



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

Date: Wednesday, 10 March 2021  
Time: 9am  
Meeting Room: Council Chamber  
Venue: 20 Don Street  
Invercargill

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## Council Agenda OPEN

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### 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

Contact Telephone: 0800 732 732  
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**Full agendas are available on Council's Website**

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

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



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1 Apologies

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

2 Leave of absence

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

3 Conflict of Interest

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

4 Public Forum

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

5 Extraordinary/Urgent Items

To consider, and if thought fit, to pass a resolution to permit the 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, 28 January 2021



## Submissions received on Participation in the Local Government Funding Agency

Record No: R/21/3/8798  
Author: Anne Robson, Chief Financial Officer  
Approved by: Cameron McIntosh, Chief Executive

☒ Decision

☐ Recommendation

☐ Information

### Purpose

- 1 The purpose of this report is to provide information to Council on the feedback that was received through submissions on its proposal to participate in the Local Government Funding Agency (LGFA) as a guaranteeing participating Council.
- 2 Council is being asked to receive the five submissions and deliberate on whether to participate in the Local Government Funding Agency as a guaranteeing participating Council. The resulting decision implications will then be incorporated into the draft Investment and Liability Policy being presented to the Finance & Assurance Committee on the 24<sup>th</sup> March 2020. Council will then review this policy on the 14<sup>th</sup> April 2020.

### Executive summary

- 3 In considering whether to join the LGFA, Council needed 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.
- 4 On 28 January 2021, Council endorsed for public consultation a statement of proposal for Council to join the Local Government Funding Agency as a guaranteeing participating Council. Attachment B contains a copy of the consultation document for reference. Submissions were accepted from the 9th to the 26 February 2020.
- 5 Five submissions were received on the proposal to join the LGFA and are included in detail in Attachment A.
- 6 Overall, the submissions received were generally supportive of the proposal. An analysis of the feedback forms (completed by the 5 submitters) indicates:
  - 3 support Council joining the LGFA as a guaranteeing participating Council
  - 1 support Council joining as a non-guaranteeing participating council
  - 1 does not support Council joining the LGFA
  - 1 submitter supporting the proposal to join the LGFA as a guaranteeing local authority would like to speak to Council at the meeting.
- 7 Council now needs to receive and consider the submissions on the proposal to join the Local Government Funding Agency and make a decision on whether to join as a guaranteeing participating Council.

- 8 The resulting decision will be incorporated into the draft Investment and Liability Policy to be presented to the Finance & Assurance committee at its meeting on the 24th March 2020.

## Recommendation

That Council:

- a) **receives the report titled “Submissions received on Participation in the Local Government Funding Agency” dated 4 March 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 and considers the submissions on the proposal to join the Local Government Funding Agency as a guaranteeing participating Council (Attachment A)
- e) agrees to apply to the Local Government Funding Agency to become a guaranteeing participating Council
- f) agrees to request staff to make the necessary amendments to the draft Investment and Liability policy
- g) agrees to delegate to the Chief Executive and the Mayor to execute the necessary documentation for membership of the Local Government Funding Agency as a guaranteeing participating Council
- h) agrees to approve unbudgeted expenditure of approximately \$24,000 to undertake the necessary processes to become a guaranteeing participating Council in the Local Government Funding Agency to be funded from the District Operations Reserve.

## Background

- 9 On the 28<sup>th</sup> January 2020, Council agreed to consult with the community over its desire to join the Local Government Funding Agency as a guaranteeing participating Council.
- 10 The public consultation period ran from the 9 February to 26 February 2020. To advise residents of the consultation occurring, Council staff placed multiple advertisements in the Southland Express and the Ensign, multiple facebook posts were posted on Councils facebook page, a message was sent out to all Antenno users, emails were sent to all community board members with email and a poster was sent to all area offices for display.

- 11 Council has received five submissions, which are detailed in attachment A. Three of the submitters supported the proposal. One submitter supported participation as a non-guaranteeing Local Authority and one submitter did not support joining the LGFA and noted that 0.1% to 0.3% was not worth the risk of joining.

#### Proposal

- 12 As part of the consultation proposal, Council asked the public to review the benefits and risks associated with joining as either a shareholding participating Council, as a guaranteeing participating Council or as a non-guaranteeing participating Council, noting that Councils preference was to join as a guaranteeing participating Council.
- 13 The proposal noted 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.
- 14 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.
- 15 A non-guaranteeing participating Council has the lowest risk however it is limited to \$20million of borrowing and pays a higher interest rate.
- 16 All borrowings and the guarantee, if applicable will be secured by a charge over Council's rates.
- 17 Even if Council joins the LGFA, Council is still free to undertake all, some or no borrowings from the LGFA in the future.
- 18 Council also noted in the proposal an indication of a possible change to its borrowing approach, whereby it may change its approach to externally borrow its internal loans that are currently funded from its cash reserves held. The resulting cash balances will then be invested in line with its Investment and Liability policy that is currently being reviewed. No comments were received on this point.

#### Issues/Risks

#### **Guaranteeing Councils**

- 19 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.
- 20 Generally a call on the guarantee would be as a result of the LGFA defaulting on its payment obligations.
- 21 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.

- 22 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%.
- 23 The security for the guarantee will be a charge over Councils ability to rate as security for its borrowing.

#### Borrowing Conditions

- 24 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.

## Factors to consider

### Legal and statutory requirements

- 25 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.

### Community views

- 26 Five submissions have been received as detailed in Attachment A.
- 27 At this stage, one submitter has requested to speak to their submission (Ewen Dunnage). The submitter wishing to speak will be invited to do so at the Council meeting on 10 March 2020.
- 28 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.
- 29 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 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.
- 31 Councils projected district operating reserve at the 30 June 2021 is \$762,993 before any changes for the forecasting process are entered. This reserve will therefore have sufficient funds to cover the one-off costs noted above.
- 32 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.
- 33 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.
- 34 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.

#### Policy implications

- 35 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.
- 36 As part of preparing the draft Investment and Liability policy, the necessary review and changes will be made to the policy.

#### Analysis

##### Assessment of significance

- 37 This report is not considered significant in terms of Councils Significance and Engagement Policy.
- 38 However, due to section 56 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.

## Analysis of Options

### Option 1 – Agree to participate in the LGFA as a Guaranteeing Local Authority

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>Borrowing at lower interest margins than is otherwise available through current lending methods.</li> </ul>	<ul style="list-style-type: none"> <li>Risk of a call being made on Council as a result of a default by the LGFA operations.</li> </ul>
<ul style="list-style-type: none"> <li>Seen to support a Local Authority driven solution.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
	<ul style="list-style-type: none"> <li>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.</li> </ul>

### Option 2 – Agree to participate in the LGFA as a Non-Guaranteeing Local Authority

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>Borrowing at lower interest margins than is otherwise available through current lending methods</li> </ul>	<ul style="list-style-type: none"> <li>Borrowing interest margins will be higher than if the Council choose to be a shareholder or guaranteeing local authority.</li> </ul>
<ul style="list-style-type: none"> <li>Seen to support a Local Authority driven solution.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<ul style="list-style-type: none"> <li>Are not guaranteeing the operations of the LGFA.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
	<ul style="list-style-type: none"> <li>Borrowing limited to \$20million</li> </ul>

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"> <li>Borrowing at lower interest margins</li> </ul>	<ul style="list-style-type: none"> <li>Risk of a call being made on the guarantee of the LGFA operations</li> </ul>
<ul style="list-style-type: none"> <li>Seen to support a Local Authority driven solution.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<ul style="list-style-type: none"> <li>Are part of the decision making process of the LGFA.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
	<ul style="list-style-type: none"> <li>The commitment made to contributing more capital maybe called.</li> </ul>

Option 4 – Not participate in the LGFA

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>Should Councils current lender default, Council has no liability by way of a guarantee of their operations.</li> </ul>	<ul style="list-style-type: none"> <li>Pay higher interest margins</li> </ul>
<ul style="list-style-type: none"> <li>No unquantified guarantee to the LGFA</li> </ul>	

Recommended option

- 39 To agree to participate in the LGFA as a Guaranteeing Local Authority.

Next steps

- 40 Council considers the feedback and makes its decision
- 41 If Council decides to proceed, staff will advise the LGFA of our intention to participate and they will start the process by undertaking a credit analysis of Council.
- 42 Council staff will complete the application to the LGFA to be noted as an “eligible investor” under the Securities Act and 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.
- 43 Councils lawyers, registrar and trustee will work through the appropriate actions to the trust deed liaising with the LGFA lawyers as appropriate.
- 44 The CEO and Mayor will sign the relevant documents.

- 45 Council's lawyers prepare relevant documentation to the LGFA and the LGFA Security Trustee.
- 46 Consider and approve the Investment & Liability Policy.

## Attachments

- A LGFA Submitter responses [↓](#)
- B Statement of Proposal LGFA [↓](#)

## Should Southland District Council join the Local Government Funding Agency?

#1

COMPLETE

**Collector:** Web Link 1 (Web Link)  
**Started:** Thursday, February 11, 2021 5:13:30 PM  
**Last Modified:** Thursday, February 11, 2021 5:15:08 PM  
**Time Spent:** 00:01:38  
**IP Address:** 116.251.188.211

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## Q1

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

Name	Pamela Yorke
Address	
Address 2	
City/Town	Wyndham
State/Province	
ZIP/Postal Code	
Country	New Zealand
Email Address	
Phone Number	

## Q2

Join the LGFA as a guaranteeing local authority

Which option do you prefer? Please tick one

## Q3

Respondent skipped this question

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

## Q4

No, I would not like to speak to Council at the deliberations

Deliberations: Would you like to speak to Council about your submission at its deliberations?

## Q5

Yes, please email me about Southland District Council consultations

Stay informed: Would you like to be emailed when further Southland District Council consultations are open?

## Q6

Respondent skipped this question

Uploads - Please attach any files here.

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## Should Southland District Council join the Local Government Funding Agency?

#2

COMPLETE

**Collector:** Web Link 1 (Web Link)  
**Started:** Thursday, February 11, 2021 8:31:24 PM  
**Last Modified:** Thursday, February 11, 2021 9:31:15 PM  
**Time Spent:** 00:59:51  
**IP Address:** 45.253.127.13

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## Q1

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

Name	Peter Schmidt
Address	
City/Town	WINTON
ZIP/Postal Code	
Country	New Zealand
Email Address	
Phone Number	

## Q2

Join the LGFA as a guaranteeing local authority

Which option do you prefer? Please tick one

## Q3

Respondent skipped this question

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

## Q4

No, I would not like to speak to Council at the deliberations

Deliberations: Would you like to speak to Council about your submission at its deliberations?

## Q5

No, please do not email me about Southland District Council consultations

Stay informed: Would you like to be emailed when further Southland District Council consultations are open?

## Q6

Respondent skipped this question

Uploads - Please attach any files here.

2 / 5

## Should Southland District Council join the Local Government Funding Agency?

#3

COMPLETE

**Collector:** Web Link 1 (Web Link)  
**Started:** Thursday, February 11, 2021 10:28:30 PM  
**Last Modified:** Thursday, February 11, 2021 10:32:33 PM  
**Time Spent:** 00:04:03  
**IP Address:** 122.56.205.210

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## Q1

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

Name	Robin McCall
Address	
City/Town	Riverton
Email Address	

## Q2

Join the LGFA as a non-guaranteeing local authority

Which option do you prefer? Please tick one

## Q3

Respondent skipped this question

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

## Q4

No, I would not like to speak to Council at the deliberations

Deliberations: Would you like to speak to Council about your submission at its deliberations?

## Q5

No, please do not email me about Southland District Council consultations

Stay informed: Would you like to be emailed when further Southland District Council consultations are open?

## Q6

Respondent skipped this question

Uploads - Please attach any files here.

3 / 5

## Should Southland District Council join the Local Government Funding Agency?

#4

COMPLETE

**Collector:** Web Link 1 (Web Link)  
**Started:** Thursday, February 18, 2021 4:53:43 PM  
**Last Modified:** Thursday, February 18, 2021 4:59:29 PM  
**Time Spent:** 00:05:45  
**IP Address:** 115.189.102.227

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## Q1

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

Name	Ewen Dunnage
Company	
Address	
Address 2	
City/Town	Dipton
State/Province	
ZIP/Postal Code	
Country	NZ
Email Address	
Phone Number	

## Q2

Join the LGFA as a guaranteeing local authority

Which option do you prefer? Please tick one

## Q3

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

Will get some xtra funding for capital projects

## Q4

Yes, I would like to speak to Council at the deliberations

Deliberations: Would you like to speak to Council about your submission at its deliberations?

## Q5

If yes, please add your email address::

Stay informed: Would you like to be emailed when further Southland District Council consultations are open?

## Q6

Respondent skipped this question

Uploads - Please attach any files here.

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## Should Southland District Council join the Local Government Funding Agency?

#5

COMPLETE

**Collector:** Web Link 1 (Web Link)  
**Started:** Monday, February 22, 2021 4:22:55 PM  
**Last Modified:** Monday, February 22, 2021 4:28:37 PM  
**Time Spent:** 00:05:42  
**IP Address:** 122.56.235.163

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## Q1

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

Name	Alastair Macdonald
Address	
City/Town	Mataura
State/Province	
ZIP/Postal Code	
Country	NZ
Email Address	
Phone Number	

## Q2

Do not join the LGFA

Which option do you prefer? Please tick one

## Q3

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

.1% and .3 % are not worth the risk do not join

## Q4

No, I would not like to speak to Council at the deliberations

Deliberations: Would you like to speak to Council about your submission at its deliberations?

## Q5

If yes, please add your email address::

Stay informed: Would you like to be emailed when further Southland District Council consultations are open?

## Q6

Respondent skipped this question

Uploads - Please attach any files here.

5 / 5



## 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.



### 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 by completing a submission form at [makeitstick.nz](https://makeitstick.nz) or writing to:

Submission – LGFA  
Southland District Council  
PO Box 903  
Invercargill 9840  
Or by emailing: [sdc@southlanddc.govt.nz](mailto: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.

### Key points to note

**Council's current approach to borrowing:** Currently, Council only borrows externally when it has no cash in the bank.

Council currently borrows internally; which means it borrows cash to fund District or local capital projects and raises an internal loan using cash from its reserves. External loans are only be taken out if internal loans exceed cash funds held.

As at June 2020 Council had \$39.7million of reserves and \$35.3million of internal loans.

Council is looking to possibly move internal loans to external loans. It would invest the resulting cash, paying a return to reserves and offsetting rates. Council's Investment Policy would need to be reviewed.

**No commitment to borrowing:** Even if Council joins the LGFA, it is still free to undertake all, some or no borrowings from the LGFA in future.

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



# Proposal to join the Local Government Funding Agency Scheme

Southland District Council

Southland District Council  
Te Rohe Pōtae o Murihiku

PO Box 903  
15 Forth Street  
Invercargill 9840

☎ 0800 732 732  
✉ [sdcsouthlanddc.govt.nz](mailto:sdcsouthlanddc.govt.nz)  
🏠 [southlanddc.govt.nz](http://southlanddc.govt.nz)

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## 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.

## 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 Guaranteeing Local Authority only
2. Participate in the LGFA scheme, as a Non-Guaranteeing Local Authority
3. Participate in the LGFA scheme as a Principal Shareholding 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.**

## Option One: Should Council participate in the LGFA Scheme as a Guaranteeing Local Authority?

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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

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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

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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

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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 (1) is adopted.

### **Option Two: Should 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. At present 0.1%, if Council does not have a credit rating and 0.2% to 0.3% if it does get a rating. 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 (2) is NOT adopted.**

### **Option Three: Should Council participate in the LGFA Scheme as a Principal Shareholding Local Authority?**

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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 (3) is NOT adopted.**

## Opportunity to Make Submissions

Submissions are invited on this Proposal. Submissions must:

1. Be in letter form or entered into Council's online portal at **makeitstick.nz** 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](mailto:sdc@southlanddc.govt.nz)

# Council's Submission on He Pou a Rangi/The Climate Change Commission's 2021 Draft Advice for Consultation

Record No: R/21/2/7317  
Author: Robyn Rout, Policy Analyst  
Approved by: Trudie Hurst, Group Manager Customer Delivery

☒ Decision ☐ Recommendation ☐ Information

## Purpose

- 1 This report is seeking Council to:
  - provide feedback on a draft submission staff have prepared on He Pou a Rangi/The Climate Change Commission's 2021 Draft Advice for Consultation
  - endorse the draft submission, so it can be lodged with He Pou a Rangi by 28 March 2021.

## Executive Summary

- 2 He Pou a Rangi have produced advice on how New Zealand should achieve its domestic 2030 and 2050 emissions targets, and on the policy positions that should be included in the government's first emissions reduction plan.
- 3 The advice outlines changes needed in particular sectors and recommends 17 critical actions the government must take to reach its climate goals. The advice also includes information about transitioning to a low emissions society, and the impacts of doing so.
- 4 Staff have reviewed the content of the advice from a Council and community perspective, and have generated submission points on aspects of the advice that are pertinent for the Southland District.
- 5 There are likely to be significant central and local government policy changes in the near future, as New Zealand responds to achieve its required emission/adaptation goals.
- 6 Staff are recommending Council endorse the submission, and that it be lodged with He Pou a Rangi prior to the end of the consultation period (28 March 2021).

## Recommendation

That Council:

- a) **Receives the report titled “Council's Submission on He Pou a Rangi/The Climate Change Commission's 2021 Draft Advice for Consultation” dated 2 March 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) **Provides feedback on the draft submission on He Pou a Rangi's 2021 Draft Advice for Consultation.**
- e) Agrees to endorse the draft submission, so it can be lodged with He Pou a Rangi by 28 March 2021.

## Background

- 7 He Pou a Rangi is an independent Crown entity that was established in December 2019. It has been tasked with providing independent, expert advice to the government on reducing emissions, adapting to the impacts of climate change, and monitoring and reviewing the government's progress towards its emissions reductions and adaptation goals.
- 8 He Pou a Rangi's first task is to provide the Government with advice on:
  - the level of the first three five-yearly emissions budgets that will put New Zealand on track to achieving its domestic 2030 and 2050 emissions targets
  - the policy direction that should be included in the government's first emissions reduction plan.
- 9 The Minister for Climate Change has also requested He Pou a Rangi to provide advice on the eventual reductions needed in biogenic methane emissions, and on the country's Nationally Determined Contribution (this is a commitment New Zealand has made to contribute to the global effort to reduce emissions).
- 10 To fulfil the task, He Pou a Rangi has produced draft advice about the policy direction necessary to put New Zealand quickly, significantly and permanently on a path to achieve the emission targets New Zealand has already committed to. This advice can be viewed at:  
[www.climatecommission.govt.nz](http://www.climatecommission.govt.nz)
- 11 The draft advice provides information about the changes needed in particular sectors and recommends 17 critical actions the government must take to reach its climate goals. The advice also includes information on how New Zealand should transition to a low emissions society, and the impacts of doing so.

- 12 He Pou a Rangi are seeking feedback on the draft advice before it is formally presented to the government. Due to the impact the advice could have on Southland communities, staff believe it is appropriate to prepare a submission.

#### Issues

- 13 Staff have reviewed the content of the advice, and have generated submission points on aspects of the advice that are pertinent for the Southland District. This has been assessed from a Council and community lens, not solely Council. Particular consultation questions were raised in the advice, so this has determined the structure of the submission. The points addressed in the submission are:

- general observations
- principles used to guide analysis
- central and local government working in partnership
- equitable, inclusive and well-planned climate change transition
- transport
- heat, industry and power sectors
- agriculture
- forestry
- waste.

#### Factors to Consider

##### Legal and Statutory Requirements

- 14 There is no legal requirement to lodge a submission on He Pou a Rangi's advice. This is something Council can do if it wishes.
- 15 As with every decision being made by Council, Council must, in the course of its decision making, consider the views and preferences of persons likely to be affected by, or to have an interest in the matter.

##### Community Views

- 16 Community views have not specifically been sought to assist in generating this submission. Some community views are already known by Council through previous engagement exercises. It has not been practical to engage with the community on this matter as there is a tight time frame to produce the advice, to obtain the appropriate endorsement/sign-off, and to lodge the submission with He Pou a Rangi before the end of the consultation period.
- 17 Anyone is able to lodge a submission on the advice prepared by He Pou a Rangi. So local community groups/individuals/sectors/industries, for example, all have the opportunity to provide their own perspective.

#### Costs and Funding

- 18 The only cost associated with producing and lodging this submission are staff time. This cost will be met within existing budgets.

#### Policy Implications

- 19 There are no direct policy implications from the advice, nor from Council lodging a submission. However, there are likely to be significant central and local government policy changes in the near future, as New Zealand responds to achieve its required emissions reductions and adaptation goals.

#### Analysis

##### Options Considered

- 20 Staff believe Council has the following options available to it:
- endorsing the submission (with any desired amendments) to be lodged with He Pou a Rangi
  - electing not to lodge a submission.

#### Analysis of Options

Option 1 – Endorsing the submission (with any desired amendments) to be lodged with He Pou a Rangi

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• Council will be acting as a voice for its communities</li><li>• Council will be involving itself in the transitional process/being ‘present at the table’ as New Zealand transitions to lower emissions</li><li>• Council will be providing He Pou a Rangi with information on how the advice will impact the Southland District.</li></ul>	<ul style="list-style-type: none"><li>• no known disadvantages.</li></ul>

Option 2 – electing not to lodge a submission

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• no known advantages.</li></ul>	<ul style="list-style-type: none"><li>• Council will not be providing a voice for its communities</li><li>• Council will not be involving itself in the transitional process/being ‘present at the table’ as New Zealand transitions to lower emissions</li><li>• He Pou a Rangi will not have information on how the advice will impact the Southland District.</li></ul>

### Assessment of Significance

- 21 This matter has been assessed as having a lower level of significance in relation to Council's Significance and Engagement Policy, and the Local Government Act 2002.

### Recommended Option

- 22 Staff are recommending Council proceed with Option 1 and endorse the submission (with any desired amendments) to be lodged with He Pou a Rangi.

### Next Steps

- 23 If Council wish to proceed with lodging a submission, at the conclusion of this meeting, staff will make any desired amendments to the submission. The next step will then be for staff to lodge the submission with He Pou a Rangi before the end of the submission period (28 March 2021).

### Attachments

- A Submission on He Pou a Rangi (Climate Change Commission) 2021 Draft Advice for Consultation [↓](#)

## Submission

He Pou a Rangi - 2021 Draft Advice for Consultation

DRAFT

## Background

### Murihiku

'Murihiku' is the Māori name used to describe the Southland region. The name means the tail end (of the land). The Southland District covers 11% of New Zealand's land mass and its roading network is the second largest of any territorial authority in the country (5,000 km). The District is largely rural with a number of small towns. In 2018 there were 30,864 people living in the District, which amounts to 0.66% of New Zealand's population. Only minor population growth is expected – an increase to a population of 36,700 by 2043.

In relation to the local economy, the top three industries based on GDP are:

- the primary sector – agriculture and farming
  - o 50% of the businesses operating are in the primary sector
  - o 98% of primary sector businesses are in agriculture or forestry
  - o an estimated 18.3% of total employment (measured in full-time equivalents) in the District is in dairy farming.
- manufacturing
- tourism.

Southland District Council has a vision of 'one community offering endless opportunities'.

### Southland District Council's challenges

As with many territorial authorities, Council is facing a number of challenges that will impact our communities. These include:

- roads, bridges and community infrastructure requiring significant investment to maintain current service levels
- responding to major legislative and regulatory changes
- a growing demand to look after our natural resources better
- ensuring biodiversity and significant landscapes are protected
- minimising and managing climate change impacts.

Relative to the size and population of other districts, Council only has a small rating base to capture the revenue required to respond to these challenges. Factors such as our large roading network, the dispersed nature of our communities, the size of the District and our low population density, make responding more difficult. As the Southland District is an area experiencing minimal growth, Council also does not have some of the funding options available to other councils.

### Council's current response to climate change and reducing emissions

A strategic priority of Council is to ensure the provision of appropriate infrastructure and services for current and future community needs. Council is incorporating its response to climate change in its Infrastructure Strategy 2021-2051. Council also works with local iwi and other territorial authorities in the Southland region to prepare and respond to climate change. There is an established work programme to:

- complete light detection and ranging mapping to identify the low-lying areas likely to be impacted by sea level rise (LiDAR)
- establish an appropriate regulatory environment to ensure development appropriately considers the impact of climate change
- establish an appropriate infrastructure environment
- monitor and foster community wellbeing, as communities are impacted by and respond to climate change
- reduce carbon emissions.

Council is currently progressing through this work programme, and further climate change planning and funding is anticipated through its long-term plan process for 2021-31.

Although formal analysis hasn't been completed, Council believes it may be carbon negative at this time, due to its large forestry estate.

## Submission points

### Summary

Council appreciates the opportunity to comment on the 2021 Draft Advice for Consultation (the advice) compiled by He Pou a Rangi.

Council is generally supportive of the advice, but believes it is paramount that the transition to lower emissions is clear and well planned, and that there is strong leadership in place to see it through.

Council agrees, in accordance with the advice, that careful policy design and targeted support will be needed to implement the required changes. Different groups/regions/sectors in Southland will be impacted in different ways by a climate change response, and it will be imperative that appropriate information, transition planning and support is provided in Southland. Council anticipates playing a role in supporting its local community through the changes.

Council recognises that for some aspects of the advice, such as the proposal to increase public and active transport options, Council may have less ability to action the advice than some other regions.

### General observations

Council agrees with the vision outlined in the advice, of having a thriving, climate resilient and low emissions Aotearoa where our children thrive.

Council is also willing to play its role in bringing about the 'transformational and lasting' change that is required to meet New Zealand's emission targets and to ensure a thriving Aotearoa for future generations.

Council would also like to commend He Pou a Rangi for the extensive engagement undertaken to develop the advice. Particularly the multifaceted approach to engaging with Maori and the input from Biological Emissions Reference Group.

### Consultation question 1 - principles used to guide analysis

Council supports He Pou a Rangi using the following principles to guide its advice and transition proposed:

- [aligning with the 2050 targets](#)

- focusing on decarbonising the economy
- creating options
- avoiding unnecessary cost
- transitioning in an equitable and inclusive way
- increasing resilience to climate change impacts
- leveraging co-benefits.

Council advocate for including the principle of ‘transitional leadership’. Council believe that transitional leadership will play a very important role in facilitating change across society, and reaching emission targets. Having entities/leaders that give clear guidance and provide people/organisations with appropriate information, support and practical guidance, will be vital to achieving the required changes.

Council also believe ‘interagency alignment and collaboration’ should be included as a principle. This philosophy has already been incorporated in the advice (such as developing a multi-sector strategy and developing all central government policy to minimise unequal impacts from climate change policy), but this idea seems to be missing as a formal principle.

### **Consultation question 8 - central and local government working in partnership**

Council supports the advice, that local and central government should work together to:

- ‘align legislation and policy to enable local government to make effective decisions for climate change mitigation and adaptation, including aligning the Local Government Act, the Building Act and Code, national direction under the RMA, the proposed RMA reforms, implementation of the freshwater management framework and the 30-year infrastructure plan’
- ‘implement funding and financing mechanisms to enable the emissions reduction plans to be implemented effectively and to address the distributional effects of policy change today and for future generations.’

Council believe that central government should make key decisions and make any necessary legislative and policy change to ensure New Zealand meets its emission targets. It is important that an appropriate level of responsibility and decision making is passed to local government, such when decisions require local input or to administer a regulatory framework. Council would expect to be involved in local transition planning, in relation to ensuring community wellbeing.

As is identified in the advice, funding will be a key factor to enable local government to successfully contribute to achieving national emission targets. As has been outlined above, Council is currently responding to a number of significant challenges that are all placing significant demands on Council revenue, so resources are already stretched.

### **Consultation question 13 – equitable, inclusive and well-planned climate change transition**

Council supports the package of recommendations and actions that have been proposed to increase the likelihood of an equitable, inclusive, and well-planned climate transition. This includes proposals to:

- developing an equitable transitions strategy linked to the government’s economic plan, which will consider:
  - building an evidence base for assessing the impacts of climate change policy decisions that align with tikanga values

- factoring in the impacts on people when setting climate policy, and making social, economic and tax policy that minimises/negates negative impacts
- guidance on co-developing transition plans
- supporting affected workers into new work
- identifying areas that may be particularly affected by climate change and the transition to a low emissions economy, and initiating transition planning in these areas
- developing policy to create a workforce with the necessary skills
- investigating the impact of climate transition on small businesses
- assessing whether current standards and funding programmes for insulation and efficient heating are appropriate
- improving the evidence base on considering co-benefits into climate change policy/planning/investment decisions – such as health, transport accessibility and environmental benefits.

Council strongly advocates for having a clear and stable policy position, that will allow communities and business appropriate time to plan and respond. Again, Council stresses that good leadership and communication are key. The advice would benefit from additional examples of transition strategies, and how these have been effectively implemented in the past.

Council agrees with the proposal to prioritise supporting the most adversely impacted and the least able to adjust. Council anticipates being involved in initiatives to support and foster the wellbeing of communities within the Southland District.

Council questions whether national assumptions should be developed, outlining the emission trajectory that collectively New Zealanders would work with and measure outcomes against.

#### **Consultation question 14 – transport**

Council supports the package of recommendations and actions for the transport sector which include:

- developing an integrated national transport network to reduce travel by private vehicles and increase walking, cycling, low emissions public and shared transport (including increasing the share of central government funding available for these types of transport investments, and increasing working from home arrangements)
- accelerating light electric vehicle uptake
- increasing the use of low carbon fuels for trains, ships, heavy trucks and planes.

As has been outlined above, the Southland District has a vast roading network, is largely rural, and communities within the District are quite dispersed. On this basis, it is important to note that most households in the District use a personal motor vehicle as their sole means of transport (other than farm vehicles) and that the Southland District may not have the same ability to provide effective public transport options as some other districts.

Providing public transport options in Southland is also likely to be impacted by there being relatively low population growth in the District and by Covid-19 related tourism changes (such as the loss of international tourists, more localised tourism, remote working etc). There may also be less incentive for people in the Southland District to use public transport relative to other districts, as there are no

congestion or parking issues, and public transport options may not be as convenient or cost effective as private transport options.

Council's ability to design urban areas to facilitate walking/cycling and public transport, is likely to be impacted by low levels of population growth within the District.

Council strongly supports initiatives to encourage working from home. Working from home is important to reduce emissions, but it will also enable people to base themselves in rural regions. Southland needs a solid social and economic base. Our District needs more people to ensure there is economic growth, skilled workers, vibrant communities, a better lifestyle and improved health, and education and social services in Southland.

Council questions whether drone technology, both for monitoring farm activity and for deliveries, will play an increasing role in reducing vehicle usage and emissions.

Council believes that an important consideration, with the move to electric vehicles, is sourcing materials for lithium batteries and the e-waste associated with lithium battery disposal. It is our view that these factors should be considered and addressed in the advice.

Council notes the advice to increase the share of central government funding available for active and public transport options, and to link government spending to emissions budgets. Council advocates for there being clear information and a staged transition to this approach, if/when it is implemented.

Mechanisms to fund land transport investment will need to be considered and reviewed. This will be necessary as more electric vehicles and the increased use of public transport will lead to reduce funding from revenue sources, such as fuel and road user charges.

### **Consultation question 15 – heat, industry and power sectors**

Council supports the package of recommendations and actions for the heat, industry and power sectors, but does have concerns about effects of some of the recommendations, if they are implemented.

The advice proposes:

- having a target of 60% renewable energy no later than 2035
- maximising the use of electricity as a low emissions fuel, including the removal of coal generation
- scaling up provision of low emissions energy sources, scaling up the provision of low emissions fuels
- reducing emissions from process heat
- supporting innovation to reduce emissions from industrial processes
- reducing emissions from urban form, such as low emissions transport and buildings through ongoing legislative reform.

While the advice acknowledges that the coal mining sector and the services that support it will be impacted by the transition away from fossil fuels, Council has concerns that the fast decline of the coal sector may have a devastating impact on some small rural towns within the Southland District. As is outlined, it will be vital to provide clear information about the move away from coal, to allow time to plan, support and redeploy workers. However, there may still be population decline in some rural towns.

Council is also aware the proposed change to maximise the use of low emission electricity may impact the provision of electricity to Stewart Island/Rakiura. Council generates and supplies electricity to consumers on Stewart Island/Rakiura by the Stewart Island Electrical Supply Authority (SIESA). There are 456 permanent electricity consumers connected to a network powered by up to five diesel generators.

Over time, a number of electricity schemes have been investigated; a hydroelectric station on the Toi Toi River, wave generation at Mason Bay and the concept of a Foveaux Strait cable. Council is currently undertaking work to incorporate wind generation into the network, to replace up to 40% of the supply provided through diesel generation. Additional technologies are also likely to be integrated into the system in the future. Changes to the scheme do come at an expense. There is a very small ratepayer base on the island to generate funding.

Council would also recommend some caution around the assumption that Tiwai Point Aluminium Smelter will close for good in 2026, freeing up electricity for other use. There has been many 'false closure notices' in the past, which has created a degree of uncertainty around the current closure information.

#### **Consultation question 16 – agriculture**

Council supports in principle the recommendations and actions for the agriculture sector, but does have concerns about the effects of some of the recommendations, if they are implemented.

The advice proposes:

- reducing biogenic agricultural emissions through on-farm efficiency and technologies (such as changing on farm management practices, stock rates, supplementary feed and nitrogen inputs, breeding low emission sheep, using low emission feeds, using technology, prioritising broadband etc etc)
- creating options for alternative farming systems and practices (including investing to better inform local and national land use decisions, and enable international market access for proven low emissions food and fibre products).

Council is supportive of the advice and keen to contribute to reducing biological agricultural emissions. Council would like to ensure the focus on reducing emissions is not at the expense of other important considerations such as water quality, farm business viability, animal welfare, and economic impacts. The agriculture industry is a vital part of Southland's economy.

#### **Consultation question 17 – forestry**

Council supports in principle the recommendations and actions for the forestry sector, but believes there are additional factors that should be considered in the advice.

The advice proposes:

- managing forests to provide a long-term carbon sink (including by planting new permanent native forests on erosion-prone or marginal land, requiring forest management plans for large forests, having policy, Emissions Trading Scheme and land use planning changes to deliver the afforestation required)

Council supports not relying solely on forestry as a carbon sink, and acting to reduce emissions in other sectors.

Council believes that a number of factors need to be considered in relation to both the advice to transition areas of less productive land to permanent native forests, and to continue planting exotic forests.

Council believes the following factors should be given more consideration:

- protecting important landscapes
- protecting important flora such as tussock lands

- biodiversity loss
- local species variation in relation to planting natives
- job loss associated with land use change to forestry (and other associated impacts)
- economic impacts associated with land use change.

Council supports having a strategic planning approach to roll out changes in the forestry sector, with a clear link to Resource Management Act reform. Again, having a staged transition with clear messaging, and giving councils time to respond and implement required planning changes, will be vital.

#### **Consultation question 18 – waste**

Council supports the package of recommendations and actions for reducing emission from waste, which include:

- reducing waste at its source, increasing the circularity of resources in New Zealand and reducing waste emissions (such as physical waste reduction, resource recovery and landfill gas capture)
- reducing emissions of hydrofluorocarbons (extending import restrictions, reducing leakage and improper disposal).

Council's solid waste practices are strongly influenced by sustainability, being led from the top with central government's Waste Minimisation Act 2008 and the New Zealand Waste Strategy 2010. Council is committed to a sustainable approach to waste and will be responsive to any recommended changes in this area subject to timing of any changes when considered with other national initiatives (such as implementing priority product stewardship schemes).

Council is part of WasteNet Southland (a shared services arrangement with two other councils), that manages collection and recyclables contracts, and actively promotes and advocates waste minimisation initiatives in the region.

WasteNet Southland promote the minimisation hierarchy – reduce, reuse/repurpose, recycle, and recover. Targeted education, in particular to schools/youth groups, is ensuring the right messages and culture is promoted at an early age. Council acknowledges certain recycling markets are closing, but will continue to advocate for changes at a national level to allow good practices to continue.

In the region, it is expected that education, promotion and tailoring of waste management services will continue to drive demand for waste minimisation services and in turn reduce relative demand for disposal services.



## Draft Alcohol Licensing Fee-Setting Bylaw - Review and Consultation

Record No: R/20/3/5798  
Author: Carrie Adams, Intermediate Policy Analyst  
Approved by: Fran Mikulicic, Group Manager Environmental Services

☒ Decision ☐ Recommendation ☐ Information

### Purpose

- 1 The purpose of this report is for Council to endorse a draft Alcohol Licensing Fee-Setting Bylaw (draft bylaw) for consultation, following the requirements in the Sale and Supply of Alcohol Act 2012 (SSAA).

### Executive Summary

- 2 The Alcohol Licensing Fee-Setting Bylaw 2015 (the current bylaw) was made on 31 October 2015. The current bylaw is attached to this report as Attachment A.
- 3 Sale of alcohol legislation requires that any changes to standardised alcohol licensing fees are made via a bylaw. When the bylaw was last reviewed by Council in 2015, it was affordable to reduce annual fees via bylaw by 30% because of a large reserve balance. Due to the business unit's reserve being depleted, this is no longer the case.
- 4 If Council decides to charge the fee amounts stated in the Sale and Supply of Alcohol (Fees) Regulations 2013 (the regulations), no bylaw is required. A bylaw is required if Council elects to charge more or less than the fee prescribed in the regulations.
- 5 It is staff recommendation that the existing 30% discount for annual fees is discontinued, and that annual fees, application fees and special licenses are increased by 10% for two years. Thereafter, smaller annual increases in fees are recommended, in order to alleviate the deficit projections in the alcohol licensing fees business unit.
- 6 Consultation for this bylaw is governed by the SSAA, not the Local Government Act 2002, as is the case for most of Council's bylaws. If Council endorses the draft bylaw, staff will undertake a targeted consultation process from 8am on 12 March to 5pm on 26 March 2021. Consultation will be directed at stakeholders who are likely to be affected by the bylaw, as required by the SSAA. This is primarily alcohol licence holders in the District. However, any member of the public wishing to provide feedback is encouraged to do so. All licences holders were advised in December 2020 that Council would be reviewing this bylaw in the first half of 2021.

## Recommendation

That Council:

- a) **Receives the report titled “Draft Alcohol Licensing Fee-Setting Bylaw - Review and Consultation” dated 4 March 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 consider the draft Alcohol Licensing Fee-Setting Bylaw, and endorses the following changes from the current bylaw:

Fee type	21/22	22/23	23/24	24/25	25/26
Annual fees	Revoke 30% discount and add 10% to regulation base fee	+ 10%	+ 5%	+ 5%	+ 5%
Application fees	+ 10% to regulation base fee	+ 10%	+ 5%	+ 5%	+ 5%
Special licence fees	+ 10% to regulation base fee	+ 10%	+ 5%	+ 5%	+ 5%
Annual % increase is based on the previous year's fee					

- e) Agrees to endorse and release the draft Alcohol Licensing Fee-Setting Bylaw for consultation, in accordance with section 405 of the Sale and Supply of Alcohol Act 2012, from 8am on 12 March 2021 to 5pm on 26 March 2021.

## Background

- 7 The purpose of the current bylaw is to set the amount of the annual fees that are charged to alcohol licence holders in the District. There are approximately 170 current licence holders.
- 8 In 2015, Council adopted the Alcohol Licensing Fee-Setting Bylaw 2015 (Attachment A). The only provision in the bylaw states, “the annual fee payable by a licensee of premises for which an on licence, off licence or club licence is held shall be the annual fee specified in the regulations less 30%.”
- 9 If Council did not have an Alcohol Licensing Fee-Setting Bylaw, the amounts charged for the various alcohol fees would remain at the amounts set by the Sale and Supply of Alcohol (Fees) Regulations 2013 (the regulations).

- 10 During the Long Term Plan (LTP) process in 2015, Council heard submissions from the hospitality industry that raised concerns with the licensing fee increases which resulted from the default fees set by the Ministry of Justice under the regulations. The industry did not support the amount of increase to the fees in the regulations.
- 11 At that time, there was a large reserve held that could be used to fund a portion of the costs, and a 30% discount was considered an appropriate response to the concerns of the industry. Council was informed that the discount in the current bylaw had a limited duration. The 2015 report to Council stated that the 30% discount was feasible for three years.
- 12 It was intended to review this bylaw in March 2020 in order to address the funding shortfall. This was delayed until now, due to Covid-19.
- 13 The income currently generated through alcohol fees is not meeting the annual costs for this business unit. In addition, there is a negative reserves balance. This report outlines the financial implications of three different alcohol fees scenarios.
- 14 It is noted that the fees set in the regulations were last increased by the Ministry of Justice in 2013. It is expected that a review of these regulations is pending, however the timing for this is unknown. Therefore, it is possible that the amounts in the regulations could be increased before the bylaw is next due for review (2025). The implications of this are that if a review of the fee amounts occurs at a central government level, it may become necessary for Council to review its bylaw.

## Issues

### Other council

- 15 Few councils have adopted alcohol fee setting bylaws, which means that most territorial authorities are charging the license fee amounts stipulated in the regulations. Staff are not aware of any council that provides a discount, as is the case with the current bylaw. It is likely that other councils have a higher rates contribution than the current 10% rates contribution for this business unit.
- 16 Examples from other councils that do have a bylaw are below. The percentages shown are increases to all fees that are able to be changed by bylaw (application fees and annual fees for premises, special licences, temporary authority):
  - Whangarei – 63% increase above fee amount in the regulations
  - Hutt City – 30% increase in year one of bylaw, 60% in year two, 90% increase in year three
  - Wellington – 32% increase above fee amount in the regulations.

Option 1 - Removes the 30% discount to annual fees, and increases all eligible alcohol licensing fees by 10% annually in 2021/22 and 2022/23, and 5% annually from 2023/24 to 2025/26. (preferred option)

- 17 This option involves removal of the 30% discount to 'annual fees' in the current bylaw, and recommends an annual increase of 10% in 2021/22 and 2022/23. This option also involves increasing 'special licence fees' and 'applications for on/off/club fees' by an annual increase of 10% in 2021/22 and 2022/23.

- 18 In addition, a 5% annual increase in each of these three fee categories is proposed until the bylaw is due for review in 2025, as illustrated by the table below.

Table 1: Proposed annual percentage increases to alcohol fees

Fee type	21/22	22/23	23/24	24/25	25/26
Annual fees	Revoke 30% discount and add 10% to regulation base fee	+ 10%	+ 5%	+ 5%	+ 5%
Application fees	+ 10% to regulation base fee	+ 10%	+ 5%	+ 5%	+ 5%
Special licence fees	+ 10% to regulation base fee	+ 10%	+ 5%	+ 5%	+ 5%
Annual % increase is based on previous years fee					

- 19 It is proposed that fees payable for manager's certificates, temporary authority and temporary licences continue to be set by the regulations for new or renewed certificates, noting that councils are not able to vary the manager's certificate fee amount provided for by the regulations.
- 20 The actual proposed dollar amount increases to the fees for licence holders and applicants is shown in the draft bylaw at Attachment B. The financial forecasting at page two of Attachment C shows the comparison with what is currently being charged in the column labelled "current rates".
- 21 Currently Alcohol Licensing has a projected overdrawn reserve of \$134,924. The approach above to fee setting will see the reserve repaid over 9 years if Council continues to increase fees annually by 5% past the five year period covered by this bylaw.
- 22 Option 1 allows for the costs of this business unit to be recovered and the total negative reserve to be repaid over the ten years of the LTP. The financial forecasting at page one of Attachment C shows the income and expenses for this business unit for each of the three options presented for this report.
- Option 2 – Revoke the current bylaw, thereby reverting to the fees set in the regulations
- 23 All alcohol licensing fees would be those set in the regulations. This option will not cover the annual operating costs over the next five years.
- 24 The implications of this scenario on the reserves, is that the reserves balance would be overdrawn by \$513,083 in 2030/31.
- 25 If Council elects this option, it will need to accept the ongoing negative reserves balance, or it needs to repay all or some of it from a greater Council contribution from rates or a general reserve.
- 26 If Council elects to charge the fees prescribed in the regulations (no discount or increase), whilst no bylaw would be required for this option, Council is still required to consult in order to revoke the current bylaw.

#### Option 3 – Status quo, 30% discount to annual fees set in regulations

- 27 This option involves maintaining the 30% discount to annual fees. Other fees would remain at the amounts set in the regulations. This option will not cover the annual operating costs over the next five years.

- 28 The implications of this scenario on the reserves, is that the reserves balance would be overdrawn by \$665,597 in 2030/31.
- 29 As with option two, if Council elects option three, it will need to accept the ongoing negative reserves balance, or it needs to repay all or some of it from a greater Council contribution from rates or a general reserve.

#### Feedback from Regulatory and Consents Committee

- 30 The three options outlined in this report were provided to the Regulatory and Consents Committee by email, for its feedback. The committee supported the options presented as the reasonable and practical options to approach the review of this bylaw. In this report, Council is being asked to select its preferred option. The draft bylaw that goes out for public consultation will be based on the preferred option.

#### Factors to Consider

##### Legal and Statutory Requirements

- 31 Alcohol licensing fees are set by central government, in the Sale and Supply of Alcohol (Fees) Regulations 2013.
- 32 Section 405 of the Sale and Supply of Alcohol Act 2012 (SSAA) enables councils to set their own fees for alcohol licensing, by bylaw.
- 33 Section 11 of the Sale and Supply of Alcohol (Fee-setting Bylaws) Order 2013 gives Council the authority to prescribe the fees payable to it in this regard, through a bylaw. The proviso to this authority, is that this must be done in the context of the fees framework provided in the regulations.
- 34 It is proposed that Council undertake consultation on the draft bylaw in accordance with s.405 of the SSAA, which states, “Before making a bylaw prescribing fees for any matter for which fees payable to territorial authorities can be prescribed by regulations under this act a territorial authority must, to the extent that is reasonably practicable having regard to the circumstances of the particular case, consult the persons the authority has reason to believe are representative of interests likely to be substantially affected by the bylaw.”
- 35 Accordingly, the consultation process proposed is somewhat unique, as it follows the provisions of the SSAA, and is not bound by the LGA, as with most of Council’s bylaws. Under the SSAA, Council must make best efforts to ensure that those who are likely to be substantially affected by the bylaw are aware of the review process. The contact details of people that hold alcohol licences is known by Council, enabling staff to directly contact these parties.
- 36 As noted above, Council is still required to consult should it choose to revoke the current bylaw.

### Community Views

- 37 As noted above, staff will run a consultation process for this bylaw to meet the requirements for the SSAA, which means that it will be directed primarily at alcohol licence holders in the District.
- 38 Council will make the draft bylaw and relevant information publicly available, and encourage people to give feedback on Council's 'make it stick' platform, by:
- directly notifying stakeholders, by providing all licensees in the District with the draft bylaw and relevant information so that they can make a submission
  - having the draft bylaw and relevant information accessible on Council's website and at all of its offices
  - placing an advertisement in the Ensign and Southland Express
- 39 The consultation process proposed will allow Council to consider stakeholder views regarding this draft bylaw. Any member of the public is still welcome to make a submission.

### Costs and Funding

- 40 The income and costs report for the alcohol licensing business unit, required by s.19 of the Sale and Supply of Alcohol (Fees) Regulations 2013, and published on Council's website, is included at Attachment D.
- 41 There will only be minor costs associated with progressing the draft bylaw through the review and consultation process, including the costs associated with staff time and advertising. These costs will be met within current budgets.

### Alcohol Licensing Reserve

- 42 As at 30 June 2020, the Alcohol Licensing reserve is \$84 thousand overdrawn compared to a budget of \$775 overdrawn. The reasons for the increased deficit is the loss of revenue from licensing due to COVID-19, amounting to \$32 thousand, this will not be recovered. Additional legal costs were also incurred as a result of a customer challenging a licensing decision (\$14 thousand). Also \$44 thousand was incurred from additional resource needed to clear a backlog and continue to meet our service levels. This has been offset by around \$7 thousand of savings in other costs.
- 43 It is projected that the reserve will be \$134,924 overdrawn by the end of June 2021.
- 44 As discussed above, option one is the only scenario whereby the reserves deficit is removed, by 2029. Options two and three result in the reserve being overdrawn by \$513,083 and \$665,597 respectively, by 2031.
- 45 Council could accept that it will take longer to repay the reserve, or Council could decide to increase its rates contribution or use a general reserve such as the district operations reserve. Based on the forecasted financial report yet to be approved by Council, the balance of the District operations reserve as at 30 June 2021 is projected to be \$400 thousand.

### Policy Implications

- 46 If option 1 is endorsed by Council, there are potential policy implications for Council as well as for licensees in the District.
- 47 For Council, the policy implication of the preferred option is that it will allow Council to remove the reserves deficit and ensure this business unit is self-funding by 2031.

- 48 For licensees, the implications of the preferred option are that, it will involve increasing alcohol licensing fees at a time when this sector is recovering from the effects of Covid-19 in 2020, as well as adjusting to ongoing changes to alert levels.

## Analysis

### Options Considered

- 49 There are three options for consideration in this report:
- Option 1 – that Council removes the 30% discount to annual fees, and increases all eligible alcohol licensing fees by 10% annually for 2021/22 and 2022/23, and 5% annually from 2023/24 to 2025/26. Council endorses the draft bylaw for consultation
  - Option 2 – that Council removes the 30% discount and consults regarding revocation of the Alcohol Fee-Setting Bylaw 2015. Council would need to increase its rates contribution annually from 10% to 22.5% (\$28,000 increase in 21-22) and use a general reserve such as the district operations reserve to clear the overdrawn reserve (\$134,924).
  - Option 3 – that Council maintains the 30% discount to annual fees. Council would need to increase its rates contribution annually from 10% to 29% (\$43,000 increase in 21-22) and use a general reserve such as the district operations reserve to clear the overdrawn reserve (\$134,924).

Option 1 – that Council removes the 30% discount to annual fees, and increases all eligible alcohol licensing fees by 10% annually in 2021/22 and 2022/23, and 5% annually from 2023/24 to 2025/26.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• enables full cost recovery and repayment of the negative reserve over nine years</li> <li>• reflects Council's intention that this business unit is 90% self-funding through fees generated.</li> </ul>	<ul style="list-style-type: none"> <li>• there may be negative feedback from some in the industry from the increasing fees particularly due to the ongoing impacts of COVID-19</li> </ul>

Option 2 – that Council removes the 30% discount and consults regarding revocation of the Alcohol Fee-Setting Bylaw 2015

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• licence holders may see this as preferable to the increases proposed in option one</li> <li>• More consistent with the majority of Councils across New Zealand</li> </ul>	<ul style="list-style-type: none"> <li>• would result in an increasing overdrawn reserve</li> <li>• there may be negative feedback from some in the industry from the increasing fees particularly due to the ongoing impacts of COVID-19</li> <li>• Council will need to increase its rate contribution to this activity from 10% to 22.5% and repay the overdrawn reserve from another reserve.</li> </ul>

Option 3 – that Council maintains the 30% discount to annual fees

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"><li>• No changes to the fees charged to license holders.</li></ul>	<ul style="list-style-type: none"><li>• would result in an increasing overdrawn reserve</li><li>• Council will need to increase its rate contribution to this activity from 10% to 29% and repay the overdrawn reserve from another reserve.</li></ul>

### Assessment of Significance

- 50 The decisions Council is making in regard to this report have been assessed as not being significant in relation to Council's current Significance and Engagement Policy and the Local Government Act 2002.

### Recommended Option

- 51 It is recommend that Council removes the 30% discount to annual fees, and increases all eligible alcohol licensing fees by 10% annually for 2021/22 and 2022/23, and 5% annually from 2023/24 to 2025/26. Council endorses the draft bylaw for consultation on this basis.

### Next Steps

- 52 If Council endorses the draft bylaw, staff will undertake a consultation process in accordance with s.405 of the SSAA from 8am on 12 March to 5pm on 26 March 2021. It is intended that the written submissions received will be presented to Council in April 2021.
- 53 If, after undertaking consultation, Council endorses the proposed changes in the draft policy, Council would then adopt the bylaw with it to come into effect 1 July 2021.
- 54 If Council proposes a different way forward, staff will outline next steps for that approach.

### Attachments

- A Current bylaw - Alcohol Fee-Licensing Bylaw 2015 [↓](#)
- B DRAFT Alcohol Fee-Licensing Bylaw for consultation [↓](#)
- C Income and costs report for alcohol licensing business unit [↓](#)
- D Fee Structure for Option 1 over 10 years of LTP [↓](#)



## Southland District Council

### Alcohol Licencing Fee Setting Bylaw

Southland District Council  
Te Rohe Pōtae o Murihiku

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**Document Revision**

Date	Amendment	Amended by	Approved by	Approval date
			Council	

Pursuant to Section 405 of the Act and the Sale and Supply of Alcohol (Fee Setting Bylaws) Order 2013 the Southland District Council makes the following bylaw.

## 1 Title and commencement

- (a) This bylaw is the Alcohol Licensing Fee-Setting Bylaw 2015.
- (b) This bylaw comes into force on 31 October 2015 and applies to licences with an anniversary date from 1 December 2015.

## 2 Interpretation

- (a) “Act” means the Sale and Supply of Alcohol Act 2012.  
“Regulations” mean the Sale and Supply of Alcohol (Fees) Regulations 2013.
- (b) Unless the context otherwise requires words and phrases used in the Act and Regulations shall have the same meaning in this bylaw.

## 3 Annual fee reduction

The annual fee payable by a licensee of premises for which an on licence, off licence or club licence is held shall be the annual fee specified in the regulations less 30%.

This bylaw has been confirmed by resolution passed at a meeting of the Southland District Council held on \_\_\_\_\_.

THE COMMON SEAL of the  
SOUTHLAND DISTRICT COUNCIL  
was hereunto affixed in the presence of: }

\_\_\_\_\_ MAYOR

\_\_\_\_\_ CHIEF EXECUTIVE



## Southland District Council

### DRAFT Alcohol Licensing Fee-Setting Bylaw

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Southland District Council

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### Document Revision

Date	Version	Revision description	Approved by	Approval date
2015	R/15/10/19215	Bylaw made	Council	28/10/2015
2021	xxx	Bylaw made	Council	xxx

Southland District Council

### Title and commencement

Pursuant to Section 405 of the act and the Sale and Supply of Alcohol (Fee Setting Bylaws) Order 2013 Southland District Council makes the following bylaw:

- this title of this bylaw is the Alcohol Licensing Fee-Setting Bylaw
- this bylaw comes into force on 1 July 2021, and applies to fees payable from 1 July 2021.

### Purpose

The purpose of this bylaw is to prescribe fees for matters to which fees payable to Council are prescribed in the Sale and Supply of Alcohol (Fees) Regulations 2013.

### Interpretation

In this bylaw, words and phrases used in the act and regulations shall have the same meaning in this bylaw.

“act” means the Sale and Supply of Alcohol Act 2012

“Council” means Southland District Council

“regulations” mean the Sale and Supply of Alcohol (Fees) Regulations 2013

### Fees payable

The table below sets out the fees payable to Council for annual fees, applications and licences as functions of Council which are carried out under the act.

Table 1: Fees payable

Type of fee	Fee category (cost/risk rating category)	Fees to apply (financial year)				
		2021/22 Revoke 30% discount and add 10% to regulation base fee	2022/23 +10%*	2023/24 +5%*	2024/25 +5%*	2025/26 +5%*
Annual fees for premises On/off/club	very low	\$177	\$195	\$205	\$215	\$226
	low	\$430	\$473	\$497	\$522	\$548
	medium	\$696	\$765	\$804	\$844	\$886
	high	\$1,139	\$1,252	\$1,315	\$1,381	\$1,450
	very high	\$1,581	\$1,739	\$1,826	\$1,918	\$2,014

## Southland District Council

Type of fee	Fee category (cost/risk rating category)	Fees to apply (financial year)				
		<b>2021/22</b> <b>Revoke 30% discount and add 10% to regulation base fee</b>	<b>2022/23</b> <b>+10%*</b>	<b>2023/24</b> <b>+5%*</b>	<b>2024/25</b> <b>+5%*</b>	<b>2025/26</b> <b>+5%*</b>
Application fees for premises on/off/club	very low	\$405	\$445	\$468	\$491	\$515
	low	\$670	\$737	\$774	\$813	\$854
	medium	\$898	\$988	\$1,037	\$1,089	\$1,144
	high	\$1,126	\$1,238	\$1,300	\$1,365	\$1,434
	very high	\$1,328	\$1,461	\$1,534	\$1,611	\$1,691
Special licenses	class 3	\$70	\$77	\$80	\$84	\$89
	class 2	\$228	\$250	\$263	\$276	\$290
	class 1	\$633	\$696	\$731	\$767	\$805

\* Annual % increase is based on previous years fee

## Explanatory note:

- the fees set out in table 1 replace the fees payable under section 7 of the regulations, but are determined using the methodology set by the regulations. Fees payable for manager's certificates, temporary authorities and temporary licences continue to be set by the regulations for new or renewed licences
- To determine the applicable fee category (cost/risk rating category) refer to the regulations.

### Repealed bylaws

The Alcohol Licencing Fee-Setting Bylaw 2015 is consequently repealed.

This bylaw has been confirmed by resolution passed at a meeting of Southland District Council held on xx 2021.

