



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

Date: Wednesday, 24 March 2021
Time: 9am
Meeting Room: Council Chamber
Venue: 20 Don Street
Invercargill

Finance and Assurance Committee Agenda OPEN

MEMBERSHIP

Chairperson	Bruce Robertson Mayor Gary Tong
Deputy Chair	Ebel Kremer
Councillors	Don Byars John Douglas Paul Duffy Julie Keast

IN ATTENDANCE

Chief Financial Officer	Anne Robson
Committee Advisor	Fiona Dunlop

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Full agendas are available on Council's Website

www.southlanddc.govt.nz

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

Terms of Reference – Finance and Assurance Committee

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

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

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

Financial and Performance Monitoring

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

Internal Control Framework

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

Internal Reporting

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

External Reporting and Accountability

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

Risk Management

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

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

Health and Safety

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

Internal Audit

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

External Audit

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

Compliance with Legislation, Standards and Best Practice Guidelines

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

Business Case Review

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

Insurance

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

Treasury

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

Fraud Policy

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

Power to Recommend

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

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

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

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

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1 Apologies

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

2 Leave of absence

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

3 Conflict of Interest

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

4 Public Forum

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

5 Extraordinary/Urgent Items

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

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

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

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

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

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

6 Confirmation of Minutes

6.1 Meeting minutes of Finance and Assurance Committee, 15 December 2020

6.2 Meeting minutes of Extraordinary Finance and Assurance Committee, 15 February 2021



Finance and Assurance Committee

OPEN MINUTES

Minutes of a meeting of Finance and Assurance Committee held in the Council Chamber, 15 Forth Street, Invercargill on Tuesday, 15 December 2020 at 9am. (9am – 10.41am, 10.59am – 12.15pm (PE 11.14am – 12.15pm))

PRESENT

Chairperson	Mr Bruce Robertson (external member) (9.03am – 10.41am, 10.59am – 12.15pm – via Zoom) Mayor Gary Tong
Deputy Chair	Ebel Kremer
Councillors	Don Byars John Douglas Paul Duffy Julie Keast

APOLOGIES

Mr Bruce Robertson (lateness)

IN ATTENDANCE

Councillor Harpur
Councillor Menzies
Councillor Ruddenklau (9am – 10.27am, 10.39am - 10.41am, 10.59am – 12.15pm)
Councillor Scott
Chief Financial Officer - Anne Robson
Committee Advisor - Fiona Dunlop

NOTE: - Councillor Kremer as deputy chair undertook the chairing of the meeting until Chair Bruce Robertson joined the meeting via Zoom (digital technology).

1 Apologies

There were apologies for lateness from Chair Mr Bruce Robertson.

Moved Deputy Chairperson Kremer, seconded Mayor Tong and resolved:

That the Finance and Assurance Committee accept the apology.

2 Leave of absence

There were no requests for leave of absence.

3 Conflict of Interest

There were no conflicts of interest declared.

4 Public Forum

There was no public forum.

5 Extraordinary/Urgent Items

There were no Extraordinary/Urgent items.

6 Confirmation of Minutes

Resolution

Moved Cr Douglas, seconded Cr Keast and resolved:

That the Finance and Assurance Committee confirms the minutes of meeting held on 10 November 2020 as a true and correct record of that meeting.

Reports

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

Record No: R/20/12/70484

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

(Mr Bruce Robertson joined the meeting via zoom at 9.03am.)

Resolution

Moved Mayor Tong, seconded Cr Keast and resolved:

That the Finance and Assurance Committee:

- a) **Receives the report titled “Finance & Assurance Committee Work plan for the year ended 30 June 2021” dated 8 December 2020.**
- b) Notes the changes made to the Finance and Assurance Committee Work plan for the year ended 30 June 2021 since the last meeting.

7.2 Interim Performance Report - Period one - 1 July 2020 to 31 October 2020

Record No: R/20/11/66844

Planning and Reporting Analyst – Shannon Oliver and Corporate Performance Lead – Jason Domigan were in attendance for this item.

Miss Oliver advised that the purpose of the report was to provide the Committee with the interim performance report results for the period 1 July 2020 to 31 October 2020.

Resolution

Moved Mayor Tong, seconded Cr Douglas and resolved:

That the Finance and Assurance Committee:

- a) **Receives the report titled “Interim Performance Report - Period one - 1 July 2020 to 31 October 2020” dated 8 December 2020.**
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

7.3 Annual Report - Management Report from Audit NZ for the year ended 30 June 2020

Record No: R/20/11/67391

Financial Accountant – Sheree Marrah was in attendance for this item.

Audit NZ Audit Director – Dereck Ollsson was in attendance via zoom for this item.

To present the management report from Audit New Zealand which relates to the audit of the Annual Report 2019/2020 and to confirm the approach taken in the listed recommendations.

Resolution

Moved Cr Keast, seconded Mayor Tong and resolved:

That the Finance and Assurance Committee:

- a) **Receives the report titled “Annual Report - Management Report from Audit NZ for the year ended 30 June 2020” dated 9 December 2020.**

7.4 Quarterly risk management report - December 2020

Record No: R/20/10/62484

Intermediate Policy Analyst – Robyn Rout was in attendance for this item.

Mrs Rout advised that the report is to submit the December 2020 quarterly risk management report for consideration.

Resolution

Moved Cr Douglas, seconded Cr Keast and resolved:

That the Finance and Assurance Committee:

- a) **Receives the report titled “Quarterly risk management report - December 2020” dated 9 December 2020.**
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

7.5 Draft Accounting Policies for the Long Term Plan 2031

Record No: R/20/11/67396

Financial Accountant – Sheree Marrah was in attendance for this item.

Mrs Marrah advised that the purpose of the report was for the Committee to endorse the accounting policies to be used to compile the 2021-2031 Long Term Plan which will be adopted in June 2021.

Resolution

Moved Deputy Chairperson Kremer, seconded Mayor Tong and resolved:

That the Finance and Assurance Committee:

- a) **Receives the report titled “Draft Accounting Policies for the Long Term Plan 2031” dated 9 December 2020.**
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) Agrees to endorse the accounting policies detailed in Attachment A (of the **officer’s report**), **for use in the Long Term Plan 2031.**

7.6 Monthly Financial Report - October 2020

Record No: R/20/12/69569

Management Accountant – Lesley Smith was in attendance for this item.

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

The Committee noted that this report summaries Council financial results for the three months to 31 October 2020.

Resolution

Moved Deputy Chairperson Kremer, seconded Cr Keast and resolved:

That the Finance and Assurance Committee:

- a) **Receives the report titled “Monthly Financial Report - October 2020” dated 9 December 2020.**

7.7 Draft Revenue and Financing Policy and Rating Review - Submissions

Record No: R/20/12/69767

Financial Development Co-ordinator – Nicole Taylor was in attendance for this item.

Miss Taylor advised that the purpose of the report was for the Committee to consider the feedback from submitters on the draft Revenue and Financing Policy and associated rating review.

Miss Taylor also advised the Committee of a late submission from Federated Farmers of New Zealand Southland branch which the Committee would also need to agree to receive.

Resolution

Moved Cr Douglas, seconded Mayor Tong recommendations a to d and e with an addition (as indicated) and resolved:

That the Finance and Assurance Committee:

- a) **receives the report titled “Draft Revenue and Financing Policy and Rating Review - Submissions” dated 9 December 2020**
- b) determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002
- c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter
- d) receives the submissions on the draft Revenue and Financing Policy and Rating Review (Attachment A)
- e) receives the submissions on the draft Revenue and Financing Policy and Rating Review (Attachment B) that were received after the closing date (5pm on 4 December 2020) from:
 - Stephen Hoskin (submitter number 27)
 - Colac Bay Progress League (submitter number 28)
 - Federated Farmers of New Zealand – Southland Branch.

7.8 Participation in the Local Government Funding Agency

Record No: R/20/12/70305

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

Miss Robson advised that the purpose of the report was to discuss the merits and process associated with joining the Local Government Funding Agency and to recommend to Council that it participate in the agency and proceed to undertake public consultation.

(During discussion Councillor Ruddenklau left the meeting at 10.27am and returned at 10.39am.)

Resolution

Moved Cr Douglas, seconded Cr Keast and resolved:

That the Finance and Assurance Committee:

- a) **Receives the report titled “Participation in the Local Government Funding Agency” dated 9 December 2020.**

- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) Recommends to Council that it participates in the Local Government Funding Agency as a Guaranteeing Participating Council.
- e) Acknowledges that in recommending to Council that it participate as a Guaranteeing Participating Council that it recognises it will need to become a party to a deed of guarantee and an equity commitment deed for the financial obligations of the Local Government Funding Agency.
- f) Recommends to Council to proceed to public consultation in regards to Council joining the Local Government Funding Agency.

NOTE: - Councillor Byars requested that his dissenting vote be recorded.

(The meeting adjourned for morning tea at 10.41am and reconvened at 10.59am.)

(Mayor Tong and Councillors Byars, Douglas, Duffy, Harpur, Keast and Kremer, Menzies, Scott and Ruddenklau and Mr Bruce Robertson (via Zoom) were present when the meeting reconvened.)

7.9 Health and Safety Update

Record No: R/20/11/67479

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

Mrs Ellis advised that the purpose of the report was to provide an update on health and safety related incidents and activity over the last quarter (1 July to 31 October 2020).

Resolution

Moved Cr Duffy, seconded Cr Douglas and resolved:

That the Finance and Assurance Committee:

- a) **Receives the report titled “Health and Safety Update” dated 9 December 2020.**
- b) Receives the Health and Safety Governance Review document undertaken by Impac.

Public Excluded

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

Resolution

Moved Deputy Chairperson Kremer, seconded Mayor Tong and resolved:

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

C8.1 Health and Safety Events

C8.2 Southland District Council - Cyber Health Report

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Health and Safety Events	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.</p> <p>s7(2)(d) - The withholding of the information is necessary to avoid prejudice to measures protecting the health and safety of members of the public.</p>	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Southland District Council - Cyber Health Report	<p>s7(2)(e) - The withholding of the information is necessary to avoid prejudice to measures that prevent or mitigate material loss to members of the public.</p> <p>s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.</p>	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.

That the Chief Executive – Cameron McIntosh, Group Manager, Environmental Services – Fran Mikulicic, Group Manager, Services and Assets – Matt Russell, Group Manager, Community and Futures – Rex Capil, Chief Financial Officer – Anne Robson, People and Capability Manager – Janet Ellis, Group Manager, Customer Delivery – Trudie Hurst, Committee Advisor – Fiona Dunlop, Communications Manager – Louise Pagan and Governance and Democracy Manager – Melissa Brook be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the items C8.1 Health and Safety Events and C8.2 Southland District Council - Cyber Health Report. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because of their knowledge on the issues discussed and meeting procedure.

That the Health, Safety and Wellbeing Advisor – Teri Black be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the items C8.1 Health and Safety

Events. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because of their knowledge on the issues discussed.

That the Business Solutions Manager – Jock Hale and via Zoom Deloitte New Zealand Partner Risk Advisory – David Seath and Manager Risk Advisory Services – Jurie du Preez be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the items C8.2 Southland District Council - Cyber Health Report. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because of their knowledge on the issues discussed.

The public were excluded at 11.14am.

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

The meeting concluded at 12.15pm.

CONFIRMED AS A TRUE AND CORRECT RECORD AT A
MEETING OF THE FINANCE AND ASSURANCE
COMMITTEE HELD ON TUESDAY 15 DECEMBER 2020.

DATE:.....

CHAIRPERSON:.....



Extraordinary Finance and Assurance Committee

OPEN MINUTES

Minutes of a meeting of Extraordinary Finance and Assurance Committee held in the Council Chamber, Level 2, 20 Don Street, Invercargill on Monday, 15 February 2021 at 1pm. (1pm – 2.23pm)

PRESENT

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

APOLOGIES

Councillor Duffy

IN ATTENDANCE

Councillor Menzies
Councillor Ruddenklau
Councillor Scott
Committee Advisor - Fiona Dunlop

1 Apologies

There were apologies for absence from Councillor Duffy.

Moved Chairperson Robertson, seconded Cr Keast and resolved:

That the Finance and Assurance Committee accept the apology.

2 Leave of absence

There were no requests for leave of absence.

3 Conflict of Interest

There were no conflicts of interest declared.

4 Public Forum

There was no public forum.

5 Extraordinary/Urgent Items

There were no Extraordinary/Urgent items.

Reports

6.1 Long Term Plan 2031 - Confirmation of Significant Forecasting Assumptions

Record No: R/20/10/63837

Corporate performance lead – Jason Domigan was in attendance and Financial Accountant – Sheree Marrah was in attendance via digital technology for this item.

Mr Domigan advised that the purpose of the report was to provide updated significant forecasting assumptions to the Finance and Assurance Committee for endorsement to inform the continued development of the Long Term Plan 2031 process.

Resolution

Moved Cr Douglas, seconded Cr Keast recommendations a to c, d with an addition (as indicated) and e and resolved:

That Finance and Assurance Committee:

- a) **Receives the report titled “Long Term Plan 2031 - Confirmation of Significant Forecasting Assumptions” dated 10 February 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) Endorses the updated significant forecasting assumptions to be used in the development of the Long Term Plan 2031 with a change to attachment A – Draft Significant Forecasting Assumptions – February 2021 as follows:

Subsidies for roading – change from low to medium to reflect that there is an increased risk of uncertainty of a component of funding from Waka Kotahi NZ Transport Agency being available
- e) Notes that any new information arising that may impact the significant forecasting assumptions will be updated and presented to Council prior to the adoption of the Long Term Plan 2031.

6.2 Draft Activity Management Plans (AMPs) 2021-2031

Record No: R/21/2/5199

Corporate performance lead – Jason Domigan, Strategic manager transport – Hartley Hare and Strategic manager water and waste – Ian Evan were in attendance.

Mr Domigan advised that the purpose of the report was to **seek the Committee's** endorsement to release the key activity management plans which underpin the Long Term Plan 2021-2031 to Audit NZ.

Resolution

Moved Deputy Chairperson Kremer, seconded Mayor Tong and resolved:

That the Finance and Assurance Committee:

- a) **Receives the report titled “Draft Activity Management Plans (AMPs) 2021-2031” dated** 10 February 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) Endorse the release of the Transport, Wastewater, Water Supply, and Stormwater Activity Management Plans to Audit NZ which underpin the Long Term Plan 2021-2031.

The meeting concluded at 2.23pm.

CONFIRMED AS A TRUE AND CORRECT RECORD AT A MEETING OF THE FINANCE AND ASSURANCE COMMITTEE HELD ON MONDAY 15 FEBRUARY 2021.

DATE:.....

CHAIRPERSON:.....

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

Record No: R/21/3/11369
Author: Emma Strong, Project Accountant
Approved by: Anne Robson, Chief Financial Officer

Decision Recommendation Information

Purpose

- 1 To update the Committee on the status of the work programme discussed and agreed at the 30 April 2020 meeting for the financial year ending 30 June 2021.
- 2 As noted at the meeting the adoption of the work plan does not preclude the Committee or staff from including additional reports as and when required.
- 3 As the year proceeds the work plan will be updated to incorporate the actual dates reports are being presented where that differs to the work plan adopted. For the committees information the “X” in red shows the date the report was presented, where this differs from what was approved in the work plan or if it is a new report that will be presented on an annual basis. If there is a black “X” on the same line as a red “X”, the black “X” indicates the date agreed by the committee. The “X” in green reflects changes identified to the ongoing work plan since it was adopted.
- 4 The remission and postponement of rates policy that was due to be presented to the Committee on 24 March 2021 was presented to Council on the 10 March 2020 to coincide with the consultation document adoption. This policy is now out for consultation. Overall, the policy incorporated the previous discussions with Council.
- 5 Due to Deloitte’s resourcing commitments, the internal audit for contract management will not commence until late June. The project management audit will commence early in the new financial year, staff will look to carry forward the relevant budgets.
- 6 The operational risk report has been removed from the 2020/21 and 2021/22 workplans. It is planned that the Chief Executive will now provide a verbal update, rather than a formal written report.
- 7 Due to the tight time-frames of this March meeting the Interim Performance Report (covering February year-to-date) will now be presented at the 21 May 2021 meeting. However, to ensure timely advice the report will also be presented to Council at the 14 April meeting.
- 8 The Annual Report interim audit is normally undertaken in April, as a result of Audit NZ’s workload with Long Term Plans, it will now be undertaken in June. As a result the annual report audit arrangements letter and timetable will now be presented to the 15 June 2021 meeting. The interim audit report will now be presented to the 25 August 2021 meeting.
- 9 In addition to the reports noted in the timetable, this agenda also includes the
 - Employee Numbers report,
 - Health & Safety Events report,
 - Milford Opportunities Contract Update – 3

-
- Cyber Security Health Check Additional Information

Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled “Finance & Assurance Committee Work plan for the year ended 30 June 2021” dated** 16 March 2021.
- b) Notes the changes made to the Finance and Assurance Committee Work plan for the year ended 30 June 2021 since the last meeting.

