--|---|---|---|---|---|---------|---|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | |
| | | | | | | | Public | Private | Public | Private | |
| Airports | | | | | | | | | | | |
| <ul style="list-style-type: none"> A diverse economy creating healthy and affordable lifestyles Inclusive connected communities Empowered communities with the right tools to deliver the best outcomes <p>The Te Anau Manapouri airport provides aerodrome services (landing, take off and ground handling facilities) for scheduled airline services as well as locally based commercial, aero medical, agricultural, training and recreational aviation. The facility also provides a function center.</p> | <p>Low</p> <p>The whole community benefits from having an alternative transportation option that connects Fiordland with the rest of New Zealand and the world, and provides convenient access for visitors and businesses with flow-on economic benefits to the District when visitors also choose to travel to other areas.</p> | <p>Medium/High</p> <p>The airport provides aerodrome services for the local Fiordland community and supports the local economy by providing a transportation service to local tourism operators, aviation businesses and residents. The activity also provides an alternative transportation option in the event of an emergency.</p> | <p>Medium/High</p> <p>Recreational pilots and commercial users who use the airport for their business, and individuals who hire the facilities for events, receive a private benefit from the activity.</p> | <p>Aircraft operators, businesses and the rural sector use the airport for their operations and individuals who use the airport for recreation. To an extent, the presence of the Fiordland community also generates a need to provide flight connections to the area.</p> | <p>Current and future years</p> <p>The airport buildings and runway have long useful lives and will benefit current and future generations.</p> | <p>The airport is a relatively small part of Council's overall expenditure and Council has chosen to amalgamate the overall funding of this activity under the transport activity. As the activity predominantly provides benefits to the Fiordland area, it is appropriate to fund the activity through a separate local targeted rate to properties within this area. This provides transparency to the community about the costs associated with the activity.</p> | <p>10%</p> <p>90%</p> <p>0%-15%</p> <p>85%-100%</p> | <p>Rationale</p> <p>The private good component reflects benefits received by individual users, clubs and commercial users as well as local residents and businesses. The public good component recognises that there is also a small benefit to the district and the Fiordland area generally. Operational costs are funded through a mix of fees and charges (e.g. landing fees and hire fees) to reflect the private benefit along with the local targeted rate which reflects both the higher level of private benefit for those living in the Fiordland Community Board area and aspects of the public benefit associated with this. The wider public benefit component of the activity for the whole community is reflected in the General rate funding. Capital expenditure will primarily be funded by borrowing to match funding to the expected life of the asset for intergenerational equity and to smooth rates input. Repayment of any borrowings will be via the local targeted rate and fees and charges. Grants may be available from time to time for specific projects but are difficult to predict.</p> | <p><i>Operational</i> General rate (Low) - District Targeted rates (High/Medium) - Area of Service Fees and Charges (Low) Other sources (Low)</p> <p><i>Capital</i> General rate and targeted rates Fees and Charges Grants and Subsidies Borrowing Other sources including reserves</p> | | |
| Water facilities | | | | | | | | | | | |
| <ul style="list-style-type: none"> Kaitiakitanga for future generations A diverse economy creating healthy and affordable lifestyles Inclusive connected communities Empowered communities with the right tools to deliver the best outcomes <p>Water infrastructure like boat ramps, jetties, wharves and navigation aids enable recreational and commercial access to waterways as well as the ability for residents and visitors to access critical services/goods where the only practical access is available by water. Water facilities provide residents and visitors with easier access to special parts of the District, which enables appreciation of unique natural environments.</p> | <p>Medium</p> <p>The whole community benefits because the infrastructure is part of the larger transportation network that allows for the movement of people and goods throughout the District. The infrastructure also facilitates recreational activities and access to unique natural environments with flow-on economic and tourism benefits. Control structures (i.e. navigation aids, stop banks and marine walls) also support the environment (by protecting from flooding) and help ensure public safety (by having aids that improve navigation).</p> | <p>Medium</p> <p>The parts of the community that have water facilities and boats have easier access and may receive a more direct benefit - with flow-on recreational on economic benefits to the local area where facilities are provided. The activity also provides alternative transportation options to remote areas in the event of an emergency.</p> | <p>Medium/High</p> <p>Recreational and commercial users who use water facilities receive a private benefit from the activity. Commercial use includes vessel mooring and transporting goods/services/visitors. Facilities are also used by the fishing/aquaculture industry for employees to access work locations. Recreational use includes boating, fishing, and access for hunting and tramping.</p> | <p>Commercial and recreational marine users create the need for the activity. In some cases, additional costs may be caused by damage from vessels. Council may be able to recover damage-related costs where liability is able to be determined.</p> | <p>Current and future years</p> <p>Infrastructure associated with water facilities has a long useful life and will benefit current and future generations.</p> | <p>As water facilities are a relatively small part of Council's overall expenditure, Council has chosen to amalgamate the overall funding of this activity under the transport activity. As the activity predominantly provides benefits to specific communities, and as there are differences in the scale and level of service provided in different areas, it is considered appropriate to fund the activity as part of local rates targeted to properties within these areas.</p> | <p>30%</p> <p>70%</p> <p>0%-30%</p> <p>70%-100%</p> | <p>Rationale</p> <p>The private good component reflects the benefit received by individual and commercial users. Where it is practical and efficient to do so, Council recovers costs from private users for commercial use, berthing/mooring or for damage caused from fees and charges. While a stronger user pays approach could be implemented, it is considered that this would deter users and increase costs of recovery. Any funding shortfall will be funded by local targeted rates to reflect the public benefit component of having water facilities available. Some costs associated with the facilities that have national/District significance and provide critical transport infrastructure for the community, may also be funded from the General rate, particularly for Stewart Island/Rakiura jetties where the infrastructure places a large and unaffordable burden onto the local community. The Council recognises this approach is inconsistent with the funding for the rest of this activity, but considers it necessary to ease the rating burden on this community. Operational costs are funded through a mix of fees and charges, local targeted rates and the General rate. Capital expenditure will primarily be funded by borrowing to match funding to the expected life of the asset for intergenerational equity and to smooth rates input. Repayment of any borrowings will be via the rates and fees and charges. Grants may be available from time to time for specific projects but are difficult to predict.</p> | <p><i>Operational</i> General rate (Low) - District Targeted rates (Low) - Area of Service Fees and Charges (High) Grants and Subsidies (Low) Other sources (Low)</p> <p><i>Capital</i> General and targeted rates Fees and Charges Grants and Subsidies Borrowing Other sources including reserves</p> | | |

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate |
|--|--|--|--|---|--|--|---|---|----------|---------|--|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | |
| | | | | | | | Public | Private | Public | Private | |
| GROUP: SEWERAGE AND THE TREATMENT AND DISPOSAL OF SEWAGE | | | | | | | | | | | |
| Activity: Sewerage | | | | | | | | | | | |
| Sewerage | | | | | | | | | | | |
| <ul style="list-style-type: none"> Kaitiakitanga for future generations A diverse economy creating healthy and affordable lifestyles <p>The activity provides a sewage disposal service to consumers who are able to connect to a scheme within the District, which helps to protect the environment, public health and facilitate economic development.</p> | <p>Low</p> <p>The whole community benefits from the appropriate management of sewage and wastewater as this helps to protect public health and prevent environmental pollution. It also supports commercial and industrial businesses, which has flow-on benefits to the wider economy.</p> | <p>Medium</p> <p>People, properties and businesses in the serviced areas benefit because the collection and treatment of sewage reduces the possibility of health problems in high density communities where on-site systems are not effective. The activity also ensures the disposal of sewage does not negatively impact the amenity value of an area or effect nearby waterways. It also enables commercial and industrial businesses in these areas to dispose of their trade waste.</p> | <p>High</p> <p>Individual consumers who want to and are able to connect to a Council scheme can be identified as the beneficiaries as they can dispose of their wastewater safely and conveniently. Tankered waste businesses, whilst not connected, are able to discharge their effluent at treatment plants and therefore also benefit.</p> | <p>Premises with multiple pans and commercial and industrial enterprise create trade wastes which can impact/increase the load on treatment facilities. Growth in certain areas of the District can also contribute to the need, and require expansion of infrastructure.</p> | <p>Current and future years</p> <p>Sewerage infrastructure has a long useful life and will benefit both current and future generations.</p> | <p>There are benefits in funding the activity separately as this allows Council to specifically charge those in serviced areas. These properties can be readily identified and charged. Given the importance and financial scale of the activity, a targeted rate has been used to clearly identify the costs associated with the wastewater activity. Trade waste discharges cause additional costs and will be charged for via trade waste rates and fees and charges.</p> | <p>30%</p> <p>70%</p> <p>0%-30%</p> <p>70%-100%</p> <p>Rationale</p> <p>The private good component reflects the private benefit received by individual households and businesses. A user pays philosophy applies given that the users of this activity can be easily identified and it is administratively efficient to apply targeted rates. The exacerbator pays principle also supports Council's approach of charging multiple pan charges to non-residential users who have more than one pan/urinal. Operational costs are funded through targeted rates (targeted to properties where connection to a scheme is possible) and through fees and charges (for the trade waste component and costs of new connections). Although each sewerage scheme has different costs to maintain and operate, sewerage schemes across the District have been amalgamated for funding purposes, rather than each scheme paying for its own costs. This means that everyone receiving a similar service (of having access to a scheme), pays the same amount regardless of the costs related to each individual scheme. In general, this benefits those who contribute to smaller schemes, which have a higher per ratepayer cost.</p> <p><i>While the majority of the costs are funded by those connected to the schemes, a portion of the overhead costs associated with the administration of the wastewater activity is funded by the General rate. Capital expenditure will be funded by reserves or by borrowing to match funding to the expected life of the asset for intergenerational equity purposes and to smooth funding input. Grants may be available from time to time but are difficult to predict. Development contributions may be used for funding the additional capacity of capital projects if the Council decides to take these out of remission.</i></p> | <p><i>Operational</i></p> <p>General rate (Low) - District</p> <p>Targeted rates (High) – Area of Service (scheme)</p> <p>Fees and Charges (Low)</p> <p>Grants and Subsidies (Low)</p> <p>Other sources (Low)</p> <p><i>Capital</i></p> <p>Targeted rates</p> <p>Grants and Subsidies</p> <p>Borrowing</p> <p>Proceeds from Asset Sales</p> <p>Development and/or Financial Contributions</p> <p>Other sources including reserves</p> | | | |

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate | |
|--|---|---|---|--|--|---|--|---------|----------|---------|--|--|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | | |
| | | | | | | | Public | Private | Public | Private | | |
| GROUP: WATER SUPPLY | | | | | | | | | | | | |
| Activity: Water Supply | | | | | | | | | | | | |
| Water supply | | | | | | | | | | | | |
| <ul style="list-style-type: none"> ▶ Kaitiakitanga for future generations ▶ A diverse economy creating healthy and affordable lifestyles ▶ Empowered communities with the right tools to deliver the best outcomes <p>The activity provides a safe and reliable water supply for people to drink and clean with. This, and the firefighting capability of the water supply helps to protect public health and property and supports a healthy environment.</p> <p>The activity also supports a productive economy by providing commercial, industrial and in some instances farms (via stock water supplies) with access to clean water for their activities.</p> | <p>Low</p> <p>The whole community benefits from the provision of potable water, which provides public health and sanitation benefits. It also enables commercial and industrial businesses to have access to clean water for their activities which has flow-on benefits to the wider economy.</p> | <p>Medium</p> <p>People, properties and businesses in the serviced areas benefit from the availability of a safe and reliable water supply and the provision of firefighting capacity.</p> | <p>High</p> <p>Individual consumers connected to a Council serviced water supply get a direct benefit by having access to potable drinking water for domestic, business, industrial and stockwater uses.</p> | <p>People who are connected to the water schemes primarily create the need.</p> <p>Commercial and industrial enterprise and other high users can place extra burden on the supply.</p> <p>Growth in certain areas of the District can also contribute to the need and require expansion of infrastructure.</p> | <p>Current and future years</p> <p>Water supply infrastructure has a long useful life and will benefit both current and future generations.</p> | <p>There are benefits in funding the activity separately as this allows Council to specifically charge those in serviced areas. These properties can be readily identified and charged.</p> <p>Given the importance and financial scale of the activity, a targeted rate has been used to clearly identify the costs associated with the supply of water.</p> <p>Supply of water in excess of residential volumes, causes additional costs and will be charged for via metered water rates or fees and charges.</p> | <table border="1"> <tr> <td>30%</td> <td>70%</td> <td>0%-30%</td> <td>70%-100%</td> </tr> </table> <p>The private good component reflects the private benefit received by individual households and businesses. A user pays philosophy applies given that the users of this activity can be easily identified and it is administratively efficient to apply targeted rates.</p> <p>Operational costs are funded though targeted rates to those properties connected or able to be connected to a scheme and through fees and charges (water tanker charges). Council also charges metered water targeted rates to commercial or industrial properties with high water use. Water supply schemes across the District are amalgamated for funding purposes, rather than each scheme paying for its own costs. This means that everyone receiving a similar service (of having access to a scheme), pays the same regardless of the costs related to each individual scheme. In general, this benefits the smaller schemes that have a higher per ratepayer cost.</p> <p><i>While the majority of the costs are funded by those connected to the schemes, a portion of the overhead costs associated with the administration of the water supply activity is funded by the General rate.</i></p> <p>Capital expenditure will be funded by reserves or by borrowing to match funding to the expected life of the asset for intergenerational equity and to smooth funding input. Grants may be available from time to time but are difficult to predict. Development contributions may be used for funding the additional capacity of capital projects <i>if the Council decides to take these out of remission.</i></p> | 30% | 70% | 0%-30% | 70%-100% | <p><i>Operational</i></p> <p>General rate (Low) - District Targeted rates (High) – Area of Service (scheme) Fees and Charges (Low) Grants and Subsidies (Low) Other sources (Low)</p> <p><i>Capital</i></p> <p>Targeted rates Grants and Subsidies Borrowing Proceeds from Asset Sales Development and/or Financial Contributions Other sources including reserves</p> |
| 30% | 70% | 0%-30% | 70%-100% | | | | | | | | | |

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate |
|---|---|---|---|---|--|---|---|---|--|---------|--|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | |
| | | | | | | | Public | Private | Public | Private | |
| GROUP: COMMUNITY LEADERSHIP | | | | | | | | | | | |
| Activity: Community Leadership | | | | | | | | | | | |
| Representation and Advocacy | | | | | | | | | | | |
| <ul style="list-style-type: none"> Empowered communities with the right tools to deliver the best outcomes Inclusive connected communities <p>This activity provides for the ability to elect local representatives and supports elected members to be effective, responsible and accountable decision-makers and advocates for their community. This contributes to the open, transparent and accountable democratic process of local government.</p> | <p>High</p> <p>The whole community benefits as council and community boards are the vehicles for making decisions affecting the whole District. Enabling decision-making at a range of levels helps to ensure as far as practical that those benefitting from services have an opportunity to have an input into decisions.</p> | <p>Medium</p> <p>Community boards and other local committees represent particular areas or interests within the District.</p> | <p>Low</p> <p>Individuals who interact directly with Council and engage in decision-making processes get a direct benefit.</p> | <p>Living in a democratic society contributes to the need for this activity.</p> | <p>Current year</p> <p>The benefits of this expenditure on this activity are generally experienced in the current year. Advocacy on specific issues may, however have longer-term impacts for the community.</p> | <p>Given the high degree of public benefit there is limited benefit perceived from separate funding. For this reason, Council has chosen to amalgamate the overall funding of this activity under the community leadership activity with the rating mechanism to be amalgamated with other activities to reduce collection costs.</p> | <p>95%</p> <p>5%</p> <p>100%</p> <p>0%</p> | <p>Rationale</p> <p>Given the high degree of public benefit and considering that cCouncil and cCommunity Bboards cover the whole District, the majority of the activity will be funded from the General rate. It would not be appropriate to charge for the private benefit as the activity plays a key part in a democracy. Operational costs are funded predominantly through the General rate reflecting the public good component of this activity.</p> | <p><i>Operational</i></p> <p>General rate (High) - District</p> <p>Other sources (Low) – Area of Service</p> <p><i>Capital</i></p> <p>General rate</p> <p>Borrowing</p> <p>Other sources including reserves</p> | | |
| Community and Futures | | | | | | | | | | | |
| <ul style="list-style-type: none"> Kaitiakitanga for future generations A diverse economy creating healthy and affordable lifestyles Inclusive connected communities Empowered communities with the right tools to deliver the best outcomes <p>This activity supports building the capacity and capability for communities to have greater resilience to change and helps people to understand the issues surrounding Council activities. It also provides opportunities to participate meaningfully in shaping the District. The activity supports benefits from improved economic activity, choice, employment opportunities and incomes.</p> | <p>High</p> <p>The whole community benefits from having strong communities and encouraging collaboration and partnerships. Benefits from regional economic development and District promotions accrue largely to the community. This is due to the ongoing economic benefits created from business support, promotion, visitor spending, creation of employment and investment in the potential of the District.</p> | <p>Low-Medium</p> <p>The activity does benefit particular communities or groups in some instances (e.g. youth, clubs, volunteer groups, retailers, tourist operators, accommodation providers). However it is often impractical and undesirable to target funding from these groups.</p> | <p>Medium</p> <p>Some benefits may accrue to businesses or individuals using these services or involved in particular initiatives (e.g. community organisations or tourism operators) or people who gain employment.</p> | <p>All businesses, individuals, agencies, visitors and community groups in the District create the need.</p> | <p>Current year and future years</p> <p>The benefits of this expenditure on this activity are generally experienced in the current year. The outcomes of community led development, planning and engagement and regional economic development may, however have longer term benefits.</p> | <p>Given the high degree of public benefit there is limited merit perceived from separate funding. For this reason, Council has chosen to amalgamate the overall funding of this activity under the community leadership activity, with the rating mechanism to be amalgamated with other activities to reduce collection costs.</p> | <p>70%</p> <p>30%</p> <p>80%-100%</p> <p>0%-20%</p> | <p>Rationale</p> <p>The whole community benefits from the social, cultural and economic returns from this activity. Given the high degree of public benefit and considering that activities cover the whole District (and in some instances the region), the majority of the activity will be funded from the General rate. Charging fees for private benefit would be inconsistent with the overall aim of the activity and may prevent the community from making use of these services. Operational costs are funded predominantly through the General rate, reflecting the public good component of this activity.</p> | <p><i>Operational</i></p> <p>General rate (High) - District</p> <p>Targeted rates (Low) – Area of Service</p> <p>Other sources (Low)</p> <p><i>Capital</i></p> <p>General rate and targeted rates</p> <p>Other sources including reserves</p> | | |

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate |
|--|--|--|---|--|---|--|---|--|--|---------|--|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | |
| | | | | | | | Public | Private | Public | Private | |
| Community Assistance | | | | | | | | | | | |
| <ul style="list-style-type: none"> ▶ Kaitiakitanga for future generations ▶ Empowered communities with the right tools to deliver the best outcomes ▶ Inclusive connected communities ▶ A diverse economy creating healthy and affordable lifestyles <p>This activity provides funding support to various individuals and organisations to undertake a range of social, cultural and economic initiatives throughout the District, which benefit the wellbeing of the community.</p> | <p>Medium</p> <p>The whole community benefits from funding provided to organisations that deliver services and activities to meet the social, cultural and economic needs of the community.</p> <p>Support is provided to organisations throughout the District.</p> | <p>Medium</p> <p>Groups and organisations can receive benefit, through the receipt of funding to support their activities.</p> | <p>Medium</p> <p>Individuals receive benefit, through the receipt of funding to support their activities. Individuals who use any of the facilities/services offered by organisations that receive funding from Council, also will benefit.</p> | <p>Individual community groups that are seeking assistance create the need. The community also create the need by requiring various services.</p> | <p>Current year</p> <p>The benefits of this expenditure on this activity are generally experienced in the current year. The outcomes of funding (in terms of the impact on people and communities) may have longer term benefits, particularly where community facilities are built.</p> | <p>Given the high degree of public benefit there is limited merit perceived from separate funding. For this reason, Council has chosen to amalgamate the overall funding of this activity under the community leadership activity, with the rating mechanism to be amalgamated with other activities to reduce collection costs.</p> | <p>50%</p> <p>50%</p> <p>80%-100%</p> <p>0%-20%</p> | <p>Rationale</p> <p>The public good component of this activity recognises the contribution made by organisations and groups within the community.</p> <p>Although the benefits will accrue to the groups and individuals who are recipients of funding, a greater number of people in the wider community will benefit from the expenditure.</p> <p>Operational costs are funded predominantly through the General rate, reflecting the public good component of this activity. Some funding may also be provided from local targeted rates (e.g. Regional Heritage rate) and targeted local community board rates where individual communities have chosen to support initiatives and projects within their community.</p> <p>External funds are available from time to time, from central government agencies or other groups, but this cannot generally be anticipated in advance.</p> | <p><i>Operational</i></p> <p>General rate (Medium/High) - District</p> <p>Targeted rates (Low) - District / Area of Service</p> <p>Fees and Charges (Low)</p> <p>Grants and Subsidies (Low)</p> <p><i>Capital</i></p> <p>General and targeted rates</p> <p>Other sources including reserves</p> | | |
| GROUP: ENVIRONMENTAL SERVICES | | | | | | | | | | | |
| Activity: Environmental Services | | | | | | | | | | | |
| Resource Management | | | | | | | | | | | |
| <ul style="list-style-type: none"> ▶ Kaitiakitanga for future generations ▶ Empowered communities with the right tools to deliver the best outcomes ▶ Inclusive connected communities ▶ A diverse economy creating healthy and affordable lifestyles <p>The activity controls the development of the District and provides for the sustainable management and enhancement of the environment for current and future generations.</p> | <p>High</p> <p>The whole community benefits from the sustainable management of the District's natural and physical resources and the appropriate development of land and buildings. Individuals also benefit from general planning advice relating to potential resource consents or resource management, as well as from resource consent monitoring and enforcement activities.</p> | <p>Low</p> <p>The parts of the community where development occurs are protected from the adverse effects that development could create e.g. loss of privacy, inundation, local road congestion.</p> | <p>Medium</p> <p>Benefits accrue to individuals who use these services (i.e resource consent applicants) who are provided with legal certainty to undertake an activity.</p> <p>There is also often a direct economic benefit received by the applicant (e.g. developers).</p> | <p>Individuals seeking concerns. There are also costs incurred in responding to those who do not comply with the rules or consent conditions. Some of the costs related to inspections and enforcement can be recovered.</p> <p>Considerable time can also be spent dealing with individual appeals and objections e.g. where a property owner disputes that a resource consent is required.</p> | <p>Current year and future years</p> <p>The benefits of this expenditure on this activity are generally experienced in the current year. However there are intergenerational benefits to the community through protection from adverse environmental impacts.</p> | <p>While Council has chosen to amalgamate the overall funding of this activity under the environmental services activity, given the high degree of private benefit, Council uses fees to ensure users are contributing towards the cost of the service (with the rating mechanism to be amalgamated with other activities to reduce collection costs).</p> | <p>60%</p> <p>40%</p> <p>70%-100%</p> <p>0-30%</p> | <p>Rationale</p> <p>The public good component of this activity recognises that the enabling and controlling managing of growth and environmental effects in the District is of wider benefit to the community. No particular group or individual benefits more than others from the provision of information, monitoring and enforcement activities so these cost should be allocated as part of the General rate.</p> <p>The private good component represents the benefit to property owners and developers applying for subdivision and land-use consents.</p> <p>Operational costs are funded through a mix of fees and charges to reflect the private benefit and General rate input to reflect the public component of the activity.</p> | <p><i>Operational</i></p> <p>General rate (High) - District</p> <p>Fees and Charges (Low)</p> <p>Other sources (Low)</p> <p><i>Capital</i></p> <p>General rate</p> <p>Fees and Charges</p> <p>Grants and Subsidies</p> <p>Borrowing</p> <p>Proceeds from Asset Sales</p> <p>Other sources including reserves</p> | | |

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate |
|---|---|---|---|---|--|---|--|--|----------|---------|--|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | |
| | | | | | | | Public | Private | Public | Private | |
| Animal Services | | | | | | | | | | | |
| <p>▶ Empowered communities with the right tools to deliver the best outcomes</p> <p>This activity protects human safety and health through the registration, and through the enforcement of legislation, bylaws and policies.</p> | <p>Low</p> <p>The whole community benefits from the general advice and education provided about animals, and through animal management practices ensuring public safety.</p> | <p>Low</p> <p>Urban parts of the community with housing in close proximity may receive a greater benefit because of the higher probability of animal control complaints related to barking and wandering dogs.</p> | <p>High</p> <p>Benefits from the activity accrue mainly to animal owners, from the provision of a service.</p> | <p>Animal owners who do not manage their animals appropriately create additional costs associated with investigating complaints, impounding of stock and prosecution of offenders.</p> <p>The general public, who have an expectation and desired standard for animal care and control, also create a need.</p> | <p>Current year</p> <p>The activity is primarily an operating activity, where the benefits are generally experienced in the current year.</p> | <p>While Council has chosen to amalgamate the overall funding of this activity under the environmental services activity, given the high degree of private benefit, Council uses fees to ensure users are contributing towards the cost of the service with the rating mechanism to be amalgamated with other activities, to reduce collection costs.</p> | <p>10%</p> <p>90%</p> <p>0%-30%</p> <p>70%-100%</p> <p>Rationale</p> <p>A significant portion of the costs should be borne by animal owners as the majority of the activity relates to their actions or inactions. No particular group or individual benefits more than others so the residual cost should be allocated to the whole District as part of the General rate which reflects the public good associated with providing this activity. Operational costs are funded mainly through fees and charges to reflect private benefit, with some General rate input to reflect the public component of the activity.</p> | <p><i>Operational</i></p> <p>General rate (Low) - District</p> <p>Fees and Charges (High)</p> <p>Grants and Subsidies (Low)</p> <p>Other sources (Low)</p> <p><i>Capital</i></p> <p>General rate</p> <p>Fees and Charges</p> <p>Grants and Subsidies</p> <p>Borrowing</p> <p>Proceeds from Asset Sales</p> <p>Other sources including reserves</p> | | | |
| Environmental Health | | | | | | | | | | | |
| <p>▶ Empowered communities with the right tools to deliver the best outcomes</p> <p>▶ A diverse economy creating healthy and affordable lifestyles</p> <p>This activity provides confidence to the public and visitors that activities that may affect public health and safety (e.g. food premises, hairdressers, licensed premises) are safe and comply with the law. It also ensures nuisances that could have a negative impact on community wellbeing, are dealt with.</p> | <p>Medium</p> <p>The whole community benefits from the activity, as it ensures that facilities that have the potential to impact public health/wellbeing meet relevant standards and are safe, healthy and hygienic for the public to use. The activity also ensures nuisances will be responded to.</p> | <p>Low</p> <p>Parts of the community may benefit more than others from bylaws which regulate issues in specific areas.</p> | <p>Medium</p> <p>Individuals, businesses and organisations benefit directly from the assurance that premises are of an acceptable and healthy standard to the consumer and meet other legislative requirements (e.g. liquor licensing). Individuals also benefit from the investigation and resolution of nuisances.</p> | <p>Consumers of food, alcohol and other personal health services create the need for this activity. Suppliers who do not comply with the rules or who create nuisances, also create the need for the activity.</p> | <p>Current year</p> <p>The activity is primarily an operating activity where the benefits are generally experienced in the current year.</p> | <p>While Council has chosen to amalgamate the overall funding of this activity under the environmental services activity, given the high degree of private benefit, Council uses fees to ensure users are contributing towards the cost of the service with the rating mechanism to be amalgamated with other activities to reduce collection costs.</p> | <p>40%</p> <p>60%</p> <p>0%-50%</p> <p>50%-100%</p> <p>Rationale</p> <p>A significant portion of the costs should be borne by licensed businesses given the benefit they receive from being able to operate their business. Direct inspections of premises are user fees, but some fees are set by government legislation and therefore full cost recovery is not always possible. For health and liquor licensing there is a moderate level of public good in the general health monitoring and advisory service provided to the community. The public at large also benefit from the activity through the general health monitoring and through Council responding to nuisances, when it is often difficult to identify offenders or impractical to recover costs. As such, residual cost should be allocated to the whole District as part of the General rate. Operational costs are funded mainly through fees and charges to reflect the private benefit, with some General rate input to reflect the public component of the activity.</p> | <p><i>Operational</i></p> <p>General rate (Medium) - District</p> <p>Fees and Charges (Medium)</p> <p>Other sources (Low)</p> <p><i>Capital</i></p> <p>General rate</p> <p>Fees and Charges</p> <p>Grants and Subsidies</p> <p>Borrowing</p> <p>Proceeds from Asset Sales</p> <p>Other sources including reserves</p> | | | |

| Community outcomes | Distribution of benefits | | | Whose act creates need | Benefit Period | Costs and Benefits of Separate Funding | Assessment of Benefit | | | | Indicative Funding Source based on Funding Impact Statement categories (funding range) - Catchment(s) for rate |
|--|--|--|--|---|--|--|---|--|---|---------|--|
| | Whole community | Identifiable parts of the community | Individuals | | | | Initial | | Adjusted | | |
| | | | | | | | Public | Private | Public | Private | |
| Building Solutions | | | | | | | | | | | |
| <ul style="list-style-type: none"> Kaitiakitanga for future generations A diverse economy creating healthy and affordable lifestyles Empowered communities with the right tools to deliver the best outcomes <p>This activity ensures that buildings and structures are safe and sanitary, reducing risks to people and other property.</p> | <p>Medium</p> <p>The whole community and visitors to the District benefit through the enforcement of regulations that ensure safe, sanitary and accessible buildings. The activity also provides general public benefit through projects, such as identifying insanitary and earthquake prone buildings and providing advice to the public.</p> | <p>Low</p> <p>Parts of the community which are growing may have a greater demand for the services of the building activity. There is some benefit to the construction industry and its customers.</p> | <p>High</p> <p>Individuals (i.e. people who apply for consents and build or alter buildings) receive a direct benefit from ensuring that their building meets requirements.</p> | <p>People undertaking building work create the need. There are also costs incurred in responding to illegal building work or unsafe and insanitary buildings. Some of the costs related to inspections and enforcement can be recovered.</p> | <p>Current year</p> <p>The activity is primarily an operating activity where the benefits are generally experienced in the current year. However the input into the quality of buildings being constructed are likely to have longer term benefits.</p> | <p>While council has chosen to amalgamate the overall funding of this activity under the environmental services activity, given the high degree of private benefit, Council uses fees to ensure users are contributing towards the cost of the service with the rating mechanism to be amalgamated with other activities to reduce collection costs.</p> | <p>20%</p> <p>90%</p> <p>0%-30%</p> <p>70%-100%</p> | <p>Rationale</p> <p>The major benefit is to the user of the services and hence fees and charges for building consenting are the main funding source given that users of this activity can be easily identified and it is administratively efficient to charge fees. The General rate is used to reflect the public good associated with providing this activity, recognising that everybody benefits from a safe building stock in the District. Council also recognises that it is important for the economic wellbeing of the District not to deter development and growth through high consent costs. Operational costs are funded mainly through fees and charges to reflect private benefit, with some General rate input to reflect the public component of the activity.</p> | <p><i>Operational</i></p> <p>General rate (Low) - District</p> <p>Fees and Charges (High)</p> <p><i>Capital</i></p> <p>General rate</p> <p>Fees and Charges</p> <p>Borrowing</p> <p>Proceeds from Asset Sales</p> <p>Other sources including reserves</p> | | |
| Activity: Emergency Management | | | | | | | | | | | |
| Emergency Management | | | | | | | | | | | |
| <ul style="list-style-type: none"> A diverse economy creating healthy and affordable lifestyles Empowered communities with the right tools to deliver the best outcomes Inclusive connected communities <p>This activity builds the capacity of the community to effectively prepare, respond to and recover quickly from emergency events.</p> | <p>High</p> <p>The whole community benefits from having measures in place to prepare the community for disasters and to be able to respond and recover from them.</p> | <p>Medium</p> <p>Certain parts of the community may be involved in emergency events and receive support during and after the event.</p> | <p>Low</p> <p>There is private benefit to those who are assisted directly in the event of an emergency.</p> | <p>People in the district and particularly those living in high risk areas. The need for the activity is largely driven by natural disasters or weather events and the community expectation that relevant authorities will provide assistance during these events.</p> | <p>Current year</p> <p>The activity is primarily an operating activity where the benefits are generally experienced in the current year. The outcomes of building resilience in communities however may have longer term benefits.</p> | <p>Given the high degree of public benefit there is limited benefit perceived from separate funding. For this reason, Council has chosen to amalgamate the overall funding of this activity under the environmental services activity, with the rating mechanism to be amalgamated with other activities to reduce collection costs</p> | <p>90%</p> <p>10%</p> <p>100%</p> <p>0%</p> | <p>Rationale</p> <p>Although particular groups or areas may receive more benefit from this activity than others in particular emergency situations, the activity protects everyone in the District. It is not practical nor advisable to charge direct beneficiaries for any private benefit. Operating costs will be funded by the General rate to reflect the public good component of the activity. Central Government assistance through grants and subsidies may be available when a Civil Defence emergency is declared, however this cannot be anticipated in advance. The activity does not have a high capital expenditure, however borrowing may be used to smooth rates input should capital expenditure be required. Minor capital expenditure and repayment of debt will be funded via the General rate.</p> | <p><i>Operational</i></p> <p>General rate (High) - District</p> <p><i>Capital</i></p> <p>N/A</p> | | |

Appendix A

Overview of the Roothing Rate Model

Provided for explanatory purposes and does not form part of the Policy

The steps below outline how Council allocates roading rates.

1. The total roading rate required is identified through the Long Term Plan or Annual Plan process.
2. Roothing rates are first allocated for heavy vehicle usage (excludes Residential, Lifestyle and Other sectors)
 - \$1.10 is be allocated to each sector per tonne of freight moved (to attribute roading rates to each sector, based on the damage it is causing to the roads)
 - Tonnage information is provided by an independent third party
 - A multiplier is applied to the tonnage amount for some sectors (to try and more fairly attribute roading rates to each sector, based on the damage it is causing to the roads (this takes into tonnage not otherwise captured, concentrated road usage at the outer reaches of the roading network and the equivalent standard axles used))
 - The multipliers are 1.2 for Forestry and 1.15 for both Dairy and Non-Dairy farming
 - Minimum tonnage amounts are set for the Industrial, Mining and Commercial sectors (230,000 tonnes) (also to try and fairly attribute roading rates to each sector, based on the damage it is causing to the roads)
3. A uniform annual charge is then be allocated to all rating units
 - The uniform annual charge is set at a fixed value of \$80 + GST (as all ratepayers benefit from having access to the roading network)
4. The remaining roading rates ware then be allocated to all rating units
 - The remaining roading rates are allocated based on a consistent rate in the dollar for all sectors
 - The rate in the dollar is obtained using the total capital value of all applicable rating units
 - A differential factor of 0.3 is applied to the ‘Other’ industry sector for the General rate in the dollar component of the model

The table below illustrates the resulting allocation of sector rates for 2020/2021. Please note that the information in this table reflects the required rates and model inputs at a certain point in time and will change in relation to future annual and long term plan rates funding impact statements.

| How the model allocates sector rates (2020/2021) | | |
|--|---------------------------|-------------|
| Sector (Landuse) | Total \$M (excluding GST) | % |
| Dairy | \$4,559 | 35.5% |
| Forestry | \$792 | 6.2% |
| Farming (non-dairy) | \$4,128 | 32.1% |
| Industrial | \$404 | 3.1% |
| Commercial | \$413 | 3.2% |
| Residential | \$1,493 | 11.6% |
| Lifestyle | \$674 | 5.2% |
| Other | \$125 | 1.0% |
| Mining | \$259 | 2.0% |
| Total | \$12,849 | 100% |

3 Roles and Responsibilities

| Party/Parties | Roles and Responsibilities |
|-------------------------|--|
| Chief Financial Officer | Ensure compliance with the Revenue and Financing Policy. |

4 Associated Documents

- Local Government Act (2002).
- Local Government (Rating) Act (2002).
- Development and Financial Contributions Policy (R/20/7/30795).