THE COMMON SEAL of the  
SOUTHLAND DISTRICT COUNCIL  
was hereunto affixed in the presence of: }

\_\_\_\_\_ MAYOR

\_\_\_\_\_ CHIEF EXECUTIVE

For the year ending	<u>Jun-19</u>	<u>Jun-20</u>
<b>Alcohol Licensing</b>		
<b><u>Income</u></b>		
Rates	23,799	24,664
User Charges and Fees	179,982	145,244
Internal Income	7,302	(664)
	<b>211,084</b>	<b>169,244</b>
<b><u>Direct Expenditure</u></b>		
Advertising	-	-
Communications	863	1,241
Conferences and courses	2,051	594
Insurance	-	-
Other Expenditure	2,252	3,241
Postage and Stationery	96	108
Professional Services	775	18,255
Staff Costs	135,657	129,803
Supplies and Materials	122	-
Travel and Accommodation	1,454	1,865
Vehicle Expenses	-	146
	<b>143,268</b>	<b>155,253</b>
<b><u>Indirect Expenditure</u></b>		
Depreciation (Funded)	533	-
Internal Expenses	60,472	144,526
Financial Expenses	-	-
	<b>61,005</b>	<b>144,526</b>
<b>Net Surplus/(Deficit)</b>	<b>6,811</b>	<b>(130,535)</b>
<b><u>Funded by</u></b>		
District Operations Reserve	3,351	
Alcohol Licensing Reserve	3,459	(130,535)
	<b>6,810</b>	<b>(130,535)</b>
<b><u>Alcohol Licensing Reserve</u></b>		
Opening Balance	42,843	46,302
Plus Transfer to/(from) reserve	3,459	(130,535)
Closing Balance	<b>46,302</b>	<b>(84,233)</b>

Preferred option 1 - increases applied to Fees (inclusive of GST)		Budget Financial Year											
				21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31
Annual Fees Premises													
		Council charges 20-21	Regulation base charge	Regulation base charge plus 10%	21-22 plus 10%	22-23 plus 5%	23-24 plus 5%	24-25 plus 5%	25-26 plus 5%	26-27 plus 5%	27-28 plus 5%	28-29 plus 5%	29-30 plus 5%
On / Off / Club new, renewal or variation)	The fee will be calculated using an assessment of factors:												
	· Type of Premises												
Very Low	· Latest opening hour you operate	\$ 113	\$ 161	\$ 177	\$ 195	\$ 205	\$ 215	\$ 226	\$ 237	\$ 249	\$ 261	\$ 274	\$ 288
Low	· Number of enforcements you have had.	\$ 274	\$ 391	\$ 430	\$ 473	\$ 497	\$ 522	\$ 548	\$ 575	\$ 604	\$ 634	\$ 666	\$ 699
Medium		\$ 443	\$ 633	\$ 696	\$ 765	\$ 804	\$ 844	\$ 886	\$ 930	\$ 977	\$ 1,026	\$ 1,077	\$ 1,131
High		\$ 743	\$ 1,035	\$ 1,139	\$ 1,252	\$ 1,315	\$ 1,381	\$ 1,450	\$ 1,522	\$ 1,598	\$ 1,678	\$ 1,762	\$ 1,850
Very High		\$ 1,006	\$ 1,438	\$ 1,581	\$ 1,739	\$ 1,826	\$ 1,918	\$ 2,014	\$ 2,114	\$ 2,220	\$ 2,331	\$ 2,447	\$ 2,570
Special Licences													
Application fees will be calculated according to the size and frequency of the event or events													
Class 3	1 or 2 small events (fewer than 100 people)	\$ 63	\$ 63	\$ 70	\$ 77	\$ 80	\$ 84	\$ 89	\$ 93	\$ 98	\$ 103	\$ 108	\$ 113
Class 2	1 to 3 medium events (100 - 400 people), or	\$ 207	\$ 207	\$ 228	\$ 250	\$ 263	\$ 276	\$ 290	\$ 304	\$ 320	\$ 336	\$ 352	\$ 370
	3 to 12 small events (fewer than 100 people)												
Class 1	a large event (400+) people, or	\$ 575	\$ 575	\$ 633	\$ 696	\$ 731	\$ 767	\$ 805	\$ 846	\$ 888	\$ 932	\$ 979	\$ 1,028
	more than 3 medium events (100 - 400 people), or												
	more than 12 small events (fewer than 100 people)												
Application Fees													
On / Off / Club new, renewal or variation)	The fee will be calculated using an assessment of factors:												
	· Type of Premises												
Very Low	· Latest opening hour you operate	\$ 368	\$ 368	\$ 405	\$ 445	\$ 468	\$ 491	\$ 515	\$ 541	\$ 568	\$ 597	\$ 627	\$ 658
Low	· Number of enforcements you have had.	\$ 610	\$ 610	\$ 670	\$ 737	\$ 774	\$ 813	\$ 854	\$ 896	\$ 941	\$ 988	\$ 1,038	\$ 1,090
Medium		\$ 817	\$ 817	\$ 898	\$ 988	\$ 1,037	\$ 1,089	\$ 1,144	\$ 1,201	\$ 1,261	\$ 1,324	\$ 1,390	\$ 1,460
High		\$ 1,024	\$ 1,024	\$ 1,126	\$ 1,238	\$ 1,300	\$ 1,365	\$ 1,434	\$ 1,505	\$ 1,581	\$ 1,660	\$ 1,743	\$ 1,830
Very High		\$ 1,208	\$ 1,208	\$ 1,328	\$ 1,461	\$ 1,534	\$ 1,611	\$ 1,691	\$ 1,776	\$ 1,865	\$ 1,958	\$ 2,056	\$ 2,159



## Draft Remission and Postponement of Rates Policy

Record No: R/20/8/47080  
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 for Council to endorse the draft Remission and Postponement of Rates Policy (the draft policy) for public consultation.

### Executive Summary

- 2 The Remission and Postponement of Rates Policy specifies the circumstances where Council will consider remitting or postponing rates. A remission is where Council reduces the amount of rates to be paid and a postponement is where Council delays the payment of rates.
- 3 The purpose of the draft policy is to:
  - provide financial assistance and support to ratepayers where it is fair and reasonable to do so
  - address rating anomalies
  - provide Council with the ability to act reasonably in administering its rating powers and policies
  - support broader Council outcomes and specific objectives as detailed in the policy.
- 4 The draft policy is included with this report as Attachment A.
- 5 The report also includes a summary of proposed changes as Attachment B.
- 6 The current policy (adopted in 2017) is included with this report as Attachment C.
- 7 In developing the draft policy, staff have taken into account feedback provided by Council over the last 18 months, including feedback provided as part of:
  - Council workshops, where the current policy and approach to rating was explained in addition to feedback from Council's consideration of budgets for the Long Term Plan (LTP) 2031.
  - the review of the Revenue and Financing Policy and associated rating review
  - discussion about the 2020 report on rates affordability and consideration of tools Council may have for addressing any affordability issues in the future
  - flow-on impacts of the Covid-19 pandemic.
- 8 The draft policy has been reviewed to ensure that it is fit for purpose and is aligned with Council's LTP 2031 and other funding and financial policies.

- 9 Additional clauses added to the draft policy include:
- the ability to provide remissions for significant extraordinary circumstances (such as earthquakes, floods, pandemics) as determined by Council resolution
  - to cover remission of small balances which are uneconomical to collect
  - additional flexibility to remit rate penalties to encourage ratepayers to bring their accounts up to date.
- 10 A number of additional changes have also been made, with the substantive being:
- removing reference to the 50% remissions for community facilities owned by persons, general clubs, societies or associations which are already provided for under the Local Government Rating Act
  - expanding remission for community facilities owned by persons, general clubs, societies or associations to include facilities used for “community service” and “healthcare”
  - clarifying that community facilities will be excluded from receiving a remission if they receive “operational” funding from government or associated agencies (not capital funding).
  - including additional criteria in provisions for remission/postponement for extreme financial hardship to clarify the ratepayer’s circumstances.
- 11 In addition, staff have incorporated a number of other administrative changes into the draft policy to clarify objectives, reduce duplication, consolidate information and refer to Council’s Delegation Manual for decision-making authority.
- 12 If endorsed by Council, it is intended that the draft policy will be consulted on via a process which will be run concurrently with the consultation for the LTP 2031 from 12 March 2021 to 16 April 2021.

## Recommendation

That the Council:

- a) **Receives the report titled “Draft Remission and Postponement of Rates Policy”** dated 4 March 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) Notes the summary of proposed changes (Attachment B).
- e) Endorses the draft Remission and Postponement of Rates Policy (Attachment A) for consultation.
- f) Agrees to release the draft Remission and Postponement of Rates Policy for public consultation in accordance with section 82 of the Local Government Act 2002 from 12 March 16 April 2021.
- g) Agrees to delegate authority to the chief executive to approve any final edits required in order to finalise the policy for consultation.

## Background

- 13 A review of Council’s Remission and Postponement of Rates Policy has been undertaken. The policy outlines several categories where Council may grant remission or postpone rates, and it gives detail on the conditions and criteria under which applications will be considered.
- 14 The draft policy has been reviewed to ensure that it is fit for purpose and is aligned with Council’s LTP 2031 and other funding and financial policies.
- 15 Additional clauses being added to the draft policy include:
  - the ability to provide remissions for significant extraordinary circumstances (such as earthquakes, floods, pandemics) as determined by Council resolution
  - to cover remission of small balances which are uneconomical to collect
  - additional flexibility to remit rate penalties to encourage ratepayers to bring their accounts up to date.

- 16 A number of changes have also been made to existing policy provisions, with the substantive changes being:
- removing reference to the 50% remissions for community facilities owned by persons, general clubs, societies or associations which are already provided for under the Local Government Rating Act 2002 (LGRA)
  - expanding remission for community facilities owned by persons, general clubs, societies or associations to include facilities used for “community service” and “healthcare”
  - clarifying that community facilities will be excluded from receiving a remission if they receive “operational” funding from government or associated agencies (not capital funding).
  - including additional criteria in provisions for remission/postponement for extreme financial hardship to clarify the ratepayer’s circumstances.

- 17 The key changes are discussed in more detail in the issues section below.

#### ISSUES

- 18 Discussions resulting from the Covid-19 pandemic and subsequent planning has highlighted Council’s desire for greater flexibility to implement rate remissions and postponements for significant extraordinary circumstances on a broader scale.
- 19 The current policy is generally written to provide for relief on a very small (individual) scale. It does not provide for relief for more than one rating unit, except where a natural disaster or other type of emergency affects the ability of one or more rating units to be used or occupied for an extended period of time. In such a case, Council can consider providing rate remission via a Council resolution which specifies the conditions and criteria.
- 20 Staff are proposing to replace this with a wider provision which allows Council to apply broad remissions **and** postponements in situations where significant extraordinary circumstances are identified and where the relief is not linked to the ability of the property to be occupied. The approach proposed is based on provisions recently introduced by Napier City Council.
- 21 This would require Council to specify the details of the relief that would be provided at the time that the significant extraordinary circumstance is identified, along with the conditions and criteria that would apply (such as type/location of property, application process, timeframe, amount/type of remission).
- 22 The policy has been drafted to allow Council to consider relief via either a rate remission (including of penalties) and/or rate postponement. The proposed amendment is included in the draft policy as section 1.9 for remission and section 2.2 for postponement.
- 23 While the proposed amendment will allow Council to respond to events that have a material impact on the District, there is a risk that Council could use the provision for less significant events. Sector best practice developed by the Society of Local Government Managers (SOLGM) recommends that policies should be specific and avoid circumstances where relief is provided for ‘one-offs’ or contain ambiguous criteria which could be an invitation for “special pleading”.
- 24 It is also important to note that remission policies reduce the amount of rates that Council will collect, which means Council is forgoing this income. If Council provides a rate remission to a

rating unit(s), then it will need to charge all other rating units more to ensure that the overall level of funding needed to provide services is maintained. In this way, remission policies shift the incidence of rates.

- 25 As such, it will be important for Council to carefully consider remissions and in particular, resolutions related to a remission for significant extraordinary circumstances given the flow-on impact that this may have across the whole community in that year or future years.

**Other amendments:**

- 26 The remaining provisions have also been reviewed and a number of other changes have been proposed including:
- expanding the criteria where rates penalties can be remitted to support additional proactive payment options and encourage ratepayers to pay their rates. This includes providing remission for temporary penalty holds, direct debit agreements, non-receipt as well as providing leniency to remit penalties in relation to extreme financial hardship, exceptional circumstances and significance extraordinary circumstances (section 1.1)
  - removing the rate penalty remission for missing payments given that payment by cheque is no longer accepted (section 1.1).
  - including a separate remission for remitting small balances (previously included in the remission for penalties and exceptional circumstances) (section 1.2)
  - removing reference to the 50% rate remission for community facilities owned by persons, general clubs, societies or associations as these are already provided for under Schedule 1 (Part 2) of the Local Government Rating Act 2002 (section 1.3.1)
  - including rating units used for the purpose of “community service” and “healthcare” in the rating remission for community facilities owned by persons, general clubs, societies or associations to reflect that these facilities also provide a benefit to the community as a whole (section 1.3.1)
  - clarifying that community facilities will be excluded from receiving a remission if they receive “operational” funding from government or associated agencies. This means that only organisations that receive operating funding will be excluded, but organisations receiving funding for capital items such as buildings or specific projects from grants or similar will be included (section 1.3.1)
  - removing reference to Chartered Clubs from the remission for small community organisations and sports association with liquor licenses as these are not covered by the policy (section 1.3.2)
  - removal of reference to minimum bins in the remission of rates for cancellation/reduction of recycling/rubbish bin collection given that ratepayers other than residential ratepayers are not required to have bins (section 1.6)
  - removal of specific criteria in the remission for the exceptional circumstances which are now covered elsewhere in the policy (section 1.7)

- additional criteria for remission/postponement in cases of extreme financial hardship to clarify that the ratepayer does not have an interest in other property or assets, has taken all steps necessary to claim any central government benefits or allowances and does not have the financial capacity to pay their rates (sections 1.8 and 2.1)
- remove reference to Community Development Area subcommittees in the grants in lieu provisions (section 1.10)
- clarifying objectives
- reducing duplication and consolidating related information together, particularly details of the supporting information required to be provided under each provision
- providing definitions of financial hardship and significant extraordinary circumstances
- consistent use of terminology
- referring to Council's Delegation Manual to identify authority to approve remissions and postponements rather than including specific reference to staff roles (which can change) in the policy. The delegation manual also contains financial limits within which staff can operate which will effectively limit what financial amount of remission or postponement the various staff roles can approve.

27 Other minor amendments to the **Making an application** section including:

- stating a consistent date for applications (31 March in the year prior to the commencement of the rating year) unless otherwise stated
- noting that in subsequent years, Council will need to confirm eligibility and that eligibility will generally be reviewed every three years as part of the review of the policy unless stated otherwise.

28 In developing the draft policy, staff did consider a number of other matters which were discussed with Council but which have not been included in the draft policy. These included:

- extending certain remission policies to cover tenants or lessees who have responsibility for paying rates but whom are not the property owner. This was not included on the basis that Council could not guarantee that the benefit of the remission would be received by the ratepayer and not the property owner. This is because rates are a charge on the property and therefore would rely on the property owner to pass the remission onto the tenant/lessee either through a direct payment or rent reduction.
- providing a specific remission for the wastewater rate for non-residential rating units that have multiple pan charges in circumstances where the property is not fully utilised for extended periods of time. This was not included on the basis that it would shift more of the burden of wastewater rates onto residential properties. Council was also concerned that it would create a situation of "one-off" remissions and that it would be difficult to get accurate and independent information regarding occupancy and the remission would be open to exploitation. Council expressed a preference for retaining a broader approach like that provided for in the significant extraordinary circumstances provision.

- providing a remission for low income households that would work in conjunction with the government rates rebate. This was not included for two main reasons. First, this type of remission would require an additional budget (approximately \$100,000) to fund applications and, given existing pressures on rates, Council could not fund this as well as the additional investment in infrastructure signalled in the LTP 2031. Secondly Council noted the comments made by the Productivity Commission<sup>1</sup> in their 2019 report which suggested that central government is best placed to tackle pressures on low-income households facing high housing costs. This is because central government holds detailed information on individual/household circumstances which is needed to determine equitable assistance and is also responsible for the taxation system which is used to fund any income support programmes (such as accommodation supplement, rates rebate, social housing, other benefits).

## Factors to Consider

### Legal and Statutory Requirements

- 29 If Council wishes to provide remissions or postponements to ratepayers, a policy of this nature is required under the Local Government (Rating) Act 2002 (LGRA) and the Local Government Act 2002 (LGA).
- 30 The LGRA states at s.85 that:
- (1) A local authority may remit all or part of the rates on a rating unit (including penalties for unpaid rates) if—
    - (a) the local authority has adopted a rates remission policy under s.109 of the Local Government Act 2002; and
    - (b) the local authority is satisfied that the conditions and criteria in the policy are met.
- 31 The LGRA states at s.86 that:
- (1) A local authority must postpone the requirement to pay all or part of the rates on a rating unit (including penalties for unpaid rates) if—
    - (a) the local authority has adopted a rates postponement policy under s.110 of the Local Government Act 2002; and
    - (b) the ratepayer has applied in writing for a postponement; and
    - (c) the local authority is satisfied that the conditions and criteria in the policy are met.
- 32 For this reason, it is essential that Council's Remission and Postponement of Rates Policy contains conditions and criteria for each remission and postponement category.
- 33 The policy is legally required to be reviewed at least once every six years in accordance with s.109(2A) of the LGA. This policy was last reviewed in 2017.
- 34 Council has a substantial amount of discretion to grant a remission or postponement of all or part of a ratepayer's rates under the LGRA. The draft policy complies with the requirements of

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<sup>1</sup> Productivity Commission (2019) Local Government Funding and Financing

the Act. Council could choose to reconsider the categories of remission and postponement to exclude some categories.

- 35 If Council endorses the draft policy and releases it for public consultation, staff are proposing that the draft policy will be consulted on in accordance with s.82 and s.82A of the LGA. The LGA requires councils to follow the principles in s.82 whenever it conducts a consultation process.

#### Community Views

- 36 As Council did not receive any submissions on this policy when it was consulted on in 2017, it is difficult to determine what the existing community views are.
- 37 In reviewing the policy staff have considered the circumstances of ratepayers who have sought assistance with payment of rates, and, in particular remission of rates penalties. While this does not represent direct community input, it does reflect general feedback that staff have had from ratepayers over the past three years.
- 38 In addition, a number of other councils throughout the country have developed specific Covid-19 remission and postponement provisions. Given that the pandemic continues to have an economic impact across the country and in parts of Southland, it is timely for Council to also consider whether it requires greater flexibility to be able remit or postpone rates for different circumstances.
- 39 If Council endorses the draft policy and releases it for public consultation at its meeting on 10 March 2021, staff are proposing that the draft policy will be consulted on in accordance with s.82 of the LGA, as discussed above.
- 40 Council will make the draft policy and summary of proposed changes publicly available (in accordance with s.82A of the LGA), and encourage people to give feedback on Council's 'make it stick' platform, by:
- placing an advertisement in the Ensign and Southland Express
  - promoting the consultation on Council's facebook page
  - having the draft policy accessible on Council's website and at all of its offices and libraries
  - encouraging community boards to make a submission.

- 41 It is proposed that this consultation process be run parallel to the LTP consultation.
- 42 The consultation process proposed will allow Council to consider community views regarding this policy.

#### Costs and Funding

- 43 To put the draft policy out for consultation and to undertake the steps required to progress a draft policy through to adoption, there will be costs associated with staff time and advertising.
- 44 For the 2020/2021 financial year, the value of remitted rates was around \$483,000 (including GST) across 527 rateable properties. This represents 0.84% of the total rates struck for the year (\$57.3 million incl GST) on 2.8% of the total number of rateable properties (19,122). There has

been little change in these figures since 2017. No postponement of rates have been requested for a number of years.

- 45 The changes indicated to the policy, other than the significant extraordinary circumstances are unlikely to substantially change the total annual remitted rates.
- 46 If Council was to activate a remission or postponement for special extraordinary circumstances, it would need to consider how the resulting cash shortfall will be met and then budget in future years any repayment of this cash shortfall.

#### Policy Implications

- 47 The draft policy does not need to be included in the LTP 2031 and will not be included in the LTP consultation document. Consultation will occur through a separate parallel process.
- 48 If the draft policy is supported, Council will be able to respond to significant extraordinary circumstances (such as a flood, pandemic, earthquake) when they occur by considering remitting/postponing rates on affected properties.
- 49 The draft policy also provides greater scope for penalty remission to encourage/incentivise full payment of rates.

#### Analysis

##### Options Considered

- 50 There are three options for consideration in this report:
- Option 1 – that Council endorse the draft policy for consultation in accordance with s.82 of the LGA
  - Option 2 – that Council make further amendments to the draft policy and then release the revised policy for consultation in accordance with s.82 of the LGA
  - Option 3 – that Council retain the existing policy with no change

## Analysis of Options

Option 1 – that Council endorse the draft policy for consultation in accordance with s.82 of the LGA

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• the draft policy has been updated</li><li>• the proposed remission for significant extraordinary circumstances will allow Council greater flexibility to be able to respond to significant events on a broader scale and for a wider set of circumstances</li><li>• the changes to the policy clarify objectives, reduce duplication and consolidate information</li><li>• the draft policy provides more flexibility to encourage ratepayers to bring their accounts up to date</li></ul>	<ul style="list-style-type: none"><li>• may not reflect Council views on the policy.</li></ul>

Option 2 – that Council make further amendments to the draft policy and then release the revised policy for consultation in accordance with s.82 of the LGA

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• would give further clarity on Council's views regarding the policy</li></ul>	<ul style="list-style-type: none"><li>• may put pressure on timeframes to be able to amend the policy in time to consult alongside the LTP 2031</li><li>• Council must ensure that the requirements of the LGA and LGRA are met</li></ul>

Option 3 – that Council retain the existing policy with no change

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>would achieve legislative compliance</li> <li>would not require any consultation to be undertaken</li> </ul>	<ul style="list-style-type: none"> <li>parts of the policy would be out of date (e.g. staff roles/delegations)</li> <li>duplication between provisions in the policy would remain (e.g. penalty remission)</li> <li>Council would be limited in its ability to provide remissions and postponements in response to significant extraordinary circumstances with any relief most likely limited to a very small scale or set of circumstances</li> <li>would provide fewer mechanisms to encourage ratepayers to bring their accounts up to date</li> </ul>

### Assessment of Significance

- 51 It has been identified that this matter is not significant in relation to Council's Significance and Engagement Policy and the LGA.
- 52 The decision to adopt the draft policy for consultation is not considered significant because it does not exclude any of the existing categories of remission/postponement. Further, the financial impact of this issue is likely to be minor as is the number of ratepayers likely to be affected except in the circumstances of special extraordinary circumstances.
- 53 The significance of any decision/resolution to activate a remission or postponement for special extraordinary circumstances (which may have a significant financial impact depending on the circumstances) would be specifically considered at the time of the decision/resolution. As such, including provision for a special extraordinary circumstance remission/postponement within the policy in of itself is not considered to be a significant change. Accordingly, it is considered appropriate to give effect to the requirements s.82 for this consultation process rather than the Special Consultative Procedure (SCP).

### Recommended Option

- 54 It is recommended that Council proceed with option 1 and endorse the draft policy for consultation in accordance with s.82 of the LGA.

### Next Steps

- 55 If Council endorses the draft policy, staff will undertake a consultation process in accordance with s.82 of the LGA from 12 March 2021 to 16 April 2021 alongside the LTP 2031.

## Attachments

- A Draft Remission and Postponement of Rates Policy - for consultation [↓](#)
- B Summary of proposed changes to Draft Remission and Postponement of Rates Policy - for consultation [↓](#)
- C Current Remission and Postponement of Rates Policy (Adopted 2017) [↓](#)



## DRAFT Remission and Postponement of Rates Policy

**Group Responsible:** Chief Financial Officer

**Date adopted:** XX 2021

**Implementation date:** 1 July 2021

**File No:** R/20/8/32479

### Purpose

The objectives of the policy are:

- to provide financial assistance and support to ratepayers where it is fair and reasonable to do so
- to address rating anomalies
- to provide financial assistance and support to ratepayers where it is fair and reasonable to do so
- to provide Council with the ability to act reasonably in administering its rating powers and policies
- to support broader Council outcomes and specific objectives as detailed in this policy.

Southland District Council sets rates under s.23 of the Local Government (Rating) Act 2002. Rates are used by Council to fund costs once all other funding sources are taken into account.

Section 102 of the Local Government Act 2002 provides that a council may have a rates remission and postponement policy (the policy). This policy provides full details of each remission and postponement as well as the objectives and criteria for each.

This policy has been developed in accordance with ss.85 and 87 of the Local Government (Rating) Act 2002 (LGRA), and ss.102(2), 109 and 110 of the Local Government Act 2002 (LGA).

In addition to the provisions in this policy, the LGRA also identifies land that is non-rateable land under ss.8 and schedule 1 (refer to Appendix A).

### Definitions and abbreviations

TERM	MEANING
<b>Service Rates</b>	includes rates for water and wastewater rates and associated loan charges as well as for rubbish and recycling bins.
<b>Sports Associations</b>	includes societies, clubs or association of persons (whether incorporated or not) for games or sports, except galloping races, harness races, or greyhound races.
<b>Significant Extraordinary Circumstances</b>	as defined by Council resolution. Significant extraordinary circumstances may be natural or economic in nature (e.g. including, but not limited to, flood, earthquake, pandemic).

Remission and Postponement of Rates Policy

Southland District Council  
Te Rohe Pōtae o Murihiku

PO Box 903  
15 Forth Street  
Invercargill 9840

0800 732 732  
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southlanddc.govt.nz

TERM	MEANING
<b>Financial Hardship</b>	where a person, after seeking recourse from government benefits or applicable relief packages, is unlikely to have sufficient funds after the payment of rates to reasonably meet the cost of goods, services and financial obligations (such as normal living expenses, health care, care of dependents) that are considered essential to the functioning of that entity according to New Zealand standards; in the case of a ratepayer who is not a natural person, it is the inability, after seeking recourse from government benefits or applicable relief packages, to reasonably meet the cost of goods, services and financial obligations that are considered essential to the functioning of that entity according to New Zealand standards.
<b>Separately Used or Inhabited Part (SUIP)</b>	As defined in Council's most recent Annual or Long Term Plan funding impact statement. As at February 2021, SUIP includes <i>any portion of a rating unit inhabited or used by the owner/ a person other than the owner, and who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence or other agreement. For the purposes of this definition, vacant land which is not used or inhabited is not a SUIP.</i>

## Policy details

### 1. Remissions

#### 1.1. Remission of rate penalties

##### Objective

To enable Council to act fairly and reasonably in its consideration of rates which have not been received by Council by the penalty date. Council recognises that applying penalties may exacerbate financial hardship and that in some instances there may be a fair and reasonable explanation for delays in payment.

##### Conditions and criteria

This policy provides for a discretionary right to remit penalties on rates in circumstances which Council considers it fair and reasonable to do so. Remission will only be granted once in a rating year. Payment must be made within the agreed timeframe of the due date, otherwise penalties may be re-applied. Penalty remission (in full or part) will be considered under the following conditions and criteria:

- late payment** provided that none of the previous four instalments were received late.
- significant family disruption** where payment has been late in the case of death, illness or accident of a family member.
- payment misallocation** where late payment has resulted from payments being allocated to the incorrect account due to ratepayer error (such as internet banking/ account errors).
- payment arrangement** where the ratepayer has entered into an arrangement with Council to collect outstanding rates and where these arrangements are fully met.
- temporary penalty hold** where the ratepayer or their authorised representative has contacted Council prior to a penalty date to advise that they will not have funds available to pay until after the due date and payment is subsequently made.



- f. **direct debit authority** to pay rates is commenced in time for the next instalment.
- g. **non-receipt of mail** where a ratepayer claims an invoice was not received and an agreement is made to receive future rates notices by email.
- h. where Council has identified that either **extreme financial hardship, exceptional circumstances or significant extraordinary circumstances** have occurred that warrants further leniency in relation to the enforcement of penalties that would otherwise have been payable. The criteria to be applied for significant extraordinary circumstances will be set out in a Council resolution that will be linked to the specific circumstances that have been identified by Council.

#### Supporting documentation required for application

Information required will depend on the circumstances and will be advised by Council staff.

### 1.2. Remission of small balances

#### Objective

To remit small balances which are uneconomical to collect.

#### Conditions and criteria

Council may write off the balance and penalties as it considers appropriate.

### 1.3. Remission of rates for community, sporting and other non-profit organisations

#### Objective

To assist community service, sporting and other non-profit organisations in recognition of the 'public good' contribution they make to the social and cultural wellbeing of the district where granting a rate remission will:

- assist in the organisation's survival
- make the organisation's services and/or membership more accessible to the general public.

#### Conditions and criteria

The conditions and criteria for the two types of rating unit categories are detailed below.

#### 1.3.1. Community facilities owned by persons, general clubs, societies or associations

Rating unit(s) owned by a ratepayer and used for the purpose of a public hall, library, museum, art gallery, community service, healthcare or other similar institution which provide a benefit to the community as a whole may apply for a full remission of rates (with the exception of service rates) on that rating unit as follows:

- community facilities do not operate for private pecuniary profit
- community facilities do not receive any operational funding from government agencies or have any contracts for fee for service with government agencies. Community facilities which are rated for by Council are not considered to receive government funding under this policy
- community facilities operate on a voluntary basis and have no full-time or part-time paid employees or contractors operating in this capacity.

#### 1.3.2. Small community and sports associations with club liquor licences

Rating unit(s) owned by small community or sports associations that hold a liquor licence which provide a benefit to the community may apply for partial remission of rates (with the exception of services rates) as follows:

- community and sports associations with a membership of up to 75 full time member equivalents shall be entitled to a 25% remission
- community and sports associations with a membership of not less than 75 and no greater than 100 full time member equivalents shall be entitled to a 12.5% remission
- this policy applies to land owned by Council or owned and occupied by a charitable organisation, which is used exclusively or principally for sporting, recreation, or community purposes other than galloping races, harness races and greyhound races
- this policy does not apply to organisations operated for private pecuniary profit
- the sporting club or organisation must hold the liquor licence as an incidental activity to the primary purpose of occupancy.

In all cases, land that is used for the private pecuniary profit of any members of the society or association shall not be eligible for a rates remission.

#### Supporting documentation required for application

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• statement of objectives</li><li>• constitution or trust deed (where applicable)</li><li>• details of membership or clients (where applicable)</li><li>• financial accounts</li></ul> | <ul style="list-style-type: none"><li>• information on activities and programmes</li><li>• information on funding sources</li><li>• other information as may be requested</li></ul> |
|--|---|

#### 1.4. Remission of rates for school wastewater charges

##### Objective

To provide relief and assistance to educational establishments that are subject to multiple pan charges for wastewater services as defined in the since repealed Rating Powers (Special Provision for Certain Rates for Educational Establishments) Amendment Act 2001.

##### Conditions and criteria

This part of the policy will apply only to educational establishments as defined in the repealed Rating Powers (Special Provision for Certain Rates for Educational Establishments) Amendment Act 2001. The Policy does not apply to any school house, or any part of a school used for residential purposes.

The calculated number of pans of any educational establishment in any one year subject to the relevant wastewater targeted rate will be the lesser of:

- the **actual** number of toilet pans in the establishment; or
- the **notional** number of toilet pans in the establishment. The notional number is calculated as one pan per 20 pupils/staff. A part thereof a notional pan will attract no charge.

Once the number of pans has been established as per the above methodology, the charging regime to apply to these educational establishments will be the same as for commercial ratepayers with multiple pans. That is a fixed amount per Separately Used or Inhabited Part (SUIP) of the education establishment will apply



for the first two pans, with the third or more pans attracting a charge for each pan at 50% of the corresponding fixed amount.

#### Supporting documentation required for application

Details of the number of pans or notional number of pans in the establishment.

### 1.5. Remission of roading rates on other utilities with no primary address

#### Objective

To provide relief for rating units classified as 'Other Utilities' from roading rates because their capital values may not correlate with the demands they place on the roading network. These rating units include infrastructure assets such as District water, wastewater and stormwater supply as well as utility and railway networks. Because of their nature, these rating units do not have a primary address or have high capital values or no recorded land value.

Further, these rating units supply services and infrastructure which benefit the community and district as a whole.

Council has taken the view that applying additional charges to these rating units is likely to result in costs being passed on to consumers.

#### Conditions and criteria

To be considered for remission of the roading rate, rating units must:

- be classified by Council's valuation provider as 'Other Utilities'; and
- have no primary address.

#### Supporting documentation required for application

Confirmation from the rating information database that the property is classified "other utilities".

### 1.6. Remission of rubbish or recycling bin collection rates for cancellation/reduction of service

#### Objective

Where a ratepayer has been charged a rate for additional bin services and decides to cancel or reduce this service, they may be eligible for a remission for the part of the year where the service is cancelled or reduced.

#### Conditions and criteria

To be eligible for this form of remission a ratepayer must inform Council of the cancellation or reduction in bin service. Council's contractor must confirm that the bin has been returned or is no longer available for the ratepayer to use before the remission will be applied.

Any remission will apply from the first day of the month after Council's contractor has provided confirmation and apply until 30 June the following year. Remissions will be automatically offset against the ratepayers account.

#### Supporting documentation required for application

Information required will depend on the circumstances and will be advised by Council staff.

#### 1.7. Remission of rates in exceptional circumstances

##### Objective

To provide rates or penalty remission in other instances where Council considers relief by way of rates remission is justified in the circumstances.

##### Conditions and criteria

The criteria for consideration for remission of rates (in full or part) in exceptional circumstances include, but are not limited to instances where:

- there are special circumstances in relation to the rating unit, or the incidence of the rates (or a particular rate) assessed for the rating unit, which mean that the units rates are disproportionate to those assessed for comparable rating units
- the rating unit has been completely destroyed by fire (with any remission to be applied from the first of the month following the fire).

Each circumstance will be considered by Council on a case by case basis.

##### Supporting documentation required for application

Information showing evidence of the exceptional circumstances (such as insurance records, photographs).

#### 1.8. Remission of rates for extreme financial hardship

##### Objective

To assist ratepayers experiencing extreme financial hardship which affects their ability to pay rates.

##### Conditions and criteria

Each application for remission due to extreme financial hardship will be considered on its own merits. Applications for the remission of rates (in full or part) may be made by a ratepayer, or their authorised representative, where the following can be demonstrated to Council's satisfaction:

- that the rating unit to which the application relates is the primary private residence owned and occupied by the ratepayer. Companies, trusts and other similar ownership structures of these properties do not qualify for this remission
- the property is used solely for residential purposes
- the ratepayer does not own (or have an interest in) any other rating units, including investment properties (whether in the district or elsewhere)
- the ratepayer has no assets except a low value property upon which rates are owed
- the ratepayer has taken all steps necessary to claim any central government benefits or allowances the ratepayer is entitled to receive to assist with the payment of rates (including the government rates rebate scheme)
- the ratepayer does not have the financial capacity to pay their rates or the rates would create extreme financial hardship for the ratepayer.

Council may also consider whether postponement of rates is a more suitable option.



#### Supporting documentation required for application

Information showing the ratepayer's financial records and commitments along with a statutory declaration from the ratepayer of their financial position (total household income and total financial position). Council may also seek independent verification from a budget advisor or other agency working with the ratepayer in considering the ratepayers position.

### 1.9. Remission of rates for significant extraordinary circumstances identified by Council

#### Objective

To assist ratepayers in response to **significant extraordinary circumstances** impacting the District's ratepayers where considered appropriate to do so.

#### Conditions and criteria

For this policy to apply, Council must first have identified that there have been significant extraordinary circumstances affecting the ratepayers of Southland, that Council wishes to respond to. Once significant extraordinary circumstances have been identified by Council, the criteria and application process (including an application form, if applicable), will be made available.

For a rating unit to receive a remission under this policy it needs to be an **"affected rating unit"** based on an assessment performed by officers, following guidance provided through a resolution of Council.

Council resolution will include:

- a. confirmation that the resolution applies under the rates remission policy; and
- b. identification of the significant extraordinary circumstances triggering the policy; and
- c. how the significant extraordinary circumstances are expected to impact the community (e.g. financial hardship); and
- d. the type and/or location of rating units affected by the special extraordinary circumstances for which the remission will apply to; and
- e. whether individual applications are required or a broad based remission will be applied to all affected rating units or large groups of affected rating units; and
- f. what rates instalment/s the remission will apply to; and
- g. whether the remission amount is either a fixed amount, percentage, and/or maximum amount to be remitted for each qualifying rating unit
- h. the timeframe for remission in relation to the significant extraordinary circumstances

Remissions approved under this policy do not set a precedent and will be applied for each specific event and only to properties directly affected by the event.

#### **Explanatory Note**

*The specific response and criteria will be set out by Council resolution linking the response to specific significant extraordinary circumstances.*

*The criteria may apply a remission broadly to all rating units or to specific groups or to rating units that meet specific criteria such as proven financial hardship, a percentage of income lost or some other criteria as determined by Council and incorporated in a Council resolution.*

*Council will indicate a budget to cover the value of remissions to be granted under this policy in any specific financial year.*

*The types of remission that may be applied under this policy include:*

- *the remission of a fixed amount per rating unit either across the board or targeted to specific groups such as:*
  - *a fixed amount per residential rating unit*
  - *a fixed amount per commercial rating unit*

*Council may require applicants to meet specific criteria and provide evidence of such with the application.*

*Council will consider who is able to make applications (e.g. owner/ratepayer/ authorised agents or, in the case of a company, the directors or where the ratepayer is not the owner of the rating unit, whether the owner must also provide written approval of the application).*

#### Supporting documentation required for application

Information required will depend on the criteria set out by Council resolution linking the response to specific **significant extraordinary circumstances**. This could include demonstrating that the ratepayer has taken all necessary steps to claim any central government benefits or allowances they are entitled to receive that would assist them to meet their financial commitments.

### 1.10. Grants in lieu of remissions of rates

#### Objective

Where the application for remission does not meet other criteria listed above for remissions, but there is a community benefit gained from providing a remission, Council or the respective community board or committee of Council, may pay the rates on behalf of the ratepayer.

#### Conditions and criteria

Where such an application is made to Council or the respective community board or committee of Council, the appropriate body of elected representatives may resolve to pay the rates on behalf of the applicant or pay a grant to the applicant for the amount of the rates.

Such applications will be considered on a case by case basis. Applicants must demonstrate that rates cannot fairly and reasonably be expected to be funded from other sources and that providing a grant to fund rates will result in public benefit.

Any payments made as grants in lieu of remissions of rates shall be recorded as an expense against Council or the respective community board or committee of Council.

#### Supporting documentation required for application

Information explaining the reasons a grant is required and any supporting documentation appropriate (such as financial accounts, funding sources, commitments, objectives, details of the public benefit which would be gained from providing a grant in lieu of remitting rates).



## 2. Postponement

### 2.1. Postponement of rates for extreme financial hardship

#### Objective

To assist ratepayers experiencing extreme financial hardship which temporarily affects their ability to pay rates.

#### Conditions and criteria

Each application for postponement due to extreme financial hardship will be considered on its own merits. Applications for postponement of rates (in full or part) may be made by a ratepayer, or their authorised representative, where the following can be demonstrated to Council's satisfaction:

- that the rating unit to which the application relates is the primary private residence owned and occupied by the ratepayer. Companies, trusts and other similar ownership structures of these properties do not qualify for this postponement
- the property is used solely for residential purposes
- the ratepayer has not less than 25% equity in the property
- the ratepayer does not own (or have an interest in) any other rating units, including investment properties (whether in the district or elsewhere) or have a significant interest in a business or shares
- the ratepayer has no assets except a low value property upon which rates are owed
- the ratepayer has taken all steps necessary to claim any central government benefits or allowances the ratepayer is entitled to receive to assist with the payment of rates (including the government rates rebate scheme)
- the ratepayer does not have the financial capacity to pay their rates instalment or the instalment would create extreme financial hardship for the ratepayer.

Council may charge an annual postponement fee on postponed rates<sup>1</sup> to cover, but not exceed, Council's administrative and financial costs (including interest). Postponement fees must be treated as part of the rates on a rating unit and will be set annually as part of the rates resolution.

All postponed rates shall be registered as a charge on the land under the subpart 5 of the Land Transfer Act 2017. No dealing with the land may be registered by the ratepayer while the charge is registered, except with the consent of Council.

Rates may be postponed until the earliest of the following:

- the death of the ratepayer; or
- the ratepayer ceases to own the rating unit; or
- a date specified by Council; or
- the postponed rates equate to 80% of the available equity in the property;
- a date when the ratepayer ceases to use the property as his/her permanent place of residence; or to use the property solely for residential purposes.

<sup>1</sup> for the period between the due date and the date they are paid



Rates postponement agreements shall not exceed six years, but the ratepayer may apply for a continuation of the postponement at the termination of the agreement.

When an application for postponement is approved, the following provisions will apply:

- postponement will first apply in the year a completed application is received.
- the amount of rates postponed will not incur additional charges
- instead of Council requiring payment of the full annual rates bill in the year in which it falls due, the ratepayer will be required to pay to Council an appropriate minimum amount determined by staff in line with Council's Delegations Manual.
- any rates postponed shall be registered as a charge on the land.

Not less than once annually every ratepayer whose rates have been postponed under this policy, will be provided with a statement showing the total annual rates currently due. This will be itemised to show year by year the total amount of the postponed rates and postponement fees.

Following the end of the financial year, a schedule of rates postponed will also be provided to Council (annually), listing all the properties for which rates postponements have been granted and which remain outstanding.

When rates are no longer eligible to be postponed on the property, all postponed rates will be payable immediately.

The postponed rates (and/or any additional charges) or any part thereof may be paid at any time. The applicant may elect to postpone the payment of a lesser sum than that which they would otherwise be entitled to have postponed under this policy.

#### Supporting documentation required for application

Information showing the ratepayer's financial records and commitments along with a statutory declaration from the ratepayer of their financial position (total household income and total financial position) and detailing the value of the ratepayer's property insurance and the value of encumbrances against the property including mortgages and loans. Council may also seek independent verification from a budget advisor or other agency working with the ratepayer in considering the ratepayers position. The applicants will also be encouraged to seek independent advice.

## 2.2. Postponement for Significant Extraordinary Circumstances

### Objective

To provide a rates postponement to ratepayers experiencing financial hardship directly resulting from Significant Extraordinary Circumstances that temporarily affects their ability to pay rates.

### Conditions and Criteria

For this policy to apply, Council must first have identified that there have been significant extraordinary circumstances affecting the ratepayers of Southland, that Council wishes to respond to. Once significant extraordinary circumstances have been identified by Council, the criteria and application process (including an application form, if applicable), will be made available.

For rates to be postponed, a ratepayer needs to be associated to an "affected rating unit" based on an assessment performed by officers, following guidance provided through a resolution of Council.



Council resolution will include:

- a. confirmation that the resolution applies under the Rates Postponement Policy; and
- b. identification of the significant extraordinary circumstances triggering the policy; and
- c. how the significant extraordinary circumstances are expected to impact the community (e.g. financial hardship); and
- d. the type and/or location of rating units affected by the special extraordinary circumstances; and
- e. the timeframe for postponement in relation to the significant extraordinary circumstances.

Postponements approved under this policy do not set a precedent and will be applied for each specific event and only to properties directly affected by the event.

Council may charge a fee on postponed rates for the period between the due date and the date they are paid. This fee is designed to cover Council's administrative and financial costs. The fees will be set as part of Council resolution identifying significant extraordinary circumstances.

Postponed rates will remain postponed until the earlier of:

- The ratepayer/s ceases to be the owner or occupier of the rating unit; or
- A date specified by Council in a Council resolution identifying significant extraordinary circumstances.

#### **Explanatory Note**

*The ratepayer must demonstrate, to Council's satisfaction that paying the rates would result in financial hardship.*

*Council may require applicants to meet specific criteria and provide evidence of such with the application.*

*Council will consider applications where the same ratepayer is liable for rates for multiple rating units. In such instances, Council will look at the collective impact to the ratepayer.*

*The ratepayer must be the current ratepayer/owner for the rating unit at the time significant extraordinary circumstances are identified by Council. Only the person/s entered as the ratepayer (in the case of a close company every director must sign the application form), or their authorised agent, may make an application for rates postponement for significant extraordinary circumstances that resulted in financial hardship.*

*Where Council decides to postpone rates, the ratepayer must make acceptable arrangements for payment of rates, for example by setting up a system for regular payments. Such arrangements will be based on the circumstances of each case.*

#### **Supporting documentation required for application**

Information required will depend on the criteria set out by Council resolution linking the response to specific significant extraordinary circumstances. This could include demonstrating that the ratepayer has taken all necessary steps to claim any central government benefits or allowances they are entitled to receive that would assist them to meet their financial commitments.

## Making an application

Applications for rates remission or postponement will generally be provided in writing, unless otherwise stated.

Applications for remissions or grants in lieu of rates must be made prior to the commencement of the rating year (ideally on or before 31 March prior to the commencement of the rating year unless otherwise stated). Applications received during a rating year will be applicable from the commencement of the following rating year. Applications will not be backdated. Applications for postponement of rates due to financial hardship can be made at any time.

In subsequent years, Council will need to confirm eligibility and recipients will need to inform Council of any change in circumstances that impacts their eligibility for remission.

Remission or postponement ceases where a property is sold or ownership transferred, or where there is a change in operations or landuse (for specific remissions/postponements).

Eligibility will generally be reviewed every three years as part of the review of the policy unless stated otherwise.

All decisions made under this policy by Council, Council staff and committees of Council are final. Specific delegations to staff roles are found in Council's Delegations Manual.

Each provision above outlines the documentation that should be provided in support of any application, noting that Council may also request additional information.

## Roles and responsibilities

Council's Delegations Manual (R/19/11/25582) details the specific responsibilities of Council and staff to make decisions in relation to rate remissions and postponement.

Council staff have delegated authority to make decisions on specific remissions/postponements excluding:

- **Significant extraordinary circumstances** - which can only be made by Council
- **Grants in lieu of rate remissions** - which can only be made by Council or the appropriate committee of Council or community board.

Staff from Council's water and waste teams are responsible for providing information regarding remissions for rating units that have the capacity to be connected to water and wastewater systems, but do not have a physical connection and when remissions for waste and recycling bins are required.

## Associated documents

- Remission and Postponement of Rates on Māori Freehold Land Policy
- Local Government (Rating) Act 2002
- Local Government Act 2002

## Appendix A – Extract of Local Government Rating Act Schedule 1 Part 1 and 2 (as at February 2021)

Reprinted as at  
1 December 2020

Local Government (Rating) Act 2002

Schedule 1

### Schedule 1 Categories of non-rateable land

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#### Part 1 Land fully non-rateable

- 1 Land forming part of—
  - (a) a National Park under the National Parks Act 1980;
  - (b) a reserve under the Reserves Act 1977;
  - (c) a conservation area under the Conservation Act 1987;
  - (d) a wildlife management reserve, wildlife refuge, or wildlife sanctuary under the Wildlife Act 1953.
- 2 Land vested in the Crown and forming part of—
  - (a) a flood ponding area;
  - (b) *[Repealed]*
  - (c) *[Repealed]*
  - (d) the bed of any navigable lake or navigable river.

Schedule 1 Part 1 clause 2(b): repealed, on 1 April 2011, by section 128 of the Marine and Coastal Area (Takutai Moana) Act 2011 (2011 No 3).

Schedule 1 Part 1 clause 2(c): repealed, on 1 April 2011, by section 128 of the Marine and Coastal Area (Takutai Moana) Act 2011 (2011 No 3).
- 3 Land that is—
  - (a) owned by a society or association of persons (whether incorporated or not); and
  - (b) used for conservation or preservation purposes; and
  - (c) not used for private pecuniary profit; and
  - (d) able to be accessed by the general public.
- 4 Land used by a local authority—
  - (a) for a public garden, reserve, or children's playground;
  - (b) for games and sports (except galloping races, harness races, or greyhound races);
  - (c) for a public hall, library, athenaeum, museum, art gallery, or other similar institution;
  - (d) for public baths, swimming baths, bathhouses, or sanitary conveniences;
  - (e) for soil conservation and rivers control purposes, being land for which no revenue is received.

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- 5 Land owned or used by, and for the purposes of,—
  - (a) Heritage New Zealand Pouhere Taonga;
  - (b) the Queen Elizabeth the Second National Trust;
  - (c) the Museum of New Zealand Te Papa Tongarewa Board;
  - (d) the charitable trust known as Children's Health Camps—The New Zealand Foundation for Child and Family Health and Development;
  - (e) the Royal New Zealand Foundation of the Blind, except as an endowment.

Schedule 1 Part 1 clause 5(a): replaced, on 20 May 2014, by section 107 of the Heritage New Zealand Pouhere Taonga Act 2014 (2014 No 26).

Schedule 1 Part 1 clause 5(e): amended, on 30 April 2003, by section 28(1) of the Royal New Zealand Foundation of the Blind Act 2002 (2002 No 3 (P)).
- 6 Land owned or used by, and for the purposes of, any of the following as defined in section 10(1) of the Education and Training Act 2020:
  - (a) a State school;
  - (b) a State integrated school;
  - (c) a specialist school;
  - (d) a special institution;
  - (e) an early childhood education and care centre, except an early childhood education and care centre that operates for profit;
  - (f) a private school, except a registered school that operates for profit;
  - (g) an institution.

Schedule 1 Part 1 clause 6: replaced, on 1 August 2020, by section 668 of the Education and Training Act 2020 (2020 No 38).
- 7 Land owned or used by, and for the purposes of, an institution for the instruction and training of students in theology and associated subjects, being land that does not exceed 1.5 hectares for any one institution.
- 8 Land owned or used by a district health board and used to provide health or related services (including living accommodation for hospital purposes and child welfare homes).
- 9 Land used solely or principally—
  - (a) as a place of religious worship;
  - (b) for a Sunday or Sabbath school or other form of religious education and not used for private pecuniary profit.
- 10 Land that does not exceed 2 hectares and that is used as—

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	(a) a cemetery, crematorium, or burial ground, within the meaning of section 2(1) of the Burial and Cremation Act 1964 (except a burial ground or crematorium that is owned and conducted for private pecuniary profit);	
	(b) a Māori burial ground.	
11	Māori customary land.	
12	Land that is set apart under section 338 of Te Ture Whenua Māori Act 1993 or any corresponding former provision of that Act and—	
	(a) that is used for the purposes of a marae or meeting place and that does not exceed 2 hectares; or	
	(b) that is a Māori reservation under section 340 of that Act.	
13	Māori freehold land that does not exceed 2 hectares and on which a Māori meeting house is erected.	
14	Māori freehold land that is, for the time being, non-rateable by virtue of an Order in Council made under section 116 of this Act, to the extent specified in the order.	
15	Machinery, whether fixed to the soil or not, but excluding, in the case of a hydro-electric power station, everything other than the turbines, generator, and associated equipment through which the electricity produced by the generator passes.	
16	Land that is specifically exempt from rates under the provisions of any other enactment, to the extent specified in the enactment.	
17	Land vested in the Crown or a local authority that is formed and used for a road, limited access road, access way, or service lane.	
18	Land vested in and occupied by the Crown, or by any airport authority, that is—	
	(a) within the operational area of an aerodrome; and	
	(b) used solely or principally—	
	(i) for the landing, departure, or movement of aircraft; or	
	(ii) for the loading of goods and passengers on to or from aircraft.	
19	Land occupied by the New Zealand Railways Corporation, or by a railway operator, that is—	
	(a) part of the permanent way of the railway, being land on which is sited any railway line together with contiguous areas of land that are occupied incidentally and not otherwise used; or	

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	(b) used, solely or principally, for the loading or unloading of goods or passengers on to or from trains situated on the railway line.	
20	Land used as a wharf.	
21	Land used or occupied by, or for the purposes of, an institution that is carried on for the free maintenance or relief of persons in need, being land that does not exceed 1.5 hectares for any one institution.	
22	Land on which any vice-regal residence or Parliament building is situated.	
23	The common marine and coastal area, including any customary marine title area, within the meaning of the Marine and Coastal Area (Takutai Moana) Act 2011.	
	Schedule 1 Part 1 clause 23: added, on 1 April 2011, by section 128 of the Marine and Coastal Area (Takutai Moana) Act 2011 (2011 No 3).	
24	The bed of Te Whaanga Lagoon in the Chatham Islands.	
	Schedule 1 Part 1 clause 24: added, on 1 April 2011, by section 128 of the Marine and Coastal Area (Takutai Moana) Act 2011 (2011 No 3).	
25	Structures that are—	
	(a) fixed to, or under, or over any part of the common marine and coastal area; and	
	(b) owned, or deemed to be owned, by the Crown under section 18 or 19 of the Marine and Coastal Area (Takutai Moana) Act 2011; or	
	(c) owned by the Crown, Te Urewera Board, or the trustees of Tūhoe Te Uru Taumatua under the Te Urewera Act 2014, but subject to note 2.	
	Schedule 1 Part 1 clause 25: added, on 1 April 2011, by section 128 of the Marine and Coastal Area (Takutai Moana) Act 2011 (2011 No 3).	
	Schedule 1 Part 1 clause 25(b): amended, on 28 July 2014, by section 138 of the Te Urewera Act 2014 (2014 No 51).	
	Schedule 1 Part 1 clause 25(c): inserted, on 28 July 2014, by section 138 of the Te Urewera Act 2014 (2014 No 51).	
<b>Notes:</b>		
1	For the purposes of this Part, unless the context otherwise requires,—	
	<b>aerodrome</b> has the same meaning as in section 2 of the Civil Aviation Act 1990	
	<b>airport authority</b> has the same meaning as in section 2 of the Airport Authorities Act 1966	
	<b>persons in need</b> means persons in New Zealand who need care, support, or assistance because they are orphaned, aged, infirm, disabled, sick, or needy	
	<b>railway line</b> has the same meaning as in section 4(1) of the Railways Act 2005	



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**railway operator** has the same meaning as in section 2(1) of the New Zealand Railways Corporation Restructuring Act 1990

**wharf**—

- (a) means any quay, pier, jetty, or other land or premises in, on, or from which passengers or goods are taken on board or landed from vessels; but
  - (b) does not include land that is used primarily or exclusively for private recreational or personal transport purposes.
- 2 For the purposes of clauses 1 and 2, **land** does not include land that is used primarily or exclusively for private or commercial purposes under a lease, licence, or other agreement.
  - 3 For the purposes of clauses 3, 9, and 10, land must not be treated as being used for private pecuniary profit solely because charges are made for the admission to, or use of, that land if the net proceeds of the charges are applied,—
    - (a) in the case of a local authority, as part of the local authority's revenues;
    - (b) solely for the purposes of the society, organisation, association, or administering body of a reserve that makes those charges, and no part of the charges is distributed as profit to any individual.
  - 4 For the purposes of clause 6, land must be treated as being used for the purposes of a school, institution, or centre described in that clause if—
    - (a) it is used solely or predominantly as residential accommodation for any principal, teacher, or caretaker; and
    - (b) it is let at a discounted or subsidised rent.
  - 5 For the purposes of clauses 18 to 20, **land** does not include land that is used—
    - (a) for administrative purposes; or
    - (b) for the purposes of parking, the storage of freight or machinery, maintenance, cleaning, freight consolidation, passenger waiting areas, and the buying and selling of tickets.
  - 6 For the purposes of clause 21, an institution must be treated as being carried on for the free maintenance and relief of the persons to whom that clause applies if—
    - (a) those persons are admitted to the institution regardless of their ability to pay for the maintenance or relief; and
    - (b) no charge is made to those persons or any other persons if payment of the charge would cause those persons to suffer hardship.

Schedule 1 Part 1 note 1 **railway line**: substituted, on 20 July 2005, by section 103(3) of the Railways Act 2005 (2005 No 37).

Schedule 1

Local Government (Rating) Act 2002

Reprinted as at  
1 December 2020

## Part 2

### Land 50% non-rateable

- 1 Land owned or used by a society incorporated under the Agricultural and Pastoral Societies Act 1908 as a showground or place of meeting.
- 2 Land owned or used by a society or association of persons (whether incorporated or not) for games or sports, except galloping races, harness races, or greyhound races.
- 3 Land owned or used by a society or association of persons (whether incorporated or not) for the purpose of any branch of the arts.

#### Notes:

For the purposes of this Part, unless the context otherwise requires,—

**land** does not include land used for the private pecuniary profit of any members of the society or association

**land**, in clause 2, excludes land in respect of which a club licence under the Sale and Supply of Alcohol Act 2012 is for the time being in force.

Schedule 1 Part 2 Notes **land**: amended, on 18 December 2013, by section 417(1) of the Sale and Supply of Alcohol Act 2012 (2012 No 120).

Compare: 1988 No 97 Schedule 1, Schedule 2



## Draft Remission and Postponement of Rate Policy

### Summary of proposed changes for consultation (March 2021)

#### About the draft Remission and Postponement of Rates Policy

The Remission and Postponement of Rates Policy specifies the circumstances where the Council will consider remitting or postponing rates.

It is important to note that rate remissions or postponements do not reduce the overall amount of rates Council needs to collect. If we provide a rate remission to a certain ratepayer or property, then we will need to charge other ratepayers or properties more so we still have the funding needed to pay for all of the services that we provide.

#### Rates remission

- a reduction to the amount of rates to be paid



Typically used to:

- simplify/support administration of the rating system
- ease/shift changes in incidence of rates
- support policy objectives (e.g. worthy causes like sports/cultural groups)
- allow discretion when the unexpected happens

#### Rates postponement

- a delay in the payment of rates



Typically used to assist those in hardship (temporary)

#### What we need your feedback on

Council is proposing to make some changes to its rate remissions and postponements and we have updated our policy for these changes. The main changes we are making are to:

1. **Bring in a new rate remission/postponement for significant extraordinary circumstances which would be used for significant events affecting ratepayers in the Southland district.**

This could include earthquakes, floods or pandemics. This would replace our existing remissions for natural disasters and emergencies and give us more flexibility in times of hardship or where we need to respond quickly. It is expected that the policy would probably be used where large parts of our community are impacted rather than at an individual ratepayer level, which is already provided for in our current policy. We would need to decide the details of the criteria and conditions for each circumstance and we would do this by passing a specific resolution. This policy change, when applied, would most likely reduce the income Council receives from rates at that time.