Attachments

- A Finance and Assurance Committee Workplan to 30 June 2021 [↓](#)

Finance and Assurance Committee Workplan to 30 June 2021

Content	11 September 2020	16 October 2020	10 November 2020	15 December 2020	15 February 2021	24 March 2021	21 May 2021 (LTP)	15 June 2021
Long Term Plan – Assumptions, policies and principles	X		X	X	X			
Long Term Plan – Activity Management Plans	X				X			
Long Term Plan – Audit Engagement Letter	X					X		
Long Term Plan – Recommend LTP for audit							X	
Long Term Plan – Recommend final to Council								X
Policy – Development & Financial Contributions	X							
Policy – Draft Procurement Policy	X							
Policy – Revenue & Financing Policy		X		X				
Policy – Remission & Postponement of Rates			X	X	X	X		
Policy – Investment & Liability				X		X		
Quarterly Risk Report	X		X	X		X		X
Health & Safety Update	X		X	X		X		X
Health & Safety Events Report	X			X		X		X
Financial Monthly Report	X		X	X		X		X
2019/20 Annual Report – Agree report ready for audit	X							
2019/20 Annual Report – Final audit Management report			X	X				
2019/20 Annual Report – Recommend adoption by Council			X					
2020/21 Annual Report – Audit Arrangements Letter						X		X
2020/21 Annual Report – Audit Timetable								X
2020/21 Annual Report – Accounting Policies								X
2020/21 Annual Report – Interim audit management report								X
Analysis of actual results to forecast for 19/20			X					
Work Programme for 2020/21 incl projects c/f from 19/20			X					
Forecast Financial Position				X		X		
Interim Performance Report	X			X		X	X	
Insurance - Insurance renewal								X
Operational Risk Report			X	X		X		X
Determine Finance & Audit Meeting Content 21/22						X		

Content	11 September 2020	16 October 2020	10 November 2020	15 December 2020	15 February 2021	25 March 2021	21 May 2021 (LTP)	15 June 2021
Internal Audit Terms of Reference (Contract Management, Project Management)	✘			✘		X	X	
Internal Audit Final Report (Cyber Security, Contract Management)			✘	X		✘		X
Internal Audit Action Points	✘					✘	X	
Other External Audits – Building Accreditation							X	
Other – Participation in the Local Government Funding Agency				X				
Other – Finance Transactional Update			X					
Other – Reports on contracts over \$2million – Resurfacing	X							
Other – Reports on contracts over \$2million - SIESA	X							
Other – Reports on contracts over \$2million - Milford	X		X					
Other – Employee Numbers						X		
Other – Milford Opportunities contract update - 3						X		
Other – Cyber Security Health Check Additional Information						X		

Quarterly Risk Management Report March 2021

Record No: R/21/2/7143
Author: Jane Edwards, Policy Analyst
Approved by: Trudie Hurst, Group Manager Customer Delivery

Decision Recommendation Information

Purpose

- 1 The purpose of this report is to submit the March 2021 quarterly risk management report for consideration by the Finance and Assurance Committee (the committee).

Executive Summary

- 2 Risk management is about identifying events that may occur in the future that will have an impact on Council's objectives. Council's approach to risk management involves four key steps:
 - a) identifying the risk
 - b) evaluating the severity of any identified risks
 - c) applying possible solutions to those risks
 - d) monitoring and analysing the effectiveness of any subsequent steps taken.
- 3 A risk management framework (RMF) was adopted by Council in February 2019. This framework supports risk thinking across Council so that risk can be understood, planned for and mitigated across all levels and activities.
- 4 As part of the RMF, Council's priority strategic and corporate risks were also identified and endorsed in June 2020 and the top ten of these form the basis of the Finance and Assurance Committee quarterly report, including the risk register.
- 5 The executive leadership team (ELT) have reviewed the status of the top priority risks for the March 2021 quarter and they are presented as attachment A with their assessment, any current and proposed mitigations, and their residual risk assessment.
- 6 The matrices used to assess the risks are included for information as attachment B.
- 7 Following the committee's consideration of the March 2021 quarterly risk management update, those strategic risks that are assessed as high or very high will be reported to Council at its 14 April 2021 meeting.
- 8 Staff also advise the committee that on 30 March 2021, ELT will undertake the annual review of the weighted priority scorings. This is an opportunity for risks to be determined, and ranked according to their revised weightings, and will form the draft risk register of Council's top strategic risks going forward. The revised top strategic risks will be presented to the committee at its meeting 15 June 2021 seeking recommendation to Council for adoption. Once adopted, the draft risk register will become effective 1 July 2021.

Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled “Quarterly Risk Management Report March 2021” dated 18 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) Endorses the risks with pre-treatment thresholds that are currently assessed as high or very high are reported on to Council at its next meeting.

Quarterly Risk Report

Background

- 9 The priority strategic and corporate risks endorsed by Council are jointly owned by ELT and form the basis of the risk register.
- 10 ELT review the status of the top risks, and any emerging risks, on a quarterly basis and this report is then presented to the committee for consideration. After feedback from the committee each quarter, the RMF requires those risks categorised as very high and high to be reported to the next Council meeting.
- 11 Risks are ranked in accordance with their priority weighted scoring, from highest to lowest. The current weighted scores were assessed at an ELT workshop in February 2020. As a living document, these scorings are required by the RMF to be reviewed formally on an annual or as required basis. The weighted priority scorings are due to be reviewed again on 30 March 2021.
- 12 The consequences, likelihoods and thresholds for each risk have been assessed after a review of the risk register and they reflect the highest assessed aspect of each risk for this current quarter.
- 13 The status of each risk is a summary of the mitigations that are currently in place for each risk and indicate whether the mitigations are assessed as causing the threshold to rise, lower or remain static.

Overview of Council’s Highest Strategic Risks

- 14 The risk register update for the March 2021 quarter is attached as attachment A.
- 15 The risk register has 10 priority risks of which there are five ‘high’, four ‘medium’, and one ‘low’ rated risk post mitigation.

16 Updates to the risk register this quarter include:

Risk 1: Inaccurate data leads to bad decisions/asset failure

Assessment of risk	<ul style="list-style-type: none"> risk status continues to be assessed as improving.
Mitigations	<ul style="list-style-type: none"> the data governance gap analysis work has been moved from a current mitigation to a proposed one. Work continues to be postponed due to a lack of resource and other work/time pressures, such as water reform and IANZ accreditation. ELT acknowledge that this is a critical piece of work which will require decisions on when and how it will be achieved asset management system (IPS) has been activated and implementation phase is currently being tested ongoing recruitment process is underway for temporary resourcing to resolve backlog of 3 Waters data.

Risk 2: Underinvestment in infrastructure

Assessment of risk	<ul style="list-style-type: none"> risk status continues to be assessed as improving.
Mitigations	<ul style="list-style-type: none"> business continuity planning has been moved from current mitigations to proposed. ELT and the chief executive are giving consideration as to how this mitigation will be managed and by whom proposed budgets to allocate appropriate funding and resources have been signed off and were presented to Council on 10 March 2021 for approval four completed mitigations for this current quarter.

Risk 3: Infrastructure not fit for purpose to withstand climate change

Assessment of risk	<ul style="list-style-type: none"> risk status continues to be assessed as static last quarter, the risk threshold was raised from medium (both pre and post mitigation) to high (both pre and post mitigation). This was due to risks associated with 3 Waters and old landfill sites near coastlines (specifically these sites being susceptible to erosion/weather events due to climate change impacts) ELT considered this risk at its meeting 23 February 2021 and acknowledged that it is an emerging priority. While the risk status remains static this quarter, change is anticipated as a result of both the annual review of priority weightings on 30 March 2021, and after the in-depth analysis due to be focused on this risk over the next quarter. Any changes will be presented to the committee at its June 2021 meeting.
Mitigations	<ul style="list-style-type: none"> a new current mitigation has been added. This requires Council to remain abreast of the process and development of the three new laws proposed as part of the resource management reform (Climate

	<p>Change Act/Strategic Planning Act/National and Built Environment Act). This mitigation will be explored over the coming quarter in order to place meaningful and quantifiable actions and responsibilities against it. In the interim, Council has prepared a submission on He Pou a Rangi/the Climate Change Commission’s 2021 Draft Advice for Consultation</p> <ul style="list-style-type: none"> • one proposed mitigation has been added which considers the development of a climate change strategy. This project is proposed to be developed alongside Council’s 2050 project which is anticipated to escalate quickly after the Long Term Plan (LTP) work is completed. Consideration will need to be given whether there is capacity for this work within wider Council or if external expertise is required. Further analysis of this mitigation will be undertaken prior to the risk 3 discussion workshop with the committee in June 2020 • LiDAR flights have begun this quarter. This mapping project will enable greater understanding of the climate change risks across the region • assessment of climate change impacts has been included in the activity management plans for the LTP.
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Risk 4: Inadequate, incomplete or lack of strategy/policy impacts the wellbeing of the District

Assessment of risk	<ul style="list-style-type: none"> • risk status continues to be assessed as static.
Mitigations	<ul style="list-style-type: none"> • the strategy development project has been initiated and the workplan is currently being developed. Progress has been slowed this quarter while work on the LTP has been prioritised. It is anticipated that this work will be brought up to speed quickly once the LTP has been adopted and frees resources.

Risk 5: Natural or biosecurity event impacts the wellbeing of the District

Assessment of risk	<ul style="list-style-type: none"> • risk status continues to be assessed as static • the recent lockdown measures have not significantly changed the outlook of this risk and subsequently it will continue to be monitored and reviewed as necessary
Mitigations	<ul style="list-style-type: none"> • ongoing monitoring of the Covid-19 situation has continued over the quarter. Council’s pandemic plan and Covid-19 health and safety management plan continue under ongoing review • one completed mitigation for this current quarter

Risk 6: Health and safety controls fail to protect staff and contractor safety

Assessment of risk	<ul style="list-style-type: none"> • risk status continues to be assessed as improving • after the recent gap analysis work and committee risk discussion in September 2020, ELT acknowledge that the scope and ranking of this
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	risk may change as a result of the annual review of priority weightings on 30 March 2021.
Mitigations	<ul style="list-style-type: none"> development of a prioritisation programme is underway to action the health and safety gap analysis recommendations two completed mitigations for this current quarter

Risk 7: Financial conservatism constrains progress towards strategic objectives

Assessment of risk	<ul style="list-style-type: none"> risk status continues to be assessed as static.
Mitigations	<ul style="list-style-type: none"> the draft revenue and financing policy has been adopted by Council to come into effect 1 July 2021 the financial strategy is in final draft form and will be presented to Council for adoption 10 March 2021.

Risk 8: Difficulty retaining or recruiting staff affects service levels

Assessment of risk	<ul style="list-style-type: none"> the status of this risk has been changed from improving to static ELT consider that while Southland is still seen as a 'safe' place to relocate to, the interest from high calibre applicants has slowed the environmental services team continues to report difficulty recruiting building control and planning staff.
Mitigations	<ul style="list-style-type: none"> no updates for this current quarter

Risk 9: Over commitment leads to inability to deliver agreed work programme

Assessment of risk	<ul style="list-style-type: none"> the status of this risk continues to be assessed as worsening this is attributed to increasing pressure and demands on the organisation, such as from legislative change, Covid-19 impacts, revisiting historically deferred projects and the LTP.
Mitigations	<ul style="list-style-type: none"> in relation to Council ensuring there is adequate community engagement about this risk, staff are currently developing key messaging for the LTP consultation document the significant forecasting assumptions have been updated to include a specific assumption relating to capital expenditure delivery. This outlines the risk for Council around achieving the work programme.

Risk 10: Growth and demand dependent model makes it hard to fund new infrastructure

Assessment of risk	<ul style="list-style-type: none"> the status of this risk has been changed from worsening to static. ELT consider that the impacts of Covid-19 on aspects of this risk have stabilised.
Mitigations	<ul style="list-style-type: none"> one completed mitigation this current quarter

Emergent Risks

- 17 Emerging risks are those that may develop or that already exist. These risks are difficult to quantify but may have a high consequence or impact if they materialise.
- 18 No emergent risks have been identified by the ELT this quarter.

Operational Risk Assurance

- 19 A next step is to review the operational risk register development process and ensure that it is appropriate and aligns with the RMF.
- 20 In the interim, Council's chief executive will provide a separate operational risk update to the committee.
- 21 Group managers will continue to work with their respective teams to identify and mitigate operational risks.

In-depth look at each Risk

- 22 The committee has an in-depth look at particular strategic risks on a rotational basis, to provide assurance to the committee that the risks are being effectively managed and that controls are operating as intended. This discussion is held in a workshop environment so councillors can have a free and frank discussion about each risk.
- 23 Subsequent to the workshop, any changes to the assessment of the risk examined will be reported at the next scheduled committee meeting.

Next Steps

- 24 Following the committee's consideration of the March 2021 quarterly risk management update, those strategic risks that are assessed as high or very high will be reported to Council at its 14 April 2021 meeting.
- 25 ELT will undertake the annual review of the weighted priority scorings at a workshop 30 March 2021. The revised top strategic risks will be presented to the committee at its meeting 15 June 2021 seeking recommendation to Council for adoption. Once adopted, the draft risk register will become effective 1 July 2021.

Attachments

- A Risk Register - March 2021 quarter - Finance and Assurance Committee [↓](#)
- B Risk management framework - risk matrices [↓](#)



Finance and Assurance Committee – Quarterly risk update Mar 2021

KEY:

CONSEQUENCE	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
LIKELIHOOD	RARE	UNLIKELY	POSSIBLE	LIKELY	HIGHLY LIKELY
THRESHOLD		LOW	MEDIUM	HIGH	VERY HIGH
STATUS		IMPROVING	STATIC	WORSENING	

RISK 1	Inaccurate data leads to bad decisions/asset failure			Weighted score: 3.50	Status: Improving
DESCRIPTION	Council does not have the data and information it needs to make informed decisions				
PRE TREATMENT	Consequence: Major	Likelihood: Likely			
THRESHOLD	HIGH				
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • Long Term Plan and subsequent work programme • community facilities implementing asset management data tool • contract alignment to asset management processes • ensure communication with communities is appropriate and accurate throughout identified project milestones • looking at reporting options through JDE accounting system to enable managers to assess summary to detail information easily • ensure staff are trained and supported to adequately use the tools they have available • implementation of metadata standards and Infor Public Sector (IPS) • recruitment of data/Geographic Information System (GIS) temporary resource 				
POST TREATMENT	Consequence: Major	Likelihood: Likely			
TARGET THRESHOLD	MEDIUM				



PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • data stewardship and standards gap analysis work • establish infrastructure design standards to ensure consistency and delivery of infrastructure assets
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> • IPS/GIS management process established • master data specifications completed for water and waste • internal cost estimation process review and reconciliation process completed



RISK 2	Underinvestment in infrastructure	Weighted score: 3.40	Status: Improving
DESCRIPTION	Failure to maintain infrastructure that has the capacity and capability needed to meet an agreed level of service		
PRE TREATMENT	Consequence: Major/Catastrophic	Likelihood: Possible	
CURRENT THRESHOLD	VERY HIGH		
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • allocation of appropriate funding and resources to deliver the prioritised work plan identified through the Infrastructure Strategy and the activity management plan process • E-delivery project and regular updating of IT equipment • Council office buildings assessed as fit for purpose 		
POST TREATMENT	Consequence: Major/Catastrophic	Likelihood: Possible	
TARGET THRESHOLD	HIGH		
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • business continuity planning • look to 'quantify', in descriptive and financial terms, the extent of the deficit in different asset and service areas • set targets for 2021 Long Term Plan and beyond • develop a view on acceptable level of risk by different service areas 		
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> • development of established minimum levels of service for community facilities • Council office buildings fit for purpose – office relocations completed • setting targets for the 2021 Long Term Plan and beyond – levels of service and key performance indicators developed, community board direction setting completed and overall Long Term Plan budgets developed. • appropriate operations and maintenance contracts established across infrastructure • Local Government Act 2002 section 17a service delivery reviews • development of a prioritised programme to address deficits to an acceptable level over time is underway 		



RISK 3	Infrastructure not fit for purpose to withstand climate change	Weighted score: 3.00	Status: Static
DESCRIPTION	Infrastructure fails to deliver the agreed levels of service as a result of changing weather patterns		
PRE TREATMENT	Consequence: Major	Likelihood: Possible	
THRESHOLD	HIGH		
CURRENT MITIGATIONS	<ul style="list-style-type: none"> research programme, including stakeholder input, to develop a position on likely changes in future demands for Council services adequate borrowing capacity in place to assist with recovery costs Local Authority Protection Programme (LAPP) insurance in place review of activity against the climate change assumptions in the Long Term Plan, and make investments and delivery decisions appropriately remaining abreast of the process and development of the three new planned laws proposed as part of the Resource Management Act (RMA) reform 		
POST TREATMENT	Consequence: Major	Likelihood: Possible	
TARGET THRESHOLD	HIGH		
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> consider and develop a climate change strategy building climate change impact assessments into business cases and activity management plans research Council’s carbon emission footprint options to reduce risks posed to lifeline infrastructure to be considered funding established from Long Term Plan Year 3 review of old landfill sites and remediation work 		
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> to develop a position on likely changes in future demands for Council services: <ul style="list-style-type: none"> regional climate change assessment completed Deep South science challenge has been completed (investigating how many Council assets are within 3m of sea level) 		



RISK 4	Inadequate, incomplete or lack of strategy/policy impacts the wellbeing of the District	Weighted score: 2.85	Status: Static
DESCRIPTION	A lack of consistent strategic direction-setting could result in poorly aligned and uninformed decisions that impact the community		
PRE TREATMENT	Consequence: Major	Likelihood: Likely	
THRESHOLD	VERY HIGH		
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • strategy development work plan • research projects instigated to meet RMA reform requirements 		
POST TREATMENT	Consequence: Major	Likelihood: Possible	
TARGET THRESHOLD	MEDIUM		
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • long term formal commitment to collaboration between Council and key agencies 		



RISK 5	Natural or biosecurity event impacts the wellbeing of the District	Weighted score: 2.70	Status: Static
DESCRIPTION	External event negatively impacts the landscape that Council is operating in and/or its communities		
PRE TREATMENT	Consequence: Major/catastrophic	Likelihood: Unlikely	
THRESHOLD	HIGH		
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • ongoing review of pandemic preparedness and planning • essential services prioritisation • business continuity plans completed in order to assist in incident management and response • adequate financial capacity in place to assist with recovery costs 		
POST TREATMENT	Consequence: Moderate	Likelihood: Unlikely	
TARGET THRESHOLD	LOW		
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • none proposed in March 2021 quarterly update 		
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> • debrief by incident management team of process followed during lockdowns • review of rates remission and rates postponement policy • review of provision of funding and resources to Emergency Management Southland to assist with civil defence emergency management. 		