5 Revision Record

The Revenue and Financing Policy will be reviewed three yearly as part of the Long Term Plan process.

| Date | Version | Revision Description |
|--|-------------------|--|
| <u>28 January 2021</u> | <u>Final</u> | <u>Revenue and Financing Policy adopted by Council</u> |
| 21 October 2020 (<u>R/20/11/64774</u> R/20/10/60770) | Draft (Version 1) | Draft Revenue and Financing Policy for Council to approve for public consultation |
| 20 June 2018 (R/17/8/18227) | Final | Revenue and Financing Policy adopted by Council in conjunction with Long Term Plan 2018-2028 |



Updated Area of Service Rating Boundary Maps (2021)

Community Board Rates, Stormwater Rates and SIESA Rates

Southland District Council
Te Rohe Pōtae o Murihiku

PO Box 903
15 Forth Street
Invercargill 9840

0800 732 732
@ sdc@southlanddc.govt.nz
🏠 southlanddc.govt.nz

Map Index

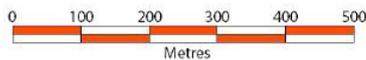
| Area | Community Board Rate - Differential + Stormwater Rate - Differential | Map | Page |
|---|--|------------------|--------------|
| Ardlussa Community Board | | | |
| Balfour | CB Rate - Urban + Stormwater Rate - Serviced | 186 | 3 |
| Riversdale | CB Rate - Urban + Stormwater Rate - Serviced | 203 | 4 |
| Waikaia | CB Rate - Urban + Stormwater Rate - Serviced | 211 | 5 |
| Rural Area | CB Rate - Rural + Stormwater Rate - Unserviced | 177 + 217 | 6 + 44 |
| Fiordland Community Board | | | |
| Te Anau | CB Rate - Urban + CB Rate - Semi Urban Stormwater Rate - Serviced | 206 + 220 205 | 7 + 8 + 9 |
| Manapouri | CB Rate - Urban + Stormwater Rate - Serviced | 196 | 10 |
| Rural Area | CB Rate - Rural + Stormwater Rate - Unserviced | 178 + 217 | 11 + 44 |
| Northern Community Board | | | |
| Lumsden | CB Rate - Urban + Stormwater Rate - Serviced | 195 | 12 |
| Mossburn | CB Rate - Urban + Stormwater Rate - Unserviced | 198 | 13 |
| Athol | CB Rate - Semi Urban + Stormwater Rate - Unserviced | 185 | 14 |
| Garston | CB Rate - Semi Urban + Stormwater Rate - Unserviced | 192 | 15 |
| Rural Area | CB Rate - Rural + Stormwater Rate - Unserviced | 179 + 217 | 16 + 44 |
| Oraka Aparima Community Board | | | |
| Riverton / Aparima | CB Rate - Urban + Stormwater Rate - Serviced | 204 | 17 |
| Colac Bay / Oraka | CB Rate - Semi Urban + Stormwater Rate - Serviced | 188 | 18 |
| Thornbury | CB Rate - Semi Urban + Stormwater Rate - Serviced | 207 | 19 |
| Rural Area | CB Rate - Rural + Stormwater Rate - Unserviced | 180 + 217 | 20 + 44 |
| Oreti Community Board | | | |
| Wallacetown | CB Rate - Urban + Stormwater Rate - Serviced | 213 | 21 |
| Winton | CB Rate - Urban + Stormwater Rate - Serviced | 214 | 22 |
| Browns | CB Rate - Semi Urban + Stormwater Rate - Serviced | 187 | 23 |
| Dipton | CB Rate - Semi Urban + Stormwater Rate - Serviced | 189 | 24 |
| Limehills / Centre Bush | CB Rate - Semi Urban + Stormwater Rate - Serviced | 194 | 25 |
| Waianiwa | CB Rate - Rural + Stormwater Rate - Serviced | 210 | 26 |
| Rural Area | CB Rate - Rural + Stormwater Rate - Unserviced | 181 + 217 | 27 + 44 |
| Stewart Island/Rakiura Community Board | | | |
| Whole board area | CB Rate + Stormwater - Serviced | 010 | 28 |
| Tuatapere Te Waewae Community Board | | | |
| Tuatapere | CB Rate - Urban + Stormwater - Serviced | 209 | 29 |
| Monowai | CB Rate - Semi Urban + Stormwater - Serviced | 197 | 30 |
| Orepuki | CB Rate - Semi Urban + Stormwater - Serviced | 201 | 31 |
| Rural Area | CB Rate - Rural + Stormwater - Unserviced | 182 + 217 | 32 + 44 |
| Waihopai Toetoe Community Board | | | |
| Edendale | CB Rate - Urban + Stormwater - Serviced | 191 | 33 |
| Tokanui | CB Rate - Urban + Stormwater - Serviced | 208 | 34 |
| Wyndham | CB Rate - Urban + Stormwater - Serviced | 216 | 35 |
| Gorge Road | CB Rate - Semi Urban + Stormwater - Unserviced | 193 | 36 |
| Woodlands | CB Rate - Semi Urban + Stormwater - Serviced | 215 | 37 |
| Rural Area | CB Rate - Rural + Stormwater - Unserviced | 183 + 217 | 38 + 44 |
| Wallace Takitimu Community Board | | | |
| Nightcaps | CB Rate - Urban + Stormwater - Serviced | 199 | 39 |
| Ohai | CB Rate - Urban + Stormwater - Serviced | 200 | 40 |
| Otautau | CB Rate - Urban + Stormwater - Serviced | 202 | 41 |
| Wairio | CB Rate - Semi Urban + Stormwater - Unserviced | 212 | 42 |
| Rest | CB Rate - Rural + Stormwater - Unserviced | 184 + 217 | 43 + 44 |
| Other Targeted Rates | | | |
| | Stormwater – Unserviced | 217 | 44 |
| Stewart Island / Rakiura | Stewart Island Electricity Supply Area (SIESA) | 219 | 45 |



Rate Types represented by the mapped boundary (■):

- 22507 Ardlussa Community Board Rate - Urban
- 40041 Stormwater Serviced

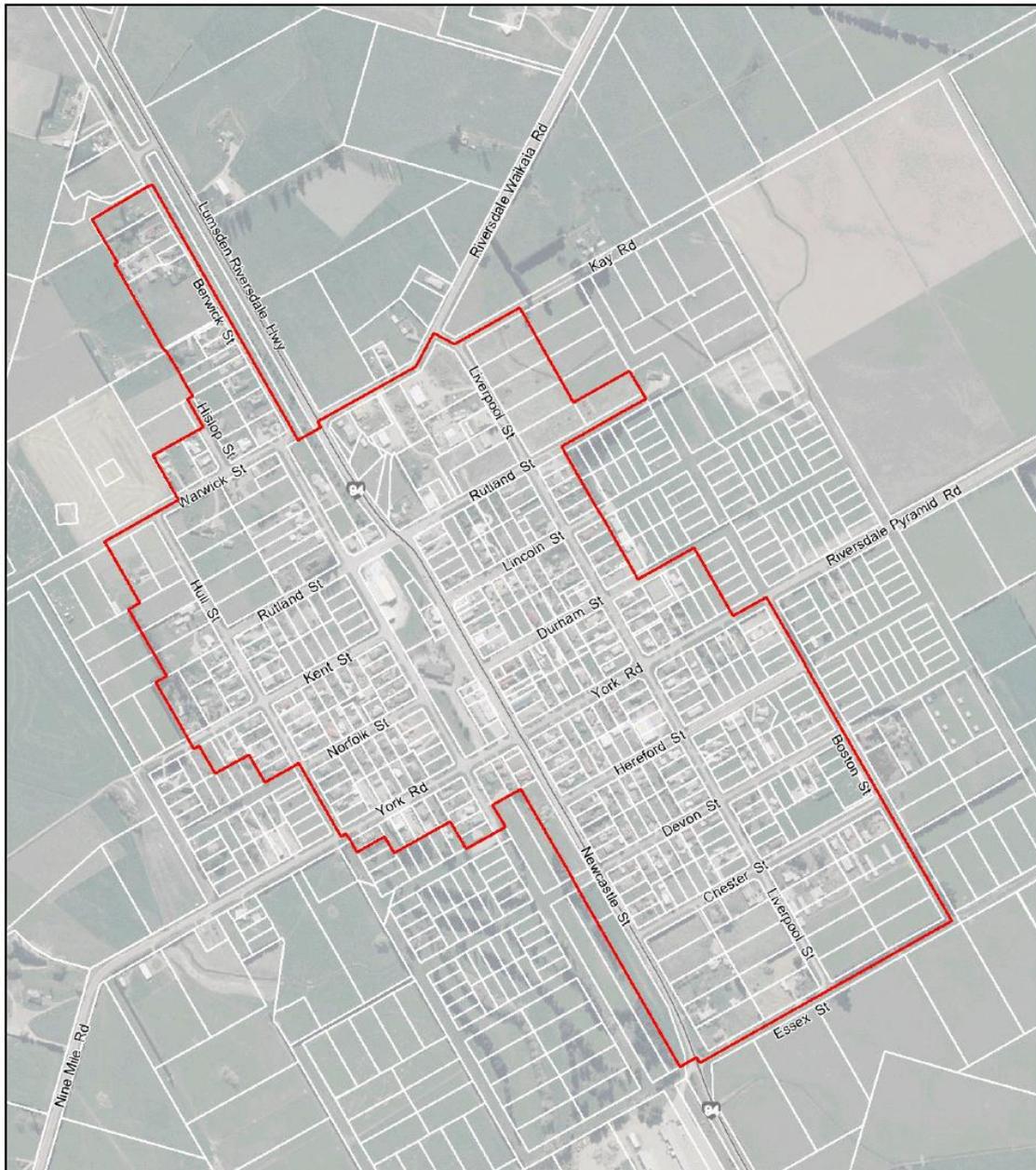
BALFOUR



MAP 186

Map Scale 1:8,500 @ A4
Map Date 08 January 2021

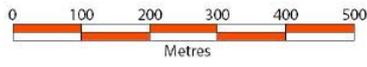




Rate Types represented by the mapped boundary (→):

- 22507 Ardlussa Community Board Rate - Urban
- 40041 Stormwater Serviced

RIVERSDALE



MAP 203

Map Scale 1:8,500 @ A4
Map Date 08 January 2021

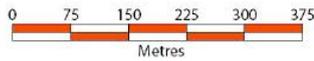




Rate Types represented by the mapped boundary (■):

- 22507 Ardlussa Community Board Rate - Urban
- 40041 Stormwater Serviced

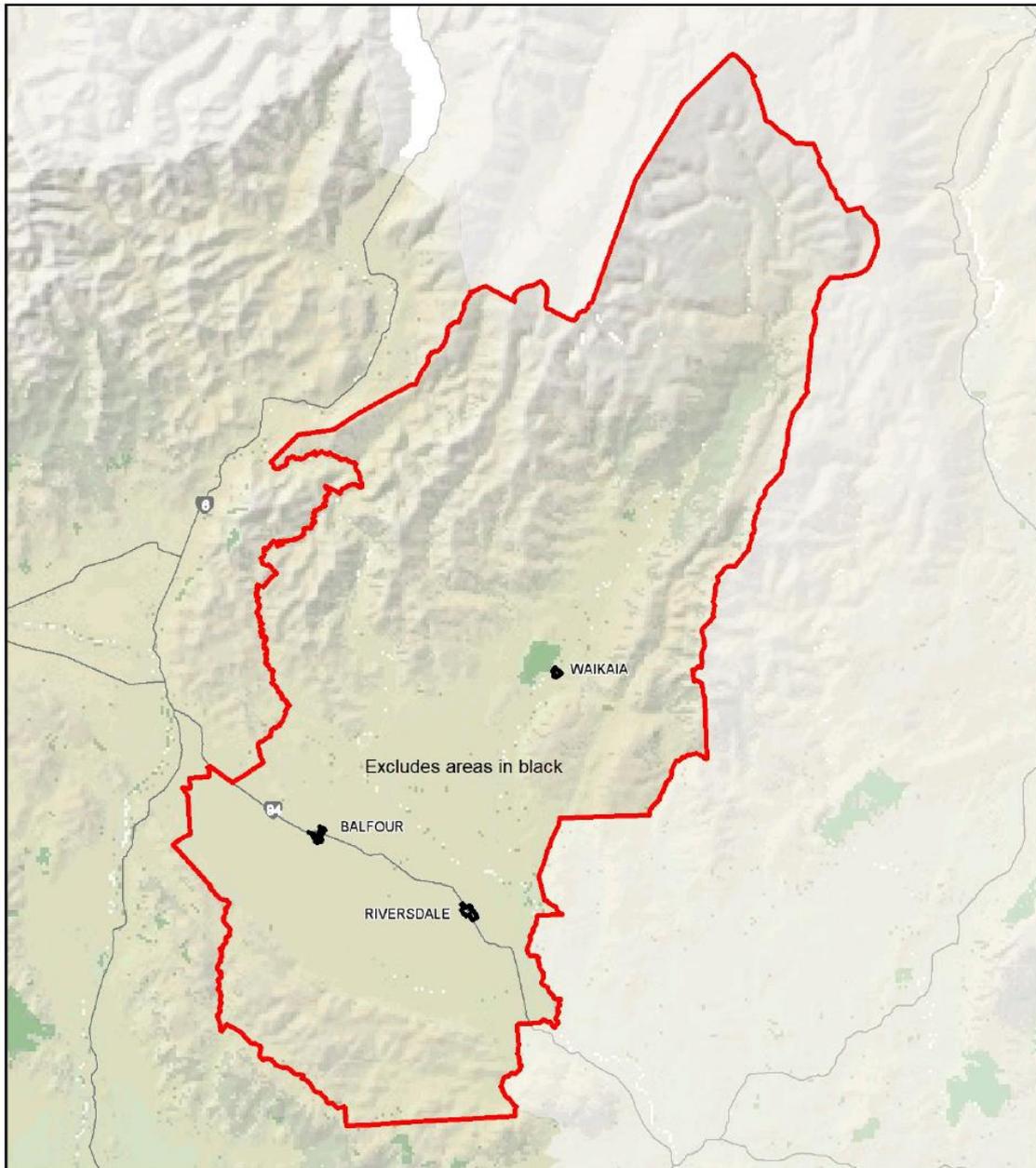
WAIKAIA



MAP 211

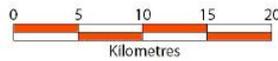
Map Scale 1:7,500 @ A4
Map Date 08 January 2021





Rate Types represented by the mapped boundary (→):

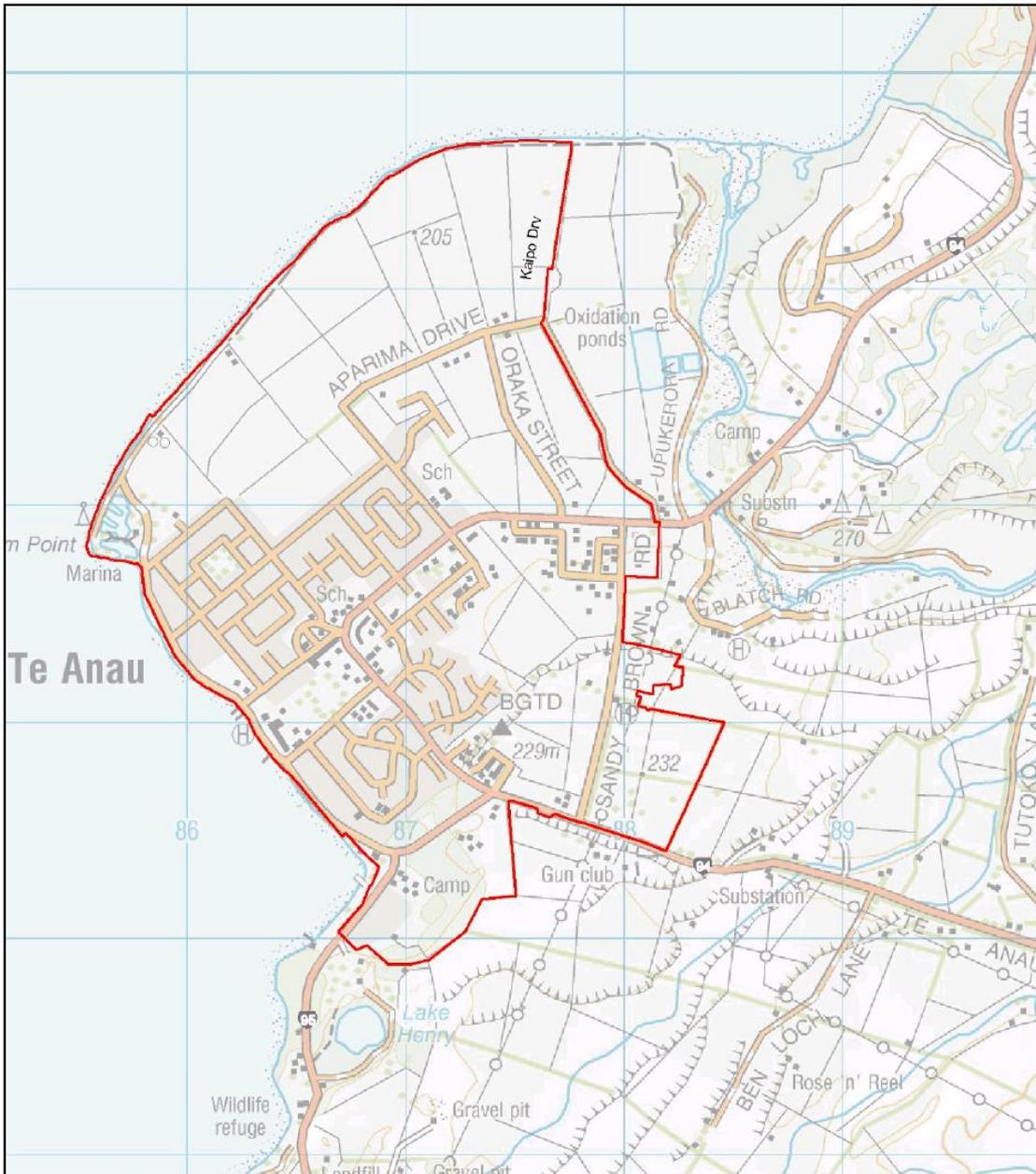
22508 Ardlussa Community Board Rate - Rural
Note - Urban areas (in black) are shown on more detailed township maps



MAP 177

Map Scale 1:450,000 @ A4
Map Date 08 January 2021

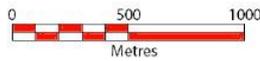




Rate Types represented by the mapped boundary (—):

22807 Fiordland Community Board Rate - Urban

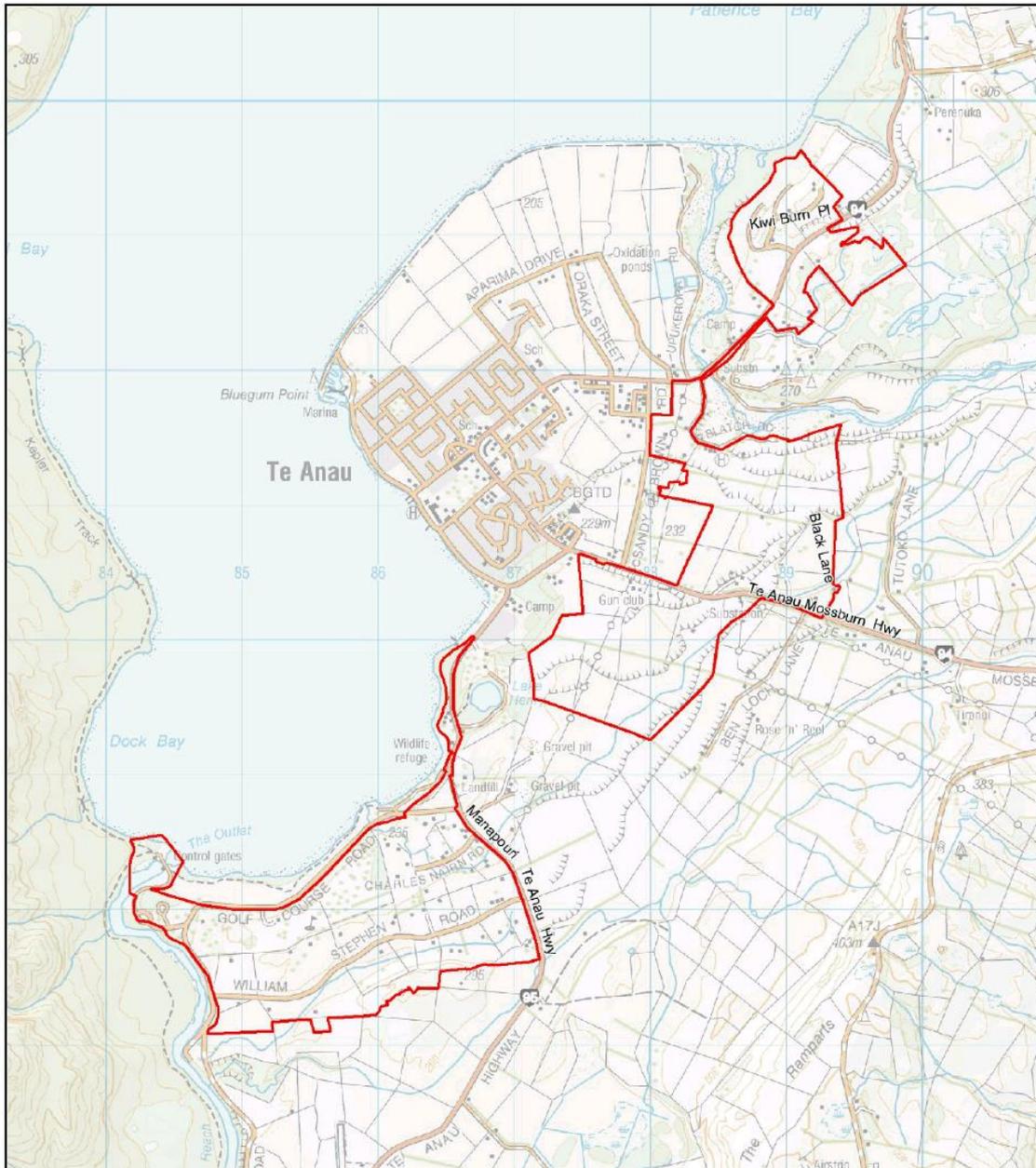
TE ANAU



MAP 206

Map Scale 1:25,000 @ A4
Map Date 08 January 2021

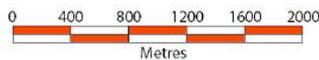




Rate Types represented by the mapped boundary (→):

22809 Fiordland Community Board Rate - Semi Urban

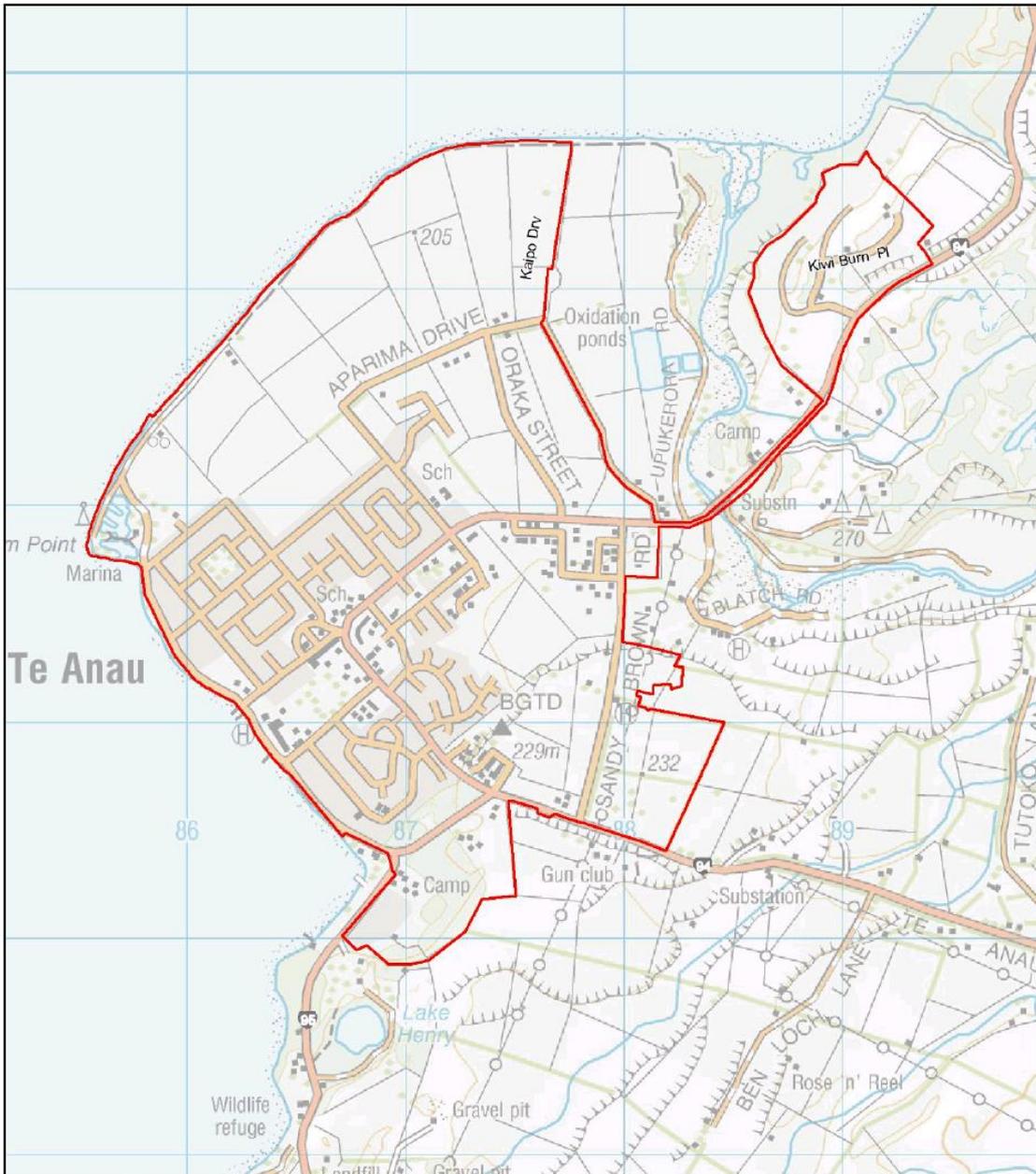
TE ANAU



MAP 220

Map Scale 1:40,000 @ A4
Map Date 08 January 2021

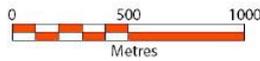




Rate Types represented by the mapped boundary (—):

40041 Stormwater Serviced

TE ANAU



MAP 205

Map Scale 1:25,000 @ A4
Map Date 08 January 2021

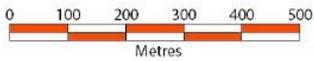




Rate Types represented by the mapped boundary (→):

- 22807 Fiordland Community Board Rate - Urban
- 40041 Stormwater Serviced

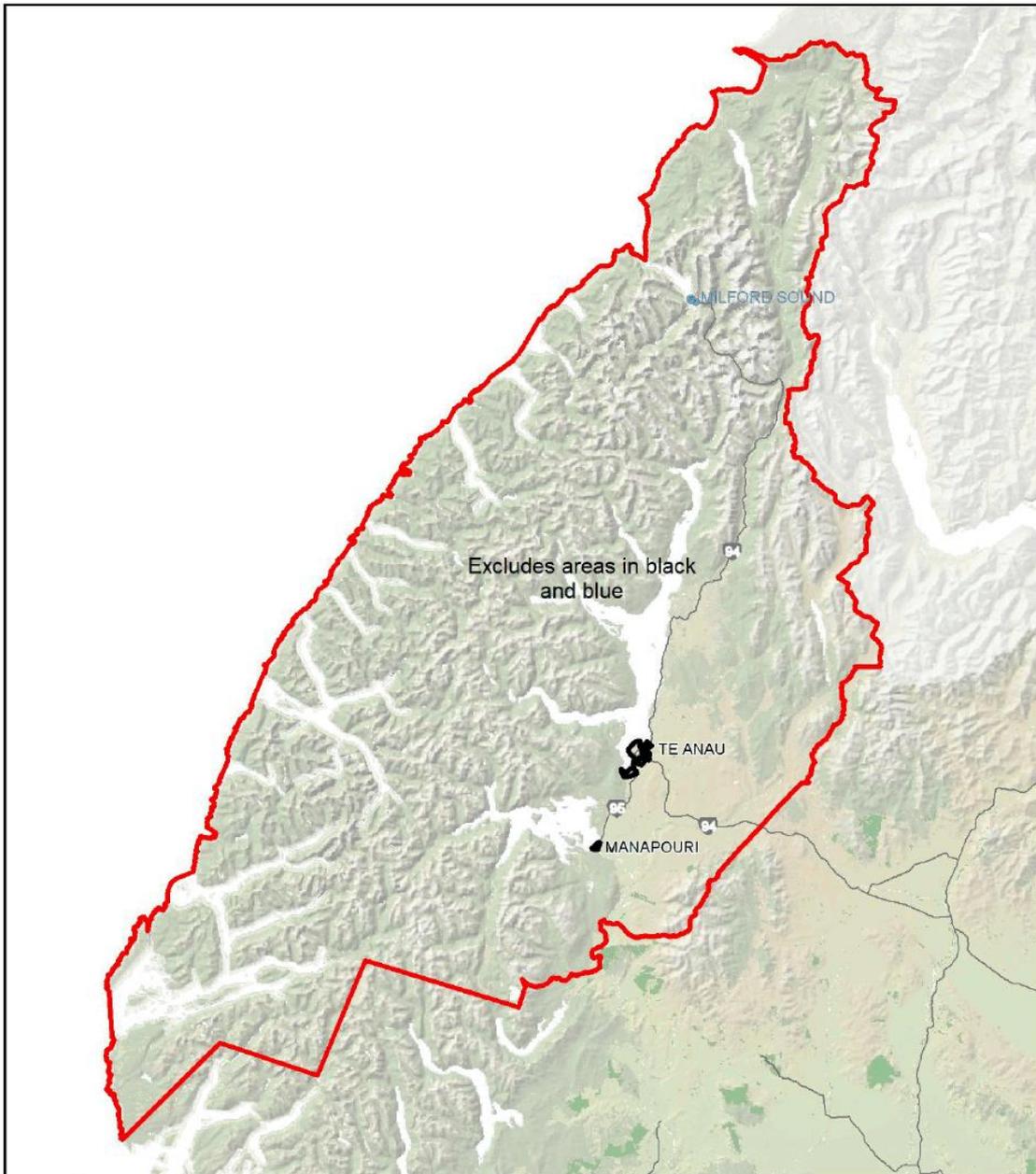
MANAPOURI



MAP 196

Map Scale 1:10,000 @ A4
Map Date 08 January 2021

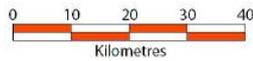




Rate Types represented by the mapped boundary (→):

22808 Fiordland Community Board Rate - Rural

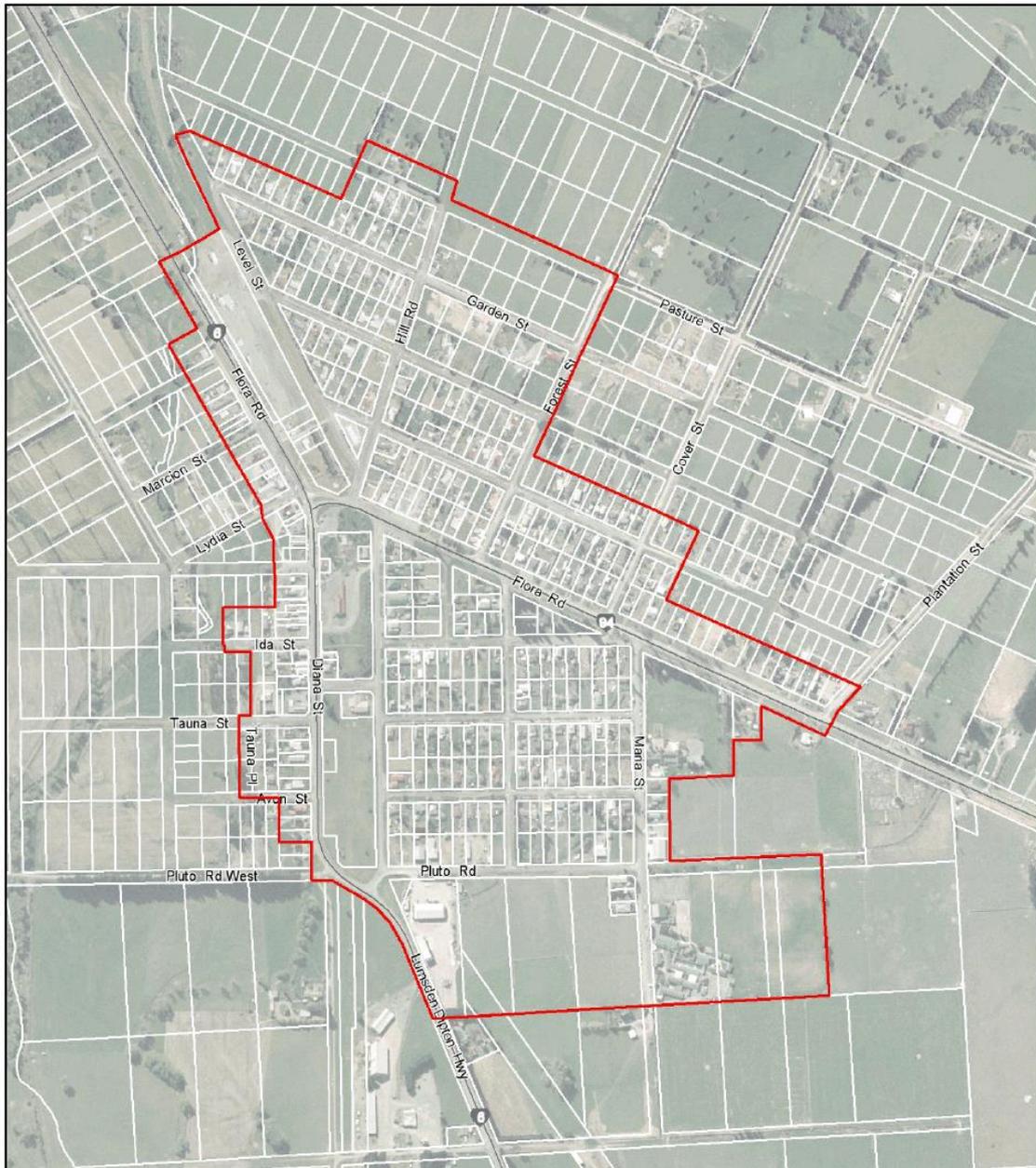
Note - Urban areas (in black) are shown on more detailed township maps. Excludes Milford township area (in blue).