2. **Include additional clauses to allow additional flexibility for Council to remit rate penalties to encourage ratepayers to bring their accounts up to date.**
3. **Include a separate clause to allow for remission of small balances where these are uneconomical to collect.**
4. **Expand the remission for community facilities owned by persons, general clubs, societies or associations to include facilities used for “community service” and “healthcare” to reflect that these facilities also provide a benefit to the community as a whole. The current policy provides remission community facilities used for public halls, libraries, museums, art galleries or other similar institutions.**
5. **Clarify that community facilities will be excluded from receiving a remission if they receive “operational” funding from government or associated agencies (not capital funding).**

Enter form title  
Enter publish date

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Te Rohe Pōtae o Murihiku

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6. **Remove reference to the 50% rate remission for community facilities owned by persons, general clubs, societies or associations as these are already provided for under Schedule 1 (Part 2) of the Local Government Rating Act 2002.**
7. **Include additional criteria in provisions for remission/postponement for extreme financial hardship.** This information clarifies that the ratepayer:
  - doesn't have an interest in other property or assets; and
  - has taken all steps necessary to claim any central government benefits or allowances; and
  - does not have the financial capacity to pay their rates.

We have also made a number of other administrative changes to the policy to reduce duplication and consolidate related information together, particularly details of the supporting information required to be provided under each provision.

A copy of the amended Remission and Postponement of Rates Policy, can be found on [www.makeitstick.nz](http://www.makeitstick.nz) including more information about the proposed amendments. Copies of the policy with the changes highlighted are also available on request.

More information about the proposed changes (as well as other options Council considered but decided not to proceed with) can be found in the Council meeting agenda for 10 March 2021.

#### **When can you have your say?**

Submit your feedback on the proposed Remission and Postponement of Rates Policy from Friday 12 March 2021 to Friday 16 April 2021.

If you would like to speak to Council personally about your submission, let us know.

#### **What happens next?**

Your feedback will be considered by Council and a decision will be made to adopt the proposed amendments by June 2021. We will let you know the outcome.



## Remission and Postponement of Rates Policy

**Group Responsible:** Chief Financial Officer

**Date Approved:** 27 September 2017

**Date Amended:**

**File No:** r/16/10/17769

### 1.0 Purpose

Where it is considered fair and reasonable to do so, Southland District Council can grant a remission or postponement of certain rates. This policy specifies the circumstances under which rates will be considered for remission or postponement. The objectives of the policy are to:

- provide financial assistance and support to ratepayers where it is reasonable to do so.
- address rating anomalies.
- provide Council with the ability to act reasonably in administering its rating powers and policies.
- address other objectives as detailed in this policy.

Southland District Council's Remission and Postponement of Rates Policy has been developed in accordance with Sections 85 and 87 of the Local Government (Rating) Act (2002), and Sections 102(2), 109 and 110 of the Local Government Act (2002).

### 2.0 Definitions and Abbreviations

TERM	MEANING
<b>Service Rates</b>	Rubbish and Recycling Bins. Water and wastewater rates and loan charges.
<b>Sports Associations</b>	Sports associations include societies, clubs or association of persons (whether incorporated or not) for games or sports, except galloping races, harness races, or greyhound races.

### 3.0 Background

This policy is being updated for release in conjunction with the 10 Year Plan 2018-2028. The current policy provides additional clarity regarding the conditions and criteria under which rates will be remitted or postponed.



## 4.0 Policy Details

### Rating of small community and sports associations with liquor licences

Council recognises the contribution that community, sports and other community associations make to their community and acknowledges that small associations may have limited financial resources.

Providing rates remission to small community and sports associations facilitates the ongoing provision of non-commercial recreational opportunities and makes participation accessible to our communities.

#### Conditions and criteria

Community and sports associations that hold a liquor licence may apply for partial remission of rates (other than services rates) as follows:

- community and sports associations with a membership of up to 75 full time member equivalents shall be entitled to a 25% remission.
- community and sports associations with a membership of not less than 75 and no greater than 100 full time member equivalents shall be entitled to a 12.5% remission.
- this policy applies to land owned by Council or owned and occupied by a charitable organisation, which is used exclusively or principally for sporting, recreation, or community purposes other than galloping races, harness races and greyhound races.
- this policy does not apply to organisations operated for private pecuniary profit.
- the sporting club or organisation must hold the liquor licence as an incidental activity to the primary purpose of occupancy.
- any restaurant, bar and gaming machines areas for Chartered Clubs are excluded from this remission and will be rated at the full commercial rating.
- the sporting club or organisation will be required to complete a yearly statutory declaration on or before 31 March, confirming that it meets the conditions and criteria under the policy.

In all cases, land that is used for the private pecuniary profit of any members of the society or association shall not be eligible for a rates remission.

### Community facilities owned by persons, general clubs, societies or associations

Council owned public halls are not liable for rates under Schedule 1 of the Local Government (Rating) Act (2002). However, in addition to Council owned halls, there are a variety of organisations who own public halls, libraries, museums, art galleries or other similar institutions which provide a benefit to the community as a whole. This policy provides for 100% rates remission (with the exception of service rates) for these organisations.

Part 2, of Schedule 1 of the Rating Act also provides for 50% rates remission (with the exception of services rates) in respect of land owned or used by:

- a society incorporated under the Agricultural Pastoral Societies Act (1908), or



- a society or association (whether incorporated or not) for games or sports, except galloping races, harness races or greyhound races, or
- a society or association (whether incorporated or not) for the purpose of the arts.

### Conditions and criteria

Rating unit(s) owned by a ratepayer other than Council and used for a public hall, library, museum, art gallery, or other similar institution may apply for a 100% remission on all rates other than service rates on that rating unit. Applications for remission will be considered if:

- community facilities do not operate for private pecuniary profit.
- community facilities do not receive any funding from government agencies or have any contracts for fee for service with government agencies. Community facilities which are rated for by Council are not considered to receive government funding under this policy.
- community facilities operate on a voluntary basis and have no full-time or part-time paid employees or contractors operating in this capacity.

Applications for a 50% rates remission will be considered if the land is owned or used by:

- a society or association of persons (whether incorporated or not) for the purpose of any branch of the arts;
- a society incorporated under the Agricultural and Pastoral Societies Act (1908) as a showground or place of meeting; or
- a society or association of persons (whether incorporated or not) for games or sports, except galloping races, harness races, or greyhound races.

The 50% remission is on all rates other than service rates on that rating unit. Under the Local Government (Rating) Act (2002) Schedule 1, Part 2, land used for the private pecuniary profit of any members of the society or association is excluded from this form of remission. If the land is subject to a licence under the **Sale and Supply of Alcohol Act 2012** it is not eligible for this form of remission.

### Remission of penalties

Penalties applied to outstanding rates instalments and the amount outstanding at the end of each financial year may be applied in accordance with Sections 57 and 58 of the Local Government (Rating) Act (2002). Southland District Council recognises that applying penalties may exacerbate financial hardship and that in some instances there may be a fair and reasonable explanation for delays in payment.

Penalties may be remitted in accordance with Section 109 of the Local Government Act (2002) and Section 85 of the Local Government (Rating) Act (2002). This policy provides for a discretionary right to remit total penalties on rates, or a portion thereof in circumstances which the Council considers it reasonable to do so.

### Conditions and criteria

The practice of a penalty for non-payment of rates by due date is an accepted standard practice for local authorities and delay in mail delivery does not constitute justification for remission. Remission of penalties will be considered under the following conditions and criteria.

**Late payments**

A payment has been received after the date fixed for imposition of a late penalty charge, provided that none of the previous four instalments were similarly received late.

Council has discretion to remit one instalment penalty in any one rating year for lateness where payment is made within five working days of the due date. In such cases, consideration will be given to the history of payments by the ratepayer.

**Payment arrangement made for arrears**

Remission will be considered if a ratepayer makes satisfactory arrangements for regular and substantial reduction of arrears. Remission will only occur if arrangements are fully met. If arrangements are not met, penalties may be re-applied.

**Significant family disruption**

Remission will be considered if a ratepayer provides sufficient information which, if considered genuine and if substantiated with reasonable excuse for late payment, would justify remission for late payment penalty charges. Remission will be considered in the case of death, illness or accident of a family member.

**Missing payments**

Remission of one instalment penalty in any one rating year may be granted where it is considered that a cheque or credit card deduction slip may have gone missing through no fault of the ratepayer. Applications to remit penalties under this section will only be considered providing the missed instalment is paid within seven days of the application.

**Payment misallocation**

Remission of instalment penalties may be granted where instalment payments have been received by Council and applied to an incorrect internal account.

Where payments are repeatedly receipted to incorrect internal accounts due to ratepayer action (such as internet banking errors), Council will advise the ratepayer of the correction necessary for future payments and may refuse to remit any further penalties for this reason.

**Penalties on Small Overdue Balances**

When a small balance which is uneconomical to collect is overdue, Council may write off the balance and penalties as it considers appropriate.

**Extreme financial hardship - remission of rates**

Southland District Council understands that some ratepayers face extreme financial hardship. Section 109 of the Local Government Act (2002) and Section 85 of the Local Government (Rating) Act (2002) provides for the Council to remit part of the rates owing on the rating unit in cases of extreme hardship. This policy allows for the remission of rates in cases of extreme financial hardship, due to any range of factors including, but not limited to illness and natural calamity.

**Conditions and criteria**

Each application for remission due to extreme financial hardship will be considered on its own merits. However, the following conditions and criteria must be met before any remission is granted:



- the applicant must be the owner of the property;
- the applicant must reside at the property and the property must be classified as residential. Companies, trusts and other similar ownership structures of these properties do not qualify for this remission;
- the ratepayer has no assets except a low value property upon which rates are owed and where the ratepayer relies on supplementary benefits;
- the applicant must declare total household income and their total financial position;
- Council must be satisfied that the ratepayer will not have sufficient funds remaining after the payment of rates, health care and normal living expenses. In considering the ratepayers position the Council may seek independent verification from a budget advisor or other agency working with the ratepayer.
- applications for remission of rates due to extreme financial hardship will be assessed independently from the Government Rates Rebate Scheme. The Council shall consider whether postponement of rates is a more suitable option.

### **Rates remission for school sewerage charges**

This form of remission intends to provide relief and assistance to educational establishments that are subject to multiple pan charges for wastewater services as defined in the since repealed Rating Powers (Special Provision for Certain Rates for Educational Establishments) Amendment Act (2001).

#### **Conditions and criteria**

This part of the policy will apply only to educational establishments as defined in the repealed Rating Powers (Special Provision for Certain Rates for Educational Establishments) Amendment Act (2001). The Policy does not apply to any school house, or any part of a school used for residential purposes.

The calculated number of pans of any educational establishment in any one year subject to the relevant wastewater targeted rate will be the lesser of:

- the **actual** number of toilet pans in the establishment; or
- the **notional** number of toilet pans in the establishment. The notional number is calculated as one pan per 20 pupils/staff. A part thereof a notional pan will attract no charge.

Once the number of pans has been established as per the above methodology, the charging regime to apply to these educational establishments will be the same as for commercial ratepayers with multiple pans. That is a fixed amount per Separately Used or Inhabited Part of the education establishment will apply for the first two pans, with the third or more pans attracting a charge for each pan at 50 percent of the corresponding fixed amount.

### **Grants in lieu of remissions of rates**

Where the application for remission does not meet other criteria listed above for remissions, but there is a community benefit gained from providing a remission, the Council or the respective Community Board/Community Development Area Subcommittee or Committee of Council, may pay the rates on behalf of the ratepayer.



### Conditions and criteria

Where such an application is made to Council or the respective Community Board or Committee of Council the appropriate body of elected representatives may resolve to pay the rates on behalf of the applicant or pay a grant to the applicant for the amount of the rates.

Such applications will be considered on a case by case basis. Applicants must demonstrate that rates cannot fairly and reasonably be expected to be funded from other sources and that providing a grant to fund rates will result in public benefit.

Any payments made as grants in lieu of remissions of rates shall be recorded as an expense against Council or the respective Community Board or Committee of Council.

### Remission of rates in exceptional circumstances

Southland District Council recognises that there may be other instances where the collection of rates is not reasonable. This policy allows for the remission of rates or penalties in exceptional circumstances on a case by case basis.

### Conditions and criteria

Some criteria for consideration for remission of rates in exceptional circumstances include, but are not limited to instances where:

- adjustments are required to rates assessments that cannot then be collected under the Local Government (Rating) Act (2002).
- penalties are related to rates that have been remitted.
- collection of rates is uneconomic.

There are special circumstances in relation to the rating unit, or the incidence of the rates (or a particular rate) assessed for the rating unit, which mean that the units rates are disproportionate to those assessed for comparable rating units.

Where a rating unit has been completely destroyed by fire, Council may remit all or part of any rate or charge where it considers it fair to do so. Application of the remission will apply from the first of the month following the fire.

Council may of its own volition investigate and grant remission of rates or penalties on any land in the District. Discretion to decide whether to grant a rates remission under this policy is delegated to the parties noted in Section 6 of this policy.

Remissions approved under this policy do not set a precedent and will be applied for each specific event and only to properties directly affected by the event.

### Remission of roading rates on other utilities with no primary address

Some rating units classified as 'Other Utilities' do not have a primary address. These rating units include infrastructure assets such as district water, wastewater and stormwater supply as well as utility and railway networks. Because of the nature of these rating units, many have high capital value and no recorded land value.



Council will remit roading rates for these rating units because their capital values may not correlate with the demands they place on the roading network. Further, these rating units supply services and infrastructure which benefit the community and district as a whole. Council has taken the view that applying additional charges to these rating units is likely to result in costs being passed on to consumers.

#### Conditions and criteria

To be considered for remission of the roading rate, rating units must:

- be classified by Quotable Value as 'Other Utilities'; and
- have no primary address.

#### Remission of rates for cancellation or reduction of wheelie bin service

Where a ratepayer has been charged a rate for wheelie bin services and decides to cancel or reduces this service, to no less than the minimum of one rubbish bin and one recycling bin per rating unit, they may be eligible for a remission. This form of remission reflects the part of the year where the service is cancelled or reduced. A reduction in service refers to instances in which a ratepayer has elected to reduce the number of bins being collected during the year (eg moving from three to two).

#### Conditions and criteria

To be eligible for this form of remission a ratepayer must inform Council of the cancellation or reduction in wheelie bin service. This must be confirmed by Council's contractor.

A remission will apply from the first day of the month after the wheelie bin has been returned to Council's contractor. Remissions will be automatically offset against the ratepayers account.

#### Remission of rates for natural disasters and emergencies

In order to provide relief to ratepayers where a natural disaster or other type of emergency affects one or more rating units' capacity to be inhabited, used or otherwise occupied for an extended period of time, Council may remit all or part of any rate or charge where it considers it fair to do so.

#### Conditions and criteria

Individual events causing a disaster or emergency to a community or communities within our district are to be identified by Council resolution. Council will determine the criteria for the remission at that time and those criteria may change depending on the nature and severity of the event and available funding at the time.

Remissions approved under this policy do not set a precedent and will be applied for each specific event and only to properties directly affected by the event.

#### Extreme financial hardship - postponement of rates

Southland District Council recognises that the postponement (in total or part) of rates and/or penalties in cases of hardship may be the most appropriate course of action. This policy allows for the postponement of rates in cases of financial hardship where this is the most appropriate option.



### Conditions and criteria

A ratepayer may apply for postponement of rates and/or penalties in cases of financial hardship, due to any range of factors including, but not limited to illness and natural calamity. Each application for postponement due to financial hardship will be considered on its own merits. When rates are no longer eligible to be postponed on the property, all postponed rates will be payable immediately.

Postponement of rates due to financial hardship may be considered if:

- the ratepayer is the property owner
- the property is used by the ratepayer as his or her permanent place of residence
- the property is used solely for residential purposes
- the ratepayer has not less than 25% equity in the property
- the ratepayer provides a statutory declaration:
  - confirming that they do not own any other property or have a significant interest in a business or shares;
  - detailing the value of the ratepayer's property insurance and the value of encumbrances against the property including mortgages and loans.

A postponement fee shall be added to all postponed rates to cover, but not exceed the administrative and financial costs of postponement to Council. Postponement fees must be treated as part of the rates on a rating unit. Postponement fees will be set annually as part of the rates resolution.

All postponed rates shall be registered as a charge on the land under the Statutory Land Charge Registration Act (1928). No dealing with the land may be registered by the ratepayer while the charge is registered, except with the consent of Council.

### Process and period of postponement

Rates may be postponed:

- until the death of the ratepayer.
- until the ratepayer ceases to own the rating unit.
- for a specified period so defined by Council.
- until the postponed rates equate to 80% of the available equity in the property.
- until a date when the applicant/occupier ceases to use the property as his/her permanent place of residence; or to use the property solely for residential purposes.

Rates postponement agreements shall not exceed six years, but the ratepayer may apply for a continuation of the postponement at the termination of the agreement.

When an application for postponement is approved, the following provisions will apply:

- postponement will first apply in the year a completed application is received.  
The amount of rates postponed will not incur additional charges.
- instead of the Council requiring payment of the full annual rates bill in the year in which it falls due, the ratepayer will be required to pay to the Council an appropriate minimum amount determined by the Finance Manager.



- any rates postponed shall be registered as a charge on the land.

Not less than once annually every ratepayer whose rates have been postponed under this policy, will be provided with a statement showing the total annual rates currently due. This will be itemised to show year by year the total amount of the postponed rates and postponement fees.

Following the end of the financial year, a schedule of rates postponed will also be provided to the Council (annually), listing all the properties for which rates postponements have been granted and which remain outstanding.

#### Any part of postponed rates can be paid at any time

The applicant may elect to postpone the payment of a lesser sum than that which they would otherwise be entitled to have postponed under this policy. Any part of the postponed rates and/or any additional charges may be paid at any time.

## 5.0 Making an Application

Written applications for remissions or grants in lieu of rates must be made prior to the commencement of the rating year. Applications received during a rating year will be applicable from the commencement of the following rating year. Applications will not be backdated. Applications for postponement of rates due to financial hardship can be made at any time.

All decisions made under this policy by Council, Southland District Council staff and committees of Council are final.

The following table outlines supporting documents which should accompany applications for remissions, postponement or grants in lieu of remission. Additional information may also be requested.

APPLICATION TYPE	SUPPORTING DOCUMENTATION REQUIRED AND PERIOD OF REMISSION
<b>Small community and sports associations with liquor licences</b>	<ul style="list-style-type: none"> <li>• a statement of objectives.</li> <li>• financial accounts.</li> <li>• information on activities and programmes.</li> <li>• details of membership or clients.</li> </ul> <p>Remission ceases where a property is sold or ownership transferred or there is a change in operations. Applicants are responsible for notifying Council if their circumstances and eligibility for remission change.</p>
<b>Community facilities owned by persons, general clubs, societies or associations</b>	<ul style="list-style-type: none"> <li>• statement of objectives.</li> <li>• constitution or trust deed.</li> <li>• full financial accounts.</li> <li>• information showing extreme financial hardship and operating position.</li> </ul>



APPLICATION TYPE	SUPPORTING DOCUMENTATION REQUIRED AND PERIOD OF REMISSION
	<ul style="list-style-type: none"> <li>information on activities and programmes.</li> <li>information on funding sources.</li> </ul> <p>Remission ceases where a property is sold or ownership transferred or there is a change in operations. Applicants are responsible for notifying Council if their circumstances and eligibility for remission change.</p>
<b>Remission of penalties</b>	<p>As requested by delegated parties.</p> <p>Council staff determine the term of the remission based on the circumstances.</p>
<b>Extreme financial hardship - Remission of rates</b>	<p>Remission of rates, or a portion thereof, may only be made after the Finance Manager is satisfied of the ratepayer's true financial position. A review of the ratepayer's financial records and commitments and a declaration from the ratepayer of their financial position should accompany any request made for this form of remission. Applications must be re-submitted on an annual basis.</p>
<b>Remission of rates for school sewerage charges</b>	<p>A written confirmation from the educational establishment of the number of pans or notional number of pans in the establishment. A confirmation for the relevant calendar year must be received on or before 30 April each year. Applications must be re-submitted on an annual basis.</p>
<b>Grants in lieu of remissions of rates</b>	<p>Applications must state the reasons a grant is required and provide any supporting documentation appropriate. Applications should include a review of the ratepayer's financial records and commitments. Applications must also detail the public benefit which would be gained from providing a grant in lieu of remitting rates. Applications must be re-submitted on an annual basis.</p>
<b>Remission of rates in exceptional circumstances</b>	<p>Applications must be in writing and include evidence from the ratepayer of the exceptional circumstances, to a level that is considered satisfactory by the delegated party. Applications must be re-submitted on an annual basis.</p>
<b>Remission of roading rates on other utilities with no primary address</b>	<p>Confirmation from the rating information database that the property is classified "other utilities".</p> <p>Remission ceases when a property's classification ceases to be "other utilities".</p>
<b>Remission of rates for cancellation or reduction of wheelie bin service</b>	<p>Applications must be made verbally or in writing to an appropriate member of Council staff. Confirmation of the bin being returned to the contractor or no longer available is required from the contractor before the remission will be applied.</p>



APPLICATION TYPE	SUPPORTING DOCUMENTATION REQUIRED AND PERIOD OF REMISSION
	Remissions apply from the first day of the month following the confirmation of the return to the contractor and apply until 30 June of the following year.
<b>Remission of rates for natural disasters and emergencies</b>	As requested by delegated parties. Applications must be re-submitted on an annual basis.
<b>Financial hardship - Postponement of rates</b>	Postponement of rates, or a portion thereof, may only be made after the Finance Manager is satisfied of the ratepayer's true financial position. Written applications should include a review of the ratepayer's financial records and commitments and a declaration from the ratepayer of their financial position.

## 6.0 Roles and Responsibilities

PARTY/PARTIES	ROLES AND RESPONSIBILITIES
<b>Southland District Council Water and Waste Department</b>	Staff from Southland District Council's Water and Waste Department are responsible for providing information to Finance Officers regarding remissions for rating units that have the capacity to be connected to water and sewerage systems, but do not have a physical connection.  These staff will also advise when remissions for rubbish and recycling bins are required.
<b>Finance Officer</b>	The Finance Officers will have delegated authority to make decisions regarding the remission of rates and penalties up to \$100 per request.  The Finance Officers also have delegated authority to apply remission terms as stated in the appropriate finance guidelines.
<b>Finance Manager</b>	The Finance Manager has delegated authority to make decisions regarding the remission of rates and penalties up to \$5,000 per request.  The Finance Manager also has delegated authority to establish the appropriate remission guidelines. The Finance Manager also has authority to request any further information and documentation required to make a decision regarding the remission or postponement of rates or penalties.
<b>Chief Financial Officer</b>	The Chief Financial Officer has delegated authority to make decisions regarding the remission or postponement of rates and the application of postponement fees.



PARTY/PARTIES	ROLES AND RESPONSIBILITIES
	Recommendations to Council regarding the calculation of postponement fees should be made by the Chief Financial Officer.
<b>Council, appropriate committee of Council, Community Board or Community Development Area Sub-committee</b>	Southland District Council, the appropriate committee of Council, Community Board or Community Development Area Subcommittee may consider applications relating to grants in lieu of rates remission.

## 7.0 Associated Documents

- Remission and Postponement of Rates on Māori Freehold Land Policy.
- Local Government (Rating) Act (2002).
- Local Government Act (2002).



# Draft Infrastructure Strategy and Draft Financial Strategy

Record No: R/20/3/6617  
Author: Carrie Adams, Intermediate Policy Analyst  
Approved by: Matt Russell, Group Manager Services and Assets

☒ Decision ☐ Recommendation ☐ Information

## Purpose

- 1 The purpose of this report is to recommend that Council endorse the draft infrastructure strategy and draft financial strategy, as part of the supporting information to the Long Term Plan (LTP) 2031 for consultation.
- 2 A separate report has been prepared for the remainder of the supporting information to the LTP.

## Executive Summary

- 3 The draft infrastructure strategy (Attachment A) describes how a local authority intends to manage its infrastructure assets and associated expenditure needs, over a 30 year period, taking into account a range of factors that impact on the nature and cost of infrastructure provision.
- 4 The draft infrastructure strategy has been built up from activity management plans (AMPs) and considers the significant issues facing Council over the next 30 years. Workshops and discussions with Council and community boards have been held over the past 18 months in preparation for the LTP 2031 that have informed the draft infrastructure strategy.
- 5 The draft financial strategy (Attachment B) provides a guide for considering proposals for funding and expenditure. The draft financial strategy provides transparency to the overall effects of proposals on services, rates, debt and investments.
- 6 The draft financial strategy presents the financial consequences of Council's infrastructure strategy, policy and service delivery decisions in the LTP and supporting funding/financial policies on Council's financial status over the period.
- 7 Section 101B of the Local Government Act 2002 (LGA) requires every council to prepare and adopt an infrastructure strategy for a period of at least 30 years. Section 101A of the LGA requires Council to prepare and adopt a financial strategy for a period of at least 10 years. Both strategies will form part of the final LTP 2031, when it is adopted by Council in June 2021.
- 8 Under the LGA, all councils are required to develop a consultation document for the purpose of consulting with the community, as well as making publicly available the information that provides the basis for the preparation of its LTP. The draft infrastructure strategy and financial strategy are part of this supporting information.

## Recommendation

That Council:

- a) **Receives the report titled “Draft Infrastructure Strategy and Draft Financial Strategy” dated 2 March 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) Agrees to endorse the draft infrastructure strategy as information that provides the basis for the preparation of the Long Term Plan 2031 and consultation document in accordance with Section 93G of the Local Government Act 2002.
- e) Agrees to endorse the draft financial strategy as information that provides the basis for the preparation of the Long Term Plan 2031 and consultation document in accordance with Section 93G of the Local Government Act 2002.
- f) Agrees to delegate responsibility to the chief executive to approve any minor edits that are required to finalise the draft infrastructure strategy for distribution.

## Background

### Infrastructure strategy

- 9 All councils are required by legislation to adopt an infrastructure strategy and review it every three years, as part of their LTP process. The infrastructure strategy describes how a local authority intends to manage its infrastructure assets, and associated expenditure needs, over the 30 year period of the strategy, taking into account a range of factors that impact on the nature and cost of infrastructure provision. The strategy will guide Council’s decision making and help communities understand how Council manages its assets.
- 10 The process to develop Council’s infrastructure strategy began in 2019 and Waugh Infrastructure Management Ltd was engaged to draft the strategy. A number of workshops and discussions with Council and community boards have been held over the past 18 months in preparation for the LTP 2031, that have informed the draft infrastructure strategy. Internal review of the document occurred throughout 2020. The draft was peer reviewed externally by Morrison Low in January 2021.

### Financial strategy

- 11 As with the infrastructure strategy, Council must prepare and adopt a financial strategy every three years, as part of the LTP process. The financial strategy shows how a local authority intends to manage its finances prudently over the 10-year period of the LTP, and the impact of funding and expenditure proposals on rates, debt, levels of service and investments. The strategy also sets limits on rates and debt that provide a guide for considering proposals over the period of the LTP.

- 12 The strategy presents Council's financial status over a 10 year period, considering the financial consequences of Council's:
- infrastructure strategy
  - policy and service delivery decisions in the LTP
  - funding/financial policies.
- 13 The draft financial strategy is both an enabler, in that it sets out the proposed funding for activities, as well as being a constraint, in that it provides top-down direction and limits on rates and debt.
- 14 The financial strategy has as its basis the budgets and financial policies developed for the LTP 2031. These were the outcome of numerous workshops, discussions and meetings involving Council and community boards in the lead-up to the LTP 2031.
- 15 Limits on rates and debt have been proposed by staff, considering feedback provided by both Council and members of the Finance and Assurance Committee over the past four months. The limits have been set at a level to deliver the projects and programmes contained in the LTP and infrastructure strategy as they currently stand, noting that the level of rates increase has been a key factor in the prioritisation of expenditure programmes, and also reductions in some corporate budgets.
- 16 The infrastructure and financial strategies inform one another. These strategies tell a story about Council's levels of service (LoS), costs, risks and trade-offs. The draft financial strategy addresses limits for rating increases and borrowing. The infrastructure strategy presents the key challenges, significant decisions that need to be made, the principal options, and the implication of these options. These documents set out the key challenges facing the District and the approach Council will take in addressing these issues.

## Issues

### **Framework of the infrastructure strategy**

- 17 The focus of an infrastructure strategy is on significant matters; it is a high level document that is not expected to cover everything. The following criteria help to inform what is included in the strategy as a significant issue:
- the cost involved in addressing the issue – the larger the cost, the higher the degree of significance
  - the impact on the levels of service – the bigger the impact on levels of service, the higher the degree of significance
  - the degree of risk involved in the issue – what's the risk if the issue is not addressed? The bigger the risk, the higher the degree of significance
  - impact on achievement of Council's strategic priorities - the bigger the impact on achieving strategic priorities, the higher the degree of significance.

- 18 The assets and services covered in this strategy include the core infrastructure assets and activities of roads and footpaths and Three Waters activities (water supply, wastewater and stormwater).
- 19 The community infrastructure assets and activities covered in this strategy are:
- waste services
  - community services
  - open spaces
  - community facilities
  - Stewart Island Electrical Supply Authority (SIESA)
  - water facilities.
- 20 The asset condition and performance, strategic issues and priorities, key risks, and levels of service are explained for each of these activities.
- 21 The draft infrastructure strategy shows that a step change in investment in our infrastructure is required. The significant issues affecting Council's ability to build, operate and maintain its infrastructure assets is discussed, as well as Council's response to these issues over the course of the strategy. The four significant issues for Council's infrastructure are:
- infrastructure deficits
  - changing government priorities and legislation
  - climate change
  - resilience.
- 22 The strategic context that Council is operating within includes those posed by demographic changes, tourism, new technologies, economic activity and constraints, and infrastructure resilience. The impact of Covid-19 on Council's infrastructure activities and assets is also addressed.
- 23 The principal options and the most likely scenario for managing these issues are highlighted. The financial summary section provides capital and operating expenditure estimates for each activity group across the 30 years of the strategy.

### **Framework of the financial strategy**

- 24 The strategy has three key parts:
- financial landscape - where Council is starting from, where Council is heading and what issues Council is facing (including a snapshot of financial information from the 2018 LTP and LTP 2031)
  - what Council is working towards and what needs to be done over the next 10 years

- Council's financial situation as a result of its approach to managing expenditure (capital and operating) and funding (rates, debt, other revenue, reserves and investments) including proposed rate and debt limits.

25 Taken together, this information outlines the funding and expenditure thresholds that Council will operate within and paints a picture of Council's financial situation and how this will change over the period of the LTP.

### **Strategy summary**

26 The focus of the strategy is to provide a level of funding to maintain service levels that the community can reasonably afford without placing a financial burden on future generations.

27 In order to address the issues and maintain LoS, over the course of the next 10 years the strategy identifies Council's key areas of effort, including:

- funding asset renewals through rates rather than loan funding (by fully rates funding depreciation for core infrastructure in 10 years)
- removing the use of reserves or loan funding to offset rate increases in the medium to long term
- maintaining a balanced budget (where our everyday revenue meets our everyday costs)
- maintaining capacity to borrow to fund unexpected costs in the future/respond to natural disasters
- balancing rates, debt and reserves so that each generation only pays once for their share of the costs of long-life infrastructure (intergenerational equity)
- maximising our other revenue where possible, without taking on excessive risk.

28 In order to do this, the strategy identifies key actions required as follows:

- increase rates in the early part of the plan and change the limit on rates increases to 8% annually
- raise the net debt limit to help fund increased capital costs and maintain borrowing capacity for any unplanned events, to 175% of total revenue
- fully fund roading expenditure (both operating and capital) from rates
- delay fully funding depreciation on water and wastewater assets until 2028/2029 and then consider funding depreciation on other community infrastructure
- ensure fees and charges reflect the cost of providing the services
- engage with the community around what affordability is and the LoS that can be provided within this context.

- 29 The financial strategy is required to include statements on:
- factors that will have a significant impact on Council during the 10 years, eg, change in population, land use, and capital expenditure
  - ability to provide and maintain levels of service, and meet additional demands within the rate and debt limits
  - policy on giving securities for debt
  - objectives for holding investments and targets for investment returns
  - limits on rate increases and debt.
- 30 The factors that may have a significant impact (a) are closely aligned with the infrastructure strategy and include the scale of the capital expenditure programme required to meet increasing regulatory standards and maintain levels of service, the flow-on impacts of Covid-19, climate change, and the capacity of the relatively small population to fund all of the infrastructure costs in terms of rates affordability.
- 31 The ability to provide and maintain LoS, and meet additional demand for services (b), eg, providing essential infrastructure, has been provided for in the LTP 2031 draft operating and capital budgets, within the rate and debt limits proposed. As such the financial strategy notes that:
- overall Council will continue to fund and deliver the full range of services currently being offered, with the focus on maintaining levels of service over the LTP
  - in some areas there will be increased levels of service, particularly with planned investments to meet higher regulatory standards being required for things like wastewater discharges
  - as signalled in the infrastructure strategy, decisions about whether to increase expenditure over the levels indicated or amend levels of service for community infrastructure (such as halls and open spaces) will be required. Council is planning to engage with communities on this over the next three years.

Information on giving securities for debt, objectives for holding investments and targeted investment returns are summarised from Council's Investment and Liability Policy.

*Rates limit (e)*

- 32 Council previously limited rate increases to the local government inflation measure (the LGCI or local government cost index) plus 2%. In 2018 Council was also required to set a limit on total rates which was set at 70% of total annual revenue. This limit is no longer required.
- 33 Staff, following discussion with the Finance and Assurance Committee, have proposed that the limit on rates increases be set at 8% annually on the basis that it strikes a balance between the additional infrastructure investment needed to maintain levels of service and fund renewals whilst keeping debt at a manageable level and having rates that the community can reasonably afford.
- 34 In proposing this limit, the committee acknowledged that rate increases in year 1-2 of the plan will exceed this limit, but agreed that this is a short-term situation related to moving away from using higher levels of reserves to fund ongoing operational costs, and as such, the lower limit was appropriate.

- 35 In terms of context, Council used reserves to reduce rate increases in 2020 because of concerns about the financial impact of Covid-19 on the local economy and ratepayers. This step was taken to enable the planned levels of services to continue. Typically, any decrease in rates in one year results in a higher percentage increase in the following year, unless there is a permanent change to levels of service. As such, proposed rates increase in the early part of the LTP are higher than other years (over 10%) as Council works towards increasing rates to fully fund its projected operational costs. Rates increases for the remaining years will be below the revised cap (between 2.5% and 7%).
- 36 The cap at 8% allows for increases that may need to occur over this time as a result of continued legislative and regulatory changes as well as increased costs as a result of contractual and/or emergency events.

*Debt limit (e)*

- 37 Debt in the current financial strategy (2018-28) is limited to 100% of total income.
- 38 The draft financial strategy (2021-2031) proposes that debt be limited to 175% of total income.
- 39 The higher debt limit is in order to fund Council's LoS projects and also ensure Council has sufficient headroom to access funding for unexpected events like natural disasters or unplanned capital costs. This debt limit is also aligned to the Local Government Funding Agency's (LGFA) financial covenant for its policy of lending to councils without an external credit rating (noting that Council is currently consulting on joining the LGFA).

*Balanced budget*

- 40 The draft financial strategy sets a target relating to balanced budget whereby everyday costs can be funded from everyday revenue. This is focussed on ensuring that Council can sustainably fund day-to-day operation (including capital renewals).
- 41 The strategy identifies that Council will achieve a balanced budget in eight of the ten years, with the unbalanced budget in two years primarily being due to timing associated with phasing in rate funding depreciation on core infrastructural assets and the use of reserves to reduce rates.

*Capacity of the community to fund costs - rates affordability*

- 42 Both the previous 2018 and proposed 2021 financial strategy consider the capacity of the community to fund the costs in terms of rates affordability. Council's overall indicator of affordability is median household rates being at 5% of median household income (derived from the 2007 Independent Inquiry into Local Government Rates).
- 43 In 2019/20 median rates across Southland District made up 3.95% of median household income. Using the LTP forecasts, staff project that rates will make up 4.4% of median household income in 2021/22 and remain below 5% until 2023/24 before rising to just below 6% in 2030/31.
- 44 While the level of rates revenue is needed to maintain levels of service and meet higher regulatory standards, the ability to deliver this and keep rates affordable is becoming increasingly difficult. As stated earlier in the report, this means Council may either need to revisit its levels of service and funding decisions or alternatively reconsider its assessment of rates affordability in the future.

**Feedback from Finance and Assurance Committee**

- 45 Feedback was received from the Finance and Assurance Committee workshop on 15 February.
- 46 In relation to the draft infrastructure strategy, the committee also recognised that a key point is that Council is working towards fully funding depreciation on core infrastructure in order to fund renewals of these assets from rates.
- 47 Regarding the draft financial strategy, the committee supported setting the debt limit at 175% of total income and discussed options for the rate increase limit, suggesting that this be set this at 8% annually over the plan period, noting that Council will exceed this limit in the first two years. Staff have incorporated these two limits into the draft financial strategy.

**Feedback from audit**

- 48 Several adjustments have been made to the draft financial strategy as a result of audit review and these changes have been incorporated into attached draft. The main changes include:
- an adjustment to the net debt calculation which means net debt will now reduce in the latter years of the plan
  - change to the way operating and capital expenditure are shown in the total expenditure graph (show columns are stacked)
- 49 Amendments have also been made to the draft infrastructure strategy in response to the audit review. These amendments include:
- alignment with consultation document
  - clarity around relevant significant forecasting assumptions
  - clarification of timing of projects outlined in the strategy
  - adding further detail on condition of assets.

**Factors to Consider****Legal and Statutory Requirements**

- 50 Before adopting the LTP consultation document, the local authority must prepare and adopt the information that is relied on to produce the consultation document (LGA s.93G). The infrastructure and financial strategies form part of this information.

**Infrastructure strategy**

- 51 The infrastructure strategy is a legislative requirement pursuant to s.101B of the LGA. The mandatory content of the infrastructure strategy includes the need to:
- explain any renewals or replacements of existing assets
  - respond to growth or decline in demand for services reliant on those assets
  - allow for planned increases or decrease in levels of service provided through these assets
  - maintain or improve public health and environmental outcomes or mitigate adverse effects on them

- provide for the resilience of infrastructure assets by identifying and managing risks relating to natural hazards and by making appropriate financial provision for those risks.
- 52 The strategy must identify the asset scenario that Council considers is most likely to occur and show indicative estimates of the capital and operating expenditure required to manage infrastructure assets in that scenario. Expenditure estimates must be on an annual basis for the first 10 years, but may be in five-year blocks for the subsequent 20 years.
- 53 The strategy must also:
- estimate the timing and cost of significant capital expenditure decisions the local authority expects to make under the scenario, and the options it will need to consider
  - identify major assumptions on which the most-likely-asset-scenario is based.
- 54 The strategy is required to address infrastructure assets for roads and footpaths and Three Waters activities. The community infrastructure assets and activities outlined at paragraph 11 have also been included, to provide a complete picture of Council's infrastructure assets.

### **Financial strategy**

- 55 Section 101A(1) of the LGA requires all councils to prepare and adopt a financial strategy. The purpose of a financial strategy is to:
- facilitate prudent financial management by providing a guide for considering proposals for funding and expenditure; and
  - provide a context for consultation, by making transparent the overall effects of proposals on services, rates, debt and investments.
- 56 Section 101A(3) of the LGA sets out the information that must be contained in a financial strategy as noted in paragraph 29 of this report.
- 57 Council is required to follow the special consultative procedure (SCP) outlined in the LGA in relation to the LTP. The SCP requirements will be adhered to by:
- ensuring that the consultation document and supporting information are publicly available
  - providing an opportunity for people to present their views
  - having a consultation period not less than a month long.

### **Summary**

- 58 It is staffs assessment that both of the strategies comply with these statutory requirements.

### **Community Views**

- 59 The draft infrastructure and financial strategies will be made publicly available as part of the supporting information to the LTP 2031 consultation document. As a result of submissions received, Council may decide to amend these strategies when it adopts The LTP in June 2021.

- 60 Both strategies and activity management plans (AMPs) have been informed by workshops held with Council and community boards over the past 18 months. This has ensured a high degree of community level input particularly given the role that boards have in terms of representing their communities of interest.

#### Costs and Funding

- 61 The draft infrastructure strategy shows costs relating to infrastructure assets and activities over a 30 year period. It indicates a step change in investment is required in order to fund the works required to ensure Council's infrastructure is fit for purpose.
- 62 The draft infrastructure strategy and associated AMPs set out the expenditure required to deliver the LoS the community expects and therefore the funding needed. The draft financial strategy seeks to balance this expenditure with the call on funding from rates and debt.
- 63 These factors are inter-related and movement in one causes movement in at least one of the other variables. For example, if rates are reduced then some combination of reduced or delayed expenditure is required, which in turn will likely result in a reduced LoS being delivered, or increased debt.
- 64 The draft financial strategy and infrastructure strategy present the Council's proposed approach to these challenges and detail the key financial parameters and limits the Council will operate within over the period of the LTP 2031.
- 65 Key financial aspects include:
- forecast capital expenditure over the ten years is \$448 million (up from \$264 in the 2018 LTP). \$347 million of this is related to infrastructure renewals. The increases are primarily related to transport, community resources and three waters infrastructure as outlined in the infrastructure strategy
  - forecast operating expenditure over the ten years is \$1.1 billion (up from \$800 million in the 2018 LTP). The increases are related to inflationary pressures, the cost of meeting regulatory requirements, improving maintenance, fully funding of depreciation on key infrastructure and increases in annual roading costs related to additional maintenance costs for roads, associated structures and footpathst
  - The timeframe for phasing in funding depreciation (rate funding renewals) on water and sewerage assets has been extended in order to lower rate increases in the early part of the plan
  - forecast net debt increases from \$41 million (45% of total revenue), peaking at \$123 million in 2027/28 (103% of total revenue) before reducing to \$105 million (78% of total revenue) at the end of the period. The increase in debt is occurring because of the proposed capital expenditure programme for transport, community resources and three waters. Considering the revised debt limit of 175%, Council will maintain borrowing headroom of between \$84-\$130 million over the period, which can be accessed to fund unexpected events
  - forecast annual rates revenue will increase over the period from \$55 million to \$88 million (60%) in order to fund increased operating costs and depreciation
  - Council will maintain a balanced budget in eight years with a marginally unbalanced budget in 2022/23 and 2023/24.

### Policy Implications

- 66 The LTP is Council's primary plan to strategically manage and develop the District. A number of strategies and policies inform the preparation of the LTP, of which the draft infrastructure strategy is a key pillar, alongside the financial strategy.
- 67 The financial strategy will determine the level of funding, rates, rates limits, debt, funding of depreciation and other financial impacts. These impact directly on the development of the LTP, including the level of capital works that could be undertaken over the 10 year period, and levels of service provided.

### Analysis

#### Options Considered

- 68 The following reasonably practicable options have been identified:
- **option 1** - endorse the draft infrastructure strategy and draft financial strategy to be used in the LTP 2031 consultation document, with amendments as required
  - **option 2** - do not endorse the draft infrastructure strategy and draft financial strategy as presented.

### Analysis of Options

Option 1 – endorse the draft infrastructure strategy and draft financial strategy to be used in the LTP 2031 consultation document, with amendments as required

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• the strategies provide additional information to the public about the LTP proposals for expenditure/funding to assist them to provide feedback on the consultation document</li><li>• Council will be on track to meet its requirements under section 10 part 17 of the LGA</li><li>• the draft strategies reflect previous Council and community board decisions around proposed expenditure and funding for the purposes of consultation</li><li>• provides clarity on rates and debt limits</li><li>• reflects Council's view of prudent financial management</li><li>• Council will be closer to adopting a 30 year strategic vision for its assets. This will inform and guide Council work and inform the community.</li></ul>	<ul style="list-style-type: none"><li>• if amendments are required, depending on the nature/extent of these, the adoption of the draft strategies and other related LTP document may be delayed</li><li>• members of the public may find it difficult to understand which piece of supporting information to look at for further information.</li></ul>

Option 2 – do not endorse the draft infrastructure strategy and draft financial strategy as presented

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>• this option would give Council more time to consider and reflect</li> <li>• would give clarity on Council's preferred approach.</li> </ul>	<ul style="list-style-type: none"> <li>• the strategies may not be available to interested parties to help them find more detail about the activity and how the LTP forecasts have been prepared</li> <li>• the development of the key LTP strategies and policies may be delayed until the Council determines next steps for these strategies</li> <li>• lack of clarity from governance on appropriate asset/financial management.</li> </ul>

### Assessment of Significance

- 69 The decision to endorse the draft infrastructure strategy and draft financial strategy as part of the supporting information to the consultation document is considered significant in relation to Council's Significance and Engagement Policy and the LGA.
- 70 The likely impact and consequences of these strategies, once they are adopted, is considered significant for the current and future social, economic, environmental or cultural wellbeing of the District. Council is being asked to endorse the two draft strategies for consultation, which is part of the LTP decision making process.
- 71 A thorough process has been followed in the drafting of these strategies. Community views will be considered through the formal consultation process. Both strategies and AMPs are based on numerous workshops held with Council and community boards, ensuring that there has been extensive community level input. In addition, discussions occurred with Te Ao Mārama Incorporated on behalf of local iwi. In relation to the decision being made, Council has also taken into consideration the high significance of this matter when it has:
- identified the potential implications
  - identified the reasonably practicable options
  - assessed the options in terms of their advantages and disadvantages
  - considered the likely costs
  - kept written records documenting compliance with these requirements.

### Recommended Option

- 72 Staff recommend option 1, that Council endorse the draft infrastructure strategy and draft financial strategy as supporting information to the consultation document.

### Next Steps

- 73 If Council proceeds with option 1, the draft infrastructure strategy and draft financial strategy will be included as supporting information to the LTP 2031 consultation document.
- 74 The formal consultation period for the consultation document is proposed to run from 12 March to 14 April 2021. Council is expected to receive written and oral submissions relating to the LTP 2031 consultation document on 27 and 28 April 2021, which will include any feedback associated with the strategies.
- 75 The draft infrastructure strategy and draft financial strategy will be presented to Council for deliberation on 5 May 2021, as part of LTP deliberations. Adoption of the strategies, as part of the LTP, will occur after this, in June 2021.
- 76 If Council proceeds with option 2, the next steps will depend on the changes or actions proposed by Council.

### Attachments

- A Draft Infrastructure Strategy [↓](#)
- B Draft Financial Strategy 2021 - 2031 [↓](#)



# Southland District Council

DRAFT 30 year infrastructure strategy (LTP 2031)

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## Document Revision

Date	Amendment	Amended by	Approved by	Approval date
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## Executive summary

### Introduction

The infrastructure strategy sets out Council's strategic direction for providing and managing its infrastructure assets over the next 30 years. It outlines a 30 year view of strategic issues, expenditure requirements and significant decisions that will need to be made. Projects identified in the first 10 years of the strategy are funded as part of Council's 10 year LTP 2031 (Long Term Plan).

The infrastructure assets and services covered by this strategy include the following:

ASSET/SERVICE	REPLACEMENT VALUE
<b>Core infrastructure</b>	
Roads and footpaths	\$1,802M
Water supply	\$97.9M
Wastewater	\$133.1M
Stormwater	\$38.8M
<b>Community infrastructure</b>	
Waste services	Not valued
Community services	\$10.03M*
Open spaces	\$5.0M*
Community facilities	\$109.7M*
Stewart Island Electrical Supply Authority (SIESA)	\$2.8M*
Water facilities	Not valued
<b>TOTAL:</b>	<b>\$2,199M</b>
*These values are based on the most recent insurance valuation. All other values are replacement values from the 2020 asset valuation	

### Significant infrastructure issues

The task of building, operating and maintaining these infrastructure assets in an **affordable** and **sustainable** manner is becoming increasingly difficult in view of the following significant infrastructure issues:

- infrastructure deficits
- changing government priorities and legislation
- climate change
- resilience.

The strategic context that Council is operating within includes those posed by demographic changes, tourism, new technologies, economic activity and constraints, and infrastructure resilience. Council is committed to working closely with its iwi partners, as well as communities and stakeholders, to address the challenges outlined in this infrastructure strategy.

### Infrastructure deficits

There are a significant number of assets that have already passed their end of useful life, and as such constitute an infrastructure deficit. There is a bow wave of assets nearing the end of their useful lives in the coming years. Council has been working towards integrating depreciation funding into the financial strategy over recent years. This funding has been phased in slowly, and while Council has to date avoided the need to access external debt, the required funding reserves are not available to fund the required works. The risk of prolonged under-investment is that in time these assets reach their use-by date, are no longer fit for purpose and, in some cases, pose a threat to public safety. This is the position that we are in now. This is considered one of the key issues Council faces over the 30 years of this infrastructure strategy.

Resolving this challenge means that that a critical focus for Council is to ensure the required step change in investment is undertaken. The average age of roads is increasing and the remaining lifespan of a number of wooden bridges in the District is low, to the extent that significant renewals are required within the LTP 2031 period.

Infrastructure deficits are also evident in relation to the delivery of Three Waters services (water supply, wastewater and stormwater). One known issue is the failure of certain types of asbestos cement water main pipes (some ahead of theoretical asset life). Council has developed a range of options to replace the pipes ahead of time and will consider these through LTP 2031. It is estimated that there is 106km of pipe remaining across all water supply networks with an estimated cost to replace being between \$30M to \$40M.

The community facility and open spaces activities includes buildings, structures and recreational assets that are used by the community to participate in a range of activities and access Council services. This includes halls, Council offices, libraries, public toilets and playgrounds. The general condition of assets associated with these activities is poor, as a result of ongoing underinvestment. Due to socio-demographic change and the evolving needs of communities, many of these facilities are no longer fit for purpose. We propose to engage with communities over the next three years and to undertake a programme of work to modernise and improve the facilities that best serve their surrounding communities, while maintaining a consistent level of service across the District.

Appropriate infrastructure strikes a balance between community expectations, the levels of service (LoS) that Council provides, and the cost to do so. It does not mean a straight replacement of existing assets. Addressing the challenge of our infrastructure deficits involves examining how infrastructure is used, changing demographics, competing priorities, community needs as well as meeting new legislative requirements. In some cases, Council will need to engage with specific communities to ascertain the acceptable balance between maintain existing LoS and the cost of doing so. Further, increased investment in existing facilities is anticipated in order to ensure continuity of service delivery over the long term. It is anticipated that this will require rationalisation and consolidation of existing assets in a bid to improve LoS in particular identified areas.

### Changing government priorities and legislation

In recent years, people have begun to expect a higher standard of service. During the course of this LTP, the way Three Waters services are regulated is proposed to change through the establishment of Taumata Arowai, which will become Aotearoa's regulatory agency. Alongside these regulatory changes, central government is also proposing changes to the way these services are delivered nationally, with a view to establish a more centralised model. Whilst it is a key challenge that Council respond and adapt to any subsequent and potentially substantial changes in the legislative environment, our communities will continue to need Three Waters Services. Council will take a proactive response to changes to water regulation and service delivery. This strategy presents the likely requirements of providing water services under present delivery arrangements and the current/expected future regulatory settings.

### Climate change

The effects of climate change are likely to impact sea levels, ground water levels, rainfall and temperatures within the District, among other things. Council is factoring the effects of climate change into all of its infrastructure decision making. Council has contributed funding towards the regional LiDAR (Light Detection and Ranging) regional mapping project, which will model and help understand the impacts of climate change in the Southland region. Information provided through LiDAR can better inform infrastructure decisions and could potentially save many millions of dollars in infrastructure spend in locations with high hazard exposure. Further work to determine the impacts of climate change on Council's activities and services is anticipated in the early years of the LTP 2031.

Climate change challenges are identified and discussed in this strategy as they apply to several aspects of Council's infrastructure. Challenges are considered at a high level and in more detail within each activity where they will have an impact.

### Resilience

Council has to consider managing and mitigating the risks to, and the resilience of, its infrastructure assets from natural disasters. Council acknowledges that resilience is not only about physical assets, it is about the people. It includes but is not limited to:

- connecting people and communities (neighbour to neighbour, educate, access to household resilience items, etc)
- supporting community organisations
- the built environment and asset systems which are robust.

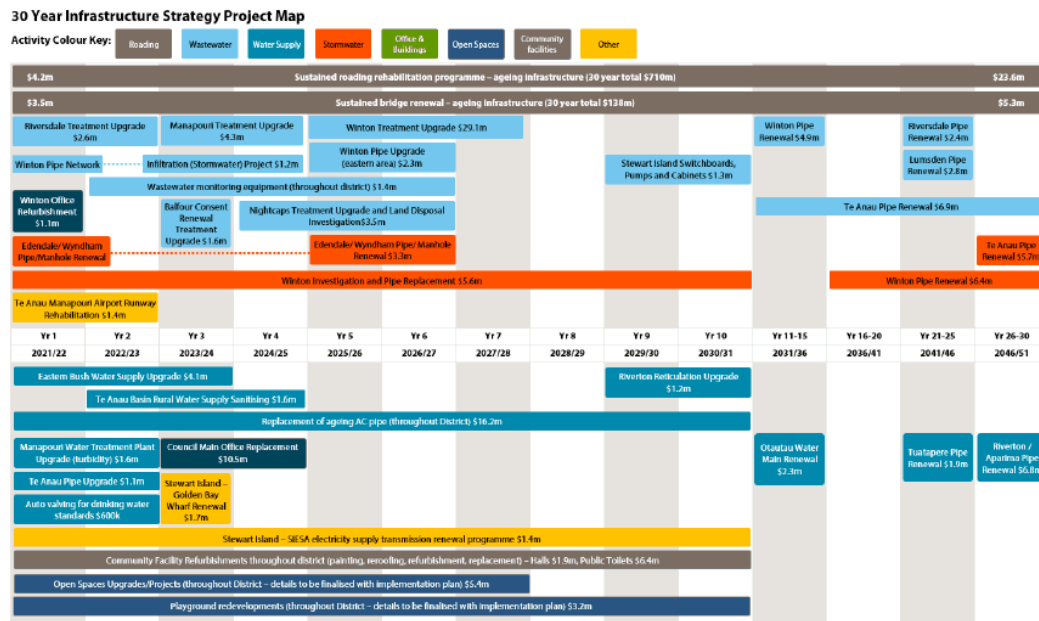
Council's forecasting assumptions have identified that the next severe earthquake on the Alpine Fault is likely to occur within the lifetime of most of us or our children. Council is assuming that no significant earthquakes, flooding, tsunami and other hazards outside of expected risk assessments will occur within the ten years covered by the LTP 2031. Additionally, under almost every climate change scenario, storms and therefore flooding will become more frequent and intense and communities will feel the effects more regularly and intensively.

It is assumed that these events can be managed within current budgets. Borrowing 'headroom' to fund Council's share of a rebuild in relation to a 'maximum probable loss' scenario is provided for within Council's Financial Strategy.

### Timeline for major capital projects

The key decisions Council are likely to make during the next 30 years have been identified in Figure 1 below. The figure outlines a timeline of Council's major projects, and shows the most likely scenario.

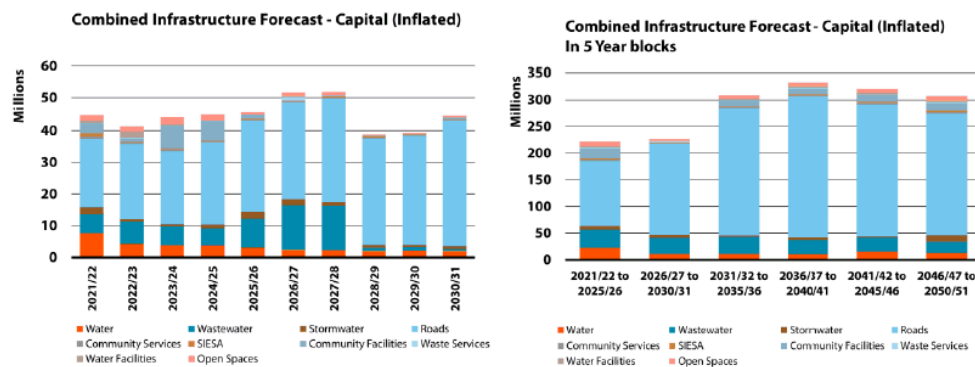
Figure 1: Significant infrastructure decisions graphic across 30 years of strategy



### 30 year capital expenditure forecast

Figure 2 shows that over the next 30 years the Council expects spending of approximately \$45 million per year for the first 3 years. Later years have a relatively consistent level of capital expenditure. This is on average between \$40 million and \$50 million per annum. It is important to note that these figures represent a significant increase on the previous LTP and associated infrastructure strategy. Council have recognised there has been a period of underinvestment. Further, the increasing regulatory and legislative pressures are anticipated to result in significant additional expense.

Figure 2: Forecast Capital Expenditure – All Infrastructure



**Funding our infrastructure**

Council has developed its financial strategy as part of the development of its LTP 2031. This reflects the directions contained in the LTP and infrastructure strategy and models the financial effects on Council and the District. It is evident that Council's finances have the capacity to access the debt funding required to undertake the proposed works. The extent to which this mechanism is able to be used over the long-term is covered in Council's latest financial strategy.

The financial strategy is aimed at responding to the needs of the community in an affordable way, while funding long term projects, so that future generations who benefit from community infrastructure, pay their share. Balancing community expectation and LoS with costs, as well as the requirements of national standards, are cost drivers putting a constant pressure on increases in rates. In addition, an ageing population means there is an increasing proportion of ratepayers who are on fixed incomes, placing greater pressure on the affordability of annual rates increases.