RISK 6	Health and safety controls fail to protect staff and contractor safety	Weighted score: 2.55	Status: Improving
DESCRIPTION	Systems processes and controls fail to protect our workers		
PRE TREATMENT	Consequence: Catastrophic	Likelihood: Possible	
THRESHOLD	VERY HIGH		
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • prioritisation programme to address health and safety gap analysis recommendations • comprehensive audit framework • site observations of contractors undertaken by all contract managers and activity managers • use of risk assessment methodology to identify the potential Corrective Actions required • training and education of contractors • creation of a wellbeing programme • appropriate health and safety controls in response to lockdown requirements due to COVID-19 		
POST TREATMENT	Consequence: Catastrophic	Likelihood: Unlikely	
TARGET THRESHOLD	HIGH		
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • none proposed in March 2021 quarterly update 		
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> • core improvement in standardisation of contract administration process • GPS introduced in all Council vehicles • health and safety plan adopted by Council • correct procurement/contractor induction processes in place for all project work • review of pre-qualification process for contractors completed • fatigue guidelines implemented • alcohol and drug policy implemented 		



RISK 7	Financial conservatism constrains progress towards strategic objectives	Weighted score: 2.55	Status: Static
DESCRIPTION	Council’s work programme and levels of service are constrained to conservative financial targets being set		
PRE TREATMENT	Consequence: Major	Likelihood: Likely	
THRESHOLD	VERY HIGH		
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • work to understand prioritisation, delivery and affordability across the District that brings a greater understanding of generational responsibility • robust business cases, with clear strategic objectives, will help put projects in context of other works needed and help achieve strategic outcomes and transparency 		
POST TREATMENT	Consequence: Major	Likelihood: Possible	
TARGET THRESHOLD	HIGH		
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • better data needed to make good business decisions • investigate sources of revenue and funding • next LTP – consider challenges for the next ten years and identify financial requirements, levels of service and risk 		
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> • one component completed to investigate sources of revenue and funding: <ul style="list-style-type: none"> ○ draft revenue and financing policy adopted by Council 		



RISK 8	Difficulty retaining or recruiting staff affects service levels	Weighted score: 2.40	Status: Static
DESCRIPTION	Lack of accredited, specialized and experienced staff available across multiple industries locally, regionally and nationally		
PRE TREATMENT	Consequence: Moderate	Likelihood: Likely	
THRESHOLD	MEDIUM		
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • monitoring organisational climate • working closely with industry providers and training institutions • consider flexible working arrangements • look after staff by building a culture that encourages staff to stay and to recruit into • currently resource sharing with other councils • outsourcing and using external mechanisms at key pressure points • secondments, internships and development of a cadet system 		
POST TREATMENT	Consequence: Moderate	Likelihood: Possible	
TARGET THRESHOLD	MEDIUM		
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • none proposed in March 2021 quarterly update 		
COMPLETED MITIGATIONS	<ul style="list-style-type: none"> • remote working guidelines completed 		



RISK 9	Over commitment leads to inability to deliver agreed work programme	Weighted score: 2.30	Status: Worsening
DESCRIPTION	Unable to deliver the organization’s agreed work programme		
PRE TREATMENT	Consequence: Moderate	Likelihood: Highly likely	
THRESHOLD	HIGH		
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • executive leadership team to ensure work programme is deliverable, achievable and resourced • create an understanding/recognition of purpose and roles/responsibilities that come with Long Term Plan • understand capacity and capability and ensure realistic commitments • ensure adequate planning and correct resources, including contractors availability, for the achievement of the plan • use of CAMMs (Council’s project management tool) 		
POST TREATMENT	Consequence: Minor	Likelihood: Likely	
TARGET THRESHOLD	MEDIUM		
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • implement robust team business planning and reporting processes • ensure adequate community engagement 		



RISK 10	Growth and demand dependent model make it hard to fund new infrastructure		Weighted score: 2.00	Status: Static
DESCRIPTION	Inability to access funding, despite increasing need, due to lack of eligibility			
PRE TREATMENT	Consequence: Moderate	Likelihood:	Highly Likely	
THRESHOLD	HIGH			
CURRENT MITIGATIONS	<ul style="list-style-type: none"> • lobby available funding sources where appropriate • researching and identifying why and where Council is ineligible 			
POST TREATMENT	Consequence: Moderate	Likelihood:	Highly Likely	
TARGET THRESHOLD	HIGH			
PROPOSED MITIGATIONS	<ul style="list-style-type: none"> • none proposed in March 2021 quarterly update 			
COMPLETED	<ul style="list-style-type: none"> • consider the demand and need for new infrastructure – completed through activity management planning 			



Risk management framework – risk matrices

CONSEQUENCE	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
STRATEGIC	No significant adverse public comment No impact on achievement of LTP objectives Key stakeholder relationships unaffected	Adverse comment in local or social media Letter to CEO, complaints to Councillors May slow achievement of LTP objectives Minor impact on key stakeholder relationships	National media coverage Will impact achievement of one or more LTP objectives Negative impact on key stakeholder relationships	National media coverage 2-3 days Will significantly impact the achievement of multiple LTP objectives Significant impact on multiple key stakeholder relationships	Coverage in national media 3+ days Commission of Inquiry/Parliamentary questions Stakeholder relations irreparably damaged Cannot deliver on most LTP objectives
OPERATIONAL	No loss of operational capability Minimal changes to service level Minimal loss of internal capacity	Loss of operational capability in some areas Some disruption to service levels Internal capacity lost for up to 1 week	Serious loss of operational capability for over 6 weeks and/or Disruption to service levels for 4-6 weeks Loss of internal capacity 1-3 weeks	Serious loss of operational of capability for over 8 weeks and major disruption to service levels and/or Loss of internal capacity 4-6 weeks	Serious loss of operational capability for 3-4 months and serious disruption to service levels and Loss of internal capacity for more than 6 weeks
FINANCIAL	No impact on financial targets	Up to 1% impact on financial targets	Up to 5% impact on financial targets	Up to 10% impact on financial targets	More than 10% impact on financial targets
HEALTH, SAFETY AND WELLBEING	No Medical treatment required Issue noted, no action required	Minimal personal injury and/or sickness AND Less than 2 weeks incapacitation H&S issue noted by Worksafe	Personal injury and/or sickness with up to 3mths incapacitation OR H&S issue to court	Significant public health impact OR Personal injury and/or sickness with 3+ months incapacitation or long term disability OR	Permanent severe disability or loss of life OR H&S issue taken to court resulting in imprisonment OR



CONSEQUENCE	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
				H&S issue to court and fine imposed	Widespread community sickness
SOCIAL, CULTURAL, ENVIRONMENTAL	No significant community Impact	Single community affected	Multiple communities affected	Many communities affected	Most or all communities OR
	Localised short-term reversible environmental, economic or social impact	Localised short-term reversible environmental, economic or social damage	Localised medium term (1 month +) reversible damage or disruption (environmental, economic, social or cultural)	Localised or widespread long term (3-6m) reversible damage or disruption (environmental, economic, social or cultural)	Extensive or irreversible damage or disruption (environmental, economic, social or cultural)
REGULATORY AND COMPLIANCE	Fine/ liability less than \$10K	Fine/ liability \$10 - \$100K	Fine/ liability \$100 - \$250K	Fine/ liability \$250K - \$1M	Fine/ liability \$1M+



LIKELIHOOD	
HIGHLY LIKELY	Risk event is expected to occur in most circumstances; or 90% chance within the next 12 months; or 18 out of every 20 years
LIKELY	Risk event will probably occur in most circumstances; or 55% chance within the next 12 months; or 11 out of every 20 years
POSSIBLE	Risk event should occur at some time; or 25% chance within the next 12 months; or 5 out of every 20 years
UNLIKELY	Risk event could occur at some time; or 10% chance within next 12 months; or 1 out of every 10 years
RARE	Risk event may occur only in exceptional circumstances Up to 4% chance within next 12 months Once in 25 years

LIKELIHOOD	CONSEQUENCE				
	Insignificant	Minor	Moderate	Major	Catastrophic
HIGHLY LIKELY	Low	Medium	High	Very High	Very High
LIKELY	Low	Medium	High	Very High	Very High
POSSIBLE	Low	Medium	Medium	High	Very High
UNLIKELY	Low	Low	Medium	Medium	High
RARE	Low	Low	Low	Medium	Medium

Risk management framework – risk matrices
5/12/2019

Forecasted Financial Position for the year ending 30 June 2021

Record No: R/21/2/7494
Author: Joanie Nel, Management Accountant
Approved by: Anne Robson, Chief Financial Officer

Decision Recommendation Information

Purpose

- 1 To inform the committee of the expected year end financial result compared to the published 2020/2021 Annual Plan and seek the committee's recommendation to Council to approve the resulting forecasted position.
- 2 To seek the committee's recommendation to Council to approve a number of unbudgeted expenditure requests, and the deletion and deferral of a number of projects.

Executive Summary

- 3 Forecasting the financial position for the year ended 30 June 2021, is intended to provide information about what has changed since the budget was approved, why it has occurred and what the result is expected to be at the end of the year. Forecasting is based on the best knowledge that the relevant staff have at a point in time and events can overtake this.
- 4 In considering the final position, staff consider what they planned to do in the Annual Plan, the projects carried forward from 2019/20 that were approved by Council on 21 October 2020, unbudgeted expenditure requests approved by Council or committees during the year and the expected year end position as a result of operational decisions and information.
- 5 Forecasting enables the organisation to understand the anticipated year end position at all levels. It also assists with decisions and priorities for spending across Council.
- 6 The budgeted expenditure included in the Annual Plan for the 2020/2021 year was adopted in June 2020. Therefore since this date a number of events have potentially occurred that will change the year end position. Forecasting allows a formal process to communicate to the executive leadership team (ELT), Finance and Assurance Committee and Council any known or expected changes. The net change by business units is shown in appendix A.
- 7 The effect of the forecast changes on the Statement of Comprehensive Revenue and Expenditure and Statement of Financial Position is shown in appendix B and C.
- 8 As part of the resolutions the committee is asked to recommend to Council a number of unbudgeted expenditure requests that have not been advised to Council previously. Additionally there are a number of projects that have been identified as needing to be deferred to future years. A detailed list of these projects can be found in appendix D. There is also a list of projects that are to be deleted, or where a project is completed under budget, the remaining budget is to be deleted, contained in appendix E.
- 9 This report is included in the Council agenda for the meeting on 14 April 2020. Staff will update Council on any discussions and recommendations made by this committee.

Finance and Assurance Committee

24 March 2021

Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled “Forecasted Financial Position for the year ending 30 June 2021” dated** 18 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) Recommends to Council that it approve the changes as detailed in appendix A subject to the separate unbudgeted expenditure reports noted in resolution J being approved by Council.
- e) **Notes the forecasted changes to Council’s year end** financial performance and position as detailed in appendix B and C.
- f) Recommends to Council that it approves the deletion of the following 2020-21 projects:

Business Unit	Project	Amount
District Water	District Monitoring	\$214,578
Stormwater Lumsden	Reticulation Upgrade SE Catchment	\$20,000
Water Supply Riverton	Scheme Improvements	\$131,564
Sewerage Riverton	Treatment Upgrade & Sewer Pumps	\$31,728
Water Supply Te Anau	Metering - District Metered Areas	\$101,500
Water Supply Homestead	Plant room valves (Homestead)	\$7,169
Hall - Waianiwa	Exterior and roof repaint - Waianiwa Hall	\$31,335
Water Supply Winton	Metering - District Metered Areas	\$32,506
Water Supply Eden/Wyn	District Metered Areas	\$19,475

- g) Recommends Council approve the following unbudgeted expenditure and funding source:

Business Unit	Expense	Amount	Funding Source
Alcohol Licensing	Software – Acq LOS	\$9,000	Loan
Beautification - Athol	Improvements - Acq LOS	\$6,424	Savings within business unit
Beautification - Balfour	Mowing	\$7,310	Balfour General Reserve

Beautification - Garston	Mowing	\$1,333	Garston Special Projects Reserve
Beautification - Nightcaps	Maintenance – Gardening	\$1,652	Nightcaps McGregor Park Reserve
Beautification - Orepuki	Mowing	\$1,708	Orepuki General Reserve
Beautification - Stewart Is	Maintenance – Gardening	\$800	Stewart Island General Reserve
Beautification - Tokanui	Mowing	\$4,411	Tokanui General Reserve
Beautification - Tuatapere	Mowing	\$4,280	Tuatapere General Reserve
Recreation Reserve - Lumsden	Electricity	\$4,400	Lumsden General Reserve
Frasers Beach	Maintenance General	\$3,429	Manapouri Frasers Beach Reserve
Beautification - Riversdale	Maintenance General	\$2,500	Riversdale General Reserve
Playground - Riversdale	Maintenance Project	\$3,000	Riversdale General Reserve
Beautification - Riverton	Maintenance General	\$2,057	Riverton General Reserve
Beautification - Thornbury	Maintenance General	\$3,000	Thornbury General Reserve
Hall - Tokanui	Maintenance Internal	\$4,089	Community Centre Tokanui Reserve
Motor Vehicle Pool	Vehicles - Acquisition LOS	\$8,211	Savings within business unit
Beautification - Winton	Maintenance Gardening	\$11,956	Winton General reserve
Buildings - Invercargill Office	Rentals – Carparks, Cleaning, Consultants, toilet supplies	\$98,176	Property development reserve
Buildings - Otautau Office	Cleaning	\$15,484	Property development reserve
Buildings - Te Anau Library	Cleaning	\$20,484	Property development reserve
Buildings - Lumsden Office	Toilet Supplies, Cleaning	\$7,900	Property development reserve
Buildings - Otautau Office	Toilet Supplies	\$1,500	Property development reserve
Buildings - Te Anau Library	Toilet Supplies	\$800	Property development reserve
Buildings - Te Anau Office	Cleaning	\$9,211	Property development reserve
Buildings - Wyndham Office	Toilet Supplies, Cleaning	\$4,000	Property development reserve
Cemetery - Wairio	Mowing, pruning	\$6,248	Wairio Cemetery Reserve
Cemetery - Dipton	Maintenance General	\$2,456	Dipton Cemetery Reserve
Cemetery - Edendale	Maintenance – Tree and Hedge	\$2,000	Edendale Cemetery Reserve
Community Centre - Limehills	Buildings - Renewal	\$13,473	Loan