MAP 178

Map Scale 1:1,000,000 @ A4
Map Date 08 January 2021

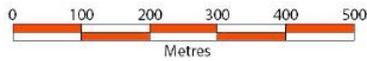




Rate Types represented by the mapped boundary (→):

- 22307 Northern Community Board Rate - Urban
- 40041 Stormwater Serviced

LUMSDEN



MAP 195

Map Scale 1:8,500 @ A4
Map Date 08 January 2021

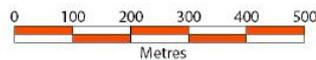




Rate Types represented by the mapped boundary (■):

22307 Northern Community Board Rate - Urban

MOSSBURN



MAP 198

Map Scale 1:10,000 @ A4
Map Date 08 January 2021

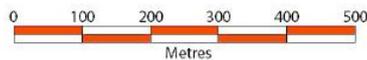




Rate Types represented by the mapped boundary (→):

22309 Northern Community Board Rate - Semi Urban

ATHOL



MAP 185

Map Scale 1:8,500 @ A4
Map Date 08 January 2021

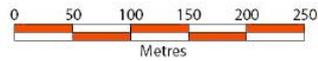




Rate Types represented by the mapped boundary (→):

22309 Northern Community Board Rate - Semi Urban

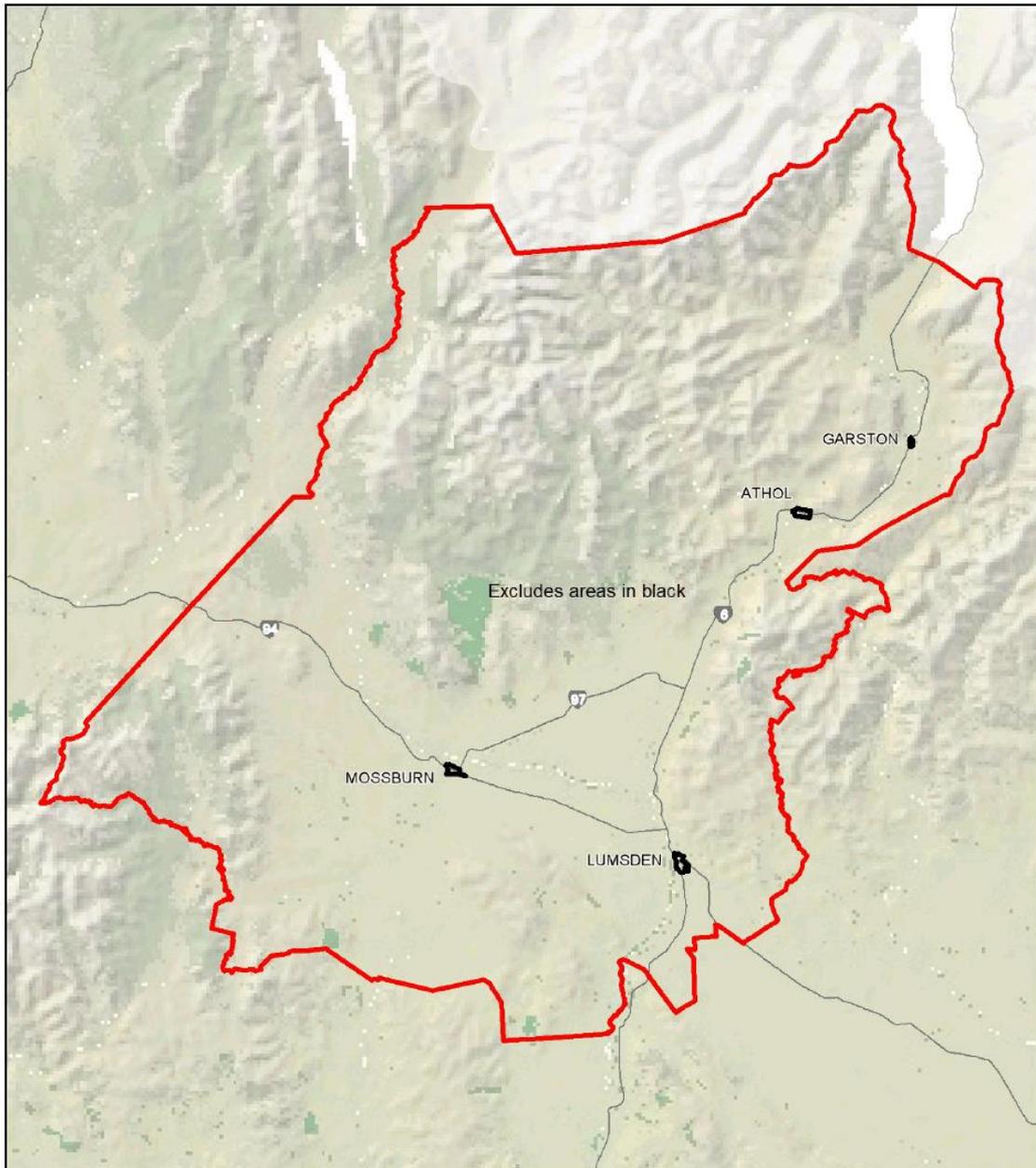
GARSTON



MAP 192

Map Scale 1:5,000 @ A4
Map Date 08 January 2021

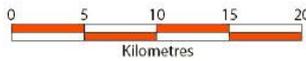




Rate Types represented by the mapped boundary (→):

22308 Northern Community Board Rate - Rural

Note - Urban and Semi-Urban areas (in black) are shown on more detailed township maps



MAP 179

Map Scale 1:400,000 @ A4
Map Date 08 January 2021

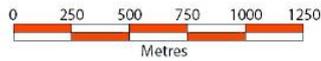




Rate Types represented by the mapped boundary (—):

- 22607 Oraka Aparima Community Board Rate - Urban
- 40041 Stormwater Serviced

RIVERTON /
APARIMA



MAP 204

Map Scale 1:25,000 @ A4
Map Date 08 January 2021

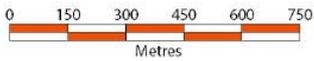




Rate Types represented by the mapped boundary (→):

- 22609 Oraka Aparima Community Board Rate - Semi Urban
- 40041 Stormwater Serviced

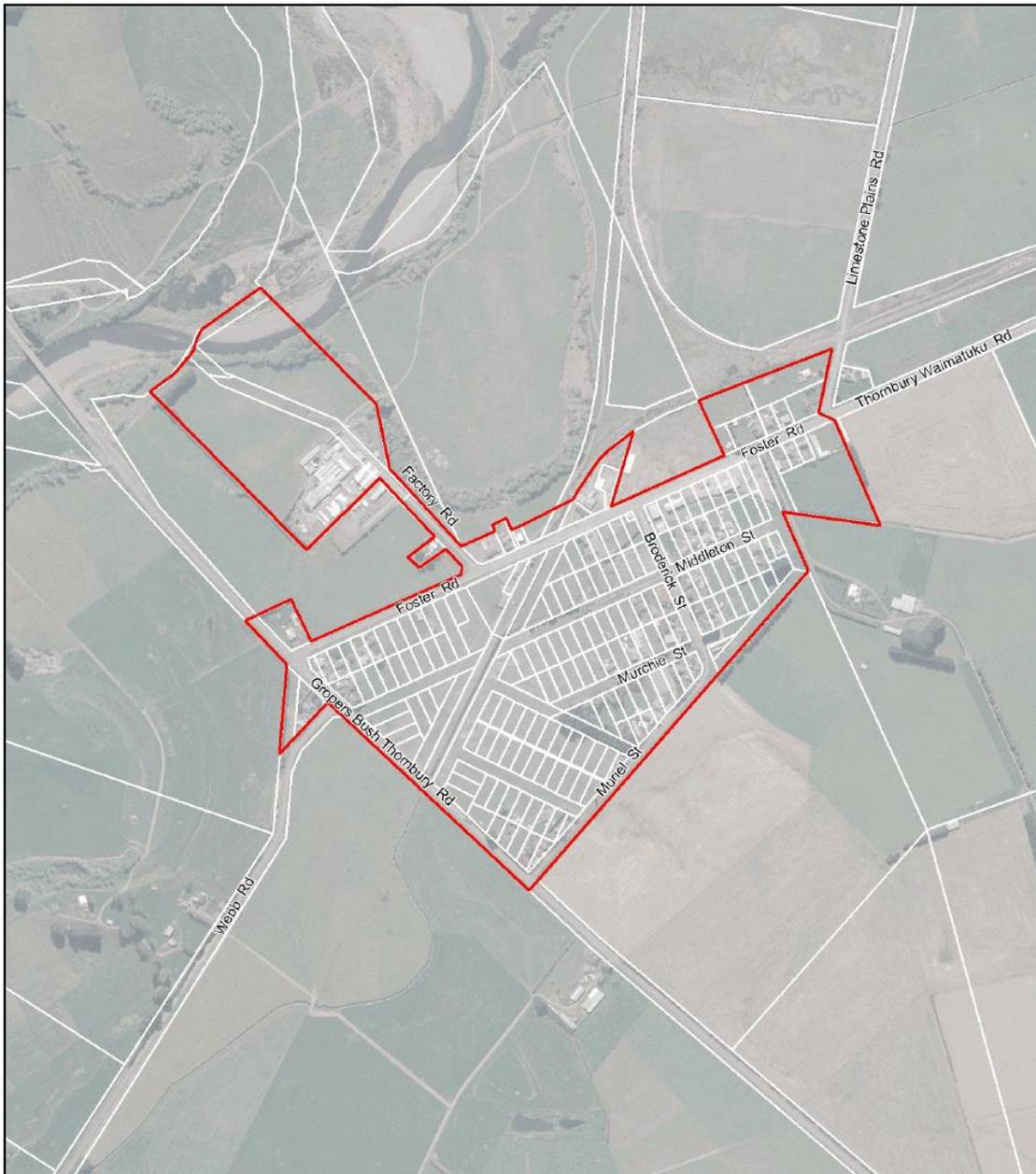
COLAC BAY / ORAKA



MAP 188

Map Scale 1:15,000 @ A4
Map Date 08 January 2021

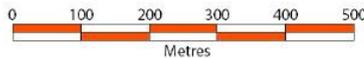




Rate Types represented by the mapped boundary (—):

- 22609 Oraka Aparima Community Board Rate - Semi Urban
- 40041 Stormwater Serviced

THORBURY



MAP 207

Map Scale 1:8,500 @ A4
Map Date 08 January 2021

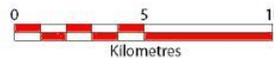




Rate Types represented by the mapped boundary (→):

22608 Oraka Aparima Community Board Rate - Rural

Note - Urban and Semi-Urban areas (in black) are shown on more detailed township maps



MAP 180

Map Scale 1:225,000 @ A4
Map Date 08 January 2021

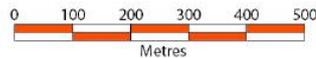




Rate Types represented by the mapped boundary (■):

- 23907 Oreti Community Board Rate - Urban
- 40041 Stormwater Serviced

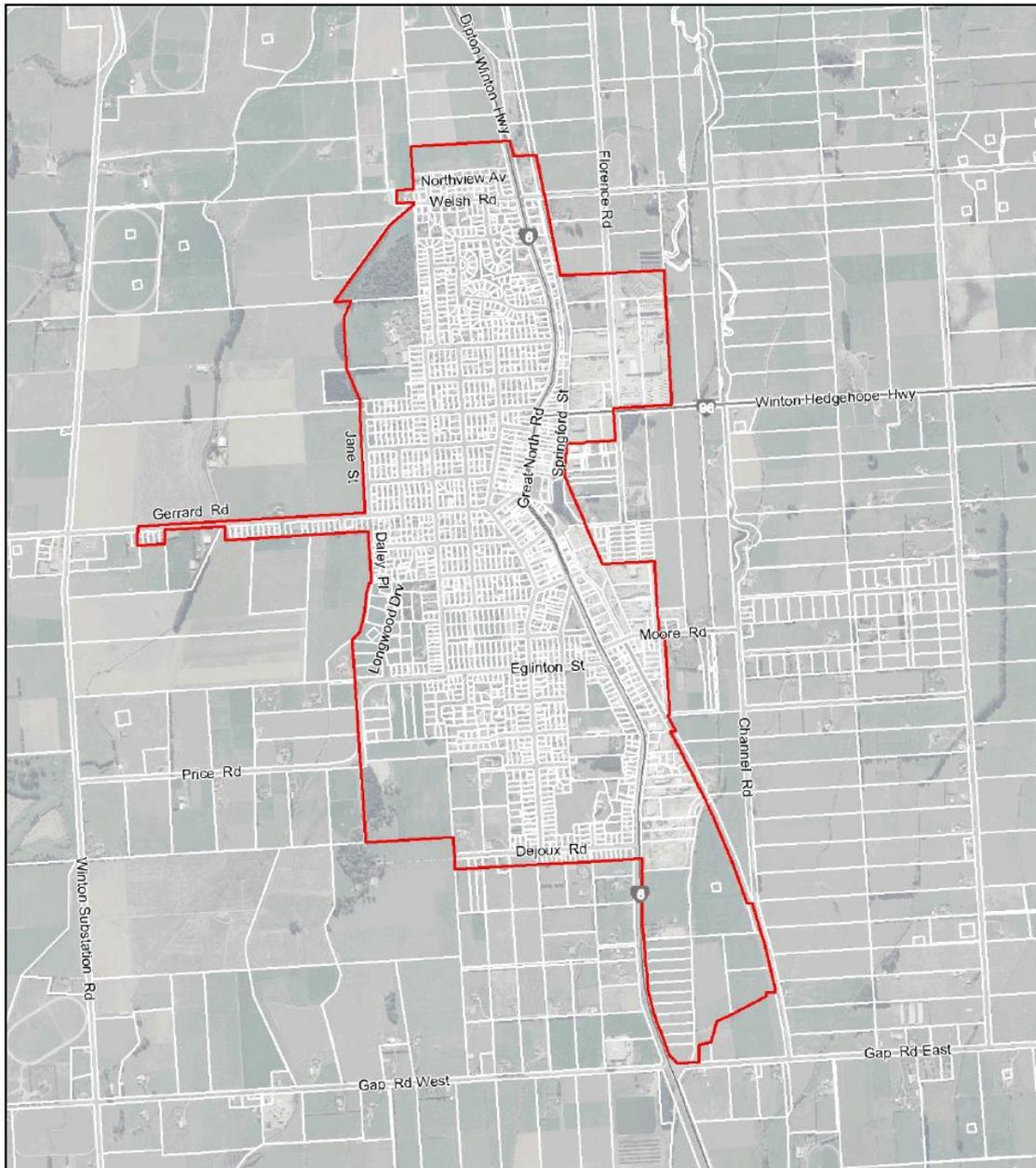
WALLACETOWN



MAP 213

Map Scale 1:10,000 @ A4
Map Date 08 January 2021

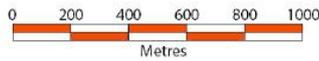




Rate Types represented by the mapped boundary (→):

- 23907 Oreti Community Board Rate - Urban
- 40041 Stormwater Serviced

WINTON



MAP 214

Map Scale 1:20,000 @ A4
Map Date 08 January 2021

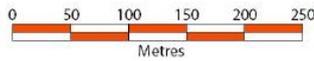




Rate Types represented by the mapped boundary (■):

- 23909 Oreti Community Board Rate - Semi Urban
- 40041 Stormwater Serviced

BROWNS



MAP 187

Map Scale 1:5,000 @ A4
Map Date 08 January 2021

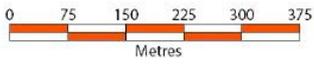




Rate Types represented by the mapped boundary (→):

- 23909 Oreti Community Board Rate - Semi Urban
- 40041 Stormwater Serviced

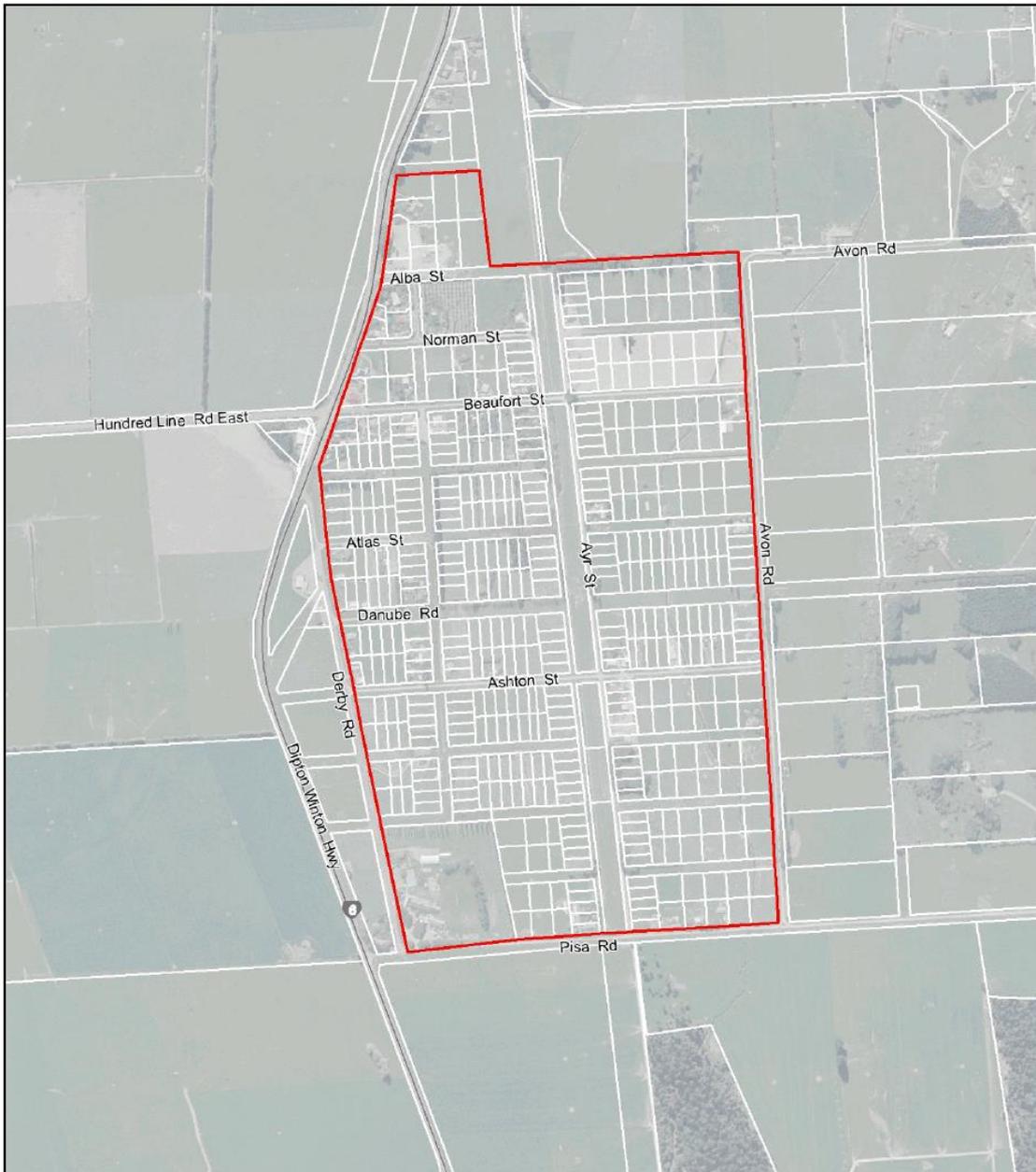
DIPTON



MAP 189

Map Scale 1:7,500 @ A4
Map Date 08 January 2021

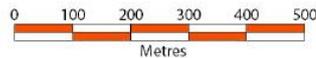




Rate Types represented by the mapped boundary (■):

- 23909 Oreti Community Board Rate - Semi Urban
- 40041 Stormwater Serviced

**LIMEHILLS /
CENTRE BUSH**



MAP 194

Map Scale 1:10,000 @ A4
Map Date 08 January 2021

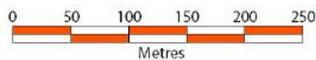




Rate Types represented by the mapped boundary (→):

40041 Stormwater Serviced

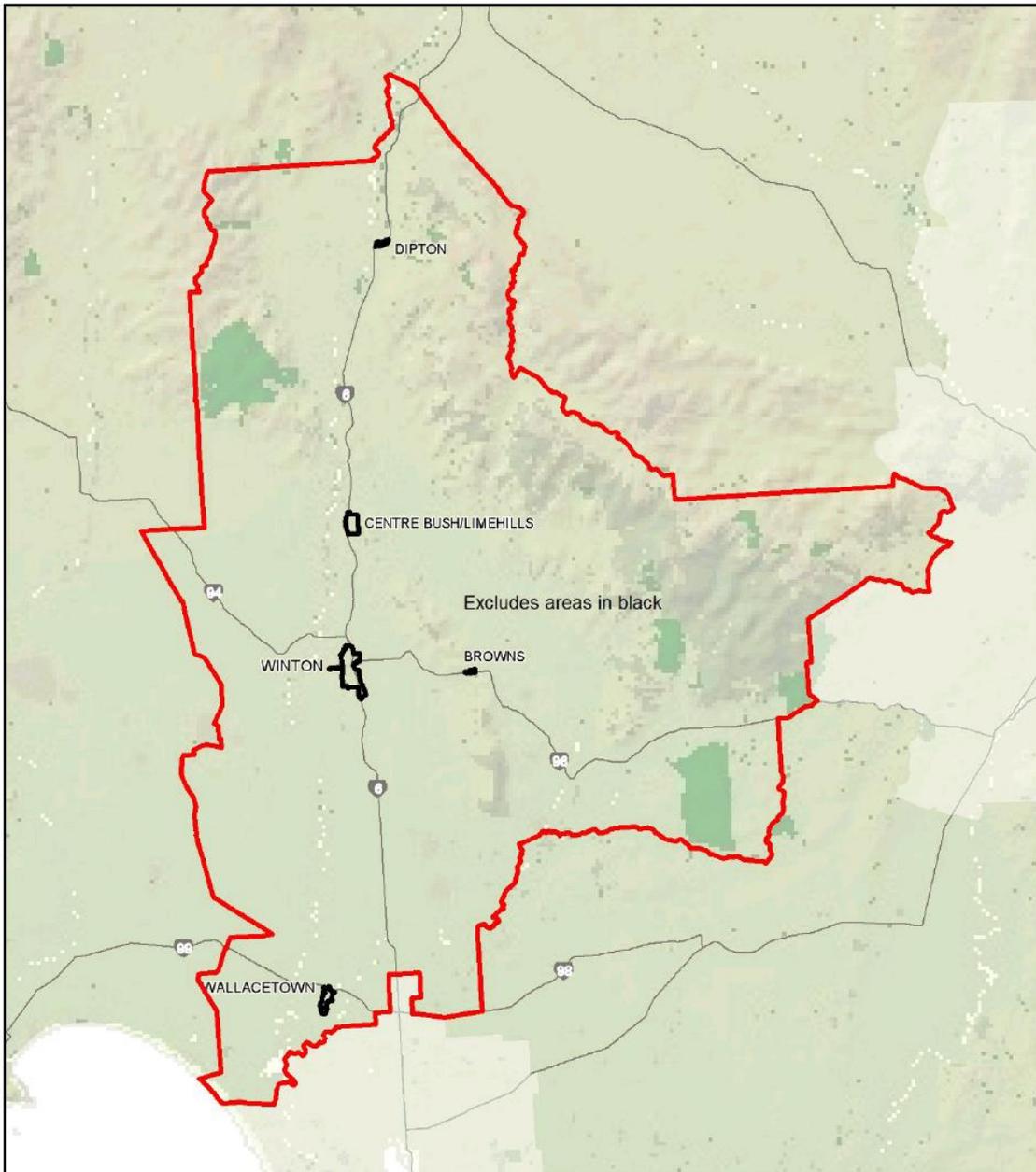
WAIANIWA



MAP 210

Map Scale 1:5,000 @ A4
Map Date 08 January 2021

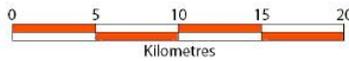




Rate Types represented by the mapped boundary (→):

23908 Oreti Community Board Rate - Rural

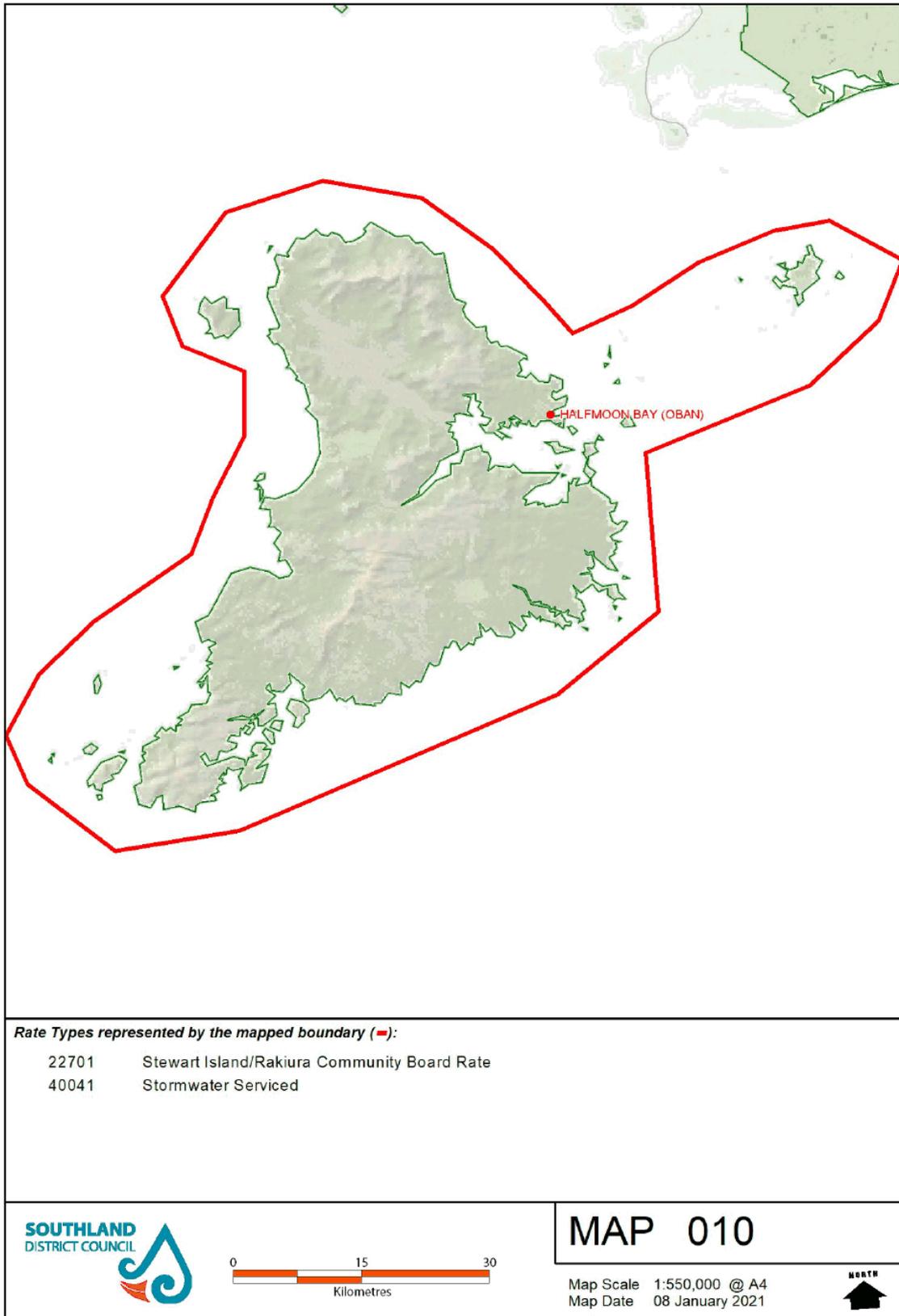
Note - Urban and Semi-Urban areas (in black) are shown on more detailed township maps

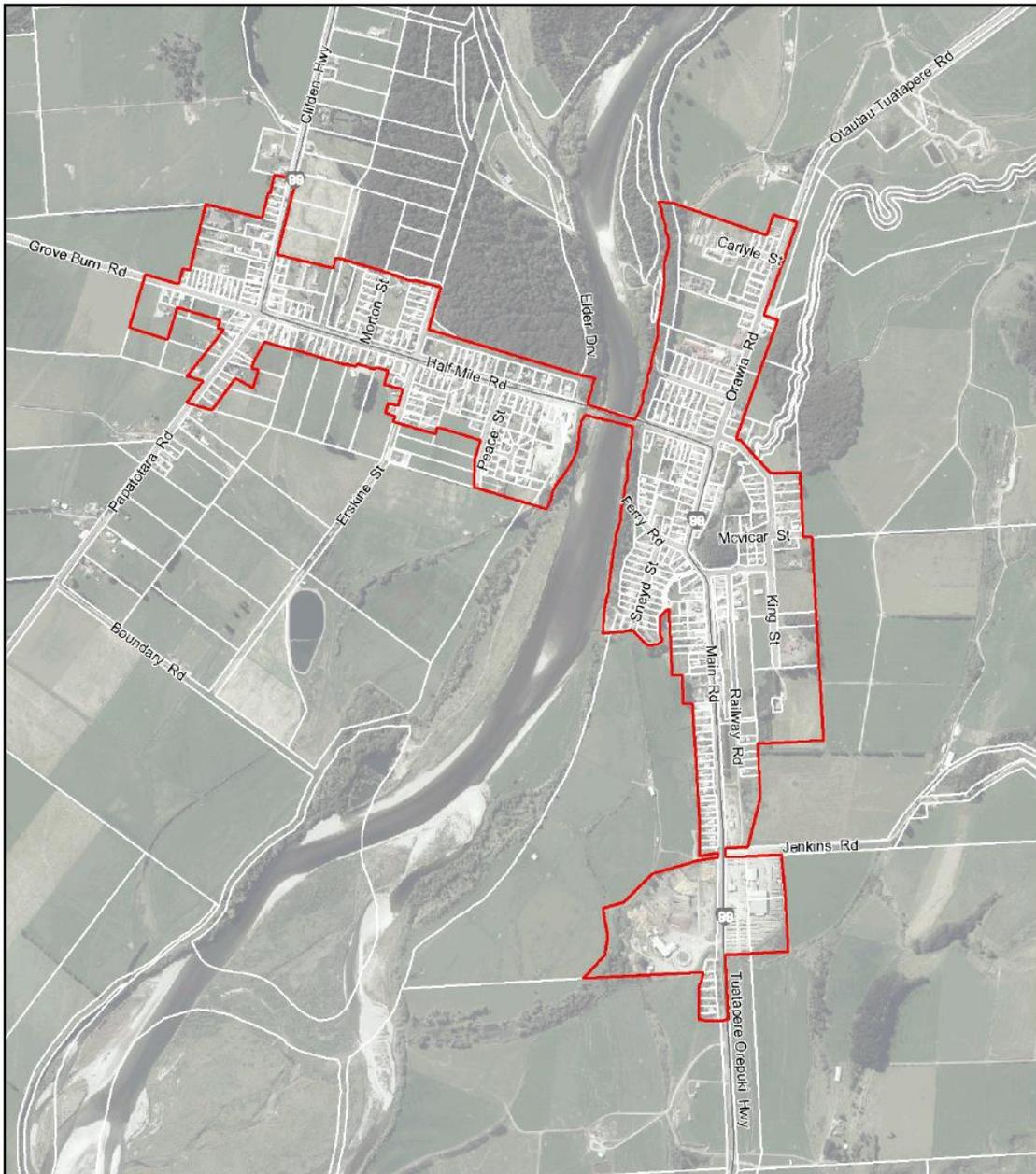


MAP 181

Map Scale 1:350,000 @ A4
Map Date 08 January 2021



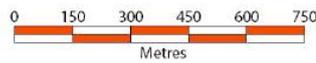




Rate Types represented by the mapped boundary (→):

- 22907 Tuatapere Te Waewae Community Board Rate - Urban
- 40041 Stormwater Serviced

TUATAPERĒ



MAP 209

Map Scale 1:15,000 @ A4
Map Date 08 January 2021

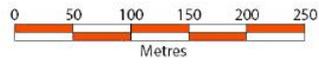




Rate Types represented by the mapped boundary (→):

- 22909 Tuatapere Te Waewae Community Board Rate - Semi Urban
- 40041 Stormwater Serviced

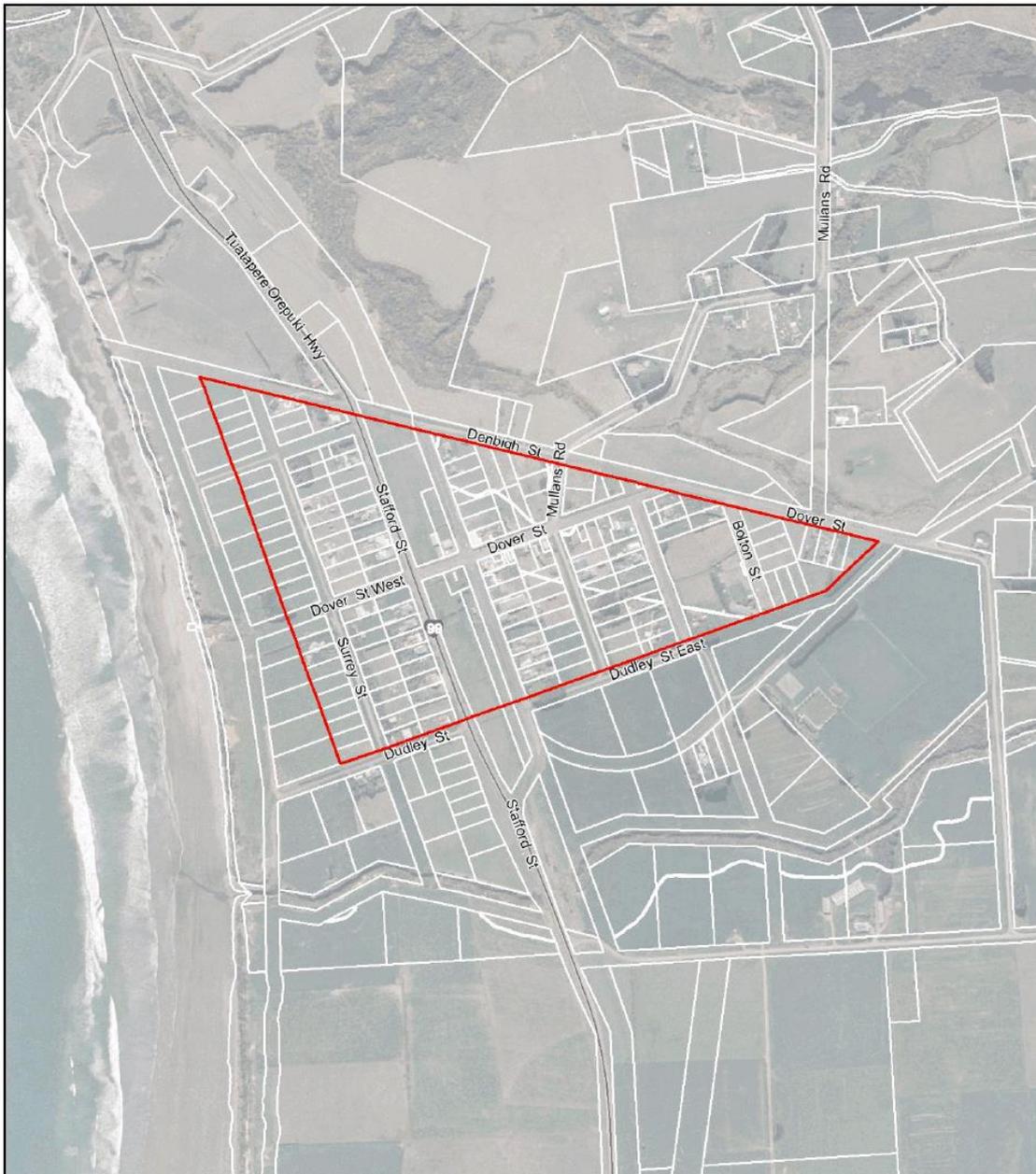
MONOWAI



MAP 197

Map Scale 1:5,000 @ A4
Map Date 08 January 2021

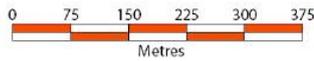




Rate Types represented by the mapped boundary (—):