Council has previously indicated an affordability threshold of 5% for rates a percentage of median household income. In 2019/20, median rates (for Southland District and Environment Southland combined) made up 3.95% of median household income at an aggregate level. This threshold is forecast to be exceeded in year four of the LTP 2031 period.

**Conclusion**

Council's infrastructure strategy has been developed based on the best information available to it and Council has used assumptions based on what it reasonably considers could occur over the next 30 years. This strategy shows that a step change in investment in our infrastructure is required. The actual outcomes will likely vary to those contained within this infrastructure strategy as better information comes to hand. Council will continue to monitor and review the information available to it and will refine and update its infrastructure strategy every three years to reflect any significant changes.

## Introduction

This is Southland District Council's third infrastructure strategy, which supersedes the infrastructure strategy adopted in 2018. It is part of the strategic planning framework which includes activity management plans, the Long Term Plan (LTP) 2031 and the financial strategy.

### Purpose

The purpose of the infrastructure strategy is to identify the significant issues relating to Council's core infrastructure over the next thirty years. The strategy shows the principal options for managing these issues and the implications of the options. It is intended to bring infrastructure management issues, and their consequences, to the attention of Council and the community. The 30 year timeframe places a focus on the significant issues faced by the District and the consequences of long-term investment and decision making.

This strategy should be read alongside Council's financial strategy, which provides context and guidelines against which to consider Council's proposed expenditure. Funding sources are not the focus of the infrastructure strategy. The detail about how Council intends to fund its activities can be found in the Revenue and Financing Policy.

### Background

'Murihiku' is the Māori name used to describe the Southland region. The name means the tail end (of the land). Southland District is divided into five electoral wards represented by a mayor, 12 ward councillors and nine community boards. The District covers 11% of New Zealand's land mass and its roading network is the second largest of any territorial authority in the country (5,000 km). In 2018 there were 30,864 people living in the District, which amounts to 0.66% of New Zealand's population. Our population is expected to grow to 36,700 by 2043.

In its role as local authority, Southland District Council will comply with all relevant New Zealand legislation. The Council's vision and community outcomes are strategic statements that guide its decision-making in implementing the LTP 2031 and infrastructure strategy. The community outcomes are recorded in the LTP 2031 document.

### Document structure

The infrastructure strategy sections and corresponding Local Government Act 2002 (LGA) sections are tabled below:

Table 1: Strategy Layout

STRATEGY SECTION		LGA, S.101B
Executive summary/ Introduction	Identifies the purpose of the infrastructure strategy and provides a summary of the document.	
Strategic context	Positions the infrastructure strategy in the strategic planning framework and describes the environment we are working in, and relevant forecasting assumptions.	
Infrastructure	Describes the District's infrastructure, its condition and performance while recording the significant assumptions, risks and mitigation.	2

STRATEGY SECTION		LGA, S.101B
Significant infrastructure issues	Describes significant issues and identifies the response options for the significant issues and documents the benefits, cost, when and funding source.	2
How we manage our infrastructure	Describes our approach to activity management, including Council's Asset Management Policy, how we plan for asset renewals, respond to growth, LoS and delivering our capital works programme.	3
Most likely scenarios	Discuss Council's response to the issues and significant decisions about capital expenditure to be made during the term of this strategy.	4(a, b)
Financial summary	Identifies the costs associated with the most likely scenario.	4(a)

## Strategic context

### Strategic direction

This infrastructure strategy aims to give effect to Council's strategic direction.

MISSION	WORKING TOGETHER FOR A BETTER SOUTHLAND
Vision	Southland – one community offering endless opportunities
Community outcomes	<ul style="list-style-type: none"> <li>• environment - kaitiakitanga for future generations</li> <li>• culture - inclusive, connected communities</li> <li>• economic - a diverse economy creating healthy and affordable lifestyles</li> <li>• social - empowered communities with the right tools to deliver the best outcomes</li> </ul>
Strategic priorities	<ul style="list-style-type: none"> <li>• improve how we work to build resilience</li> <li>• better preparing our communities and council for future changes</li> <li>• provision of appropriate infrastructure and services</li> <li>• support healthy environments and sustainable communities</li> </ul>

### Council's priorities

The main theme of this Infrastructure Strategy is to demonstrate Council is a responsible custodian of key infrastructure. At a high level, Council's priorities are:

- working closely with its iwi partners, as well as communities and stakeholders on district-wide 30 year strategy development
- maintaining existing LoS at a minimum
- compliance with legislative requirements
- addressing Council's infrastructure deficit
- planning for and being able to respond to natural events and climate change
- providing long term affordable services.

The infrastructure strategy will help in delivering this by focusing on:

- continuous improvement of data and information
- meeting regulatory requirements
- adapting to changing communities and finding alternative solutions
- developing better understanding of the reliability of prediction models for asset lives.

### **Strategic environment**

The strategic context that Council is operating within includes those posed by demographic changes, tourism, new technologies and economic activity and constraints. In 2020, Council launched a work programme to identify a vision for the District and to develop appropriate community and Council strategies. It is intended the strategy work will also enable Council to identify appropriate community outcomes. The strategies and vision will extend well beyond the course of this LTP, to 2050. The strategy work, Council's LTP, and the subsequent commitment and alignment required for Council's infrastructure and services, will all be interconnected. Council's response to both the significant issues outlined in the infrastructure strategy, will be guided by the vision and strategies that are developed.

### **Demographic changes**

The estimated resident population of the District in 2017 was 30,300 and is projected to grow to 36,700 by 2043 (source: BERL (Business and Economic Research Limited) detailed Southland population projections).

The population of the Southland region is ageing at a high rate in line with global and national trends, although the ratio of youth to elderly will vary across different communities. An ageing population also has implications for service provision, rates affordability and asset management.

In the wake of the Covid-19 pandemic, it is predicted that:

- provincial areas such as rural Southland, where the economy is mainly based on sheep, dairy and beef, are likely to retain their populations
- there may be migration out of areas highly depending on international tourism such as Te Anau and neighbouring Queenstown
- there will probably be significantly less migrant workers present, but numbers are likely to increase again over time.

More information is needed to inform decisions such as the potential to decrease or remove any community infrastructure or services.

### **Tourism**

Domestic and global measures to stop the spread of Covid-19 essentially stopped tourism revenue during 2020, and the recession to follow is projected to reduce spending in the sector. The total annual tourism spend in New Zealand in 2019 was \$41 billion. 40% was spent by overseas visitors, and the remainder was domestic. Tourist spending for the District as a whole was largely domestic prior to Covid-19. However, Fiordland's tourism spend was 35% domestic and 65% international (\$238m) in the year to August 2019, meaning that it has been and will be disproportionately affected by the tourism downturn compared to the rest of the District.

Tourism is a significant earner for Southland. The challenge for the District is to support and plan for appropriate infrastructure for tourism in light of the uncertainties to this industry caused Covid-19.

Council, through its relationship with our regional development agency Great South, will be responding to the impacts of Covid-19 on the tourism industry by focussing on:

- administering Covid-19 funding that businesses can access to connect with expert advice and support
- building operator capability
- administering the Regional Events Fund (an event fund for tourism-related events in Southland)
- Southland's unique offerings
- helping to deliver what visitors want to see
- growing Southland's visitor economy sustainably
- collaboration opportunities
- operating with two regional tourism organisations from 1 April 2021
- reviewing the Southland Murihiku Destination Strategy.

### **New technologies**

Main stream discussion around new technologies and changes brought about by responses to Covid-19 suggest that there will be a considerable shift in the coming years in what work is done, how it is done (working from home/remotely etc), and then how this flows on to affect economic and social paradigms. Consideration of the following issues should be taken into account in future development planning and discussions. There is an increasing amount of discussion around:

- a shift toward intellectual service economies resulting in workers offering services to multiple employers as opposed to the traditional model of working for one organisation
- historical large central office spaces will potentially be replaced by small satellite office spaces based on a time-share and/or 'work-from-home' type arrangements
- in the retail and public services sector, a shift towards an on-line model.

As a result, the traditional concept of the central business district (CBD) is coming under pressure and future investment in infrastructure will need to consider the changing needs and impacts.

New technologies and systems could have a significant impact on waste services, diversion activities, assets and funding models. A wide range of new technologies can be considered and deployed within the community services area. This includes but is not limited to booking systems, telemetry, CCTV, electronic counters (usage) and remote messaging.

### **Economic activity and constraints**

The economic prosperity of Southland as a whole is vitally important to the well-being of our communities.

Half of the businesses operating in Southland District are in the primary sector. Ninety eight percent of these primary sector businesses operate in the industries of agriculture or forestry (BERL (2018) Southland District – Shaping positive community futures, Compendium report.). BERL estimate that 18.3% of total employment (measured in full-time equivalents) in the District is in dairy farming. Some communities in the District are almost entirely dependent economically on dairy farming, and this makes them vulnerable to a significant decline in global dairy prices or a major livestock disease outbreak. Tourism is another key

player in the Southland economy which is facing an uncertain long-term outlook due to Covid-19, discussed above.

Council, through Great South, will be responding to the impacts of Covid-19 on the economy by leveraging economic, business and tourism opportunities. Great South is identifying opportunities for regional economic diversification, which is pivotal to ensuring the development of a diverse, strong and enduring economy that profiles Southland as a preferred place to live, work and invest. Council will also complete a number of three waters stimulus funding projects in the District, and has proposed to achieve public value (which includes supporting local suppliers where appropriate) in its procurement practices.

Council's workforce includes a large component (40%) of baby boomers who are likely to retire within the next 10 years. This may result in a loss of staff resource and knowledge to deliver projects. The failure to retain and transfer institutional knowledge may result in a steady increase of staff turnover and further loss of knowledge, translating into higher costs and lower efficiencies.

## Strategic alignment

### Assumptions

In developing this strategy, we have made a number of assumptions. Those that apply across Council are outlined in more detail in the significant forecasting assumptions in the LTP 2031 document. Assumptions of specific relevance to this strategy include:

<b>ASSET DATA</b>	This is an issue of particular relevance to the infrastructure strategy. Council has a number of asset data gaps and quality deficiencies across its suite of infrastructure activities covered in this strategy. Council will work over the first three years of the LTP 2031 and beyond to improve and resolve these data issues. It is assumed that data confidence is moderate as an average across all of its assets and activities for the purposes of this infrastructure strategy.
<b>DEMOGRAPHICS</b>	As at June 2020 the total population of Southland District was estimated to be 32,500. Our forecasts suggest that the population will gradually increase over the next 10 years to reach around 35,000 by 2031 and approximately 38,400 by 2051.
<b>CLIMATE CHANGE</b>	<p>Council has made the assumption that climate changes will occur over the course of this LTP. It is assumed that:</p> <ul style="list-style-type: none"> <li>• changes and associated impacts such as risk based insurance will influence investment in built development (ie coastal and flood plain development) and types of farming</li> <li>• climate change will have a significant impact on the coastal settlements within Southland. It is known that areas of Colac Bay, Orepuki, Fortrose and Stewart Island/Rakiura are subject to coastal processes that are causing erosion resulting in loss of land and council roading infrastructure</li> <li>• floods are expected to become larger across the region</li> <li>• the central-northern part of the Southland region is projected to experience the largest increases in drought</li> <li>• warmer temperatures, particularly with milder winters, could increase the spread of pests and weeds</li> <li>• the occurrence of heat waves will double by 2040.</li> </ul>

<b>SIGNIFICANT, UNPLANNED ADVERSE EVENTS</b>	Council has assumed that no significant earthquakes, flooding or tsunami will occur outside of expected risk assessments. The level of uncertainty of this assumption is assessed as high. Council needs to be prepared by maintaining insurance cover for emergency events and by ensuring there are reserves available to sustain any upgrade or urgent replacements that maybe required.
<b>ENVIRONMENTAL STANDARDS, RESOURCE CONSENTS AND LAND USE</b>	The level of uncertainty has been assessed as very high that Council may be required to undertake significant capital works in relation to drinking, stormwater and wastewater. Further it is evident that there is likely to be significant reform in the way that Three Waters is both regulated and delivered.
<b>GENERAL ECONOMIC GROWTH TRENDS</b>	It is Council's assumption that in the long term economic growth will continue to be consistent with trends.
<b>USEFUL LIVES OF SIGNIFICANT ASSETS</b>	Council operates on the assumption that that the useful life of significant assets will be the same as set out in the accounting policies of Council. There is a moderate risk that some assets may wear out and fail sooner, or later than estimated.
<b>COST ESTIMATES AND PRICE LEVEL CHANGES</b>	Council has made the assumption that the rate of inflation will remain consistent with what is provided for in the financial strategy.
<b>CAPITAL EXPENDITURE DELIVERY</b>	The LTP assumes that the timing and cost of capital projects and associated operating costs are as determined through the Council's activity management planning process.

### Financial strategy

Council has also developed a financial strategy which sets the financial parameters within which Council needs to operate (such as debt levels and rates increases). The infrastructure and financial strategies need to be aligned to ensure both are deliverable. Depending on the financial goals of Council, the infrastructure strategy may need to consider options to balance the service delivery needs and programme of works against what is achievable financially.

The 10 year programme of work outlined in the Infrastructure Strategy is currently in alignment with the Council's Financial Strategy.

### Linkage with activity management plans

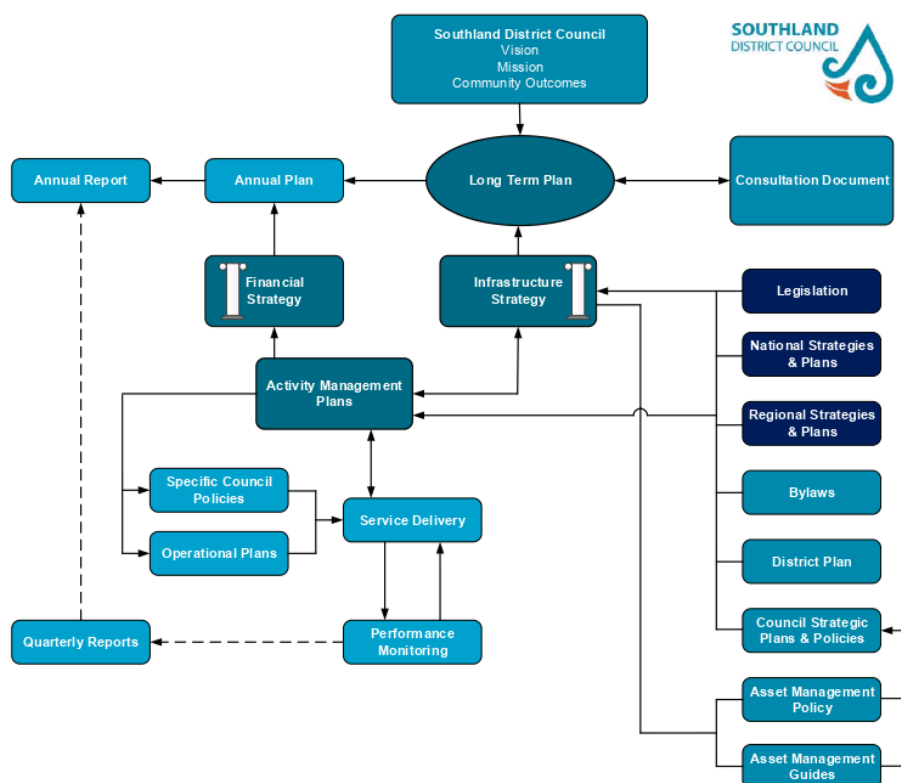
The Infrastructure Strategy informs and is informed by Activity Management Plans (AMPs). Firstly, it informs the development of the AMPs by identifying and discussing the key strategic issues facing Council. These are the issues that are generic across many activities. The implication of each issue may be different for each activity though and those differences are described in the individual AMPs.

### Linkages with other documents

The infrastructure strategy and financial strategy underpin the LTP. Planning for the activities included in the infrastructure strategy is covered within the relevant activity management plan, as well as being informed by other strategies, policies, plans and legislation as shown in the Figure 3 below.

The diagram illustrates the number and complexity of sources that contribute to the infrastructure decision making environment.

*Figure 3: Infrastructure Strategy- linkages with other documents*



The infrastructure strategy and financial strategy form the pillars that support the Long Term Plan and consultation document.

Council's Significance and Engagement Policy identifies the degree of significance attached to particular issues, proposals, assets, decisions and activities. The Significance and Engagement Policy provides the criteria to determine significance and the approach to appropriate engagement.

Critical assets that are significant to our community at a high level are summarised in the following table by activity. Should LoS trade-offs be required due to affordability issues in future, Council will prioritise expenditure on the assets listed below.

Table 2: Critical assets by activity

ACTIVITY	CRITICAL ASSET CLASSES
Roads and footpaths	Council has approximately 850 bridges within the roading network, these structures are critical to ensuring the operation of the wider transportation network.
Water supply	<ul style="list-style-type: none"> <li>• rising mains from intake to reservoir and / or to the treatment plant</li> <li>• well and chlorine pumps</li> <li>• chlorinator, UV disinfection, aerator, sand filters, cartridge filters</li> <li>• pump stations</li> <li>• treatment plants</li> </ul>
Waste water	<ul style="list-style-type: none"> <li>• rising mains</li> <li>• process blower</li> </ul>

	<ul style="list-style-type: none"> <li>• pump stations</li> <li>• treatment plants.</li> </ul>
Stormwater	No critical assets have been identified historically, but we know this needs to be reviewed. It is likely this may include culverts and large diameter pipelines.
Waste services	The transfer station in Invercargill, the Kings Bend landfill and the material recycling facility are all critical assets to the District in terms of managing waste product. However, it is noted that none of these assets are owned directly by Council.
SIESA	Although not critical to the wider District, the Stewart Island Electricity network is critical infrastructure to this community.

## Infrastructure

Our infrastructure is made up of core infrastructure and community infrastructure as described below:

### CORE INFRASTRUCTURE:

- roads and footpaths
- water supply
- wastewater
- stormwater

### COMMUNITY INFRASTRUCTURE

- waste services
- community services
- open spaces
- community facilities
- SIESA
- water facilities

## Infrastructure overview

Southland District Council's infrastructure assets are tabled with 2020 replacement values below:

Table 3: Southland District Infrastructure Assets

ASSET	DESCRIPTION	DETAIL	REPLACEMENT VALUE	% OF TOTAL
<b>Core infrastructure.</b> Assets required to be included in the infrastructure strategy by the LGA.				
Roads and footpaths	Roads (arterial, collectors, local; curbs and gutters), bridges, footpaths	4,961km of roads (40% sealed, 60% unsealed) 852 bridges cycle trail airport runway	\$1,802M	82.0%
Water	Water extraction, treatment and distribution	21 schemes (10 urban, 11 rural stock water) 6,900 connections 499 km of drinking water reticulation 219 km of rural stock water reticulation	\$97.9M	4.5%

ASSET	DESCRIPTION	DETAIL	REPLACEMENT VALUE	% OF TOTAL
Wastewater	Wastewater collection, treatment and discharge	19 schemes 8200 properties 245 km of reticulation	\$133.1M	6.1%
Stormwater	Stormwater collection and discharge	25 schemes 113 km of reticulation	\$38.8M	1.8%
<b>Community infrastructure.</b> Assets/activities that provide a complete reflection of the Council's asset-based activities. Council also considers these to be a valuable contribution towards the strategic planning for these activities to be extended to a 30 year timeframe				
Waste services	Collection and disposal of solid waste, management of closed landfills	20 sites (transfer stations, recycling depots, greenwaste)	Not valued	
Community facilities	Provision of accessible facilities for communities, clubs, organisations and individuals to enjoy for sporting, social, cultural, educational and recreational pursuits. Including buildings from which Council's activities are delivered	70 public toilets 7 dump stations 32 community halls 1 airport (terminal building; airport land) 34 buildings including offices and libraries	\$109.7M*	4.9%
Community services	Provision of: <ul style="list-style-type: none"> <li>good quality affordable housing to a group with specific needs</li> <li>cemeteries to protect public health</li> <li>library services</li> </ul>	69 community housing units 15 operational cemeteries 7 closed cemeteries local + mobile library services	\$10.03M*	0.5%
Open spaces	Provision of a blend of urban and rural reserves and open spaces.	151 local reserves 5 District reserves 40 playgrounds 1 pool	\$5.0M*	0.2%
Stewart Island Electrical Supply Authority (SIESA)	Generation, distribution and retailing of electricity on Stewart Island	Generation powerhouse Distribution network	\$2.8M*	0.1%
Water facilities	Provision of access to rivers, lakes and sea for both commercial and recreational opportunities.	9 wharfs/jetties 10 boat ramps 2 retaining walls 1 navigation aid, swimming pontoon, viewing platform	Not valued	
<b>TOTAL</b>			<b>\$2,199M</b>	<b>100%</b>
<i>*These values are based on the most recent insurance valuation. All other values are replacement values from the 2020 Asset Valuation</i>				

The following is a summary of Council's infrastructure assets for each activity group considered in the infrastructure strategy.

### **Roads and footpaths**

The Southland roading network is the second largest of any territorial authority in the country. The network consists of a total of 4,961 km of roads, 852 bridges, 207 km of footpaths, 238 stock underpasses and 2,686 streetlights. There are also eight state highways in the District (1, 6, 94, 95, 96, 97, 98 and 99). These are managed by the Waka Kotahi NZ Transport Agency (Waka Kotahi) and are not part of Council's network.

Roads and footpaths deliver both assets (such as roads, signs, bridges and lighting) and non-asset functions (such as road safety promotion). Overall management of the facilities is provided by Council, with operational work carried out by contractors. Funding for the management and maintenance of the roading and footpaths network is provided from rates, loans and user charges, together with financial assistance received from central government through Waka Kotahi.

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

A key regulatory instrument that has the potential to impact this activity is the Government Policy Statement (GPS) on Land Transport. The strategic priorities for the 2021 GPS are safety, better travel options, improving freight connections and climate change.

### **Water supply**

Council provides ten community potable water supplies, two treated rural supplies and nine untreated rural water supplies for stock water only. The Council owned and provided facilities are:

- community supplies: Edendale/Wyndham, Manapouri, Mossburn, Ohai/Nightcaps/ Wairio, Orawia, Otautau, Riverton, Te Anau, Tuatapere and Winton
- treated rural: Eastern Bush/Otahu Flat and Lumsden/Balfour
- rural (stock): Duncraigen, Five Rivers, Homestead, Kakapo, Matuku, Mount York, Princhester, Ramparts, Takitimu

Currently our community drinking water supplies provide multi barrier protection as recommended by the Havelock North water inquiry. However Council has identified further upgrades required to ensure continued and improved compliance with protozoa status (further detailed in the LoS section below) and to provide further protection following removal of 'Secure Status', in particular for the Riverton deep bore supply source.

### **Wastewater**

19 towns within the District are reticulated with Council owned and maintained wastewater infrastructure. The Council owned facilities are in the following locations:

- Balfour, Browns, Edendale/Wyndham, Gorge Road, Lumsden, Manapouri, Monowai, Nightcaps, Ohai, Riversdale, Riverton, Stewart Island, Te Anau, Tokanui, Tuatapere, Otautau, Wallacetown and Winton

A further treatment plant recently installed at Curio Bay currently services a Council reserve and is considered under the appropriate Open Spaces Activity Management Plan.

### Stormwater

There are 26 towns in the District that have varying levels of reticulation from Council owned and maintained infrastructure. Council owned stormwater networks are in the following locations:

- Balfour, Browns, Colac Bay, Dipton, Edendale, Limehills, Lumsden, Manapouri, Monowai, Mossburn, Nightcaps/Wairio, Ohai, Otautau, Riversdale, Riverton, Stewart Island, Te Anau, Thornbury, Tokanui, Tuatapere, Waianiwa, Waikaia, Wallacetown, Winton, Woodlands and Wyndham.

Infrastructure in Wyndham is the oldest in the District and based on the standard estimated useful life it is due for replacement towards the second five year window of the Infrastructure Strategy. Maximising the economic life of these assets and determining the optimal time for replacement are important challenges.

### Three Waters changing legislative environment

Legislation and regulatory instruments that have or are undergoing change that impact the Three Waters activities include:

**Taumata Arowai—the Water Services Regulator Act 2020 and Water Services Bill.** The act establishes Taumata Arowai, the water services regulator, as a crown agent and provides for its objectives, functions, operating principles. When the complementary bill, the Water Services Bill, is enacted, Taumata Arowai will become Aotearoa's dedicated regulator of Three Waters: drinking water, wastewater and stormwater. The bill will give effect to decisions to implement system wide reforms to the regulation of drinking and source water and targeted reforms to improve the regulation and performance of wastewater and stormwater networks and will include consideration of future service delivery arrangements.

**National Policy Statement for Freshwater Management and related national statements.** These statutory instruments set national policies and bottom line standards for freshwater management and provides regional councils with the authority and responsibility to develop policies, objectives and rules around how freshwater is managed across the country.

**Proposed Water and Land Plan for Southland.** This plan builds on the provisions of the current active plan but also indicates a strong preference for wastewater discharges to be land based rather than to water. The objectives and policies are very explicit on this point with a specific rule identifying water based discharges as a non-complying activity.

**Climate Change Response (Zero Carbon) Amendment Act 2019.** This act provides a framework by which New Zealand can develop and implement clear and stable climate change policies to meet international obligations and allow preparation and adaptation to the effects of climate change.

### Waste services

Council provides the following waste services:

- kerbside collection of recyclables and residual waste to all townships and those along collection routes in rural areas (optional)
- operation and maintenance of seven waste transfer stations
- operation and maintenance of eleven recycling only drop-off centres
- operation and maintenance of two greenwaste only sites

- promotion of waste minimisation activities and other education initiatives.

Council is part of WasteNet Southland, a shared services arrangement between Southland District Council (SDC), Gore District Council (GDC) and Invercargill City Council (ICC). WasteNet Southland manages the collection and disposal contracts, and promotes and advocates waste minimisation initiatives. At the time of writing this strategy, Council is actively looking for an alternative recyclables processing arrangement. WasteNet Southland has overall responsibility for setting the strategic direction of the three councils in matters relating to waste management.

Council also retains ownership of a number of historic closed landfill sites that may be vulnerable to either riverine or coastal erosion. There will likely be a need to consider a range of interventions at such sites including embankment strengthening through to removal of the most vulnerable sites. An assessment and investigation process has been funded through the earlier years of the LTP 2031 with a view to determine any remedial works and associated costs following this process. These costs and the extent of the work will become clearer through the LTP 2034.

A regulatory instrument that has the potential to impact this activity during the course of this LTP is the Proposed Water and Land Plan for Southland. The plan contains rules around the management of closed landfill which could impact on this activity by requiring certain closed landfills to have a resource consent. There is budget allowance in the LTP 2031 to apply for a global consent covering any discharges that may require consenting. This is anticipated to be determined through the investigation works mentioned above.

### **Community services**

Council owns and manages 22 cemeteries in the District, with seven closed and 15 still in use for burials. Council also maintains records associated with lone graves. There are 12 cemeteries managed by cemetery trusts in Southland.

Council provides 69 individual housing units for rent in 10 townships in the District. The units offer good-quality, affordable housing to groups with specific needs – mainly elderly residents. The community housing portfolio requires a programme of refurbishment to lift the general condition.

Library services includes 10 local community libraries spread across the region, a mobile library service, and access to a range of library and information resources via the internet. A number of libraries also run community-based learning programmes in partnership with community organisations and double as area offices providing Council services. The Winton library operates as the District library and from here managerial, technical, administrative and daily operational support is provided. Southland libraries co-operate regionally and nationally to enable access to other library collections, interloan services and various online databases. Free broadband and computer use are provided via the Aotearoa People's Network Kaharoa.

### **Community facilities**

Community facilities includes buildings and structure which are used by the community to participate in a range of activities and access Council services. This activity includes 32 community centres and 31 Council offices, libraries or amenity buildings. Council also provides 69 public toilets and seven dump stations throughout the District. These are in both rural and urban areas and the type of facilities provided range from multipurpose facilities with showers, to Norski toilets in remote areas. Services associated with public toilets (eg cleaning, maintenance) are managed by Council and carried out by contractors.

This activity has been redefined since the 2018-2028 LTP and it is now a combination of the existing community facilities activity as well as the public toilets activity.

### Open spaces

Council manages around 1,250 hectares of open space including 155 reserves throughout the District and several beautification areas within towns. These vary in size and use, and include parks, gardens, sports and recreation facilities, playgrounds and picnic areas. Some of the key parks and reserves in the District include Curio Bay Reserve, Mores Reserve at Riverton and Ivon Wilson Park at Te Anau. There are a combination of local and District funded reserves. Services associated with these open spaces (eg, mowing, gardening) are managed by Council and carried out by contractors.

Whilst the District is fortunate to have a healthy number of open spaces and recreational assets, there is significant investment in playgrounds required to align with national standards.

### Stewart Island Electrical Supply Authority (SIESA)

This activity involves the generation and supply of electricity to consumers on Stewart Island/Rakiura by the Stewart Island Electrical Supply Authority (SIESA). This is a critical service for this remote island community. Stewart Island/Rakiura has 456 permanent electricity consumers (as at end 2017) connected to a network powered by up to five diesel generators at a central power station at Hicks Road.

### Water facilities

Council manages a variety of assets that come under the banner of water facilities. These assets provide access to rivers, lakes and the sea for both commercial and recreational users. They range from jetties/wharves, boat ramps, navigation aids, a swimming pontoon and retaining walls.

The major water structures are located at Stewart Island/Rakiura and Riverton. Some assets have been inherited by default in the past and do not necessarily add value to Council's asset portfolio or meet community needs. Council's intention is to maintain the assets at a base level that meets the needs of the community, ensure that they are safe to use and meet relevant resource consent standards and other regulatory requirements.

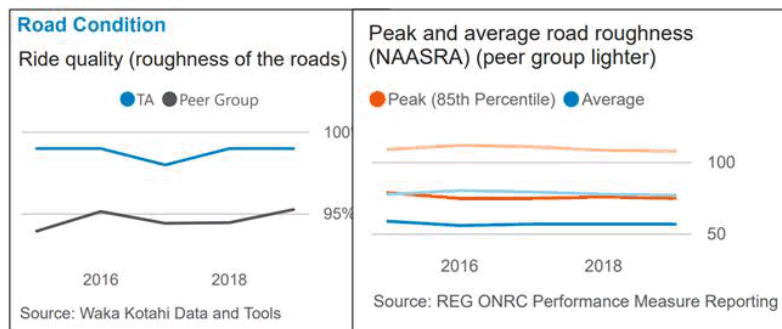
## Asset condition and performance

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### Roads and footpaths

The condition of the roading network is generally good. Our ride quality in terms of smooth travel exposure scores well above our peer group as shown in the graph on the left. (above being better condition). The peak and average roughness of our road network is better (lower) than our peer group as shown in the graph on the right. Network audits and condition rating and modelling using information gathered from sources such as high speed data. This is used to look at aspects such as smooth travel exposure and road roughness which can then be compared nationally.

*Figure 4: Southland District roads ride quality and roughness compared to peer group*



However, it is evident that our investment in this activity has not been keeping pace with projected design lives and subsequent expected renewals.

Bridges are a sub-activity within the network that is not performing particularly well. Approximately 10% of bridges are currently posted with speed and/or weight restrictions, or are closed. There are approximately 161 bridges that require replacement in the next ten years. However, opportunities for rationalisation, where reasonable detours exist, are being explored with Council.

The Around the Mountains Cycle Trail is currently managed internally and is maintained in good condition in line with Great Ride classification requirements.

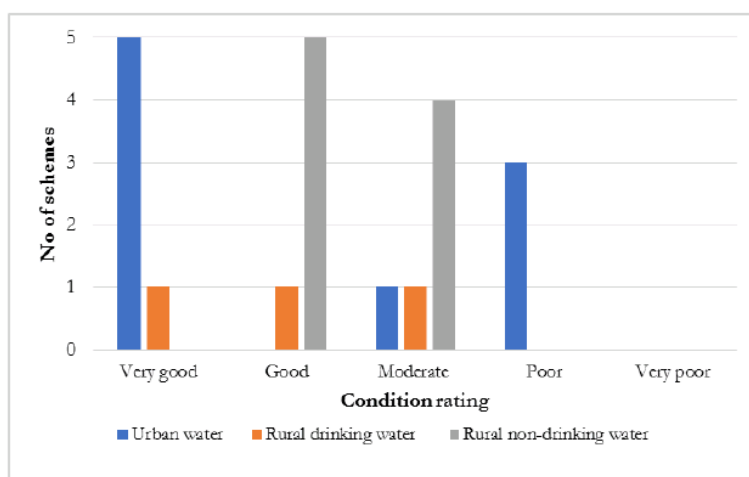
Overall, the network performs well and meets accepted standards. Given the reliance on primary industries in Southland, it is evident that heavy vehicles will continue to put pressure on the road network. This will present areas of accelerated deterioration in some areas.

The confidence in the asset data is considered to be highly reliable to reliable, with some uncertainty around drainage, retaining walls and streetlights.

### Water supply

The condition of water supply assets is shown in Figure 5 by scheme types. The condition rating is based on joint inspection by Council staff and service provider Downer. All assets within IPS have regular scheduled maintenance programmed at recommended frequencies. This applies to above ground assets and below ground assets such as valves and hydrants on water supplies and manholes and pump stations on wastewater schemes. Frequency of maintenance inspections and assessment varies depending on task and asset type. Below ground piped networks do not receive scheduled maintenance but are assessed if there are known issues or if they are approaching end of life. This shows most schemes have been assessed at very good to moderate. Otautau, Riverton and Te Anau have been assessed as poor where the networks have been identified for further targeted renewals.

*Figure 5: Water supply asset condition by scheme type*



Significant portions of the pipe networks in the District are approaching the end of their useful life within the thirty year span of this strategy. Projected renewals are mainly based on end of useful life in consideration of further condition assessments. Maximising the economic life of the assets and determining the optimal time for replacement are important challenges.

Asset performance of Council's water supply network is assessed in terms of water leakage and water quality as follows:

**Water leakage** - Water loss can happen for a range of reasons, including leaks and breaks in the network and this results in Council treating more water than is needed. Council assesses its water losses through targeted surveys. Council intends to move to using Infrastructure Leakage Index as a water loss performance indicator which is consistent with industry best practice. Actual leakage is measured via surveys and water balance studies. There has been increased leak detection and repairs in 2019/2020 as well as a continuation of renewals in Te Anau and Otatau which has contributed to reduced water loss.

**Water quality** - Council has a suite of plans and processes to provide assurance that it is providing safe drinking water. These include water safety plans, operating procedures, and operations and maintenance manuals for the treatment plants. Council's water quality is measured monthly against the mandatory performance measures and reported in the Annual Report. Nine plants out of eleven achieved compliance for Drinking Water Standards for bacterial and protozoa compliance in 2019/2020. A new plant is being built for Eastern Bush/Otahu Flat which will address any water quality non-compliance issues.

In relation to protozoal compliance, Council achieved 91% in 2020. Measuring protozoal compliance required significant data capture of a number of parameters including pH, turbidity and UV transmission. Loss of even a small amount of such data can result in a non-compliance for the complete year. Council are currently budgeting to improve, and in some instances install, back up data capture and storage hardware to further reduce this risk. In addition, proposed changes to reporting requirements may drive need to review how this data is managed.

Council's current approach is to meter and charge larger commercial properties (eg hotels, factories) and charge volumetrically. Previously we have installed a number of meters at strategic locations across our water networks, primarily to help identify areas of high consumption where more detailed leakage detection programmes could then be undertaken. Universal metering is an accepted tool for management of demand and it is anticipated that it will continue to be promoted through ongoing reform programmes. In anticipation of this happening, we have made allowances in the upcoming LTP to install Acuflo manifolds on all connections across our networks that will allow meters to be readily fitted if and when the decision is made to universally meter all supplies.

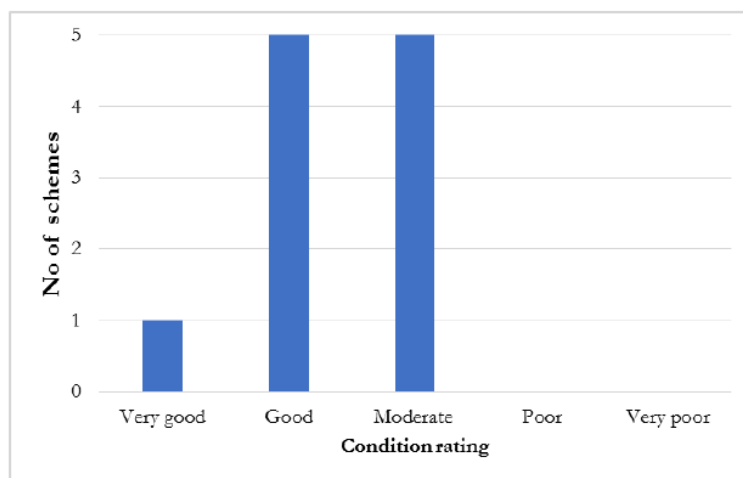
One known issue is the failure of certain types of asbestos cement water mains in Winton (some ahead of theoretical asset life). Council has developed a range of options for their replacement ahead of time and will consider these through the LTP 2031. It is estimated that there is 106 km of AC pipe remaining across all water supply networks with an estimated cost to replace being between \$30M to \$40M. Riverton, Otautau and parts of Te Anau are other networks that may be affected by this issue.

Information on age and asset performance is used to help develop the overall capital works delivery programme. Where assets are known to be in poor condition or showing poor performance, these are programmed for renewal. Information relating to age, condition and performance of water supply assets is well understood with relatively accurate information in Infor Public Sector (IPS). The confidence in the asset data held in the IPS database is considered to be reliable.

## Wastewater

The condition of wastewater assets is shown in Figure 6 by scheme types. This shows that all 18 wastewater schemes have been assessed at very good to moderate.

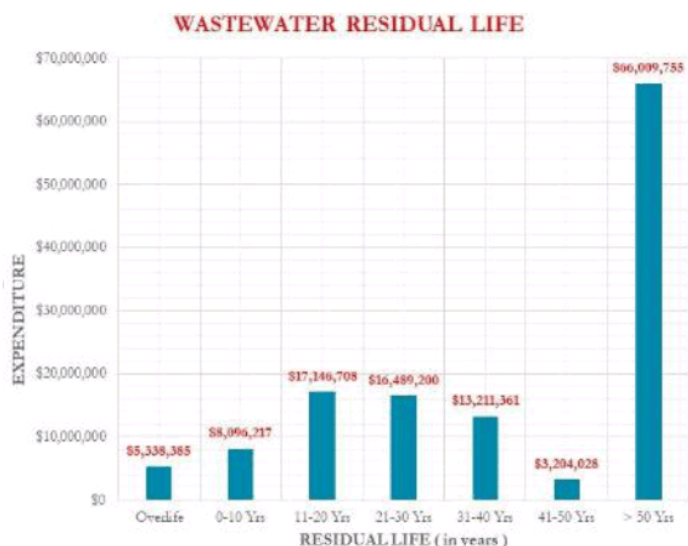
Figure 6: Wastewater asset condition by scheme type (source: Condition surveys, Downer)



Condition monitoring of pipes is undertaken on sewer pipes and rising mains between two and five years prior to upcoming renewals to help target expenditure. All above ground mechanical and electrical assets are serviced in accordance with the manufacturer's specifications with joint inspections undertaken to agree condition of above ground assets and to prioritise future capital work.

Remaining life of all wastewater infrastructure across the District is presented in the following figure. This indicates that a significant percentage of wastewater infrastructure still has greater than 50 years remaining life which is reflective of the relatively recent construction of a number of wastewater schemes. It is proposed to continue with detailed condition assessment on infrastructure close to reaching identified end of life so as to allow future prioritised renewals, consistent with good industry practice.

Figure 7: Residual life for wastewater assets



Asset performance of Council's wastewater network is assessed in terms of overflows and inflow and infiltration as follows:

**Dry weather overflows.** A dry weather overflow is an uncontrolled wastewater discharge that is not associated with a rain event. All pump stations are connected to a monitoring system so we can monitor and report failures. This helps us to effectively mitigate dry weather overflows from entering the environment and for reporting to Environment Southland. Dry weather overflows are reported as a mandatory performance measure and provided to Environment Southland. Blockage incidences occur from time to time but our asset performance for dry weather overflow events meet the industry accepted benchmarks and Department of Internal Affairs mandatory performance measure for 2019/2020.

**Inflow and infiltration.** We know operationally that some of our catchments are leaky. This is the term used to describe groundwater and stormwater entering into dedicated wastewater system resulting in the system becoming overloaded and overflows occurring. An ongoing programme of investigation will continue through the LTP 2031 in a bid to inform both renewals programmes and operational contract repairs.

Information on age and asset performance is used to help develop the overall capital works delivery programme. Where assets are known to be in poor condition or showing poor performance, these are programmed for renewal. To date there has been less maintenance issues across wastewater networks than the water supply networks. This is largely due to the age of the networks relative to both water and stormwater networks.

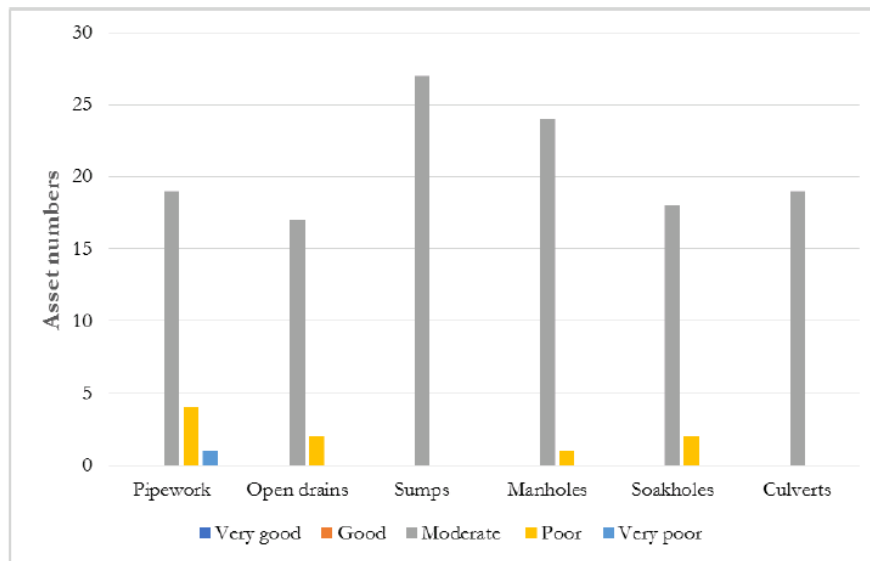
Information relating to age, condition and performance of water supply assets is well understood with relatively accurate information in IPS. The confidence in the asset data held in the IPS database is considered to be reliable.

### Stormwater

There is limited information available on the current condition of our stormwater assets. The asset condition has been assessed mainly from operational knowledge and based on data recorded in Council's asset management system.

The current condition of stormwater assets is shown in Figure 8. This shows most townships have stormwater assets assessed as moderate. Dipton, Manapouri, Riverton and Te Anau have pipework assessed as poor.

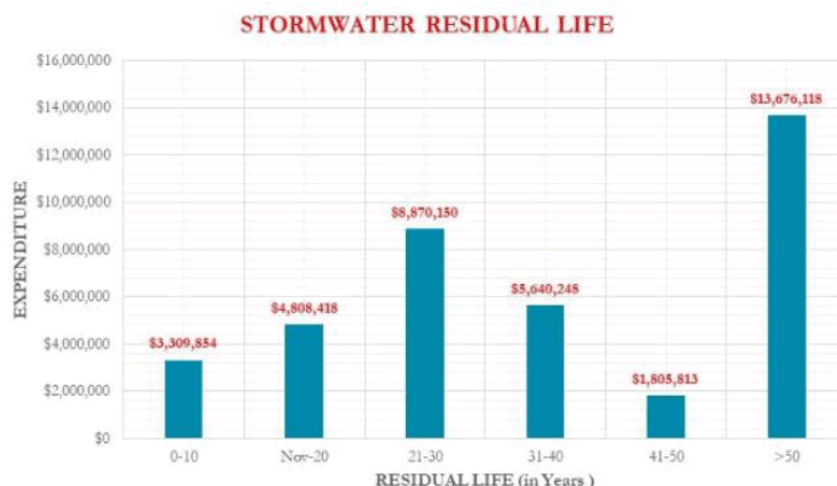
Figure 8: Stormwater asset condition by township (source: Council's INFOR (IPS) database)



Projected renewals are mainly based on end of useful life in consideration of further condition assessments. In order to improve confidence in asset conditions, operating budgets will be increased to cover the development of more detailed condition assessments across all of Councils stormwater networks, with a focus on the critical assets.

Remaining life of all stormwater infrastructure across the District is presented in Figure 9 below. This indicates that a step change in capital investment is required to replace these ageing assets and maintain the current LoS. This is particularly relevant in townships including Winton and Wyndham where the oldest infrastructure dates back to the 1930's, and should therefore be considered as aged and therefore ready for replacement.

Figure 9: Residual life for stormwater assets



Asset performance of Council's stormwater network is assessed in terms of capacity constraints (flood protection) and stormwater quality. Further work is required to evaluate specific context in relation to capacity constraints, secondary flow path assessments are also necessary as part of this work. Secondary flow path protection is identified as an issue to address through the upcoming work on the District Plan, funded as part of the LTP 2031.

The confidence in the asset data held in the IPS database is uncertain. However, the impact of this uncertainty on reactive maintenance is minimal, as Council has been operating within budgeted amounts set for reactive maintenance. Council recognises that this is a risk, until the uncertainty is addressed in the IPS. This means that decisions around asset data (quantity, material, age, location, condition) are mainly based on assumptions. This may cause difficulty in developing accurate renewals programmes.

### Waste services

The principal assets for this activity are approximately 20,000 wheelie bins, eleven recycling containers and seven transfer stations (two with waste compactors). These assets are inspected annually and generally known to be in good condition with budgets in place to undertake routine maintenance and minor improvements. Incremental wheelie bin replacements are assumed and incorporated into budgets. In relation to closed landfills retained in Council ownership, to date a programme of sampling and monitoring has not been established. However, in the first three years of the LTP 2031 there is funding set aside for investigation, programme development and potential remedial works identification.

### Community services

There is increased investment required in order to improve the general condition of the libraries resource across the District. It is also evident that the way in which communities interface with library services is also changing.

Our libraries are currently undergoing an upgrade to the RFID system and a number of fitout and refurbishment upgrades have been identified for the buildings in which the library services are provided within the period of the LTP 2031.

Although Council's portfolio of community housing is maintained to Healthy Home standards, the age of the housing stock is such that increased investment is required in the coming years. This expenditure has been integrated into the LTP 2031.

### **Community facilities**

The general condition of the community halls across the District is poor. There is an extensive programme of maintenance and refurbishment required over the course of the thirty year infrastructure strategy. However, it is recognised that in the first instance, further work is required to understand seismic capacity, utilisation, community needs and to ascertain whether the assets are fit for purpose. This work is scheduled for the early years of the LTP 2031.

The condition of public toilets across the District is generally acceptable and in some instances good. Following a period of underinvestment, Council have recently reviewed all assets in detail including updated detailed structural assessments. Renewals have been prioritised based on condition and criticality with a view to achieve 100 percent compliance with NZS 4241. There has been increased investment over recent years and this investment is programmed to continue over the LTP 2031 and beyond.

### **Open spaces**

Generally, Council's open space assets are in an acceptable condition. However, as above, investment is required to ensure service levels are appropriate and fit for purpose to meet communities' needs. Council has started a programme of asset data capture so that it is in a position to use an asset management application to manage the activity and make sure that the appropriate level of funding is available. This has started with a playground and green asset assessment, and will continue so that all assets will have condition, age and utilisation data captured in Council's activity management application, Infor property services management system (IPS).

The asset data and condition capture process prioritised investment requirements based on compliance with national standards, condition and minimum LoS, identified a number playgrounds in particular that required relatively urgent attention. This next phase through the LTP 2031 will entail a more considered and strategic approach to portfolio management in a bid to ensure that assets are fit for purpose and in the right location to meet community needs.

### **SIESA**

The condition of the SIESA network is fair. There are significant distribution network renewals necessary within the thirty year timeframe of this strategy. In recent years, the renewals programme has not kept pace with the depreciation of SIESA assets. As a result, the average age across generation and distribution assets has been increasing.

Although there is an ongoing programme of routine maintenance, the impact of deferred renewals on the average age and condition of generation and distribution assets should be acknowledged. An increased focus on renewals and the development of further resilience and up to date technology is planned from the first year of the LTP 2031.

In terms of performance, the network continues to operate well with minimal outages and KPI performance well within specified limits. Limits are set by Council based on commensurate performance expectations from mainland electricity networks. Ensuring the LoS received by the Island's residents is important. This is reflective of the maintenance and operations service provision capability.

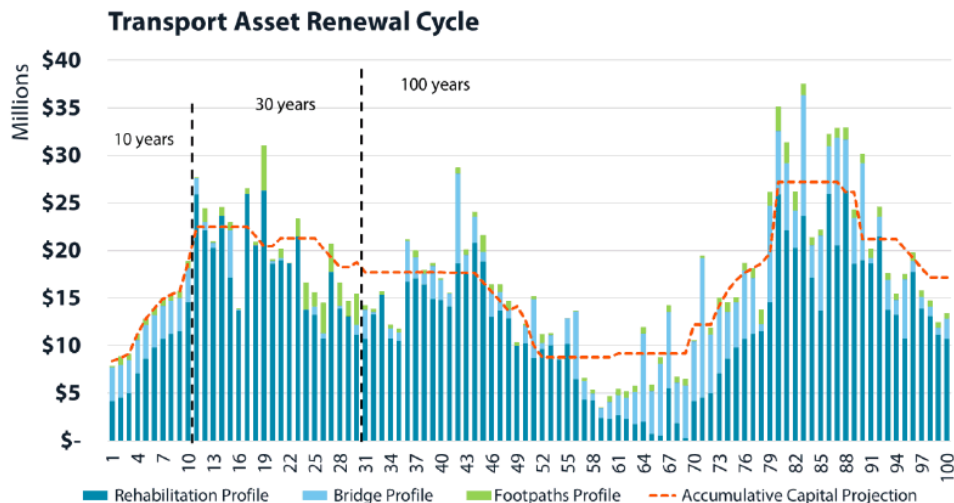
### **Water facilities**

The average condition of Council's water facilities is fair. There are some performance concerns regarding the extent to which the main assets within this portfolio meet community needs. Significant investment is programmed in the LTP 2031 to address these issues. This relates to Ulva Island Jetty and Golden Bay Wharf, the two largest assets within this activity.

## Strategic issues and priorities

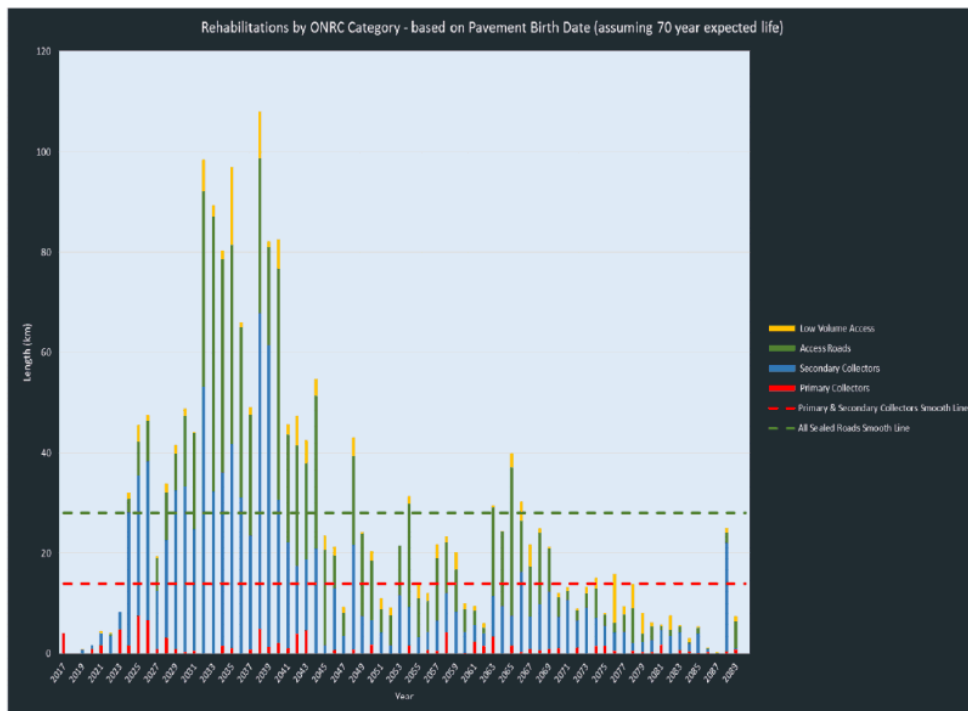
### Roads and footpaths

It is estimated that both the bridge network and road rehabilitations are currently underfunded by a significant amount. Based on 2018 valuation figures, it is projected that the programme of bridge replacements requires investment of approximately \$35M over the next 10 years. The 2018-2028 LTP has a funding commitment of approximately \$14M. The following graph provides an indication of the renewals profile. It is important to note that the LTP 2031 seeks to smooth the funding requirement to resolve the renewals funding shortfall. The Roads and Footpaths Activity Management Plan provides context as to the strategy for prioritising the programme of replacements to ensure efficiency of ongoing network operations.



In relation to the programme of rehabilitations, the 2018-2028 LTP established an approach of focussing on the 20% of roads that carry approximately 80% of the traffic volumes (primary and secondary collectors). In the next ten years through the LTP 2031, Council are continuing to focus on the higher volume roads and are planning to rebuild all of the programmed primary and secondary collector roads – 168 km in total. This represents a significant increase from current annual pavement rehabilitation funding of approximately \$3.5M in 2020/2021, to \$18.9M in 2030/2031. The following graph illustrates the renewals profile for Council's sealed pavement network.

Figure 10: Renewals profile for sealed pavement network



The scale of the network is an issue, in conjunction with the revenue currently generated to maintain the network. In the long-term, it is considered that there is a sustainability issue for the network. Options to close this gap include rationalisation, a reduction in LoS, or an increase in revenue generation.

It is anticipated that climate change will introduce a number of issues over time. These issues will predominantly be associated with increased rainfall intensity. This is likely to cause capacity issues for culverts and other drainage assets, extensive surface flooding, erosion and increased reactive maintenance costs.

### Three Waters

Strategic issues and priorities for Three Waters activities include:

Ageing infrastructure and the risks associated with delaying replacements at end of life. Council has included a more extensive renewals programme through the LTP 2031 and beyond. An example is the planned accelerated replacement of all asbestos pipework within water supply networks utilising Three Waters stimulus funding from central government

Over the medium to long term, Council will need to be more proactive in considering the implications of climate change on both communities and infrastructure. For Three Waters activities, this is likely to be related to issues of resilience during more prolonged drought, or intense rainfall periods

- ongoing compliance with increasing requirements of regional and national regulations and legislation. In particular this relates to Environment Southland's proposed People, Water and Land Plan, the Water Services Bill and Taumata Arowai. These new frameworks will pose challenges for our water supply, wastewater and storm water networks. Opex and capex budgets have been increased over the LTP 2031 period and beyond in order to respond to this

- funding and affordability of Three Waters service delivery is anticipated to continue to increase over the coming years, given the implications of the issues outlined above. The extent of this challenge will largely be determined by the upcoming changes to the regulatory and service delivery frameworks
- improving asset data knowledge is a high priority in ensuring effective and efficient Three Waters delivery and management. The focus is on critical assets. This is a challenge and a priority for all of Council's Three Waters networks.
- understanding the implications of the proposed service delivery and regulatory reforms in relation to not only Three Waters, but also all other Council services. At this stage there are a number of unknowns as the details of the reforms are yet to be finalised and communicated to local government.

### **Waste services**

The most important issues affecting this service over the upcoming ten year period are:

- gaining an understanding of the global recyclables market and how best New Zealand as a whole should adapt to best deal with any changes. This will likely require more reliance on on-shore processing and sale of recyclables as well as legislating certain products out of the marketplace, for example lower grade plastics
- the need to identify a long term solution for recycling. This is likely to require a change to the service and a need to consider a more regional collaborative approach potential across a number of regions
- the need to secure future long term contracts for rubbish and recycling services, noting the likely move to more standardised collections both in terms of recycling to be collected as well as how these should be presented
- management of contamination of collected product to maximise returns and avoid sending to landfill
- the need to achieve targets for waste minimisation and diversion of material from landfill to minimise the impact of any increase in the landfill levy
- the potential need for glass to be separated from other recyclables should wider regional collaboration become viable, or government mandated
- the need to investigate, monitor and identify any required remedial works for retired landfills in Council ownership.

### **Community services**

There have been recent amendments to the responsibilities for landlords. It is important that Council keeps pace with these responsibilities in relation to its community housing stock and services.

Acquisition of trained staff in library services is limited in the District. Further, as socio-demographics and economics change in the District, it is important to recognise the impact this will have on Council to meet the needs of its residents in association with community housing and library services.

There are pending changes to the way in which cemeteries and interments are regulated. This will have an impact on Council's service provision in this space.

As technology changes and the way in which communities interface with library related resources and services, it is important that the Council remains reactive and agile to these changes.

### Community facilities

There are a number of strategic issues and priorities associated with the community facilities activity. Some of the most pertinent issues and priorities include:

- ongoing underinvestment in Council buildings (community halls/centres, libraries, offices, toilets etc)
- seismic capacity assessments and resolution of subsequent issues. These assessments have already been undertaken for public toilets and Council offices. The next priority is libraries, community halls and other Council-owned buildings (eg sports clubs)
- strategic network assessment and prioritisation process
- as socio-demographics and economics change, the changing needs of the community and the way in which they interface with assets within this activity needs to be better understood in order to ensure that the assets and subsequent LoS are appropriate.