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Council and Councillors	Accommodation and Meals, Consultants	\$34,514	District Ops Reserve
District Sewerage	Improvements - Renewals	\$17,742	Internal Loan
District Sewerage	Consultants	39,055	Internal Loan
Dog and Animal Control	Software - Acquisition LOS	\$9,000	Loan
Engineering Administration	Allowance - Taxable	\$23,310	District Ops Reserve
Environmental Health	Software - Acquisition LOS	\$16,500	Health Licensing Reserve
Resource Consent Processing	Consultants, Legal costs	\$190,000	District Ops Reserve
Forest Administration	Consultants	\$10,000	Forestry Reserve
Harbour	Legal Costs	\$20,000	Riverton Harbour General Reserve
Moturau Gardens	Mowing, Gardening	\$7,820	Stewart Island General Reserve
People and Capability	Recruitment, legal costs	\$71,597	District Ops Reserve
Playground - Athol	Maint - General	\$10,363	Athol General Reserve
Toilets - Frasers Beach	Cleaning	\$4,785	Loan
Toilets - Cosy Nook, Monkey Island	Cleaning	\$10,377	Loan
Toilets - Te Anau Lions Park	Toilet Supplies	\$12,000	Loan
Toilets - Waikaia	Cleaning	\$16,068	Loan
Toilets - Weirs Beach	Maintenance – General	\$3,000	Loan
Toilets - Athol	Toilet Supplies, Cleaning	\$3,951	Loan
Toilets - Balfour Plunket Room	Cleaning, Maintenance	\$2,801	Loan
Toilets - Colac Bay Playground	Vandalism - Repair Cost	\$2,000	Loan
Toilet - Colac Bay - East End	Cleaning	\$2,155	Loan
Toilets - Dipton	Toilet Supplies, Cleaning	\$6,199	Loan
Toilets - Garston	Toilet Supplies, septic tank cleaning	\$25,801	Loan
Toilets - Gorge Road Hall	Cleaning	\$1,311	Loan
Toilets - Lumsden	Cleaning, Maintenance	\$5,683	Loan
Toilets - Pearl Harbour	Vandalism - Repair Cost	\$470	Loan
Toilets - Mossburn	Electricity, Maintenance	\$3,150	Loan
Toilets - Nightcaps	Cleaning	\$3,515	Loan
Toilets - Ohai	Toilet Supplies, Cleaning	\$4,833	Loan
Toilets - Orepuki Hall	Cleaning	\$367	Loan

Toilets - Riversdale Hall	Cleaning	\$6,453	Loan
Toilets - Riverton Princess St	Cleaning, Maintenance	\$9,599	Loan
Toilets-Howells PT, Taramea Bay	Various operational costs	\$3,850	Loan
Toilets - Rec Res, T Wharf, Rocks	Cleaning, Maintenance	\$3,686	Loan
Toilets - Cosy Nook, Monkey Island	Toilet Supplies	\$4,000	Loan
Toilets - Motorau, Trail, Bat	Cleaning	\$500	Loan
Toilets - Te Anau Ivon Wilson	Toilet Supplies, Cleaning	\$3,109	Loan
Toilets - Boat Hbr, Town Centre	Electricity	\$8,500	Loan
Toilets - Thornbury Playground	Cleaning	\$2,589	Loan
Toilets - Waikawa	Monitoring, Maintenance	\$6,000	Loan
Toilet-Fortrose Foreshore Res	Maintenance - General	\$2,000	Loan
Toilets - Tokanui	Cleaning	\$1,445	Loan
Toilets - Tuatapere Main Road	Toilet Supplies, Cleaning	\$7,212	Loan
Toilets - Clifden	Cleaning	\$19,181	Loan
Toilets - Te Waewae Lagoon	Toilet Supplies	\$500	Loan
Toilets - Waikaia	Toilet Supplies	\$1,400	Loan
Toilets - Wallacetown	Cleaning	\$597	Loan
Toilets - Winton main Street	Toilet Supplies	\$6,400	Loan
Toilets - Colac Bay Playground	Maintenance - General	\$14,738	Loan
Recreation Reserve - Wairio	Mowing	\$3,600	Wairio Rec Reserve
Roading - Special Purpose	Emergency Reinstatement	\$2,276,500	Waka Kotahi NZTA funded
Stormwater Riverton	Maintenance – General	\$25,171	Riverton Stormwater reserve
SIESA - Operations	Other Plant - Renewal	\$20,000	SIESA Operations reserve
Water Supply Manapouri	Water - Acquisition LOS	\$11,578	Internal Loan
Water Supply Mount York	Water - Renewal	\$10,783	Internal Loan
Water Supply Takitimu	Maintenance - Routine	\$15,000	Internal Loan
Wheelie Bins	Other Plant - Acq LOS	\$40,677	Internal Loan
Wheelie Bins	Recycling sorting	\$35,000	Internal Loan

- h) Recommends to Council to approve the deferral of the following projects to the 2021/22 financial year:

Finance and Assurance Committee

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Business Unit	Project	Amount	Funding Source
Information Management	Core System replacement	\$923,210	Loan
Waste Minimisation	Waste Management	\$60,414	Loan
Street Works - Stewart Island	New walking track Horseshoe Bay Road part 1	\$52,583	Grants
Street Works - Stewart Island	Walking track Horseshoe Bay Road part 3	\$54,922	Grants
Resource Planning/Policy	District Plan General projects budget	\$400,000	District Ops Reserve
Water structures	Golden bay wharf rebuild	\$400,000	Grant
Parks and Reserve	Centre walkway to CBD	\$10,445	Development Contributions
Parks and Reserve	Netball court resurface	\$28,119	Loan

- i) Recommends to Council to approve the bringing forward of the following project budget from the 2021/22 financial year:

Business Unit	Project	Amount	Funding Source
District Reserves Management	Open spaces- increased consultancy to cover fees for the Green asset assessment, IPS implementation and the development of the Open spaces criteria	\$86,000	Loan

- j) Notes to Council that separate unbudgeted expenditure reports will be presented on the followings items, outside of this report:

Business Unit	Expense	Amount	Funding Source
Around the Mountains Cycle Trail	Unsealed Roads - Acq LOS	\$112,535	MBIE funding
Around the Mountains Cycle Trail	Maintenance - Internal	\$19,000	MBIE funding
Buildings Invercargill office	Buildings improvements	\$604,175	Loan
Building Regulation	Various operating costs	\$401,120	Fees and charges
District Sewerage	Maintenance (routine & unplanned)	\$370,000	Internal Loan
District Water	Water - Acquisition LOS	\$134,591	Internal Loan
District Water	Maintenance – Routine & Unplanned	\$285,000	Internal Loan
Sewerage Scheme Winton	Sewerage - Renewals	\$201,012	Internal Loan
Water Supply Ramparts	Water - Renewal	\$80,459	Internal Loan
Water Supply Lumsden/Balfour	Water - Renewal	\$118,142	Internal Loan
Water Supply Tuatapere	Water - Acquisition	\$86,600	Internal Loan

Background

- 10 Forecasting enables transparency and informs Council of the anticipated year end financial result. Forecasting was first undertaken in November 2015 and since then forecasting has been undertaken twice a year, as at the end of October and the end of January or February, depending on meeting timetables. However, due to time constraints around the Long Term Plan, the first round of forecasting was not held in October 2020 and as such what would normally have been the second round of forecasting for the financial year has now become the only opportunity to make changes to the budgets for the 2020/21 financial year other than through unbudgeted expenditure reports. As such, this round of forecasting has seen a significant increase in entries, as can be seen from the resolutions to this report. Council staff are also looking into internal processes and systems to improve and streamline this process going forward.
- 11 In regards to projects identified as needing to be deferred to 2021/22, some of these projects have already been included in the Long Term Plan. Council staff will include the remainder of these and the impact into year one of the Long Term plan via the staff submission process.
- 12 Budget managers were requested to undertake forecasts for their business units where the expected overall outcome would vary from the budget in the annual plan by specified tolerance levels. These net levels are set at:
 - \$1,000 for Council owned halls
 - \$1,000 to \$10,000 for townships depending on their operational expenditure in the current year
 - \$10,000 for all district business units. The maximum limit of \$10,000 was set in line with the delegation held by the chief executive.
- 13 Changes due to forecasting have been included in the attachments as follows.
 - Appendix A - provides details of changes to revenue, operating expenditure and capital expenditure for each business unit with commentary from the budget manager
 - Appendix B - shows the net effect of the changes to the statement of comprehensive revenue and expenditure for the year ended 30 June 2021
 - Appendix C - shows the effect of changes to the statement of financial position for the year ending 30 June 2021
 - Appendix D - provides details of the specific projects being deferred to future years. Currently staff are looking to incorporate the changes to the 21/22 year into the Long Term Plan through the staff submission process
 - Appendix E - provides details of the specific projects being deleted.

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- 14 A breakdown of the movement of projects (both capital and operational) as a result of carry forwards and forecasting for the 2020/2021 year is as follows:

FINANCIAL ACTIVITY	AMOUNT
Projects as per the 2020/2021 Annual Plan	\$22,384,970
Projects carried forward from 2019/2020	\$5,982,296
February forecasting movement	(\$4,469,161)
Projects approved via unbudgeted expenditure reports	\$4,045,391
Expected project costs for 2020/21	\$27,943,496

- 15 The roading capital programme for the year is as follows:

FINANCIAL ACTIVITY	AMOUNT
Roading capital programme as per the 2020/2021 Annual Plan (including carry forwards)	\$19,333,794
February forecasting movement	\$0
Expected roading capital programme for 2020/21	\$19,333,794

- 16 In addition to this, roading also included an additional \$2.2 million of emergency repairs due to flooding of the Lower Hollyford Road, fully funded by the Waka Kotahi NZ Transport Agency.
- 17 Appendix B outlines the overall impact of the changes on the forecast statement of comprehensive revenue and expenditure. Details of the major forecasting changes can be found in appendix A and include the following:

Revenue

- 18 Revenue has increased from the last forecasted position by \$9.4 million. This is principally due to:

- additional funding of \$2.2 million from the Waka Kotahi NZ Transport Agency for emergency repairs to the Lower Hollyford Road
- \$381,000 of increased harvest income in Waikaia Forest due to volume increases
- \$410,000 of increased income for the building control department based on information to date and planned works for the future
- \$402,000 of the first instalment of invoicing to DIA and councils for the 3 waters collaboration
- \$6.3 million of grant income, the majority of which relates to the 3 waters stimulus grant funding
- The above increases are offset by the decrease of \$118,000 in water meter charges due to lower occupancy in motels/hotels in Te Anau and the \$146,000 decrease in the work scheme business unit income due to less chargeable hours as a result of reduced labour availability.

Operating Costs

- 19 Operating expenditure has increased from the budget by \$5.2 million. Major changes are:
- increased costs for emergency works for the Lower Hollyford road for flood repairs of \$2.2 million
 - \$190,000 increase in resource management costs including \$50,000 expected increase in legal costs due to enforcement processes and \$140,000 increased consultants costs for resource consent processing, ecological support and onsite wastewater advice. The onsite wastewater advice is for subdivisions (to make sure new lots could adequately treat onsite wastewater) and this task was previously undertaken by a team member in the environmental health team but due to staff vacancies this has now been outsourced at a significantly higher cost. The intention is to continue using the services of the consultants until further notice.
 - \$158,000 increase in material damage insurance, previously unbudgeted expenditure approved by Council, across a number of business units
 - \$519,000 increase in district sewerage expenditure towards the Te Anau flood protection funded as part of stimulus and condition assessment
 - \$104,000 increase in district stormwater for the 3 waters stimulus project for condition and performance assessment and increased maintenance offset by reduced loan interest
 - \$240,000 increase in district water operating expenditure for the 3 waters stimulus project for condition and performance assessment and increased maintenance costs
 - \$402,000 of increased operating costs for the consultation and support of the 3 waters collaboration
 - \$363,000 increase for consultancy costs for asset management, improvement and design standards funded from the 3 waters reform stimulus funding.
 - \$60,000 of increase in harvesting costs for the Waikaia forest due to higher actual harvest volumes
 - \$915,000 increase in employee benefit costs for the building regulation, engineering administration and environmental health teams.

Net deficit

- 20 The annual plan budget noted a deficit of \$4.9 million for the year, as a result of carry forwards (\$430,000) and changes noted above (\$4.2 million) the overall total forecast net deficit for the year is now \$216,000.

Capital

- 21 Forecast capital expenditure has increased by \$1.1 million, details of which can be found in Appendix A. Major changes are:
- \$2.4 million increase in district water capital spend as a result of stimulus funding
 - \$604,000 of unbudgeted expenditure towards the Invercargill offices that was previously approved by Council but not included in the carry forwards into the 2020/21 financial year

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- A reduction of information management budget of \$923,000 due to the core systems budget being requested to be carried forward to the 2021/22 financial year
- A reduction of \$800,000 for the project for the Riversdale treatment upgrade stage 2.

Benchmarks

- 22 As part of the 2020/2021 Annual Plan, Council has budgeted to achieve 100% of its benchmark of capital expenditure to exceed depreciation, on the five network infrastructure services (roading, solid waste, stormwater, wastewater, water supply). Currently, the actual benchmark is 150% for the actual results at 28 February 2021. This is as a result of the continuing work on the Te Anau wastewater project and the bridge renewals carried forward from last financial year. After the changes proposed during forecasting, this benchmark has now changed to 199%. The increase in the forecasted benchmark is mainly as a result of the additional Stimulus funded increases for district water. It is also worth noting that in order to arrive at the calculation, the depreciation number has not been changed. The revaluations on these assets at year end on these assets will have an impact on this calculation.

ISSUES

- 23 Forecasting is part of the ongoing process to enable Council to understand its year end result. This includes early identification of projects that will not be completed by the end of the current financial year. Additionally, any changes at year end will be included as part of the carry forward report to Council.
- 24 Forecasting also provides an opportunity to approve anticipated unbudgeted expenditure during the year. This should reduce the number of individual requests needed to be handled by Council. Council will still need to approve some expenditure items separately where the expenditure is large enough to require individual approval. This report recommends the support of unbudgeted expenditure for increased costs.
- 25 There has been additional costs identified for public conveniences in relation to maintenance, toilet supplies, cleaning, vandalism repair costs, electricity and consultants costs totalling \$210,000 across all the business units. This is planned to be funded by way of loan to be repaid over three years due to the impact on rates should it be recovered in one year. The cleaning contracts for council facilities were renewed as part of the Section 17A review of the community facilities activity and a single contract was awarded at more than the budgeted cost including toilet supplies. The remainder of the cost increases reflect the appropriate level of service and actual costs incurred for this activity. The ongoing effect of the repayment of the loan will be included as part of the staff submission process for the Long Term Plan 2021-31. Additionally, the income at the Te Anau Lions Park toilets has also decreased by \$40,000 due to the impact of Covid-19.
- 26 The resource consents team have forecasted increased consultant and legal costs of \$190,000 due to unfilled vacancies, ecological support for consenting and enforcement. This is offset by savings in staff costs \$50,000, increased revenue \$45,000 and a reallocation of staff time to planning and policy of \$75,000.
- 27 The work scheme business unit has forecasted a significant decrease in income due to lower staff levels being available. This is impacting on internal income being able to be generated. Council staff are currently working through the issues and options.

- 28 During the 2018-2028 Long Term Plan, we consulted on the level of investment in our open spaces. The decision decided upon a total of \$5.5 million of capital expenditure in years 21/22 to 27/28. At the time staff and Council identified the need to undertake further research to identify the works programme necessary to improve the open spaces experience. In order to complete this staff are requesting \$86,000 to be brought forward from the 2021/22 year to this financial year. The funds will be used for the Green Asset Assessment, IPS implementation and the development of the open space criteria. Upon completion, staff will report back to Council their findings and potential recommendations for the use of the monies going forward.
- 29 The increased costs noted in the attachments for community boards are as a result of contract renewals. As part of the contract renewal process staff have ensured that community boards are aware of the increases needed.
- 30 This is year three of the three year roading programme. Overall the programme is on track except for footpath renewals. There is concern that contractors will not be available to deliver the programme by 30 June 2021. Staff will keep Council informed as there is no ability of any unspent budget to be carried forward.
- 31 The February 2020 flooding event had a significant impact on parts of the Lower Hollyford Road. Initial emergency repairs were undertaken with discussions following a number of stakeholders including Ngai Tahu, Southland District Council, Waka Kotahi NZ Transport Agency and Department of Conservation on the future of the road. In December 2020 agreement was reached that the road would be fully reinstated. As this is a special purpose road the project will be funded 100% through Waka Kotahi NZ Transport Agency. This work commenced in December and is expected to be completed by the end of the financial year and will be a combination of operational and capital expenditure. A budget of \$2,276,500 has been approved for the reinstatement of the road by Waka Kotahi.
- 32 Incorporated into this forecasting round is \$5,071,000 of the \$13.6 million of stimulus projects approved for 2020/21. Overall the 3 waters stimulus programme is progressing and developing quickly. A separate control team has been set up specifically for the project and contract documents are being prepared for the first six separate reticulation projects procured via the panel, whilst construction has begun in Otautau on the first project.
- 33 There are a number of issues identified during the preparation of this report that require separate reports to be prepared to Council to provide added context and discussion, these are:
- Building regulation staff have previously identified to Council that in order to achieve statutory compliance as a Building Consent Authority they need to increase resourcing and Council agreed. Subsequent to this request further additional costs approval is sought, the funding of which is budgeted to come from fees and charges.
 - Unbudgeted capital expenditure of \$1,750,000 was approved by Council for the Invercargill offices capital upgrade in February 2020. \$845,825 was budgeted in 2020/21 and a carry forward of the balance of \$904,175 should have occurred, however this was mistakenly missed. This forecasting round reflects a total Invercargill office budget at \$1,884,278. Detailed reasons for the change and deliverables will be presented in the separate report. Additionally the Winton office was budgeted at \$1,314,918 as per the report presented to Council in August 2020 of which forecasting has \$202,200 budgeted for this year, an increase of \$100,000 on the annual budget. A project to upgrade the Te Anau building was planned in 2020/21 totalling \$534,728, this project has been deferred and will be discussed further in the separate report.