- 22909 Tuatapere Te Waewae Community Board Rate - Semi Urban
- 40041 Stormwater Serviced

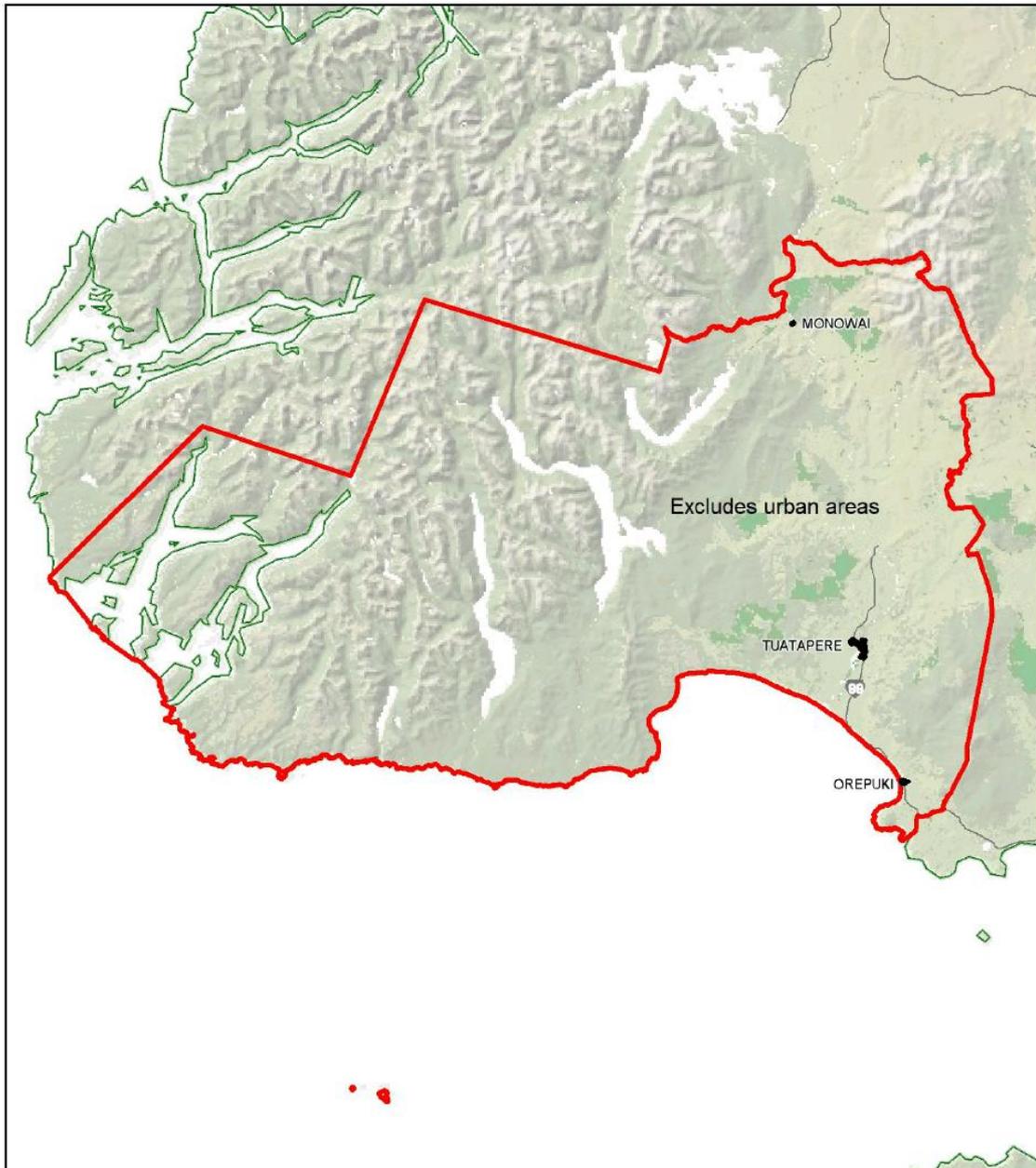
OREPUKI



MAP 201

Map Scale 1:7,500 @ A4
Map Date 08 January 2021

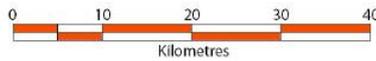




Rate Types represented by the mapped boundary (→):

22908 Tuatapere Te Waewae Community Board Rate - Rural
Note - Urban and Semi-Urban areas (in black) are shown on more detailed township maps

SOUTHLAND
DISTRICT COUNCIL



MAP 182

Map Scale 1:650,000 @ A4
Map Date 08 January 2021

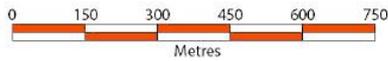




Rate Types represented by the mapped boundary (■):

- 22107 Waihopai Toetoe Community Board Rate - Urban
- 40041 Stormwater Serviced

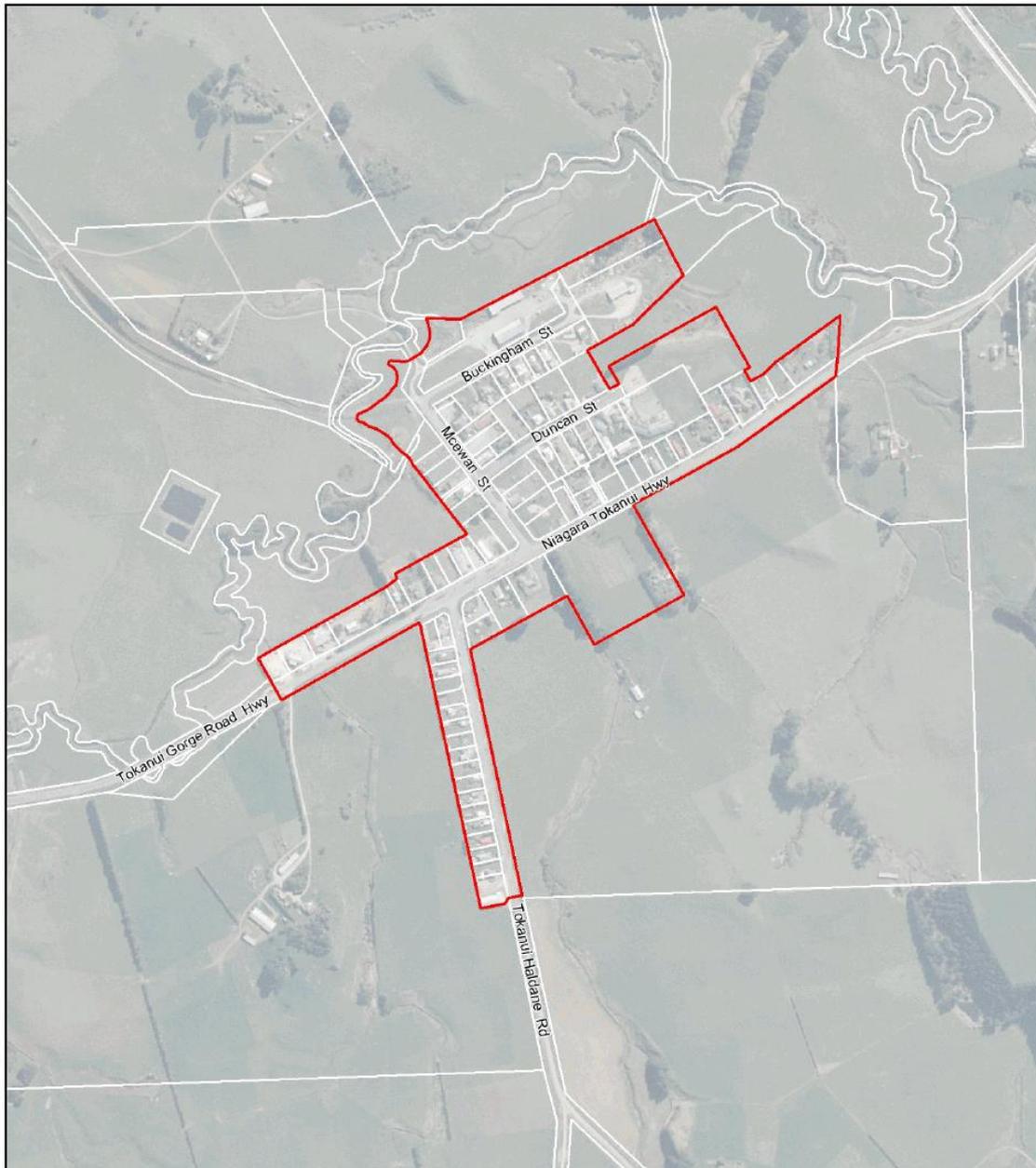
EDENDALE



MAP 191

Map Scale 1:12,000 @ A4
Map Date 08 January 2021

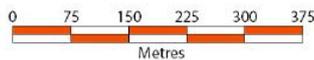




Rate Types represented by the mapped boundary (→):

- 22107 Waihopai Toetoe Community Board Rate - Urban
- 40041 Stormwater Serviced

TOKANUI



MAP 208

Map Scale 1:7,500 @ A4
Map Date 08 January 2021

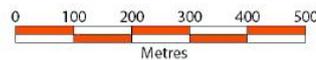




Rate Types represented by the mapped boundary (■):

- 22107 Waihopai Toetoe Community Board Rate - Urban
- 40041 Stormwater Serviced

WYNDHAM



MAP 216

Map Scale 1:10,000 @ A4
Map Date 08 January 2021

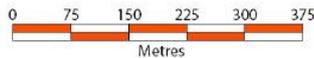




Rate Types represented by the mapped boundary (→):

22109 Waihopai Toetoe Community Board Rate - Semi Urban

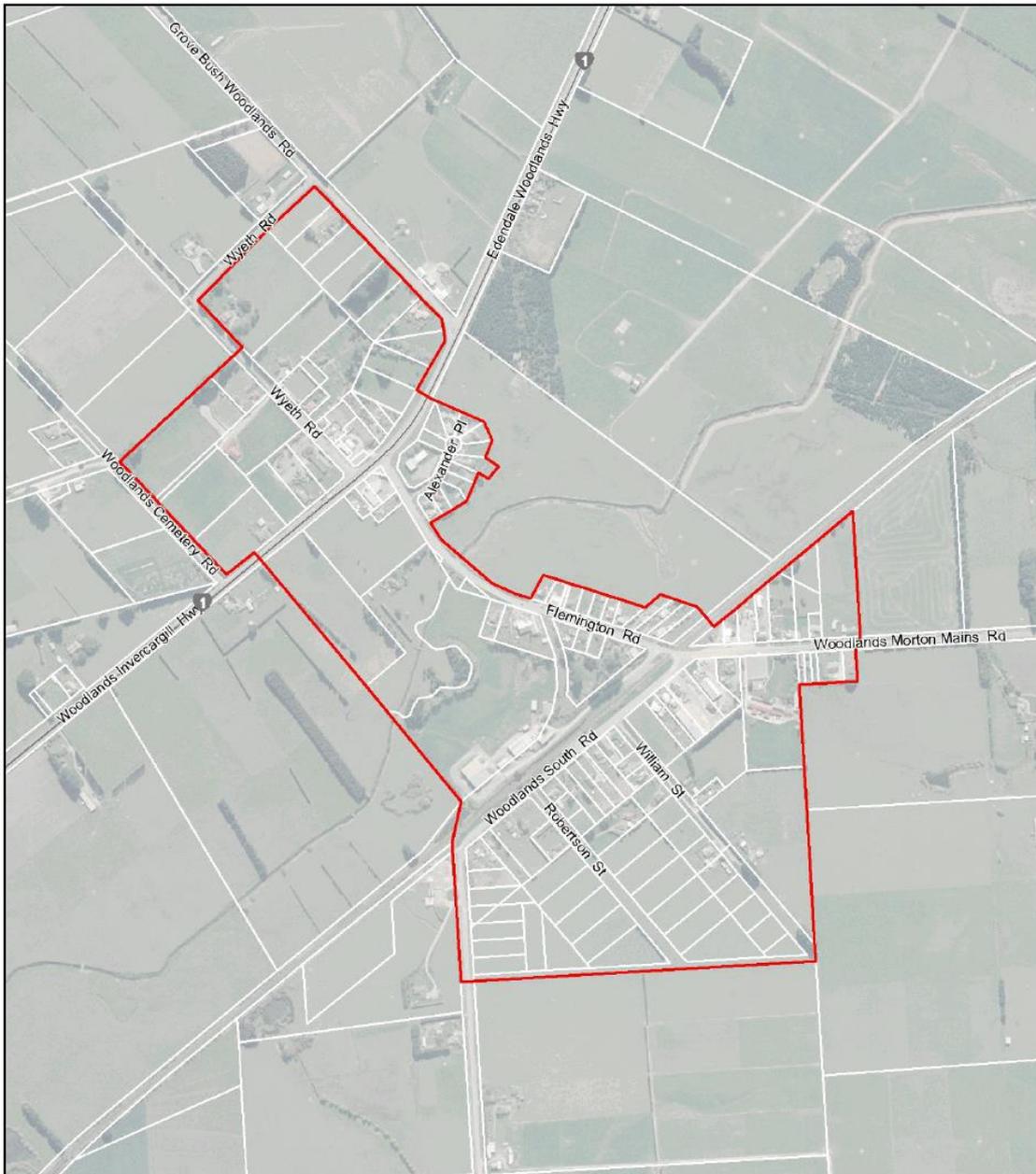
GORGE ROAD



MAP 193

Map Scale 1:7,500 @ A4
Map Date 08 January 2021

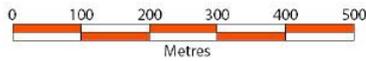




Rate Types represented by the mapped boundary (■):

- 22109 Waihopai Toetoe Community Board Rate - Semi Urban
- 40041 Stormwater Serviced

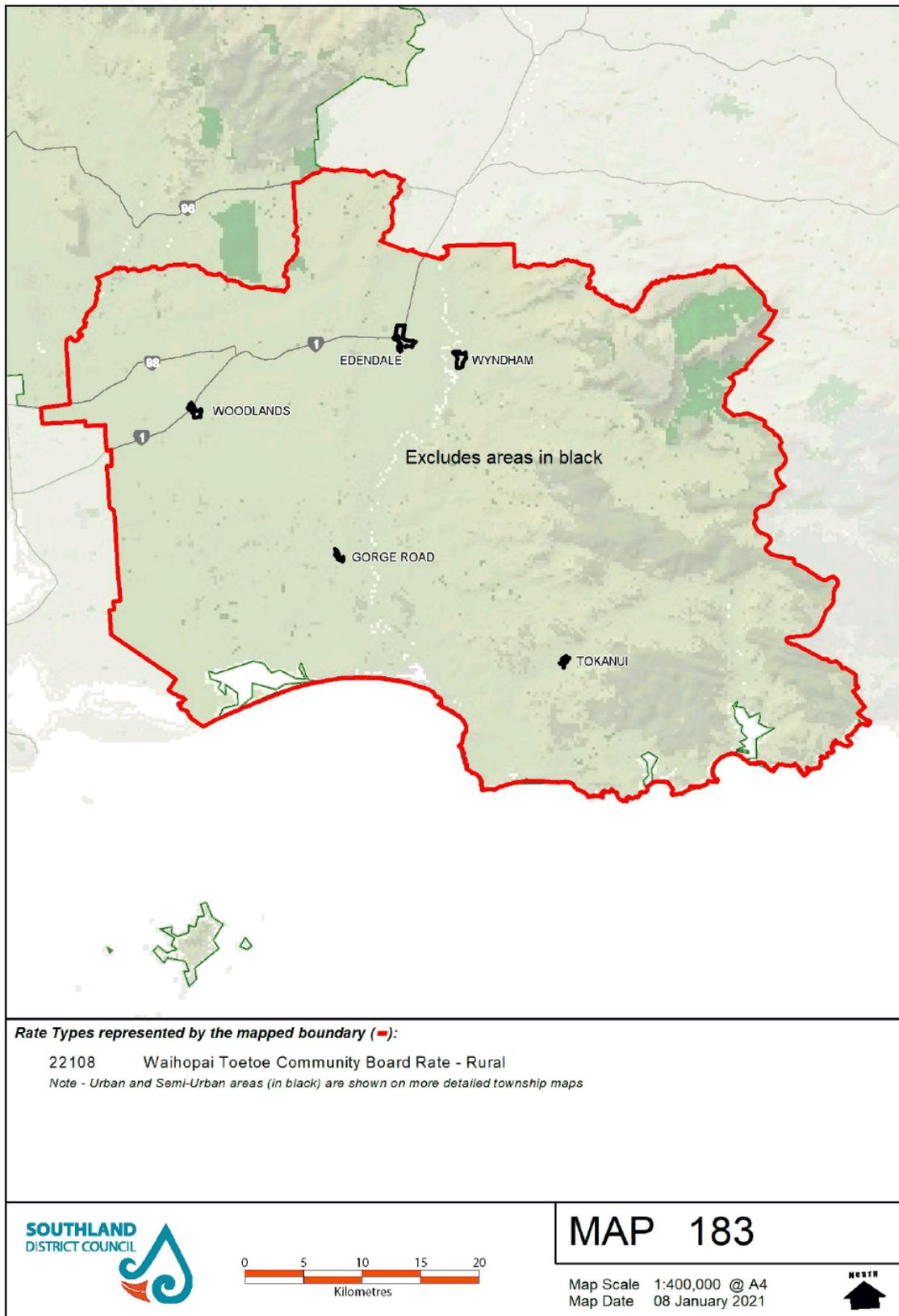
WOODLANDS



MAP 215

Map Scale 1:8,500 @ A4
Map Date 08 January 2021



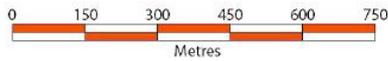




Rate Types represented by the mapped boundary (■):

- 23007 Wallace Takitimu Community Board Rate - Urban
- 40041 Stormwater Serviced

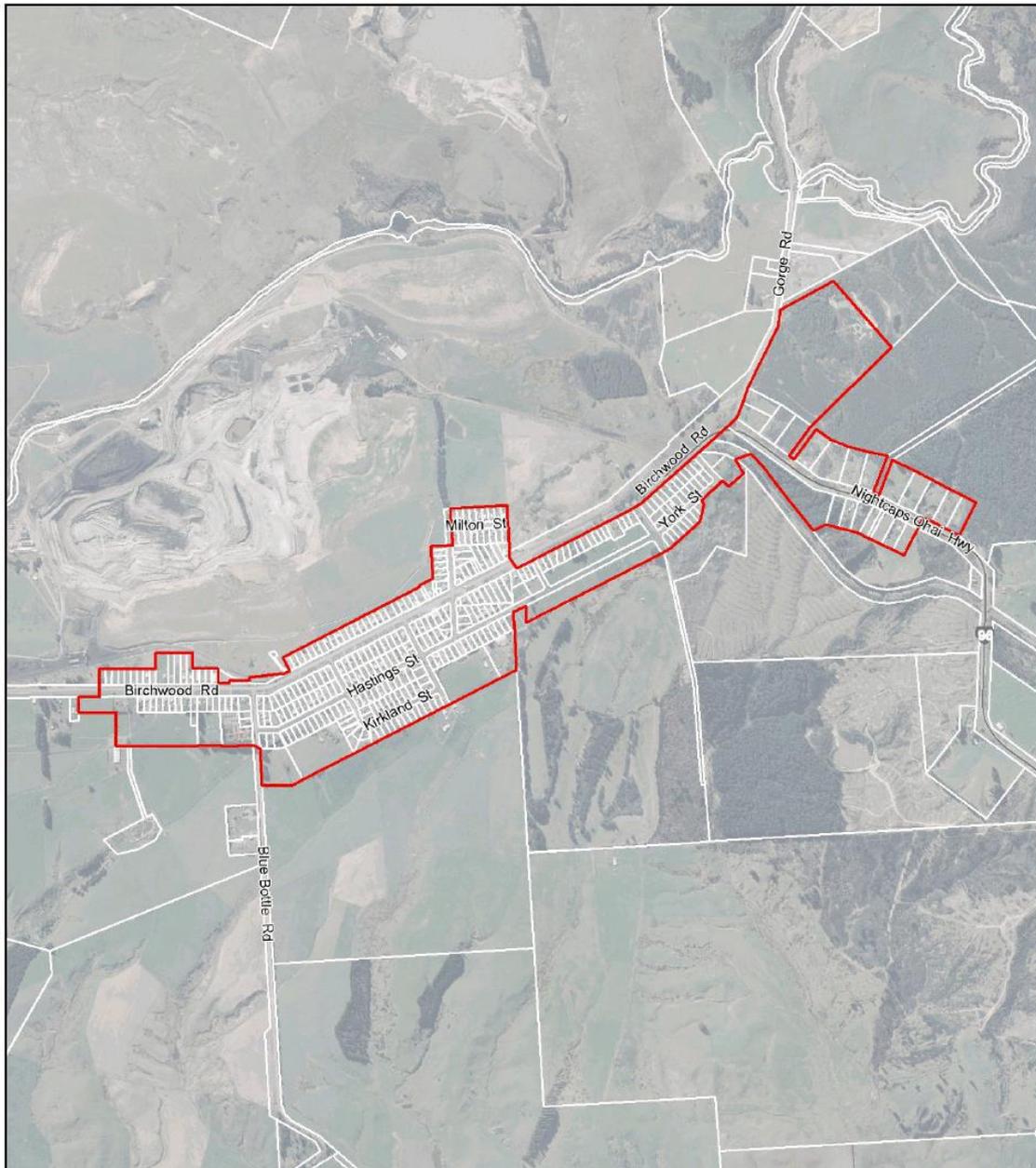
NIGHTCAPS



MAP 199

Map Scale 1:12,000 @ A4
Map Date 08 January 2021



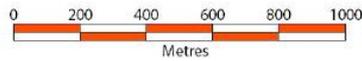


Rate Types represented by the mapped boundary (→):

- 23007 Wallace Takitimu Community Board Rate - Urban
- 40041 Stormwater Serviced

OHA1

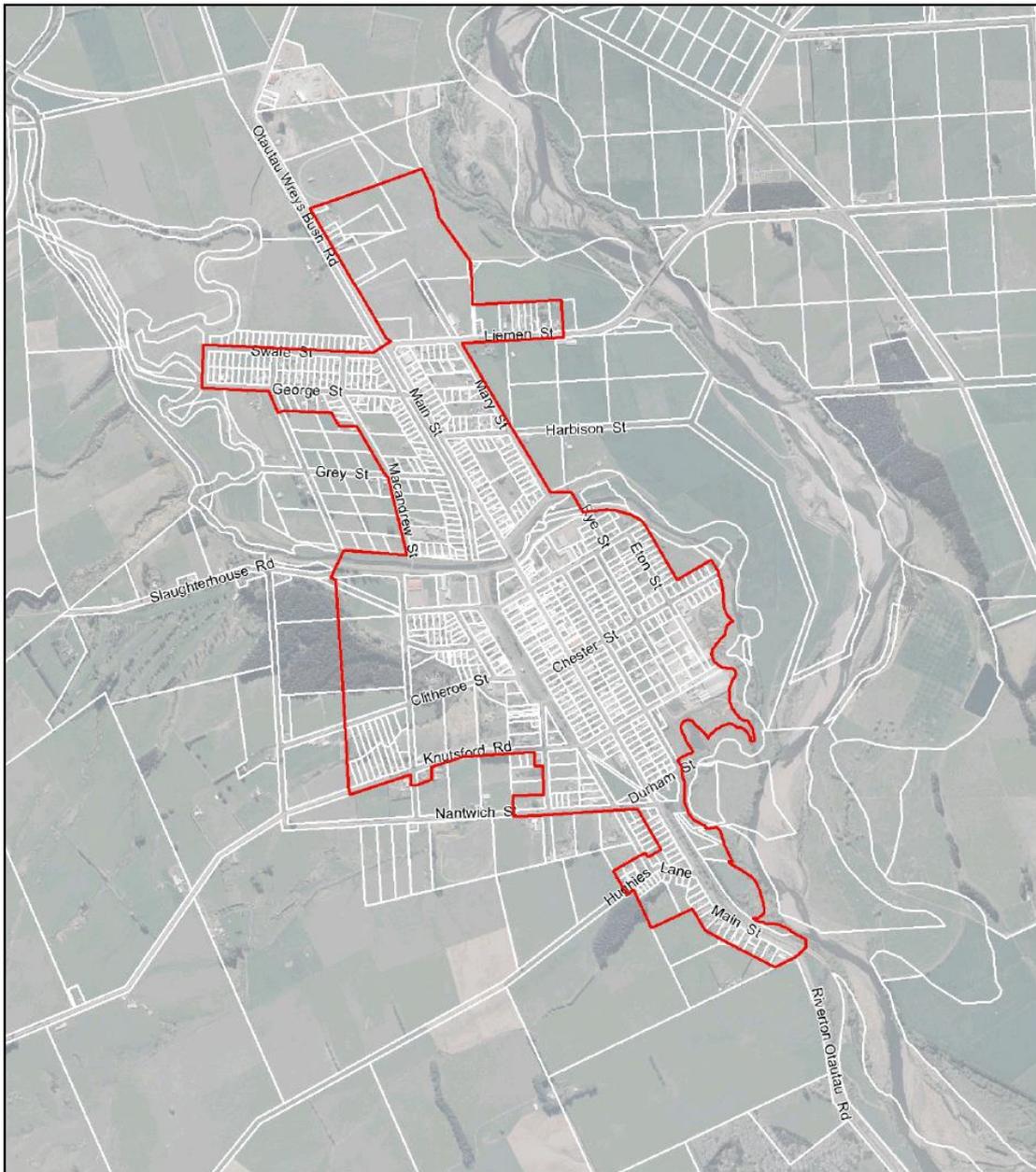
SOUTHLAND
DISTRICT COUNCIL



MAP 200

Map Scale 1:17,500 @ A4
Map Date 08 January 2021

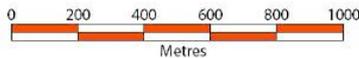




Rate Types represented by the mapped boundary (■):

- 23007 Wallace Takitimu Community Board Rate - Urban
- 40041 Stormwater Serviced

OTAUTAU



MAP 202

Map Scale 1:17,500 @ A4
Map Date 08 January 2021

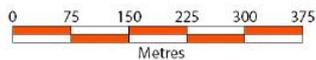




Rate Types represented by the mapped boundary (→):

23009 Wallace Takitimu Community Board Rate - Semi Urban

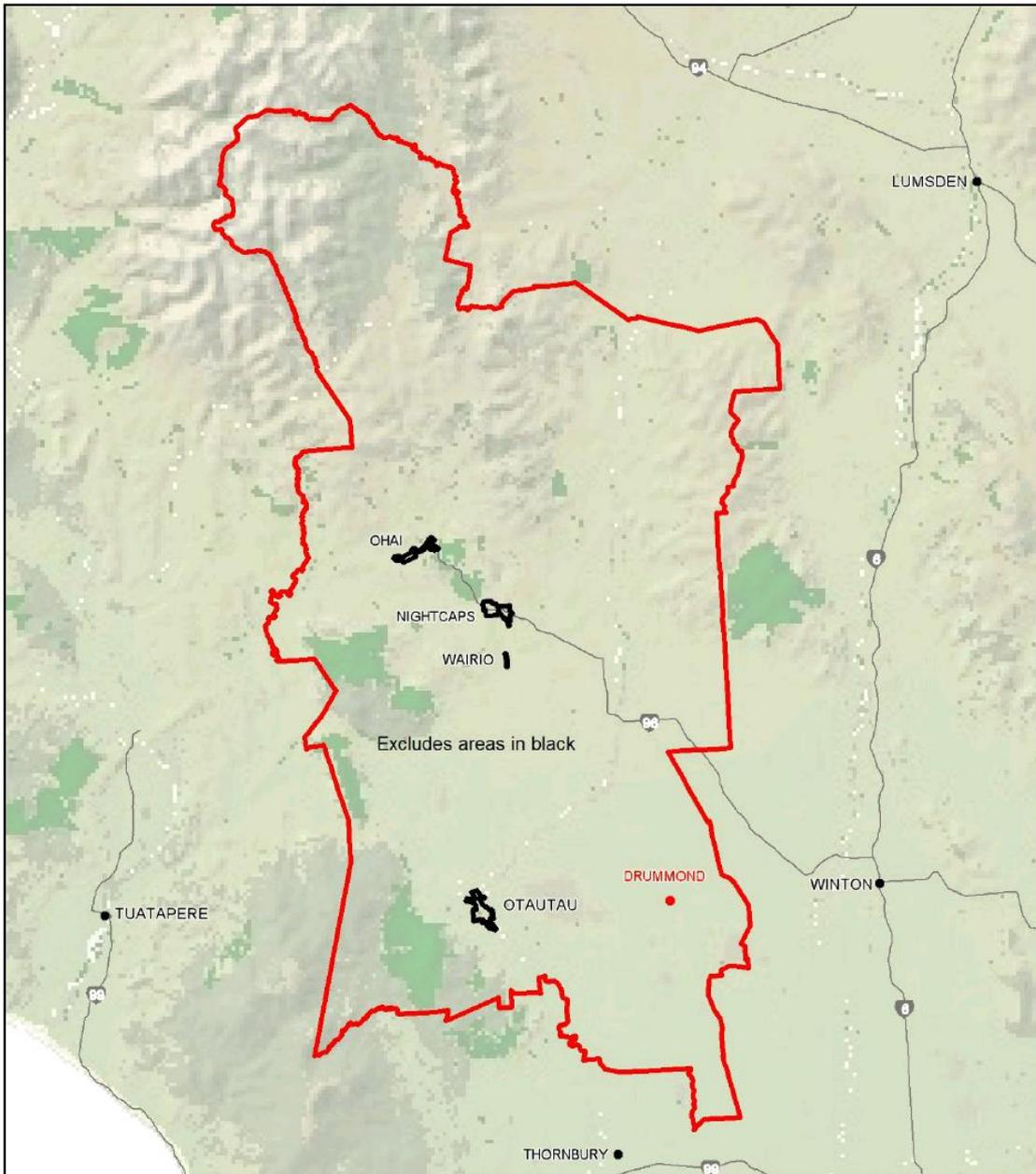
WAIRIO



MAP 212

Map Scale 1:7,500 @ A4
Map Date 08 January 2021

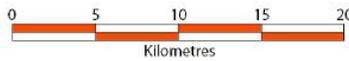




Rate Types represented by the mapped boundary (→):

23008 Wallace Takitimu Community Board Rate - Rural

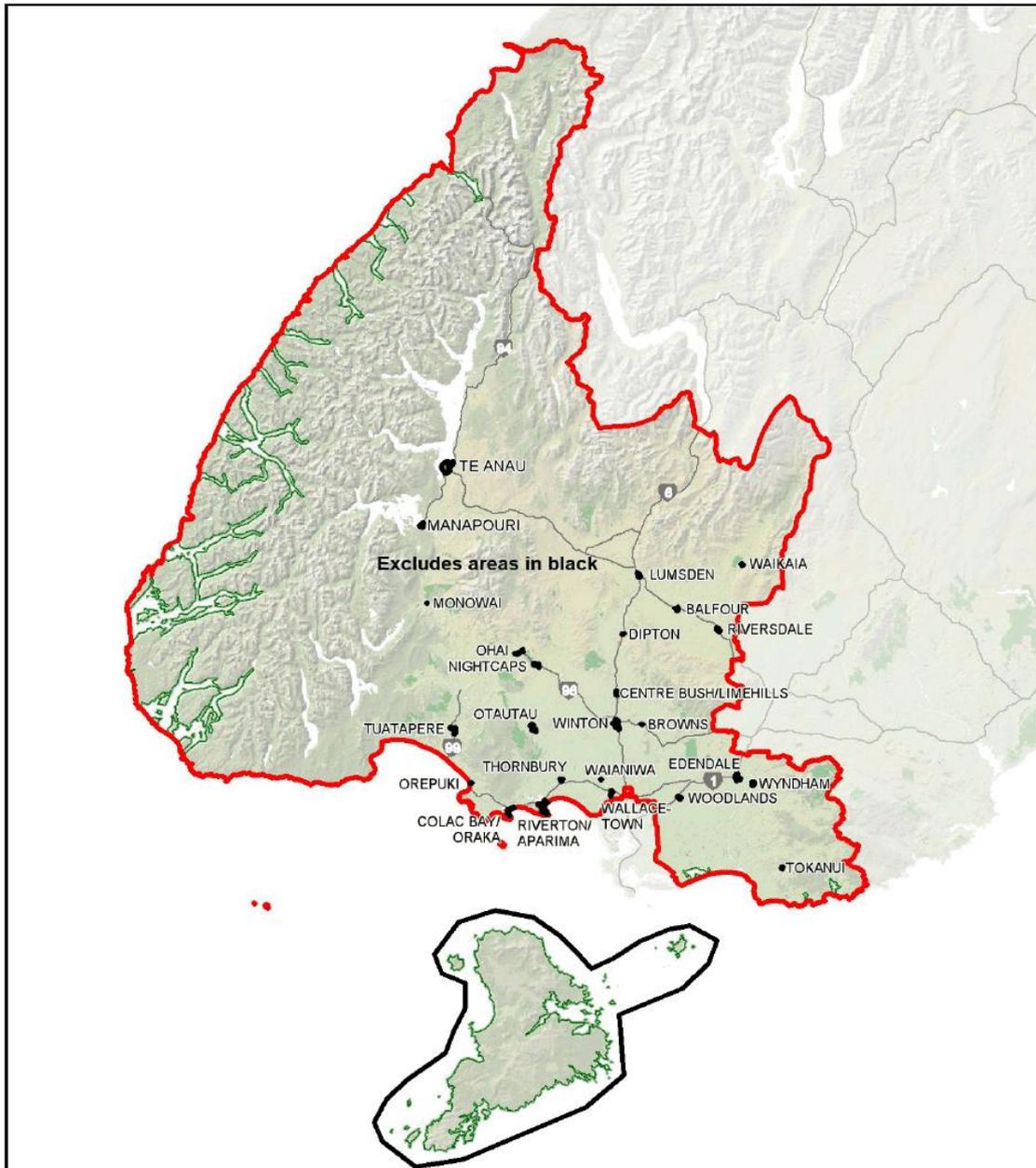
Note - Urban and Semi-Urban areas (in black) are shown on more detailed township maps



MAP 184

Map Scale 1:350,000 @ A4
Map Date 08 January 2021

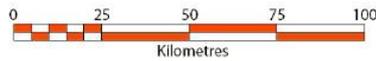




Rate Types represented by the mapped boundary (→):

40051 Stormwater Unserved

Note - Served areas (in black) are shown on more detailed township maps



MAP 217

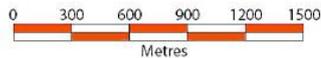
Map Scale 1:1,650,000 @ A4
Map Date 08 January 2021





Rate Types represented by the mapped boundary:

22706 SIESA Rate



MAP 219

Map Scale 1:30,000 @ A4
Map Date 19 January 2021



Revenue and Financing Policy

| | |
|---------------------------|---------------------|
| Group Responsible: | Finance |
| Date Approved: | 1 July 2018 |
| File No: | r/17/8/18227 |

1 Purpose

The Revenue and Financing Policy sets out how the Council funds each of its activities and why it funds them in the way it does. The Council is required by Section 102 of the Local Government Act 2002 to have this Policy, among others, in order to provide predictability and certainty to residents and ratepayers about the sources and levels of funding.