### Open spaces

A key priority that has been identified by Council is the need to take a more strategic approach to the way that open spaces (including parks and reserves) are managed and developed. In 2019, Council staff had new minimum LoS prepared for all activities within the open spaces portfolio. These will be implemented as contracts are renewed and facilities are replaced.

In 2017 Council commissioned a report to assist with setting priorities around the work needed to improve Council's open spaces, in line with the objectives of the 2014 Open Spaces Strategy, and as a result of increased use putting pressure on existing facilities in some areas. The report identified that considerable investment in the design and improvement of facilities is required, to make Southland's public spaces attractive and to meet the expectations and needs of the increasing number of users. Compliance with relevant national standards for playgrounds in particular is a priority for the open spaces activity.

Council have been gathering asset data and developing investment criteria to make sure that the funding that has been identified in the LTP 2031 is used to satisfy the recommendations in the open spaces strategy.

### SIESA

The activity is currently funded through electricity consumer fees and charges. The necessary addition of a third island-based operator in recent years due to increasing health and safety legislative standards has resulted in an operational budget deficit which is currently being funded via reserves.

A rates funding stream is proposed to be added through the LTP 2031 period in order to ensure any budget deficits are resolved and reserves are not depleted other than for renewals.

As indicated above, renewals in recent years have been minimal and relatively discretionary as funding/need dictates. It is proposed to change this approach and invest more consistently in line with depreciation rates to ensure asset and network condition and service resilience.

### Water facilities

The water facilities on Stewart Island/Rakiura have struggled to get sufficient funding to undertake basic maintenance. The capital projects that have been identified rely on funding from grants or loans which means that they may or may not go ahead. There is a heavy reliance of the Stewart Island Visitor Levy to

fund work associated with water facilities on Stewart Island/Rakiura. The affordability to fund maintenance and renewals on these structures for the island community has been identified as an issue.

In recent years there has been no specific budget identified for the water structures outside Stewart Island/Rakiura and the Riverton harbour. This has been addressed in the LTP 2031.

In addition to a lack of funding, a key limitation in recent years was the lack of formal condition assessment information on which to base future maintenance and renewal requirements. As part of the development of the water facilities activity management plan, assessment of these assets has been undertaken. The condition of the majority of jetties assets (79%) are rated as good or very good condition, with a minority assessed as poor. Recommended work is outlined in the activity management plan, particularly in relation to the Ulva Island and Golden Bay jetties. A maintenance plan for boat ramps is also part of the management of this activity over the course of the LTP 2031.

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## Key risks

### Roads and footpaths

Lack of accurate data and underinvestment in infrastructure are the top two identified risks for Southland District Council as a whole. These risks are relevant to the roads and footpaths activity. However, accurate data is less of a risk than underinvestment. A move towards improving the level of meta-data filtered through operations and maintenance contracts is a focus. Another focus is improving the quality of the handover documentation and data through the capital works programme.

It is proposed to increase the level of investment in rehabilitations and the bridge network in particular, in order to better manage the risk of underinvestment.

Other risks to the roads and footpaths activity include security of funding levels from Waka Kotahi as a major funding partner, climate change impacts, and industry resources both internally for Council and externally amongst contracting and professional services.

### Three Waters

The dominant risk for this activity is the capacity of Council to respond appropriately to regulatory and service delivery reforms. The key issues and risks for Three Waters align closely with a number of key strategic risks identified at a corporate level for all of Council's activities. The most relevant ones include:

- inaccurate data leading to bad decisions/asset failure
- underinvestment in infrastructure
- infrastructure not fit for purpose to withstand climate change
- natural or biosecurity event impacts the wellbeing of the District
- health and safety controls fail to protect staff and contractor safety
- difficulty retaining or recruiting staff affects service levels
- over-commitment leads to inability to deliver agreed work programme.

The activity management plans for Three Waters activities outline options for managing these risks along with an assessment of the implications.

**Waste services**

New Zealand places a heavy reliance on sending collected recyclables off shore for further processing. This leaves the country very vulnerable to changes in the global market place, as initiatives such as China Sword have demonstrated. Changes to the levy on waste to landfill have been proposed with the view of increasing our resilience in this space and moving away from relying on overseas markets. However, it is noted and generally accepted that the establishment of such facilities is still a number of years away and that short term solutions will still be required. These include limiting products capable of being processed as well as sending product to landfill if it is no longer suitable for recycling. This need to establish on-shore facilities will ultimately drive the need for a more regional collaborative approach to how we manage waste into the future.

The risk posed by retired landfills within close proximity to water catchments is another key risk for waste services. Particularly given anticipated changing weather patterns and increasing rainfall intensity. As is noted elsewhere in this strategy funding to undertake investigation and monitoring needed to determine any subsequent remedial work has been included in the first three years of the LTP 2031.

**Community services**

There are a number of critical risks relating to Council's provision of the community services activity as follows:

- service obsolescence (keeping pace with changes)
- under-investment in supporting facilities
- limited asset data on condition and performance upon which to make sound decisions
- inability to recruit trained staff
- affordability of maintaining existing LoS
- failing to understand the changes needs of communities.

**Community facilities**

The following are a list of the critical risks in relation to the community facilities activity:

- ongoing deterioration of community facility assets
- further community disengagement with the activity and assets
- lack of affordability in maintaining existing LoS
- community discord in relation to proposed rationalisation and prioritisation.

Further to the above, it is important to note that the top two identified corporate risks for the organisation are the lack of accurate data to inform decision-making and the underinvestment in infrastructure. These risks are relevant to this activity.

**Open spaces**

There are a number of critical risks relating to Council's provision of the open spaces activity as follows:

- service obsolescence (keeping pace with changes)
- under-investment in supporting facilities

- inability to recruit trained staff
- affordability of maintaining existing LoS
- failing to understand the changes needs of communities.

### **SIESA**

The number of consumers has remained fairly constant year on year. Given that current per kilowatt hour pricing is approximately three times the cost of electricity on the mainland, there is a concern that increases to the consumer price will risk loss of consumers and by implication a subsequent increase in price to remaining consumers.

The variability of the diesel costs is a risk. A number of assessments have been undertaken in recent years to determine whether renewable energy is feasible at current costs. To date it is not considered viable.

Resource capability and scarcity is also an issue for this activity. An expression of interest exercise and recent enquiries concluded that there is limited resource available in the market, outside of the incumbent, for the management and operation of the network. Whilst limiting the ability for competitive market pricing, this also has the potential to cause issues in coming years if the incumbent contractor opts to exit the contract or loses existing staff expertise. Given this, a recent focus has been around shoring up the services provision contract and adopting a more collaborative approach.

### **Water facilities**

The major risks associated with Council's water facilities activity include:

- public health and safety risk associated with the condition of some water facilities
- the degree to which the facilities meet the needs of the community
- the capacity of local communities to meet the funding needs for the facilities, given the local and variable nature of the funding mechanisms.

Each of the risks identified above are addressed through the LTP 2031 through the proposed programme of investment, the planned asset data improvement and the proposed change to funding mechanisms, with district contribution introduced.

## Levels of service (LoS)/ anticipated growth and demand

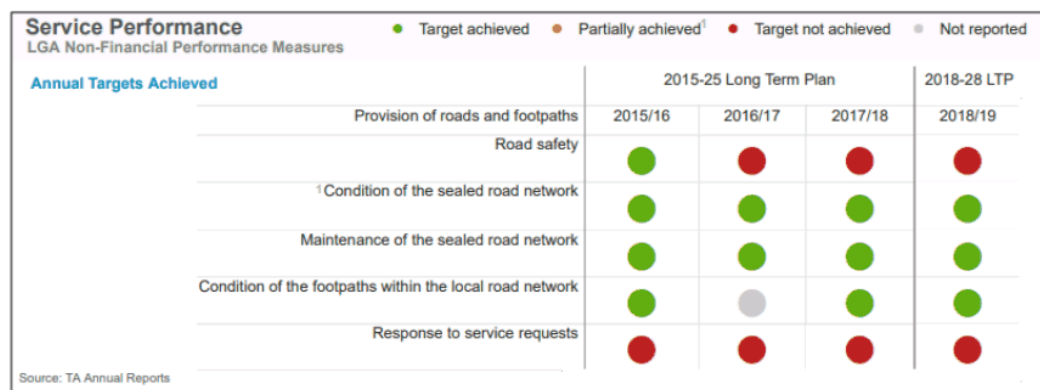
### Roads and footpaths

The focus for this activity is maintaining existing LoS. However, we anticipate that a significant step change in investment will still be required to maintain existing LoS. In the future, the LoS that network users are currently accustomed to will likely need to be reduced in coming years manage the level of investment required. It will be necessary to ensure that clear communication and consultation options are provided through the long term planning processes over coming years in order to strike the right balance and agree on trade-offs with the community between cost and levels of service provision. This will likely result in a conflict between community expectations and levels of service.

Table 4: Current roads and footpaths LoS and performance

LEVEL OF SERVICE	PERFORMANCE MEASURE	CURRENT PERFORMANCE
Roads are fit for purpose and provide for comfortable and efficient travel	Average quality of ride on sealed local roads	<b>Pass</b>
	Percentage of sealed local road network resurfaced	<b>Pass</b>
	Percentage of customer service requests responded to within required timeframes	<b>Fail</b>
	Percentage of gravel road tests where road roughness meets acceptable standards	<b>Pass</b>
A safe roading network	Annual change in the number of fatalities and serious injury crashes	<b>Fail</b>
Footpaths are safe, well designed, and well maintained	Percentage of footpaths in reasonable or better condition	<b>Pass</b>

Figure 11: Roading service performance



### **Water supply**

Our communities expect a safe and reliable supply and that this is delivered in an efficient and effective manner with minimal environmental harm. The focus for the water supply activity is maintaining existing LoS. These are to meet the mandatory performance measure as defined by the Department of Internal Affairs (this also applies to wastewater and stormwater). There are differing service level requirements for drinking water in comparison to rural stock water systems. However, as with roading, we anticipate that a significant step change in investment will still be required to maintain existing LoS across Three Waters activities.

The KPI's demonstrate how well we are meeting LoS. The majority of the KPIs established for the water supply activity are mandatory performance measures determined by the Department of Internal Affairs. It is evident that these are likely to change in the coming years following the regulatory reforms and the establishment of the new water regulator, Taumata Arowai. Council is meeting its LoS for drinking water safety and attendance and resolution of faults. Council is performing just below the LoS set for customer satisfaction and the percentage of water lost from networked reticulated system. In addition, residents are consuming 924 litres of water per day, compared to the KPI of less than 850 litres per day. Council is increasing its investment in leak protection and renewals, to improve water loss. Water consumption is predicted to decrease as a result. Further information on how the performance is measured is presented through the activity management plan for the water supply activity.

### **Wastewater**

The focus for the wastewater activity is maintaining existing LoS. However, we anticipate that a significant step change in investment will be required to maintain existing LoS across all Three Waters activities, given the proposed changes to both regulatory and legislative compliance obligations. As an example, Environment Southland's People, Water and Land Plan proposes an amendment in activity status for the discharge of wastewater to water, from discretionary to non-compliant. As a result of this, the cost to re-consent our wastewater treatment infrastructure has significantly increased. The Te Anau wastewater treatment system is a good example of this where the budgeted cost has effectively doubled through project development, consenting and delivery. Further, more often than not, the re-consenting process is required ahead of assets reaching the end of their useful lives.

The KPI's demonstrate how well we are meeting LoS. The majority of the KPIs established for the wastewater activity are mandatory measures determined by the regulator. It is evident that these are likely to change in the coming years following the regulatory reforms and the establishment of the new regulator, Taumata Arowai. Council is meeting all of its LoS for the wastewater network. This includes KPI's for system adequacy, response time to wastewater issues, management of environmental impacts and customer satisfaction. Further information on how the performance is measured is presented through the activity management plan for the wastewater activity.

### **Stormwater**

The focus for stormwater is maintaining existing LoS. However, we anticipate that a significant step change in investment will still be required to maintain existing LoS, keep pace with renewal requirements and meet proposed regulatory and legislative changes. Council has recently obtained four global consents covering 17 of our 22 stormwater networks. These consents and the subsequent conditions have significantly increased the monitoring and compliance obligations across these networks. It is anticipated that a number new mandatory measures are also likely to be introduced in the coming years, following the regulatory reforms and the establishment of Taumata Arowai. Further exacerbating the issue for stormwater, is the likely impact of climate change on the ability of existing networks to cope with

increasing rainfall intensity. Climate change is likely to drive the need to reassess capacity limitations and subsequent pipe sizes as opposed to replacing like for like. While the service provision remains the same for the community, the implications for network investment has the potential to be significant. It is important to note that due to data deficiencies in association with our stormwater activity, this picture will become clearer in the first three years of the LTP 2031 with the increased investment in condition assessments and monitoring.

The Stormwater activity management plan identifies the LoS that provide the basis for management strategies and works programmes for this activity. Council is meeting all of its LoS for the stormwater network. This includes KPI's for system adequacy, response time to stormwater issues, management of environmental impacts and customer satisfaction.

### **Waste services**

Ultimately, the community expects that waste management and recycling is a core service provided by local government. There will be a need to revisit current LoS, as it is evident that changes to this activity are likely over the coming years, due to regulatory mandates and incentives / disincentives established by central government.

Further, if there is an opportunity to look at regional collaboration in relation to recycling services, there will be a need to clean up contamination levels in our recyclables stream, in particular the removal of glass.

Service level commitments relating to diversion of recyclables from waste streams are not currently being met. Our commitment is 40%, however in recent years we have averaged only 29%. With a shrinking global recycling market there is concern that this will be further exacerbated in the short term at least.

The Solid Waste Activity Management Plan provides more detail on these anticipated changes and how the current LoS are measured and performance against targets.

### **Community services**

This activity provides funding or facilities that enable communities and visitors to participate in a range of educational, commercial, social and cultural activities. This ultimately assists in encouraging communities to be more socially connected and active, and contributes to Southland being a desirable place to live, work and play.

Committed services levels are currently being met in relation to community services. However, as socio-demographics and economics change, Council's LoS in this space need to be revisited in order to keep pace with community needs and expectations. Further work is required in order to better understand both community needs and expectations in association with this activity, as well as acknowledging a step change in investment required based on ageing infrastructure and substandard LoS in some instances.

### **Community facilities**

This activity enables communities to be more socially connected and active in assisting in making Southland a desirable place to be. These facilities provide a local hub where both residents and visitors can congregate to access services or engage in social activities. There are benefits to communities and the environment by reducing the likelihood of uncontained human waste impacting on the District, through the provision of toilet facilities.

Although LoS are largely being met in relation to community facilities, there will be a need to revisit current LoS, due to changing demographics and the way communities and visitors interact with these assets. Further, acknowledging a step change in investment, based on ageing infrastructure and

substandard LoS in some instances is anticipated. It is likely that this will require rationalisation and consolidation of existing assets in a bid to improve LoS in particular identified areas. Council is committed to working with its communities to better understand needs and desired outcomes.

The community facilities Activity Management Plan provides more detail on how the LoS are measured and performance against targets.

### **Open spaces**

Open space/parkland facilities are an important part of the community network of spaces and places which both residents and visitors enjoy. LoS are largely being met. However, the outcome of the 2019 representation review change has brought a different perspective to how community boards need to look at the locally funded assets they have within their areas. There has been a shift from a localised focus to a holistic approach when planning the governance of the assets. A holistic approach requires looking at societal changes, including population, access (roading and vehicles), use, operational cost and community views. It is necessary to look at appropriate LoS that will allow the open spaces activity to provide consistency throughout each community board's area of responsibility, as well as to acknowledging a step change in investment required based on ageing infrastructure and substandard LoS in some instances.

Council has identified in its strategic assumptions that due to the aging demographic and the increased demand on existing contractors, it may be difficult to deliver some existing services using traditional service providers. An alternative to this is to use Council's internal resource to cover more isolated areas that are not attractive to the larger contractors.

### **SIESA**

The current LoS is comparable with mainland power networks and relies on a staff of three operators. Due to the relatively few number of connections over which to distribute the cost of providing this service, Stewart Island/Rakiura consumers pay approximately three times more than mainland consumers.

Particularly in the context of the current operational contract renegotiation, there is an opportunity to scrutinise what an appropriate LoS is to the community, and balance this with the cost of providing that service. There also needs to be consideration to this question in the context of developing KPIs under a renewed contract.

### **Water facilities**

Water infrastructure in the form of 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 services where the only available access is by water. The Stewart Island/Rakiura community have identified that water facilities are an extension to their roading network.

Although technically LoS are currently being met in relation to water facilities, with the intended improvement in asset data it is anticipated that LoS across the portfolio will need to be revisited in the lead up to the 2024-2034 LTP to ensure community needs are being met. Acknowledging a step change in investment required is also indicated, based on ageing infrastructure and substandard LoS in some instances.

### **Evidence base for core infrastructure**

Council acknowledges there are limitations with its data that affect decision-making. A commitment to improving data collection and analysis is indicated below.

Table 5: Data improvements

ACTIVITY	ASSET SYSTEMS	DATA GAPS	DATA ANALYSIS	VALUE THIS DATA PROVIDES
Roading	RAMM GIS	Asset inventory and condition information for culverts  Basic information is missing for culverts whereas extensive information exists for most other roading assets	Maintenance requirements and condition assessment informing remaining life of assets	Proactive maintenance can be programmed  Long term renewal requirements can be mapped out  The value of these assets is a small percentage of the total roading assets but they serve an important function. Better data will allow better preventative maintenance and renewal programmes to be developed
		Asset inventory and condition information for sealed pavements  Extensive inventory and condition information exists now but ongoing data collection is essential	Condition information and renewal strategies	Development of more refined prediction models that aligns with the 80/20 principle and so gives a more accurate financial profile for 30 years. This will give a higher level of confidence to future long term plans
Water supply	IPS GIS	Underground assets condition information	Remaining life of assets	Allows for more accurate assessment of renewal profiles and the likely costs. This will help create a more accurate model for calculating depreciation. This will give a higher level of confidence to future long term plans
Wastewater	IPS GIS	Existing condition information is limited		
Stormwater	IPS GIS	Underground assets condition information  Existing condition information is only available for a small percentage of assets	Remaining life of assets and condition assessment	

ACTIVITY	ASSET SYSTEMS	DATA GAPS	DATA ANALYSIS	VALUE THIS DATA PROVIDES
<b>Waste services</b>	Excel GIS Pathway External shared services data system	Asset inventory and condition information for local disposal site and Material Recycling Facility (externally owned but critical infrastructure)	Condition information and renewal strategies	Allows for accurate assessment and development of investment profiles
<b>Community facilities</b> <b>Community services</b> <b>SIESA</b> <b>Open spaces</b> <b>Water facilities</b>	Excel GIS Pathway	Asset inventory and condition assessment for: <ul style="list-style-type: none"> <li>• cemeteries</li> <li>• Council offices and buildings</li> <li>• community facilities</li> <li>• community housing</li> <li>• parks and reserves including playground equipment, furniture and green assets</li> <li>• public conveniences</li> <li>• water structures</li> </ul>	Assets assessment and identification  Condition information assessment  Remaining life of assets	Proactive maintenance can be programmed.  Long term renewal requirements can be mapped out along with a works programme that will give a higher level of confidence to future long term plans

Condition and performance are currently assessed through review of data in the IPS database relating to planned and reactive maintenance activities. It is intended that that IPS database integrate community facilities data by June 2021. Council also relies on local operator knowledge and experience. Age and condition data within the IPS database will be regularly updated based on best available knowledge at the time. This will result in alterations being made to asset lives within individual systems.

Depending on the criticality of the asset, when an asset is nearing its expected useful life the asset is assessed and its remaining useful life determined. A run to failure strategy is applied to low criticality assets as the consequence of failure is not major and the costs of ongoing condition monitoring may outweigh the costs of failure. A risk and condition-based strategy is applied where there are significant implications due to failure, such as a major health and safety risk, significant reliability of supply consequence or significant expense in repair.

The approach to data collection and management will be discussed in the respective activity management plans and budgets included where appropriate.

## Significant infrastructure issues

The task of building, operating and maintaining our infrastructure assets in an **affordable** and **sustainable** manner is becoming increasingly difficult in view of the significant infrastructure issues we are facing. Managing affordability and sustainability is extremely complex in the context of:



- the intense infrastructure challenges Council is facing
- our communities being geographically dispersed
- our low ratepayer base.

Council endeavours to always act in the best interest of the community, and as a result sustainability and affordability is at the forefront of any plan, design and operational tasks that Council undertakes in relation to the provision of assets and services.

There is a close relationship between costs, LoS and levels of satisfaction and this will require careful balancing. In some cases, effort may need to be put into lowering expectations rather than raising service levels. In any event, Council will continue to pay close attention to managing any debt that it may take on in the next decade along with the level of rates and fees and charges, and the relationship of all of this to cost of living changes.

Council's response to the affordability challenge will focus on critical assets and activities. Should LoS trade-offs be required due to affordability issues in future, Council will prioritise expenditure on the critical assets discussed in the strategic context section earlier in the strategy (roads and footpaths, Three Waters activities). Council will use targeted rates in order that customers who benefit pay for a service. The financial strategy will continue to reflect the balancing of ratepayer affordability against community needs and aspirations. Council will consider alternative revenue streams and increase existing revenue streams where possible, while keeping rates as affordable and sustainable as possible through prudent financial management that complements asset management.

The significant infrastructure issues for Council are infrastructure deficits, changing government priorities and legislation, climate change and resilience. These are discussed in detail below, as well as Council's response to them.

## Infrastructure deficits

Our infrastructure has been built over multiple decades. There are a significant number of assets (including critical assets) across our suite of infrastructure that have already passed the end of their useful life, which constitute an infrastructure deficit. As infrastructure ages, reactive maintenance needs increase. A key challenge for the District is the balance between reactive maintenance, programmed maintenance, and the inevitable rehabilitation or replacement of assets that have both physically and economically run past the point of repair.

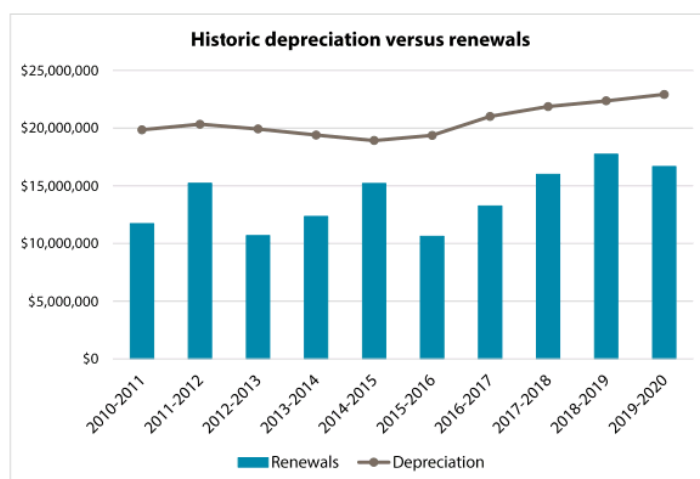
Infrastructure deficits are not isolated to ageing infrastructure, but also to infrastructure that is no longer fit for purpose. Assessing whether infrastructure is appropriate takes into account location, utilisation, changing demographics, competing priorities, and changes in the way our communities interact with infrastructure.

ASSET	ISSUE	CONSEQUENCE	STRATEGY
<b>Roads</b>	The average age of roads is increasing.	This increase will continue as more value is extracted from roads beyond their original intended value-exchange, especially low use roads that are pushed further out before renewal is justified.	It is critical to ensure that roading assets are not pushed beyond the efficiency threshold, which would mean maintaining the asset is more expensive than renewing it.
<b>Bridges</b>	The remaining lifespan of a number of wooden bridges in the District is reducing to the extent that renewal or significant structural upgrading is needed soon.	Over 10% of Council's bridging stock is posted (have weight and speed restrictions). A risk still remains from road users ignoring the restriction signs and driving overweight vehicles over the bridge which could cause catastrophic failure.	The strategy for managing the risk posed by sub-standard bridges is to impose weight and or speed restrictions so they are not subjected to unsustainable loads.
<b>Reticulation assets</b>	The age of reticulation assets is a risk because there is a deficiency of accurate inventory information.	The lack of inventory also means a lack of condition information.  There is the potential for failures given the ageing condition of this asset.	Together these two factors make up the most critical asset management components for predicting remaining life and therefore planning renewals.  An increased investment in reticulation assets across the Three Waters network as well as increased investment in condition assessment, particularly for stormwater.
<b>Three Waters</b>	Recent years have seen a number of reticulation failures requiring unplanned works and expenditure.  Meeting current and proposed regulatory requirements.	The performance of asbestos pipes in particular is a concern, and a significant extent of this pipe type remains across our Three Waters networks. In many instances this type of pipe has not performed as well as was expected.  Consequently, in some locations the expected lives are not being achieved and unplanned renewals are likely.	The water supply and wastewater assets are generally newer than the stormwater assets and the inventory and condition information is more accurate and complete for these assets.  Increased investment for these assets.
<b>Community facilities</b>	Many of the Council buildings, libraries, halls, community housing and	In view of the updated detailed structural assessment legislation, it is evident that	Increase in prioritised DSA assessments of Council buildings.

ASSET	ISSUE	CONSEQUENCE	STRATEGY
	playground equipment are at or nearing the end of their lifespans.	seismic performance has the potential to be an issue across the portfolio of buildings.	Allocation of appropriate maintenance budgets for these assets.

The Southland District covers a significant geographical area and is not particularly populous. As such, there is a large portfolio of assets and infrastructure for residents to maintain across a significant number of small communities.

It is evident there has been a period of underinvestment in recent times. In terms of financial capacity to respond to the challenges in the table above, Council has only in recent years been working towards fully funding depreciation, and thereby ensuring the capacity to invest in line with asset and activity renewals requirements. Depreciation is not fully-funded in the road and footpaths and Three Waters activities, and is not funded at all in relation to other infrastructure. Renewals have not kept pace with the committed works programmes, nor have they been programmed at a volume and value that is commensurate with acceptable industry depreciation indicators in some areas. As such, it is evident that Council has effectively been consuming assets at an unsustainable level.



There is the potential for funding capacity issues to emerge in years 2031-2051 of this strategy. This is particularly the case if increased investment is required due to assets failing to reach the end of their useful lives as a result of incorrect forecasting, increased regulatory compliance requirements or the impacts of climate change.

Council's financial strategy assumes that affordability of rates will be maintained such that median household rates sit below 5% of median household income. In 2019/2020, median rates (for Southland District and Environment Southland combined) made up 3.95% of median household income at an aggregate level. This is forecast to climb to approximately 6% by the end of the 2021-2031 LTP period.

Council has further work to do to better understand the longer term implications of its infrastructure funding requirements. Most notably, amendments to funding mechanisms, rationalisation of assets and LoS amendments might be required in order to ensure Council infrastructure is affordable over the long term.

#### Response to infrastructure deficits

Addressing the challenge of infrastructure deficits involves assessing the utilisation of Council's infrastructure, changing demographics, competing priorities and community needs. A balance will need to be achieved between LoS and cost, which are in competition with each other. In some cases, Council will need to engage with specific communities to ascertain the acceptable balance between providing a higher level of service and the cost of doing so.

Council will:

- closely monitor maintenance costs to show trends in failing assets as a guide to optimum renewal times
- apply a run to failure strategy to non-critical assets, as the consequence of failure is not major and the costs of ongoing condition monitoring outweigh the costs of failure
- improve condition monitoring
- study in more detail the performance of roads, including increased inspections of critical components, to be more certain about the useful lives of these assets and so manage the risk of unplanned failure or rapidly increasing maintenance costs. This will also lead to better alignment between asset management plans and depreciation models
- develop more reliable renewal programmes and improve the alignment between activity management plans and depreciation models
- drive its asset management interventions by data about the factors that determine the cost of service to our customers, including information about:
  - performance, condition and works, to understand the cost of service delivery and trends
  - forecast maintenance and renewal need and cost
  - trends in the effectiveness and efficiency of maintenance and renewal programmes.

Furthermore, there are a number of elements identified above in conjunction with Council's infrastructure deficits that also have an impact on the resilience of the infrastructure. For example, the maturity of the asset management system, including the accuracy and robustness of asset data, the condition and criticality of the assets, and the capacity and capability of the organisation and local market to deliver on commitments made. Each of these elements has been identified as areas of focus requiring improvement. Staff have been working towards incremental improvements in relation to each of these elements.

#### Asset management system

The organisation has commenced an asset management maturity assessment with a view to develop a prioritised asset management improvement roadmap for the short-medium term (3-5 years). Meta-data standards have been reviewed and updated, and asset registers established for community facilities and open spaces and additional modules purchased to migrate excel-based registers into our asset management system.

#### Delivery capacity

There has been significant focus on increasing both internal and external delivery capacity in recent years in a bid to ensure Council and the local market is well placed to respond to the increased expenditure anticipated over the next 30 years. A number of these areas include:

- changes to procurement policy with a view to increase efficiency and build capacity within the local market through work continuity confidence, larger packages for delivery and a variety of fit for purpose procurement procedures
- standardisation of contract documentation, payment terms, infrastructure design standards and asset handover documentation

- project workflow and gateway development
- programme management software system established
- establishment of an internal project management office with dedicated delivery staff
- a more robust reporting framework.

## Changing government priorities and legislation

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There are a number of areas that have been the subject of increasing regulatory and legislative pressures. These pressures are anticipated to grow in coming years. The resulting compliance thresholds have, and are likely to continue to, significantly impact the cost of service delivery in relation to these activities.

### Water

Regulatory reform that is occurring in this space centres on the Water Services Regulator Act 2020, which establishes Taumata Arowai. Taumata Arowai will become Aotearoa's dedicated regulator of the Three Waters: drinking water, wastewater and stormwater. When implemented, this legislation will give effect to decisions to carry out system wide reforms to the regulation of drinking and source water, and targeted reforms to improve the regulation and performance of wastewater and stormwater networks. It will include consideration of future service delivery arrangements.

In addition to regulatory changes, reforms to the way Three Waters services are delivered are also proposed. A more centralised model of delivery is likely to occur during the course of this LTP 2031.

Whilst it is a key challenge that Council adapt to these substantial proposed changes, our communities will continue to need Three Waters services. This strategy presents the likely requirements of providing water services under present delivery arrangements and current/expected future regulatory settings.

The National Policy Statement (NPS) for freshwater requires that Council have an accurate inventory of existing infrastructure in order to assess where investment is necessary to ensure compliance. This NPS also affects the District Plan and will require strategic thinking across the organisation as changes will impact different activity groups (water, building, communications, etc.).

These government and industry directives signal that additional capital expenditures will need to be made to the management, operation, maintenance, monitoring and reporting of Three Waters assets and services. The focus of Council's response to these changes is to be pro-active. Council is working with central government and cross regionally to be pre-emptive and better understand the proposed changes and the impacts they may have on Council services. This is with a view to ensuring robust service delivery for our communities. Additionally, Council commits to working closely with our iwi partners as an integral part of the decision making process.

### Land transport

The Government Policy Statement on Land Transport 2021 will take effect from 12 July 2021. The strategic priorities are:

- safety
- better travel options
- improving freight connections
- climate change.

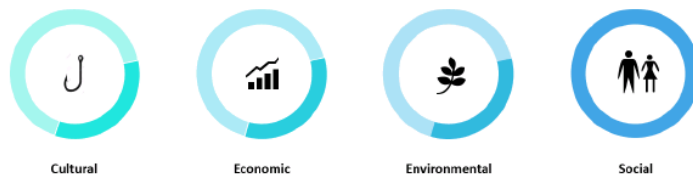
The Road to Zero Strategy 2020-2030 supports a significant and sustained improvement in road safety outcomes. Council is working with the Ministry of Transport Te Manatū Waka to implement the improvements to road safety in this strategy.

### The four well-beings



The Local Government (Community Well-being) Amendment Act 2019 moved away from the previous efficient, effective and appropriate service delivery focus by restoring the four community well-beings (cultural, economic, environmental and social). Council welcomes this move as it acknowledges its broader role in looking after communities, rather than simply providing core services. The four well-beings are being integrated into Council's procurement activities, in line with the Office of the Auditor

General (OAG), the Government Procurement Rules, and the requirements of the LGA. 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.



Council's initial assessment of each significant infrastructure project's contribution to the four well-beings are included in discussion of the most likely scenarios in this strategy. This assessment is subjective, and Council will further develop these contributions to the four well-beings in alignment with national guidance.

### Resource Management Act 1991 (RMA)

Central government has signalled major reforms to the RMA in the proposals from the 2020 New Directions for Resource Management in New Zealand (Randerson report). Though these changes will have a significant impact on Council's involvement in the resource management system, substantial lead time will be needed to make the transition to any new arrangements. It is appropriate that for the purposes of the LTP 2031, Council plans on the basis of the status quo.

### Summary

The aggregate impact of the changes described above have the potential to significantly change the form and function of local government responsibilities in relation to what has traditionally been considered local government core infrastructure activities. Further, these changes will further exacerbate the funding capacity for these, and subsequently, all other Council activities potentially requiring a review of priorities and service levels.

### Planning for climate change

The effects of climate change are likely to impact sea levels, ground water levels, rainfall and temperatures within the District, among other things. Council's long term infrastructure planning must promote

resilience to the effects of climate change to ensure it meets the future needs of communities. Council has already brought the effects of climate change to the fore in its decision-making around infrastructure. It has contributed funding towards the LiDAR (light detection and ranging) regional mapping project, in conjunction with Environment Southland, Invercargill City Council and Gore District Council. The information produced is valuable for spatial, land use and infrastructure planning, and civil defence/emergency management. Information provided through LiDAR can better inform infrastructure decisions and could potentially save many millions of dollars in infrastructure spend in locations with high hazard exposure.

In addition to the key assumptions for the Southland region relating to climate change, the following impacts and proposed actions that specific to Council infrastructure have been identified:

ACTIVITY	IMPACT OF CLIMATE CHANGE	PROPOSED ACTIONS
<b>Roading</b>	One of the main considerations is the potential for greater damage to bridges and roads in close proximity to rivers due to flood events caused by extreme rainfall, snowfall or snowmelt runoff. The issue of management and maintenance of all coastal roads under climate change needs to be considered due to the projected increase in sea level combined with spring tides. Another consideration for roading is frost occurrence, which is projected to decrease significantly by the end of the century. However, higher temperatures may cause issues with road construction and heat damage (eg to bitumen).	Following completion of the LiDAR mapping project, surface flooding and secondary flow path modelling will be undertaken to better understand resilience investment requirements and implications for the District Plan.
<b>Water supply</b>	Demand for potable water is likely to increase as temperatures rise, together with a likely increase in urban development across the region. Climate change impact on hydrological processes associated with increased temperature, current land practices and freshwater ecological demand are likely to increase competition for access to freshwater systems and current water supply capacities (quantity and quality).	Given our assumptions associated with increased rainfall intensity and periods of drought, it will be necessary to monitor water supply sources to ensure sufficient supply capacity remains over time.
<b>Stormwater and wastewater</b>	Stormwater and wastewater systems are particularly vulnerable to climate change as the discharge points of these systems are often at the lowest elevation of populated areas. As a result, small changes in rainfall extremes (intensity or duration), can overwhelm the current design capacity of these systems. In low-lying areas where groundwater is linked to the sea, sea-level rise will affect the performance of stormwater systems and wastewater systems where infiltration occurs. Droughts will also affect the performance and maintenance of wastewater systems, through reduction of the hydraulic loading with attendant increases in concentration of bio-chemical oxygen demands.	Council will consider rainfall forecasting to ensure pipe capacity is adequate for stormwater and wastewater activities.
<b>Waste</b>	In urban areas, climate change could impact the handling of waste sludge with increased maximum	As discussed elsewhere in this strategy, Council is committed

ACTIVITY	IMPACT OF CLIMATE CHANGE	PROPOSED ACTIONS
	<p>temperatures combined with increase in green-waste volume (due to increase in favourable growing conditions).</p> <p>Further, the resultant increasing rainfall intensity has the potential to cause issues for closed landfills within close proximity to waterways and overland flowpaths.</p>	<p>to investigation and monitoring in association with closed landfills, with a view to implement required remedial action or resource consents as necessary.</p>

Council will also:

- participate in the development of a regional climate model so as to base future decisions on a model commonly used across the region
- require engineers to be aware of changing weather patterns and to make every effort to acquire the latest available rainfall data when calculating hydraulic capacities for relevant infrastructure design.

## Resilience

Council customers have a high expectation of continuing functionality and service delivery. Resilience is based on a design philosophy which acknowledges that failure will occur. Resilience requires early detection and recovery, but not necessarily through re-establishing the failed system.

Recent high profile natural disasters have raised public awareness in this regard, but there is still a significant need to increase actual preparedness, both in general terms (eg household plans and emergency supplies) and for specific circumstances (eg tsunami preparedness in coastal communities). However, resilience is not only applicable to natural hazards, but also needs consideration at an operational level where an asset failure is not necessarily a service failure.

Council has to consider managing and mitigating the risks to, and the resilience of, its infrastructure assets from natural disasters. Council acknowledges that resilience is not only about physical assets, it is about the people. It includes but is not limited to:

- connecting people and communities (neighbour to neighbour, education, access to household resilience items, etc)
- supporting community organisations
- the built environment and asset systems which are robust.

Council's forecasting assumptions have identified that the next severe earthquake on the Alpine Fault is likely to occur within the lifetime of most of us or our children. Council is assuming that no significant earthquakes, flooding, tsunami and other hazards outside of expected risk assessments will occur within the ten years covered by the LTP 2031. Under almost every climate change scenario, storms and therefore flooding will become more frequent and intense and communities will feel the effects more regularly and intensively. It is assumed that these events can be managed within current budgets. Borrowing 'headroom' to fund Council's share of a rebuild in relation to a 'maximum probable loss' scenario is provided for within the financial strategy.

Council is a member of the Local Authority Protection Programme Disaster Fund (LAPP), a cash accumulation mutual pool. Civic Financial Services is the fund's administration manager. The LAPP Fund was established in 1993, to help its New Zealand local authority members pay their share of

infrastructure replacement costs for water, sewage and other uninsurable essential services damaged by natural disaster.

The fund is designed to cover local authority owned infrastructural assets which are considered generally uninsurable. These include:

- water reticulation, treatment and storage
- sewage reticulation and treatment
- storm water drainage
- dams and canals
- flood protection schemes including stop banks
- floodgates, seawalls and harbour risks such as buoys, beacons and uninsurable foreshore lighthouses.

Roads and bridges are not covered by the fund as local authorities have access to Transfund subsidies.

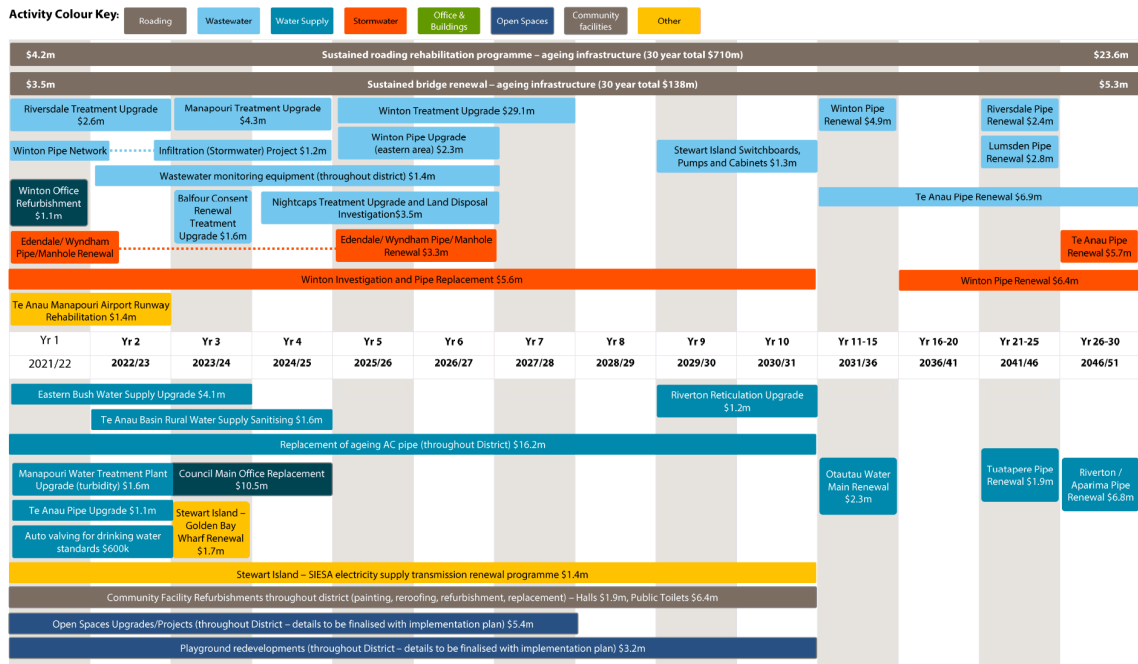
This fund is designed as catastrophe protection only, covering serious disruptive loss or damage caused by sudden events or situations which may or may not involve the declaration of a Civil Defence Emergency.

Perils include but are not necessarily limited to earthquake, storms, floods, cyclones, tornados, volcanic eruption, tsunami and other disasters of a catastrophic nature such as a major gas explosion.

**Significant decisions required**

Taking a long term view to the management of infrastructural assets, Council needs to make key decisions in a timely manner. In addressing community desires and priorities the following key decisions have been identified.

Figure 12: Significant decisions required – 30 Year Infrastructure Strategy Project Map



## How we manage our infrastructure

### Our approach to activity management

#### Asset Management Policy

In providing services to residents and visitors through the use of infrastructural assets, Council has an Asset Management Policy. The current policy's purpose is "to provide a desired level of service (as defined by the community of Southland District) through the management of assets in the most cost effective and sustainable manner for present and future customers. Asset and activity management planning provides direction for future management of assets and activities and a robust basis for long term financial forecasts."

Council's Asset Management Policy provides direction as to the appropriate focus and level of asset management practice expected within the District.

Each activity management plan will show the gap between the existing level of asset management planning and the desired level of asset management planning. The activity management plans will contain improvement projects that when achieved will close the gap towards the desired level.

#### Renewals

Renewals planning involves the culmination of a number of data sets including the assessment of asset age, condition, and criticality, coupled with a rationalisation against available budgets. Asset lives are generally determined using a combination of best practice design life information, from sources such as the International Infrastructure Management Manual (IIMM) and ISO 55000, and condition data gathered from asset assessment processes. The data informing renewals planning is more mature in association with our core infrastructure (roads and footpaths and Three Waters), than it is in relation to community infrastructure. This is covered elsewhere in this strategy and in activity management plans.

Prior to undertaking renewals, an assessment of service level requirements and demand requirements is also considered.

#### Demand

Changes in demand in Southland have traditionally not been significant. However, there are cases of both demand increases and decreases in recent years. Some of the factors that have the potential to impact demand and subsequent capacity implications include: population numbers and demographic changes sourced from census data, tourism visitor numbers, and changes to industry make up ie business diversification or increases. Council works closely with Great South, our Regional Economic Development Agency, along with other providers in the space such as BERL, to ensure our data remains current. Further, there are monitoring mechanisms employed across our networks, such as traffic counters and flow meters tracking volumetric data that similarly record demand trajectories.

#### Levels of service (LoS)

Levels of service are established in conjunction with our communities through consultation processes either in isolation or as part of the Long Term Plan process. Council LoS performances are measured and reported quarterly through the corporate performance framework. Each LoS has at least one (and more often than not, additional) key performance indicators (KPIs) that enable Council to measure and track performance against specified LoS.

A number of service levels and subsequent KPIs in relation to core infrastructure are mandatory. Council adhere in these instances to local government industry requirements. However, in association with our core infrastructure, Council also seek to establish additional management levels of service to ensure useful metrics are available in determining whether community needs and expectations are being met in conjunction with commitments made.

### Delivering capital programmes

The delivery of the capital works programme has been the subject of focus over recent years, particularly in light of the step-change in investment levels that Council is endeavouring to undertake. The programme has seen marked volume improvement in recent years, however further work is still required in order to ensure committed work is delivered.

Council have established and resourced an internal project management office (PMO) to build both delivery capacity and capability. In conjunction with the establishment of the PMO, Council have implemented CAMMS programme management software to track programme and project performance, provide appropriate reporting and manage project phasing. Contract management and procurement activities have been overhauled with a policy update and production of a procurement manual to better assist with efficiency in this space.

With regard to specialist areas, Council has been working closely with the market to ensure the capability is available and capacity is able to be developed through surety of works continuity. Our design and build bridge programme and Three Waters reticulation panel are good examples of this.

Lastly, concerted effort has been focused on ensuring existing delivery mechanisms are being used efficiently including existing operational contracts, in particular in relation to Council's water and wastewater contract, and the roading alliance contracts.

## Most likely scenarios

### Principle options for managing issues



Section 101B(2) of the LGA states that the purpose of the infrastructure strategy is to:

- (a) identify significant infrastructure issues for the local authority over the period covered by the strategy; and
- (b) identify the principal options for managing those issues and the implications of those options.

In developing this 30 year strategy, Council identified the anticipated significant infrastructure issues over the next 30 years and considered each significant action and the benefits of the action. The significant infrastructure issues faced by Council with the benefits and costs are tabled below. The preferred option for each issue are shaded, and have been provided for in the budgeted financial modelling. The time period in each table indicates the dates when the works are proposed to occur. Adoption of this strategy through the LTP 2031 is part of the decision making process for these projects.

Each project includes an assessment of the project contribution to the four well-beings. The project contribution assessments consist of low, moderate and high.

Low	
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Moderate	
High	

## Roads and footpaths

The following graph highlights the proposed overall expenditure for the roads and footpaths activity:

Figure 13: Roads and footpaths total expenditure

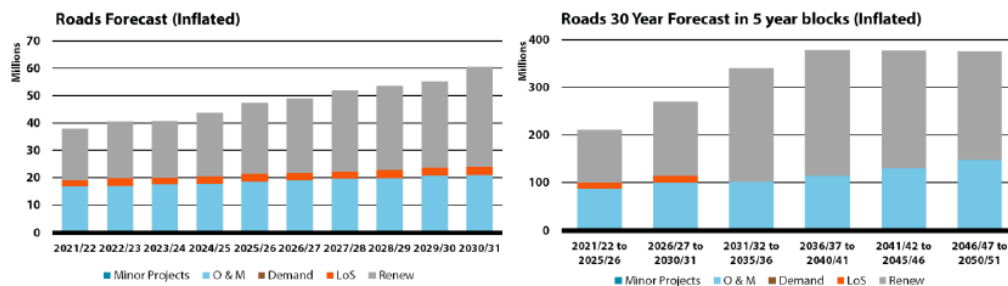
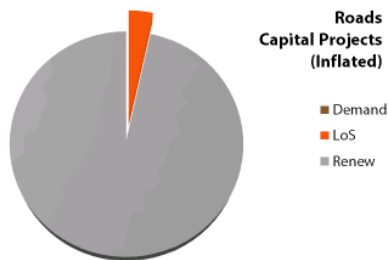














Figure 14: Drivers for roads and footpaths capital projects



Significant infrastructure issues are tabled below. The highlighted option is the preferred approach for addressing the identified issue.

BRIDGE NETWORK DEFICITS		
There are over 161 bridges that require replacement over the next 10 years at an approximate cost of \$35M (2018 valuation). There is an increased risk to road users if the bridges are kept open but with reduced postings (weight restrictions). Unless appropriate funding is allocated to resolve this issue, a number of bridges will require closure resulting in a drop in level of service for road users.		
Option 1 - status quo	If bridge renewal investments remain the same, the LoS will reduce and will increase the risk of bridge failure.	
Option 2 – increased investment	Increase the annual bridge renewal investment to \$3.5M and bridge maintenance investment to \$0.5M. This option ensures that the existing level of service is able to be retained. This option assumes that will continue to receive a 52% subsidy from Waka Kotahi NZ Transport Agency for our total roading programme.	
Time period	2021 onwards	
Cost	\$3.5M capex in 2021 to \$4.3M in 2030/31 \$0.5M - \$0.6M/annually opex from 2021	\$ 30.0M (inflated) over 10 years
<p><b>Project Contribution to the Four Well Beings</b></p> <div>  <p><b>Cultural</b> The transport system ensures communities are connected and desirable</p> </div> <div>  <p><b>Economic</b> Providing 24/7 access for businesses and consumers for the efficient movement of people and goods</p> </div> <div>  <p><b>Environmental</b> Council endeavours to avoid, where practicable, adverse effects on the environment and mitigate others.</p> </div> <div>  <p><b>Social</b> Progressive and proactive improvement of safety features of roads and footpaths</p> </div>		

SEALED ROAD MANAGEMENT			
Ageing pavements along with increasing numbers of seal layers will prove to be a challenge to maintain existing LoS. Much of Council's pavement is expected to reach the end of its useful life at roughly the same time due to being constructed between the mid-1950's and 1970's. Some pavement is going to require rehabilitation early due to the number of seal layers leading to seal layer instability (6+ layers). Seven seal layers pavements are expected to reach a 65 year life (30km/p/a ≈ \$12M p/a). \Six seal layers - 58 year life (≈ 30km/p/a ≈ \$14M p/a).			
Option 1 - status quo	If sealed road management investments remain the same, the LoS will reduce and will increase the risk of failure.  Some roads may have to revert to gravel if no additional investment is carried out.		
Option 2 – increased investment	Steadily increase the annual sealed road rehabilitation investment over the first 10 years of the strategy from \$4.2M in 2021/2022, to \$18.9M by 2030/2031 at which point this number is proposed to be smoothed to an extent for the remaining period of the strategy.  The risk of not responding proactively to the known underinvestment is moderate (short term) to high (longer term) for the transport activity. This risk will continue to increase over the next LTP period unless there is a significant increase in investment now, or a lower LoS is agreed.  This option assumes that will continue to receive a 52% subsidy from Waka Kotahi NZ Transport Agency for our total roading programme.		
Time period	2021 onwards		
Cost	Steady increases from \$4.2M in 2021/22 to \$18.9M/ annum by 2031  \$3M to \$4M per annum opex	\$ 138M (inflated over LTP 2021-2031)	
Project Contribution to the Four Well Beings			
			
<b>Cultural</b> The transport system ensures communities are connected and desirable	<b>Economic</b> Providing 24/7 access for businesses and consumers for the efficient movement of people and goods	<b>Environmental</b> Council endeavours to avoid, where practicable, adverse effects on the environment and mitigate others	<b>Social</b> Progressive and proactive improvement of safety features of roads and footpaths

TE ANAU MANAPOURI AIRPORT – BALANCING STRATEGIC IMPORTANCE WITH AFFORDABILITY		
<p>The majority of airport operational expenditure is funded from rates that are levied at the community level rather than District level. This is supplemented with fees from airport operations. The airport currently complies with Part 139 of the NZ Civil Aviation rules. Removal of this certification would result in scheduled aircraft over 3500kg being unable to use this airport. Without change, the burden on local ratepayers may outweigh the strategic benefit to the local community. Furthermore, maintenance demands will place increasing pressure on operational budget unless pavement interventions are implemented on the airport runway.</p>		
Option 1 – status quo	The operational and capital works budgets remains largely unchanged. This option risks inadequate funding for maintaining the facility to a minimum standard and likely results in Part 139 certification non-compliance.	
Option 2 – moderate increase to capex budgets	Further investment to maintain the existing LoS including the runway and retention of the Part 139 certification.	
Option 3 – further focus investigation	<p>Invest in better understanding the following:</p> <ul style="list-style-type: none"> <li>• the strategic benefits of the airport for the Te Anau basin and wider District</li> <li>• ongoing asset management investment requirements for the facility</li> <li>• maintenance of the Part 139 certification</li> </ul> <p>This option is expected to result in a better informed decision-making environment as to the next steps associated with this facility.</p>	
Time period	2021-2023	
Cost	The proposed option involves approximately \$1.4M of capex investment over the next 3 years.	\$1.4M (inflated)
<p><b>Project Contribution to the Four Well Beings</b></p> <div> <div>  <p><b>Cultural</b> The transport system ensures communities are connected and desirable</p> </div> <div>  <p><b>Economic</b> Providing 24/7 access for businesses and consumers for the efficient movement of people and goods</p> </div> <div>  <p><b>Environmental</b> Council endeavours to avoid, where practicable, adverse effects on the environment and mitigate others.</p> </div> <div>  <p><b>Social</b> Progressive and proactive improvement of safety features of roads and footpaths</p> </div> </div>		

## Water supply

The following graph highlights the proposed overall expenditure for the water supply activity:

Figure 15: Water supply total expenditure

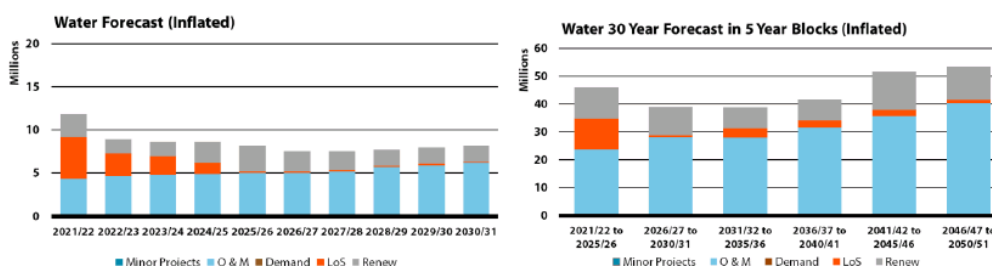
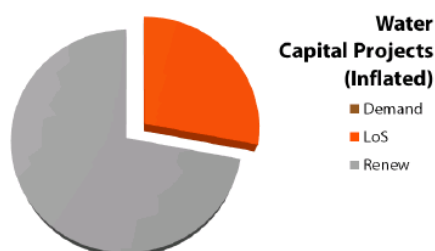


Figure 16: Drivers for water supply capital projects







Factors driving an increase in operational expenditure include:

- new operations and maintenance contract will be in place mid 2022
- increased condition assessment programme
- increase in depreciation funding
- change to the way that corporate costs related to the Three Waters and Waste Services have been allocated compared to prior years.

Factors driving increases in capital expenditure include:

- improvement to rural water supplies
- improved protozoal compliance and resilience
- accelerated renewals programme
- increased resilience in relation to data capture.

Significant infrastructure issues are tabled below. The highlighted option is the preferred approach for addressing the identified issue.

CHANGING DEMOGRAPHICS AND TOURISM IMPACTING DEMAND	
<p>It is assumed that changing demographics, population growth and increased tourism will increase the demand requirements for the water supply networks in some parts of the District. An example of this to date is the Te Anau water supply scheme.</p> <p>The Te Anau water supply is operating at full capacity at peak times of the year. A reduced LoS is likely during high demand period if this issue is not addressed.</p>	
Option 1 - status quo	In an effort to maintain existing agreed LoS the assets will be 'sweated' beyond end of life. This will result in increased supply interruptions and maintenance. If assets are not maintained there will be a significant reduction in LoS.
Option 2 – Optimum service delivery to match demand	Maintain existing supply and reticulation capacity noting this is anticipated to meet future demand. This will ensure continuity of existing service level commitments.
Option 3 – Increased investment	Extension of the treatment and reticulated network to rural parts of the District. This is an increase in existing service levels and will significantly increase both the capital and maintenance commitments for the activity.
Time period	2021 onwards
Cost	This will change proportionally, depending on where the project occurs and the detailed analysis to determine capacity requirements.
<p><b>Project Contribution to the Four Well Beings</b></p> <div>  <p><b>Cultural</b> Our water services acknowledge and considers the cultural values</p>  <p><b>Economic</b> Our water services are reliable, affordable and enable development in the District</p>  <p><b>Environmental</b> Our water services support the sustainable use of natural resources</p>  <p><b>Social</b> Our water services endeavour to keep our people safe and healthy</p> </div>	

### ENVIRONMENTAL STANDARDS, RESOURCE CONSENTS AND LAND USE

Changes to the regulatory and delivery environment for Three Waters activities brought about by the national Three Waters review currently underway is likely to result in significant additional costs to both operational and capital works.

These changes have the potential to affect the scope of supplies under Council mandate, the treatment and supply requirements, and increased complexity in terms of compliance.

Though the extent and timing associated with these changes is not yet clear, it is assumed that these changes will start to have an immediate impact to the way in which Council is required to manage these networks.