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- Through forecasting we have identified additional operating costs required for the district water and sewerage business units for increased expenditure such as routine and unplanned maintenance. As neither activity have any reserves available the costs have been funded in this report by way of loan, proposed to be repaid over a three year period given the impact on rates should it have been recovered in one year. Staff however, are currently looking at other ways to meet the costs including re-prioritisation and the possibility of using stimulus funding.
- As a result of the major flooding event that occurred on the Around the Mountains Cycle Trail in February 2020, it was discovered that an additional culvert needed replacement and a temporary deviation of the trail near Centre Hill was required. Staff applied and sourced funding from Ministry of Business, Innovation and Employment (MBIE) and the Walking Access Commission for these costs (\$131,000). The separate report will seek retrospective unbudgeted expenditure approval.

34 The list of projects to be deferred as per attachment D of this report will be included as part of the staff submission for the Long Term Plan 2021-31.

35 The overall works programme for the year is on track to be one of Council's biggest delivery years to date, however there is still a risk of market resource shortages and supply delays which could still affect the final programme.

36 The work on the Te Anau wastewater upgrade is progressing on the installation of the membrane plant and building along with installation of the sub surface drip irrigation and is currently on schedule.

Factors to Consider

Legal and Statutory Requirements

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

Community Views

38 The original Annual Plan budget was not fully consulted on. Changes proposed to capital and operational expenditure for townships will have been or will be reported to the relevant community board.

Costs and Funding

39 The forecasting that has been completed shows that the net deficit for this round of forecasting will be \$216,000 which is \$4.6 million less than the \$4.8 million deficit in the annual plan budget (appendix B).

40 Overall net capital expenditure is expected to decrease by \$1.1 million as in appendix A.

Policy Implications

41 Council staff must ensure that all expenditure is carried out within approved delegations. The current financial delegations only allow the chief executive to approve unbudgeted purchase plant, capital items and goods and services expenditure up to \$10,000.

Analysis of Options

- 42 The options are to approve or not to approve, in full or part, the forecasted adjustments to the expenditure in the annual plan.

Option 1 – Recommend to Council to approve the forecast changes recommended including any adjustments approved at the meeting

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> the committee and Council is informed of anticipated changes from the annual plan for 2020/2021 Council has had the opportunity to prioritise expenditure to be incurred in the current financial year Council staff are able to purchase services as required to provide services to the community in the most appropriate manner 	<ul style="list-style-type: none"> deferral of projects which are going to be completed later and/or costing more than previously indicated

Option 2 – Recommend to Council to approve the changes in income and expenditure in attachment A

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> Council is informed of anticipated changes from the annual plan for 2020/2021 Council has had the opportunity to prioritise expenditure to be incurred in the current financial year Council considers that the additional expenditure is not a current priority and does not need to be incurred 	<ul style="list-style-type: none"> processes may be delayed where further approval needs to be sought from Council before committing to additional expenditure

Option 3 – Do not recommend to Council the approval, in part or in full, of the forecast changes recommended

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> Council is informed of anticipated changes from the annual plan for 2020/2021 Council has had the opportunity to prioritise expenditure to be incurred in the current financial year 	<ul style="list-style-type: none"> processes may be delayed where further approval needs to be sought from Council before committing to additional expenditure

Assessment of Significance

- 43 The assessment of significance needs to be carried out in accordance with Council’s Significance and Engagement Policy. The Significance and Engagement Policy requires consideration of the impact on social, economic or cultural wellbeing of the region and consequences for people who

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are likely to be particularly affected or interested. The content of this report is not deemed significant.

Recommended Option

- 44 Option 1 - Approve the forecast changes recommended including any adjustments approved at the meeting

Next Steps

- 45 If approved, prepare the report to Council of the unbudgeted expenditure approvals for the 2020/2021 financial year.
- 46 Ensure that deferred projects are included in the Long Term Plan.

Attachments

- A Attachment A - Forecast adjustments to revenue, operating expenditure and capital expenditure by business unit [↓](#)
- B Attachment B - Forecast statement of comprehensive Revenue and Expenditure [↓](#)
- C Attachment C - Forecast statement of Financial Position [↓](#)
- D Attachment D - Projects planned to be deferred to future years [↓](#)
- E Attachment E - Projects planned to be deleted from the 2020-2021 Annual Plan [↓](#)

APPENDIX A: Forecast adjustments to revenue, operating expenditure and capital expenditure by business unit						
Business Unit Name	Annual Budget 20-21 (incl Carry Fwd)	February Forecast Adjustment	Forecast Balance at 30 June 2021	Increase or (Decrease)	Manager	Comment
Income						
District Water	\$298,844	(\$118,844)	\$180,000	Decrease	Ian	Water meter charge reduced due to lower occupancy in motels/hotels in Te Anau
Three waters collaboration	\$0	\$402,502	\$402,502	Increase	Ian	First installment of invoicing to DIA and councils
Building Regulation	\$1,473,767	\$401,637	\$1,875,424	Increase	Julie	Increased revenue forecasted based on actuals YTD
Engineering Administration	\$0	\$94,000	\$94,000	Increase	Matt	Charge to three waters collaboration office for secondment of group manager services and assets
Resource Consent Processing	\$244,486	\$45,000	\$289,486	Increase	Marcus	Estimated additional revenue
Council and Councillors	\$16,380	(\$8,650)	\$7,730	Decrease	Melissa	Decrease in internal catering income forecasted
Wheele Bins	\$0	\$40,677	\$40,677	Increase	Ian	Wheele bin recoveries to offset wheele bin acquisitions
Waikais Forest	\$1,876,611	\$381,198	\$2,257,809	Increase	Ashby	Actual harvest volume increase
Work Scheme Programme	\$358,285	(\$146,285)	\$212,000	Decrease	Mark D	Income reduced to reflect the realistic income recovery for this business unit
Toilets - Te Anau Lions Park	\$60,000	(\$40,000)	\$20,000	Decrease	Mark D	The income has been reduced based on last years actual figures. This is largely due to the impact of Covid19 and the lack of international tourists.
Manapouri Airport	\$44,317	(\$16,817)	\$27,500	Decrease	Ashby	Reduction due to Covid-19
Investments - Operating	\$101,183	(\$101,183)	\$0	Decrease		Decrease in internal interest on loan repayments
Stewart Island Jetties	\$30,000	(\$30,000)	\$0	Decrease	Mark D	Contribution township budget removed as no actuals, and hence also removed from the upcoming LTP
SIESA - Staff House	\$5,200	\$2,599	\$7,599	Increase	Ashby	Rented internally (recycling centre). Rental appraisal obtained 11/2020
Subtotal Other Revenue	\$4,509,073	\$905,654	\$5,414,727	Increase		
Roading - Special Purpose	\$0	\$2,276,500	\$2,276,500	Increase	Hardley	NZTA 100% funding of repair to Lower Hollyford Road
Subtotal NZTA	\$0	\$2,276,500	\$2,276,500	Increase		
SIESA - Operations	\$51,873	(\$25,873)	\$26,000	Decrease	Ashby	Reduction in market interest rates since Covid-19
Subtotal Interest & Dividends	\$51,873	(\$25,873)	\$26,000	Decrease		
Around the Mountains Cycle Tra	\$379,722	\$131,535	\$511,257	Increase	Ashby	Additional MBIE funding flood repairs R/20/5/12568
Beautification - Stewart Is	\$0	\$18,750	\$18,750	Increase	Mark D	R/20/7/23755 Stewart Island Visitor Levy funded Bathing beach track
Curio Bay Reserve (SDC Costs)	\$0	\$70,000	\$70,000	Increase	Mark D	3 Waters Stimulus grant
District Sewerage	\$2,000,000	\$2,510,000	\$4,510,000	Increase	Ian	Stimulus funding for condition assessment and flood protection grant
District Stormwater	\$0	\$100,000	\$100,000	Increase	Ian	Stimulus funding grant for conditioning assessment
District Water	\$0	\$2,461,070	\$2,461,070	Increase	Ian	3 Waters Stimulus grant
Environmental Health	\$0	\$81,000	\$81,000	Increase	Michael	MBIE monies received for TIF funding Responsible camping season 20/21 season
Hall - Waianra	\$31,734	(\$31,335)	\$399	Decrease	Mark D	Painting of Hall cancelled, to be undertaken by the Waianra Hall Committee
Stewart Island Jetties	\$400,000	(\$60,000)	\$340,000	Decrease	Mark D	R/20/7/28451, renewal of Ultra Island wharf
Stormwater Drain - Woodlands	\$0	\$80,000	\$80,000	Increase	Ian	3 Waters Stimulus grant
Stormwater Drainage - EdenWyn	\$0	\$100,000	\$100,000	Increase	Ian	3 Waters Stimulus grant
Stormwater Drainage - Te Anau	\$0	\$60,000	\$60,000	Increase	Ian	3 Waters Stimulus grant
Stormwater Drainage - Waianra	\$0	\$400,000	\$400,000	Increase	Ian	3 Waters Stimulus grant
Stormwater Drainage - Rverton	\$0	\$25,000	\$25,000	Increase	Ian	3 Waters Stimulus grant
Stormwater drain - Stewart Is	\$0	\$15,000	\$15,000	Increase	Ian	3 Waters Stimulus grant
Street Works - Stewart Island	\$112,505	(\$76,505)	\$36,000	Decrease	Mark D	Horehoe by projects deferred to 21/22 as projects not started funded from grant
Water Services	\$0	\$392,555	\$392,555	Increase	Ian	3 Water Reform Stimulus funding
Water Supply Mount York	\$0	\$45,000	\$45,000	Increase	Ian	Stimulus package grant
Subtotal Grant and Subsidies	\$2,923,961	\$6,322,070	\$9,246,031	Increase		
Beautification - Manapouri	\$0	\$10,000	\$10,000	Increase	Mark D	R/20/9/58606 Development contribution from Real Journeys towards legal costs in lieu of carparking to create easements to allow access to new track from View st carpark
Parks & Reserves General	\$10,445	(\$10,445)	\$0	Decrease	Mark D	Project 1727, Te Anau Centre walkway to CBD deferred to 21/22
Subtotal Dev. and Financial Cont.	\$10,445	(\$445)	\$10,000	Decrease		
Total Revenue adjustment	\$7,493,332	\$9,477,906	\$16,973,258	Increase		
Employee Benefit Expense						
Building Regulation	\$1,182,820	\$872,319	\$2,055,139	Increase	Julie	Increased costs for ordinary time as per actuals
Engineering Administration	\$16,690	\$23,310	\$40,000	Increase	Matt	estimated increase for higher duties allowance
Environmental Health	\$5,080	\$58,061	\$63,141	Increase	Michael	Freedom camping rangers, MBIE funded (TIF)
Resource Consent Processing	\$559,507	(\$50,000)	\$509,507	(Decrease)	Marcus	Expecting to be under budget due to vacancies
Water Services	\$1,384,390	\$11,934	\$1,396,324	Increase	Ian	Net of new data entry position as part of stimulus package vacancies
Total adjustment	\$3,148,487	\$915,624	\$4,064,111	(Decrease)		
Operational Expenditure						
Area Office - Lumsden	\$4,216	(\$4,216)	\$0	(Decrease)	Mark D	Relocation of costs between offices
Area Office - Otautau	\$11,340	(\$11,340)	\$0	(Decrease)	Mark D	Relocation of costs between offices
Area Office - Rverton	\$5,068	(\$5,068)	\$0	(Decrease)	Mark D	Relocation of costs between offices
Area Office - Winton	\$6,169	(\$6,169)	\$0	(Decrease)	Mark D	Relocation of costs between offices
Around the Mountains Cycle Tra	\$369,722	\$19,000	\$388,722	Increase	Ashby	Unbudgeted expenditure for Central Hill erosion
Baths - Otautau	\$7,639	\$23,015	\$30,654	Increase	Mark D	Unbudgeted report to Council 18/11/20
Beautification - Balfour	\$7,690	\$7,310	\$15,000	Increase	Mark D	Increase due to moving contract renewal
Beautification - Garston	\$7,030	\$1,333	\$8,363	Increase	Mark D	Mowing contract renewal