The purpose of the Revenue and Financing Policy is to describe how Council funds its operating and capital expenses from the funding sources available to it and why it chooses the various mechanisms to fund the operating and capital expenditure of the Council.

The Act requires that the Revenue and Financing Policy is included as part of the Long Term Plan. Other funding and financial policies required by Section 102(2) of the Act do not need to be included as part of the Council's Long Term Plan.

2 Policy Details

2.1 Our Funding Approach

In determining how activities are funded, Council has considered the requirements of the Local Government Act 2002 Section 101(3). The Council is obliged to share the costs of delivering services across different users including across generations. In deciding how to fund each activity, Council takes into account:

- the community outcomes to which an activity primarily contributes
- the distribution of benefits between the community as a whole, identifiable parts of the community and individuals
- the period during which the benefits are expected to occur
- the extent to which actions, or inactions, of individuals or groups contribute to the need to undertake the activity
- the costs and benefits of funding the activity separately from other activities.

It then considers the overall impact of any allocation of liability for revenue needs on the District.

Deciding on who should pay for an activity, asset or service is more complex than simply allocating costs to primary users. Some activities result in benefits for the wider community as well as specifically for the individuals who use them. For example, recreational facilities contribute to proud connected communities and have impacts on community health, well-being and sustainability. Council also considers that people

should not be excluded from using a service or engaging in an activity because of affordability. For these reasons, Council has decided to fund several activities using a general rate or a combination of targeted and general rates.

For a full analysis of Section 101(3) of the Local Government Act 2002 requirements for each activity, please refer to the **Activity Funding Needs Analysis**, which can be found on Council's website (www.southlanddc.govt.nz).

2.2 Description of Funding Mechanisms

Types of Expenditure

Broadly speaking, Council has two types of expenses: operating expenditure and capital expenditure.

Operating expenditure is used to fund the ongoing day-to-day activities and services of the Council.

Capital expenditure is money spent in acquiring or upgrading a business asset such as equipment or buildings. The Council has three categories of capital expenditure spread across its activities:

- **renewals** - Defined as capital expenditure that increases the life of an existing asset with no increase in service level.
- **increased level of service (ILOS)** - Defined as capital expenditure that increases the service level delivered by the asset.
- **additional demand (AD)** - Defined as capital expenditure that is required to provide additional capacity necessary to accommodate growth, in whole or part under Council's Development and Financial Contributions Policy.

Funding Mechanisms

Council uses different funding sources for different types of expenditure. The Council funds its expenditure using the funding mechanisms outlined below.

User Fees and Charges

User Fees and Charges apply to individuals or groups who are directly using a Council service. Where user fees and charges apply, there is a direct benefit to an individual. When a decision is made to fund an activity through user fees and charges, the beneficiaries must be able to be identified and charged directly for the service they receive. The Council also considers issues like the affordability of user charges or how they compare to the market rate for services. In some cases, user fees and charges may be balanced with other funding sources. This may occur where the Council believes that setting a charge too high will reduce the use of a service and therefore diminish its value to the community and impose a greater cost on ratepayers.

Rates

There are two main types of rates:

- Rates with general effect:
 - General Rate
 - Uniform Annual General Charge (UAGC); and
- Targeted Rates

A General Rate is a rate assessed across all rateable properties in the District based on a property valuation system. It is used to fund those services where Council believes there is a public benefit to the whole of the community across the District.

A Uniform Annual General Charge (UAGC) is a rate assessed across all rateable properties in the District. It is used to fund those services where the Council believes there is an equal public benefit across the District.

For clarity, the portion of General Rate and the Uniform Annual General Charge will be based on the percentages indicated below. The category correlates to the relevant sub-activities within each of Council's nine activity groupings.

| Category | General Rate | Uniform Annual General Charge |
|--------------------------------------|--------------|-------------------------------|
| Building Control | 100% | |
| Civil Defence & Emergency Management | 100% | |
| Community Housing | 85% | 15% |
| Council Facilities | 85% | 15% |
| Community Futures | 25% | 75% |
| District Support | 85% | 15% |
| Animal Control | | 100% |
| Environment Health | | 100% |
| Grants & Donations | | 100% |
| Library Services | | 100% |
| Parks & Reserves | 85% | 15% |
| Public Toilets | | 100% |
| Representation & Advocacy | 25% | 75% |
| Resource Management | 90% | 10% |
| Roads & Footpaths | | 100% |
| Strategy & Communications | 90% | 10% |
| Work Schemes | 85% | 15% |

When using the General Rate, the Local Government (Rating) Act 2002 only allows a choice of one valuation system from three options:

1. The annual value of the land; or
2. The capital value of the land; or
3. The land value.

Council has chosen to set a General Rate which is assessed on a capital value basis. The general rate is not set on a differential basis. Council has a Uniform Annual General Charge which is assessed per rating unit.

A Targeted Rate is a rate set for a specific activity or group of activities. Some targeted rates are charged to all ratepayers in the District. Targeted Rates can be set in a number of different ways including:

- Capital Value

- Land Value
- Value of improvements
- Property Location (Rating Boundary)
- Land Use (as defined by Council's Valuation Service Provider)
- Per Rating Unit (Fixed Charge)
- Per Separately Used or Inhabited Part of a Rating Unit (Fixed Charge)
- Per supply of service (bins, water, sewerage etc).

Financial and Development Contributions

The Council's Policy on Development Contributions and Financial Contributions sets out the conditions in which contributions are required and the method used to calculate them. Development Contributions are currently in remission under this policy, due to Council's desire to encourage growth in the District. This position will be reviewed again in conjunction with the 2021-2031 Long Term Plan.

Financial Contributions are underpinned by the Operative District Plan. Development Contributions required under the Local Government Act 2002 are generally used to fund growth related capital expenditure on infrastructure provided by the Council as part of its normal capital works programme.

Financial Contributions are required under the Resource Management Act 1991. They are imposed to address the effects of activities for which resource consent is sought.

Although Council can require both development contributions and financial contributions, it cannot require both from the same development for the same purpose.

Grant and Subsidies

Grants and Subsidies are funding received from other agencies, usually for a specific purpose. As such, they are used to fund those purposes.

Other sources including Reserves

These are funds for specific purposes.

- **retained earnings** are used to fund operating or capital expenses at Council's discretion, an example is depreciation reserves.
- **reserves** will be used to fund either operating or capital expenses according to the policy applying to those reserves. These are typically classified as local reserves (where reserves are for the benefit of specific communities), or district reserves (where reserves are held for the benefit of the wider district).

Investment Interest/Dividends and Interest on Reserves

Net Investment interest and dividends are used to reduce the amount of General rate and/or Uniform Annual General Charge rate required.

Interest on reserves is calculated on the average balance of each reserve during the year. Interest is allocated at a prescribed interest rate (typically based on the Reserve Bank rates for six month term deposits over a 12 month period). Both positive and negative reserves get interest charged or applied. For the majority of reserves held by local communities, this interest is added to the reserve, which has no impact on the rate requirement, these reserves are usually positive and are set aside for future projects. For the majority of District reserves, the interest is allocated to the relevant business unit, which in turn will reduce the rates required or increase the rates required if the reserve has a negative balance.

Borrowing

Borrowing is not a source of revenue itself. Rather it is a 'bridging' mechanism to assist with the financing required for the construction of long term assets. Debt arising from borrowing still needs to be repaid from other sources of revenue (eg rates). The use of debt allows Council to enjoy the asset in the present while paying the debt back over time. Borrowing is usually called upon to fund capital works and assets built or provided now before future new consumers use those services. It is used to ensure fairness or intergenerational equity so that current ratepayers pay for the services they use now, and future ratepayers pay their share too.

Lump Sum Contributions

Lump Sum contributions are where ratepayers agree to pay a capital (or lump sum) payment towards meeting the cost of providing a particular asset in their community (eg upgrading of a water supply) rather than paying for these capital costs via an annual targeted rate.

These contributions will be used to fund the retirement of debt for specific capital activity from time to time.

Proceeds from Asset Sales

Proceeds from asset sales are the monies received from selling physical assets, such as plant and equipment. They are initially used to repay borrowings associated with that asset. Any remaining proceeds will be used to fund a replacement asset or fund other capital expenditure within an activity that was funded by the same funding source of the asset sold.

Depreciation Reserves

Depreciation reserves are funds in which the probable replacement cost of equipment is accumulated each year over the life of the asset, so that it can be replaced readily when it becomes obsolete. These reserves are used to fund both the renewal and increased level of service categories of capital expenditure.

2.3 Application of Funding Mechanism to Expenditure

| Funding Mechanism | Operating Expenditure | Capital Expenditure | | |
|--|-----------------------|---------------------|----|----|
| | | | | |
| User Fees and Charges | ✓ | | ✓* | ✓* |
| General Rates (incl. UAGC) | ✓ | | ✓* | ✓* |
| Targeted Rates | ✓ | ✓ | ✓* | ✓* |
| Financial Contributions | | ✓ | | |
| Development Contributions | | ✓ | | |
| Grants and Subsidies | ✓ | ✓ | ✓ | ✓ |
| Other Sources, including Reserves | ✓ | ✓ | ✓ | ✓ |
| Investment Interest/Dividends and Interest on Reserves | ✓ | ✓ | ✓ | ✓ |
| Borrowing | | ✓ | ✓ | ✓ |

| Funding Mechanism | Operating Expenditure | Capital Expenditure | | |
|---------------------------|-----------------------|---------------------|----|----|
| | | | | |
| Lump Sum Contributions | ✓ | * | ✓* | ✓* |
| Proceeds from Asset Sales | | | ✓ | ✓ |
| Depreciation Reserves | | | ✓ | ✓ |

* Application depends on how the activity to which capital expenditure relates is funded

2.4 Funding of Activities

The Council has considered how to apply the available funding mechanisms to its activities. The following table is a summary of this approach. A copy of the detailed assessment, titled Activity Funding Needs Analysis is available on Council’s website (www.southlanddc.govt.nz).

For operational expenditure, funding portions contributing to each activity are expressed as ranges, from low to high. These ranges equate to the following percentages:

Low: 0-33 percent **Medium:** 34-66 percent **High:** 67-100 percent

Capital expenditure funding contributions are also identified. The proportion of capital costs funded from each source will vary depending upon the nature of each capital works project.

| Activity Group | Activity | Funding of Operating Expenditure | | | | Funding of Capital Expenditure | Catchment(s)** | Detail and Rationale |
|--------------------|--|----------------------------------|----------------|------------------|--|---|---------------------------|--|
| | | General Rates (including UAGC) | Targeted Rates | Fees and Charges | Grants Subsidies and other Funding Sources | | | |
| Community Services | Community Assistance (includes: Grants and Donations, Work Schemes) | High | Low | | Med/Low | General rate, Targeted rates, Borrowing, Asset Sales, Depreciation, Reserves, Other Sources. | District | <p>District Grants are funded via General rate (high) in recognition of the broad public benefits provided.</p> <p>Local Grants are funded via Targeted Local Rates (low).</p> <p>All in the District benefit from Council providing this activity as it contributes to the social and economic well-being of our communities.</p> <p>Grants subsidies and other funding Sources - (med/low). Funding is sourced from the users of the work scheme service with some government grants provided.</p> <p>Capital expenditure relates to work schemes.</p> |
| Community Services | Parks and Reserves | Low | High | Low | | General Rate, Targeted Rates, Borrowing, Development and Financial Contributions, Grants and Subsidies, Reserves. | District, Area of Service | <p>District reserves are funded from General Rate (low) in recognition of the district wide public benefits provided by these reserves.</p> <p>Targeted Local Rates - (high). Each community decides whether to charge their local rate on the basis of a fixed charge per rating unit or a rate in the dollar on land value.</p> |

| Activity Group | Activity | Funding of Operating Expenditure | | | | Funding of Capital Expenditure | Catchment(s)** | Detail and Rationale |
|--------------------|--|----------------------------------|----------------|------------------|--|---|---|--|
| | | General Rates (including UAGC) | Targeted Rates | Fees and Charges | Grants Subsidies and other Funding Sources | | | |
| | | | | | | | | Each community funds its own parks and reserves in recognition of the local benefit. Some limited user fees (low) are received from groups that occupy Council reserve. |
| Community Services | Cemeteries | | Med | Med | Low | Targeted Rates, Borrowing, Financial Contributions, Grants and Subsidies, Reserves. | Area of Service | Targeted Local Rate (med). Each community decides whether to charge their local rate on the basis of a fixed charge per rating unit or a rate in the dollar on land value. This allocation recognises broader community benefits from having a local service. Fees and Charges (med) for the direct costs of burial and other associated costs through internment fees. This recognises the private benefit to the users of these facilities. Grants and Subsidies (low) may be received from time to time and used for this activity. |
| Community Services | Community Facilities (includes: Council Buildings, Community Centres, and Water Structures) | Low | Med | Med | Low | General and Targeted Rates, Borrowing, Grants and Subsidies, Reserves. | District for Council Facilities/ buildings and Area of Service for Community Centres. | Council Facilities/Buildings are funded via General rate (low) recognising the district functions performed by Council. Community Centres funded via Targeted Rate (med) recognising the benefit to local communities. |

| Activity Group | Activity | Funding of Operating Expenditure | | | | Funding of Capital Expenditure | Catchment(s)** | Detail and Rationale |
|--------------------|-------------------|----------------------------------|----------------|------------------|--|--|----------------|---|
| | | General Rates (including UAGC) | Targeted Rates | Fees and Charges | Grants Subsidies and other Funding Sources | | | |
| | | | | | | | | <p>Fees and Charges - (med) are received from users of the facilities in the form of rental charges</p> <p>Grants and Subsidies (low) may be received from time to time and used for this activity.</p> |
| Community Services | Community Housing | Low | | High | | General Rate, Borrowing, Asset Sales, Grants and Subsidies, Reserves. | District | <p>General rate - (low) in recognition of broader social benefits associated with this activity.</p> <p>Fees and Charges - (high) for direct operating costs funded from tenant rent. These recognise the private benefit provided to tenants.</p> |
| Community Services | Library Services | High | | Low | Low | General Rate, Borrowing, Asset Sales, Reserves. | District | <p>General Rate (high)</p> <p>This reflects that this service provides a benefit that is available to all ratepayers.</p> <p>Fees and Charges - (low) Service fees for library activities.</p> <p>Other funding (low) includes fines for late return and contributions to library activities.</p> |
| Community Services | Public Toilets | High | | Low | | General Rate, Depreciation, Borrowing, Grants and Subsidies, Reserves. | District | <p>General Rate (high) reflecting the widespread public benefits associated with this activity.</p> |

| Activity Group | Activity | Funding of Operating Expenditure | | | | Funding of Capital Expenditure | Catchment(s)** | Detail and Rationale |
|---------------------|-----------------------------|----------------------------------|----------------|------------------|--|---|-----------------|--|
| | | General Rates (including UAGC) | Targeted Rates | Fees and Charges | Grants Subsidies and other Funding Sources | | | |
| | | | | | | | | Fees and Charges - (low) charges for maintenance of high level of service facilities. |
| Community Services | Airports | | High | Low | | Targeted Rate, Borrowing, Reserves. | Area of Service | Local Targeted rate fixed charge per rating unit - (area of service) - (high) recognising that the economic benefits primarily flow to the local community. Fees and Charges - (low) operating costs aim to be funded via user charges given that they are readily identifiable. |
| Community Services | Electricity Supply (SIESA) | | | High | | Borrowing, Asset Sales, Reserves. | Area of Service | Fees and Charges - (high). Electricity generation, distribution, general operations and maintenance are recovered through user pay fees applicable to consumers who are using the supply. |
| District Leadership | Representation and Advocacy | High | Low | | Low | General Rate, Borrowing, Asset Sales, Depreciation, Reserves. | District | General Rate (high). All in the District benefit from Council providing this activity and have the opportunity to contact their local elected members and/or Council. Targeted Local Rate - (low). This is used to fund CDA and Community Board costs reflecting the local community benefit of these services. Other funding sources – (low) is from |

| Activity Group | Activity | Funding of Operating Expenditure | | | | Funding of Capital Expenditure | Catchment(s)** | Detail and Rationale |
|---------------------|---|----------------------------------|----------------|------------------|--|--|---------------------------|---|
| | | General Rates (including UAGC) | Targeted Rates | Fees and Charges | Grants Subsidies and other Funding Sources | | | |
| | | | | | | | | professional services provided to external parties. |
| District Leadership | Community Futures (includes Community Partnerships, District Economic Development, Visitor Experiences, Stewart Island Visitors Levy, Museum Services) | High | | Low | Low | Not applicable | District | General Rate (high) reflecting the public benefits that flow from this activity. Fees and charges – (low) are from the levy charged to visitors to Stewart Island. Other funding sources – (low) is from grants and subsidies. |
| District Leadership | District Support (includes: Customer service, Secretarial support for local communities) | High | Low | | Low | General Rate, Targeted Rate, Borrowing, Asset Sales, Reserves. | District, Area of Service | General Rate (high) reflecting the desirability of Council providing a district wide customer service centre network. Set as a fixed charge plus rate in the dollar on capital value. All ratepayers benefit from this activity. Targeted Local Rate - (low) funds the costs of providing support to local Community Boards and CDAs. Other funding sources – (low) is from sundry rental income received across a number of local communities. |

| Activity Group | Activity | Funding of Operating Expenditure | | | | Funding of Capital Expenditure | Catchment(s)** | Detail and Rationale |
|----------------------|--|----------------------------------|----------------|------------------|--|---|----------------|--|
| | | General Rates (including UAGC) | Targeted Rates | Fees and Charges | Grants Subsidies and other Funding Sources | | | |
| District Leadership | Corporate Support (includes: Strategy, Communication and Engagement, People and Capability, Information Management, Finance) | High | | Low | | General Rate, Borrowing, Asset Sales, Depreciation, Reserves | District | General Rate - (high) reflecting the public benefits associated with this activity. Fees and charges – (low) are from rental fees and financial service cost recoveries. |
| District Leadership | Forestry | | | | High | Borrowing, Asset Sales, Reserves. | District | Other funding – (high) is from proceeds from harvesting. |
| Emergency Management | Emergency Management Southland | High | | | | Not applicable | District | General Rate (high). All people in the District derive a benefit from having appropriate emergency management capability in place. |
| Regulatory Services | Building Control (includes: Regulation of building work) | Low | | High | | General Rate, Asset Sales, Borrowing, Depreciation, Reserves. | District | General Rate - (low) This links the level of development of a property to its liability for the targeted rate. Fees and Charges - (high) are the main funding source for this activity reflecting that the users are readily identifiable. |
| Regulatory Services | Resource Management (includes: District Plan, Resource Consents) | High | | Low | | General Rate, Borrowing, Reserves. | District | General Rate - (high). All ratepayers benefit from this activity given the desirability of managing land use across the district. |

| Activity Group | Activity | Funding of Operating Expenditure | | | | Funding of Capital Expenditure | Catchment(s)** | Detail and Rationale |
|---------------------|--|----------------------------------|----------------|------------------|--|--|---------------------------|---|
| | | General Rates (including UAGC) | Targeted Rates | Fees and Charges | Grants Subsidies and other Funding Sources | | | |
| | | | | | | | | Fees and Charges - (low) recognises that the users are readily identifiable. |
| Regulatory Services | Animal Control | Low | | High | Low | General Rate, Fees and charges, Borrowing, Asset Sales, Depreciation, Reserves | District | General Rate - (low) - recognises the public benefit to all ratepayers. Fees and charges – (high) are applied to ensure that service users fund the majority of this service as they are readily identifiable. Other funding – (low) income is received from other sources (ie fines and grants/contributions). |
| Regulatory Services | Environmental Health (includes: Registration and inspection of licenced premises, noise control, liquor licensing, freedom camping) | Low | | High | | General Rate Borrowing, Asset Sales, Depreciation, Reserves | District | General Rate - (low) recognises that there is a level of public benefit to all ratepayers from having these activities managed. Fees and charges – (high) are applied to ensure that service users fund the majority of this service as they are readily identifiable. |
| Roads and Footpaths | Roads and Footpaths (Includes: Around the Mountains Cycle Trail) | Low | High | | Low | Targeted Rates, Borrowing, Asset Sales, Development and Financial Contributions, Depreciation, Grants and Subsidies, Reserves. | District, Area of Service | General Rate - (low) recognises that there is a level of public benefit to all ratepayers from the Around the Mountain Cycle Trail. The General rate only funds the repayments of the loan associated with the capital cost of Stage One. |

| Activity Group | Activity | Funding of Operating Expenditure | | | | Funding of Capital Expenditure | Catchment(s)** | Detail and Rationale |
|----------------|------------------------|----------------------------------|----------------|------------------|--|---|-----------------|--|
| | | General Rates (including UAGC) | Targeted Rates | Fees and Charges | Grants Subsidies and other Funding Sources | | | |
| | | | | | | | | District Wide Targeted Rate - (high). Fixed charge per rating unit plus a differentiated rate in the dollar on capital value. The district wide rate recognises the public benefits associated with having a district wide transportation network that allows for development of the district as a whole. The differentiated targeted rate recognises the exacerbator costs created by heavy vehicles. |
| | | | | | | | | There are also local targeted rates charged to fund local roading activity (ie footpaths) which delivers benefits specific to those local communities. Other funding – (low) this activity attracts NZTA funding for roading maintenance and capital work. The funding policy for this activity is applied to the balance of the rating requirement, following the NZTA subsidy. |
| Solid Waste | Solid Waste Management | | High | Low | Low | Targeted Rates, Borrowing, Asset Sales, Grants and Subsidies, | Area of Service | Targeted Rate – (high) to fund solid waste and landfill rehabilitation costs given the public benefit of this aspect of the activity across the majority of the |

| Activity Group | Activity | Funding of Operating Expenditure | | | | Funding of Capital Expenditure | Catchment(s)** | Detail and Rationale |
|----------------|------------|----------------------------------|----------------|------------------|--|--|--------------------------|---|
| | | General Rates (including UAGC) | Targeted Rates | Fees and Charges | Grants Subsidies and other Funding Sources | | | |
| | | | | | | Depreciation, Reserves. | | district (excluding Stewart Island). In addition there is a targeted rate based on supply of service for bins as the users are readily identifiable. Fixed charge per bin. User charges - (low) collected via transfer stations as users are readily identifiable. Other funding – (low) collected from grants and subsidies. |
| Stormwater | Stormwater | | High | | | Targeted Rates, Borrowing, Depreciation, Reserves. | Area of Service | Local Targeted Rate – (high) reflecting that the benefits are primarily derived by the local communities in which the schemes are located. This activity does not have its own rate but is collected as part of the Community Board and Community Development Area Rates as it is not economic to collect as a separate rate. |
| Wastewater | Wastewater | | High | | Low | Targeted Rates, Lump Sum contributions, Borrowing, Asset Sales, Development Contributions, Depreciation, Reserves. | Area of Service (scheme) | District-wide Targeted Rate – (high) for operating expenditure reflecting the benefits that those connected or able to connect receive from the service provided. Local Targeted rates for capital costs funded via lump sum contributions reflecting the |

| Activity Group | Activity | Funding of Operating Expenditure | | | | Funding of Capital Expenditure | Catchment(s)** | Detail and Rationale |
|----------------|--------------|----------------------------------|----------------|------------------|--|--|--------------------------|--|
| | | General Rates (including UAGC) | Targeted Rates | Fees and Charges | Grants Subsidies and other Funding Sources | | | |
| | | | | | | | | benefit that those connected or able to connect receive. Local Targeted Rate for septic tank cleaning reflecting that the beneficiaries of this service are easily identified. All rates fixed charged per unit of service. Rating units outside of the range of reticulation networks or septic tank area of service are not charged these rates. This enables the costs to be passed onto the ratepayers that benefit from the activity. Other funding – (low) is from rentals associated with this activity. |
| Water Supply | Water Supply | | High | | | Targeted Rates, Lump Sum Contributions, Borrowing, Asset Sales, Development Contributions, Depreciation, Reserves, | Area of Service (Scheme) | District-wide Targeted Rate – (high) for operating expenditure reflecting that those connected or able to connect directly benefit from the service being provided by Council. Some water supplies are metred. Some water charging is via a direct contractual arrangement with the user. |

* There is a variety of Targeted Rates

** Unless otherwise stated, Development Contribution catchments are the same as the capital expenditure catchments indicated in the table

Explanatory Note:

Separately Used or Inhabited Part (SUIP)

A Separately Used or Inhabited Part of a rating unit includes any portion inhabited or used by the owner/a person other than the owner, and who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence, or other agreement. Examples of a SUIP are listed below: For the purposes of this definition, vacant land is not a SUIP.

Background

Under the Local Government (Rating) Act 2002 charging Separately Used or Inhabited Parts of a Rating Unit is an option for both a Uniform Annual General Charge and for targeted rates. The following are examples of where, under the Council's definition of a SUIP, there may be application of multiple charges for Separately Used or Inhabited Parts of a Rating Unit:

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

3 Roles and Responsibilities

| Party/Parties | Roles and Responsibilities |
|-------------------------|---|
| Chief Financial Officer | Ensure compliance with the Revenue and Financing Policy. |
| Finance Manager | Implement and monitor the Revenue and Financing Policy in relation to Rating and other Funding. |

4 Associated Documents

- Local Government Act (2002).
- Local Government (Rating) Act (2002).
- Development and Financial Contributions Policy (r/17/10/24438).

5 Revision Record

The Revenue and Financing Policy will be reviewed three yearly as part of the Long Term Plan process.

| Date | Version | Revision Description |
|------------------|-----------|--|
| 23 November 2017 | Version 1 | Draft version for Council review |
| 13 December 2017 | Version 2 | Final Draft version for Council to approve for public consultation |
| 9 February 2018 | Version 3 | Final draft amended as requested by Audit NZ |
| 2 May 2018 | Version 4 | Final Draft incorporating amendments from submissions |
| 20 June | Final | Adopted by Council |

Audit NZ Engagement Letter for the 2021-2031 Long Term Plan

Record No: R/21/1/1604
Author: Emma Strong, Project Accountant
Approved by: Anne Robson, Chief Financial Officer

Decision

Recommendation

Information

Purpose

- 1 To seek Council approval for the signing of the audit arrangements letter for the 2021-2031 Long Term Plan.

Executive Summary

- 2 Audit New Zealand requires Council to approve the terms of engagement that enables them to conduct the audit on behalf of the Auditor-General of the 2021-2031 Long Term Plan.
- 3 Audit New Zealand is the representative of the Auditor-General, who is the auditor of all “public entities”, including Southland District Council under section 14 of the Public Audit Act 2001.
- 4 Council is being asked to accept the terms as set out in the letter and delegate the Mayor to sign the letter on Councils behalf.
- 5 The audit engagement letter is included in Attachment A, this outlines roles and responsibilities, audit scope and objectives, the audit approach to be taken, the areas of audit emphasis, logistics and fees.
- 6 Audit New Zealand’s 2021-31 LTP information and documentation requirements letter is included in Attachment B. Council staff will work with Audit staff to set the agreed deliverables and dates to ensure an efficient and effective audit.

Recommendation

That the Council:

- a) **Receives the report titled “Audit NZ Engagement Letter for the 2021-2031 Long Term Plan” dated 21 January 2021.**
- 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) Agrees to accept the terms, scope, approach, areas of audit emphasis, arrangements and fees as set out in the 2021-2031 Long Term audit engagement letter attached.
- e) Agrees to delegate authority to the Mayor to sign the 2021-2031 Long Term Plan audit engagement letter as attached including any amendments agreed at this meeting and any minor amendments made subsequent to this meeting.

Background

- 7 The purpose of this report is to provide a summary of the 2021-2031 Long Term Plan audit engagement letter received from Audit NZ.
- 8 The Auditor General has appointed Audit NZ to carry out the audit of the Southland District Council for the Long Term Plan.
- 9 The audit engagement letter outlines:
 - the terms of the audit engagement and the nature, and responsibilities of the governing body
 - the audit scope and objectives
 - the approach taken to complete the audit
 - the areas of audit emphasis
 - the audit logistics and
 - the professional fees.
- 10 The key deliverables by the auditors will be the production of two separate reports on the consultation document and the LTP. Both reports will comment on whether the Council documents give effect to section 93B and 93(6) of the Act and the quality of the information and assumptions underlying both these documents.
- 11 The key areas of audit emphasis will be
 - The impact of the economic downturn caused by Covid-19 on the Council’s forecasts
 - The financial strategy and infrastructure strategy

- The assumptions underlying Council's financial forecasts
 - The climate change assumptions
 - The quality of asset-related forecasting information
- 12 Council staff will work with Audit NZ staff to set agreed deliverables and dates in relation to Audit New Zealand's 2021-31 LTP information and documentation requirements letter attached to this report.

Estimated audit hours

- 13 Overall, Audit NZ estimate the following hours will be required to carry out the audit (compared to that budgeted for the 2021-31 Long Term Plan):

| Audit team members | 2018 LTP audit hours | 2021 LTP audit hours | Increase/(Decrease) |
|----------------------------|-------------------------|-------------------------|---------------------|
| Appointed Auditor | 50 | 80 | 30 |
| Audit Manager | 105 | 100 | (5) |
| Other Staff | 168 | 100 | (68) |
| Sector specialist support | 17 | 25 | 8 |
| Staff not yet CA qualified | 270 | 320 | 50 |
| Total audit hours | 610 | 625 | 15 |

Proposed Timeline

- 14 Council and audit staff have been working through the timeline to 30 June 2021 to ensure resourcing needs can be met on both sides to complete the document within the statutory timelines. Any updates to the timeline proposed below will be given at the Council meeting. At this stage Audit NZ have confirmed the dates for the initial audit of between the 25 January and the 26 February 2021.

| | |
|------------------------------------|---|
| 22 January 2021 | Sending the self-assessment to Audit NZ |
| 25 January- 5 February 2021 | Interim audit visit to: <ul style="list-style-type: none"> • Understand the control environment • Review and test systems • Review the systems and process supporting the new mandatory Department of Internal Affairs performance measures. |
| 9 - 26 February 2021 | Second audit visit, with the consultation document ready for review |
| 1-2 March 2021 | Audit opinion on the consultation document Draft management report on consultation document |
| March 2021 | Final Management letter received on the consultation document |
| 17 May – 4 June 2021 | Third audit visit with the LTP document ready for review |
| June 2021 | Audit opinion on adopted LTP given |

Appendix B sets out in detailed documentation requirements for each of the steps above along with the expected delivery date.

Issues and discussion

- 15 The purpose of an audit is to provide an objective independent examination of the financial statements, which increases the value and credibility of the financial statements produced by management and the public, thus increasing user confidence in the financial statements. As such, it is in Council's interest for Audit NZ to define the audit programme of work but equally important for Council to have input into that process.
- 16 Council staff have no issues with the content of the audit engagement letter attached.
- 17 Section two of the letter outlines the scope of the audit and describes that in reaching an opinion on the consultation document and the Long Term Plan, the focus will be in two parts. The first will be assessing that both documents meets their statutory purpose and the second will be to obtain evidence about the quality of the information and assumptions underlying the information contained in both documents.
- 18 In deciding what to include in the consultation document, Council must have regards to its significance & engagement policy and the importance of other matters to the district and its communities.

Factors to Consider

Legal and Statutory Requirements

- 19 Council has responsibility for preparing the consultation document and LTP, by applying the Council's own assumptions, in accordance with the Local Government Act 2002 (the Act) and in accordance with generally accepted accounting practise in New Zealand. Key sections of the Act are listed below.
- 20 Section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP.
- 21 Section 93 requires that a local authority, at all times, must have a long term plan.
- 22 Section 93(6) states that:

The purpose of a long-term plan is to—

 - (a) *describe the activities of the local authority; and*
 - (b) *describe the community outcomes of the local authority's district or region; and*
 - (c) *provide integrated decision-making and co-ordination of the resources of the local authority; and*
 - (d) *provide a long-term focus for the decisions and activities of the local authority; and*
 - (e) *provide a basis for accountability of the local authority to the community*
- 23 Section 93B states that

The purpose of the consultation document is to provide an effective basis for public participation in local authority decision-making processes relating to the content of a long-term plan by—

 - (a) *providing a fair representation of the matters that are proposed for inclusion in the long-term plan, and presenting these in a way that—*

(i) explains the overall objectives of the proposals, and how rates, debt, and levels of service might be affected; and

(ii) can be readily understood by interested or affected people; and

(b) identifying and explaining to the people of the district or region, significant and other important issues and choices facing the local authority and district or region, and the consequences of those choices; and

(c) informing discussions between the local authority and its communities about the matters in paragraphs (a) and (b).

24 Section 93C(4), states that:

The consultation document must contain a report from the auditor general on

(a) Whether the consultation document effect to the purpose set out in section 93B and

(b) The quality of the information and assumptions underlying the information provided in the consultation document.

25 Section 93C(5) states that:

The report under subsection (4) must not comment on the merits of any policy content of the consultation document.

26 Section 93G states that:

Before adopting a consultation document under section 93A, the local authority must prepare and adopt the information that,

(a) Is relied on by the content of the consultation document adopted under Section 93A and

(b) Is necessary to enable the Auditor-General to give the reports required by sections 93C(4) and 93D(4) and

(c) Provides the basis for the preparation or amendment of the long term plan

27 Section 94 states that:

(1) The long term plan must contain a report from the Auditor-General on

(a) Whether the plan gives effect to the purpose set out in section 93(6) and

(b) The quality of the information and assumptions underlying the forecast information provided in the plan.

(2) In the case of an amended long term plan the report under section (1) must contain a report by the Auditor-General confirming or amending the report made when the long term plan was adopted.

(3) A report under subsection (1) must not comment on the merits of any policy content of the plan.

28 Section 111, outlines that all financial information must comply with generally accepted accounting practice.

Community Views

29 The appointment of an auditor is a statutory requirement and does not require separate community consultation.

Costs and Funding

- 30 The cost associated with the audit of 2021-2031 Long Term Plan is proposed at \$91,600 plus GST and disbursements. The 2018-2028 Long Term Plan was \$85,000 plus GST and disbursements. The increase is equivalent to 8%, not taking into account the change in overall hours and relevant resourcing which is calculated at a 2.5% increase in hours(625 hours compared to 610 in 2018).

Policy Implications

- 31 There are no policy implications.

Analysis

Options Considered

Option 1 - Accept and sign the audit letter, with any minor changes to be made

| <i>Advantages</i> | <i>Disadvantages</i> |
|--|--|
| <ul style="list-style-type: none"> Allows the Long Term Plan process to continue as proposed. Confirms the auditing process, responsibilities and key areas of emphasis. | <ul style="list-style-type: none"> None, unless Council requires clarification and this is not sought before signing. |

Option 2 - Request clarification, inclusion or amendment of any issue in the audit letter before accepting it

| <i>Advantages</i> | <i>Disadvantages</i> |
|---|--|
| <ul style="list-style-type: none"> Council is able to seek the clarification it requires or discuss the inclusion or amendment of any issue it would like incorporated into the audit. | <ul style="list-style-type: none"> Could delay the audit process if Council and Audit New Zealand cannot agree to appropriate arrangements. |

Assessment of Significance

- 32 The decision being made in this report is whether Council should agree to the audit engagement proposal as presented by Audit NZ. Given the administrative nature of this matter it is not considered significant in terms of Council’s Significance Policy.

Recommended Option

- 33 Option 1 - Accept and sign the audit engagement letter, with any minor changes to be made.

Next Steps

- 34 If accepted, staff will arrange for the Mayor to sign.
- 35 Council staff will continue to compile the 2021-2031 Long Term Plan, recognising the terms of the engagement letter.