Main options	Implication of options
Option 1 - status quo	Manage response to changing regulatory environment within current investment levels. Involves significant risk of failure to meet LoS due to increased public health and environmental standards, as well as climate change stress on the system. There is concern that this approach would result in ongoing compliance issues with the national regulator ultimately jeopardising Council's mandate to provide these services.
Option 2 – increased investment	Increase resource and investment over 10 years to continue to deliver the agreed LoS while meeting new regulatory requirements. Additional resource and investment will determine adequacy of LoS provision. Affordability and availability of additional resource may continue to pose an issue for Council as markets seek to bolster their resources in this area.
Time period	2021 onwards
Cost	Significant impact, but extent is unknown at the time of writing this strategy

#### Project Contribution to the Four Well Beings



**Cultural**  
Our water services acknowledge and considers the cultural values







**Economic**  
Our water services are reliable, affordable and enable development in the District



**Environmental**  
Our water services support the sustainable use of natural resources



**Social**  
Our water services endeavours to keep our people safe and healthy

RETICULATION RENEWALS		
A significant amount of water supply reticulation across the District is nearing the end of its useful life. In some areas, pipework has been subject to earlier than anticipated failures. Further, it is evident that there are reasonably significant water losses in some areas of the District.		
Main options	Implication of options	
Option 1 - status quo	Continue to work through the current renewal programme assuming design lives are able to be achieved. There is a risk that this approach will result in increased supply interruptions and maintenance costs. Knowing what we know regarding design vs actual lives and water loss data from our networks, this option is effectively accepting a reduction in LoS over the long term.	
Option 2 – Optimum service delivery to maintain LoS	Minor acceleration of remaining asbestos cement pipes renewal over the first 20 years of the strategy, ramping up initially from an estimated \$1M capex per year to an estimated \$3M in later years. As reticulation continues to fail at an accelerated rate, an increase in maintenance cost is also anticipated.	
Option 3 – Accelerated renewal programme to reduce likelihood of failures	This option involves the inverse of option 2 whereby a more aggressive renewals programme is undertaken in the first 10 years with a reduction over the second 10-year period. This option would reduce the risk of failures and potentially reduce the reticulation maintenance cost over the entire 20-year period.	
Time period	2021 to 2041	
Cost	\$1.4M/ annum on average over a 20 year period	\$ 29M (inflated)
<p><b>Project Contribution to the Four Well Beings</b></p> <div>  <p><b>Cultural</b> Our water services acknowledge and considers the cultural values</p> </div> <div>  <p><b>Economic</b> Our water services are reliable, affordable and enable development in the District</p> </div> <div>  <p><b>Environmental</b> Our water services support the sustainable use of natural resources</p> </div> <div>  <p><b>Social</b> Our water services endeavours to keep our people safe and healthy</p> </div>		

## Wastewater

The following graph highlights the proposed overall expenditure for the wastewater activity:

Figure 17: Wastewater total expenditure

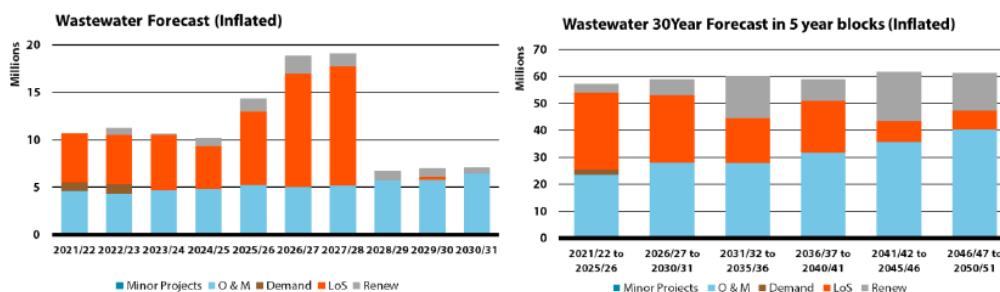
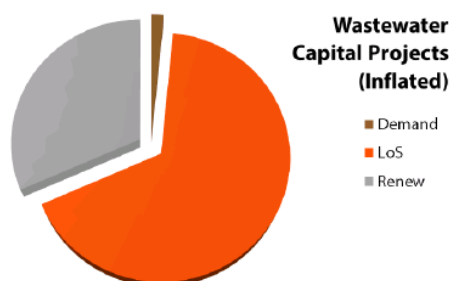


Figure 18: Drivers for wastewater capital projects



Factors driving an increase in operational expenditure include:

- a new operations and maintenance contract will be in place mid 2022
- increased condition assessment programme
- increase in depreciation funding
- change to the way that corporate costs related to the Three Waters and Waste Services have been allocated compared to prior years.

Factors driving increases in capital expenditure include:

- significant upgrades of wastewater treatment given regulatory changes
- accelerated renewals programme.

Significant infrastructure issues are tabled below. The highlighted option is the preferred approach for addressing the identified issue.

#### WASTEWATER ENVIRONMENTAL STANDARDS, RESOURCE CONSENTS AND LAND USE

There is increased focus from central government and local regulatory authorities on the sensible, sustainable management of water. It is assumed that there will be changes to both the regulatory and delivery mechanisms for Three Waters over the coming years. As an example, the proposed Land and Water Plan for Southland proposes that discharge of wastewater to water is no longer an acceptable practice. Most of Council's wastewater treatment plants discharge to water and will require new consents over the next 15 years. This will necessitate alternative treatment and discharge technologies at wastewater treatment plants.

Main options	Implication of options
Option 1 - status quo	Manage response within current investment levels. This will result in continued non-compliance of environmental standards.
Option 2 – increased investment	Increased budgets to meet anticipated investment in line with revised regulatory framework.
Time period	2021 onwards.
Cost	Significant impact, but full cost extent is unknown at the time of writing this strategy. Current approach is to increase budgets for upcoming treatment plant consents and renewals at end of consenting period through the 2021-2031 LTP.

#### Project Contribution to the Four Well Beings



**Cultural**  
Our water services acknowledge and considers the cultural values



**Economic**  
Our water services are reliable, affordable and enable development in the District



**Environmental**  
Our water services support the sustainable use of natural resources



**Social**  
Our water services endeavours to keep our people safe and healthy

## Stormwater

The following graph highlights the proposed overall expenditure for the stormwater activity:

Figure 19: Stormwater total expenditure

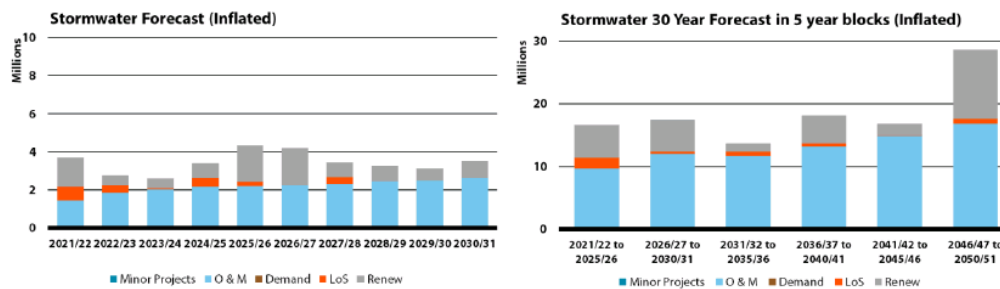
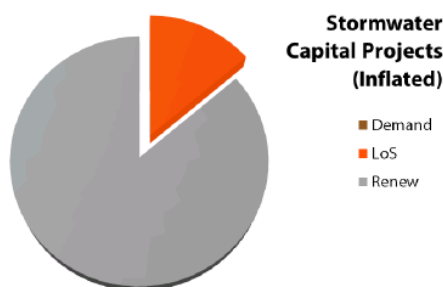


Figure 20: Drivers for stormwater capital projects











Factors driving an increase in operational expenditure include:

- new operations and maintenance arrangements increased budgets
- increased condition assessment programme
- increased costs for compliance and audits of consented sites
- change to the way that corporate costs related to the Three Waters and Waste Services have been allocated compared to prior years.

Factors driving increases in capital expenditure include:

- improvements to discharges not meeting consent compliance conditions
- overdue renewals programme.

STORMWATER REGULATORY FRAMEWORK		
<p>There is increased focus from central government on the sensible, sustainable management of water with a National Environment Standard (NES) associated with discharges from wastewater and stormwater networks currently being developed. Further to this, 17 towns across the District now have stormwater consents that involve the introduction of extensive sampling and monitoring requirements. Council will need to undertake further investigation to understand the impact on budgets moving forward. However, the assumption is that in order for councils to remain compliant with the tightening regulatory environment, it will be necessary to increase investment in this area.</p>		
Main options	Implication of options	
Option 1 - status quo	Manage response within current investment levels. This will result in continued non-compliance of environmental standards.	
Option 2 – staged increase in investment to address identified issues	<p>Increasing condition survey and sampling programmes to determine remaining life of assets, capital investment requirements in future years and subsequent prioritisation.</p> <p>Non-compliances are still expected over the short-medium term.</p>	
Option 3 – Aggressive increase in investment to address identified issues	<p>Aggressive increase in condition survey and sampling programmes to determine remaining life of assets, capital investment requirements and subsequent prioritisation. Aggressive increase in capital investment to address identified / expected shortfalls.</p> <p>Minimal non-compliances expected moving forward.</p>	
Time period	2025 -onwards	
Cost	\$0.6M-2.3M / annum capex \$0.4M to \$1M annum opex	\$ 20.8M (inflated)
<p><b>Project Contribution to the Four Well Beings</b></p> <div> <div>  <p><b>Cultural</b> Our water services acknowledge and considers the cultural values</p> </div> <div>  <p><b>Economic</b> Our water services are reliable, affordable and enable development in the District</p> </div> <div>  <p><b>Environmental</b> Our water services support the sustainable use of natural resources</p> </div> <div>  <p><b>Social</b> Our water services endeavours to keep our people safe and healthy</p> </div> </div>		

STORMWATER / WASTEWATER RETICULATION RENEWALS		
Reticulation across the District is ageing and in some instances is past useful life. In addition, we are seeing an increase in flooding events across the District and rainfall intensity increases.		
Main options	Implication of options	
Option 1 - status quo	<p>Continue to work through current renewal programme. In an effort to maintain existing agreed LoS the assets will be 'sweated' beyond end of life. This will result in an increased supply interruptions and maintenance. If assets are not maintained there will be a significant reduction in LoS</p> <p>Manage response within current investment levels. This will result in continued non-compliance of environmental standards</p>	
Option 2 increased investment	<p>Increased condition survey assessment of underground infrastructure to determine remaining life of assets and develop prioritised programmes of work.</p> <p>Increased capital investment on both the stormwater and wastewater networks and treatment systems to keep pace with end of life renewals.</p>	
Time period	2021 to 2041	
Cost	\$0.6M-2.3M / annum capex \$0.4M - \$1M/ annum opex	\$ 20.8M (inflated)
<p><b>Project Contribution to the Four Well Beings</b></p> <div>  <p><b>Cultural</b> Our water services acknowledge and considers the cultural values</p> </div> <div>  <p><b>Economic</b> Our water services are reliable, affordable and enable development in the District</p> </div> <div>  <p><b>Environmental</b> Our water services support the sustainable use of natural resources</p> </div> <div>  <p><b>Social</b> Our water services endeavours to keep our people safe and healthy</p> </div>		

## Waste services

The following graph highlights the proposed overall expenditure for the waste services activity.

Figure 21: Waste services total expenditure

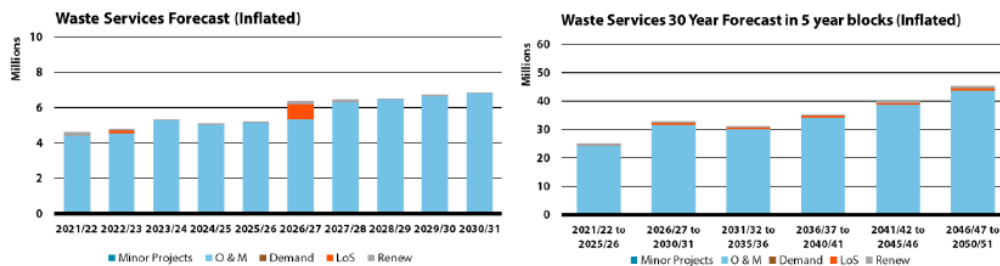


Figure 22: Drivers for waste services capital projects



Key factors impacting on operational expenditure over the period of the plan are listed as follows:

- inclusion of funding for management of closed landfill sites identified as vulnerable to erosion and washout
- new collection contract will likely result in an increase in contract price
- changes to services provided including provision of separate glass collection
- stepped increase in national waste levy for landfills from \$10 per tonne to \$60 per tonne
- increased external consultancy costs to manage resource consenting activities across closed landfills
- change to the way that corporate costs related to the Three Waters and Waste Services have been allocated compared to prior years.

Key factors impacting on capital expenditure over the period of the plan are listed as follows:

- requirement to purchase additional bins for separate glass collection
- incremental purchase of new bins for future rubbish and recycling collection
- improved LoS at community disposal sites

Significant infrastructure issues are tabled below. The highlighted option is the preferred approach for addressing the identified issue.

**CLOSED LANDFILLS**

Climate change is anticipated to progressively impact low lying coastal areas, affecting ecology and settlements. Further, increased intensity and frequency of significant rainfall events is expected. Given that there are a number of retired landfills within close proximity of waterways this introduces and elevates a risk associated with these landfills and their vulnerability to erosion and exposure. The Ministry for the Environment has commissioned a national survey to understand the scale of the issue across the country.

Main options	Implication of options
Option 1 - status quo	Manage response within current investment levels. Participate in Ministry for the Environment work and wait for outcome and guidance.
Option 2 – Increased investment	Increase investment and consider options for dealing with landfills in flood-prone areas and subject to coastal erosion. This will require significant investment to deal with at risk landfill sites. This could involve a range of options including reinforcement through to removal of at risk material.
Time period	2023 onwards
Cost	\$0.5M in 23/24 for the investigation. Remedial costs if any are not known at time of writing this strategy.

**Project Contribution to the Four Well Beings**

**Cultural**  
Our waste services acknowledge and considers the cultural values



**Economic**  
Our waste services are reliable, affordable and enable development in the District







**Environmental**  
Our waste services support the sustainable use of natural resources



**Social**  
Our waste services endeavour to keep our people safe and healthy

### VOLATILITY OF GLOBAL RECYCLING MARKETS

From 2016/17 onwards there has been some significant changes to the global recycling markets that are now starting to impact on the services we deliver. Many countries are now refusing to accept lower grade plastics and fibre with these now potentially being sent to landfill. In addition, there are moves to remove glass from the recyclables stream and have a separate glass only collection service. It is assumed that Council will continue to provide this service.

Main options	Implication of options
Option 1 - status quo	We are currently reviewing options to continue providing a recyclables service however it is recognised that long term landfilling of recyclable material is not an option and will not meet our obligations under the Waste Minimisation Act 2008.
Option 2 – Increased investment	Future provision of service is likely to incur costs both for the provision of a glass only collection service but also for a Council share in the development of a new material recovery facility (MRF) processing facility and associated infrastructure.
Time period	2021 onwards
Cost	This has the potential to have a significant impact, but extent is unknown at the time of writing this strategy
<p><b>Project Contribution to the Four Well Beings</b></p> <div>  <p><b>Cultural</b> Our waste services acknowledge and considers the cultural values</p> </div> <div>  <p><b>Economic</b> Our waste services are reliable, affordable and enable development in the District</p> </div> <div>  <p><b>Environmental</b> Our waste services support the sustainable use of natural resources</p> </div> <div>  <p><b>Social</b> Our waste services endeavour to keep our people safe and healthy</p> </div>	

Community services

The following graph highlights the proposed overall expenditure for the community services activity.

Figure 23: Community services total expenditure

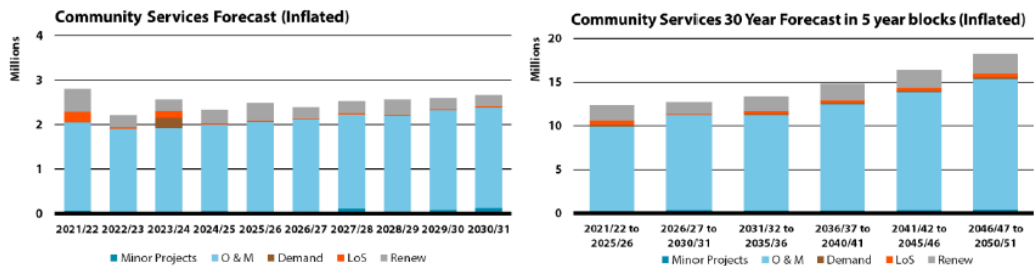
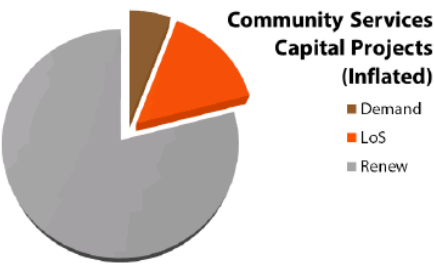






Figure 24: Drivers for community services capital projects



Significant infrastructure issues are tabled below. The highlighted option is the preferred approach for addressing the identified issue.

COMMUNITY HOUSING	
Community housing units are suffering from a lack of investment in refurbishments. Further, this activity has morphed over time to incorporate elements of pensioner housing, social housing and community housing. With changing demographics and an aging population it is necessary to revisit community needs and subsequently the future for the community housing activity.	
Main options	Implication of options
Option 1 - status quo	Manage community housing at current investment levels. Existing units may not be able to meet increased demand. Reduced LoS are likely.
Option 2 – complete a business case	Complete a business case to determine the future commitment or otherwise to community housing including the financial implications of retaining this activity and investing in a programme of renewals and refurbishments.
Time period	2021 onwards
Cost	Investment requirements for this activity are to be determined through the development of the business case. \$50k has been allowed in 2021 to complete the business case.
<p style="text-align: center;"><b>Project Contribution to the Four Well Beings</b></p> <div style="display: flex; justify-content: space-around; align-items: flex-end;"> <div style="text-align: center;">  <p><b>Cultural</b> Provide facilities to connect, socialise, learn skills and participate in cultural events.</p> </div> <div style="text-align: center;">  <p><b>Economic</b> Facilities are fit for purpose, affordable and contribute to development in the District</p> </div> <div style="text-align: center;">  <p><b>Environmental</b> Support the sustainable use of natural resources</p> </div> <div style="text-align: center;">  <p><b>Social</b> Provide facilities to participate in social, recreational, educational, health programmes</p> </div> </div>	

## Community facilities and open spaces

These activities enable communities to be more socially connected and active, and makes Southland a desirable place to live. These activities encourage social connectivity.

The following graph highlights the proposed overall expenditure for the community facilities activity.

Figure 25: Community facilities total expenditure

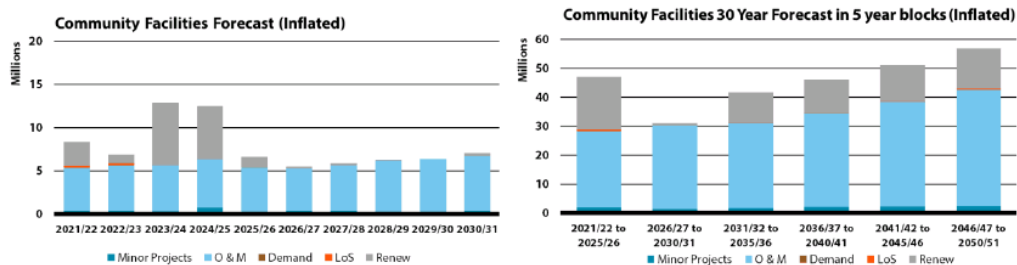
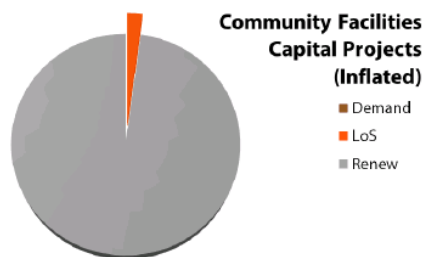


Figure 26: Drivers for community facilities capital projects



The following graph highlights the proposed overall expenditure for the open spaces activity.

Figure 27: Open spaces total expenditure

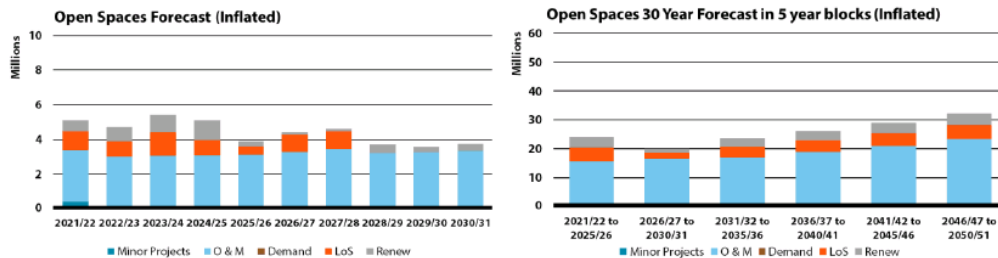






Figure 28: Drivers for open spaces capital projects



Significant infrastructure issues are tabled below. The highlighted option is the preferred approach for addressing the identified issue.

ASSET UTILISATION AND ACTIVITY LEVELS OF SERVICE	
<p>There are a significant number of community facilities and open spaces assets throughout the District. Some of these assets are not being well utilised and it is evident that there are inconsistent LoS. With the passage of time, the needs of communities have changed and the way in which communities interact with services and assets has also changed.</p> <p>Disestablishing, or changing a community asset or level of service is not something to be done lightly.</p>	
Main options	Implication of options
Option 1 - status quo	Manage response with current investment levels. Changing demographics dictate that the way in which communities interact with services and assets. The implications of this option is that Council would not be taking the time to understand these changes trends and needs.
Option 2 – investigate	Investigate whether the facilities are fit for purpose, appropriately distributed and sustainable. This investigation would support any potential rationalisation process. Council will continue to maintain facilities to current standards during investigation
Time period	2021-25 investigate 2023-28 consult 2025–50 construct
Cost	This investment profile will be determined through the investigation and subsequent consultation process and is as yet unknown. ~\$5M has been set aside in years 2021-2028 of the 2021 LTP to assist with this process.
<p style="text-align: center;"><b>Project Contribution to the Four Well Beings</b></p> <div style="display: flex; justify-content: space-around; align-items: flex-end;"> <div style="text-align: center;">  <p><b>Cultural</b> Provide facilities to connect, socialise, learn skills and participate in cultural events.</p> </div> <div style="text-align: center;">  <p><b>Economic</b> Facilities are fit for purpose, affordable and contribute to development in the District</p> </div> <div style="text-align: center;">  <p><b>Environmental</b> Support the sustainable use of natural resources</p> </div> <div style="text-align: center;">  <p><b>Social</b> Provide facilities to participate in social, recreational, educational, health programmes</p> </div> </div>	

### PROPERTY PORTFOLIO SEISMIC CAPACITY

Council owns and manages a significant portfolio of buildings, many of which are aging and nearing end of useful life without significant investment. In 2017, the way in which buildings are assessed for seismic performance was changed. Council's portfolio of building assets are located in areas considered either medium or low risk for seismic activity. As such, the subsequent Detailed Structural Assessment (DSA) need to be undertaken within the next 10 to 15 years respectively.

A recent DSA was completed on the Invercargill office facilities. This assessment identified significant deficiencies in the older part of the facility prompting Council to vacate these premises. There is concern that similar issues may become evident elsewhere within the portfolio.

Main options	Implication of options
Option 1 - status quo	Manage Council building portfolio at current investment levels. Existing public facilities may not be able to meet current recommended standards for seismic capacity ratings. Reduced LoS and closures are likely.
Option 2 – Dispose and lease	This option involves the transfer of maintenance and renewals costs to operational costs associated with leasing. A limiting factor in relation to this option is the availability of suitable building stock.
Option 3 – increased investment	This option would see an increase in prioritised DSA assessments undertaken across the portfolio of Council buildings. Subsequent investment would likely be required.
Time period	2021 onwards
Cost	The cost of this exercise is not yet known. However, it is anticipated to be developed and communicated through the 2024 LTP.

#### Project Contribution to the Four Well Beings



**Cultural**  
Provide facilities to connect, socialise, learn skills and participate in cultural events.



**Economic**  
Facilities are fit for purpose, affordable and contribute to development in the District



**Environmental**  
Support the sustainable use of natural resources



**Social**  
Provide facilities to participate in social, recreational, educational, health programmes

## SIESA

The following graph highlights the proposed overall expenditure for SIESA.

Figure 29: SIESA total expenditure

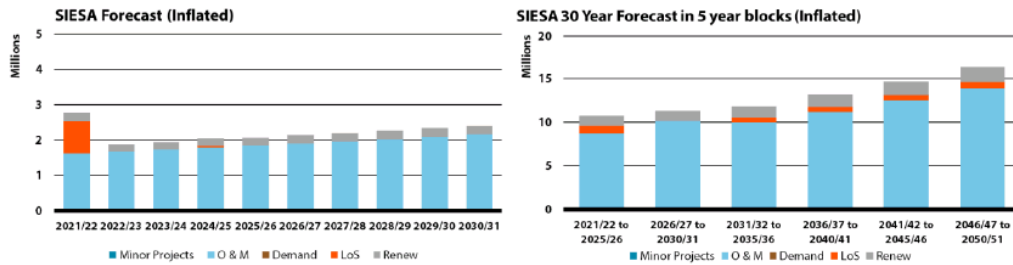
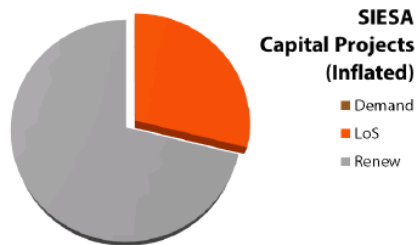


Figure 30: Drivers for SIESA capital projects



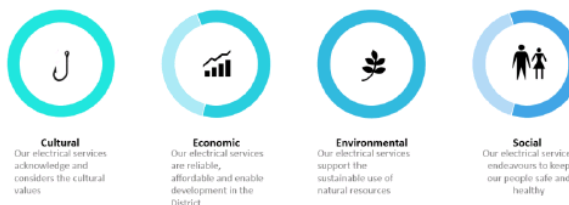
Significant infrastructure issues are tabled below. The highlighted option is the preferred approach for addressing the identified issue.

#### FUNDING CONSTRAINTS

In general, the age of SIESA infrastructure assets are approaching the end of their useful life. The depreciation funding on assets is insufficient to keep pace with the renewals programme. Further there is a funding deficit of operational costs due to a significant increase when the contract was recently re-established.

Main options	Implication of options
Option 1 - Status quo	Manage response to asset useful lives within current investment levels. Rely on high level assumptions around age for renewals planning. Increased reliance on reactive maintenance or unbudgeted expenditure to deal with assets that fail before their estimated life. Renewals are deferred where possible. Asset depreciation is significantly underfunded. Reserves are depleted.
Option 2 –Investment	Deliver an economically sound renewal program that optimally balances investment with operational expenditure including maintenance. Depreciation of transmission and conventional generation is appropriately funded. A targeted rate is proposed to increase revenue and assist with maintenance, operations and capital investment requirements.
Option 3 – Thriving	The renewal programme contemplates alternative generation such as wind generation at the end of its useful life, as well as the existing network and conventional generation. The depreciation of alternative generation is fully funded. This may result in an unacceptable funding burden on consumers or ratepayers.
Time period	2021 onwards
Cost	<div> <div>\$0.2M - \$0.3M/annum Capex</div> <div>\$1.2M - \$1.6M /annum Opex</div> </div> <div>\$16.5M (inflated total for 2021 LTP period)</div>

#### Project Contribution to the Four Well Beings



## Water facilities

Water structure infrastructure like boat ramps, jetties, wharves and navigation aids enable recreational and commercial access to waterways as well as to access to services that are only available by water. This activity also supports the environment by having stop banks and marine walls which protect the environment from flooding as well as safety by having aids which improve navigation.

The following graph highlights the proposed overall expenditure for water facilities.

Figure 31: Water facilities total expenditure

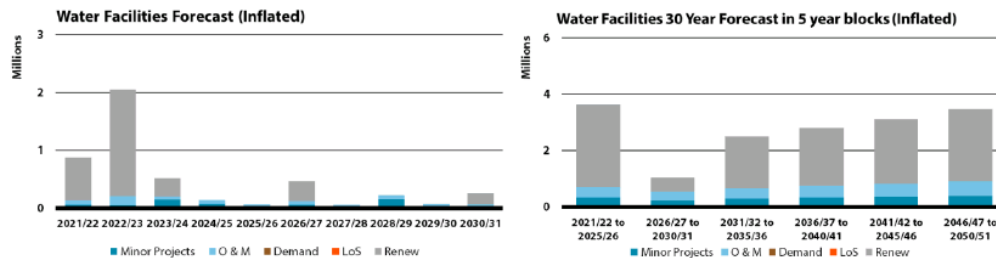
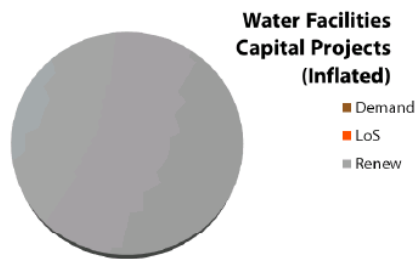










Figure 32: Drivers for water facilities capital projects



Significant infrastructure issues are tabled below. The highlighted option is the preferred approach for addressing the identified issue.

WATER STRUCTURES FUNDING		
There are a number of water structures across the District that are nearing the end of their expected lives and no longer sustainable. With increasing pressure from visitors and insufficient funding sources, the condition of these assets risk further deterioration without appropriate investment.		
Main options	Implication of options	
Option 1 - status quo	Manage response with current investment levels. The growing population will impact the boat ramps in Riverton. Existing jetties on Stewart Island may not be able to meet increased demand. There is a risk that Council won't meet the identified level of service if current practices are maintained. Potential rationalization discussion to continue with the local community board as renewals fall due. A District rate contribution mechanism has been provided for through the Revenue and Financing Policy with the amount to be determined by Council once final costs are known.	
Option 2 – rationalise	Rationalise the assets. A negative impact on the local community's recreation and tourism industries is anticipated with this option, but this would be mitigated by an increase in affordability of rates	
Option 3 – divest	Divest all assets in the activity. A negative impact on the local community's recreation and tourism industries is anticipated with this option, but this would be mitigated by an increase in affordability of rates	
Option 4 – increase rates	Increase the funding and resources to meet the level of service using local rates	
Time period	2021- 2031	
Cost	\$3.4M capex (2021 LTP period) \$0.1M/ annum opex average	\$ 4.4M (inflated)
<p><b>Project Contribution to the Four Well Beings</b></p> <div>  <p><b>Cultural</b> Our water facilities acknowledge and considers the cultural values</p> </div> <div>  <p><b>Economic</b> Our water facilities are reliable, affordable and enable development in the District</p> </div> <div>  <p><b>Environmental</b> Our water facilities support the sustainable use of natural resources</p> </div> <div>  <p><b>Social</b> Our water facilities endeavours to keep our people safe and healthy</p> </div>		

ACROSS ALL ACTIVITIES: ASSET MANAGEMENT MATURITY		
There are a number of areas requiring improvement in relation to Council's asset management approach. These improvements are required in order to ensure LoS commitments are able to be maintained across the various activity and asset portfolios.		
Main options	Implication of options	
Option 1 - status quo	Option one involves a continuation of current asset management system deficiencies that have the potential to further hamper informed decision-making and robust investment prioritisation. Increased infrastructure deficits and substandard service levels would be expected.	
Option 2 – Increased focus	<p>This approach requires a more proactive focus on Council's asset management function. A review of the Asset Management Policy, the development of a Strategic Asset Management Plan and a resourced prioritised Asset Management Improvement Roadmap is critical. Asset data and system development relating to criticality, condition, utilisation and established meta-data standards would also be considered a priority.</p> <p>It is anticipated that this approach would result in a more efficient, better informed suite of services and activities that ultimately produce more resilient and fit for purpose service levels.</p>	
Time period	2021-2024	
Cost	~\$257k	\$257k (inflated)
<p style="text-align: center;"><b>Project Contribution to the Four Well Beings</b></p> <div style="display: flex; justify-content: space-around; align-items: flex-end;"> <div style="text-align: center;">  <p><b>Cultural</b> Our water facilities acknowledge and considers the cultural values</p> </div> <div style="text-align: center;">  <p><b>Economic</b> Our water facilities are reliable, affordable and enable development in the District</p> </div> <div style="text-align: center;">  <p><b>Environmental</b> Our water facilities support the sustainable use of natural resources</p> </div> <div style="text-align: center;">  <p><b>Social</b> Our water facilities endeavours to keep our people safe and healthy</p> </div> </div>		

**Summary of significant infrastructure issues**

ACTIVITY	ISSUE #	DESCRIPTION	CAPEX INFLATED	OPEX INFLATED	YEAR
Roads and footpaths	1	Ageing bridges	\$3.5M-\$4.3M/annum	\$0.5M - \$0.6M/annum	2021 onwards
	2	Sealed road management	\$4.2M - \$18.9M/annum	\$3M/annum	2021 onwards
	3	Airport	Significant impact, but extent is unknown at the time of writing this strategy		
Water	1	Demographics and tourism	This will change proportionally, depending on where the project occurs and the detailed analysis to determine capacity requirements.		
	2	Environmental standards, resource consents and land use	Significant impact, but extent is unknown at the time of writing this strategy		
	3	Reticulation renewals	\$1.4M/annum on average		2021 onwards
Stormwater and wastewater	1	Stormwater environmental standards, resource consents and land use	\$0.6 - \$2.3M/annum	\$0.4M-\$1M/annum	2021 onwards
	2	Reticulation renewals	\$0.6 - \$2.3M/annum	\$0.4M-\$1M/annum	2021 onwards
	3	Wastewater environmental standards, resource consents and land use	Significant impact, but full cost extent is unknown at the time of writing this strategy. Current approach is to increase budgets for upcoming treatment plant consents and renewals at end of consenting period through the 2021-2031 LTP.		
Solid waste	1	Retired landfills		\$0.5M	2023/24 year
	2	Volatility of global recycling markets	This has the potential to have a significant impact, but extent is unknown at the time of writing this strategy		
Community facilities and open spaces	1	Utilisation and level of service	This investment profile will be determined through the investigation and subsequent consultation process and is as yet unknown. ~\$5M has been set aside in years 2021-2028 of the 2021 LTP to assist with this process.		
	2	Seismic capacity	The cost of this exercise is not yet known. However, it is anticipated to be developed and communicated through the 2024 LTP.		

ACTIVITY	ISSUE #	DESCRIPTION	CAPEX INFLATED	OPEX INFLATED	YEAR
Community services	1	Community housing		\$0.05M	2021
SIESA	1	Funding levels	\$0.2M - \$0.3M/annum	\$1.2M - \$1.6M/annum	2021 onwards
Water facilities	1	Water structures funding	\$3.4M	\$0.1M/annum average	2021-31
Asset management	1	Asset management maturity improvement		\$0.26M	2021-2024

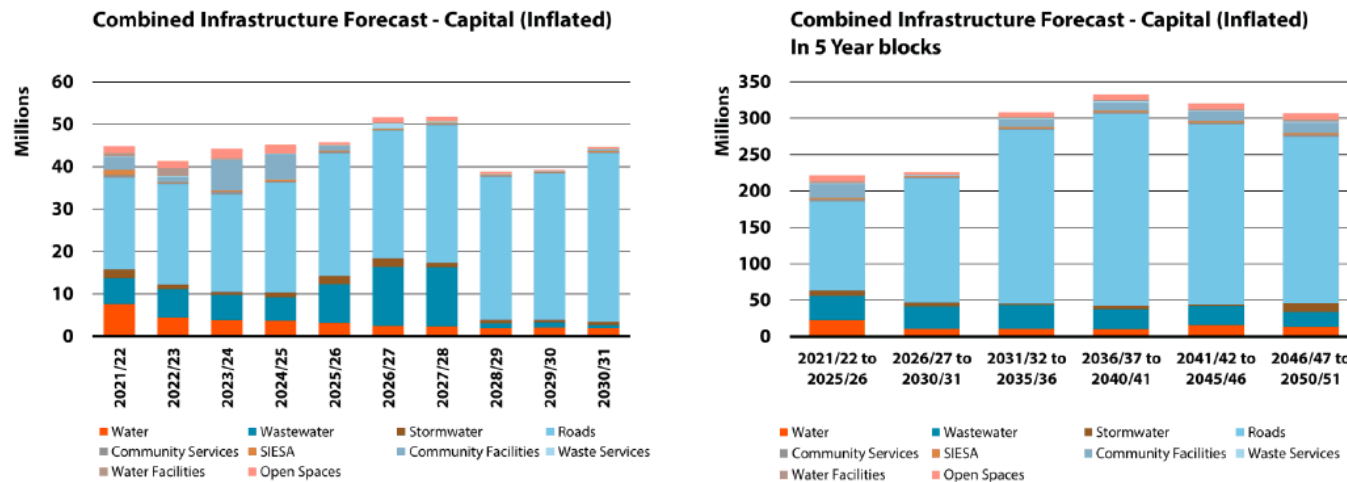
## Financial estimates

Council has developed a financial strategy in conjunction with the development of its' LTP 2031. The purpose of the Financial Strategy is to identify and model the financial effects of the LTP and IS on Council and the District.

As is indicated in this infrastructure strategy, Council has a significant programme of projected capital and operating expenditure. Council uses a number of different funding sources and mechanisms for different types of expenditure. Some examples of these funding tools include; rates (general and targeted), user fees and charges, grants, reserves, debt, financial and development contributions. The step change in investment required to fund the roading activity will be funded by rates. Any changes to LoS for Three Waters activities requiring increased funding will be due to changes to regulatory requirements. This will be funded by external debt, through the transition of internal debt to external debt.

The projected capital expenditure associated with the infrastructure covered in this strategy is represented graphically below:

Figure 33: Projected capital expenditure- infrastructure assets



The projected operational and maintenance expenditure associated with the infrastructure covered in this strategy is represented graphically below

Figure 34: Projected operational and maintenance expenditure –infrastructure assets

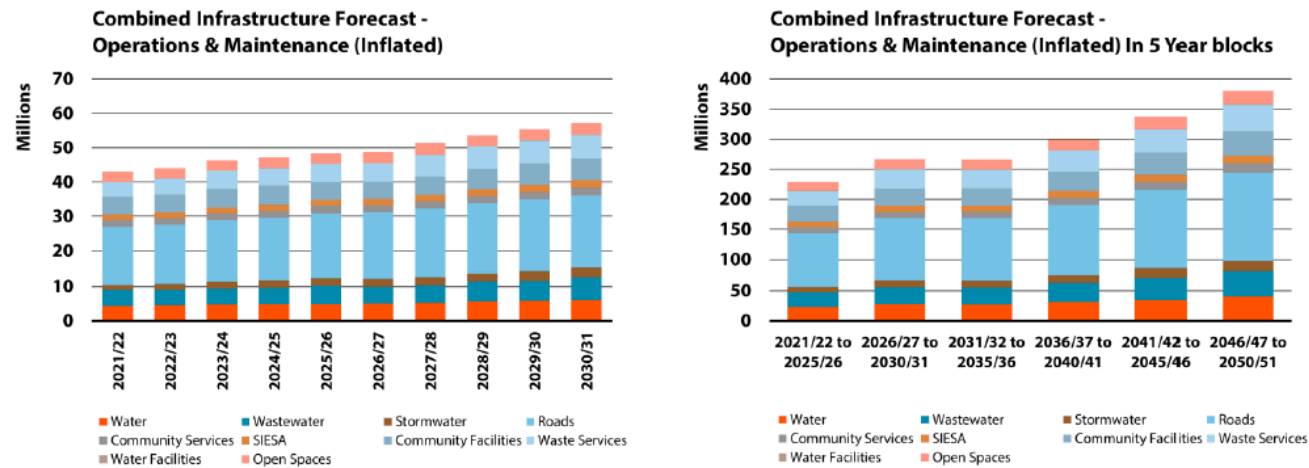


Figure 35: Projected minor projects –infrastructure assets





# **DRAFT: Financial Strategy 2021-31**

Supporting document for the Long Term Plan 2031

March 2020

DRAFT

Southland District Council  
Te Rohe Pōtae o Murihiku

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### Targets at a glance

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Net Debt Limit: 175% of revenue

Rates increase limit: Limited to 8% annually over the period

Balanced budget (everyday costs can be funded from everyday revenue)

Rates as % median household income below 5%

Focus on providing a level of funding to maintain service levels that the community can reasonably afford and without placing a financial burden on future generations

#### Ability to maintain services within strategy limits

Overall we will continue to fund and deliver the full range of services currently being offered, maintaining levels of service over the 10 year period.

In some areas there will be increased levels of service, particularly with planned investments to meet higher regulatory standards being required for things like wastewater discharges.

We have signalled in our Infrastructure Strategy that decisions about whether to increase expenditure or amend levels of service for community infrastructure (such as halls and open spaces) will be required during the period and we intend to engage with communities on this over the next three years.

## What is a financial strategy?

Our Financial Strategy supports Council's strategic direction and shows how we intend to manage our finances prudently and whether we will have the financial capacity (income) to meet our financial needs (expenses) now and in the future. It outlines our approach to financial management over the next 10 years and the impact on rates, debt, levels of service and investments and sets limits on rates and debt that we will use when considering future proposals for funding and expenditure.

## The financial landscape

Council's 2018 Financial Strategy was one of transition. We were in a relatively good financial position. Our population was projected to increase slightly (and age) but with spare capacity in our networks, we were not expecting to have to build a lot of new infrastructure. The majority of our business was planned to continue as usual and we were continuing to phase in rate funding depreciation on our key infrastructure assets. The inquiry into the Havelock North gastro outbreak resulted in tighter controls around water supplies and a review of how supplies should be managed in the future. We'd started to look at the risks to our infrastructure from climate change and sea level rise/extreme weather. We knew that we needed to invest more in infrastructure to meet increasing regulatory requirements and maintain service levels however we were conscious of the impact that increasing rates could have in some areas. Our initial look at rates affordability indicated that our rates for residences in two towns were above 5% of household income. We signalled that more work needed to be done to quantify these issues and map a pathway forward.

### Snapshot 2018 – 2028:

- \$54 million average rates (68% of revenue)
- 3.2% rate increase in Y1  
3.0% average rate increase
- Net debt Y1-10: \$38 - \$73 million\*  
Peak debt: \$75 million
- 40% rate funding depreciation in 2018/2019
- Reserves Y1-10: \$37 - \$38 million
- Opex: \$79 million average
- Capex: \$26 million average

\* 2018 LTP net debt figures have been restated to include external and internal debt

## Where we are at now and where are we heading to?

This Financial Strategy builds on the direction of the 2018 strategy and starts to fill in some of the blanks. We now have a better understanding of the potential changes coming from the government's three water reforms and we have incorporated higher environmental and regulatory requirements into our plan. Additionally, our own environmental monitoring role is changing and we are having to increase our capacity to fulfil requirements. We are still predicting a gradual population increase that is ageing with very little change in land use.

Some other things have changed. Our work on understanding the impacts of climate change is also progressing with a regional mapping project underway to provide better information to assist with our infrastructure planning and design.

So far Southland has been relatively cushioned from the economic impacts of Covid-19 with its primary production base. However, tourism centres like Te Anau are starting to feel the pinch with borders closed and visitor numbers to the region down. The pandemic has created a lot of uncertainty for businesses in the area which could have flow-on impacts for our rate revenue collection as some parts of the community may have greater difficulty paying rates.

Our second look at rates affordability incorporated regional council rates into our analysis. This showed that in 2019/20 median rates across Southland district made up 3.95% of median household income.

### Snapshot 2021-2031:

- \$72 million average rates (65% of revenue)
- 10.15% rate increase in Y1  
5.9% average rate increase
- Net debt Y1-10: \$41 - \$105 million  
Peak debt: \$123 million
- 65-70% rate funding depreciation in 2021/22
- Reserves Y1-10: \$35 - \$86 million
- Opex: \$105 million average
- Capex: \$45 million average

## What issues are we facing?

We need to invest in infrastructure to meet the higher standards imposed by legislation and regulatory bodies, particularly for our wastewater treatment and rural water supplies. We are also planning to lift our programme of renewals for our other critical assets like roads, bridges and pipes. Over the next 10 years we need to spend \$448 million on our core infrastructure and our projections show that this is expected to jump up to over \$640 million in the following 10 years as more infrastructure is due to be replaced.

Covid-19 and the flow-on economic impact on the district from border closures is also creating uncertainty. We are seeing the impact of our decision in 2020 to keep rates lower by funding costs from reserves because of Covid-19. We are now having to raise rates in the early part of our plan as we transition away from using reserves. We are also conscious of how our increasing costs may impact rates for parts of the community that are affected more deeply.

Council is still developing a full picture of the impact that climate change might have on our services and how that might affect our future costs and what funding we might need. In this plan the effects of climate change as we know it now are being factored into our current infrastructure design and decision making.

Funding our considerable infrastructure from our small population base across a number of towns is challenging. We operate 21 water supplies, 19 wastewater schemes, 25 stormwater schemes, 20 waste sites, 5,000 kilometres of roads, 850 bridges as well as over 400 community facilities all for a population of 32,500. We do not have the same economies of scale as other cities and districts who have a larger population and fewer assets to look after. Research that we completed in 2020 indicates that the level of rates for households in our district are nearing 5% of median household income (which Council uses as an indicator of affordability). Based on our Long Term Plan we are now projecting rates will make up 4.4% of median household income in year one of the plan and remain below 5% for three years before rising to just below 6% in year 10. This indicates that maintaining our levels of service and meeting higher standards while keeping rates affordable is becoming increasingly difficult.

## What are we working towards?

**In order to tackle the issues and maintain levels of service, over the course of the next ten years**

**...we will be working towards:**

- rate funding asset renewals rather than loan funding (by fully funding depreciation on the most of our infrastructure in 10 years)
- removing the use of reserves or loan funding to offset rate increases
- maintaining a balanced budget (where our everyday revenue meets our everyday costs)
- maintaining our capacity to borrow so we can fund unexpected costs in the future or respond to natural disasters
- balancing rates, debt and reserves so that each generation only pays once for their share of the costs of long life infrastructure (intergenerational equity)
- maximising our other revenue where possible without taking on excessive risk

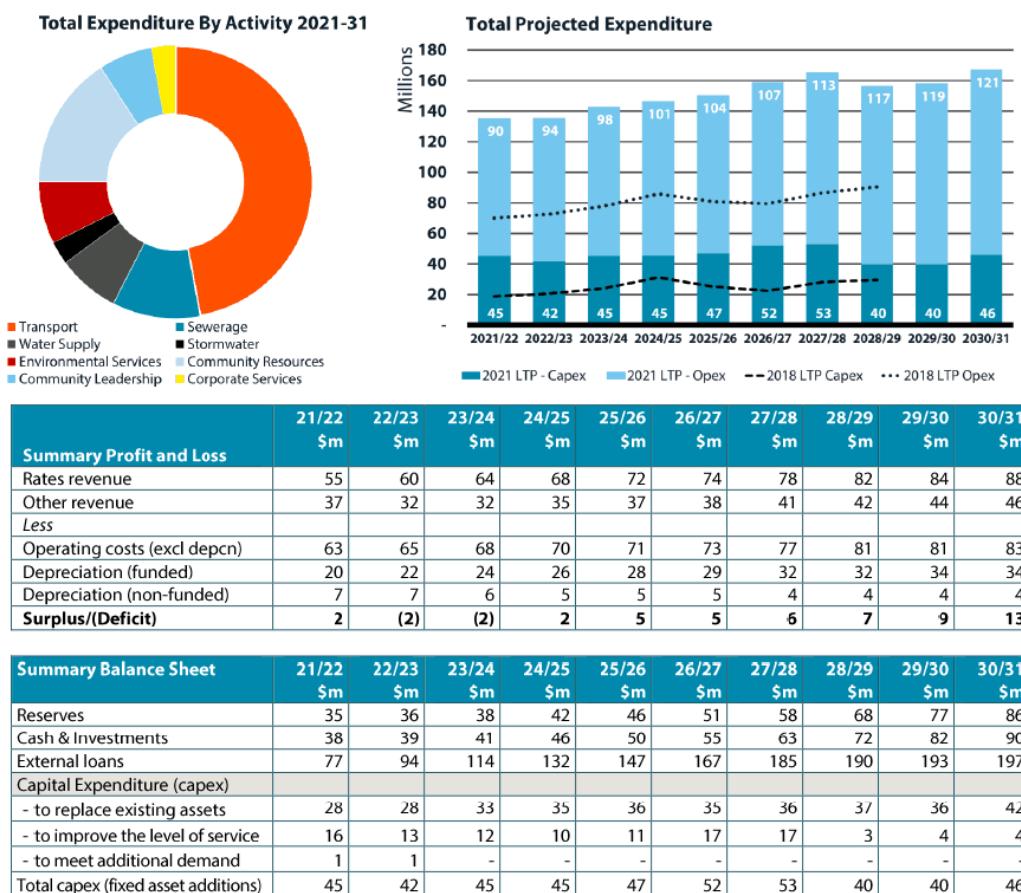
**...to do this we need to:**

- increase our rates in the early part of the plan and change the limit on rates increases to 8% annually
- raise our net debt ceiling to help fund our increased capital costs and maintain borrowing capacity for any unplanned events to 175% of total revenue
- ensure we are fully funding our roading operating and capital expenditure from rates
- delay fully funding depreciation on our water and wastewater assets until 2028/2029 and then consider funding depreciation on other community infrastructure
- ensure our fees and charges reflect the cost of providing the services
- build flexibility into our rate remissions and postponement policy to enable us to provide relief for significant future unexpected events
- engage with our community around what affordability is and the level of service that can be provided within this context

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## Our financial situation and approach

The tables and graphs below summarise the key financial data from our Long Term Plan 2031 to show the context for our strategy.



## Our operating expenditure

**Our strategy is to annually meet our operating expenditure from rates and other day to day revenue like fees and charges to balance our budget**

Operating costs are the ongoing expenses that we incur for our normal day-to-day running.

Our operating costs over the period have gone up primarily due to inflationary pressures, the cost of meeting regulatory requirements, improving maintenance, funding of depreciation and changes in our annual roading costs. Our operating costs will average \$106 million each year (compared to \$79 million in our 2018 Long Term Plan).

These increases in cost mean that we will need to collect more rates over the next 10 years and increase our other revenue including fees.

## Our capital expenditure

**Our strategy is to fund our capital expenditure from a mix of reserves (including rate funded depreciation reserves), loans and rates. We do this because it spreads the costs across the life of the asset so that those who use or benefit from the asset pay for their use**

Capital expenditure is the cost of replacing or building new assets. We categorise our capital expenditure into three groups:

- renewals – which is the cost to replace assets
- levels of service – which is the cost related to improving the level of service or building a new asset (*levels of service may also include an element of renewal where existing assets are also being replaced as part of the project*)
- demand – which is the cost to provide additional capacity to accommodate growth or demand

We have five key methods for funding our capital costs – rates, other reserves (including rate funded depreciation reserves), loans, grants/subsidies and financial/development contributions.

**Funding depreciation** is one of the methods that is commonly used. Depreciation is a term used to estimate the annual cost of using an asset. We collect depreciation each year through rates. For example, if a pipe cost \$100 and was expected to last 100 years, then we would charge you \$1 in your rates each year to reflect the annual use.

At the moment we are collecting rates related to the depreciation of our core infrastructural assets including roading, bridges, streetlights, water and wastewater. If we have a year where we have surplus funds in our depreciation reserves we will also use these to reduce any debt associated with that asset group.

**Loans** are the other method commonly used to fund capital expenditure.

### Paying for renewals

Our overall approach is to pay for the renewal of assets firstly from any specific reserves collected for that asset (including depreciation reserves). If we don't have enough in our reserves we will use a loan. In the case of roading, we fund all of our capital expenditure (including renewals and level of service improvements) from rates because a consistent level of capital expenditure is needed every year.

### Paying for levels of service

We fund level of service related capital expenditure from loans.

### Paying for demand

We fund demand related capital expenditure from financial/development contributions (where we have these) or loans.

## What's happening with our capital costs?

Our capital costs are increasing over the 10 year period and average \$45 million each year (up from \$26 million in 2018 Long Term Plan).

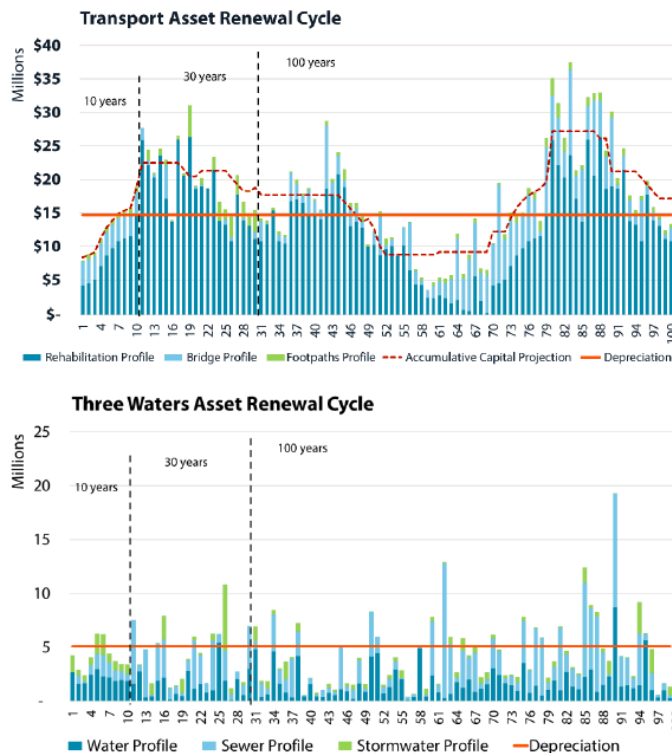
Council's Infrastructure Strategy identifies that significant additional investment in renewals and capital improvement are required in our infrastructure within the next 30 years to ensure that we continue to provide service to the community and to meet increased regulatory standards for things like wastewater discharges and drinking water.

Our asset renewal cycles suggest that we cannot afford to defer this work because in the next 30 years around 30% of the value of our three water assets and 32% of the value of our transport assets are expected to need replacing. Deferring work would also be likely to result in higher costs overall.

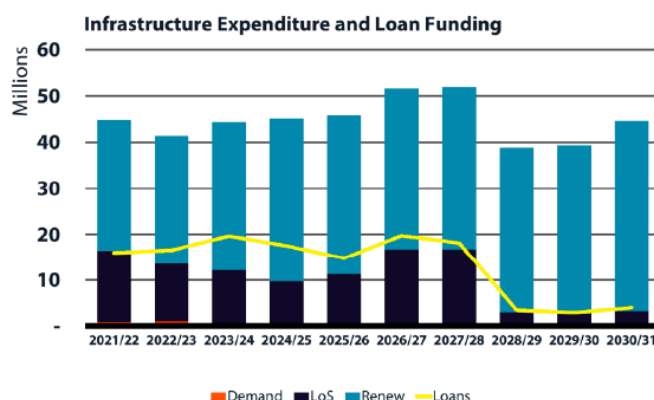
### Snapshot of depreciation

	Y1	Y10
<i>What we fund in the plan</i>		
Funded	\$20m	\$34m
Unfunded	\$7m	\$4m
<i>What we have in reserves</i>		
Reserves	\$2m	\$6m

More information about how we fund the operating and capital expenditure for each of our activities can be found in our Revenue and Financing Policy 2021.



The graph below provides an indication of what we are using loans for. Where the yellow loan line sits within the blue renewals bar is where Council is loan and reserve funding renewals.



The graph shows that between 2022/23 and 2027/28 a portion of our renewal capital expenditure is being funded by loans. This is because we are still phasing in rate funded depreciation on our core infrastructure assets and we will not be collecting enough depreciation to cover our renewal costs.

By 2028/29 Council is aiming to fund 100% of depreciation on critical<sup>1</sup> infrastructure assets (five years later than originally planned). If we chose to fully fund these renewals in 2021/22, then the proposed rates would need to increase by \$1.9 million which would equate to additional 3.8% over and above the current

<sup>1</sup> Critical infrastructure relates to roads, bridges, water and sewerage and also includes solid waste, computers and vehicles

### Core infrastructure focus

#### Transport

(focus on renewals)

Funding a greater number of wooden bridge replacements and gradually increasing the quantity of sealed roads we rebuild.

**\$296 million over 10 years**

#### Water supply

(focus on renewals and meeting regulatory requirements)

Increasing funding to replace pipes in some of our older areas to reduce leakage and pipe failures and upgrading plants and equipment to meet drinking water standards.

**\$33 million over 10 years**

#### Wastewater

(focus on meeting regulatory requirements)

Funding to renew consents for wastewater treatment discharges and upgrading treatment as a result.

**\$64 million over 10 years**

#### Stormwater

(focus on maintenance and renewals)

Funding for condition assessments to improve information about assets and gradually increasing funding to replace ageing reticulation and addressing overflow and infiltration issues

**\$13 million over 10 years**

More information about our assets and what is needed over the next 30 years is detailed in Council's 2021-2031 Infrastructure Strategy and supporting Activity Management Plans.

rate increase. In developing this strategy we considered funding depreciation on other assets including stormwater and other community facilities like playgrounds and buildings. If we chose to fully fund these renewals, then the proposed rates would need to increase \$2.8 million which equates to an additional 6.2% increase in rates in 2021/22. However, given the existing priority around critical infrastructure, combined with uncertainty about whether some community assets will be replaced in the future and pressure on rates, we think it is best if we look at this for our Long Term Plan 2024.

### Our debt

**Our strategy is to use debt to fund the cost of improving assets to increase levels of service or fund asset replacements where rates are insufficient. We also use debt to fund unexpected capital costs or to respond to natural disasters. From time to time Council may also use debt for operational expenditure that has a benefit over multiple years**

**New debt limit:**  
Net debt  $\leq$  175% of  
total income  
(\$161-\$234 million)

Traditionally Council has had very low levels of debt and has been in a position to internally borrow from its own reserves to fund capital expenditure. We are anticipating that net debt will increase over the period from \$41 million, reaching \$105 million in 2030/31 (~78% of total revenue). Debt servicing costs will average \$2.9 million each year and reach \$3.9 million by year 10.

The graph shows the net debt profile and Council's previous net debt limit based on 100% of total income. We are proposing to increase our net debt limit to 175% of total income. Net debt will peak at 103% of total revenue in 2027/28 (\$123 million).

We are deliberately setting our net debt limit higher than needed to ensure we have sufficient headroom to access funding for unexpected events like natural disasters or unplanned capital costs.

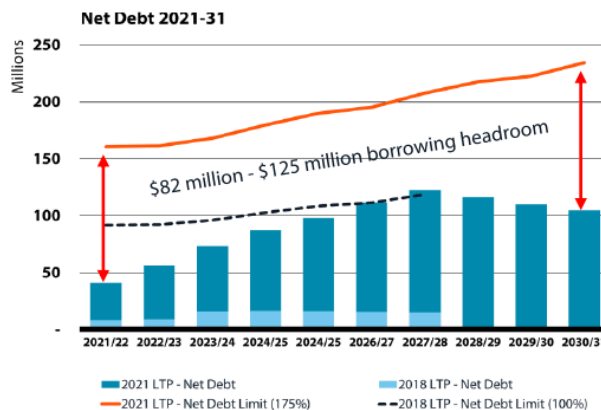
Preserving the capacity to borrow in exceptional circumstances is part of our strategy to be financially prudent and have the ability to respond to emergencies or natural disasters.