Business Unit Name	Annual Budget 20-21 (incl Carry Fwd)	February Forecast Adjustment	Forecast Balance at 30 June 2021	Increase or (Decrease)	Manager	Comment
Beautification - Manapouri	\$0	\$23,184	\$23,184	Increase	Mark D	R/20/9/58606 To create easements to allow access to new track from View St carpark, and R/20/11/65376 View Street carpark walkway handrail
Beautification - Nightcaps	\$3,348	\$1,632	\$5,000	Increase	Mark D	17A review Contract extension
Beautification - Orupuki	\$7,690	\$1,708	\$9,398	Increase	Mark D	Forecast for shortfall in budget for mowing costs
Beautification - Riversdale	\$0	\$2,500	\$2,500	Increase	Mark D	Unbudgeted report to next meeting
Beautification - Riverton	\$3,113	\$2,057	\$5,170	Increase	Mark D	Tree checks and work required in Alexander Park and surrounds
Beautification - Stewart Is	\$11,700	\$19,530	\$31,230	Increase	Mark D	Gardening contract renewal
Beautification - Thornbury	\$0	\$3,000	\$3,000	Increase	Mark D	No budget
Beautification - Tokanu	\$2,089	\$4,411	\$6,500	Increase	Mark D	Mowing increase
Beautification - Tuatapere	\$13,002	\$4,280	\$17,282	Increase	Mark D	Forecast for shortfall in budget
Beautification - Winton	\$53,044	\$1,936	\$65,000	Increase	Mark D	17A review Contract 20/58 extension
Beautification - Arhol	\$6,424	(\$6,424)	\$0	(Decrease)	Mark D	Movement of Project P-10027 within budget
Building Regulation	\$708,659	\$142,857	\$851,516	Increase	Julie	Additional costs as per Unbudgeted expenditure report to Council
Buildings - Riverton Office	\$0	\$12,200	\$12,200	Increase	Mark D	Relocation of costs between offices
Buildings - Invercargill Office	\$59,310	\$98,176	\$157,486	Increase	Mark D	Forecast for Shortfall in Car parking, cleaning, toilet supply costs for Invercargill Office move
Buildings - Lumsden Office	\$0	\$7,900	\$7,900	Increase	Mark D	Relocation of costs between offices
Buildings - Otautau Office	\$0	\$16,984	\$16,984	Increase	Mark D	Relocation of costs between offices
Buildings - Te Anau Library	\$0	\$21,284	\$21,284	Increase	Mark D	Increase due to contract renewal
Buildings - Te Anau Office	\$6,789	\$9,211	\$16,000	Increase	Mark D	Increase due to cleaning contract renewal and District Library cleaning budget
Buildings - Winton Office	\$0	\$11,000	\$11,000	Increase	Mark D	Relocation of costs between offices
Buildings - Winton Store Room	\$8,400	(\$2,700)	\$5,700	(Decrease)	Mark D	Transfer from District Library Cleaning Costs and increase for cleaning contract renewal
Buildings - Wyndham Office	\$0	\$4,000	\$4,000	Increase	Mark D	Costs as per new OCS Contract
Cemetery - Calcium	\$1,367	\$29,966	\$31,333	Increase	Mark D	Restoration project - Council report 29/9/20 Isla Bank Cemetery War Memorial restoration
Cemetery - Dipton	\$1,044	\$2,456	\$3,500	Increase	Mark D	To cover the cost of tree work at the cemetery
Cemetery - Edendale	\$1,867	\$2,000	\$3,867	Increase	Mark D	prune pine trees before winter
Cemetery - Waioio	\$2,752	\$6,248	\$9,000	Increase	Mark D	Mowing increase
Cemetery - Wallace town	\$0	\$6,800	\$6,800	Increase	Mark D	Unbudgeted Expenditure Report R/20/11/67587, new cemetery fence
Chief Executive	\$2,731	\$44	\$2,775	Increase	Cameron	R/20/5/10968 Insurance shortfall
Community Centre - Limehills	\$6,520	(\$6,520)	\$0	(Decrease)	Mark D	Limehills kitchen upgrade
Community Facilities	\$0	\$15,382	\$15,382	Increase	Mark D	R/20/5/10968 Insurance shortfall
Community Housing Collective C	\$0	\$11,952	\$11,952	Increase	Mark D	R/20/5/10968 Insurance shortfall
Community Leadership LTP	\$108	\$889	\$997	Increase	Mark D	R/20/5/10968 Insurance shortfall
Community Leadership Oraka Apa	\$32,609	\$1,500	\$34,109	Increase	Mark D	Unbudgeted report for Colac Bay Progress League for grant
Community Leadership Tuatapere	\$31,371	\$10,000	\$41,371	Increase	Mark D	Report 22/2/21 unbudgeted report for grant
Council and Councillors	\$159,470	\$47,217	\$206,687	Increase	Fran	consolidation of ourea premis into one cost centre; moved from 10245
Customer Delivery	\$108	\$204	\$312	Increase	Trudie	R/20/5/10968 Insurance shortfall
Customer Service	\$26,820	(\$15,820)	\$11,000	(Decrease)	Trudie	Reduced spend due to actuals
Customer Service - District	\$525	\$183	\$708	Increase	Trudie	R/20/5/10968 Insurance shortfall
District Library	\$20,468	(\$14,096)	\$6,372	(Decrease)	Trudie	budget moved to Offices BU 10500,10505,10495
District Refuse Sites	\$0	\$524	\$524	Increase	Ian	R/20/5/10968 Insurance shortfall
District Reserves - Management	\$149,887	\$89,829	\$239,716	Increase	Ian	R/20/5/10968 Insurance shortfall
District Sewerage	\$1,990,035	\$519,022	\$2,509,057	Increase	Ian	Te Anau flood protection grant part of Stimulus and condition assessment
District Stormwater	\$0	\$104,000	\$104,000	Increase	Ian	3 Waters stimulus project for conditioning and performance assessment and increased maintenance offset by reduced loan interest
District Water	\$2,257,309	\$240,094	\$2,497,403	Increase	Ian	3 Waters stimulus project for conditioning and performance assessment and increased maintenance
Dog and Animal Control	\$52,096	(\$19,565)	\$32,531	(Decrease)	Michael	Fever dog contractor callouts than expected
Engineering Administration	\$108	\$70,964	\$71,072	Increase	Matt	charge to three waters collaboration office for secondment of group manager services and assets
Environmental Health	\$16,384	\$14,428	\$30,812	Increase	Michael	Freedom camping costs, MIBIE (TIF) funded
Environmental Services	\$45,608	(\$45,456)	\$152	(Decrease)	Michael	consolidation of ourea premis into one cost centre; moved to 10400
Financial Services	\$9,467	\$25,191	\$34,658	Increase	Aimee	R/20/5/10968 Insurance shortfall
Forest Administration	\$86,273	\$17,205	\$103,478	Increase	Ashby	Allowance for independent audit/valuation/strategy; increase in consultants and insurance shortfall
Fingers Beach	\$5,492	\$3,429	\$8,921	Increase	Mark D	Tree and cleaning work due to vandalism and health and safety
Hall - Colac Bay	\$0	\$1,500	\$1,500	Increase	Mark D	R/20/11/68487 Grant to Colac Bay progress league
Hall - Edendale-Wyndham	\$3,090	\$18,932	\$22,022	Increase	Mark D	R/20/5/10968 Insurance shortfall
Hall - Hokonui	\$485	(\$485)	\$0	(Decrease)	Mark D	Hokonui Hall was sold in 2020. Change has been put through to zero out the budget for the LTP 09.12.2020
Hall - Memorial	\$4,466	\$6,534	\$11,000	Increase	Mark D	Increase for cleaning contract
Hall - Orarua	\$1,000	\$1,843	\$2,843	Increase	Mark D	R/20/9/51896, Internal refurbishment
Hall - Tokami	\$0	\$4,089	\$4,089	Increase	Mark D	Work undertaken by the hall committee without Council's authorisation
Hall - Waiarua	\$31,335	(\$31,335)	\$0	(Decrease)	Mark D	Painting of Hall to be undertaken by the Waiarua Hall Committee
Harbour	\$1,204	\$27,447	\$28,651	Increase	Mark D	R/20/10/63935, T Wharf Weight Loading Assessment
Health Licensing	\$525	\$55	\$580	Increase	Michael	R/20/5/10968 Insurance shortfall
Information Management	\$72,404	(\$34,191)	\$38,213	(Decrease)	Joek	R/20/5/10968 Insurance shortfall

Business Unit Name	Annual Budget 20-21 (incl Carry Fwd)	February Forecast Adjustment	Forecast Balance at 30 June 2021	Increase or (Decrease)	Manager	Comment
Knowledge Management	\$80,821	(\$2,665)	\$78,156	(Decrease)		Reduced interest on loan repayments
Manapouri Airport	\$5,397	\$11,060	\$16,457	Increase	Ashby	Mowing need/growth increase this season, and additional insurance shortfall
Motor Vehicle Pool	\$13,758	(\$8,093)	\$5,665	(Decrease)	Matt D	One Pool car replaced by electric vehicle, fuel savings used to buy charger
Motuaru Gardens	\$0	\$7,820	\$7,820	Increase	Mark D	Increase due to mowing, gardening contract renewal
Museum Services	\$525	\$70	\$595	Increase	Fran	R/20/5/10968 Insurance shortfall
Ohai Nightcaps Doctors Commit	\$0	\$40,335	\$40,335	Increase	Mark D	Report to Council 29/9/20 wind up of fund
Operating Costs - Otoutau	\$5,272	(\$537)	\$4,735	(Decrease)	Mark D	R/20/8/48420 unbudgeted expenditure approved to Otoutau Camp Committee
Parks & Reserves General	\$7,971	\$10,029	\$18,000	Increase	Mark D	Boat Harbour and Henry Street softfall and equipment compliance
People and Capability	\$223,146	\$20,052	\$243,198	Increase	Janet	Additional costs offset by savings in other GL's
Playground - Athol	\$2,637	\$10,363	\$13,000	Increase	Mark D	Playground surround and softfall
Playground - Riversdale	\$0	\$3,000	\$3,000	Increase	Mark D	Tree management as per Xyst and Tree Works assessments
Playground - Riverton	\$10,000	\$20,000	\$30,000	Increase	Mark D	Movement of Budget to BU 26346 Playground Maintenance & 20K
Project Delivery	\$920	\$519	\$1,439	Increase	Nick H	R/20/5/10968 Insurance shortfall
Public Conveniences	\$73,297	(\$16,293)	\$57,004	(Decrease)	Mark D	R/20/5/10968 Insurance shortfall
Recreation Reserve - Lumsden	\$0	\$4,400	\$4,400	Increase	Mark D	Electricity costs agreed to but not budgeted for, forecasted based on actuals
Recreation Reserve - Wairoa	\$0	\$3,600	\$3,600	Increase	Mark D	Increase due to mowing contract renewal
Resource Consent Processing	\$51,154	\$190,000	\$241,154	Increase	Marcus	Enforcement processes, Consultants to process consents and supporting Biodiversity
Resource Planning/Policy	\$569,411	(\$400,000)	\$169,411	(Decrease)	Marcus	reflect capacity to undertake work and phasing
Roading - Administration	\$795	\$2,108	\$2,903	Increase	Hartley	R/20/5/10968 Insurance shortfall
Roading - Special Purpose	\$34,998	\$2,276,500	\$2,311,498	Increase	Hartley	Repair to the Lower Hollyford Road
Roading - District Wide	\$217,412	(\$41,313)	\$175,899	(Decrease)	Hartley	Decreased interest on loan repayments
Sewerage Scheme Te Anau	\$0	\$0	\$0	(Decrease)	Ian	Flood protection to Upukerora River to protect wastewater ponds - contribution to Environment Southland project/Part of Stimulus package
SIESA - Operations	\$654,472	(\$15,639)	\$638,833	(Decrease)	Ashby	New PowerNet contract
Stewart Island Jetties	\$1,532	\$577	\$2,109	Increase	Mark D	Contribution township budget removed as no actuals, and hence also removed from the upcoming LTP
Shield Joint Mayoral Fund	\$0	\$18,950	\$18,950	Increase		3 Mayoral flood payments from August
Stormwater Drainage - Riverton	\$14,829	\$25,171	\$40,000	Increase	Ian	Increase the budget as having more reactive maintenance than planned
Stormwater Drainage - Limehills	\$22,456	\$0	\$22,456	(Decrease)	Ian	No change in budget
Street Works - Various BU's	\$303,019	(\$303,019)	\$0			Contribution to footpath capital work transferred from maintenance (43360) to capital (65576)
Swimming Pool Area - Manapouri	\$15,000	\$24,000	\$39,000	Increase	Mark D	R/20/5/10671, R/20/10/62291 Unbudgeted expenditure reports Contribution towards Heating Upgrade
Street Works - Stewart Island	\$16,000	(\$16,000)	\$0	(Decrease)	Hartley	Contribution to footpath capital work transferred from maintenance (43360) to capital (65576)
Tarama (Howells Point)	\$30,000	(\$30,000)	\$0	(Decrease)	Mark D	Movement of Budget to BU 26346 Playground Maintenance
Three waters collaboration	\$0	\$402,502	\$402,502	Increase	Ian	Consultation and support costs for collaboration
Toilet - Colac Bay - East End	\$3,845	\$2,155	\$6,000	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilet-Fortrose Foreshore Res	\$0	\$2,000	\$2,000	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Athol	\$11,254	\$3,951	\$15,205	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Balfour Phinket Room	\$1,107	\$2,802	\$3,909	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Boat Hbr, Town Centr	\$0	\$8,500	\$8,500	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Clifden	\$16,019	\$19,181	\$35,200	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Colac Bay Playground	\$262	\$16,738	\$17,000	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Costy Nook, Monkey I	\$14,623	\$14,377	\$29,000	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Dipton	\$7,311	\$6,200	\$13,511	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Frasers Beach	\$6,215	\$4,785	\$11,000	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Garston	\$39,488	\$25,802	\$65,290	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Gorge Road Hall	\$2,089	\$1,311	\$3,400	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Lumsden	\$15,817	\$5,683	\$21,500	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Mossburn	\$20,000	\$3,150	\$23,150	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Motuaru, Traill, Bar	\$0	\$500	\$500	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Nightcaps	\$3,845	\$3,515	\$7,360	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs

Business Unit Name	Annual Budget 20-21 (incl Carry Fwd)	February Forecast Adjustment	Forecast Balance at 30 June 2021	Increase or (Decrease)	Manager	Comment
Toilets - Ohai	\$7,140	\$4,833	\$11,973	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Orepuki Hall	\$6,893	\$367	\$7,260	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Pearl Harbour	\$16,085	\$470	\$16,555	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Rec Res/T Wharf Rocks	\$9,714	\$3,686	\$13,400	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Riversdale Hall	\$2,747	\$6,453	\$9,200	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Riverton Princess St	\$14,101	\$9,599	\$23,700	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Te Anau Iron Wilson	\$6,591	\$3,109	\$9,700	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Te Anau Lions Park	\$0	\$12,000	\$12,000	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Te Waewae Lagoon	\$0	\$500	\$500	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Thornbury Playground	\$2,611	\$2,589	\$5,200	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Tokanui	\$3,055	\$1,445	\$4,500	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Tuatapere Main Road	\$8,898	\$7,213	\$16,111	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Waikua	\$8,356	\$17,469	\$25,825	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Waikawa	\$0	\$6,000	\$6,000	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Wallace town	\$2,403	\$597	\$3,000	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Weirs Beach	\$0	\$3,000	\$3,000	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets - Winton main Street	\$0	\$6,400	\$6,400	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Toilets-Horwells PT, Turamea Bay	\$0	\$3,850	\$3,850	Increase	Mark D	Increased Mowing, Cleaning, Toilet supplies and maintenance costs
Tuatapere Ward Pool Rate	\$5,067	\$4933	\$10,000	Increase	Mark D	Report to Board 22/2/21 to grant \$10K
Waikua Forest	\$976,601	\$60,662	\$1,037,263	Increase	Ashby	Actual harvest volume increase
Waste Management Costs	\$31,292	(\$21,292)	\$10,000	(Decrease)	Ian	Consultant budget reduced to reflect limited work required through to June 2021
Water Services	\$210,000	\$363,648	\$573,648	Increase	Ian	Regional collaboration allocation for 3 Waters Reform stimulus funding and consultancy costs for asset management and improvement, design standards and RFI
Water Supply Ramparts	\$36,700	\$3,008	\$39,708	Increase	Ian	Slight increase in maintenance
Water Supply Takitimu	\$18,612	\$15,000	\$33,612	Increase	Ian	Increase budget for replacement of motor on pump
Water Supply Tuatapere	\$73,400	(\$73,400)	\$0	(Decrease)	Ian	moved to capex
Wheeie Bins	\$1,949,776	\$0	\$1,949,776	(Decrease)	Ian	Increased through forecasting to reflect estimated additional cost of provision of recyclables sorting
Work Scheme Programme	\$1,577	\$346	\$1,923	(Decrease)	Mark D	Internal Income charged to other business units reduced to reflect the realistic income recovery for this business unit
Total adjustment	\$12,195,886	\$4,337,543	\$16,533,429	Increase		
Net surplus (deficit)			\$4,224,740			
Capital Expenditure	\$13,076,506	\$1,197,422	\$14,273,928	(Decrease)		
Business Unit Name	Annual Budget 20-21 (incl Carry Fwd)	February Forecast Adjustment	Forecast Balance at 30 June 2021	Increase or (Decrease)	Manager	Comment
Information Management	\$1,223,210	(\$923,210)	\$300,000	(Decrease)	Jock	\$00K placeholder for HRIS as project scope is currently underway. The core systems budget needs to carry forward to 21/22 as we are still scoping the major projects and it is unlikely that they will start before the new financial year
Dog and Animal Control	\$0	\$9,000	\$9,000	Increase	Michael	Initial cost to set up Pathways mobile inspections and Trapeze Pro
Environmental Health	\$0	\$16,500	\$16,500	Increase	Michael	Initial set up costs for Pathways mobile inspections and Trapeze
Alcohol Licensing	\$0	\$9,000	\$9,000	Increase	Michael	Initial set up costs for Pathways mobile inspections and Trapeze
Information Management	\$65,000	\$39,586	\$104,586	Increase	Jock	R/20/10/59516 - Don St Dark fibre connection
Around the Mountains Cycle Tra	\$213,822	\$112,535	\$326,357	Increase	Ashby	Parawa Cattle stop improvements \$17,150, \$15,385 Walking Access commission (assessments)
Water Services	\$0	\$38,078	\$38,078	Increase	Ian	Acquisition of Grants vehicle
District Water	\$304,022	\$2,449,511	\$2,753,533	Increase	Ian	Stimulus Funding
District Sewerage	\$288,498	\$17,742	\$306,240	Increase	Ian	Increased required to reflect actual spend
Building Regulation	\$0	\$40,438	\$40,438	Increase	Julie	2 x new vehicles required for new staff. 1 x Replacement vehicle for vehicle due. New vehicle use a planned expense approved by Council Aug 2020
Buildings - Invercargill Office	\$845,825	\$1,038,453	\$1,884,278	Increase	Mark D	R/20/2/4628 Unbudgeted exp Invercargill bldg project not carried fwd \$604,175 plus \$250K from Te Anau 10500 budget