Attachments

- A Audit NZ 2021-31 LTP Engagement Letter [↓](#)
- B Audit NZ 2021-31 LTP Information Requirements [↓](#)



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

17 December 2020

Level 1, 399 Moray Place
PO Box 232, Dunedin 9054

Gary Tong
Mayor
Southland District Council
PO Box 903
Invercargill 9840

cc Cameron McIntosh, Chief Executive
Anne Robson, Chief Financial Officer

Dear Gary

Audit engagement letter: audit of the consultation document and Long-term Plan for the period commencing 1 July 2021

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities”, including Southland District Council (the Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand, under section 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Council’s consultation document and Long-term Plan (LTP).

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the Council and me as the Appointed Auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

A business unit of the Controller and Auditor-General | www.auditnz.parliament.nz

1 Specific responsibilities of the Council for preparing the consultation document and the LTP

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Council's own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10) and in accordance with generally accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity, we note the following statutory responsibilities as set out in the Act:

- Section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 governs the content of the LTP.
- Section 111 aligns the financial information with generally accepted accounting practice.
- Section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP.
- Section 93C(4) requires an auditor's report on the consultation document, and section 94 requires a separate opinion on the LTP.

Please note that the audit does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

2 Our audit scope

The Act requires us to provide two separate reports, as follows:

- On the consultation document, a report on:
 - whether the consultation document gives effect to the purpose specified in section 93B; and
 - the quality of the information and assumptions underlying the information in the consultation document.
- On the LTP, a report on:
 - whether the LTP gives effect to the purpose in section 93(6); and
 - the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period.

Our focus for the first limb of each opinion will be to assess whether each document meets its statutory purpose. Given the different purposes of each document, we will assess the answers to different questions for each opinion.

Our focus for the second limb of each opinion will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the consultation document and LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the consultation document and LTP, whether because of fraud or error.

Our audit opinions do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

3 Our approach to this audit

3.1 The content of the consultation document

The Act emphasises the discretion of the Council to decide what is appropriate to include in the consultation document and the associated consultation process. In deciding what to include in the consultation document, the Council must have regard to its significance and engagement policy, and the importance of other matters to the district and its communities.

We will need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has considered the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the consultation document achieves its statutory purpose.

3.2 Adopting and auditing the underlying information

Before adopting the consultation document, section 93G of the Act requires the Council to prepare and adopt the information that:

- is relied on by the content of the consultation document;

- is necessary to enable the Auditor-General to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the Council to prepare the consultation document.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of the Society of Local Government Managers (SOLGM), our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

We will work with management to understand the information proposed to be adopted and assess whether it will enable us to issue an audit report under section 93C(4).

In addition, the time frames to consider and adopt the LTP after the consultation process will be tight. From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to complete the work and adopt the full LTP before the statutory deadline. The same is true for the audit work. The more audit work that is able to be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

3.3 Control environment

The Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the Council's key processes and controls over the underlying information and the production of both the consultation document and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the consultation document and LTP, develop expectations of what should be included in the consultation document and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the Council, review of publicly available information about the Council, updating our knowledge

of Council issues developed during recent years, and a review of Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

3.4 Project management, reporting deadlines, and audit progress

The development of the consultation document and LTP is a significant and complex project, and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions, and information from throughout the Council and its community. We recognise that the Council will be doing its LTP preparation over an extended period. A more efficient and cost-effective audit can be achieved when audit work and feedback is provided in “real time” or on an “auditing as you go” basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the Council’s approach to preparing and completing the LTP. We expect that the Council is approaching its preparation on a project basis and recognise that our audit work should “shadow” that project timetable. The success of this “auditing as you go” approach will depend on the Council’s project management of the overall LTP process, which should include time for audit work at appropriate points in the process.

3.5 Self-assessment

To assist our audit planning, we intend to use a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management.

We will shortly be forwarding the self-assessment to you under a separate cover. We ask for your co-operation in completing this assessment for return to us by 18 January 2021.

The self-assessment is similar to those used with our audit of previous LTPs. The information provided through the self-assessment will be confirmed with you through discussion after its completion.

4 Our particular areas of audit emphasis

4.1 Impact of the economic downturn caused by Covid-19 on the Council's forecasts

The response to manage Covid-19 has created significant uncertainty for businesses, local and central government organisations, as well as communities and families. The impact to the economy is likely to be negative, and share a number of impacts on Council, including on Council's revenue assumptions and the level of service Council provides in the future. In addition Council will need to consider the impact on their financial and infrastructure strategies, and key underlying assumptions such as population change, climate change, plus the potential impacts of economic downturn resulting from Covid-19.

We will review Council's approach to considering the impact of Covid-19 and how this has been factored into the underlying policies, strategies and assumptions used to prepare the LTP.

4.2 Financial strategy and infrastructure strategy

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against;
- provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments;
- The purpose of the infrastructure strategy is to;
- identify significant infrastructure issues for the local authority during the period covered by the strategy; and
- identify the principal options for managing those issues and the implications of those options.

The Act expects close alignment between the two strategies, and section 101B(5) allows for them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy, the principles of ISO 55000 should be considered, particularly where the Council is seeking to prepare a best practice strategy.

[Here, you can include specific information about your local authority's previous financial and infrastructure strategies, including any key strengths or weaknesses. Note the OAG has included sector-wide strengths and weaknesses in the publication Matters arising from the 2018-28 local authority LTPs, which is available from <https://oag.parliament.nz/2019/ltps>.]

Our focus when reviewing both strategies is to assess whether the Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

- confirm that the two strategies are appropriately aligned;
- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and
- assess the reasonableness of the prepared forecasts by:
 - understanding how the Council has applied the effect of its assumptions (for example, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets) and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
 - reviewing the Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
 - checking that the infrastructure strategy is appropriately inflated.

The Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the consultation document.

4.3 Assumptions

The quality of the Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (Schedule 10, clause 17). Prospective Financial Statements (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in

the financial forecasts to check they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and
- for all significant forecasting assumptions that involve a high level of uncertainty, the uncertainty and an estimate of the potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the consultation document and will complete our review during our audit of the consultation document.

Climate change assumption

We will be paying more attention to the assumptions that the Council has made about climate change and the adequacy of other information and disclosures relating to climate change.

We will review the Council's climate change assumptions to determine whether they are reasonable and supportable. We will assess the quality of the supporting information the Council is using in developing its assumptions and disclosures included in the LTP, the consultation document (if relevant), and the adopted underlying information.

4.4 Quality of asset-related forecasting information

A significant portion of the Council's operations relates to the management of its infrastructure: the roading network and the "three-waters" of water supply, sewerage, and stormwater drainage. These activities typically make up about 42% of operational expenditure and 91% of capital expenditure.

To prepare reasonable quality asset information, the Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the Council's asset-related forecasting information, we will:

- assess the Council's type asset management planning systems and processes;
- understand what changes the Council proposes to its forecast levels of service;
- understand the Council's assessment of the reliability of the asset-related information;
- consider how accurate recently prepared budgets have been; and

- assess how matters such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify in completing the above, we may have to complete further detailed testing on the Council's asset-related information.

5 Other matters

5.1 Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the Council (including being independent of management personnel and the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity, and independence.

5.2 Publication of the consultation document and adopted LTP on the Council's website

The Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

We need to do this to ensure consistency with the paper-based documents that have been subject to audit.

6 Audit logistics

6.1 Audit timing

The key dates in the audit timetable are as follows:

| | |
|--|------------------|
| Self-assessment provided to Council | 14 December 2020 |
| Self-assessment returned to audit team for consideration | 18 January 2021 |
| First interim visit (initial assessment) | 25 January 2021 |
| Second interim visit (see project plan for key dates and number of visits) | TBC |
| Proposed consultation document available | 8 February 2021 |
| Audit opinion on consultation document required | 26 February 2021 |
| Draft management report on consultation document engagement | TBC |

| | |
|---|-----|
| Finalised management report on consultation document engagement | TBC |
| Proposed LTP for adoption available | TBC |
| Audit opinion on adopted LTP required | TBC |
| Draft management report on LTP engagement | TBC |
| Finalised management report on LTP engagement | TBC |

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- a suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1); and
- electronic copies of key documents.

As noted in section 3.4, our audit work needs to be done as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

7 Professional fees

Our audit fee, covering both the consultation document and the LTP for the period commencing 1 July 2021, is \$91,600 (excluding GST and disbursements), as outlined in Appendix 2.

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the draft consultation document and the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the draft consultation document
- There will be an appropriate level of assistance from your staff.
- All documentation (consultation document, LTP, and all other underlying documentation) provided will be subject to appropriate levels of quality review before submission for audit.
- The consultation document and LTP will include all relevant disclosures.

- We will review, at most, two drafts of each of the consultation document and LTP during our audit.
- We will also review one printer's proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the Council impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.
- The local authority is preparing forecast financial statements for the "Council parent" only, rather than including consolidated forecast financial statements for the Council and any controlled entities in the adopted LTP.

If the scope and/or amount of work changes significantly (such as a change in direction during the development of the consultation document or between the development of the consultation document and the LTP), we will discuss the issues with you at the time.

If information is not available for the visits as agreed, or the systems and controls the Council use to prepare the underlying information and assumptions cannot be relied on, we will seek to recover all additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

This fee is exclusive of any subsequent amendments the Council might make to the adopted LTP under section 93D.

We wish to interim bill as work progresses. We propose the following billing arrangements:

| | |
|------------|----------|
| March 2020 | \$60,000 |
| June 2020 | \$31,600 |
| Total | \$91,600 |

8 Personnel

Our personnel involved in the management of the audit are:

| | |
|----------|----------------|
| Director | Dereck Ollsson |
| Manager | Monique Kruger |

We have endeavoured to maintain staff continuity as far as possible.

9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the consultation document and LTP for the period commencing 1 July 2021; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the consultation document and LTP and supplement the existing audit engagement letter dated 18 May 2020.

If there are any matters requiring further clarification, please do not hesitate to contact me.

Yours sincerely



Dereck Ollsson
Director

I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and that supplement the existing audit engagement letter dated 18 May 2020.

Signed: _____ Date: _____
Gary Tong
Mayor

Appendix 1: Terms of the engagement that apply specifically to the audit of the consultation document and LTP

Objectives

The objectives of the audit of the consultation document and LTP are:

- to provide independent opinions on the consultation document (under section 93C(4) of the Act) and on the LTP (under section 94(1) of the Act) about:
 - whether each document gives effect to the relevant statutory purpose; and
 - the quality of the information and assumptions underlying the information included in each document; and
- to report on matters relevant to the Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the consultation document and LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the consultation document and LTP to identify whether there are material inconsistencies with the audited consultation document and LTP.

Provision of a management report to the Council

At a minimum, we will report to the Council at the conclusion of the engagement. The management report communicates matters that come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

Materiality

Consistent with the annual audit, the audit engagement for the consultation document and LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the consultation document and LTP, and the information and assumptions underlying the information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the consultation document and LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit opinion. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements in our opinion.

The standards applied when conducting the audit of the consultation document and adopted LTP

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that were consistent with those requirements.

Responsibilities

General responsibilities

The general responsibilities of the Council for preparing and completing the consultation document and LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 18 May 2020– but noting that the consultation document and LTP include forecast information.

These responsibilities include those set out in Appendix 1 of that audit engagement letter as detailed below:

Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor:

- responsibilities for compliance with laws and regulations; and
- responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

Specific responsibilities

The Council is responsible for:

- maintaining accounting and other records that:
 - correctly record and explain the forecast transactions of the Council;
 - enable the Council to monitor the resources, activities, and entities under its control;
 - enable the Council's forecast financial position to be determined with reasonable accuracy at any time;
 - enable the Council to prepare forecast financial statements and performance information that comply with legislation; and
- providing us with:
 - access to all information and assumptions relevant to preparing the consultation document and LTP, such as records, documentation, and other matters;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation of representations made to us in connection with the audit.

Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, we need to make arrangements with you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Appendix 2: Team mix and hours for the audit of the consultation document and LTP for the 10-year period commencing on 1 July 2021

| | Total hours |
|--|-------------|
| Appointed Auditor | 80 |
| Engagement Quality Review Director | 0 |
| Sector Specialists | 24 |
| Audit Manager | 100 |
| Other CA staff | 100 |
| Staff not yet CA qualified | 320 |
| Other Expert or Specialist Assistance: | 1 |
| • IS | |
| • ETC | |
| Totals | 625 |

Fee calculations

| | \$ |
|--|----------------|
| Net fee | 91,600 |
| OAG overhead contribution* | NIL |
| Total fee (including overhead contribution) | <u>91,600</u> |
| GST | 13,740 |
| Audit fee for the LTP for the period commencing 1 July 2021 | <u>105,340</u> |

* No OAG overhead is charged in relation to the audit of the LTP.

We will charge disbursements, including travel, on an actual and reasonable basis.

Audit New Zealand's 2021-31 LTP information and documentation requirements

SOUTHLAND DISTRICT COUNCIL

| Information required | Relevance to our audit | Timing considerations | Agreed deliverables | Agreed date |
|---|---|---|---------------------|-------------|
| Audit planning phase | | | | |
| The District Council's timetable | So we can understand and assess the District Council's planning processes and plan our workflows. | As soon as possible so we can populate key sign-off dates and deliverables into the audit arrangements letter. We also need this information to plan our resourcing of the audit given the major impact of LTP audits on our organisation. | | |
| Signed audit arrangements letter | To agree expectations, fee and timeframes. | | | |
| Description of the District Council's higher level planning processes (from self-assessment plus discussions) | So we can assess the robustness of the District Council's overall LTP preparations processes. | Initial phase of Audit's engagement with the District Council. | | |

| Information required | Relevance to our audit | Timing considerations | Agreed deliverables | Agreed date |
|---|--|--|---------------------|-------------|
| Description of the state of progress in updating the District Council's AMPs and in particular a description of the significant issues/ changes that have arisen since 2015 | So we can understand the state of the District Council's knowledge about its assets and the robustness of the forecasts that flow from the AMPs. | Initial phase of Audit's engagement with the District Council as the AMPs drive the large and critical service components of the LTP. | | |
| Description of the District Council's processes for preparing its forecasts (including its QA process) for non-asset based activity forecasts | So we can assess the robustness of the District Council's overall financial forecasting processes. | Initial phase of Audit's engagement with the District Council as our audit approach is built on our assessment of the robustness of the District Council's forecasting processes. If they are not sufficiently robust then there will likely be issues for our audit opinion. | | |
| Financial model | We need to understand the functionality and controls in the model which applies the key forecasting assumptions to the raw forecasts from the planning and budgeting and the AMPs. | This could be done at an early stage, potentially even before we commence our work on the consultation document (CD) phase of the audit. | | |

| Information required | Relevance to our audit | Timing considerations | Agreed deliverables | Agreed date |
|------------------------|--|--|---------------------|-------------|
| CD audit phase | | | | |
| Underlying assumptions | Key assumptions drive the LTP and are important to our assessment and understanding of the District Council's forecasts. | Early advice on the nature (completeness) of assumptions as part of the initial phase of Audit's engagement with the District Council. This advice should cover all the key assumptions, including (at least) all the "must have" assumptions in the SOLGM guidance – " <i>Dollars and Sense-2021.</i> " Support for the assumptions actually applied is required as part of our audit of the CD. | | |
| The impact of Covid-19 | We need to be aware of any such impacts on District Council's activity so we can factor them into our planned audit approach and expectations. | Early advice will enable us to identify any areas we need to focus on and set our up-front expectations for the analytical work we perform as part of our audit. | | |

| Information required | Relevance to our audit | Timing considerations | Agreed deliverables | Agreed date |
|--|--|---|---------------------|-------------|
| <p>The impact of and responses to climate change</p> | <p>We need to be aware of any such impacts on the District Council's activity so we can factor them into our planned audit approach and expectations.</p> <p>The OAG has signalled to the sector and auditors that climate change impacts must be more explicit than in previous LTPs and should better reflect available data on forecast climate change impacts.</p> | <p>Early advice will enable to identify, as part of our planning, any key impacts and / or initiatives we wish focus on as part of our audit.</p> <p>As part of the information provided, please identify the key underlying sources of climate change data used (eg, MfE's <i>"Climate change projections for New Zealand"</i> and <i>"Coastal Hazards and Climate Change – Guidance for local government"</i> documents or data from other sources such as NIWA or work commissioned by the District Council.</p> | | |

| Information required | Relevance to our audit | Timing considerations | Agreed deliverables | Agreed date |
|-------------------------|---|--|---------------------|-------------|
| Financial Strategy (FS) | <p>To assess how well the FS communicates the District Council's financial strategy in terms of:</p> <ul style="list-style-type: none"> • The financial position the District Council is starting in and what position it is aiming to be in at the end of the LTP period. • The funding approach and implications to achieve the position on key elements of the District Council's financial strategy – particularly investments, debt and rates? | As with the infrastructure strategy, we expect the FS to be available early in the process as it provides the high level, long-term context for the District Council's financial policies and forecasts. | | |

| Information required | Relevance to our audit | Timing considerations | Agreed deliverables | Agreed date |
|------------------------------|---|--|---------------------|-------------|
| | <ul style="list-style-type: none"> How the District Council has taken into account current and future ratepayers when considering the funding of services and asset purchases. <p>We also assess the financial prudence (including balanced budget) of the financial strategy.</p> | | | |
| Infrastructure Strategy (IS) | <p>To assess the IS which provides a long-term perspective on the District Council's infrastructure which is:</p> <ul style="list-style-type: none"> Visionary – tells the story about where the District Council is, where it expects to be, and how it intends to get there. Realistic – includes assumptions and disclosures that are relevant and achievable. | <p>As with the FS, we expect the IS to be available early in the process as it provides the high level, long-term context for the District Council's infrastructural assets which contribute the majority of the District Council's forecast expenditure and deliver core services to the community.</p> | | |

| Information required | Relevance to our audit | Timing considerations | Agreed deliverables | Agreed date |
|--------------------------|---|---|---------------------|-------------|
| | <ul style="list-style-type: none"> • Relational – creates the right debate and is credible because it connects to financial strategy and other relevant influences. | | | |
| AMPs | <p>The AMPs identify the key issues that drive the District Council's IS and also provide the financial forecasts for the asset based activities. They also provide the underlying information for a large portion of the District Council's financial forecasts.</p> <p>Also provides the underlying information on which the 30 year forecasts in the FS are built.</p> | As with the FS, we expect the updated AMPs to be available early in the process. We use the information in and from the AMPs to understand the key issues facing the District Council and also to assess the proposed levels of service and financial forecasts in both the IS and the LTP. | | |
| Full financial forecasts | <p>We need these so we can:</p> <ul style="list-style-type: none"> • understand the overall financial context for the CD; and • assess the robustness of the financial forecasts in the LTP. | We require the financial model, populated with full financial forecasts, at least two, weeks before sign-off on our CD audit. | | |

| Information required | Relevance to our audit | Timing considerations | Agreed deliverables | Agreed date |
|--------------------------------|--|---|---------------------|-------------|
| Funding and Financial policies | To assess their alignment with the FS and their prudence. | As with the FS, we expect these to be available early in the process as they provide the framework for the District Council's financial forecasts. | | |
| Draft performance framework | <p>We are required to form a view about whether the District Council has complied with its performance reporting obligations as set out in the Local Government Act 2002.</p> <p>We assess whether the forecast performance report:</p> <ul style="list-style-type: none"> • constitutes an adequate performance reporting framework; • provides an adequate basis for presenting fairly, in all material respects, the performance of the District Council; and | <p>We need a clear understanding of the proposed levels of service (and, in particular, significant proposed changes) in the LTP before we complete our audit of the CD. However, a complete draft performance framework is not required at this stage.</p> <p>It would be helpful, however, to at least have a reasonable understanding of the proposed structure and format of the performance framework at this stage.</p> <p>We will need to have substantially completed our work on the performance framework by the time the Council completes its consideration of submissions.</p> | | |

| Information required | Relevance to our audit | Timing considerations | Agreed deliverables | Agreed date |
|------------------------------------|--|---|---------------------|-------------|
| | <ul style="list-style-type: none"> complies with generally accepted accounting practice. <p>For key performance measures we also assess whether the District Council has adequate systems and controls in place to appropriately record and report its performance.</p> | | | |
| Significance and engagement policy | We need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has considered the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the CD achieves its statutory purpose. | We expect this to be available early in the process as it provides the basis for the Council determining the significant issues it wishes to consult on with its community. | | |

| Information required | Relevance to our audit | Timing considerations | Agreed deliverables | Agreed date |
|----------------------------------|--|--|---------------------|-------------|
| Draft Consultation Document (CD) | <p>Our audit opinion on the CD provides assurance to the community:</p> <ul style="list-style-type: none"> • that the CD gives effect to the purpose set out in section 93B; and • on the quality of the information and assumptions underlying the information provided in the consultation document. | <p>At the commencement of our fieldwork we will need a clear understanding of what the Council has identified as the key consultation issues. Where appropriate this should also cover those choices for the community to consider which the Council has identified.</p> <p>We will need a good complete draft CD at least weeks before we sign off on the CD audit.</p> | | |
| Final version of (CD) | Our audit opinion on the final version of the CD must be included in the document that goes out for consultation. | The Local Government Act 2002 does not specify that the Council needs to make a formal resolution to adopt the (audited) CD. However, the Council must approve the CD before we can issue our audit opinion. | | |

| Information required | Relevance to our audit | Timing considerations | Agreed deliverables | Agreed date |
|--|--|--|---------------------|-------------|
| LTP audit phase | | | | |
| Draft LTP (pre-consultation version) | We need to review a complete draft as soon as possible to avoid last minute issues. | <p>While the LTP document is not a pre-requisite for us to complete our CD audit, ideally we would have cleared much of the draft LTP document at the CD audit phase.</p> <p>In June there will be a compressed timeframe within which most local authorities will be finalising their LTPs after their consultation. This will put significant pressure on our staff resources. Therefore we will need to have substantially cleared all aspects of our audit work on the draft LTP document prior to the final, post-consultation, version being prepared.</p> | | |
| A schedule of all changes arising from consultation, along with a description of how and where these have impacted the LTP | So we can follow the changes arising from consultation through the final version of the LTP. | <p>After the Council has confirmed the changes arising from consultation (if any) and management has flowed these changes through the document.</p> <p>We will need at least one week (depending on the extent of changes) between receiving this schedule of changes and the final LTP and our sign off on the LTP audit. As noted above, our audit sign off needs to be before the Council formally adopts the LTP.</p> | | |

| Information required | Relevance to our audit | Timing considerations | Agreed deliverables | Agreed date |
|---|--|---|---------------------|-------------|
| Supporting information for changes and how they have impacted the LTP | So we can assess the reasonableness of the changes. | After the Council has confirmed its changes and management has updated the document to fully reflect the effect of these changes. | | |
| Final version of LTP | So we can issue our audit opinion for inclusion as part of the document. | Our audit opinion is issued after the Council has finalised the content of the LTP document but before the Council formally adopts the LTP. | | |

Draft Accounting Policies for the Long Term Plan 2031

Record No: R/21/1/2026
Author: Sheree Marrah, Financial Accountant
Approved by: Anne Robson, Chief Financial Officer

Decision Recommendation Information

Purpose

- 1 To discuss and approve the draft accounting policies to be used to compile the Long Term Plan 2031, which will be adopted in June 2021.

Executive Summary

- 2 The accounting policies (Attachment A) set the basis on which the Long Term Plan 2031 is prepared and the financial information compiled. For the Long Term Plan 2031, Council staff are recommending the accounting policies adopted by Council for its 2019/2020 Annual Report, updated for necessary changes given that these financial statements include prospective financial information, be used.
- 3 This recommendation is based on there being no changes to relevant accounting standards by the New Zealand Accounting Standards Board or changes to Councils operations.
- 4 These accounting policies were considered and endorsed by the Finance and Assurance committee at its meeting on 15 December 2020.

Recommendation

That the Council:

- a) **Receives the report titled “Draft Accounting Policies for the Long Term Plan 2031”** dated 21 January 2021.
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) Approves the accounting policies detailed in Attachment A, for use in the Long Term Plan 2031.

Background

- 5 All councils are required by legislation to adopt a Long Term Plan (LTP) and review it every three years. The LTP sets out Council's activities, plans, budgets and policies and must be adopted before the beginning of the first year it relates to, having used a special consultative procedure to consult with the community. Council are currently developing the LTP 2031 which covers the period 1 July 2021 to 30 June 2031.
- 6 In considering the appropriate accounting policies to be used for the LTP it is deemed appropriate to use, as a starting point, those adopted by Council as part of its 2019/2020 Annual Report and updated for necessary changes given that these financial statements include prospective financial information.
- 7 The recommendation in this report is based on the expectation that there will be no changes to relevant accounting standards by the New Zealand Accounting Standards Board or changes to Councils operations for the ten years of the plan.

(i) Issues

- 8 In considering the appropriate accounting policies for Council adoption for the Long Term Plan 2031, Council staff have reviewed the policies used by Council in preparation of the 2019/2020 Annual Report and updated for any necessary changes. The accounting policies have also been compared to both the LTP 2018-2028 and 2020/2021 Annual Plan. The recommended policies are consistent (as appropriate) with these three documents. All changes are noted in orange or green text in Attachment A.
- 9 The key changes are as follows:
- 10 Page 1 of Attachment A includes the necessary disclosures for prospective financial information which is only required for Annual Plans/LTPs and therefore was not required in the Annual Report, this is consistent with the 2020/2021 Annual Plan and LTP 2018-2028.
- 11 During the 2019/2020 Annual Report, Council were required to adopt a number of new standards in relation to consolidation and accounting for investments in associates and joint ventures. The accounting policies in the annual report were updated to reflect these change in accounting policies and the updated policy wording is included on page 11 of Attachment A in green text.
- 12 Other than the above, references to financial statements and surplus/deficit in the policies have been updated to read *prospective* financial statements and *forecast* surplus/deficit.

Factors to Consider

Legal and Statutory Requirements

- 13 Section 93 of the Local Government Act 2002 requires the Council to prepare and adopt a Long Term Plan. Subsection 93 (8) states the LTP should include any detail that the local authority considers to be appropriate.
- 14 Section 111 of the Local Government Act states that any information to be prepared must be in accordance with generally accepted accounting practice where the information is of a form or nature for which generally accepted accounting practice has developed standards, however this do not apply to the preparation of a funding impact statement.

Council

28 January 2021

- 15 The accounting policies form the basis on which the prospective financial information is prepared, and thus it is considered appropriate that these be included in the LTP.

Community Views

Costs and Funding

- 16 There are no direct cost implications of Council adopting the accounting policies for the Long Term Plan 2031.

Policy Implications

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

- 18 The Finance and Assurance Committee endorsed the attached accounting policies for the use in the Long Term Plan 2031 at its meeting on 15 December 2020.

Analysis

Options Considered

Analysis of Options

Option 1 – Approves the accounting policies with any amendments from this meeting for use in preparation of the Long Term Plan 2031.

| <i>Advantages</i> | <i>Disadvantages</i> |
|--|---|
| <ul style="list-style-type: none">• Policies are consistent with 2019/2020 Annual Report, 2020/2021 Annual Plan and Long Term Plan 2018-2028• Simplified more efficient approach• The Long Term Plan can continue to be prepared in line with the planned timetable. | <ul style="list-style-type: none">• None identified |

Option 2 – Do not approve the accounting policies as presented

| <i>Advantages</i> | <i>Disadvantages</i> |
|--|---|
| <ul style="list-style-type: none">• Changes can be made to the accounting policies to incorporate the Council’s views. | <ul style="list-style-type: none">• More complex approach for potentially minimal benefit• Different approach to 2019/2020 Annual Report, 2020/2021 Annual Plan and Long Term Plan 2018-2028• The Long Term Plan process may be delayed depending on the time needed to provide the necessary information |

Assessment of Significance

- 19 In terms of Council's Significance and Engagement Policy, the accounting policies which form part of the Long Term Plan are not considered significant.

Recommended Option

- 20 Option one - Approves the accounting policies with any amendments from this meeting for use in preparation of the Long Term Plan 2031.

Next Steps

- 21 The accounting policies (incorporating any changes agreed at this meeting) will be used in preparation of the Long Term Plan 2031.

Attachments

- A Draft Accounting Policies for the Long Term Plan 2031 [↓](#)

Accounting policies

Reporting entity

Southland District Council (referred to as “SDC” or “Council”) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operated in New Zealand. The relevant legislation governing 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. Council is a public benefit entity (PBE) for financial reporting purposes.

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

The **prospective** financial statements were authorised for issue by Council on **XX June 2021**.

Basis of preparation

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

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

Prospective financial information

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

Description of the nature of the entity’s current operations and its principal activities

The Council is a territorial local authority, as defined in the Local Government Act 2002. The Council’s principal activities are outlined within the Long Term Plan.

Purpose for which the prospective financial statements are prepared

It is a requirement of the Local Government Act 2002 to present prospective financial statements that span 10 years and include them within the Long Term Plan. This provides an opportunity for ratepayers and residents to review the projected financial results and position of the Council. Prospective financial statements are revised annually to reflect updated assumptions and costs.

Bases for assumptions, risks and uncertainties

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

Cautionary Note

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

Measurement base

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

Basis of consolidation

Council **prospective** financial statements represent the results of Council's nine significant activity groups (detailed on pages **XX-XX**), including the Stewart Island Electrical Supply Authority (SIESA), 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 prospective financial information reflects the operations of Council. It does not include the consolidated results of Council controlled organisations (being Milford Community Trust).

Change in accounting policies

The accounting policies have been applied consistently to all periods presented in these **prospective** financial statements.

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 Waka Kotahi NZ Transport Agency and grants from other government agencies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

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

grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

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

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

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

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

For long-lived assets that must be used for a specific use (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.

b) Borrowing costs

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

c) Grant expenditure

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

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

d) Foreign currency transactions

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

e) Leases

Operating leases

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

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

f) Equity

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

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

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

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

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

g) Cash and cash equivalents

Cash and cash equivalents 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 Statement of Financial Position.

h) Inventories

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

The write down from cost to current replacement cost is recognised in the **Prospective** 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 **forecast** 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 **forecast** 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 **forecast** surplus or deficit. Loans and receivables are classified as “trade and other receivables” in the **prospective** 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 **forecast** surplus or deficit.

- *financial assets at fair value through other comprehensive revenue and expense*

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

This category encompasses:

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

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

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

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

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 **forecast** surplus or deficit.

k) Goods and services tax (GST)

The **prospective** 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 **prospective** 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 **prospective** 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.

- *recognition*

Property, plant and equipment is shown at cost for all asset categories other than infrastructure and heritage assets, which are at 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 **forecast** surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

- *subsequent costs*

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

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

- *depreciation*

Depreciation is provided on a straight-line (SL) 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 |
| <i>Operational assets</i> | | | |
| Improvements | 4-25 | 4.00% - 21.00% | SL or DV |
| Buildings | 10-100 | 1.00% - 10.00% | SL or DV |
| Light vehicles | 4- 8 | 12.00% - 21.60% | SL or DV |
| Heavy vehicles | 4-8 | 12.00% - 21.60% | DV |
| Other plant | 2-25 | 4.00% - 60.00% | SL or DV |
| Furniture and fittings | 3-13 | 8.00% - 30.00% | SL |
| Asset category | (years) | Percent | Method |
| Office equipment | 7-8 | 13.50% - 14.00% | SL |
| Computer equipment | 2-7 | 13.50% - 40.00% | SL |
| Other equipment | 3-14 | 7.00% - 30.00% | SL or DV |
| Library books | 10 | 10.00% | SL |

| Estimated economic life | | Depreciation | |
|-------------------------------|---------|-----------------|----------|
| Asset category | (years) | Percent | Method |
| <i>Infrastructural Assets</i> | | | |
| 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 |

| Estimated economic life | | Depreciation | |
|-------------------------|-------|----------------|----|
| Transfer stations | 10 | 10.00% | SL |
| 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, bridges, footpaths, cycle trails, streetlights, water treatment systems, sewerage treatment systems 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.

Other infrastructural assets

All other infrastructural assets (electrical generation plant 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 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.

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 **prospective**

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. 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 **forecast** surplus or deficit.

The costs to maintain the forestry assets are recognised in the **forecast** 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 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) 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 Council 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.

r) 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

s) Provisions

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

Provisions are not recognised for future operating losses.

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

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

Financial guarantee contracts

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

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

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

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however, if SDC assesses that it is

probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

Landfill post-closure costs

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

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

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

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

t) Internal borrowings

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

u) Investments in associates and joint ventures

An associate is an entity over which SDC has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

SDC's investment in its associates and joint ventures is accounted for using the equity method of accounting in the consolidated prospective financial statements.

Under the equity method, an investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise post-acquisition changes in Council's share of net assets of the associates or joint ventures since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

SDC's share of an associate's or joint venture's surplus or deficit is recognised in the statement of financial performance. Any change in the associate or joint venture's other comprehensive revenue and expense is presented as part of Council's other comprehensive revenue and expense. The cumulative movements are adjusted against the carrying amount of the investment. In addition, when there has been a change recognised directly in the net assets/equity of the associate or joint venture, Council recognises its share of any changes, when applicable, in the statement of changes in net assets/equity. Unrealised gains and losses resulting from transactions between Council and the associate or joint venture are eliminated to the extent of Council's interest in the associate or joint venture.

The aggregate of the SDC's share of surplus or deficit of associates or joint ventures is shown on the face of the statement of financial performance. This is the surplus attributable to equity holders of the associate or joint venture and therefore is surplus after tax and non-

controlling interests in the controlled entities of the associates and joint ventures.

The prospective financial statements of the associate or joint venture are prepared for the same reporting period as Council. When necessary, adjustments are made to bring the accounting policies in line with those of Council. After application of the equity method, Council determines whether it is necessary to recognise an impairment loss on Council's investment in its associate or joint venture.

Council determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case Council calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of surplus of an associate and joint venture" in the statement of financial performance.

Goodwill included in the carrying amount of the investment in associate is not tested for impairment separately; rather the entire carrying amount of the investment is tested as a single asset. When Council's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any unsecured long-term receivables and loans, Council does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Upon loss of significant influence over the associate or joint control over the joint venture, Council measures and recognises any remaining investment at its fair value, and accounts for the remaining investments in accordance with PBE IPSAS 29. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in surplus or deficit.

v) **Critical accounting estimates and assumptions**

In preparing these **prospective** 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 to the **prospective financial statements**:

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.

x) Statement of cashflows

Operating activities include cash and cash equivalents (as defined in (f) 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 prospective financial statements due to the use of decimal places in the underlying financial data.

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Participation in the Local Government Funding Agency

Record No: R/21/1/1262
Author: Anne Robson, Chief Financial Officer
Approved by: Cameron McIntosh, Chief Executive

Decision Recommendation Information

Purpose

- 1 The purpose of this report is to discuss the merits and process associated with joining the Local Government Funding Agency (LGFA) and to recommend that Council participate in the LGFA and proceed to undertake public consultation in relation to this.