In setting the limit we have considered the effect of debt repayments at this limit on the overall rates. As an example, \$10 million borrowed at an interest rate of 2% for 30 years equates to a 1% increase in rates.

We are conscious of the impact that the repayment of debt has on the community, particularly with median household rates projected to be above 5% of median household income during the plan period.

Overall we consider our approach to debt to be prudent, particularly given our current net debt levels, our approach to phasing in depreciation and the need for investment in core infrastructure.

However, we are also conscious about years 10-30 as our asset renewal cycles show a greater proportion of our assets will need to be replaced in this period. We will continue to work on our asset renewal profiles to refine our forecasts further and develop a more accurate picture of our long-term capital funding needs.



We look to manage debt prudently within the constraints of our financial management policies (including our policies on Investment and Liability and Revenue and Financing).

#### Security

The security for borrowing will be by way of a charge over rates in line with Council's Investment and Liability Policy.

## Rates

**Our strategy is to set rates at a level sufficient to meet our annual operating expenditure**

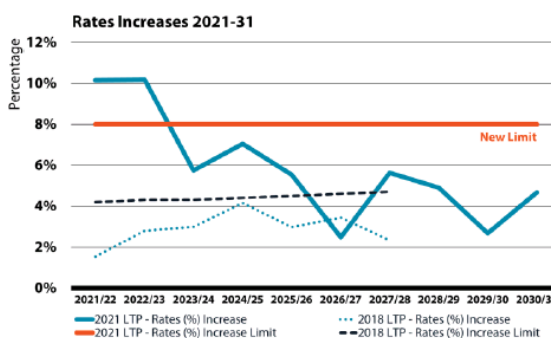
**New rates limit:  
Yr 1-10: 8% per annum**

Rates are our primary income source and we use rates to fund the balance of our operational expenditure after allowing for other revenue.

To date our strategy has been to limit rate increases to the local government inflation measure (the LGCI or local government cost index) plus 2%. In 2018 that meant a forecast rate limit of between 4.0% and 4.7% per year with rates increases averaging 3%. However, we cannot continue to maintain our services by holding rates to 3% in the long term. It is not a realistic option unless we either lower our level of service or load more costs onto future generations.

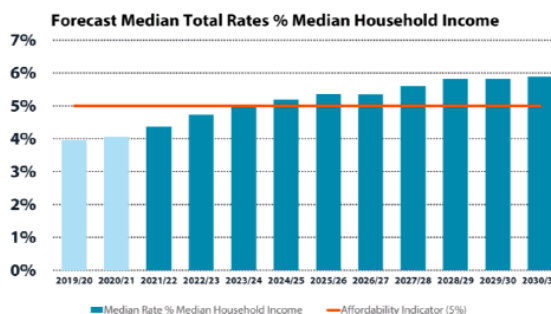
This means we are revising our rate increase limit to 8% per annum. In years 1-2 we are projecting a rate increase higher than our limit primarily because:

- we are transitioning away from using reserves (primarily related to our decision in 2020 to keep rates low because of Covid-19); and
- we have a number of changes to our operating costs (refer to 'Our operating expenditure' on page 5).



Rates increases for the remaining years will be below the revised cap (between 2.5% and 7%). We know that average rate increases of 8% is not ideal. However, this approach results from considering what is financially prudent now and in the longer term, particularly to deliver on our Infrastructure Strategy aims to maintain existing service levels, comply with legislative requirements, address the infrastructure deficit and allow room for responding to unexpected events.

In 2020 Council released a report into rates affordability which identified that at an overall level, median rates (for Southland District and Environment Southland combined) made up 3.95% of median household income in 2019/2020. This report identified that at a district level rates were affordable (being less than 5% of median household income), but noted affordability issues at the household level, particularly in low income urban areas and where there is a high proportion of fixed service rates for water, sewerage and rubbish/recycling.



Information about how we share rates out across the district can be found in our Long Term Plan or Annual Plan Funding Impact Statement and Revenue and Financing Policy.

Over the next three years we are projecting

median rates to remain below 5% of median household income increasing to just below 6% by year 10.

Checking to see that we have the balance right will be part of our focus over the next three years along with ensuring that we get the most value out of every dollar spent.

In the meantime residents on low incomes will continue to be encouraged to access the government's rates rebate scheme to help offset the increase and our rates remission and postponement policies will continue to provide some options for assistance where needed.

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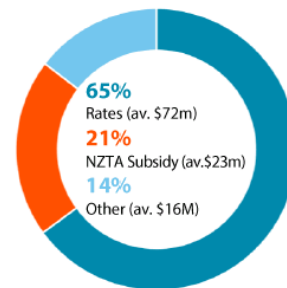
## Other revenue

Council also collects other revenue including from fees and charges, grants/subsidies and financial contributions. The chart opposite shows the mix of revenue sources averaged across the ten years.

The largest proportion of non-rate funding is from Waka Kotahi NZ Transport Agency who fund around 52% of our transport infrastructure costs. Any variations in the level of their subsidy has the potential to have a significant impact on our proposed roading programme.

We also collect fees and charges from users, forestry revenue and other income. We review our fees annually to keep up with changes in the cost of delivering our services and to ensure that we recover the proportion of the costs that individual users benefit from.

Forecast mix of revenue sources 2021-31



## Reserves

Council has two types of reserves. We have reserves that are held for a specific purpose which are restricted in use and general reserves which can be used as needed. Reserves are used as the first source of funding for project related costs. Council's total reserves are projected to increase to \$86 million in year 10 (up from \$35 million).

## Investments

We continue to hold and manage a number of investments for strategic reasons where there is some community, social, physical or economic benefit accruing. Council's Investment and Liability Policy outlines our approach to financial investments and equity securities which is summarised below.

## Insurance

Our strategy is to ensure that Council has sufficient insurance coverage to replace assets that are damaged resulting in significant financial loss.

Currently we insure all of our above and below ground water, wastewater, stormwater assets as well as community facilities. Roads and bridges are not insured given that government support is generally provided for significant events.

## Financial investments

We hold cash investments as part of our day-to-day working capital management and these are usually held in short term deposits or bonds. Returns are market related to the type of investment made. Other reasons for holding these are to provide cash in the event of a natural disaster and invest reserve funds.

Council has forestry assets which are held as a long term commercial investment with returns reflecting market conditions. Surplus funds are used to offset rates.

Council holds property to both support the economic, physical and social development of the district and achieve an acceptable rate of return depending on the purpose held (from none to market rents).

Council will occasionally provide a loan or advance to a community organisation to provide the provision of community services or recreational opportunities that Council would normally be involved in. Council sets the terms and conditions including security requirements as they are granted.

## Equity securities

Council holds such assets only for strategic purposes. Council has shares in a specialist local government insurance company and a local company to assist in the development and operations at Milford Sound. Council does not expect a return on these investments.

Should Council borrow from the Local Government Funding Agency (LGFA), Council would be required to invest in financial bonds at 1.6% of the borrowing. Council will receive interest and full repayment of these "borrower's notes" upon repayment of the loan to which they relate. Interest is calculated to cover the cost of funds.

## Draft Significance and Engagement Policy - Deliberations and Adoption

Record No: R/21/2/5607

Author: Carrie Adams, Intermediate Policy Analyst

Approved by: Trudie Hurst, Group Manager Customer Delivery

☒ Decision

☐ Recommendation

☐ Information

### Purpose

- 1 The purpose of this report is to provide information and to present options to Council, so that it can make decisions on the draft Significance and Engagement Policy (the draft policy). This report is also to present the draft policy for adoption.

### Executive Summary

- 2 The Significance and Engagement Policy enables Council and its communities to identify the degree of significance attached to particular matters, and it provides clarity about how and when communities will be engaged. Only minor changes have been made to the draft policy since it was last reviewed.
- 3 Council has completed public consultation on the draft policy. At its meeting 28 January 2021, Council received four written submissions.
- 4 All four submissions supported all the provisions in the draft policy.
- 5 Staff are requesting Council to select how it would like to proceed.
- 6 If Council decides to adopt the draft policy included with this report as Attachment A (option 1), it is recommended that this policy come into effect immediately upon adoption by Council.
- 7 If Council propose a different way forward (option 2), staff will action the request of Council. If Council are proposing amendments to the draft policy, staff will make the amendments and present the final policy to Council on 14 April 2021, for adoption.

## Recommendation

That the Council:

- a) **Receives the report titled “Draft Significance and Engagement Policy - Deliberations and Adoption” dated 2 March 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) Considers the feedback received on the draft Significance and Engagement Policy.
- e) Agrees to adopt the Significance and Engagement Policy.
- f) Agrees that the Significance and Engagement Policy will come into effect and supersede the current policy immediately upon adoption by Council.

## Background

- 8 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 as part of the Long Term Plan (LTP) process.

## Issues

### Strategic assets

- 9 Under s.76AA of the LGA, a significance and engagement policy is required to list the assets considered by a council to be strategic assets. The list of strategic assets endorsed by Council in the draft policy that went out for consultation 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 feedback from submitters supported the inclusion of the Around the Mountains Cycle Trail and community housing as strategic assets.

### **Proposed changes**

- 12 The proposed changes to the current policy are minor and include:
- clarification of the factors used to assess the significance of an issue
  - revision of the engagement with iwi/Māori provisions
  - terminology and legislative references updates
  - removal of reference to community development area subcommittees
  - formatting of the engagement spectrum approach table to make it more user friendly.

### Factors to Consider

#### Legal and Statutory Requirements

- 13 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.
- 14 As discussed above, significance and engagement policies also must list the assets considered by councils to be strategic assets.
- 15 Section 79 of the LGA enables Council to exercise its discretion about how to comply with certain decision-making requirements in ss.77 and 78 of the LGA, in proportion to the significance of the matter or decision. These requirements include:
- the degree to which Council identifies and assesses options in respect of each decision or matter (including the identification of costs and benefits)
  - the extent and detail of any information to be considered
  - the extent and nature of any written record to be kept of the decision.
- 16 How a council assesses the significance of a matter can be challenged. The courts may (and in the past have) overturned council decisions for non-compliance with a council's own policy. In the event a council wanted to make a decision that would be contrary to its significance and engagement policy, it may do so, provided it follows a process set out in s.80 of the LGA.

### Community Views

- 17 A summary of the community views captured through the formal consultation process on the draft policy was outlined in the issues section of the report that went to Council on 28 January

2021. The full submission booklet of the feedback received through the consultation process was also included as an attachment to that report.

#### Costs and Funding

- 18 There will only be minor costs associated with progressing the draft policy through the consultation process, including the costs associated with staff time and advertising. These costs will be met within current budgets.

#### Policy Implications

- 19 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

##### Options Considered

- 20 The following reasonably practical options have been identified:
- **option 1** – that Council proceed and make decisions now on the issues identified for the draft policy, and adopt the draft policy
  - **option 2** – that Council proposes a different way forward (such as amending the draft policy).

#### Analysis of Options

##### Option 1 – adopt the draft Significance and Engagement Policy

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• Council has captured community views on the draft policy and is in an informed position</li><li>• the draft policy has been updated</li><li>• achieves legislative compliance.</li></ul>	<ul style="list-style-type: none"><li>• no known disadvantages.</li></ul>

##### Option 2 – propose a different way forward

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>• would give clarity on Council's preferred approach.</li></ul>	<ul style="list-style-type: none"><li>• the public will have an expectation that a decision will be reached on the draft policy</li><li>• will be difficult to complete review of the policy prior to 2021-31 LTP consultation.</li></ul>

#### Assessment of Significance

- 21 The decisions Council is making in regard to this report have been assessed as not being significant in relation to Council's current Significance and Engagement Policy and the Local Government Act 2002. No major changes are proposed to the current policy.

### Recommended Option

- 22 It is recommended that Council proceed with option 1 and adopt the draft policy.

### Next Steps

- 23 If Council proceeds with option 1, adopts the draft policy, staff would give public notice of the adoption of the policy. Staff would also send letters to people who submitted on the draft policy, informing them of the final outcome.
- 24 If Council proceeds with option 2, staff will outline next steps in line with the approach taken.

### Attachments

- A Significance and Engagement Policy - for adoption by Council [↓](#)

## Significance and Engagement Policy

**Group responsible:** chief executive

**Date adopted:** 10 March 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.

### 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:

- 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, decision or proposal
- the financial and non-financial costs and implications of the issue, decision or proposal on Council's capability and capacity
- 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 Council staff will discuss the importance of the matter 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 s.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
- 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 as a whole
- 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**

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### **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 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**

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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 not withstanding 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

#### 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 '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.



### 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.

### The level of engagement

Using the International Association of Public Participation engagement spectrum as a basis<sup>1</sup>, 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 (eg 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.

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, Council will then consider the range of engagement methods that are appropriate. This process supports community participation through the engagement spectrum 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.

The table 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.

<sup>1</sup> International Association of Public Participation [IAP2 Spectrum of Public Participation ([https://iap2.org.au/wp-content/uploads/2019/07/IAP2\\_Public\\_Participation\\_Spectrum.pdf](https://iap2.org.au/wp-content/uploads/2019/07/IAP2_Public_Participation_Spectrum.pdf)). Date accessed: 14 August 2020].



	LOW LEVEL OF SIGNIFICANCE			HIGH LEVEL OF SIGNIFICANCE	
	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 newsletter, weekly/daily newspapers, community newsletters, email, 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
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"> <li>determine degree of significance of an issue</li> <li>determine whether or not to engage</li> <li>link level of significance to appropriate levels of engagement</li> <li>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.</li> </ul>
communications manager, ELT	ensure that engagement with the community meets the degree of significance determined by Council
all Council staff	ensure that the policy is given full effect

## 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, or sooner as required. Any amendments shall be made with the approval of Council.

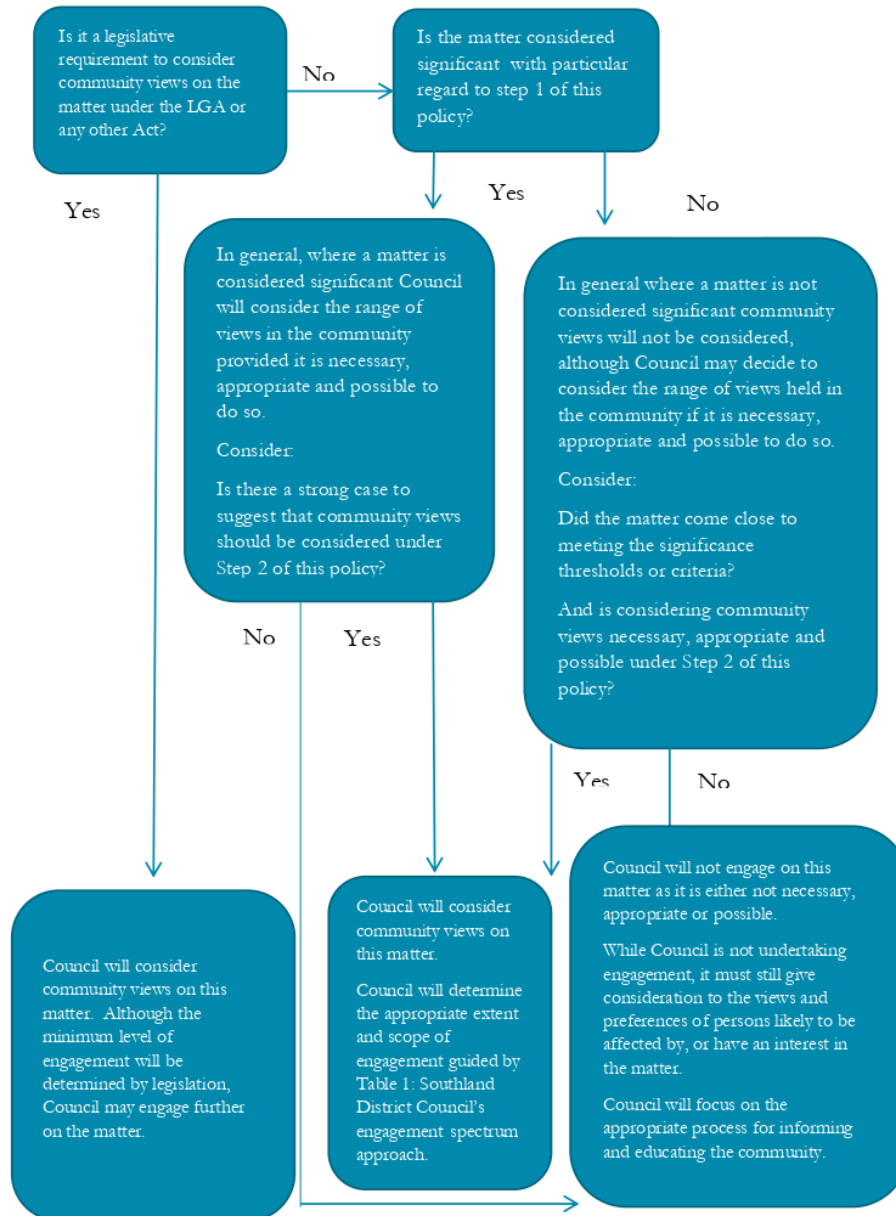
Date	Version	Revision description
28 January 1999	N/A	Consultation Policy
27 November 2003	R/03/7/6677	Consultation Policy
26 June 2003	R/09/9/13601	Significance Policy
28 June 2006	R/12/1/808	Significance Policy
29 October 2014	R/14/8/11821	Significance and Engagement Policy
2017	R/16/11/19694	Significance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

## 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
- 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.



## Draft Policy on Development and Financial Contributions - Deliberations and Adoption

Record No: R/21/2/5608  
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 and to present options to Council, so that it can make decisions on the draft Policy on Development and Financial Contributions (the draft policy). This report is also to present the draft policy for adoption. The draft policy is included as Attachment A.

### Executive Summary

- 2 In the draft policy, the development contributions (DCs) part of the policy, which allow councils to apportion the costs associated with additional demand to those creating the demand, has been kept in remission on the basis that Council wants to encourage growth. The financial contributions part of the policy (FCs), which sets out to mitigate the environmental effects of development, would continue to be collected through the Southland District Plan. FC's are proposed to be collected on roading and reserves.
- 3 Council has completed public consultation on the draft policy. At its meeting 28 January 2021, Council received three written submissions on the draft policy. All three submissions supported all the provisions in the draft policy.
- 4 Staff are requesting Council select how it would like to proceed.
- 5 If Council decides to adopt the draft policy, it is recommended the draft policy come into effect on 1 July 2021, to align with the start of the financial year, and the Long Term Plan 2031.
- 6 If Council propose a different way forward, staff will action the request of Council. If Council propose amendments to the draft policy, staff will make the amendments and present the final policy to Council on 14 April 2021, for adoption.

## Recommendation

That the Council:

- a) **Receives the report titled “Draft Policy on Development and Financial Contributions - Deliberations and Adoption” dated 3 March 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) Considers the feedback received on the draft Policy on Development and Financial Contributions.
- e) Adopts the Policy on Development and Financial Contributions.
- f) Resolves that the Policy on Development and Financial Contributions will come into effect and supersede the current policy on 1 July 2021.

## Background

- 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 DCs and FCs have not been a significant revenue stream for Council. Approximately \$57,000 of FCs have been collected since the current policy was adopted in 2018. While contributions do have the potential to be a useful funding source for some specific projects, the ability to realise that revenue is dependent on the economic cycle and trends in development and also what demand-related capital expenditure is carried out.
- 10 The draft policy was endorsed for consultation by Council in October 2020. Consultation was carried out in line with s.82 of the Local Government Act 2002 (LGA) and ran from 4 November to 4 December 2020. Three submissions were received. On 28 January 2020, Council received the submissions on the draft policy.

## Issues

- 11 The draft policy is very similar to Council's current Development and Financial Contributions Policy, but minor updates and amendments have been made. These are:
  - amending population projection data
  - amending financial data
  - amending growth assumptions
  - updating the projects being undertaken
  - amending dates
  - updating legislation.
- 12 As required by the LGA, staff have included in the schedules to the draft policy, the projects being undertaken in the LTP 2031 that have a demand related component. Currently two demand related projects have been identified, the Te Anau wastewater and Riverton cemetery projects.

Having the DC part of the policy in remission

## Requirement for growth

- 13 Section 197AB(a) of the LGA requires that DCs only be assessed for demand related expenditure. As such, DCs should only be assessed where there is projected growth that is likely to increase demand for services/activities and where capital expenditure is planned to meet this

additional demand. There is some population growth predicted in parts of the District over the period of the LTP 2031, which may justify imposing DCs.

- 14 In order to justify imposing DCs, activity managers would also need to be planning capital expenditure related to growth. This is the only type of expenditure that can be considered in the assessment of DCs (all operational costs, maintenance and overheads etc are excluded). As outlined above, there are two projects planned that will have capital expenditure relating to growth.

#### **Further legislative requirements**

- 15 Council must also consider s.101(3)(a) of the LGA, when it determines the sources for expenditure requirements. This section states that funding needs to meet expenditure requirements, must be met from sources that Council determines to be appropriate, following a consideration of a number of matters. These factors include who is benefiting, and when the benefits are expected to occur. Council also must consider the overall impact of any allocation of liability for revenue needs on the community.
- 16 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.

#### **Feedback from public consultation**

- 17 Submitters supported keeping DCs in remission and FCs operative, as proposed in the draft policy. This is illustrated by the following summary of those submissions:
- 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
  - 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**

- 18 Section 102 of the LGA requires Council have a policy on DCs and FCs. 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.
- 19 Council may review its position on contributions at any time, but is required to do so at least once every three years. The current policy therefore must be reviewed by June 2021. If Council wants to make changes to the policy after it is adopted, it would have to undertake a consultation process providing information on the proposed change to people interested in or affected by the matter, and encourage people to present their views to Council.
- 20 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.

- 21 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.
- 22 There is no legislative requirement for this policy to be included in the LTP. The policy is required to be released for public consultation in compliance with s.82 of the LGA, which has been completed.

#### Community Views

- 23 A summary of the community views captured through the formal consultation process on the draft policy was outlined in the issues section of the report that went to Council on 28 January 2021. The full submission booklet of the feedback received through the consultation process was also included as an attachment to that report.

#### Costs and Funding

- 24 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.

#### Policy Implications

- 25 The draft policy would continue to have DCs in remission. This means that if the draft policy is adopted, DCs will not be assessed when development takes place.
- 26 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.
- 27 In the draft policy, FCs, which are collected through resource consents under the Southland District Plan, apply to development in the Southland District and will be taken for roading and reserves.

#### Analysis

##### Options Considered

- 28 The following reasonably practical options have been identified:
- **option 1** – that Council proceed and adopt the draft policy
  - **option 2** – that Council proposes a different way forward.

#### Analysis of Options

##### Option 1 – adopt the draft Significance and Engagement Policy

<i>Advantages</i>	<i>Disadvantages</i>
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<ul style="list-style-type: none"> <li>• Council has captured community views on the draft policy and is in an informed position</li> <li>• the draft policy has been updated</li> <li>• achieves legislative compliance</li> <li>• may encourage growth and development in Southland District, which would have wide public benefit.</li> </ul>	<ul style="list-style-type: none"> <li>• by having the DC part of the policy in remission, it may frustrate some developers who have already paid DCs</li> <li>• Council may miss assessing DCs on a development</li> <li>• rate payers may not like bearing the cost of demand related expenditure.</li> </ul>
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#### Option 2 – propose a different way forward

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>• would give clarity on Council's preferred approach</li> </ul>	<ul style="list-style-type: none"> <li>• the public will have an expectation that a decision will be reached on the draft policy</li> <li>• if Council would like to recommend changes to the draft policy (that are more than minor wording changes), it may jeopardise auditor approval and completing the LTP within the required timeframe.</li> </ul>

#### Assessment of Significance

- 29 The decisions Council is making in regard to this report have been assessed as not being significant in relation to Council's Significance and Engagement Policy and the Local Government Act 2002. No major changes are proposed to the current policy.

#### Recommended Option

- 30 It is recommended that Council proceed with option 1 and adopt the draft policy.

#### Next Steps

- 31 If Council proceeds with option 1, and adopts the draft policy, staff would give public notice of the adoption of the policy. Staff would also send letters to people who submitted on the draft policy, informing them of the final outcome.
- 32 If Council proceeds with option 2, staff will outline next steps in line with the approach taken.

#### Attachments

- A Policy on Development and Financial Contributions for adoption by Council [↓](#)



## Policy on Development and Financial Contributions

<b>Group responsible:</b>	<b>Finance</b>
<b>Date adopted:</b>	<b>10 March 2021</b>
<b>Implementation date:</b>	<b>1 July 2021</b>
<b>File no:</b>	<b>R/20/7/30795</b>

### 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.

Council 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. 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, wastewater and community infrastructure.

Council, in addition to determining matters of content in this policy, has determined:

- that the decision to adopt the policy is not a significant decision;
- that it believes it has met the decision-making and consultation requirements of the act to the extent required.



### 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.

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.

### 1.3 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 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 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 this policy becomes operative.

## 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, 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**

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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 District Plan and should be referred to when reading this policy. The financial contribution rules in Section 2.14 the 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**

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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**

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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**

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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**

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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**

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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)**

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In keeping with the principle in s.197AB(g) of the act, Council considers that development contributions should be required from new developments 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 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 costs 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 2051 in order to ensure more equitable attribution under Schedule 13 of the act. This 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 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**

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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**

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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 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 2021.

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 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 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**

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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 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**

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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**

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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**

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Council will refund development contributions in accordance with the requirements of ss.209 and 210 of the act.

## **2.18 Development agreements**

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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 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) 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, 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.

$\Sigma$  = 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
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 <sup>2</sup>	Lot area divided by 1,000 per square metre
one commercial, industrial or other non-residential lot with an area of 1,000 m <sup>2</sup> 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 wastewater development contributions ONLY, any <b>existing</b> <i>legally established lot</i> not connected to either the water supply network or the wastewater network as the case may be	0
for the purposes of calculating water supply and wastewater development contributions ONLY, any <b>proposed</b> <i>lot</i> not to be connected to either the water supply network or the 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"> <li>wholly covenanted in perpetuity as provided for by s.22 of the Queen Elizabeth the Second National Trust Act 1977</li> <li>the title of which prevents any form of development on the <i>lot</i>.</li> </ul>	0

**TABLE 1 - UNITS OF DEMAND GENERATED BY SUBDIVISION AND DEVELOPMENT**

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 wastewater contributions only	0.5 otherwise 0
any <i>aged care room</i> for purposes of calculating the water supply and wastewater contributions only	0.2 otherwise 0
other activity (activity not specified elsewhere in this table)	special application
for the purposes of calculating water supply and wastewater development contributions ONLY, any <b>existing</b> <i>legally established</i> development not connected to either the water supply network or the wastewater network as the case may be	0
for the purposes of calculating water supply and wastewater development contributions ONLY, any <b>proposed</b> development not to be connected to either the water supply network or the 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
<b>Unit of demand factors commercial development</b>	<b>Calculated in Appendix 5</b>
water supply – commercial development	1 per 769 m <sup>2</sup> <i>net lettable area</i>
wastewater - commercial development	1 per 322 m <sup>2</sup> <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**

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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 2021.

### **3.5 Remissions and postponements of development contributions**

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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, 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**

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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**

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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**

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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

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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

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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:

- the degree, on a scale of 0 to 10 to which growth created the need for the project to be undertaken. (0 = not at all, 10 = totally)
- the degree on a scale of 0 to 10 to which the growth community will benefit from the project being undertaken. (0 = not at all, 10 = totally).

Calculation of Growth Component % - Need/Benefit Matrix											
NEED											
To what degree does Growth create the need for the project: 0 - not at all, 10 - totally											
Factor	0	1	2	3	4	5	6	7	8	9	10
0	0	5	10	15	20	25	30	35	40	45	50
1	5	10	15	20	25	30	35	40	45	50	55
2	10	15	20	25	30	35	40	45	50	55	60
3	15	20	25	30	35	40	45	50	55	60	65
4	20	25	30	35	40	45	50	55	60	65	70
5	25	30	35	40	45	50	55	60	65	70	75
6	30	35	40	45	50	55	60	65	70	75	80
7	35	40	45	50	55	60	65	70	75	80	85
8	40	45	50	55	60	65	70	75	80	85	90
9	45	50	55	60	65	70	75	80	85	90	95
10	50	55	60	65	70	75	80	85	90	95	100

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:

- existing units of demand at 2021; plus
- 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 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**

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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 2021 to 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 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 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 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 2021 and projected rating units for each activity-funding area to 2051.

#### **4.6 Step 6: Allocation of costs to units of demand - schedule of development contributions**

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The development contribution for each activity and each catchment to be charged per unit of demand is derived by dividing the costs of growth in the Long Term Plan period (AC Cost to N), derived in Step 3 and Step 4 by the number of additional rating units expected in the period, derived in Step 5.



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**

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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/Apaimea 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 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 growth.



## 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
<b>WASTEWATER</b>	\$27,019,939	\$ -	\$ -	\$21,677,334	\$7,342,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>CEMETERIES</b>	\$231,707	\$ -	\$ -	\$ 196,707	\$35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL</b>	\$27,251,646	\$ -	\$ -	\$19,874,841	\$7,377,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\* 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 (wastewater) will be sourced from contributions already recovered and rates. The demand component of this project (currently calculated at \$5,311,375), would typically be funded by development contributions. If Council deems it appropriate to reinstate development contributions in the future, they will be used as a source of funding for this project and reduce the rates requirement.



### Schedule 3 - Schedule of development contributions

AREA	WASTEWATER	WATER SUPPLY	COMMUNITY INFRASTRUCTURE	RESERVES	ROADING	TOTAL
TE ANAU COMMUNITY BOARD	\$-*	\$-	\$-	\$-	\$-	\$-
<b>NOTE 1: THESE CONTRIBUTION AMOUNTS DO NOT INCLUDE GST</b>						

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.

\* 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 \$5,735.22 per unit of demand (GST exclusive) from 1 July 2021.



## 6 Roles and responsibilities

ROLE	ROLES AND RESPONSIBILITIES
<b>COUNCIL</b>	decision on whether to review and reinstate the policy when in remission
<b>ALL COUNCIL STAFF</b>	ensure that the policy is given full effect

## 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
<b>R/20/7/30795</b>	Policy on Development and Financial Contributions	LTP 2021-31
<b>R/17/10/24438</b>	Development and Financial Contributions Policy	Long Term Plan 2018-28
<b>R/14/11/17513</b>	Development and Financial Contributions Policy	Long Term Plan 2015-25
<b>R/14/6/8794</b>	Development and Financial Contributions Policy	Annual Plan 2014-15
<b>R/13/2/1981</b>	Development and Financial Contributions Policy	June 2013
<b>R/09/9/13493</b>	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
<b>ACCOMMODATION UNIT</b>	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> ”
<b>AC COST</b>	means the cost for providing additional capacity to service the development of new households and businesses
<b>ACTIVITY</b>	means a good or service provided by Council under s.5 of the act, and for which development contributions are normally collected
<b>ACTIVITY UNIT OF DEMAND</b>	means the demand for a community facility generated by development activity other than subdivision
<b>ADDITIONAL CAPACITY PROJECT OR AC PROJECT</b>	means a capital project in the Long Term Plan intended only to provide additional capacity to service new and future households and businesses
<b>AGED CARE ROOM</b>	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
<b>ALLOTMENT OR LOT</b>	has the meaning given to the term “allotment” in s.218(2) of the RMA: (a) any parcel of land under the Land Transfer Act 1952 that is a continuous area and whose boundaries are shown separately on a survey plan, whether or not: (i) the subdivision shown on the survey plan has been allowed, or subdivision approval has been granted, under another act; or (ii) a subdivision consent for the subdivision shown on the survey plan has been granted under this act; or (b) any parcel of land or building or part of a building that is shown or identified separately— (i) on a survey plan; or (ii) on a licence within the meaning of Part 7A of the Land Transfer Act 1952; or (c) any unit on a unit plan; or (d) any parcel of land not subject to the Land Transfer Act 1952.
<b>BEDROOM</b>	means a room used for sleeping, normally accommodating no more than three persons
<b>CATCHMENT</b>	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.

DEFINITIONS	
<b>COMBINED PROJECT OR AC/ILOS PROJECT</b>	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
<b>COMMERCIAL</b>	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
<b>COMMUNITY FACILITIES</b>	means parks and reserves, network infrastructure, or community infrastructure for which development contributions may be required
<b>COMMUNITY INFRASTRUCTURE</b>	has the definition given to it in s.197(2) of the act
<b>DEVELOPMENT</b>	has the definition given to it in s.197(1) of the act
<b>DEVELOPMENT CONTRIBUTIONS CALCULATION PERIOD</b>	means the period between 1 July 2021 and a date 30 years after the date of adoption of this policy.
<b>DISTRICT PLAN</b>	The operative Southland District Plan including any proposed plan or variation.
<b>DWELLING UNIT</b>	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
<b>HOUSEHOLD UNIT</b>	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)
<b>ILOS COST</b>	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
<b>IMPROVED LEVEL OF SERVICE PROJECT OR ILOS PROJECT</b>	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
<b>INDUSTRIAL</b>	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"> <li>• extract or convert natural resources</li> <li>• produce goods or energy from natural or converted resources</li> <li>• repair goods, but</li> </ul>

DEFINITIONS	
	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
<b>LEGALLY ESTABLISHED</b>	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 2021, but have since been demolished
<b>LOT UNIT OF DEMAND</b>	the demand for a community facility generated by the creation of lots through subdivision
<b>NET LETTABLE AREA</b>	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
<b>NON-RESIDENTIAL LOT OR DEVELOPMENT</b>	any lot or development that is not for residential purposes. This includes: <ul style="list-style-type: none"> <li>• 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</li> <li>• all buildings for the provision of sport, recreation or entertainment</li> <li>• all buildings for the provision of social and cultural pursuits</li> </ul>
<b>PAST SURPLUS CAPACITY</b>	capacity in assets provided as a result of capital expenditure made in anticipation of development since 1 July 2005.
<b>REMAINING SURPLUS CAPACITY</b>	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
<b>RESIDENTIAL DEVELOPMENT</b>	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
<b>RETIREMENT UNIT</b>	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.
<b>SERVICED SITE</b>	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	
<b>SURPLUS CAPACITY PROJECT OR SC PROJECT</b>	a past capital expenditure project carried out since 1 July 2005 in anticipation of new development and providing surplus capacity for further development.
<b>UTILITY BUILDING</b>	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
<b>UNIT OF DEMAND</b>	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
<b>WATER SUPPLY</b>	10 community potable water supplies: <ul style="list-style-type: none"> <li>• Edendale/Wyndham</li> <li>• Manapouri</li> <li>• Mossburn</li> <li>• Ohai/Nightcaps/Wairio</li> <li>• Orawia</li> <li>• Otautau</li> <li>• Riverton</li> <li>• Te Anau</li> <li>• Tuatapere</li> <li>• Winton</li> </ul> 2 treated rural water supply areas: <ul style="list-style-type: none"> <li>• Eastern Bush/Otahu Flat</li> <li>• Lumsden/Balfour</li> </ul>	Development in any separate water supply scheme
<b>WASTEWATER</b>	18 wastewater scheme areas: <ul style="list-style-type: none"> <li>• Balfour</li> <li>• Browns</li> <li>• Edendale/Wyndham</li> <li>• Gorge Road</li> <li>• Lumsden</li> <li>• Manapouri</li> <li>• Monowai</li> <li>• Nightcaps</li> <li>• Ohai</li> <li>• Riversdale</li> <li>• Riverton</li> <li>• Stewart Island</li> <li>• Te Anau</li> <li>• Tokanui</li> <li>• Tuatapere</li> <li>• Otautau</li> <li>• Wallacetown</li> <li>• Winton</li> </ul>	Development in any separate wastewater scheme
<b>COMMUNITY INFRASTRUCTURE</b>	Waihopai Toetoe Ward, Winton Wallacetown Ward, Mararoa Waimea Ward, Waiau 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 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 m<sup>2</sup> 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 m<sup>2</sup> per lot;
- c) a contribution of the value of 20 m<sup>2</sup> for each additional residential unit created in a development;
- d) a contribution of the value of 4 m<sup>2</sup> of land for each additional 100 m<sup>2</sup> 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 wastewater, as compared to that of an average dwelling unit, Council accepts that demand may vary between different types of commercial activity. However changes to the type of business over time may not constitute “development” under the act or even trigger a resource consent, building consent or new connection requiring a development contribution. This policy therefore treats all types of commercial activity as generating the same average unit of demand for a given net lettable area.

#### Water - comparison of residential and commercial demand

The residential daily demand for water comprises that for domestic purposes and non-domestic uses (eg gardening, car washing, firefighting, leakages etc). The following figures are used in the assessment:

- the average daily residential demand for domestic purposes is 230 litres/person/day
- 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 ( $4 \times 230$  litres/day + 1200 litres).

Water consumption sampling<sup>1</sup> of various commercial premises, offers data for premises which may be typical of many Southland main street businesses in the range 0 - 5,000 m<sup>2</sup> 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 m<sup>3</sup> (average 1,037 m<sup>3</sup>) per annum per 1,000 m<sup>2</sup> NLA. This converts as follows:

***Commercial premises consuming an average 2,840 litres per day per 1,000 m<sup>2</sup> NLA; thus  
If 2,120 litres per day is one unit of demand for residential; then  
2,840 litres per day (1,000 m<sup>2</sup> NLA) is 1.3 units of demand; then  
769 m<sup>2</sup> NLA is 1 unit of demand.***

#### 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 ( $4 \times 230$  litres/day).

It is assumed that all water consumption on commercial premises (2,840 litres per day per 1,000 m<sup>2</sup> NLA in main street situations will find its way to the sewer. To calculate the units of demand for wastewater:

***Commercial premises generate an average 2,840 litres wastewater per day per 1,000 m<sup>2</sup> NLA; thus  
If 920 litres per day is one unit of demand for residential; then  
2,840 litres per day (1,000 m<sup>2</sup> NLA) is 3.1 units of demand; then  
322 m<sup>2</sup> NLA is one unit of demand.***

<sup>1</sup> 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

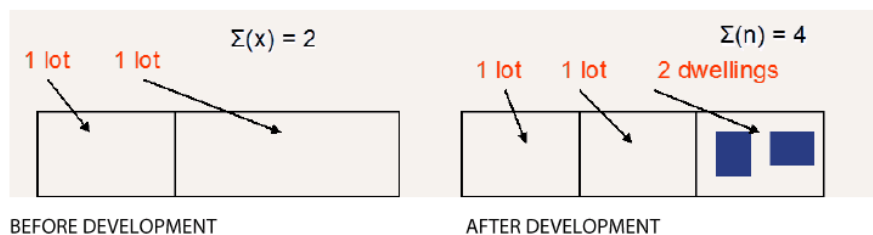
The formula in **Section 3.2.1** of this policy calculates the demand on infrastructure from any development site after the proposed development has taken place ( $n$ ) and subtracts the existing demand already generated by the site before the development occurs ( $x$ ). In this way, it identifies only 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  $[(a) \times [\Sigma(n) - \Sigma(x)]] + \text{GST}$  where:

- (a) is the development contribution for the catchment eg 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:**



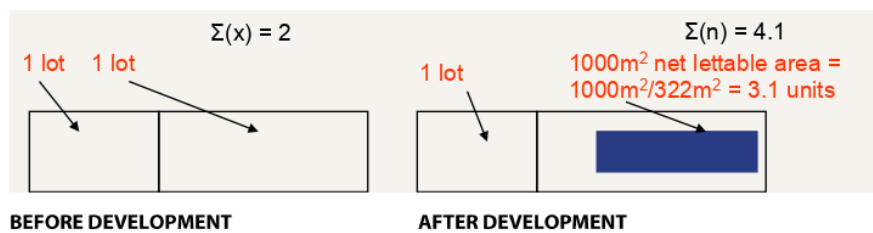
BEFORE DEVELOPMENT

AFTER DEVELOPMENT

**Additional units of demand  $\Sigma(n) - \Sigma(x) = 4(n) - 2(x) = 2$  Units**

**Development contribution for 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 wastewater is 2.1 units X \$1,316 = \$2,764 + GST**



## Supporting Documentation - Long Term Plan 2021-2031

Record No: R/21/2/6667

Author: Jason Domigan, Corporate Performance Lead

Approved by: Trudie Hurst, Group Manager Customer Delivery

☒ Decision

☐ Recommendation

☐ Information

### Purpose

- 1 This report recommends that Council adopts the supporting information for the Long Term Plan 2021-2031 (LTP) for consultation from 9am 12 March 2021 to 5pm 14 April 2021.

### Executive Summary

- 2 All councils are required by legislation to adopt an LTP and review it every three years. The process to develop Council's LTP began in early 2019.
- 3 Under the Local Government Act 2002, local authorities are required to develop a consultation document for the purpose of consulting with the community as well as making publicly available the information that provides the basis for the preparation of the LTP.
- 4 Staff have developed a set of information which reflects the decisions and guidance that has been provided by elected members (the supporting information).
- 5 The supporting information contains a number of documents that support the content of the consultation document and provides the basis for the preparation of the LTP.
- 6 At previous meetings and workshops, Council endorsed a number of supporting documents. The report outlines changes which have been made to these documents since and recommends these be adopted by Council.
- 7 A number of other documents have also now been prepared and are attached for Council's review and adoption.
- 8 The next step in the LTP process is for the consultation document to be adopted and released for public consultation at 9am on 12 March 2021. Submissions will close at 5pm, Wednesday, 14 April 2021.
- 9 The draft issues and options papers following the consultation and hearing process will be presented to Council for deliberation on 5 May 2021, as part of LTP deliberations. Adoption of the LTP, will occur after this, in June 2021.

## Recommendation

That Council:

- a) **Receives the report titled “Supporting Documentation - Long Term Plan 2021-2031” dated 4 March 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) Agrees to adopt the following documents as information that provides the basis for the preparation of the Long Term Plan (LTP) and consultation document in accordance with Section 93G of the Local Government Act 2002, and acknowledge these documents are to be made publicly available during the consultation period 9am 12 March 2021 to 14 April 2021:
  - (i) Draft activity management plans (attachments A and B)
  - (ii) Draft performance management framework (attachment C)
  - (iii) Draft activity structure (attachment C, page 5)
  - (iv) Prospective financial statements (included in attachment J, pages 3-8) and activity funding impact statements (attachment D)
  - (v) Financial prudence benchmarks (attachment E)
  - (vi) Funding impact statement – rates section (included in attachment J, pages 9-26)
  - (vii) Significant forecasting assumptions (attachment F)
  - (viii) Schedule of projects (attachment G)
  - (ix) Schedule of community assistance funding (attachment H)
  - (x) Proposed new rating boundaries (included in attachment J, pages 27-51)
  - (xi) Proposed fees and charges (included in attachment J, pages 54-75)
  - (xii) Schedule of reserves (included in attachment J, pages 76-87)
- e) Agrees that in accordance with Section 100 of the Local Government Act 2002, that it is financially prudent for Council to project operating deficits in the second and third year of the plan.
- f) Agrees to delegate responsibility to the chief executive to approve any final edits required to the supporting information in order to finalise the documents and make them available to the public.

## Background

- 10 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.

- 11 The process to develop Council's LTP began in early 2019. The LTP process provides the most significant opportunity for Council to review the direction that it wishes to go in, and ensure Council is delivering the appropriate services for Southland District.
- 12 A number of workshops and discussions have been held over the past two years in preparation for the LTP. As part of this, Council's financial strategy and infrastructure strategy have been reviewed. These documents are combined in a separate report, and set out the key challenges facing the District and the approach Council will take in addressing these issues.
- 13 In preparing the budgets for the LTP, individual departmental budgets were prepared by managers and reviewed by finance staff as well as the Executive Leadership Team. Council reviewed district budgets and various inputs into its plan at workshops and meetings from July 2020 to February 2021.
- 14 Many of the projects and budgets forming part of the Activity Management Plans (AMPs) were discussed with the Community Boards and Water Supply Subcommittees at their LTP budget meetings held from October to December 2020. As a result of these meetings, some amendments were made to the AMPs and associated budgets.
- 15 The total proposed rate increase is forecast for 2021/2022 year to be a 10.27% increase from 2020/2021 (\$5.06 million). Please note this rate increase is based on rates only, and therefore differs slightly to what is in the consultation document (10.15%), which calculates the rates increase using the rates revenue on the statement of comprehensive revenue and expense. The rates revenue on the statement of comprehensive revenue and expense includes rates, rates penalties, water metre rates and internal rates offsets.
- 16 The total proposed rates (GST exclusive) for the 10 years of the LTP is as follows:

Year	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
<b>Total rates (\$M)</b>	<b>\$54.3</b>	<b>\$59.8</b>	<b>\$63.3</b>	<b>\$67.8</b>	<b>\$71.5</b>	<b>\$73.3</b>	<b>\$77.4</b>	<b>\$81.2</b>	<b>\$83.4</b>	<b>\$87.3</b>
<b>Rates increase (\$M)</b>	<b>\$5.06</b>	<b>\$5.5</b>	<b>\$3.4</b>	<b>\$4.5</b>	<b>\$3.8</b>	<b>\$1.8</b>	<b>\$4.1</b>	<b>\$3.8</b>	<b>\$2.2</b>	<b>\$3.9</b>
<b>Rates increase (%)</b>	<b>10.27%</b>	<b>10.21%</b>	<b>5.76%</b>	<b>7.07%</b>	<b>5.54%</b>	<b>2.47%</b>	<b>5.63%</b>	<b>4.91%</b>	<b>2.66%</b>	<b>4.68%</b>

- 17 A summary outlining the various rate types that make up these totals are included in **attachment I**. Commentary explaining the significant movements in the rate types proposed for the 10 years of the LTP is also included in **attachment I**.
- 18 The significant drivers of the \$5.06 million increase in rates from 2020/2021 to 2021/2022 are summarised below:
- \$2.1 million in the roading rate due to the decision to utilise the strategic asset reserve in 2020/2021 to fund operating costs (reducing the impact of Covid-19 on ratepayers), and increases in capital works, depreciation, and maintenance. This has been offset by further utilisation of the strategic asset reserve in 2021/2022, and reductions in emergency reinstatement costs, footpath renewals and drainage level of service works

- \$1.3 million in District wastewater rate due to the Te Anau scheme, changes to the way staff are allocated to three waters, and increases in capital works, depreciation, loan costs, CCTV inspection costs and maintenance. These increases have been partially offset by three waters stimulus funding
  - \$700,000 in local rates due to the proposed new SIESA rate, Te Anau rural water supply costs, Waihopai Toetoe pool grants, mowing costs, and increased cyclical maintenance of community assets. This has been offset by cemeteries, litter bins and local representation now being funded by the District general rate and stormwater being funded by a new District stormwater rate
  - \$586,000 in the District water rate due to increases in capital works, depreciation, and loan costs. This has been partially offset by three waters stimulus funding
  - \$274,000 in District stormwater rate due to increases in condition assessments, compliance and maintenance costs. This has been partially offset by three waters stimulus funding
  - \$18,000 in the District general rate due to increases in employee expenses (legislative requirements), iwi contribution and maintenance. In addition, local representation, cemeteries, and litter bins have moved from the local rates. This was offset by a reduction in net internal costs (changes to the way staff are allocated to corporate and three waters activities, removal of internal interest charges, and removal of ward and township allocations under the new local rating approach)
  - \$20,000 regional heritage rate and \$44,000 rubbish collection rate had no significant increases other than inflation.
- 19 Each of the individual rate types and how they are charged to properties are explained in the funding impact statement (rates section) included in **attachment J (pages 9-24)**.

### **LTP supporting information**

- 20 Instead of a draft LTP, local authorities are required to develop a consultation document for the purpose of consulting with the community as well as making publicly available the information that provides the basis for the preparation of the LTP.
- 21 Staff have developed the following set of supporting information which provides more detail and context about the LTP consultation document. This material reflects the decisions and guidance that has been provided by elected members and will be available online through the consultation period. The table below identifies the documents that have already been approved by Council and those that staff are seeking Council to approve as part of this report:

<b>Documents Council is being asked to endorse</b>	<b>Documents Council has already endorsed</b>
Infrastructure strategy (separate report) Financial strategy (separate report) Significance and Engagement Policy (separate report) Development and Financial Contributions Policy (separate report) Draft activity management plans Performance management framework	Revenue and Financing Policy Accounting policies

Draft prospective financial statements and activity funding impact statements Financial prudence benchmarks Funding impact statements (rates section) Significant forecasting assumptions Schedule of projects Schedule of community assistance funding Proposed new rating boundaries and rating boundary maps Proposed fees and charges Schedule of reserves	
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- 22 The above information has been relied upon in the preparation of the consultation document.

### **Changes to supporting information**

- 23 A small number of changes have been made to the supporting information to correct omissions or errors identified, to provide clarification or as a result of new information received since decisions were made. Apart from these minor changes, further changes are set out below.

### **Draft activity management plans (AMPS)**

- 24 Activity managers have prepared draft AMPs as supporting documents that underpin the LTP. These plans take into account the revised strategic framework and activity groups confirmed by Council in 2020, as well as additional knowledge about the activities and operating environment that has been gained since the 2018 versions were developed for the current LTP.
- 25 Summaries of the draft AMPs were presented to Council at workshops in August 2020. The information was discussed with activity managers and provided direction for activity budgets that were finalised later in 2020.
- 26 While Council is being asked to review the draft AMPs today, these continue to be living documents and will need to be updated to reflect any future decisions Council makes regarding the LTP. The primary audience for each AMP is the activity manager and staff.
- 27 Four priority draft AMPs were reviewed and endorsed by the Finance and Assurance Committee on 15 February 2021. These activities were as follows:
- transport AMP
  - water supply AMP
  - wastewater AMP
  - stormwater AMP
- 28 Minor changes have been made to those AMPs above to ensure the financial data and subsequent information has been updated.

29 In addition to the draft AMPs outlined above, the other nine draft AMPs are as follows:

- environmental services AMP
- emergency management AMP
- community leadership AMP
- water facilities AMP
- community facilities AMP
- community services AMP
- open spaces AMP
- waste services AMP
- SIESA AMP

30 The full collection of draft AMPs is attached for review in **attachments A and B**.

#### **Draft performance management framework**

31 The draft performance management framework is included as **attachment C**.

32 The draft performance management framework shows how each activity contributes to the four community outcomes, what levels of service will be provided, how performance will be measured, key performance indicators (KPI) and what Council's targets are.

33 Council activities and their grouping is important as it defines the work that Council undertakes and creates transparency in the planning and financial delivery of the services to the community.

34 The draft performance management framework includes changes to the way that Council groups its activities. In the 2018-2028 LTP there were nine groups and 26 separate activities. On 19 June 2019, Council noted the proposed Council activities and the changes that mean that the group of activities changed from nine to seven and the number of activities has changed from 26 to 13.

35 A minor amendment to the activity groups is proposed to align with updated terminology identified through the development of the infrastructure strategy and AMPs. The original activities endorsed by Council included a group as outlined below:

	<b>Group</b>	<b>Activity</b>
<b>Originally endorsed name</b>	Sewerage and the treatment and disposal of sewage	Sewerage
<b>Proposed amended name</b>	Wastewater (sewerage and the treatment and disposal of sewage)	Wastewater (sewerage)

36 It is proposed to rename the group and activity outlined in the table above. The originally endorsed name reflects the LGA terminology for the activity group, however, the term is considered to be outdated and is better reflected by the term wastewater.

37 The use of the term wastewater is reflected throughout the key supporting documentation such as the infrastructure strategy and AMPs. This update to the activity groups has been supported by Audit NZ through the recent audit process.

- 38 The graphic of the amended Council activities is included within the performance management framework in **attachment C (page 5)**
- 39 The number of key performance indicators (KPI's) including both internal and external KPI's has changed from 113 to 46. The key reason for this is to refine and simplify the KPIs. There have also been some changes to wording of the levels of service and some KPIs have been deleted including the previous council activity known as District leadership that incorporated the internal support areas.
- 40 Council's performance management framework has been reviewed by each activity manager during the preparation of the activity management plans (AMPs). Members of the LTP project team have also reviewed the proposed measures and targets in more detail.
- 41 This framework will be used as a supporting document for the 2021-2031 LTP consultation document and summarised in the final LTP adopted in June. It will also be used to complete the community outcomes and levels of service information in the 2021-2031 AMPs.
- 42 The framework will also be reviewed by Audit New Zealand as part of their audit of the LTP.

### **Significant forecasting assumptions**

- 43 The draft significant forecasting assumptions were reviewed by the Finance and Assurance Committee on 15 February 2021 and those changes have not been endorsed by Council since they were originally developed and endorsed in February 2020.
- 44 In addition to the changes endorsed at the Finance and Assurance meeting, the significant forecasting assumptions have been further updated as a result of the audit review in the areas outlined below and are shown in red text in the full table of assumptions in **attachment F**.
- change the climate change assumption level of uncertainty from low to moderate
  - change the subsidies for roading assumption level of uncertainty from very low to moderate
  - correct the level of service assumption title to legislative changes
  - include a new capital expenditure delivery assumption with high level of uncertainty and medium risk that capital projects may not be delivered as planned. This could be due to a variety of factors as outlined below:
    - further Covid-19 lockdowns
    - capacity of local market to deliver
    - high demand on contractors resulting in higher project costs and need to rescope causing delays to spending
    - high demand on consultancy services
    - demand on councils to complete resource and building consents affecting project delivery.

### **Prospective financial statements (including activity funding impact statements)**

- 45 The draft prospective financial statements were reviewed by Council at a workshop on 28 January 2021 and the Finance and Assurance Committee at a workshop on 15 February 2021 and have not yet been endorsed by Council.
- 46 The draft prospective financial statements are included in **attachment J (pages 3-8)**.

- 47 Council's statement of comprehensive revenue and expense is forecasting operating surpluses for all years other than year two and three. Accordingly, Council are not considered to have a balanced budget. Explanations for the unbalanced budget are included in **attachment J (pages 52-53)**.
- 48 Council's statement of financial position forecasts significant increases in property, plant and equipment as a result of the planned capital works programme and associated revaluations. This capital works is partially funded by external debt which is forecast to peak at \$197 million in 2031. However, Council's net debt position is \$105 million as a result of reserves and loan repayments being held in investments. At 30 June 2031, Council's investments total \$90 million.
- 49 Council is required to complete funding impact statements (FIS's) for all eight of Council's groups of activities (included is also the corporate activity funding impact statement, which is internally funded) under the Local Government Act 2002 (LGA). The funding impact statements identify the sources of funding, the amount of funds expected to be produced by each source and how the funds are applied. The activity FIS's are included in **attachment D**.

### **Financial prudence benchmarks**

- 50 The financial strategy outlines Council's financial prudence benchmarks. Other than the rates increase affordability benchmark limit and debt affordability benchmark limit, there has been no change in the benchmark limits from the LTP 2018-2028.
- 51 Section 13 of the Local Government (Financial Reporting and Prudence) Regulations 2014 set out the requirements for disclosure in the LTP for the planned performance. Section 10 of the regulation requires the following benchmarks:
- (a) the rates affordability benchmark (regulation 17):
  - (b) the debt affordability benchmark (regulation 18):
  - (c) the balanced budget benchmark (regulation 19):
  - (d) the essential services benchmark (regulation 20):
  - (e) the debt servicing benchmark (regulation 21):
- 52 A summary of the proposed financial prudence benchmarks for the LTP is included in **attachment E**.
- 53 The financial prudence benchmarks have been presented to Council and the Finance and Assurance Committee at workshops on 28 January 2021 and 15 February 2021.
- 54 Since then audit have requested the debt affordability (net debt) benchmark be corrected from net debt slightly increasing to net debt decreasing in years eight to ten.
- 55 The limit on rates increases is proposed to be set at 8% annually for the 2031 LTP, on the basis that it strikes a balance between the additional infrastructure investment needed to maintain levels of service and fund renewals whilst keeping debt at a manageable level and having rates that the community can reasonably afford. Council acknowledge that rate increases in year one and two of the plan will exceed this limit, but agreed that this is a short-term situation related to moving away from using higher levels of reserves to fund ongoing operational costs, and as such, the lower limit was appropriate.
- 56 Council is also forecasting that it will not meet the balanced budget benchmark in year two and year three of the LTP primarily due to depreciation funding. Further explanations on this can be found in the balancing the budget statement in **attachment J (pages 52-53)**.
- 57 Council are required to have a specific resolution in relation to having an unbalanced budget. This is included as **resolution E**.

### Funding impact statement (rates section)

- 58 The funding impact statement (FIS) has not been previously reviewed by Council. This is included in **attachment J (pages 9-51)** and includes maps of the amended rating boundaries **attachment J (pages 27-51)**.
- 59 These incorporate the changes to rates resulting from discussions with relevant community boards/hall committees as follows:
- establishment of Waihopai Toetoe pool rate and boundary
  - expansion to the Waianiwa hall boundary to include the Taramoa area
  - expansion of the Glenham and Seaward Downs hall boundary to include a portion of the Maitara Island Hall boundary
  - establishment of Te Anau/Manapouri wastewater rate and boundary (commencing 1 July 2022).
- 60 In addition, the recent review of the Revenue and Financing Policy/Rating Review recommended a number of changes to rates and rating areas as follows:
- establishment of nine new local targeted community board rates with urban (full charge), semi-urban (half charge) and rural differentials (quarter charge) and associated boundaries
  - establishment of a District wide targeted stormwater rate with a full charge and quarter charge differential and associated boundaries
  - establishment of a new local targeted Stewart Island Electricity Supply Authority (SIESA) rate for properties on Stewart Island/Rakiura with a full charge and half charge differential and associated boundaries
  - funding waste management, local representation, litter bins and cemeteries from the District wide general rate
  - retention of the District wide targeted roading rate differentials by land use sector based on 2020 tonnage data. The table below shows the proposed share of costs in 2021/2022 by sector compared the previous year.