Business Unit Name		February Forecast Adjustment	Forecast Balance at 30 June 2021	Increase or (Decrease)		Comment
Buildings - Te Anau Library	\$534,278	(\$534,278)	\$0	(Decrease)	Mark D	R/20/8/3267 Transfer budget to Winton office/library and movement within budget from Te Anau Library to Invercargill office
Buildings - Winton Office	\$102,200	\$100,000	\$202,200	Increase	Mark D	R/20/8/3267 Budget transfer from Te Anau Library
Motor Vehicle Pool	\$0	\$8,211	\$8,211	Increase	Matthew D	New electric charger funded by reduced fuel costs
Waste Minimisation	\$60,414	(\$60,414)	\$0	(Decrease)	Inn	Signage project removed to be done next year
Wheele Bins	\$0	\$40,677	\$40,677	Increase		Provision and delivery of new wheele bins through the year
Beaufication - Arhol	\$0	\$6,424	\$6,424	Increase	Mark D	C/revd P-10027 movement within budget
Holt Park Extension	\$28,119	(\$28,119)	\$0	(Decrease)	Mark D	Netball Court Resurficing project deferred to 21/22
Community Centre - Limehills	\$10,418	\$13,473	\$23,891	Increase	Mark D	Limehills Kitchen upgrade
Curio Bay Reserve (SDC Costs)	\$0	\$70,000	\$70,000	Increase	Mark D	Part of stimulus package
Parks & Reserves General	\$10,445	(\$10,445)	\$0	(Decrease)	Mark D	Project 1727 Te Anau Centre walkway to CBD deferred to 21/22
Plyground - Rrverton	\$0	\$12,676	\$12,676	Increase	Mark D	R/20/9/49755, Replacement of Swing Set Henderson Park
Sewerage Scheme Rrversdale	\$1,000,000	(\$800,000)	\$200,000	(Decrease)	Inn	Project for Rrversdale treatment upgrade stage 2, requires Council approval and legal advice to move forward with land purchase
Sewerage Scheme Rrverton	\$31,728	\$118,272	\$150,000	Increase	Inn	Extend sewer to Princes & Carrol Streets,Part of Stimulus projects
Sewerage Scheme Stewart Island	\$73,202	\$0	\$73,202	(Decrease)	Inn	No change in budget
Sewerage Scheme Tokamui	\$89,901	\$80,000	\$169,901	Increase	Inn	Increase for Stimulus project
Sewerage Scheme Winton	\$58,988	\$201,012	\$260,000	Increase	Inn	Budget increased to cover costs of consultant for design and consultation
SIESA - Operations	\$146,914	\$20,000	\$166,914	Increase	Ashby	Forecast for increased project costs
SIESA - Staff House	\$0	\$5,000	\$5,000	Increase	Ashby	Allowance to meet Healthy Homes standard including assessment
Stewart Island Jetties	\$658,473	(\$60,000)	\$598,473	(Decrease)	Mark D	R/20/7/28451, Renewal of Ubra Island wharf
Stormwater drain - Stewart Is	\$0	\$15,000	\$15,000	Increase	Inn	Additional QA design charges forecasted
Stormwater Drain - Woodlands	\$0	\$80,000	\$80,000	Increase	Inn	Proposed to be part of Stimulus funding transferred from Eden/Wyn year 1 of LTP waiting on formal confirmation from CIP
Stormwater Drainage - Eden/Wyn	\$0	\$100,000	\$100,000	Increase	Inn	Part of 3 waters stimulus programme
Stormwater Drainage - Lumsden	\$20,000	(\$20,000)	\$0	(Decrease)	Inn	Terminated project Allowance made in LTP for year 2
Stormwater Drainage - Rrverton	\$0	\$25,000	\$25,000	Increase	Inn	Additional QA design charges forecasted
Stormwater Drainage - Te Anau	\$0	\$60,000	\$60,000	Increase	Inn	3 Waters Stimulus package
Stormwater Drainage - Wainiw	\$0	\$400,000	\$400,000	Increase	Inn	Part of 3 waters Stimulus
Street Works - Various	\$0	\$303,019	\$303,019			Contribution to footpath capital work transferred from maintenance (43360) to capital (65576)
Street Works - Stewart Island	\$127,505	(\$49,705)	\$77,800	(Decrease)	Hartley	R/20/9/53242, additional concrete footpath in Main Road, Stewart Island,Projects 808 and P-10317 deferred to 21/22, projects not started yet
Toilets - Boat Hbr. Town Centr	\$102,200	(\$102,200)	\$0	(Decrease)	Mark D	This project has been moved to the 2021/2022 Financial Year.
Toilets - Rrverton Princess St	\$342,074	\$51,408	\$393,482	Increase	Mark D	R/20/11/68594 Toilet renewal
Toilets - Wymdham	\$0	\$126,071	\$126,071	Increase	Mark D	R/20/11/68594, Toilet Renewal
Toilets-Horwells PT, Tarama Bay	\$0	\$51,408	\$51,408	Increase	Mark D	R/20/11/68594, Toilet Renewal
Water Supply - Eastern Bush	\$1,326,995	(\$1,076,995)	\$250,000	(Decrease)	Inn	Decrease in budget to reflect re-design phase. An increased budget has been allowed for in year 1 of proposed LTP
Water Supply Homestead	\$7,169	(\$7,169)	\$0	(Decrease)	Inn	Project terminated
Water Supply Kakapo	\$1,499	(\$1,499)	\$0	(Decrease)	Inn	RW138 Consent renewal complete, budget not required
Water Supply Lumsden	\$0	\$90,000	\$90,000	Increase	Inn	PP-10376
Water Supply Lumsden/Balfour	\$154,883	\$15,117	\$170,000	Increase	Inn	Budget increase to cover additional project and re-establishment costs plus damaged section of pipe
Water Supply Manapouri	\$1,284,059	(\$900,345)	\$383,714	(Decrease)	Inn	Decrease in budget to reflect design phase. An increased budget has been allowed for in year 1 of proposed LTP
Water Supply Mount York	\$19,036	\$53,783	\$74,819	Increase	Inn	Increase to cover the cost of a new motor and intake pump as well as stimulus
Water Supply Orantau	\$207,676	\$0	\$207,676	(Decrease)	Inn	No change in budget
Water Supply Overheads	\$39,194	\$0	\$39,194	(Decrease)	Inn	Project completed, no change in budget
Water Supply Ramparts	\$7,063	\$77,451	\$84,514	Increase	Inn	Increase due to resource consent required and new bore pump
Water Supply Rrverton	\$705,610	(\$131,364)	\$574,046	(Decrease)	Inn	Project terminated
Water Supply Scheme Eden/Wyn	\$19,475	(\$19,475)	\$0	(Decrease)	Inn	Project terminated
Water Supply Te Anau	\$2,700,603	(\$101,500)	\$2,599,103	(Decrease)	Inn	Project terminated
Water Supply Tuatapere	\$0	\$160,000	\$160,000	Increase	Inn	Capital project for replacing aerator and stand, project removed from 35217
Water Supply Winton	\$32,506	(\$32,506)	\$0	(Decrease)	Inn	Project terminated
Total adjustment	\$22,839,725	\$14,731,072	\$37,570,797	Increase		

APPENDIX B:**FORECAST STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE (DISTRICT AND LOCAL)**

	Annual Plan 2020-2021 (adopted in June 2020) (\$000)	Amounts Carried Forward from 2019-2020 (\$000)	Forecast Changes from February 2020 (\$000)	Forecasted Result for 2020- 2021(\$000)
Revenue				
Rates	49,531		(119)	49,412
Other revenue	8,317	77	1,024	9,418
Interest and Dividends	73		(26)	47
NZTA	15,507	1,138	2,277	18,922
Grants and Subsidies	5,306	484	6,322	12,112
Other Gains/(Losses)	(258)			(258)
Vested Assets	-			0
Development and Financial Contributions	24	16	(0)	39
	78,500	1,714	9,478	89,692
Expenditure				-
Employee Benefit Expenses	15,279	77	916	16,271
Depreciation and Amortisation	23,815	-		23,815
Finance Costs	422	-		422
Other Council Expenditure	43,854	1,208	4,338	49,399
	83,370	1,284	5,253	89,908
OPERATING SURPLUS/(DEFICIT)	(4,870)	430	4,225	(216)
Share of Associate Surplus/(Deficit)	-	-	-	-
SURPLUS/(DEFICIT) BEFORE TAX	(4,870)	430	4,225	(216)
Income Tax Benefit	-	-		-
SURPLUS/(DEFICIT) AFTER TAX	(4,870)	430	4,225	(216)
Gain/(Loss) on Property, Plant and Equipment Revaluations	31,324	-	-	31,324
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	26,454	430	4,225	31,108

APPENDIX C:

**SOUTHLAND DISTRICT COUNCIL
FORECAST STATEMENT OF FINANCIAL POSITION
30 JUNE 2021**

	30 June 2020 '000	Annual Plan 2020/21	2019/20 Carried forwards	February Forecast adjustments	Forecast February 2020/2021 '000	Consolidated Annual Plan 2020/2021 '000
Equity						
Retained Earnings	719,386	(4,871)	430	4,225	719,169	717,183
Asset Revaluation Reserves	837,648	31,324			868,972	883,988
Fair Value Reserves	3,577	-			3,577	2,666
Other Reserves	41,812	2,498	1,608	932	46,850	35,797
	1,602,423	28,951	2,037	5,156	1,638,568	1,639,634
Current Assets						
Cash and Cash Equivalents	11,499	1,898			13,396	(2,742)
Trade and Other Receivables	10,683	43			10,725	9,840
Inventories	127	(9)			117	111
Work in Progress	714	-			714	
Other Financial Assets	2,018	-			2,018	314
	25,039	1,931	0	0	26,970	7,523
Non Current Assets						
Property, Plant and Equipment	1,576,653	46,858	7,514	2,086	1,633,111	1,649,670
Intangible Assets	3,618	321	316	(889)	3,367	3,449
Forestry Assets	12,260	(321)			11,939	10,009
Internal Loans	35,338	24,103	-	5,793	3,950	57,599
Investments in Associates	945	-			945	
Other Financial Assets	2	-			2	
	1,628,816	70,962	2,037	5,148	1,706,963	1,663,128
TOTAL ASSETS	1,653,855	72,893	2,037	5,148	1,733,933	1,670,651
Current Liabilities						
Trade and Other Payables	9,380	80			9,460	7,064
Income in Advance					0	
Contract Retentions and Deposits	450	(105)			344	325
Employee Benefit Liabilities	1,984	45			2,030	1,652
Development and Financial Contributions	1,746	(9)		(9)	1,728	2,115
Provision for Decommissioning	14	(1)			13	13
Provisions					0	
Borrowings	2,500	380			2,880	380
	16,074	390	-	(9)	16,456	11,549
Non-Current Liabilities						
Employee Benefit Liabilities	19	-			19	18
Provision for Decommissioning	2	-	2		(0)	-
Borrowings	-	-			0	
Internal Loans - Liability	35,338	24,103			59,441	-
Term loans		19,449			19,449	19,449
	35,359	43,550	-	0	78,909	19,467
TOTAL LIABILITIES	51,432	43,941	-	(9)	95,364	31,016
NET ASSETS	1,602,423	28,952	2,037	5,156	1,638,569	1,639,635

Appendix D: Projects planned to be deferred to future years

Business Unit Name	Project Name	Further Comments	Funded from	Total 20/21 Budget	Forecasted variance
Information Management	Core System replacement	300K placeholder for HRIS as project scope is currently underway. The core systems budget needs to carry forward to 21/22 as we are still scoping the major projects and it is unlikely that they will start before the new financial year	Loan	\$ 906,780	(\$923,210)
Waste Minimisation	Waste Management	Removed to be done next year	Loan	\$ 60,414	(\$60,414)
Street Works - Stewart Island	New walking track horseshoe Bay Road part 1	Project to be deferred to 21/22 financial year, project has not been started yet	Grants	\$ 52,583	(\$52,583)
Street Works - Stewart Island	Walking track horseshoe Bay Road part 3	Project to be deferred to 21/22 financial year, project not started yet	Grants	\$ 54,922	(\$54,922)
Resource Planning/Policy		District Plan General projects budget, wider policy work has not advanced as quickly as anticipated, underspend to be carried forward to 21/22.	District Ops Reserve	\$ 569,411	(\$400,000)
Water structures	Golden bay wharf rebuild	Golden bay wharf rebuild deferred to 21/22	Grant	\$ 400,000	(\$400,000)
Parks and Reserve	Centre walkway to CBD	Project 1727 Te Anau Centre walkway to CBD deferred to 21/22	Development contribution	\$ 10,445	(\$10,445)
Parks and Reserve	Netball court resurface	Holt Park extension Netball Court Resurfacing project deferred to 21/22	Loan	\$ 28,119	(\$28,119)
				\$ 2,082,674	(\$1,929,693)

Appendix E: Projects planned to be deleted from the 2020-2021 Annual Plan

Business Unit Name	Project Name	Further Comments	Funded from	Total 20/21 Budget	Forecasted variance	Deleted \$ spend for the year 20/21
District Water	District Monitoring	Project terminated, no longer required	District Funding	\$ 164,578	(\$72,486)	\$ 92,092
District Water	District Monitoring	Project terminated, no longer required	District Funding	\$ 50,000	(\$50,000)	\$ -
Stormwater Drainage - Lumsden	Reticulation Upgrade SE Catchment	Terminated project. Allowance made in LTP for year 2, investigation moved to year 2 so that the construction budget could follow	Loan & Reserves	\$ 20,000	(\$20,000)	\$ -
Water Supply Riverton	Scheme Improvements	Project terminated, no longer required	Mix & Loan	\$ 131,564	(\$131,564)	\$ -
Sewerage Scheme Riverton	Treatment Upgrade & Sewer Pumps	Project terminated, no longer required	District Funding	\$ 31,728	(\$31,728)	\$ -
Water Supply Te Anau	Metering - District Metered Areas	Project terminated as the current scope could not be achieved without significant further investigation. Will be addressed in the next LTP cycle.	District Funding	\$ 101,500	(\$101,500)	\$ -
Water Supply Homestead	Plantroom valves (Homestead)	Project terminated, no longer required	Reserves	\$ 7,169	(\$7,169)	\$ -
Hall - Waianiwa	Exterior and roof repaint Waianiwa Hall	Painting of Hall to be undertaken by the Waianiwa Hall Committee	Grants	\$ 31,335	(\$31,335)	\$ -
Water Supply Winton	Metering - District Metered Areas	Project terminated as the current scope could not be achieved without significant further investigation. Will be addressed in the next LTP cycle.	District Funding	\$ 32,506	(\$32,506)	\$ -
Water Supply Scheme Eden/Wyn	District Metered Areas	Project terminated as works was completed	District Funding	\$ 19,475	(\$19,475)	\$ -
					(\$497,763)	

Monthly Financial Report - January 2021

Record No: R/21/3/11646
Author: Lesley Smith, Management Accountant
Approved by: Anne Robson, Chief Financial Officer

Decision Recommendation Information

Summary

1. The purpose of this report is to provide the Finance and Assurance Committee with an overview of the financial results for the seven 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 Finance and Assurance Committee:

- a) **Receives the report titled "Monthly Financial Report - January 2021" dated 16 March 2021.**

Attachments

- A Monthly Financial Report - January 2021 [↓](#)



Monthly financial report

January 2021

Southland District Council
Te Rohe Pōtae o Murihiku

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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.

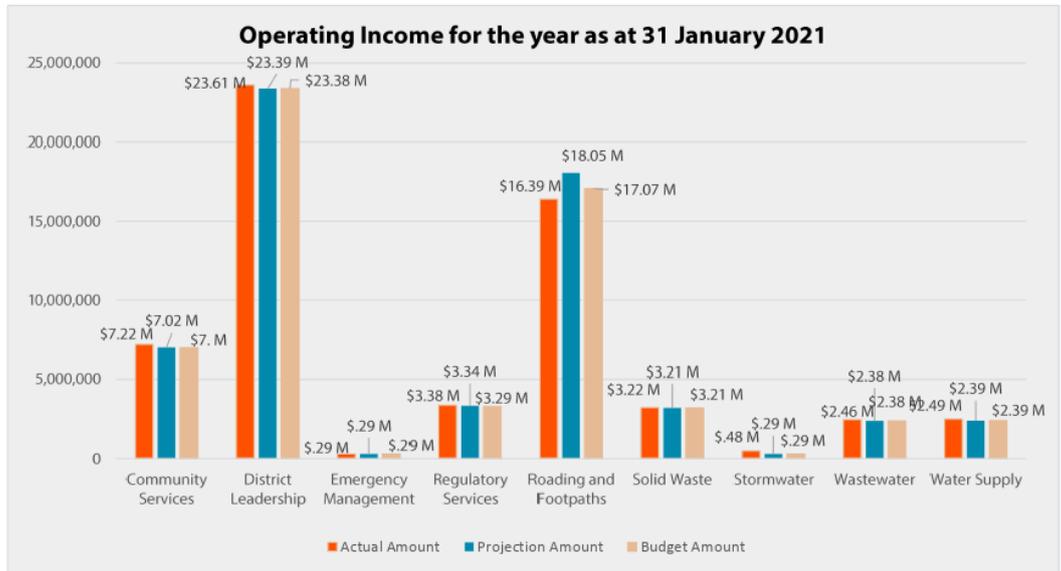
Abbreviation explanation

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).

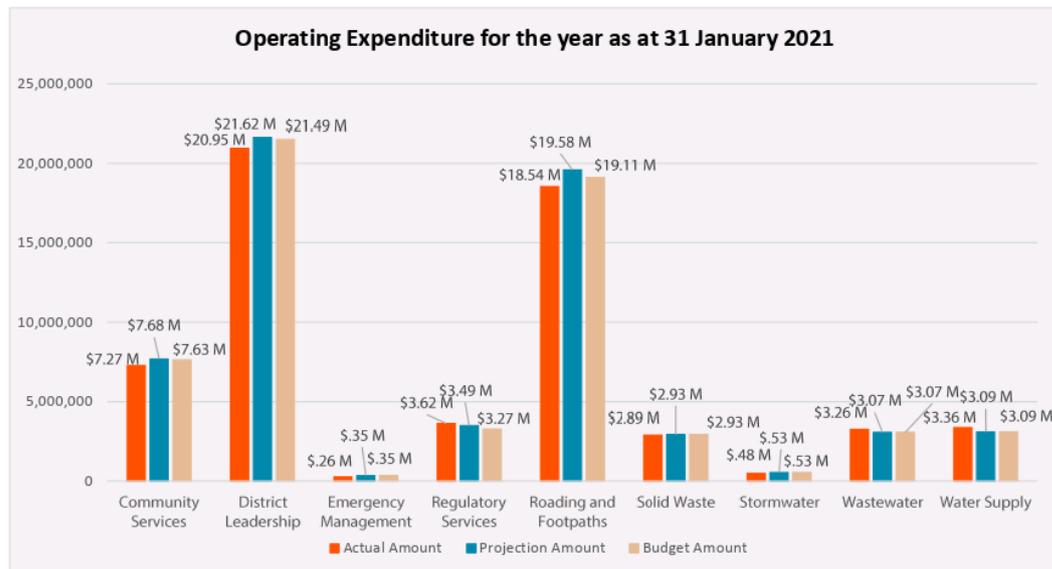


- **Roading and footpaths** is \$1.7 million (9%) lower than projection, this is due to the timing of work, particularly capital works, along with a reduced rehabilitation programme to compensate for larger programmes during the first two years of the LTP
- **Community services** is \$198,160 (3%) higher 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).