Executive Summary

- 2 The LGFA was created in 2011 by a group of New Zealand Local Authorities (80%) and the Crown (20%) to enable local authorities to borrow at lower interest margins than potentially is otherwise unavailable. Currently there is 71 participating Councils, with \$11.9billion borrowed by the local authority sector.
- 3 The key reason to join is the opportunity for Council to get lower interest rates than would be available from other methods. It is estimated that Council will save 1% in interest charges or \$10,000 per \$1million of borrowing.
- 4 Council can participate in the LGFA in three ways, as a shareholding participating Council, as a guaranteeing participating Council or as a non-guaranteeing participating Council.
- 5 A non-guaranteeing participating Council has the lowest risk however it is limited to \$20million of borrowing and pays a higher interest rate.
- 6 A guaranteeing participating Council is required to guarantee the financial obligations of the LGFA but gets lower interest rates than a non-guaranteeing and if it gets a credit rating can potentially get lower rates again.
- 7 All borrowings and the guarantee, if applicable will be secured by a charge over Council's rates.
- 8 Even if Council joins LGFA, Council is still free to undertake all, some or no borrowings from the LGFA in the future.
- 9 In any case if the Council decides to proceed with joining the LGFA, it needs to undertake public consultation. This is because in certain circumstances the 1.6% of borrowers notes it agrees to take as part of borrowing from the LGFA may be converted into equity in the LGFA. At this point the LGFA will become a council controlled trading organisation. Under the Local Government Act (2002) before Council establishes or becomes a shareholder in a Council controlled organisation it must consult.
- 10 As at 30 June 2020, Council had no external debt and \$35.3million of internal loans borrowed against the reserve funds held. The 2018-28 LTP indicates external loans will peak at \$15.8million whilst internal loans will be \$60.7million. Council and the Finance & Assurance Committee has previously indicated that it would be desirable to look at changing the current

Council approach of internally borrowing against its reserve funds and undertake all borrowings externally given the low interest rates available through the LGFA. The resulting inwards cash of up to \$45million would then see reserves invested externally rather than used to fund capital projects internally. Given this level of cash the current investment policy would mean that investments other than bank deposits would be required.

- 11 If Council was looking to undertake all borrowings externally, including those currently internally borrowed, it would also be appropriate to note this in the public consultation document.
- 12 At the December 2020 Finance & Assurance Committee, the Committee had a robust discussion over this report especially the benefits and risks of becoming a participating Council. The majority agreed to recommend to Council that it consult over becoming a guaranteeing participating Council, acknowledging the need for Council to become a party to a deed of guarantee and an equity commitment deed for the financial obligations of the LGFA.

Recommendation

That the Council:

- a) **Receives the report titled “Participation in the Local Government Funding Agency”** dated 21 January 2021.
- 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) Agrees to proceed to public consultation on Council joining the Local Government Funding Agenda as a Guaranteeing Participating Council.

Background

- 13 The LGFA was created in 2011 by a group of New Zealand Local Authorities and the Crown to enable local authorities to borrow at lower interest margins than would otherwise be available.
- 14 Currently there are 71 participating Councils in the LGFA who have lent to date \$11.9billion to the local authority sector. Of the 71 Councils involved in the scheme, 59 are guarantors.
- 15 The LGFA was set up to support the local government sector access debt funding easily. At the time the market, pricing, length of funding term and other terms and conditions varied considerably across the sector and were less than optimal. At the time some Councils were releasing bonds to the market as and when required however many found this process was complicated and the timeframes weren't meeting some Council's needs.
- 16 The creation of the LGFA enabled it to gain size and go to the market with a consistent product as a result of the strong security position of local authorities.

- 17 To enable lower interest rates to be accessed by councils, the LGFA requires a high credit rating. Currently it has achieved AA+ long term from Standard and Poor's, the same as central government.

Basic structure of the LGFA

- 18 The LGFA has been set up as a limited liability company whose shares are held 20% by Central Government and 80% by 30 local authorities (principal shareholding local authorities). Thus the LGFA is a Council Controlled Trading Organisation (CCTO).
- 19 There are three ways to transact with the LGFA as a,
- a) Principal Shareholding Local Authority,
 - b) Participating Local Authority (guaranteeing), whereby Council agrees to guarantee the financial obligations of the LGFA. In return Council will pay 0.1% to 0.3% less in interest costs. Lower rates can be obtained by Council seeking a credit rating, the better the rating the lower the interest rates. Additionally Council can borrow more than \$20million. The guarantee is by way of security over rates. If Council seeks a credit rating for itself, the resulting rating
 - c) Participating Local Authority (non-guaranteeing), whereby Council does not guarantee the financial obligations of the LGFA but may only borrow up to \$20million and will pay 0.1% to 0.3% more in interest costs.
- 20 Every Council that borrows from the LGFA agrees to commit 1.6% of their total borrowing back to the LGFA in the form of borrower's notes. In certain circumstances, particularly where there is an imminent default by LGFA, these notes may be converted into shares in the LGFA.

LGFA Credit Rating of AA+

- 21 To grant an AA+ rating, Standard and Poor's considered the LGFA's short and long term risk profile. Short term risk is where payments are not made on time. Long term risk is where payments are no made at all.
- 22 Standard & Poor's, considered for the LGFA that the short term risk is probably more significant than the long term risk because in the long term Councils can assess and collect sufficient rates revenue to cover the shortfall but in the short term if Councils don't have the funds they can't collect this quickly.
- 23 To minimise the short term risk the LGFA have advised they have the following risk mitigation strategies:
- They hold a certain level of cash and other liquid investments
 - They have a borrowing facility with central government if required.
- 24 To minimise the long term risk the LGFA have advised that they have the following risk mitigation strategies
- The LGFA requires all local authorities that borrow from it to secure that borrowing with a charge over that local authority's rates revenue.

- The LGFA maintains a minimum capital adequacy ratio of 1.6% of its total assets. This is met from two sources, the initial equity contributed by the principal shareholding local authorities and every borrowing local authority must contribute 1.6% of the amount that it borrows from the LGFA as equity, by way of borrower notes, redeemable at the end of the borrowing term.
- The Principal shareholding local authorities have subscribed for uncalled capital in an equal amount to their paid up equity contribution.
- For those local authorities wishing to borrow more than \$20million they need to participate as guaranteeing local authorities, whereby they guarantee the obligations of the LGFA.
- Guaranteeing local authorities commit to contributing additional equity to the LGFA if there is an imminent risk that the LGFA will default.
- The LGFA notes that it hedges any exposure to interest rate and foreign currency fluctuations to ensure that such fluctuations do not significantly affect its ability to meet its payment obligations.
- The LGFA notes that it puts in place risk management policies in relation to its borrowing and lending designed to minimise its risk. For example, it imposes limits on the percentage of lending that is made to any one local authority to ensure that its credit risk is suitably diversified.
- The LGFA notes that it ensures that its operations are run in a way that minimises operational risk

Issues/Risks

- 25 Depending on how the Council wants to join the LGFA will influence the risk level it has.
- 26 Council will need as part of this process to assess if the level of risk mitigation measures noted by LGFA under para. 22 and 23 are sufficient for it to consider joining and if the LGFA is appropriately structured and has in place the right checks and balances to ensure compliance and adjustment where necessary.
- 27 As noted above when Councils borrow from the LGFA, 1.6% of the amount borrowed must be returned to the LGFA by way of subscribing for borrower notes. Currently Council will receive a return on the bonds however it is at the discretion of the LGFA. It is important to note that should the LGFA default on its financial obligations, the bonds will most likely be the second call on funds, by their conversion to shares.

Guaranteeing Councils

- 28 A Guaranteeing Local Authority guarantees the obligations of the LGFA. They are not guaranteeing individual councils. The guarantee is limited to Councils rates income as a percentage of the total rates income of all guaranteeing councils in any given year. For the Southland District Council this is estimated to be 0.73%. This would mean that if the LGFA made a call of \$100million then Council would contribute \$730,000. Although the percentage contribution is limited, the amount of the guarantee call is not and will depend on the level of default.

- 29 Generally a call on the guarantee would be as a result of the LGFA defaulting on its payment obligations.
- 30 Where a default occurs the LGFA will first make a call on uncalled capital, where this is insufficient then a call on the guarantee will be made, which will generally be firstly by converting the borrowers notes into equity. Should the call on the guarantee still be insufficient to meet the default requirements a call for equity contributions will be made. The Councils share will be based on the same basis as noted above. At this point Council would effectively have a shareholding in the LGFA and it would be a CCTO of Council. It is for this reason that Council needs to consult with the public if it wants to become a guaranteeing or shareholding local authority of the LGFA.
- 31 As a result of becoming a Guaranteeing Council the Council will be entitled to lower interest rates than if it was a non-guaranteeing council. If Council obtains a credit rating from either Standard and Poor's or Finch & Co and this rating is an A+ or higher Council can receive better interest rates again. The process to obtain a credit rating is estimated to cost \$60thousand and potentially has ongoing annual costs. Council does not have to undertake this at this stage and it is proposed that it be investigated further in the future. To date 30 Councils participating in the scheme have obtained a rating. The savings gained depends on the credit rating achieved. Those who get AA rating the saving is approximately 0.2%, for an AA- rating it would be 0.15% and for an A+ rating 0.1%.
- 32 The security for the guarantee will be a charge over Councils ability to rate as security for its borrowing.

Principal Shareholding Local Authorities (PSLA)

- 33 Being a principal shareholder gives the Council some rights in relation to the governance of the LGFA. Part of this is the approval or not of directors fees for the LGFA along with participating in the direction setting of the company.
- 34 To become a principal shareholding local authority, Council would need to invest additional capital into the LGFA to purchase shares as well as recognising an element of uncalled capital. This investment would provide a return on capital however it would not be paid if the LGFA got into financial difficulty.
- 35 Council would also become a Guaranteeing Local Authority.
- 36 Currently the only way to become a principal shareholding Local Authority is to find a current PSLA that is prepared to sell some of its shares in the LGFA to Council.

Non-Guaranteeing Local Authority

- 37 Non-Guaranteeing local authorities do not guarantee the financial obligations of the LGFA but
- Can only borrow up to \$20million
 - the borrowing notes that they commit to as part of the borrowing may be converted to shares if the LGFA defaults.

- Pays a higher rate of interest. Compared to an unrated guarantor (ie: is a guaranteeing council but has no credit rating) it would pay 0.1% more in interest.

Borrowing Conditions

38 In undertaking borrowing from the LGFA, Council agrees to

- Provide debenture security in relation to their borrowing from the Company and related obligations and if relevant, equity commitment liabilities to the Company and if relevant, guarantee liabilities to a security trustee approved for the Company’s creditors.
- If the Councils borrowings is at any time equal to or greater than \$20million then it is required to become a party to a deed of guarantee and an equity commitment deed.
- Issue securities (bonds/floating rate notes/commercial paper) to the Company (ie: not enter into facility arrangements)
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the following table, provided that:
 - Unrated Councils or Councils with a long term credit rating lower than ‘A’ equivalent can have bespoke financial covenants that exceed the
 - Lending policy covenants outlined in the following table only with the approval of the board;
 - Foundation policy covenants outlined in the following table only with the approval of an ordinary resolution of shareholders.
- Councils with a long term credit rating of ‘A’ equivalent or higher will not be required to comply with the lending policy covenants in the following table and can have bespoke financial covenants that exceed the foundation policy covenants outlined in the following table only with the approval of an ordinary resolution of shareholders.
- Any Board or Ordinary resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.

| Financial Covenants | Lending Policy Covenants | Foundation Policy |
|----------------------------------|--------------------------|-------------------|
| Net debt/total revenue | <175% | <250% |
| Net interest/total revenue | <20% | <20% |
| Net interest/Annual rates income | <25% | <30% |
| Liquidity | >110% | >110% |

- Non-compliance with the financial covenants will either preclude a council from borrowing from the LGFA or in the case of existing council borrowers trigger an event of review. An event of default will occur if (among other things) a council fails to meet an interest or principal payment (subject to grace periods). An event of default will enable the LGFA to accelerate all loans to the defaulting council.
- Financial covenants are measured on Council only, not consolidated group.
- To minimise concentration risk the LGFA will require no more than the greater of \$100million or 33% of a Councils borrowings from the LGFA will mature in any 12 month period.

Council's future level of borrowings

- 39 Council's 2018-2028 Long Term Plan indicated that external borrowing would peak at \$15.8million in 2024/25.
- 40 Council currently funds its internal loans from cash reserves held. An option for Council is to separate its borrowing requirements to its investing operations. Using the 2024/25 year of the Long Term Plan this would result in \$61million of external debt and then \$45.2 million of investments.

Councils current approach to borrowing

- 41 Council currently only externally borrows when it has no cash in the bank.
- 42 Council currently has \$39.7million of reserves (30 June 2020). These reserves are held both by the district and local boards for various purposes. Examples of Council held district reserves are the strategic asset reserve of \$8.5million and the disaster recovery reserve of \$1.4million. Local communities also hold reserves for various purposes including asset replacement. These reserves have an equivalent amount of cash.
- 43 Council also has \$35.3million of internal loans (30 June 2020). This is where the district or local communities have borrowed cash to fund district or local capital projects, principally for infrastructure. To pay for these an internal loan has been raised.
- 44 To cash fund the internal loans, Council uses the cash from reserves held and when the internal loans exceed the cash funds held, external loans are taken out. This method of funding is generally recognised as the least risky and most accepted method of funding.
- 45 As part of internal funding Council sets internal interest rates for the internal loans and the reserves held. For the year ended 30 June 2020, the rate for internal loans was 4.65% and for reserves held it was 2.42%.
- 46 If Council was to borrow from the LGFA, interest rates on borrowings will vary but currently for an unrated council the fixed interest rate for 1 year is 0.56% to 16 years is 2.3%.
- 47 Current Council investment returns at the banks are between 1.16% for two months and 2.3% for 3 months. These returns are low risk as the banks must be AA- or better. Council could get a better return on investment however the level of risk generally increases with the returns.

- 48 The Finance & Assurance Committee has indicated previously that given the lower interest rates of the LGFA that Council should revisit its current policy of internally borrowing and externally borrow all internal loans. With the resulting cash it should in the short term invest with banks based on the current investment policy, with a further review of its investment strategy long term. The reasoning being that Council can make money on the difference between the interest it receives and the interest it pays.
- 49 If the Committee does want to change the borrowing approach, it is recommended that the LGFA consultation document note this possibility. The draft consultation document attached has been prepared to note this possibility and is highlighted in yellow.
- 50 Additionally the Investment Policy will need reviewing as currently the policy only allows for up to \$10million per bank with an A-1 rating or better. There are currently only 4 banks with this rating, so Council can only invest up to \$40million in banks before it must look at other permitted investment activities.
- 51 At \$45million of investments it is recommended that specialist investment advice be sought and potentially an investment manager contracted to manage the funds.

Finance and Assurance Meeting

- 52 The Finance & Assurance Committee discussed options around what could be borrowed and how any funds borrowed to return cash reserve funds as well as discussing in the benefits and risks involved. Overall the Committee resolved to
- d) Recommends to Council that it participates in the Local Government Funding Agency as a Guaranteeing Participating Council.*
 - e) Acknowledges that in recommending to Council that it participate as a Guaranteeing Participating Council that it recognises it will need to become a party to a deed of guarantee and an equity commitment deed for the financial obligations of the Local Government Funding Agency.*
 - f) Recommends to Council to proceed to public consultation in regards to Council joining the Local Government Funding Agency.*

Councillor Byars requested that his dissenting vote be recorded.

Factors to Consider

Legal and Statutory Requirements

- 53 Section 56 of the Local Government Act 2002 (LGA) requires that before a local authority may establish or become a shareholder in a council-controlled organisation, the local authority must undertake consultation in accordance with section 82 of the LGA.
- 54 If the Council decides to participate in the LGFA in any capacity be it as a shareholder, guaranteeing or non-guaranteeing it is advised that Council undertake this consultation given that as noted above there are some circumstances where the borrowing notes may be converted into shares in the LGFA.
- 55 As part of joining the LGFA, Council is required to have a debenture trust deed. Council established one a number of years ago and this would be forwarded to LGFA's lawyers to ensure it contained the necessary clauses.

Community Views

- 56 As noted previously Council needs to undertake consultation in accordance with section 82 of the LGA if it wishes to participate in the LGFA. The proposal proposed to be released should the committee recommend joining the LGFA to Council and Council agrees, is attached to this paper.

Costs and Funding

- 57 Currently Council has no long term external borrowings. The borrowings it has needed to date to fund capital projects has occurred from internally borrowing against its reserves. The level of internal borrowing at 30 June 2020 was \$35.3million, reserves were \$39.7million.
- 58 Council currently has a \$5million debt facility with Westpac Bank that enables it to meet its short term cashflow obligations. This is generally used when Council's cash commitments exceed the available cash it has in its daily banking or call account. Finance staff regularly invest surplus funds for terms it thinks will meet its future daily obligations, sometimes this is not enough. Due to changing bank regulations it now takes longer to break investments and costs often the interest earned on these investments to date, as such staff will use the debt facility to bridge these funding gaps. The debt facility costs 0.4% annually to maintain before interest charges on the borrowing.
- 59 Councils 2018-2028 Long Term Plan identified that Council would need to externally borrow around \$15.8million by 2024/25 after utilising its ability to internally loan against reserves held.
- 60 There are one-off costs associated with joining the LGFA in relation to reviewing the debenture trust deed, completing the legal documentation etc of approximately \$24,000. Although already paid there will be ongoing costs in relation to the obligations around the debenture trust deed and its audit of approximately \$12,000 plus relevant borrowing costs associated with borrowing such as interest and principal repayments.

Policy Implications

- 61 As part of the process to join the LGFA, Council needs to ensure it has the appropriate treasury policies, namely the Investment and Liability policies reflect the ability of Council to invest in or borrow from the LGFA as a shareholder, guaranteeing or non-guaranteeing Council.
- 62 In the 2013-2014 Annual Plan, Council consulted on changes to the Investment and Liability Policies to allow for investment and borrowing in the LGFA. The statements included below in italics and were provided to Council by Bancorp staff and remain in Councils current policies. Council staff will however confirm no changes are necessary.

Investment Policy

Local Government Funding Agency Limited (LGFA)

Despite anything earlier in this Investment Policy, Council may invest in shares and other financial instruments of the New Zealand LGFA and may borrow to fund that investment. The Council's objective in making any such investment will be to:

- obtain a return on the investment; and*
- ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.*

*Because of this dual objective, Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.
If required in connection with the investment, Council may also subscribe for uncalled capital in the LGFA.*

Liability Policy

LGFA

Despite anything earlier in this Liability Management Policy, Council may borrow from LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- *contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA.*
- *provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.*
- *commit to contributing additional equity (or subordinated debt) to the LGFA if required.*
- *subscribe for shares and uncalled capital in the LGFA.*
- *secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.*

63 The Investment Policy currently states in relation to internal loans.

“Council may utilise surplus funds for the purposes of internal borrowing. Internal borrowing forms a part of the overall mix of Council investments”

Analysis

Options Considered

64 Council has potentially four options in regards to the Local Government Funding Agency.

Analysis of Options

Option 1 – Agree to consult on participating in the LGFA as a Guaranteeing Local Authority

| <i>Advantages</i> | <i>Disadvantages</i> |
|--|--|
| <ul style="list-style-type: none"> • Borrowing at lower interest margins than is otherwise available through current lending methods. | <ul style="list-style-type: none"> • Risk of a call being made on Council as a result of a default by the LGFA operations. |
| <ul style="list-style-type: none"> • Seen to support a Local Authority driven solution. | <ul style="list-style-type: none"> • Risk of Council having an equity share in the LGFA in the future if a default results in borrowing notes being converted to equity and/or a call for equity being made. |
| | <ul style="list-style-type: none"> • 1.6% of borrowing is converted into borrowing notes. Although it is expected a return is given on these it is still at the LGFA discretion. These are repaid to Council when the debt is repaid. |

Option 2 – Agree to consult on participating in the LGFA as a Non-Guaranteeing Local Authority

| <i>Advantages</i> | <i>Disadvantages</i> |
|-------------------|----------------------|
| | |

| | |
|---|--|
| <ul style="list-style-type: none"> Borrowing at lower interest margins than is otherwise available through current lending methods | <ul style="list-style-type: none"> Borrowing interest margins will be higher than if the Council choose to be a shareholder or guaranteeing local authority. |
| <ul style="list-style-type: none"> Seen to support a Local Authority driven solution. | <ul style="list-style-type: none"> Risk of Council having an equity share in the LGFA in the future if a default results in borrowing notes being converted to equity and/or a call for equity being made. |
| <ul style="list-style-type: none"> Are not guaranteeing the operations of the LGFA. | <ul style="list-style-type: none"> 1.6% of borrowing is converted into borrowing notes. Although it is expected a return is given on these it is still at the LGFA discretion. These are repaid to Council when the debt is repaid. |
| | <ul style="list-style-type: none"> Borrowing limited to \$20million |

Option 3 – Agree to participate in the LGFA as a Principal Shareholding Local Authority

| <i>Advantages</i> | <i>Disadvantages</i> |
|--|---|
| <ul style="list-style-type: none"> Borrowing at lower interest margins | <ul style="list-style-type: none"> Risk of a call being made on the guarantee of the LGFA operations |
| <ul style="list-style-type: none"> Seen to support a Local Authority driven solution. | <ul style="list-style-type: none"> Risk of Council having an equity share in the LGFA in the future if a default results in borrowing notes being converted to equity and/or a call for equity being made. |
| <ul style="list-style-type: none"> Are part of the decision making process of the LGFA. | <ul style="list-style-type: none"> 1.6% of borrowing is converted into borrowing notes. Although it is expected a return is given on these it is still at the LGFA discretion. |
| | <ul style="list-style-type: none"> The commitment made to contributing more capital maybe called. |

Option 4 – Not participating in the LGFA

| <i>Advantages</i> | <i>Disadvantages</i> |
|---|---|
| <ul style="list-style-type: none"> Should Councils current lender default, Council has no liability by way of a guarantee of their operations. | <ul style="list-style-type: none"> Pay higher interest margins |
| <ul style="list-style-type: none"> No unquantified guarantee to the LGFA | |

Assessment of Significance

- 65 This report is not considered significant in terms of Councils Significance and Engagement Policy.

66 However, due to section 20 of the LGA, should Council wish to join the LGFA then it would need to undertake a public consultation in terms of Section 82 of the LGA due to the possibility that shares in the LGFA may be received by Council in the future. The receipt of these shares would result in the LGFA becoming a Council Controlled Trading organisation, this requires public consultation to of occurred.

Recommended Option

67 Option One: Agree to consult on participating in the LGFA as a Guaranteeing Local Authority

Next Steps

68 Council staff finalise and release the consultation document

69 Council considers the feedback and makes its decision

70 We advise the LGFA of our intention to participate and they will start the process by undertaking a credit analysis of Council.

71 Council staff will complete the application to the LGFA to be noted as an “eligible investor” under the Securities Act.

72 Provide the LGFA lawyers with a copy of Southland District Councils Debenture Trust Deed and Registry Agreement. This will be reviewed and amendments sent back to Council.

73 Councils lawyers, registrar and trustee will work through the appropriate actions to the trust deed liaising with the LGFA lawyers as appropriate.

74 Appropriate Council staff and elected members will be required to sign relevant documents.

75 Council’s lawyers prepare relevant documentation to the LGFA and the LGFA Security Trustee.

76 Approve the Investment & Liability Policy

Attachments

A Draft Proposal to join the Local Government Funding Agency Scheme [↓](#)

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Proposal to Join the Local Government Funding Agency Scheme



What is being proposed?

Southland District Council proposes to join the Local Government Funding Agency Ltd (LGFA) scheme as a Guaranteeing Local Authority.

Why is this being proposed?

The motivation behind this proposal is cost savings. Council considers that participating in the LGFA scheme provides an opportunity to borrow at lower interest margins, and that this benefit outweighs any costs and risks associated with the LGFA scheme. Through joining the scheme as a Guaranteeing Local Authority, the Council anticipates interest savings of \$10,000 or 1% for every \$1 million of debt. At our peak debt levels forecast by the 2018 Long Term Plan this will equal approximately \$160,000 each year.

What is the LGFA?

The LGFA is a council-controlled trading organisation established by a group of local authorities and the Crown. It is designed to allow local authorities to borrow at more favourable interest rates. All local authorities can borrow from the LGFA, but different benefits apply depending on the level of participation. Southland District Council is proposing to join as a Guaranteeing Local Authority.

What is a Guaranteeing Local Authority?

A Guaranteeing Local Authority receives more favourable borrowing rates and in return guarantees the obligations of the LGFA. This guarantee becomes a contingent liability on the Council. The guarantee is limited to Council's rates income as a percentage of the total rates income of all the guaranteeing councils. It is estimated that the Southland District Council's share of the guarantee would be **0.73%**. This means that if a \$100 million call was made under the guarantee, the Southland District Council would contribute **\$730,000**. This figure will change over time as the percentage of total rates income changes.

Currently there are **59** councils who have signed the joint and several guarantee. Council has assessed the likelihood of a:

- Council defaulting on its loans
- Loss on the loans even if a council does default; and
- Call on guarantors

and consider that all three factors have a very low probability.

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Why is the Council consulting?

Although Council is not proposing to acquire shares in the LGFA, borrowing under the LGFA scheme will require it to acquire some capital notes issued by the LGFA that could, in some circumstances, be converted into shares in the LGFA. The Local Government Act requires that Council can become a shareholder in a council-controlled organisation it must undertake consultation.

How do I have my say on this proposal?

To have your say on this proposal, you need to provide feedback to the Southland District Council by **5.00pm, Friday 26 February 2021**. You can provide your feedback through completing a submission form or writing to:

Submission – LGFA
Southland District Council
PO Box 903
Invercargill 9840
Or by emailing: sdc@southlanddc.govt.nz

Can I talk to the Council about this proposal?

If you would like to talk to Council regarding the proposal, there will be an opportunity to do so and Council will contact you to arrange a time. Please indicate in your feedback if you would like this opportunity.

How do I get further information?

To get further information on this proposal, view the full proposal on the Southland District Council's website www.southlanddc.govt.nz.

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Proposal to join the Local Government Funding Agency Scheme

Southland District Council

Southland District Council
Te Rohe Pōtae o Murihiku

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Invercargill 9840

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Table of Contents

Introduction5

Statutory Considerations5

Reason for the proposal6

Analysis of Options6

 Should Council participate in the LGFA Scheme as a borrower?6

 Should the Council participate in the LGFA Scheme as a Principal Shareholding Local Authority?7

 Should Council participate in the LGFA Scheme as a Guaranteeing Local Authority?7

 LGFA Guarantee7

 Likelihood of Council Default8

 Likelihood of a Loss on the Loans in event of Default8

 Likelihood of a Call on Guarantors8

 Governance of LGFA8

 Performance of Local Authority Financing Vehicles in other Countries9

 Standard and Poor's Assessment of risk to Council from the guarantee9

 Should the Council participate in the LGFA Scheme as a Non-Guaranteeing Local Authority?9

Opportunity to Make Submissions10

Introduction

The Southland District Council is considering participating in the New Zealand Local Government Funding Agency Ltd (LGFA) scheme. The LGFA is designed to allow local authorities to borrow at more favourable interest rates.

The LGFA is a council-controlled trading organisation (CCTO) established by a group of local authorities and the Crown. There are 31 shareholders, comprising the New Zealand Government (20%) and thirty councils (80%). The LGFA governance structure comprises the New Zealand Government and thirty councils, the LGFA Shareholders Council and the LGFA Board of Directors.

The LGFA Shareholders Council comprises of five to ten appointees from the Council Shareholders and the Crown.

The LGFA Board is responsible for the strategic direction and control of the LGFA's activities, and is led by an independent chair.

All local authorities are able to borrow from the LGFA. Different benefits apply depending on the level of participation. Most local authorities borrowing from LGFA enter into guarantees in favour of LGFA and other local authorities. However, this is not compulsory. A local authority can choose not to provide these guarantees, which means it will not have this contingent liability, but would only be able to borrow a limited amount (\$20,000,000), and will be required to pay higher interest rate.

Council is proposing it will participate as a Guaranteeing Local Authority, one which guarantees the obligations of the LGFA.

Principal Shareholding Local Authorities are required to invest capital in the LGFA, and expect to receive a return on that capital; it is acknowledged that this may be less than might be achieved by alternative investments. This is because the overarching objective is that the benefits of the LGFA scheme are passed to Local Authorities as lower borrowing margins, rather than being passed to shareholders as maximised profits.

It is not proposed that Council be a Principal Shareholder at this stage.

Statutory Considerations

Section 56 of the Local Government Act 2002 (LGA 2002) requires that before a local authority may establish or become a shareholder in a council-controlled organisation, the local authority must undertake consultation in accordance with section 82 of the Local Government Act 2002. Although Council is not proposing to acquire shares in the LGFA, borrowing under the LGFA Scheme will require it to acquire some capital notes issued by the LGFA that could, in some circumstances be converted into shares in the LGFA.

DRAFT**Reason for the proposal**

Council believes that participating in the LGFA Scheme provides an opportunity to borrow at lower interest margins, and that this benefit outweighs any costs and risks associated with the LGFA Scheme.

Council is proposing it will participate in the Local Government Funding Agency as a Guaranteeing Local Authority, one which guarantees the obligations of the LGFA.

Council is consulting on this proposal for the reasons set out above under “Statutory Considerations”.

Analysis of Options

The options in regards to this proposal are as follows:

1. Participate in the LGFA scheme as a Principal Shareholding Local Authority.
2. Participate in the LGFA scheme as a Guaranteeing Local Authority only
3. Participate in the LGFA scheme, as a Non-Guaranteeing Local Authority
4. Do not participate in the LGFA scheme.

That analysis is supplemented by some consideration of Council’s specific circumstances below.

Should Council participate in the LGFA Scheme as a borrower?

As at 30 June 2020 Council had no external debt and \$35.3 million of internal debt. This is expected to increase approximately \$58.9 million as shown in the 2018-28 LTP. Consequently, the benefits of lower interest margins are significant.

Council has indicated a desire to externally borrow its current internal loans used to fund capital programmes. This means that cash reserves that are currently being used to fund these internal loans (\$35.3million at 30 June 2020) would instead be available for investing. Council is currently reviewing its Investment and Liability policy and has indicated a desire to broaden the policy to allow for investments in managed funds. The current Investment and Liability Policy is available on Councils website.

Based on these forecasts Council anticipates interest savings of approximately \$10,000 or 1.0% for every \$1.0 million of debt by participating as a Guaranteeing Local Authority. The peak external debt level in the 2018 Long Term Plan is \$15.8 million adding Councils intention to externally borrow its internal loans, \$35.3million this equates to approximately \$511,000 of interest savings per annum. There will be some up-front legal costs associated with joining the LGFA of approximately \$24,000 and annual ongoing costs of approximately \$11,200 associated with meeting its legal requirements. The Council believes that the benefit of these savings indicated above outweigh the costs of borrowing from LGFA.

Council will also consider in the future, obtaining a credit rating. Obtaining a credit rating will potentially provide Council will additional interest savings of 0.1% to 0.3%. The potential cost of obtaining this rating is approximately \$60,000.

Joining LGFA as a member council does not mean Council has any legal obligation to use LGFA for its borrowings. Council is free to borrow from whatever borrowing source is the cheapest at the time of borrowing.

Consequently, Council proposes that option (4) is NOT adopted.

Should the Council participate in the LGFA Scheme as a Principal Shareholding Local Authority?

Investing in the LGFA Scheme as a Principal Shareholding Local Authority would provide a return on the amount invested in purchasing shares in the LGFA. It would also give the Council some rights in relation to the governance of the LGFA. However:

- Any return paid would be a return on equity and would not be paid if the LGFA ever got into financial strife.
- The Council would have to invest additional capital to join the LGFA scheme, because it would need to purchase shares in the LGFA.
- The Council would be required to subscribe for uncalled capital in the LGFA; and
- The Council would have to also become a Guaranteeing Local Authority with the attendant risks detailed below.
- If Council wanted to become a Principal Shareholding Local Authority, it would need to find a current Principal Shareholding Local Authority that was prepared to sell some of its shares in the LGFA to the Council as currently all existing shares are subscribed for.

Consequently, Council proposes that option (1) is NOT adopted.

Should Council participate in the LGFA Scheme as a Guaranteeing Local Authority?

If the Council joined the LGFA Scheme as a Guaranteeing Local Authority, it would be able to borrow more than \$20 million from the LGFA and would be charged a lower interest rate for its borrowing.

LGFA currently has 71 member councils and is the largest lender to the local government sector with loans outstanding of approximately \$11.9 billion. One of the contributing factors to the success of LGFA in delivering low cost funding to the sector has been its AA+ credit rating. This is the same as the New Zealand Government.

LGFA would not achieve the AA+ credit rating without the guarantee structure and therefore there would be no savings in borrowing costs to councils.

LGFA Guarantee

Currently there are 59 councils who have signed the joint and several guarantee. It is important to note that guarantors are guaranteeing LGFA and not individual councils.

The guarantee is limited to a council's rates income as a percentage of the rates income of all the guaranteeing councils. If Southland District Council became a guaranteeing council, it is estimated that although Council's share is limited, the dollar value of the call is not. Council's share of the guarantee would be 0.73%. This means that if a \$100 million call was made under the guarantee, Council would contribute \$730,000. This figure may change over time as the percentage of total rates income changes.

When assessing the risk or consequence of a call under the guarantee we need to assess the likelihood of a:

1. Council defaulting on its loans;
2. Likelihood of call on guarantors

All the above factors have a very low probability due to the following mitigating factors.

Likelihood of Council Default

Because of the ability of local authorities to rate and collect these rates, there has never been a default by a New Zealand Council. There is strong oversight of the sector by the Office of the Auditor General (OAG) and the Department of Internal Affairs (DIA). Additionally, if the Government has concerns over the performance of a council, there are a number of intervention steps that can be taken, including the appointment of a Crown Observer through to the appointment of Commissioners.

Likelihood of a Loss on the Loans in event of Default

Councils that borrow from LGFA need to comply with a number of financial covenants as part of the borrowing, on an annual basis. The covenants restrict the amount of money a council can borrow. In its 2017 report on LGFA, Standard and Poor's state that "LGFA's loan quality is exceptional; all loans in its portfolio are neither past due nor impaired since LGFA's inception in 2011. It has sound underwriting processes, which involve periodic compliance to the covenants that it sets".

Further all lending undertaken by LGFA to councils is done with a security charge over the council's rates. This means that in the event of a default by a council, LGFA can appoint a statutory manager who can impose a special rate that would be able to recover the amount owed to LGFA. This ensures all lending to councils is the first ranking creditor.

Likelihood of a Call on Guarantors

As at June 2020, LGFA had capital of \$265.9 million. This was made up of \$83.6 million of equity and \$182.3 million of borrower notes which could be converted into equity. In addition, there is a further \$20 million of uncalled capital. This provides almost \$286 million of equity that could be used before a call was made under the guarantee. It is important to note that the borrower notes represent 1.6% of the total borrowing of councils to enable the security to obtain the AA+ rating. These borrower notes do attract a return from LGFA, but it is at the discretion of the LGFA. The borrower notes are returnable on debt repayment.

Further while the New Zealand Government does not guarantee LGFA it is a 20% shareholder in LGFA. In addition, the Government currently provides a \$1.5 billion committed credit facility to LGFA. This would provide LGFA access to funding in the event of a severe disruption in capital markets which in turn would provide continuity of funding to the New Zealand local authority sector. The Government is a member of the LGFA Shareholder Council.

Governance of LGFA

The Board of LGFA is currently made up of 5 independent directors and 1 non-independent director. A non-independent director is someone who works in the local authority sector. There is a requirement that the majority of the directors are independent. One of the key objectives of the Director's is to protect the interests of the guaranteeing councils.

Performance of Local Authority Financing Vehicles in other Countries

There are many local authority financing vehicles that have been set up and successfully operated in other countries. These include financing vehicles in Denmark, Sweden, Norway, Finland, Netherlands, France, United Kingdom, Japan and Canada. They all utilise a cross-guarantee structure by member councils similar to the structure of LGFA. There has never been a call under the guarantee in any of these countries. The oldest of the entities is in Denmark which has successfully operated for 120 years.

Standard and Poor's Assessment of risk to Council from the guarantee

Standard and Poor's noted in their credit rating report on Auckland Council on 25 September 2018 that:

"As part of the arrangements supporting the Local Government Funding Agency (LGFA), Auckland is party to a joint and several guarantee, which we consider a contingent liability. Given the strength of the institutional framework in New Zealand and the requirement that all debt be secured over rates, we believe that the likelihood of a default scenario that would trigger the joint and several guarantee is low. Therefore, the LGFA liability doesn't affect our view of Auckland's contingent liabilities."