*Roading rate sector share of costs – 2021*

	Rating units	20/21 Actual \$000 (incl GST)	%	21/22 Proposed \$000 (incl GST)	%	Change \$000 (incl GST)	%
Dairy	834	\$5,243	35.5%	\$5,941	34.5%	\$698	-0.9%
Forestry	171	\$911	6.2%	\$928	5.4%	\$17	-0.8%
Farming (non-dairy)	2,947	\$4,748	32.1%	\$5,861	34.1%	\$1,113	1.9%
Industrial	335	\$465	3.1%	\$507	2.9%	\$42	-0.2%
Commercial	459	\$475	3.2%	\$517	3.0%	\$42	-0.2%
Residential	8,405	\$1,716	11.6%	\$2,021	11.8%	\$304	0.1%
Lifestyle	2,725	\$775	5.2%	\$946	5.5%	\$171	0.3%
Other	302	\$144	1.0%	\$179	1.0%	\$35	0.1%
Mining	19	\$298	2.0%	\$300	1.7%	\$2	-0.3%
		\$14,776	100%	\$17,198	100%	\$2,422	0%

### Accounting policies

- 61 The accounting policies 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 recommend 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. The accounting policies have also been compared to both the LTP 2018-2028 and 2020/2021 Annual Plan.

- 62 These draft accounting policies for the Long Term Plan were endorsed by the Finance and Assurance Committee on 15 December 2020 and adopted by Council on 28 January 2021.

### **Revenue and Financing Policy**

- 63 The Revenue and Financing Policy was reviewed by Council ahead of the draft Long Term Plan and adopted by Council on 28 January 2021.

### **Schedule of projects**

- 64 The Schedule has not previously been reviewed by Council.
- 65 Community boards and water supply subcommittees have considered local projects at their LTP budget meetings held in October and November 2020
- 66 The schedule of projects are included in **attachment G**.

### **Schedule of community assistance funding/grants**

- 67 Council discussed community assistance funding (referred to as grants and donations) at its meeting on 29 July 2019. There has been no change to the amount of funding, but the way the funding was given out has changed.
- 68 The LTP budgets were then updated to reflect Council decisions in relation to what funding will be provided to various organisations. The schedule of community assistance funding/grants is in **attachment H**.

### **Schedule of fees and charges**

- 69 The schedule of fees and charges were provided to Council workshops on 15 December 2020 and 28 January 2021 and have not been endorsed by Council yet.
- 70 The charges for building control were discussed during a Council workshop in July 2020. The standard hourly fees have not changed, however the fees included reflect the number of hours required to provide the service.
- 71 Council has also reviewed fees charged across multiple departments and aligned them to ensure fees are consistent across Council (eg copying, certificate of title search etc).
- 72 Council is currently undertaking a review of the [bylaw](#) for alcohol licensing-fee setting and this may result in changes following a separate consultation process, and will be incorporated in the final 2031 LTP.
- 73 The detailed schedule of fees and charges are included in the **attachment J (pages 54-75)**.

### **Schedule of reserves**

- 74 The schedule has not previously been reviewed by Council.
- 75 This schedule outlines the expected opening balance at 1 July 2021, the proposed movements in and out of the reserve and the expected closing balance at 30 June 2031. Over the life of the plan the reserves are anticipated to grow from \$37.2 million to \$85.9 million.
- 76 The primary contributor to this significant increase in the reserves is the LGFA repayments reserve which is forecast to have a balance of \$51.7 million at 30 June 2031. This reserve has been established to hold loan repayments until they are required to be repaid to LGFA. Council have also planned to allocate interest on reserves in accordance with the LTP assumption for

return on investment/reserves. 4.4% is forecast to be allocated to restricted reserves (those funds which Council hold on behalf of others), 2.0% on local reserves and 2.0% on the strategic asset reserve. No interest is proposed to be allocated to District reserves. Other than interest on the strategic asset reserve (which is used to reduce the roading rate), the interest is accumulated in the individual reserves over the life of the plan.

- 77 Alcohol licencing, McGregor park, Riverton harbour and Riverton general reserves are forecast to go into a negative balance during the 10 year period.
- 78 The District operations reserve is forecasted to be overdrawn from years three to seven, however it is expected to return to \$1.5 million at 30 June 2031.
- 79 Council's schedule of reserves is included in the **attachment J (pages 76-87)**.

#### Issues

- 80 Other than the balanced budget information outlined below, there are no further issues to resolve around the supporting information documents unless councillors have issues they wish to raise.

#### Factors to Consider

##### Legal and Statutory Requirements

- 81 Before adopting a consultation document, the local authority must prepare and adopt the information that:
- is relied on by the content of the consultation document adopted under Section 93A; and
  - is necessary to enable the Auditor-General to give the required reports; and
  - provides the basis for the preparation of the Long Term Plan.
- 82 Staff have been working closely with Audit New Zealand representatives over the development of the supporting information. As a result of a series of audit visits, a number of amendments have already been made to the documentation where necessary and/or further explanations have been included.

#### **Balanced budget requirement**

- 83 Section 100 of the Local Government Act 2002 requires Council to ensure that for every year of the Long Term Plan, its projected operating revenues are set at a level sufficient to meet its projected operating expenditure. Council may set projected operating revenues at a different level from that required, if Council resolves that it is financially prudent to do so.
- 84 In assessing a financially prudent position, the legislation requires Council to consider:
- the estimated expenses of achieving and maintaining the predicted levels of service set out in the 10 Year Plan, including the estimated expenses associated with maintaining the service capacity and integrity of the assets throughout their useful life
  - the projected revenue available to fund the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life
  - the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life

- the funding and financial policies adopted under Section 102 of the Local Government Act 2002 (being the revenue and financing policy, the liability management policy, investment policy, development or financial contributions, remission and postponement of rates on Maori freehold land and either a rates remission policy, a rates postponement policy or both).

- 85 Council's projected operating results in relation to this requirement are discussed further under "costs and funding" below.

#### Community Views

- 86 As part of preparing the LTP consultation document and compiling the supporting information, consideration of the communities' view were included. This was facilitated through the direction setting process with all community boards. In addition, discussions occurred with Te Ao Mārama Incorporated on behalf of local iwi.
- 87 The supporting information will be publicly available on Council's website during the LTP consultation period. As a result of submissions received, Council may decide to amend any of the supporting information documents when it adopts the LTP on 23 June 2021.

#### Costs and Funding

- 88 The LTP proposals have been budgeted for and are set out in the activity management plans and LTP prospective financial statements.

#### Balanced budget

- 89 As stated above, section 100 of the Local Government Act 2002 requires that local authorities must ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses or resolve that it is financially prudent to set projected operating revenues at a different level.
- 90 Council is projecting the following operating results for the next 10 years:

	Forecast 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026	Forecast 2026/2027	Forecast 2027/2028	Forecast 2028/2029	Forecast 2029/2030	Forecast 2030/2031
Operating Surplus/(Deficit)	1,548	(1,602)	(1,726)	1,569	4,728	4,615	6,083	7,106	8,740	12,641

- 91 Therefore, it is not operating a balanced budget in two of the ten years.
- 92 There are four areas contributing to Council not having a balanced budget. These are:
- phasing in the funding of depreciation on key District assets
  - Council's decision not to fund depreciation on some buildings and all local assets
  - forestry operations, which in some years are incurring costs that are funded from previous years' surpluses put to reserves. This combines with the accounting entry to revalue the forest assets
  - Council's partial use of depreciation reserves to fund interest repayments on loans borrowed to fund capital renewals in principally water and wastewater projects.
- 93 Additional detailed information on how each of these areas contributes to Council not having a balanced budget is in **attachment J (pages 52-53)**.

## Overall

- 94 As such, in considering intergenerational equity, Council's policies and ongoing consideration of affordability for its communities, it is considered financially prudent that Council operates financial deficits in the two years indicated.

## Policy Implications

- 95 The LTP is Council's major mechanism to strategically manage and develop the District. A number of policies inform the preparation of the LTP and have therefore been reviewed by Council.
- 96 Council is now asked to adopt these policies as supporting information to the LTP.

## Analysis

### Options Considered

- 97 Option 1 - adopt the supporting information, with amendments as required.
- 98 Option 2 – do not adopt the supporting information.

## Analysis of Options

Option 1 – Adopt the supporting information, with amendments as required.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>the supporting information provides additional information to the public about the proposals to assist them to provide feedback on the consultation document</li><li>making the supporting information available will reduce staff time in dealing with requests for additional information</li><li>adoption of the supporting information formalises the material and also reduces the amount of work required to prepare the final LTP and time for Council review prior to adoption</li></ul>	<ul style="list-style-type: none"><li>members of the public may find it difficult to understand which piece of supporting information to look at for further information</li><li>members of the public may want other information which is not available</li></ul>

Option 2 – Do not adopt the supporting information.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>may avoid confusion from members of the public who are not sure what the information relates to</li> </ul>	<ul style="list-style-type: none"> <li>the documents would not be available to interested parties to help them find more detail about the activity and how the LTP forecasts have been prepared</li> <li>Council will not have formally adopted much of the information in the LTP which may require additional time to prepare and review prior to adopting the final LTP.</li> </ul>

### Assessment of Significance

- 99 The LTP is a significant decision as it is the primary way that Council is held accountable for public expenditure.
- 100 Staff consider the decision to adopt the supporting information to the consultation document as significant in relation to Council's Significance and Engagement Policy and the LGA.
- 101 The likely impact and consequences of the supporting documentation, once adopted and released to the public to support the consultation document, is considered significant for the current and future social, economic, environmental or cultural wellbeing of the District. These documents are critical to help our communities understand the key issues facing the District to provide their views ahead of the final adoption of the LTP.

### Recommended Option

- 102 Staff recommend option 1 that Council adopt the supporting information, with amendments, as required.

### Next Steps

- 103 Following Council's adoption of the LTP consultation document, the supporting information will be made available on Council's website [www.southland.org.nz](http://www.southland.org.nz) from 9am 12 March to 5pm 14 April 2021.
- 104 Council will consider all the feedback and any changes to the supporting information at its meeting 5 May 2021. The final LTP (incorporating any changes) will be adopted by Council on 23 June 2021.

## Attachments

- A AMPs (Transport, Water Supply, Wastewater and Stormwater) (separately enclosed)
- B AMPs (Community Facilities, Community Services, Open Spaces, Water Facilities, Waste Services, Environmental Services, Community Leadership, Emergency Management and SIESA) (separately enclosed)
- C Draft Performance Management Framework 2021-2031 (separately enclosed)
- D Activity Funding Impact Statements (separately enclosed)
- E Financial Prudence Benchmarks (separately enclosed)
- F Significant Forecasting Assumptions (separately enclosed)
- G Schedule of Projects (separately enclosed)
- H Schedule of Community Assistance Funding (separately enclosed)
- I Detailed Rates Information (separately enclosed)
- J Draft Long Term Plan Financial Section (separately enclosed)



# Long Term Plan 2021-2031 - Adoption of Consultation Document

Record No: R/21/2/7768  
Author: Jason Domigan, Corporate Performance Lead  
Approved by: Trudie Hurst, Group Manager Customer Delivery

☒ Decision ☐ Recommendation ☐ Information

## Purpose

- 1 This report recommends that Council adopt the consultation document for the Long Term Plan 2021-2031 (LTP) titled “It’s Time, Southland/Murihiku” and release it for public consultation from 9am 12 March 2021 to 5pm 14 April 2021.

## Executive Summary

- 2 All councils are required to have an LTP and must use the special consultative procedure in adopting the LTP. The Local Government Act 2002 (LGA) requires a consultation document to be prepared and adopted in accordance with sections 93A(1)(a).
- 3 The consultation document will be circulated separately to this report, for Council’s review.
- 4 This document has been prepared based on the supporting information that is included as part of this Council agenda.
- 5 The consultation document sets out a number of issues and options around proposals for Council’s LTP. It has been prepared to meet all legal requirements in accordance with the LGA and aims to capture the key challenges facing the Southland District and the major proposals for moving forward.
- 6 At the time of writing this report, the consultation document was still subject to an additional hot review by Audit New Zealand (a last review over a two day period by the OAG). Any changes/amendments as part of the review will be tabled at the Council meeting.
- 7 The consultation document will be released for public consultation at 9am on 12 March 2021. Submissions will close at 5pm, Wednesday, 14 April 2021.
- 8 The draft issues and options papers following the consultation and hearing process will be presented to Council for deliberation on 5 May 2021, as part of LTP deliberations. Adoption of the LTP, will occur after this, in June 2021.

## Recommendation

That Council:

- a) **Receives the report titled “Long Term Plan 2021-2031 - Adoption of Consultation Document” dated 4 March 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) Agrees to adopt the consultation document for the Long Term Plan 2021-2031 **titled “It’s Time, Southland/Murihiku”.**
- e) Agrees to release the consultation document for the Long Term Plan 2021-2031 **titled “It’s Time, Southland/Murihiku” to the public as part of the consultation** process from 9am 12 March 2021 to 5pm 14 April 2021.
- f) Agrees to delegate authority to the chief executive to approve any final edits required to the consultation document in order to finalise the document for printing and distribution.

## Background

- 9 All councils are required to have a Long Term Plan (LTP) and must use the special consultative procedure in adopting the LTP.
- 10 The Local Government Act 2002 (LGA) requires a consultation document to be prepared and adopted in accordance with sections 93A(1)(a).
- 11 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 an LTP. It aims to enable any person to understand:
  - what important activities and projects Council is proposing to do over the next 10 years
  - how much it will cost
  - how Council is planning to pay for it
  - what changes may happen as a result of the proposals
  - any options that Council wants feedback on.

## Issues

- 12 A consultation document titled “It’s Time, Southland/Murihiku” has been prepared (to be circulated separately) and has been discussed by Council at workshops on 28 January 2021 and 15 February 2021.

- 13 The consultation document has been prepared based on the supporting information that Council is also being asked to adopt in separate agenda items at this meeting. The supporting information includes:
- the infrastructure and financial strategies
  - activity management plans
  - significant forecasting assumptions
  - financial statements and activity funding impact statements
  - other financial supporting information providing a broader picture of Council's plan for the next 10 years.
- 14 The consultation document is a summary of the major decisions being proposed by Council.
- 15 It aims to:
- be a fair representation of matters in the LTP
  - make clear the effects of possible decisions and/or choices
  - be cohesive in that it joins everything together in a way that makes sense
  - be easy to understand.
- 16 The consultation document sets out the key issues facing Southland District as follows:
- our roads
  - our bridges
  - the impact on rates.
- 17 The consultation document also includes a summary of the financial and infrastructure strategies and changes to key policies.
- 18 The document highlights some key national issues relevant to this LTP such as Covid-19, three waters reforms and climate change.
- 19 The consultation document has been prepared to meet all legislative requirements. It also tries to balance the needs of including sufficient information to inform the public about what is planned for the District, and ensuring the document is short and easy to read.

## Factors to Consider

### Legal and Statutory Requirements

- 20 The LGA sets out the requirements for the consultation document to be prepared and adopted by Council as part of the special consultative procedure. The consultation document must contain a report from the Auditor-General on:
- a) whether the consultation document gives effect to the purpose set out in Section 93B of the act; and
  - b) the quality of the information and assumptions underlying the information provided in the consultation document.
- 21 The consultation document must also include the following:
- the key issues facing Council and the options for addressing them
  - a summary of the financial and infrastructure strategies
  - any significant changes proposed to rating or funding systems over the next 10 years
  - the impacts of proposals in the LTP on rates, debt and levels of services
  - the impacts of rating proposals across different categories of rating units
  - a report from the Auditor General about whether the consultation document meets its purpose and the quality of the information and assumptions underlying the information provided.
- 22 Council staff have been working closely with Audit New Zealand representatives over the development of the consultation document. As a result of the recent audit visit, a number of amendments have already been made to the consultation document.
- 23 Audit New Zealand are in the process of finalising their report on the consultation document. Any further changes resulting from their review will be discussed at the meeting.
- 24 Audit New Zealand will also be providing a draft management report in relation to their audit of the consultation document and supporting information.
- 25 Council's consultation document will also be reviewed by the team from the Office of the Auditor General that review the consultation documents produced by each council. This review may result in various amendments being made to the consultation document to improve readability and provide greater clarity on some issues. Any amendments to the consultation document from this review will be tabled at the Council meeting on 10 March 2021.

### Community Views

- 26 The consultation document and the supporting documentation has been informed by early engagement with Youth Council and members of the public at a select number of public events over the past two years, and workshops held with Council and community boards over the past 18 months. This has ensured a high degree of community level input, particularly given the role boards have representing their communities.
- 27 The consultation document will be released for public consultation at 9am on 12 March 2021. Submissions will close at 5pm on 14 April 2021.

- 28 The consultation document will be distributed to households in the District. The consultation document will also be advertised via newspaper and radio. A copy of the consultation document will be available on Council's website along with the supporting information.
- 29 Members of the public will also be encouraged to provide their feedback on-line using the LTP feedback form. The feedback form will outline the key issues and pose questions about whether there is support for Council's issues and options. Staff are also working on developing short informative videos which outline the key consultation issues as well as providing links to the consultation document and supporting information.
- 30 Feedback can also be given via social media on Council's Facebook page and the comments will be collated into a report to Council for its consideration.
- 31 LTP hearings will be held from 27 April 2021 to 28 April 2021.
- 32 The feedback received in submissions will be referred to relevant staff for their consideration. Staff will prepare issues and options papers so Council can deliberate on what changes, if any, should be made to the plan and relevant policies, in response to submissions. These deliberations will take place on 5 May 2021.

#### Costs and Funding

- 33 There are various costs incurred in compiling the LTP. These include staff time, and are included in annual budgets and funded accordingly. The consultation document also outlines the key financial highlights associated with the development of the LTP.

#### Policy Implications

- 34 The LTP is Council's primary plan to strategically manage and develop the District. A number of strategies and policies inform the preparation of the LTP including the Revenue and Financing Policy, Significance and Engagement Policy, and the Development and Financial Contributions Policy.
- 35 These documents have been consulted on and adopted by Council prior to the consultation document, to focus attention on the key issues and options for the LTP.
- 36 Other supporting policy documents such as the Investment and Liability Management Policy and Remission and Postponement of Rates Policy, will be consulted on at the same time as the consultation document for the LTP.

#### Analysis

##### Options Considered

- 37 The following options have been identified on how Council could proceed.
- **option 1** - adopt the consultation document.
  - **option 2** – do not adopt the consultation document.

## Analysis of Options

### Option 1 – adopt the consultation document

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>the consultation document and budgets/levels of service/work programme proposed in the LTP reflects Council and community deliberations over the past 18 months</li> <li>adoption of the consultation document will enable Council to capture community views on the proposed plans</li> <li>meets the legislative requirements to adopt a consultation document.</li> </ul>	<ul style="list-style-type: none"> <li>the high level nature of the document means limited information may be provided to the community.</li> </ul>

### Option 2 – do not adopt the consultation document

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> <li>if key priorities or views have changed since Council prepared the budgets/levels of service/work programme proposed in the LTP and consultation document, Council could choose to amend these prior to release for public consultation so that the documents better reflect the Council's current views</li> <li>gives staff clarity on how Council would like to proceed.</li> </ul>	<ul style="list-style-type: none"> <li>the budgets/levels of service/work programme proposed for the LTP have been carefully considered by staff and elected members over the past 18 months. Significant or material changes to the supporting information and consultation document at this stage would not be able to be as rigorously considered and debated due to time constraints required to adopt the consultation document and have the changes reviewed by audit</li> <li>may not satisfy legal requirements for Council to prepare a consultation document</li> <li>Council will not be able to capture community views.</li> </ul>

## Assessment of Significance

- 38 Staff consider the decision to adopt the consultation document as significant in relation to Council's Significance and Engagement Policy and the LGA.
- 39 The likely impact and consequences of the consultation document, once adopted and released for public consultation, is considered significant for the current and future social, economic, environmental or cultural wellbeing of the District. This document is considered the key tool to communicate the key issues facing the District and seek their views ahead of the final adoption of the LTP.
- 40 A thorough process has been followed in developing this consultation document. Community views will be considered through the formal consultation process. The consultation document and supporting information is based on numerous workshops held with Council and community boards, ensuring that there has been extensive community level input. In addition, discussions

occurred with Te Ao Mārama Incorporated on behalf of local iwi. In relation to the decision being made, Council has also taken into consideration the high significance of this matter when it has:

- identified the potential implications
- identified the reasonably practicable options
- assessed the options in terms of their advantages and disadvantages
- considered the likely costs
- kept written records documenting compliance with these requirements.

#### Recommended Option

- 41 Staff recommend option 1, that Council adopt the consultation document.

#### Next Steps

- 42 If Council proceeds with option 1, the consultation document will be finalised and released to the public.
- 43 The formal consultation period for the consultation document is proposed to be from 9am 12 March 2021 to 5pm 14 April 2021. Council is expected to receive written and oral submissions relating to the LTP consultation document on 27 and 28 April 2021.
- 44 Following the consultation and hearings process, draft issues and options papers will be presented to Council for deliberation on 5 May 2021. Adoption of the LTP, will occur after this, in June 2021.
- 45 If Council proceeds with option 2, the next steps will depend on the changes or actions proposed by Council.

#### Attachments

There are no attachments for this report.



## Northern Southland Community Pool - Request for Funds

Record No: R/21/2/7155  
Author: Kathryn Cowie, Community Liaison Officer  
Approved by: Matt Russell, Group Manager Services and Assets

☒ Decision ☐ Recommendation ☐ Information

### Purpose

- 1 The purpose of this report is to seek a decision from Council regarding grant funding to the Northern Southland Community Pool from the Mararoa Waimea ward reserve.

### Executive Summary

- 2 The Northern Southland Community Pool are in the process of fundraising to replace the roof on their facility. They have approached Council staff about accessing funds from the Mararoa Waimea ward reserve to assist with this project.
- 3 The total cost of the project is \$122,000 and the pool committee are seeking \$16,000 from the ward reserve. The balance of funds will be made up of money already secured from various community funders and their own reserves.
- 4 The pool committee were advised of several options for funding support from Southland District Council and have chosen to apply for a grant from the ward reserve by making an application via the Northern Community Board, who made a resolution at their last meeting on February 15 2021 to recommend to Council to support this request.

### Recommendation

That the Council:

- a) **Receives the report titled “Northern Southland Community Pool - Request for Funds” dated 1 March 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 approve a grant of \$16,000 to the Northern Southland Community Pool from the Mararoa Waimea ward reserve.

## Background

- 5 The Northern Southland Community Pool are currently in the process of raising funds for a project to replace the roof on the pool facility. The roof is in poor condition and needs replacing to ensure the continued safety of pool users.
- 6 The total project cost to replace the roof is \$122,000 (excluding GST). The Northern Southland Community Pool Committee have been granted a considerable portion of this (\$90,000) from various community funders (Lotteries, Community Trust South, Meridian and SDC Community Partnership Fund), and have shortfall of \$32,000 to complete the project.
- 7 Council staff have been contacted by the pool committee regarding making an application to Council for a grant from the Mararoa Waimea ward reserve to assist with this project. They are requesting an amount of \$16,000 with the remainder of the funds coming from their own reserves.
- 8 As part of the conversation with the pool committee, Council staff advised of the following options to receive funding from Council for their facility:
  - apply to the Northern Community Board Community Partnership Fund
  - ask the Northern Community Board to consider adding a pool rate to assist with costs
  - ask the Northern Community Board to make a recommendation to Council to access the Mararoa Waimea ward reserve funds.
- 9 For the second and third options above, the pool committee were asked to provide copies of their capital and maintenance plans for the next five years, financial accounts, budgets for the next five years, and an application letter explaining the request and why it is necessary.
- 10 The pool committee decided they had a preference for the third option – to make a request that the community board recommends to Council to grant them funds from the Mararoa Waimea ward reserve
- 11 All of the requested information was provided. The information shows evidence of being a well-run entity that has put effort into future planning for the facility. The committee has a healthy reserve balance, thanks to efficient operations and regular fundraising.
- 12 The pool committee has indicated in their five year budget for their capital reserve account, that most of this has already been earmarked for future work on the external roadside wall to bring it up to earthquake standards. The committee are also reluctant to commit any more than \$16,000 of their reserve funds into the project since the drop in income from freedom campers from the impact of Covid-19, and also the subsequent low interest generated from reserves. A grant from the ward reserve would allow them to complete capital projects as planned and also to have adequate funds in reserve for operational costs.
- 13 It is worth noting that the Northern Southland Community Pool have already made an application to the Community Partnership Fund in its first round in August 2020, where they were granted \$5,000 towards this project.

## Issues

- 14 If the grant is not approved, the Northern Southland Community Pool may have to use funds of their own which have already been tagged to other maintenance projects.

## Factors to Consider

### Legal and Statutory Requirements

- 15 As there are no longer ward committees, Council need to make the final decision to approve or not approve funds granted from the Mararoa Waimea ward reserve.

### Community Views

- 16 The pool facility is well utilised and supported by Northern Southland residents.

### Costs and Funding

- 17 The total cost of the project is \$122,000. The pool committee have already secured \$90,000 towards the project, and are seeking a further \$16,000 from the Mararoa Waimea ward reserve. The remainder will be paid from their own funds. The Mararoa Waimea ward reserve is currently sitting at approximately \$128,164, and is forecast to have \$65,674 left at the end of the 2021 financial year.

### Policy Implications

- 18 There are no policy implications.

## Analysis

### Options Considered

To approve or not approve a grant of \$16,000 to the Northern Southland Community Pool from the Mararoa Waimea ward reserve.

### Analysis of Options

Option 1 – approve a grant of \$16,000 to the Northern Southland Community Pool from the Mararoa Waimea ward reserve.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>the Northern Southland Community Pool Committee are able to complete their project to replace the roof on the facility, therefore maintaining the facility, and making it safe for users</li></ul>	<ul style="list-style-type: none"><li>funds are not available for other projects in the Mararoa Waimea ward area</li></ul>

Option 2 – do not approve a grant of \$16,000 to the Northern Southland Community Pool from the Mararoa Waimea ward reserve.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"><li>funds are available for other projects in the Mararoa Waimea ward area</li></ul>	<ul style="list-style-type: none"><li>the Northern Southland Community Pool Committee will either have to use more of their reserves or will have to source funding from elsewhere, which could delay the project, or they will not have enough funds to cover other costs associated with the pool operation and maintenance</li></ul>

### Assessment of Significance

- 19 Not considered significant.

### Recommended Option

- 20 Option 1 – approve a grant of \$16,000 to the Northern Southland Community Pool from the Mararoa Waimea ward reserve.

### Next Steps

- 21 The Northern Southland Community Pool committee will be advised of the outcome, and if funds are granted, payment will be made.

### Attachments

There are no attachments for this report.

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## Monthly Financial Report - January 2021

Record No: R/21/2/8181  
Author: Lesley Smith, Management Accountant  
Approved by: Anne Robson, Chief Financial Officer

☐ Decision ☐ Recommendation ☒ Information

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### Summary

1. The purpose of this report is to provide Council with an overview of the financial results for the five months to 31 January 2021 by the nine activity groups of Council, as well as the financial position, and the statement of cash flows as at 31 January 2021.
2. This report summarises Council's financial results for the seven months to 31 January 2021.

### Recommendation

That the Council:

- a) **Receives the report titled "Monthly Financial Report - January 2021" dated 3 March 2021.**

### Attachments

A Monthly Financial Report - January 2021 [↓](#)



# Monthly financial report

## January 2021

Southland District Council  
Te Rohe Pōtae o Murihiku

PO Box 903  
15 Forth Street  
Invercargill 9840

☎ 0800 732 732  
✉ [sdcsouthlanddc.govt.nz](mailto:sdcsouthlanddc.govt.nz)  
🏠 [southlanddc.govt.nz](http://southlanddc.govt.nz)

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## Executive summary

1. This monthly financial report summarises Council's financial results for the seven months to 31 January 2021.
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.

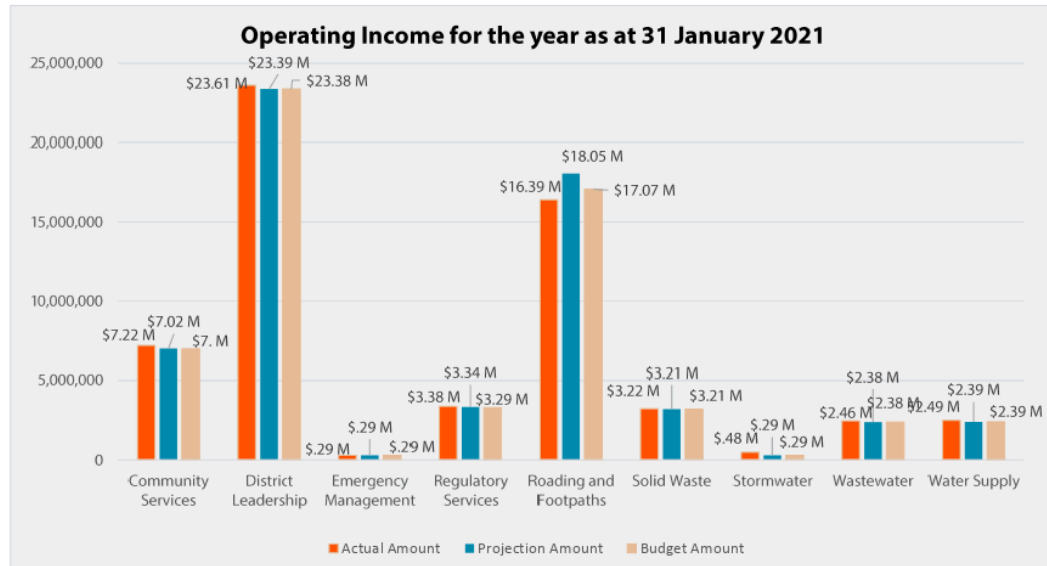
### Abbreviation explanation

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	Waka Kotahi NZ Transport Agency
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 \$813,000 (1%) below projection YTD (\$59.5 million actual vs \$60.3 million projection).

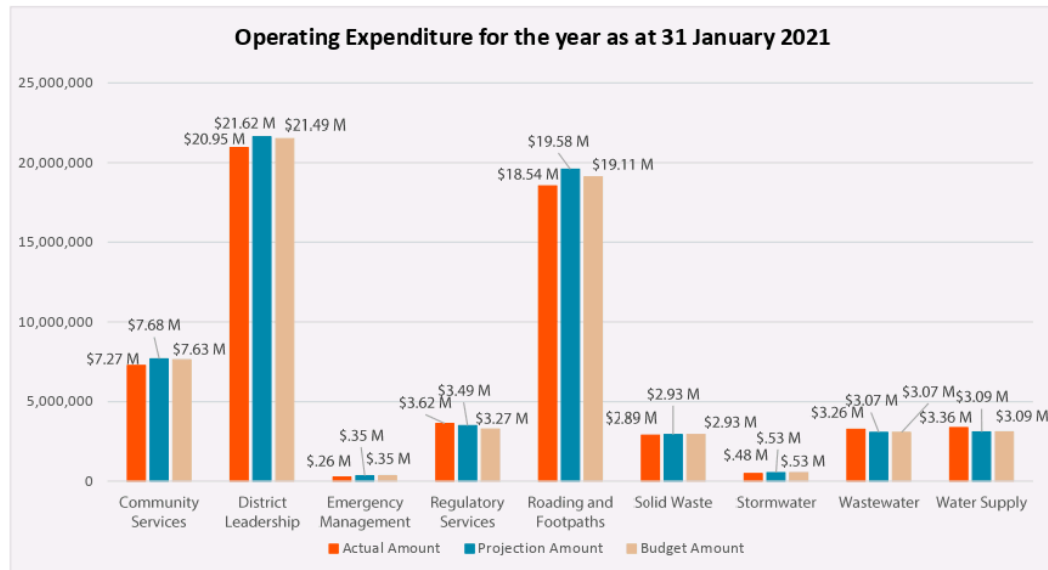


- **Roading and footpaths** is \$1.7 million (9%) lower than projection, this is due to the timing of work, particularly capital works, along with a reduced rehabilitation programme to compensate for larger programmes during the first two years of the LTP
- **Community services** is \$198,160 (3%) higher than projection
  - council facilities income is \$250,216 (16%) higher than budget largely due to the proceeds from property sales. The Hokonui hall (\$95,000) and the land at Winton Woods (\$90,000) were sold with the proceeds from these sales currently sitting in reserves. The land at the Rakiura Museum (\$75,000) was disposed with the proceeds being paid to the Rakiura Heritage Trust, which is included under operational expenditure
  - parks and reserves income is \$53,472 (5%) higher than projection due to the Curio Bay reserve receiving a grant of \$57,775 to upgrade the water treatment from the 3 waters stimulus grant and will be included in forecasting
  - public conveniences income is \$46,980 (9%) below projection, this is directly related to lower income from the Lions Park toilet and the grant yet to be received for the Monkey Island toilet
  - work schemes income is \$73,466 (34%) lower than projection, while the team has been taking a proactive approach to work with community boards to identify pieces of work that they can do within the budgets, the drop in number of workers coming through from corrections is having an impact on the team's ability to achieve the projected level of work, which in turn impacts the level of income for the business unit, the revenue for the remainder of the year will be reduced as part of forecasting

- **District leadership** income is \$220,229 (1%) higher than projection. Included in district leadership is forestry. The income from harvesting of the Waikaia forest is \$2.43 million, \$553,000 (29%) 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. Additionally, there is income from the three waters collaboration of \$402,502. The Otago Southland three waters collaboration is the new business unit created for the work the GM of services and assets is undertaking for the reform. Offsetting the increased revenue is \$662,000 of lower than projected revenue from corporate services charged across the organisation
- **Stormwater** income is \$193,218 (68%) higher than projection, \$191,000 relates to grant funding for 3 waters reform stimulus projects
- **Wastewater** income is \$78,961 (3%) higher than projection, \$59,180 relates to grant funding for 3 waters reform stimulus projects
- **Water supply** income is \$94,359 (4%) higher than projection, \$133,857 relates to grant funding for 3 waters reform stimulus projects, this is offset by water meter charges being \$57,742 lower than projection due to lower usage in Te Anau with hotels and motels either closed or experiencing reduced occupancy, the projected income for the year from water meter charges will be reduced by 40% as part of forecasting, with the shortfall funded by a loan, these repayments are currently not built into the LTP and may need to be incorporated as part of the LTP submission process

## Expenditure

Operating expenditure is \$1.7 million (3%) under projection for the YTD (\$60.6 million actual vs \$62.3 million projection).



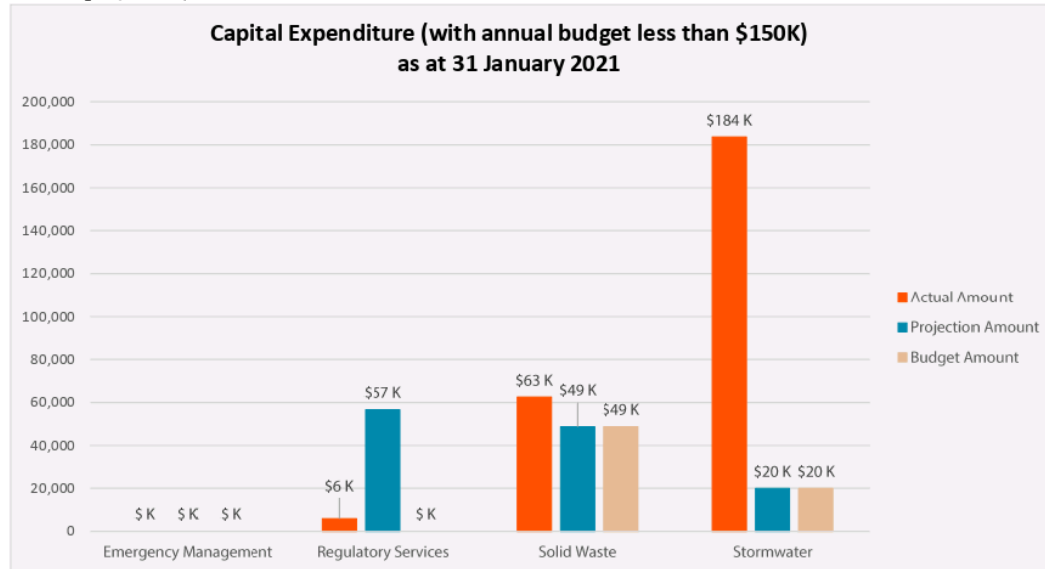
- **Community services** is \$403,570 (5%) lower than projection
  - community centres are below projection by \$151,456 (37%), we are awaiting applications from non-Council owned halls for rates collected on behalf of these halls, reminders are sent quarterly
  - SIESA costs are \$200,470 (17%) below projection mainly due to lower than projected fuel costs as diesel prices continue to be less than budgeted, along with a reduction in the management fee under the renewed contract
  - Te Anau airport is \$37,873 (19%) below projection, due to an underspend in general maintenance costs, Part 139 Certification costs and management fees
- **District leadership** is \$673,590 (3%) below projection
  - customer support is \$57,567 (8%) 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 \$99,935 (24%) below projection mainly due to staff vacancies, expenditure relating to training, office consumables and advertising
  - information management is \$118,966 (7%) 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
  - community leadership is \$127,714 (18%) below projection, due to the timing of general projects
  - The Milford opportunities project is \$76,065 (6%) below projection, this is a timing difference with the project due for delivery at the end of March for the governance group's consideration in April, the project will be completed by the end of June following the public launch of the masterplan

- this also includes allocations of corporate overhead costs to district leadership of \$662,000 lower than forecast, which are offset by the same amount of revenue noted in the income section above
- forestry costs are \$184,686 (13%) higher than projected due to the additional tonnage harvested at the Waikaia block
- three waters collaboration costs are \$388,969, as explained above under the income section these are fully funded by contributions from the councils that form the collaboration group
- **Regulatory services** is \$129,129 (4%) higher than projection
  - building control is \$322,584 (22%) higher than projection, as Council is aware additional expenditure has been required to ensure statutory compliance is met, these increased costs have been incorporated into the forecasting report being presented to Finance and Assurance and Council in their next meetings
  - dog and animal control are \$79,920 (17%) lower than projection mainly due to lower than projected dog contractor costs as there have been lower call outs than expected
  - environmental health are \$48,562 (11%) lower than projection mainly due to freedom camping costs yet to be incurred
  - resource management is \$65,973 (6%) lower than projection with resource consent processing being 128,527 higher than projection, mainly due to higher than projected consultancy fees for resource consent processing, ecological support for enforcement orders and onsite wastewater advice, this is offset by lower costs in resource planning (\$168,998), due to policy development for the Southland District Plan not advancing as quickly as anticipated
- **Roading and footpaths** is \$1,042,586 (5%) below projection
  - roading administration is \$275,439 (49%) 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 \$80,000. Contribution to joint projects is \$133,000 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 \$350,591 (2%) below projection, environmental maintenance is \$380,496 over projected budget, this is weather related and is anticipated to be a timing difference, this is offset by emergency reinstatement being \$352,982 under projection. Emergency reinstatement work is on target to be completed by the end of the year. Network and asset management is \$324,731 under projection and is expected to come back in line in February and March
  - street works is \$293,090 (67%) below projection, this is a timing difference with the bulk of the footpath renewals expected to start in the new calendar year
- **Stormwater** is \$51,609 (10%) lower than projection, monitoring costs are \$40,986 lower than projection, total maintenance is in line with projection, the maintenance project at Limehills is \$13,099 lower than forecast and is a timing difference with the project expected to be completed prior to the end of the current financial year
- **Wastewater** is \$190,252 (6%) higher than projection, the main variance is routine maintenance due to increased costs at Edendale/Wyndham wastewater treatment plant and Curio Bay pump station costs
- **Water supply** is \$276,579 (9%) higher than projection, district maintenance costs are higher than projected, \$35,000 relates to the cartage of water and operation of the treatment plant at Curio Bay,

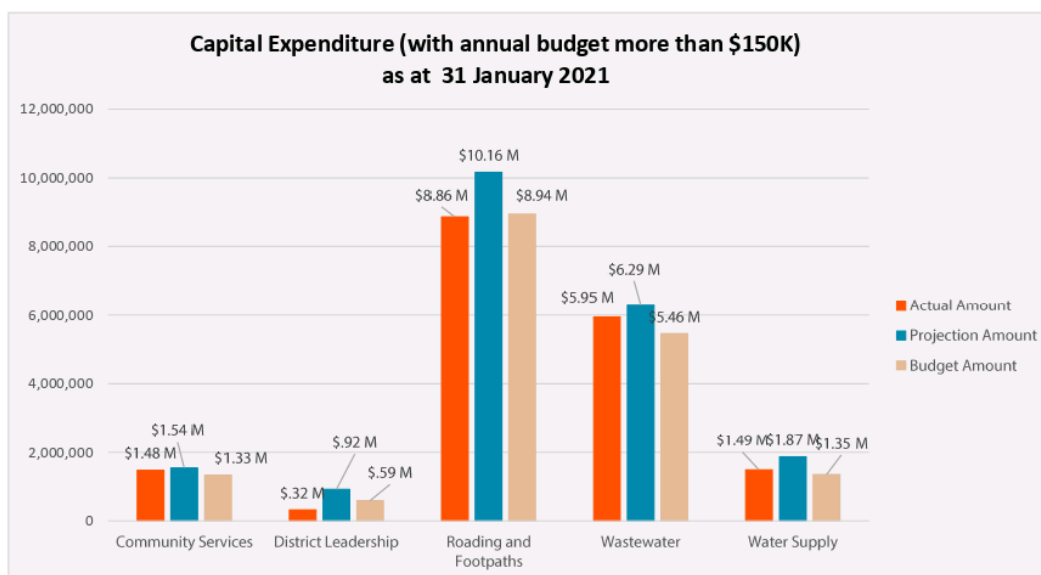
routine maintenance is higher than originally budgeted due to an increase in sampling and monitoring as new requirements are introduced. Ramparts is also over budget due to the replacement of a bore pump and renewal of permits

### Capital expenditure (CAPEX)

Capital expenditure is \$2.6 million (12%) lower than projection year to date (\$18.3 million actual vs \$20.9 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, the projection of \$57,000 is for vehicle renewals
- **Solid waste** actual capital expenditure of \$29,000 is for additional wheelie bins that have been supplied. The cost is being met from wheelie bin recoveries. \$34,000 relates to capital expenditure at the transfer station at Stewart Island, compared to projection of \$49,000, the balance is a timing difference



- **Community services** are \$64,217 (4%) under projection
  - council facilities are \$127,784 (11%) below projection. \$312,000 relates to the capital works at the Te Anau office which have not been started and will be delayed as a result of efficiencies that can be gained by doing the RFID (radio frequency identification) project at the same time. This will be captured as part of the forecasting round. The costs for the Invercargill office are \$169,000 higher than projected, \$845,825 was mistakenly not carry forward for this project to 2021 and will be corrected along with a review of the total project cost as part of forecasting
  - library services are \$39,543 (33%) below projection. The industry is still experiencing disruption to publishing and distribution of new titles with many releases pushed back many months resulting in a much smaller assortment of titles available to purchase
  - parks and reserves are \$105,757 higher than projection, \$57,775 relates to the Curio Bay upgrade to the water treatment plant from the 3 waters stimulus grant, along with Stewart Island water front playground cost of \$43,438, this variance is due to phasing
- **District leadership** is \$599,521 (65%) under projection. Information management capital expenditure for software renewal is below projection. This relates to core systems and is not expected to be spent this financial year with the budget being reduced through forecasting
- **Roothing and footpaths** are \$1.3 million (13%) under projection
  - district roading is \$1.5 million (16%) below projection mainly due to timing of physical works and impact from the Christmas and New Year close down, work has picked up during mid to late January and is expected to be a timing difference, the main variance is in pavement rehabilitation (\$1.1 million under projection) with work on track to be completed by April
  - street works is \$255,462 (86%) ahead of projection due to timing of works and the budgeting of recovery of local share as operational expenditure, the budget has been moved to capital as part of forecasting
- **Stormwater** is \$163,570 (818%) above projection, this relates to 3 waters stimulus projects

## Monthly financial report – January 2021

- **Wastewater** is \$341,081 (5%) below projection and is a timing difference related to the phasing of the Te Anau wastewater upgrade project budget, this is currently expected to be completed within the financial year, assuming no supply chain issues due to Covid-19
- **Water supply** is \$386,194 (21%) under projection, the main variance is related to the phasing of the Lakefront Drive Te Anau water main renewal project, this project is expected to be completed prior to the end of June

## Council summary report

Southland District Council Financial Summary  
for the period ending 31 January 2021

Operating Income									
	YTD					FYB			
	Actual Amount	Projection Amount	Budget Amount	Variance	Var %	Projection Amount	Budget Amount	Variance	Var %
Community Services	7,219,209	7,021,050	6,998,588	198,160	3%	12,763,993	12,711,306	(52,687)	(0%)
District Leadership	23,607,067	23,386,768	23,381,301	220,299	1%	38,209,534	38,190,162	(19,372)	(0%)
Emergency Management	292,074	291,337	291,337	737	0%	499,435	499,435	(0)	(0%)
Regulatory Services	3,375,274	3,336,999	3,292,313	38,276	1%	5,436,704	5,360,101	(76,604)	(1%)
Roading and Footpaths	16,394,294	18,049,265	17,072,621	(1,654,971)	(9%)	32,116,474	30,551,021	(1,565,453)	(5%)
Solid Waste	3,224,706	3,206,478	3,206,478	18,228	1%	5,481,398	5,481,398	(0)	(0%)
Stormwater	479,024	285,807	285,807	193,218	68%	547,110	547,110	(0)	(0%)
Wastewater	2,461,298	2,382,337	2,382,337	78,961	3%	6,074,785	6,074,785	(0)	(0%)
Water Supply	2,486,762	2,392,403	2,392,403	94,359	4%	4,148,304	4,148,304	(0)	(0%)
<b>Total</b>	<b>\$59,539,710</b>	<b>\$60,352,444</b>	<b>\$59,303,187</b>	<b>(812,733)</b>	<b>(1%)</b>	<b>\$105,277,737</b>	<b>\$103,563,623</b>	<b>(1,714,115)</b>	<b>(2%)</b>

Operating Expenditure									
	YTD					FYB			
	Actual Amount	Projection Amount	Budget Amount	Variance	Var %	Projection Amount	Budget Amount	Variance	Var %
Community Services	7,274,948	7,678,518	7,627,675	(403,570)	5%	13,773,395	13,715,805	(57,591)	(0%)
District Leadership	20,945,874	21,619,464	21,494,695	(673,590)	3%	39,230,070	38,976,808	(253,262)	(1%)
Emergency Management	258,269	347,123	347,123	(88,854)	26%	499,435	499,435	(0)	(0%)
Regulatory Services	3,618,974	3,489,845	3,268,514	129,129	(4%)	6,235,997	5,799,219	(436,778)	(7%)
Roading and Footpaths	18,535,143	19,577,729	19,110,517	(1,042,586)	5%	33,440,562	32,903,715	(536,847)	(2%)
Solid Waste	2,893,472	2,930,567	2,930,567	(37,095)	1%	5,259,915	5,259,915	(0)	(0%)
Stormwater	478,119	529,729	529,729	(51,609)	10%	905,066	905,067	(1)	(0%)
Wastewater	3,261,973	3,071,721	3,071,721	190,252	(6%)	5,181,109	5,181,109	(0)	(0%)
Water Supply	3,364,847	3,088,268	3,088,268	276,579	(9%)	5,193,632	5,193,631	(1)	(0%)
<b>Total</b>	<b>\$60,631,620</b>	<b>\$62,332,964</b>	<b>\$61,468,809</b>	<b>(1,701,344)</b>	<b>3%</b>	<b>\$109,719,181</b>	<b>\$108,434,705</b>	<b>(1,284,476)</b>	<b>(1%)</b>

<b>Net Surplus/Deficit</b>	<b>(\$1,091,910)</b>	<b>(\$1,980,520)</b>	<b>(\$2,165,622)</b>	<b>888,610</b>	<b>(4%)</b>	<b>(\$4,441,444)</b>	<b>(\$4,871,083)</b>	<b>(429,639)</b>	<b>(0%)</b>
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Capital Expenditure									
	YTD					FYB			
	Actual Amount	Projection Amount	Budget Amount	Variance	Var %	Projection Amount	Budget Amount	Variance	Var %
Community Services	1,479,114	1,543,391	1,332,340	(64,277)	(4%)	3,795,063	3,258,909	(536,154)	(14%)
District Leadership	322,594	922,115	588,198	(599,521)	(65%)	1,342,518	734,319	(608,199)	(45%)
Emergency Management	-	-	0	0	0%	-	-	(0)	(0%)
Regulatory Services	5,859	56,636	0	(50,777)	0%	170,206	73,116	(97,090)	(57%)
Roading and Footpaths	8,861,212	10,157,680	8,944,612	(1,296,467)	(13%)	20,120,768	17,489,071	(2,631,697)	(13%)
Solid Waste	62,548	48,743	48,743	13,805	28%	143,973	143,974	(1)	(0%)
Stormwater	183,570	20,000	20,000	163,570	818%	20,000	20,000	(0)	(0%)
Wastewater	5,948,727	6,289,808	5,456,934	(341,081)	(5%)	14,766,149	12,590,760	(2,175,389)	(15%)
Water Supply	1,485,807	1,872,001	1,349,567	(386,194)	(21%)	6,820,763	5,074,805	(1,745,958)	(26%)
<b>Total</b>	<b>\$18,349,431</b>	<b>\$20,910,374</b>	<b>\$17,740,394</b>	<b>(2,560,942)</b>	<b>(12%)</b>	<b>\$47,179,440</b>	<b>\$39,384,954</b>	<b>(7,794,486)</b>	<b>(17%)</b>

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 31 January 2021					
	YTD			FYB	
	Actual Amount	Projection Amount	Budget Amount	Projection Amount	Budget Amount
<b>Revenue</b>					
Rates Revenue	28,694,520	28,686,998	28,686,998	49,531,501	49,531,500
Other Revenue	6,715,222	5,861,668	5,816,983	8,392,842	8,316,238
Interest and Dividends	35,589	42,445	42,445	72,763	72,763
NZ Transport Agency Funding	7,742,759	9,179,645	8,572,724	16,645,226	15,507,078
Grants and Subsidies	3,179,234	2,547,335	2,164,946	5,768,939	5,305,740
Other gains/losses	266,288	18,278	18,278	(258,353)	(258,353)
Vested Assets	0	0	0	0	0
Development and financial contributions	2,199	15,277	6,093	40,160	24,416
	<b>46,635,810</b>	<b>46,351,646</b>	<b>45,308,467</b>	<b>80,193,078</b>	<b>78,499,382</b>
<b>Expenditure</b>					
Employee Benefit Expense	8,743,647	8,485,423	8,444,180	15,355,731	15,279,127
Depreciation and Amortisation	13,912,716	13,892,132	13,892,132	23,815,083	23,815,083
Finance Costs	12,492	50,655	50,655	422,445	422,445
Other Council Expenditure	25,058,866	25,903,957	25,087,122	45,041,262	43,853,810
	<b>47,727,720</b>	<b>48,332,167</b>	<b>47,474,089</b>	<b>84,634,522</b>	<b>83,370,465</b>
<b>Total Comprehensive Income</b>	<b>(1,091,910)</b>	<b>(1,980,520)</b>	<b>(2,165,622)</b>	<b>(4,441,444)</b>	<b>(4,871,083)</b>

### Note:

The revenue and expenditure in the comprehensive income statement does not reconcile to the total income and total expenditure reported in the Council summary report on page 10 due to the elimination of the internal transactions. However, the net surplus/deficit (as per the Council summary report) matches the total comprehensive income (as per the statement of comprehensive income).

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 31 January 2021 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 31 January 2021

	Actual 31-Jan-21	Actual 30-Jun-20
<b>Equity</b>		
Retained Earnings	718,294,552	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
	<b>1,601,331,142</b>	<b>1,602,423,050</b>
<b>Represented by:</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	10,461,939	11,498,789
Trade and Other Receivables	8,684,959	10,682,710
Inventories	126,512	126,512
Other Financial Assets	2,865,407	2,017,930
Property, Plant and Equipment	-	-
	<b>22,138,817</b>	<b>24,325,942</b>
<b>Non-Current Assets</b>		
Property, Plant and Equipment	1,581,639,635	1,576,652,956
Intangible Assets	3,402,068	3,618,162
Forestry Assets	12,260,000	12,260,000
Internal Loans	34,011,344	35,338,083
Work in Progress	359,662	713,532
Investment in Associates	944,624	944,624
Other Financial Assets	1,713	2,105
	<b>1,632,619,046</b>	<b>1,629,529,462</b>
<b>TOTAL ASSETS</b>	<b>1,654,757,863</b>	<b>1,653,855,404</b>
<b>Current Liabilities</b>		
Trade and Other Payables	15,604,114	9,379,639
Contract Retentions and Deposits	469,318	449,867
Employee Benefit Liabilities	1,529,737	1,984,447
Development and Financial Contributions	1,777,667	1,745,776
Borrowings	-	2,500,000
Provisions	14,000	14,000
	<b>19,394,836</b>	<b>16,073,729</b>
<b>Non-Current Liabilities</b>		
Employment Benefit Liabilities	18,631	18,631
Provisions	1,910	1,910
Internal Loans - Liability	34,011,344	35,338,084
	<b>34,031,884</b>	<b>35,358,625</b>
<b>TOTAL LIABILITIES</b>	<b>53,426,721</b>	<b>51,432,354</b>
<b>NET ASSETS</b>	<b>1,601,331,142</b>	<b>1,602,423,050</b>

## Statement of cash flows

### Statement of Cashflows for the period ended 31 January 2021

	2020/2021	YTD Actual
<b>Cash Flows from Operating Activities</b>		
Receipts from rates		25,727,054
Receipts from other revenue (including NZTA)		21,385,882
Cash receipts from Interest and Dividends		35,589
Payment to Suppliers		(18,674,084)
Payment to Employees		(9,198,356)
Interest Paid		(12,492)
GST General Ledger (net)		1,109,785
<b>Net Cash Inflow (Outflow) from Operating Activities</b>		<b>20,373,377</b>
<b>Cash Flows from Investing Activities</b>		
Receipts from sale of PPE		266,288
(Increase)/Decrease Other Financial Assets		(847,085)
Purchase of property, plant and equipment		(18,545,525)
Purchase of Forestry Assets		-
Purchase of Intangible Assets		216,094
<b>Net Cash Inflow (Outflow) from Investing Activities</b>		<b>(18,910,228)</b>
<b>Cash Flows from Financing Activities</b>		
Increase/(Decrease) Term Loans		(2,500,000)
Increase/(Decrease) Finance Leases		-
<b>Net Cash Inflow (Outflow) from Financing Activities</b>		<b>(2,500,000)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents		<b>(1,036,851)</b>
Cash and Cash Equivalents at the beginning of the year		<b>11,498,789</b>
Cash and Cash Equivalents at the end of June		<b>10,461,939</b>

**Cash and cash equivalents and other financial assets**

1. At 31 January 2021, 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
<b>Total</b>	<b>\$ 9,500,000</b>			

2. At 31 January 2021, 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	1.74%	2-Jul-20	2-Feb-21
BNZ	\$ 350,000	1.49%	23-Jul-20	23-Feb-21
BNZ	\$ 300,000	1.82%	6-Jul-20	6-Apr-21
BNZ	\$ 370,000	1.31%	2-Sep-20	6-Apr-21
BNZ	\$ 200,000	0.85%	4-Nov-20	4-May-21
BNZ	\$ 250,000	0.89%	2-Dec-20	2-Jun-21
BNZ	\$ 350,000	0.87%	25-Jan-21	26-Jul-21
<b>Total</b>	<b>\$ 2,070,000</b>			

3. Funds on call at 31 January 2021:

Funds on Call				
	Amount	Bank	Account	Interest Rate
SDC	\$ 618,892	BNZ	Funds on Call	0.05%
	\$ 10,000	BNZ	Operating Bank Acc	0.05%
	\$ 494,794	BNZ	Restricted Funds Acc	0.05%
SIESA	\$ 186,213	BNZ	Funds on Call	0.05%
<b>Total</b>	<b>\$ 1,309,900</b>			

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
<b>Cash and Cash Equivalents</b>	
Note 1 - SDC Investments	\$ 9,500,000
Note 2 - SIESA Investments	\$ 2,070,000
Note 3 - Funds on Call	\$ 1,309,900
<b>Total Cash and Cash Equivalents</b>	<b>\$ 12,879,900</b>
<b>Add Other Financial Assets</b>	
Cash on Hand	\$ 2,040
Loan Advances - Developers Contributions	\$ 1,713
Loans - Community	\$ 34,585
Civic Assurance Shares	\$ 12,572
Milford Sound Tourism Shares	\$ 398,249
<b>Total Other Financial Assets</b>	<b>\$ 449,160</b>
<b>Total Cash and Cash Equivalents and other financial assets</b>	<b>\$ 13,329,059</b>
<b>Per the Statement of Financial Position</b>	
Cash & Cash Equivalents	\$ 10,461,939
Other Financial Assets - Current Assets	\$ 2,865,407
Other Financial Assets - Non Current Assets	\$ 1,713
<b>Total per Statement of Financial Position</b>	<b>\$ 13,329,059</b>

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

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### Recommendation

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

#### C10.1 Representation arrangements - mid-triennium check-in

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
Representation arrangements - mid-triennium check-in	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.