Consequently, the Council is proposing that it will participate in the LGFA Scheme, as a Guaranteeing Local Authority. Consequently, Council proposes that option (2) is adopted.

Should the Council participate in the LGFA Scheme as a Non-Guaranteeing Local Authority?

If the Council was to join the LGFA Scheme without being a Guaranteeing Local Authority, the cost of participating would be less. However, it would face higher funding costs, reducing some of the benefit of participating. Additionally, the Council would be unable to borrow more than \$20 million.

The LGFA charges a higher interest rate to Councils that are not guaranteeing borrowers. This would reduce the potential savings to \$60,000 per annum, \$3,000 or .3% for every million dollars. The limit on borrowing and the higher interest rate would result in a cost to Council, as compared to option 2 of \$300,000 to \$468,000 per annum. This is offset by the risk of the guarantee, however as stated above the risk of the guarantee is considered to be low, compared to the savings.

Council proposes that option (3) is NOT adopted.

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Opportunity to Make Submissions

Submissions are invited on this Proposal. Submissions must:

1. Be in letter form or entered into Councils online portal, clearly showing the submitter's name, address and contact phone number.
2. Be clearly labelled SUBMISSION – LGFA.
3. Indicate whether the submitter wishes to be heard by Councillors in support of his/her submission. (Note – the substance of the submission should be in writing. Verbal presentations should be restricted to around five minutes.)
4. Be received by **5.00pm, Friday 26 February 2021**

Submissions can be:

Posted to: Southland District Council Submission – LGFA
PO Box 903
Invercargill 9840

Delivered to: Any Southland District Council office.

E-mailed to: sdc@southlanddc.govt.nz

Monthly Financial Report - November 2020

Record No: R/21/1/1482
Author: Lesley Smith, Management Accountant
Approved by: Anne Robson, Chief Financial Officer

Decision Recommendation Information

Summary

1. The purpose of this report is to provide Council with an overview of the financial results for the five months to 30 November 2020 by the nine activity groups of Council, as well as the financial position, and the statement of cash flows as at 30 November 2020.
2. This report summarises Council's financial results for the five months to 30 November 2020.

Recommendation

That the Council:

- a) **Receives the report titled "Monthly Financial Report - November 2020" dated 21 January 2021.**

Attachments

- A Monthly Financial Report November 2020 [↓](#)



Monthly financial report

November 2020

Southland District Council
Te Rohe Pōtae o Murihiku

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Table of contents

Executive summary3
Council monthly summary5
Council summary report 10
Statement of comprehensive income..... 12
Statement of financial position 13
Statement of cash flows 14

Executive summary

1. This monthly financial report summarises Council's financial results for the five months to 30 November 2020.
2. The monthly financial report summary consolidates the business units within each of Council's groups of activities.
3. The monthly financial report includes:
 - year to date (YTD) actuals, which are the actual costs incurred
 - year to date (YTD) projection, which is based on the full year projection and is currently the combination of the Annual Plan and carry forwards
 - year to date (YTD) budget, which is based on the full year Annual Plan budget with adjustments for phasing of budgets
 - full year (FY) budget, which is the Annual Plan budget figures
 - full year (FY) projection, which is the Annual Plan budget figures plus the carry forwards.
4. Phasing of budgets occurred in September, at forecasting and when one-off costs have actually occurred. This should reduce the number of variance explanations due to timing.
5. Where phasing of budgets has not occurred, one twelfth of annual budgeted cost is used to calculate the monthly budget.
6. Carry forwards were entered in October and forecasting will occur in February.
7. Southland District Council summary reports use a materiality threshold to measure, monitor and report on financial performance and position of Council. The materiality threshold adopted by Council, together with the annual budget for 2020/2021 variances more or less than 10% of the original adopted budget and greater than \$10,000 in value.
8. Report contents:
 - A. Council monthly summary
 - B. Council summary report - income and expenditure and commentary
 - C. statement of comprehensive income
 - D. statement of financial position and movement commentary
 - E. statement of cash flows

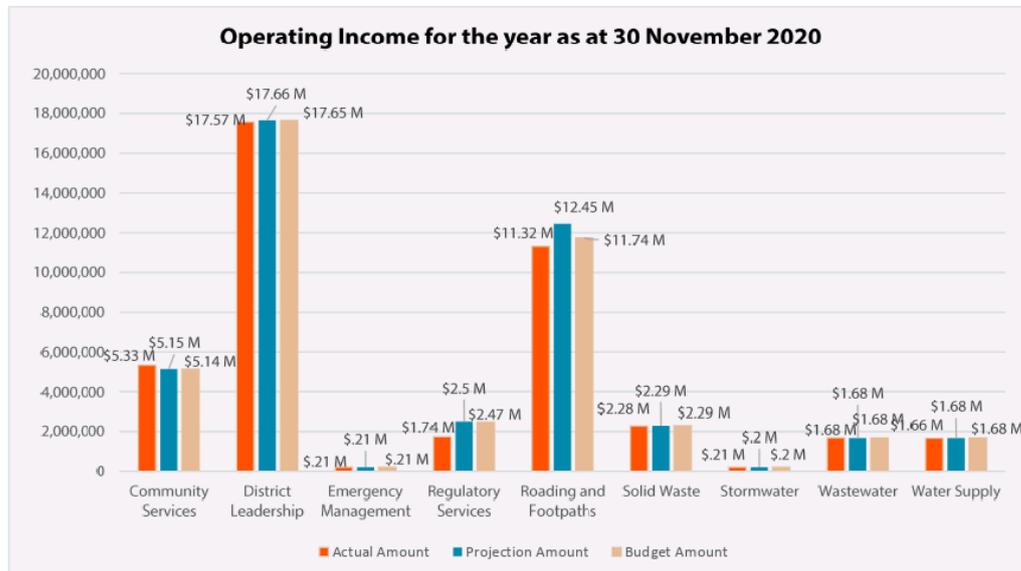
Abbreviation Explanation

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

Council monthly summary

Income

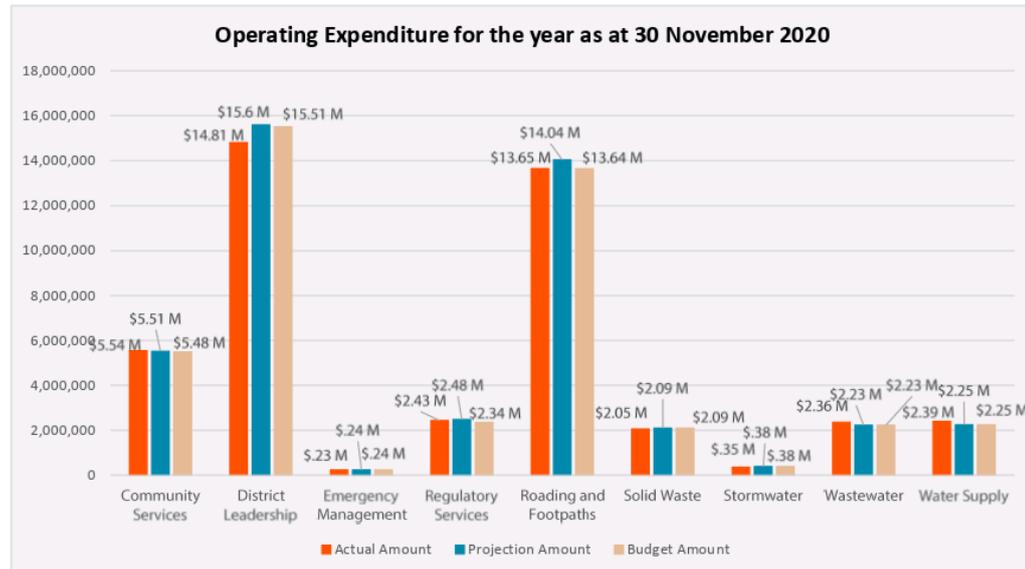
Operating income is \$1.8 million (4%) below projection YTD (\$42 million actual vs \$43.8 million projection).



- **Regulatory Services** income is \$757,602 (30%) below projection. Building control income is \$818,206 (79%) below projection. The variance is a timing difference, which is due to a year end adjusting journal to recognise building consent revenue as revenue received in advance, that is yet to be reversed.
- **Roading and footpaths** is \$1.1 million (9%) lower than projection, this is predominately due to the timing of work, particularly capital works
- **District Leadership** income in total is in line with projection. Included in District Leadership is Forestry. The income from harvesting of the Waikaia forest is \$2.43 million, \$554,000 (30%) higher than projection. The harvest operations at Waikaia are now complete with 22,325 tonnes recovered, 3,545 tonnes over projection. Both the yield per hectare and the price per tonne is higher than projected. Offsetting the increased revenue from forestry is \$542,000 (7%) lower than projected revenue from corporate services. The Corporate overheads included in this activity are on-charged to the other activities, as the Corporate overhead costs are below projection as detailed below, the corresponding income is also below projection
- **3 Waters Stimulus Funding** Council’s share of the stimulus funding for opting in to the Three Waters reform programme is \$13.53 million. During November the first half of this funding (\$6.765 million) was received. This has been treated as revenue in advance on the statement of financial position and will be recognised as revenue as the project costs are incurred.

Expenditure

Operating expenditure is \$1 million (6%) under projection for the YTD (\$43.8 million actual vs \$44.8 million projection).



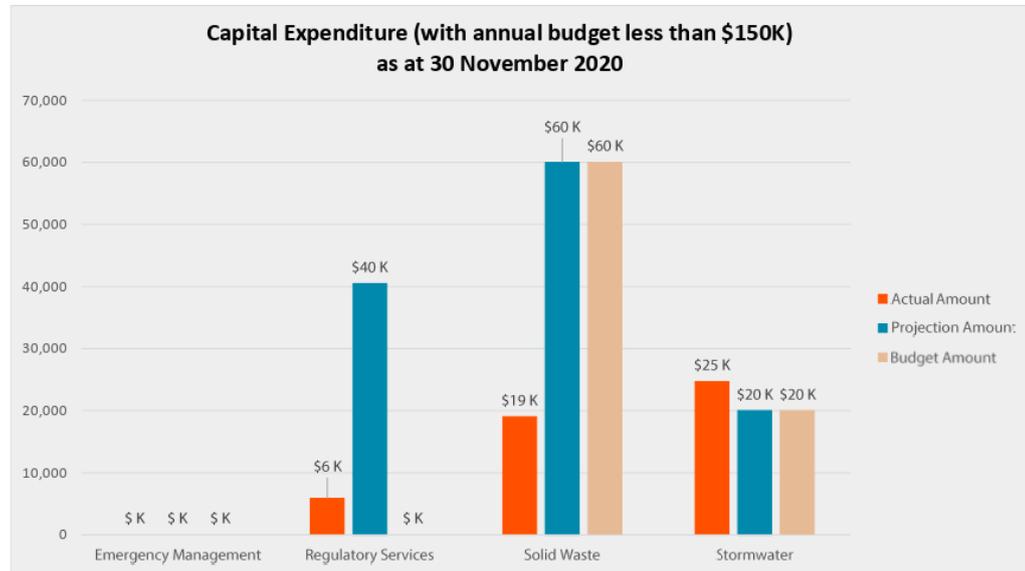
- **Community services** is \$31,689 (1%) higher than projection
 - community centres are below projection by \$50,487 (18%), we are awaiting applications from non-Council owned halls for rates collected on behalf of these halls, reminders are sent quarterly
 - SIESA costs are \$36,074 (4%) below forecast mainly due to lower than projected fuel costs for the period as diesel prices continue to be less than budgeted
 - Te Anau airport is \$21,538 (15%) below projection. \$12,500 is a timing difference due to an accrual for the management fee, general maintenance is \$6,000 lower than projection due to the phasing maintenance projects and is a timing difference
 - parks and reserves are \$147,066 (16%) higher than forecast due to the consultant’s fees in relation to the development of the Open Space Investment Criteria, the timing of the projections will be reviewed during the February forecasting.

- **District leadership** is \$795,117 (5%) below projection
 - communication and engagement are \$70,973 (13%) lower than projection, mainly due to lower than forecast advertising costs to date
 - customer support is \$77,075 (15%) lower than projection, postage and staff costs are below projection due to the timing of postage charges, staff changes and minimal use of the casual budget at this time of the year
 - governance is \$75,607 (25%) below projection mainly due to staff vacancies

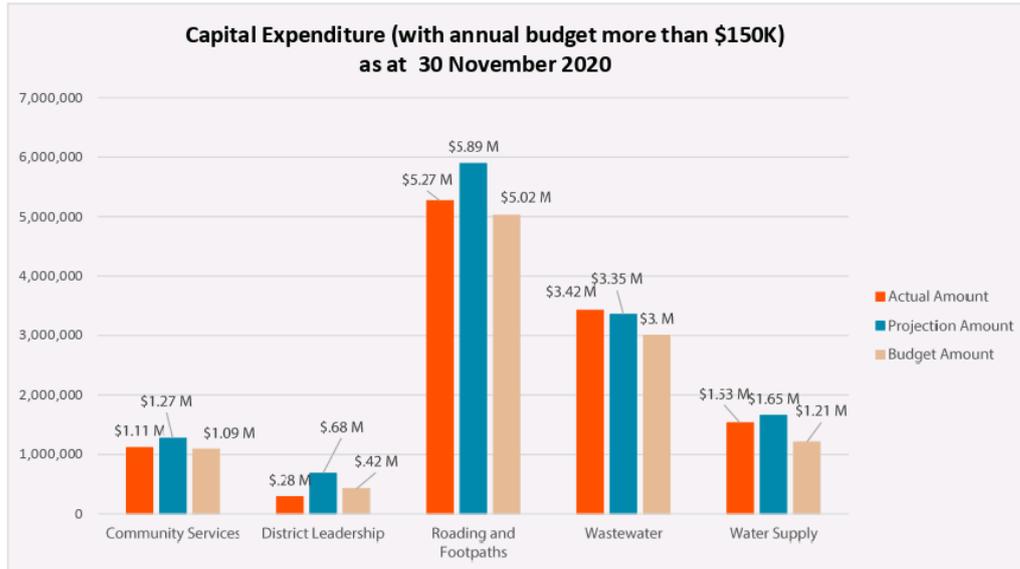
- information management is \$109,271 (9%) below projection, the main variances are photocopying, staff and consulting costs. The loan interest is also below projection due to the capital programme completed in the last financial year being lower than budgeted
 - strategy and policy costs are \$42,235 (14%) below projection due to the timing of costs relating to the Annual Report and the District surveys
 - community leadership is \$88,735 (17%) below projection, due to the timing of general projects
 - allocations of corporate overhead costs to the district leadership are \$442,000 lower than forecast as the individual costs within district leadership are lower than forecast
 - forestry costs are \$180,278 (15%) higher than projected due to the increased harvesting of the Waikaia block.
- **Roading and footpaths** is \$388,291 (3%) below projection,
 - roading administration is \$221,833 (55%) below projection, improvements to time tracking systems compared to when the budget was developed has seen recoverable work from projects for wages increase, this variance is \$92,000. Contribution to joint projects is \$89,000 under projection. This is the Pyramid bridge project, and we are awaiting the final invoice from Gore District Council, the cost of the project is expected to be under budget and the forecast will be updated to reflect this
 - roading district wide is \$152,000 (2%) above projection, environmental maintenance is \$313,754 over projected budget, this is weather related and is anticipated to be a timing difference, this is offset by emergency reinstatement being \$191,664 under projection, this work is on target to be completed by the end of the year
 - street works is \$203,258 (65%) below projection, this is a timing difference with the bulk of the footpath renewals expected to start in the new calendar year
 - roading special purpose is \$50,249 (89%) below projection, this business unit is funded 100% by NZTA for the Lower Hollyford with invoices sent sporadically through the year.
 - **Wastewater** is \$130,332 (6%) higher than projection, the main variance is routine maintenance and a review of the projected costs is being undertaken as part of the forecasting process.
 - **Water supply** is \$144,061 (6%) over projection. The district maintenance costs are higher than projected, with water supply costs for Ramparts also over budget due to the replacement of a bore pump and renewal of permits.

Capital expenditure (CAPEX)

Capital expenditure is \$1.3 million (10%) lower than projection year to date (\$11.7 million actual vs \$13 million projection).



- Regulatory services** capital expenditure of \$5,859 is for an upgrade to Council’s software system to host online applications for new regulatory fees
- Solid waste** actual capital expenditure of \$19,000 is for additional wheelie bins that have been supplied. The cost is being met from wheelie bin recoveries. The projected capital expenditure is for the transfer station at Stewart Island and waste minimisation, to date there has been no costs incurred on these projects, this variance is considered to be a timing difference



- **Community services** are \$158,814 (13%) under projection.
 - council facilities are \$60,065 (6%) below projection. \$222,000 relates to the capital works at the Te Anau office which have not been started. The timing of this work will need to be phased as part of the next forecasting round. The costs for the Invercargill office are \$163,000 higher than forecast, the timing of the phasing of the budget will be reviewed as part of the forecasting round
 - library services are \$30,866 (36%) below projection. The industry is still experiencing disruption to publishing and distribution of new titles with many releases pushed back many months resulting in much smaller assortment of titles available to purchase. It is expected that January releases will be larger than normal
 - public conveniences are \$46,192 (72%) below projection, mainly due to the work at Monkey Island having just started, this project is due to be completed in December.
- **District leadership** is \$394,577 (58%) under projection. Information Management capital expenditure for software renewal is below projection. This relates to core systems and has been spread evenly over the financial year and this variance is deemed to be a timing difference
- **Roading and footpaths** are \$623,941 (11%) under projection.
 - district roading is \$932,064 (17%) below budget. This is mainly due to the timing of the rehabilitation program and footpath renewals
 - street works is \$326,152 (155%) ahead of projection due to the phasing of the carry forward budgets

Council summary report

Southland District Council Financial Summary for the period ending 30 November 2020

| Operating Income | | | | | | | | | |
|----------------------------|----------------------|----------------------|----------------------|--------------------|--------------|----------------------|----------------------|--------------------|--------------|
| | YTD | | | | | FYB | | | |
| | Actual Amount | Projection Amount | Budget Amount | Variance | Var % | Projection Amount | Budget Amount | Variance | Var % |
| Community Services | 5,328,870 | 5,149,529 | 5,138,760 | 179,342 | 3% | 12,763,993 | 12,711,306 | (52,687) | (0%) |
| District Leadership | 17,568,478 | 17,660,822 | 17,650,260 | (92,344) | (1%) | 38,215,511 | 38,190,162 | (25,349) | (0%) |
| Emergency Management | 208,604 | 208,098 | 208,098 | 506 | 0% | 499,435 | 499,435 | (0) | (0%) |
| Regulatory Services | 1,741,953 | 2,499,556 | 2,467,637 | (757,602) | (30%) | 5,436,704 | 5,360,101 | (76,604) | (1%) |
| Roading and Footpaths | 11,315,522 | 12,448,804 | 11,741,843 | (1,133,282) | (9%) | 32,116,474 | 30,551,021 | (1,565,453) | (5%) |
| Solid Waste | 2,281,794 | 2,287,199 | 2,287,199 | (5,405) | (0%) | 5,481,398 | 5,481,398 | (0) | 0% |
| Stormwater | 205,803 | 204,148 | 204,148 | 1,655 | 1% | 547,110 | 547,110 | (0) | (0%) |
| Wastewater | 1,684,139 | 1,678,132 | 1,678,132 | 6,008 | 0% | 6,074,785 | 6,074,785 | (0) | 0% |
| Water Supply | 1,661,108 | 1,676,840 | 1,676,840 | (15,733) | (1%) | 4,148,304 | 4,148,304 | (0) | 0% |
| Total | \$41,996,273 | \$43,813,127 | \$43,052,916 | (1,816,854) | (4%) | \$105,283,714 | \$103,563,623 | (1,720,092) | (2%) |
| Operating Expenditure | | | | | | | | | |
| | YTD | | | | | FYB | | | |
| | Actual Amount | Projection Amount | Budget Amount | Variance | Var % | Projection Amount | Budget Amount | Variance | Var % |
| Community Services | 5,543,681 | 5,511,992 | 5,484,885 | 31,689 | (1%) | 13,773,395 | 13,715,805 | (57,590) | (0%) |
| District Leadership | 14,805,773 | 15,600,889 | 15,509,278 | (795,117) | 5% | 39,236,047 | 38,976,808 | (259,239) | (1%) |
| Emergency Management | 233,249 | 235,991 | 235,991 | (2,741) | 1% | 499,435 | 499,435 | (0) | (0%) |
| Regulatory Services | 2,433,481 | 2,481,698 | 2,344,184 | (48,217) | 2% | 6,235,997 | 5,799,219 | (436,778) | (7%) |
| Roading and Footpaths | 13,649,020 | 14,037,311 | 13,642,321 | (388,291) | 3% | 33,440,562 | 32,903,715 | (536,847) | (2%) |
| Solid Waste | 2,052,890 | 2,093,400 | 2,093,400 | (40,511) | 2% | 5,259,915 | 5,259,916 | (1) | 0% |
| Stormwater | 352,786 | 379,596 | 379,596 | (26,810) | 7% | 905,066 | 905,067 | (1) | 0% |
| Wastewater | 2,358,318 | 2,227,986 | 2,227,986 | 130,332 | (6%) | 5,181,109 | 5,181,109 | (0) | (0%) |
| Water Supply | 2,390,143 | 2,246,142 | 2,246,142 | 144,001 | (6%) | 5,193,632 | 5,193,631 | (1) | (0%) |
| Total | \$43,819,341 | \$44,815,006 | \$44,163,782 | (995,665) | 2% | \$109,725,158 | \$108,434,705 | (1,290,453) | (1%) |
| Net Surplus/Deficit | (\$1,823,068) | (\$1,001,879) | (\$1,110,866) | (821,189) | (6%) | (\$4,441,444) | (\$4,871,083) | (429,639) | (0%) |
| Capital Expenditure | | | | | | | | | |
| | YTD | | | | | FYB | | | |
| | Actual Amount | Projection Amount | Budget Amount | Variance | Var % | Projection Amount | Budget Amount | Variance | Var % |
| Community Services | 1,111,537 | 1,270,352 | 1,085,857 | (158,814) | (13%) | 3,795,063 | 3,258,909 | (536,154) | (14%) |
| District Leadership | 284,942 | 679,320 | 420,142 | (394,577) | (58%) | 1,342,518 | 734,319 | (608,199) | (45%) |
| Emergency Management | - | - | 0 | 0 | 0% | - | - | (0) | 0% |
| Regulatory Services | 5,859 | 40,454 | 0 | (34,595) | 0% | 170,206 | 73,116 | (97,090) | (57%) |
| Roading and Footpaths | 5,265,808 | 5,889,748 | 5,019,215 | (623,941) | (11%) | 20,120,768 | 17,489,071 | (2,631,697) | (13%) |
| Solid Waste | 19,040 | 59,989 | 59,989 | (40,949) | (68%) | 143,974 | 143,974 | (0) | 0% |
| Stormwater | 24,665 | 20,000 | 20,000 | 4,665 | 23% | 20,000 | 20,000 | (0) | 0% |
| Wastewater | 3,424,047 | 3,352,498 | 3,003,329 | 71,549 | 2% | 14,766,149 | 12,590,760 | (2,175,389) | (15%) |
| Water Supply | 1,529,359 | 1,654,742 | 1,207,701 | (125,383) | (8%) | 6,820,763 | 5,074,805 | (1,745,958) | (26%) |
| Total | \$11,665,257 | \$12,967,304 | \$10,816,232 | (1,302,046) | (10%) | \$47,179,442 | \$39,384,954 | (7,794,488) | (17%) |

| ACTIVITIES REPORTING UNDER GROUPS LISTED: | | |
|--|--|----------------------------|
| COMMUNITY SERVICES | DISTRICT LEADERSHIP | REGULATORY SERVICES |
| Community Assistance (Includes Community Partnership Fund which supports local initiatives and projects, along with Grants and Donations) | Representation and Advocacy (includes Governance, Council and Councillor costs, Council Elections and Chief Executive) | Building Control |
| Parks and Reserves | Community Futures (District Development Services which includes Community Leadership, Regional Development Funding and Stewart Island Visitor Levy) | Resource Management |
| Cemeteries | District Support (Includes the area offices and the operating costs for the communities) | Animal Control |
| Community Facilities (Includes Community Centres) | Customer and Corporate Support (includes people and capability, communications, strategy and policy, finance, information management) | Environmental Health |
| Community Housing | Forestry | |
| Library Services | | |
| Public Toilets | | |
| Airports | | |
| Electricity Supply | | |

Statement of comprehensive income

| Statement of Comprehensive Revenue and Expenses for the period ending 30 November 2020 | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | YTD | | | FYB | |
| | Actual Amount | Projection Amount | Budget Amount | Projection Amount | Budget Amount |
| Revenue | | | | | |
| Rates Revenue | 20,369,822 | 20,343,227 | 20,343,227 | 49,531,501 | 49,531,500 |
| Other Revenue | 4,497,308 | 4,826,600 | 4,794,681 | 8,392,842 | 8,316,238 |
| Interest and Dividends | 25,699 | 30,318 | 30,318 | 72,763 | 72,763 |
| NZ Transport Agency Funding | 5,078,108 | 6,073,657 | 5,692,052 | 16,645,226 | 15,507,078 |
| Grants and Subsidies | 2,505,121 | 2,402,686 | 2,071,067 | 5,774,916 | 5,305,740 |
| Other gains/losses | 266,288 | 13,055 | 13,055 | (258,353) | (258,353) |
| Vested Assets | 0 | 0 | 0 | 0 | 0 |
| Development and financial contributions | 2,139 | 10,912 | 4,352 | 40,160 | 24,416 |
| | 32,744,484 | 33,700,455 | 32,948,752 | 80,199,055 | 78,499,382 |
| Expenditure | | | | | |
| Employee Benefit Expense | 6,229,229 | 6,061,327 | 6,031,866 | 15,355,731 | 15,279,127 |
| Depreciation and Amortisation | 9,939,494 | 9,922,951 | 9,922,951 | 23,815,083 | 23,815,083 |
| Finance Costs | 9,095 | 36,182 | 36,182 | 422,445 | 422,445 |
| Other Council Expenditure | 18,389,735 | 18,681,874 | 18,068,620 | 45,047,239 | 43,853,810 |
| | 34,567,552 | 34,702,334 | 34,059,619 | 84,640,499 | 83,370,465 |
| Total Comprehensive Income | (1,823,068) | (1,001,879) | (1,110,866) | (4,441,444) | (4,871,083) |

Note:

The revenue and expenditure in the comprehensive income statement does not reconcile to the total income and total expenditure reported in Council summary report on page 10 due to the elimination of the internal transactions. However, the net surplus/deficit (as per Council summary report) matches the total comprehensive income (as per the statement of comprehensive income).

The presentation of the statement of comprehensive income aligns with Council's annual report. The annual report is based on national approved accounting standards. These standards require us to eliminate internal transactions. Council is also required to report by activities. A number of Council functions relate to a number of activities, e.g. finance. To share these costs, an internal transaction is generated between the finance business unit and the activity business units. Within the annual report, Council also prepare activity funding impact statements. These statements are prepared under the Financial Reporting and Prudence Regulations 2014. This regulation requires internal charges and overheads recovered be disclosed separately. The Council summary report is a summary of what these activity funding impact statements will disclose for income and expenditure at year end.

Statement of financial position

Council's financial position as at 30 November 2020 is detailed below. The statement of financial position below only includes Southland District Council and SIESA financials. This means that the statement of financial position for 30 June 2020 differs from the audited annual report which includes Venture Southland and Wastenet financials.

| SOUTHLAND DISTRICT COUNCIL | | |
|---|----------------------|----------------------|
| STATEMENT OF FINANCIAL POSITION | | |
| as at 30 November 2020 | | |
| | Actual 30-Nov-20 | Actual 30-Jun-20 |
| Equity | | |
| Retained Earnings | 717,563,394 | 719,386,462 |
| Asset Revaluation Reserves | 837,648,066 | 837,648,066 |
| Other Reserves | 41,811,957 | 41,811,957 |
| Share Revaluation | 3,576,565 | 3,576,565 |
| | <u>1,600,599,984</u> | <u>1,602,423,050</u> |
| Represented by: | | |
| Current Assets | | |
| Cash and Cash Equivalents | 20,573,369 | 11,498,789 |
| Trade and Other Receivables | 516,992 | 10,682,710 |
| Inventories | 126,512 | 126,512 |
| Other Financial Assets | 2,516,580 | 2,017,930 |
| Property, Plant and Equipment | - | - |
| | <u>23,733,454</u> | <u>24,325,942</u> |
| Non-Current Assets | | |
| Property, Plant and Equipment | 1,578,833,049 | 1,576,652,956 |
| Intangible Assets | 3,497,702 | 3,618,162 |
| Forestry Assets | 12,260,000 | 12,260,000 |
| Internal Loans | 34,299,968 | 35,338,083 |
| Work in Progress | 359,662 | 713,532 |
| Investment in Associates | 944,624 | 944,624 |
| Other Financial Assets | 1,836 | 2,105 |
| | <u>1,630,196,842</u> | <u>1,629,529,462</u> |
| TOTAL ASSETS | <u>1,653,930,296</u> | <u>1,653,855,404</u> |
| Current Liabilities | | |
| Trade and Other Payables | 15,229,909 | 9,379,639 |
| Contract Retentions and Deposits | 463,837 | 449,867 |
| Employee Benefit Liabilities | 1,529,737 | 1,984,447 |
| Development and Financial Contributions | 1,772,319 | 1,745,776 |
| Borrowings | - | 2,500,000 |
| Provisions | 14,000 | 14,000 |
| | <u>19,009,802</u> | <u>16,073,729</u> |
| Non-Current Liabilities | | |
| Employment Benefit Liabilities | 18,631 | 18,631 |
| Provisions | 1,910 | 1,910 |
| Internal Loans - Liability | 34,299,968 | 35,338,084 |
| | <u>34,320,509</u> | <u>35,358,625</u> |
| TOTAL LIABILITIES | <u>53,330,311</u> | <u>51,432,354</u> |
| NET ASSETS | <u>1,600,599,984</u> | <u>1,602,423,050</u> |

Statement of cash flows

Statement of Cashflows for the period ended 30 November 2020

| | 2020/2021 | YTD Actual |
|--|-----------|---------------------|
| Cash Flows from Operating Activities | | |
| Receipts from rates | | 24,763,368 |
| Receipts from other revenue (including NZTA) | | 16,911,439 |
| Cash receipts from Interest and Dividends | | 25,699 |
| Payment to Suppliers | | (12,420,360) |
| Payment to Employees | | (6,683,938) |
| Interest Paid | | (9,095) |
| GST General Ledger (net) | | 864,817 |
| Net Cash Inflow (Outflow) from Operating Activities | | 23,451,930 |
| Cash Flows from Investing Activities | | |
| Receipts from sale of PPE | | 266,288 |
| (Increase)/Decrease Other Financial Assets | | (498,382) |
| Purchase of property, plant and equipment | | (11,765,717) |
| Purchase of Forestry Assets | | - |
| Purchase of Intangible Assets | | 120,460 |
| Net Cash Inflow (Outflow) from Investing Activities | | (11,877,351) |
| Cash Flows from Financing Activities | | |
| Increase/(Decrease) Term Loans | | (2,500,000) |
| Increase/(Decrease) Finance Leases | | - |
| Net Cash Inflow (Outflow) from Financing Activities | | (2,500,000) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | 9,074,579 |
| Cash and Cash Equivalents at the beginning of the year | | 11,498,789 |
| Cash and Cash Equivalents at the end of June | | 20,573,368 |

Cash and cash equivalents and other financial assets

1. At 30 November 2020, Council had \$9.5 million invested in four term deposits with maturity as shown in the table below.

| SDC Investments - Term Deposits | | | | |
|---------------------------------|---------------------|---------------|---------------|---------------|
| Bank | Amount | Interest Rate | Date Invested | Maturity Date |
| BNZ | \$ 2,000,000 | 0.44% | 30-Nov-20 | 18-Mar-21 |
| BNZ | \$ 3,000,000 | 0.35% | 30-Nov-20 | 18-Feb-21 |
| Westpac | \$ 2,000,000 | 0.55% | 19-Nov-20 | 18-Feb-21 |
| Westpac | \$ 2,500,000 | 0.50% | 30-Nov-20 | 18-Mar-21 |
| Total | \$ 9,500,000 | | | |

2. At 30 November 2020, SIESA had \$2.07 million invested in seven term deposits as follows:

| SIESA Investments - Term Deposits | | | | |
|-----------------------------------|---------------------|---------------|---------------|---------------|
| Bank | Amount | Interest Rate | Date Invested | Maturity Date |
| BNZ | \$ 250,000 | 1.30% | 2-Jul-20 | 2-Dec-20 |
| BNZ | \$ 350,000 | 2.44% | 23-Apr-20 | 25-Jan-21 |
| BNZ | \$ 250,000 | 1.74% | 2-Jul-20 | 2-Feb-21 |
| BNZ | \$ 350,000 | 1.49% | 23-Jul-20 | 23-Feb-21 |
| BNZ | \$ 300,000 | 1.82% | 2-Jul-20 | 6-Apr-21 |
| BNZ | \$ 370,000 | 1.31% | 2-Sep-20 | 6-Apr-21 |
| BNZ | \$ 200,000 | 0.85% | 2-Dec-20 | 2-Jun-21 |
| Total | \$ 2,070,000 | | | |

3. Funds on call at 30 November 2020:

| Funds on Call | | | | |
|---------------|----------------------|------|----------------------|---------------|
| | Amount | Bank | Account | Interest Rate |
| SDC | \$ 10,366,184 | BNZ | Funds on Call | 0.05% |
| | \$ 10,000 | BNZ | Operating Bank Acc | 0.05% |
| | \$ 494,734 | BNZ | Restricted Funds Acc | 0.05% |
| SIESA | \$ 200,410 | BNZ | Funds on Call | 0.05% |
| Total | \$ 11,071,328 | | | |

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

4. Reconciliation to Statement of Financial Position:

| | Amount |
|---|----------------------|
| Cash and Cash Equivalents | |
| Note 1 - SDC Investments | \$ 9,500,000 |
| Note 2 - SIESA Investments | \$ 2,070,000 |
| Note 3 - Funds on Call | \$ 11,071,328 |
| Total Cash and Cash Equivalents | \$ 22,641,328 |
| Add Other Financial Assets | |
| Cash on Hand | \$ 2,040 |
| Loan Advances - Developers Contributions | \$ 1,836 |
| Loans - Community | \$ 35,759 |
| Civic Assurance Shares | \$ 12,572 |
| Milford Sound Tourism Shares | \$ 398,249 |
| Total Other Financial Assets | \$ 450,457 |
| Total Cash and Cash Equivalents and other financial assets | \$ 23,091,785 |
| Per the Statement of Financial Position | |
| Cash & Cash Equivalents | \$ 20,573,369 |
| Other Financial Assets - Current Assets | \$ 2,516,580 |
| Other Financial Assets - Non Current Assets | \$ 1,836 |
| Total per Statement of Financial Position | \$ 23,091,785 |

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

Recommendation

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

C10.1 Taramea Bay Toilet and Wyndham Camping Ground Toilet Replacements - Unbudgeted Expenditure Request

C10.2 Great South - Statement of Intent 2021/2022

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 |
|--|---|--|
| Taramea Bay Toilet and Wyndham Camping Ground Toilet Replacements - Unbudgeted Expenditure Request | 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. |
| Great South - Statement of Intent 2021/2022 | s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). | That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. |