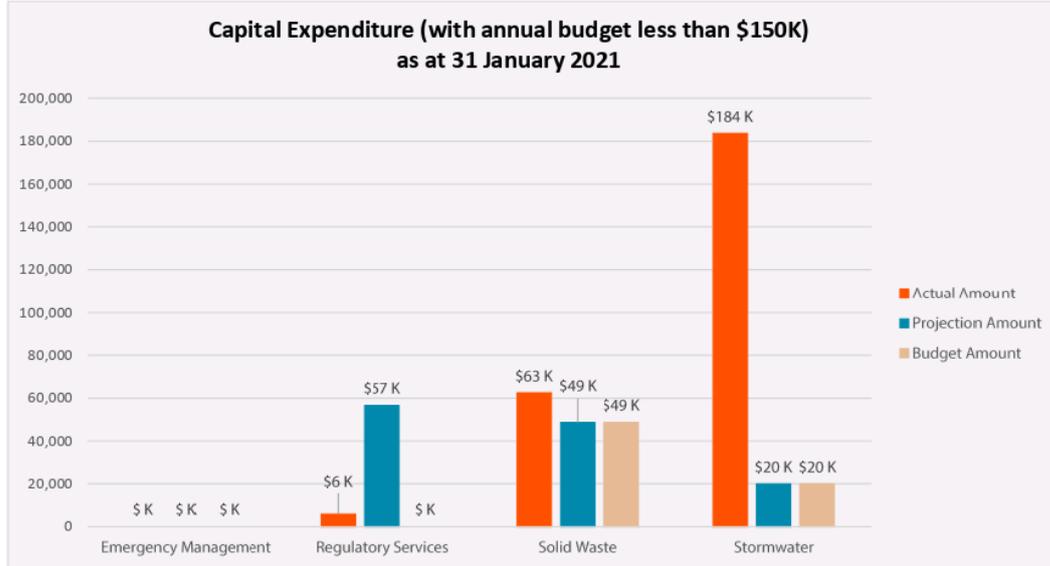
- **Community services** is \$403,570 (5%) lower than projection
 - community centres are below projection by \$151,456 (37%), we are awaiting applications from non-Council owned halls for rates collected on behalf of these halls, reminders are sent quarterly
 - SIESA costs are \$200,470 (17%) below 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,

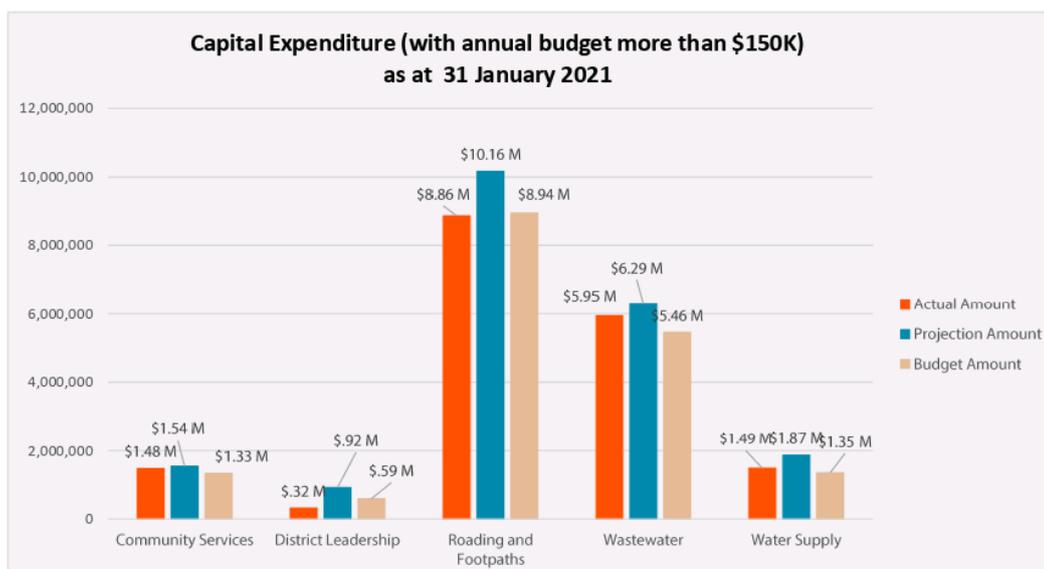
routine maintenance is higher than originally budgeted due to an increase in sampling and monitoring as new requirements are introduced. Ramparts is also over budget due to the replacement of a bore pump and renewal of permits

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
- **Rooding and footpaths** are \$1.3 million (13%) under projection
 - district rooding 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

- **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%
Total	\$59,539,710	\$60,352,444	\$59,303,187	(812,733)	(1%)	\$105,277,737	\$103,563,623	(1,714,115)	(2%)

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	5,259,916	(1)	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%)
Total	\$60,631,620	\$62,332,964	\$61,468,809	(1,701,344)	3%	\$109,719,181	\$108,434,705	(1,284,476)	(1%)

Net Surplus/Deficit	(\$1,091,910)	(\$1,980,520)	(\$2,165,622)	888,610	(4%)	(\$4,441,444)	(\$4,871,083)	(429,639)	(0%)
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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%)
Total	\$18,349,431	\$20,910,374	\$17,740,394	(2,560,942)	(12%)	\$47,179,440	\$39,384,954	(7,794,486)	(17%)

Monthly financial report – January 2021

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		

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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
Revenue					
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
	46,635,810	46,351,646	45,308,467	80,193,078	78,499,382
Expenditure					
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
	47,727,720	48,332,167	47,474,089	84,634,522	83,370,465
Total Comprehensive Income	(1,091,910)	(1,980,520)	(2,165,622)	(4,441,444)	(4,871,083)

Note:

The revenue and expenditure in the comprehensive income statement does not reconcile to the total income and total expenditure reported in 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
Equity		
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
	<u>1,601,331,142</u>	<u>1,602,423,050</u>
Represented by:		
Current Assets		
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	-	-
	<u>22,138,817</u>	<u>24,325,942</u>
Non-Current Assets		
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
	<u>1,632,619,046</u>	<u>1,629,529,462</u>
TOTAL ASSETS	<u>1,654,757,863</u>	<u>1,653,855,404</u>
Current Liabilities		
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
	<u>19,394,836</u>	<u>16,073,729</u>
Non-Current Liabilities		
Employment Benefit Liabilities	18,631	18,631
Provisions	1,910	1,910
Internal Loans - Liability	34,011,344	35,338,084
	<u>34,031,884</u>	<u>35,358,625</u>
TOTAL LIABILITIES	<u>53,426,721</u>	<u>51,432,354</u>
NET ASSETS	<u>1,601,331,142</u>	<u>1,602,423,050</u>

Statement of cash flows

Statement of Cashflows for the period ended 31 January 2021

	2020/2021	YTD Actual
Cash Flows from Operating Activities		
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
<i>Net Cash Inflow (Outflow) from Operating Activities</i>		20,373,377
Cash Flows from Investing Activities		
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
<i>Net Cash Inflow (Outflow) from Investing Activities</i>		(18,910,228)
Cash Flows from Financing Activities		
Increase/(Decrease) Term Loans		(2,500,000)
Increase/(Decrease) Finance Leases		-
<i>Net Cash Inflow (Outflow) from Financing Activities</i>		(2,500,000)
Net Increase/(Decrease) in Cash and Cash Equivalents		(1,036,851)
Cash and Cash Equivalents at the beginning of the year		11,498,789
Cash and Cash Equivalents at the end of June		10,461,939

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
Total	\$ 9,500,000			

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
Total	\$ 2,070,000			

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%
Total	\$ 1,309,900			

Council's Investment and Liability Policy states that Council can invest no more than \$10 million with one bank. Investments and funds on call, comply with the SDC Investment Policy.

4. Reconciliation to Statement of Financial Position:

	Amount
Cash and Cash Equivalents	
Note 1 - SDC Investments	\$ 9,500,000
Note 2 - SIESA Investments	\$ 2,070,000
Note 3 - Funds on Call	\$ 1,309,900
Total Cash and Cash Equivalents	\$ 12,879,900
Add Other Financial Assets	
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
Total Other Financial Assets	\$ 449,160
Total Cash and Cash Equivalents and other financial assets	\$ 13,329,059
Per the Statement of Financial Position	
Cash & Cash Equivalents	\$ 10,461,939
Other Financial Assets - Current Assets	\$ 2,865,407
Other Financial Assets - Non Current Assets	\$ 1,713
Total per Statement of Financial Position	\$ 13,329,059

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

Record No: R/21/3/11627
Author: Emma Strong, Project Accountant
Approved by: Anne Robson, Chief Financial Officer

Decision Recommendation Information

Purpose

- 1 To provide the Finance and Assurance Committee with an update on the April – June 2021 Audit NZ LTP audit dates listed within the engagement letter attached as “to be confirmed” (TBC).
- 2 The Audit NZ Engagement Letter for the LTP was accepted by Council on 28 January 2021 and signed by the Mayor on 17 February 2021.
- 3 Council and audit staff have been working together to finalise these dates ensuring resourcing needs can be met on both sides to complete the document within the statutory timelines. The following dates have been received from Audit NZ and fit within Councils overall timelines.

1 April 2021	Draft Management report on consultation document engagement received
7 April 2021	Finalised Management report on consultation document engagement received
14 April 2021	Finalised Management report on consultation document engagement presented to Council
21 May 2021	Finance and Assurance Committee endorse LTP document and release for audit
24 May 2021	Proposed LTP document ready for audit to review
24 May – 4 June 2021	Second audit on site visit with the proposed LTP document
4 June 2021	Audit opinion for adopted LTP received
11 June 2021	Draft management report on the LTP engagement received
15 June 2021	Draft management report on the LTP engagement presented to Finance and Assurance Committee
16 June 2021	Finalised management report on the LTP engagement received
23 June 2021	Finalised management report presented to Council. Council adopts LTP document.

- 4 Overall, staff note that the timeframe is extremely tight to meet the Council and Finance and Assurance meeting dates.

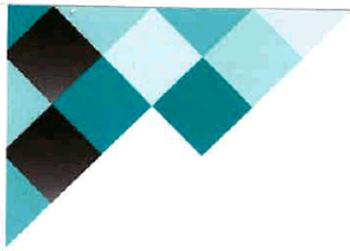
Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled “Audit NZ Engagement Letter for the Long Term Plan 2021-2031 2021-2031” dated 16 March 2021.**
- b) Notes the confirmation of the Audit NZ timetable dates for the Long Term Plan 2021-2031 since the Council meeting on 28 January 2021.

Attachments

- A LTP Audit NZ Engagement Letter - signed [↓](#)



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

17 December 2020

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

Gary Tong
Mayor
Southland District Council
PO Box 903
Invercargill 9840

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

Dear Gary

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

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

This letter outlines:

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

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

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

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

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

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

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

2 Our audit scope

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

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

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

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

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

Our audit opinions do not:

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

3 Our approach to this audit

3.1 The content of the consultation document

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

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

3.2 Adopting and auditing the underlying information

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

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



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

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

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

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

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

3.3 Control environment

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

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

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

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

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

3.4 Project management, reporting deadlines, and audit progress

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

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

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

3.5 Self-assessment

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

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

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



4 Our particular areas of audit emphasis

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

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

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

4.2 Financial strategy and infrastructure strategy

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

The purpose of the financial strategy is to:

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

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

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

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

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

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

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

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

4.3 Assumptions

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

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



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

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

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

Climate change assumption

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

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

4.4 Quality of asset-related forecasting information

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

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

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

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

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

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

5 Other matters

5.1 Our independence

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

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

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

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

6 Audit logistics

6.1 Audit timing

The key dates in the audit timetable are as follows:

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

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

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

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

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

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

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

7 Professional fees

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

The proposed fee is based on the following assumptions:

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

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

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

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

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

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

March 2020	\$60,000
June 2020	\$31,600
Total	<u>\$91,600</u>

8 Personnel

Our personnel involved in the management of the audit are:

Director	Dereck Ollsson
Manager	Monique Kruger

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

9 Agreement

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

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

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

Yours sincerely

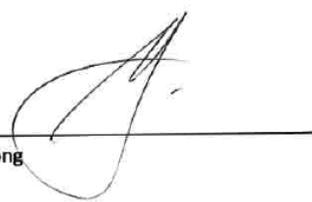


Dereck Ollsson
Director

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

Signed: _____

Gary Tong
Mayor



Date: _____

17/02/2021

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

Objectives

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

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

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

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

Provision of a management report to the Council

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

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

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

Materiality

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



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

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

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

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

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

Responsibilities

General responsibilities

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

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

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

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

Specific responsibilities

The Council is responsible for:

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

Health and safety of audit staff

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

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



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

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

Fee calculations

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

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

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

Finance and Assurance Committee Workplan for the year ended 30 June 2022

Record No: R/21/3/11370
Author: Emma Strong, Project Accountant
Approved by: Anne Robson, Chief Financial Officer

Decision

Recommendation

Information

Background

- 1 The purpose of preparing a draft work plan is to get the committees discussion and agreement as to the agenda items it expects to see during the year to 30 June 2022. This has been done to ensure that the reports staff are preparing are meeting the expectations of the committee and also allowing staff to plan for and ensure that they are delivering the appropriate reports.
- 2 In preparing this draft work plan, previous workplans and meeting content was used as the base document. Additionally, discussions were held with staff as well as referring to the Finance and Assurance Committee terms of reference.
- 3 The adoption of the work plan does not preclude the Committee or staff from including any other additional reports as and when required and it is expected that over the coming year this work plan will be refined further.
- 4 Deloitte were appointed as Council's internal auditor in 2018. This year the internal audit review will focus on the asset management and information integrity projects. It is expected that the project management internal audit planned for this financial year will now occur early in the 2021-22 financial year or in this financial year.

Recommendation

That the Finance and Assurance Committee:

- a) receives **the report titled "Finance and Assurance Committee Workplan for the year ended 30 June 2022" dated 16 March 2021.**
- b) agrees the Finance and Assurance Committee Work plan for the year ended 30 June 2022.

Attachments

- A Finance and Assurance Committee Workplan to 30 June 2022 [↓](#)

Finance and Assurance Committee Workplan to 30 June 2022

Content	25 August 2021	27 September 2021	7 December 2021	3 February 2022 (if consulting)	30 March 2022	8 June 2022
2022/23 Annual Plan – Timetable		X				
2022/23 Annual Plan – Assumptions and accounting policies		X				
2022/23 Annual Plan – Workshop			X			
2022/23 Annual Plan – Draft financials and draft document				X		
2022/23 Annual Plan – Recommend adoption by Council						X
Quarterly Risk Report		X	X		X	X
Health & Safety Update		X	X		X	X
Health & Safety Events Report		X	X		X	X
Financial Monthly Report		X	X		X	X
2020/21 Annual Report – Interim Audit Management Report	X					
2020/21 Annual Report – Agree report ready for audit	X					
2020/21 Annual Report – Final audit management report		X				
2020/21 Annual Report – Recommend adoption by Council		X				
2021/22 Annual Report – Audit Arrangements Letter					X	
2021/22 Annual Report – Audit Timetable					X	
2021/22 Annual Report – Accounting Policies						X
2021/22 Annual Report – Interim Audit Management Report						X
Comparison of actual to forecast for 20/21		X			X	
Work Programme for 2021/22 incl projects c/f from 20/21		X				
Forecast Financial Position			X		X	
Interim Performance Report		X	X		X	
Determine Finance & Assurance Meeting Content 22/23					X	
Financial and Risk Policies – Debt Recovery Policy				X		
Internal Audit Terms of Reference (Asset Management and Information Integrity)	X			X		
Internal Audit Final Report (Contract Management, Project Management, Asset Management and Information Integrity)	X		X			X
Internal Audit Action Points			X			X
Insurance - Insurance policy renewal approval						X
External Audits - Annual Alliance			X			
QV Southland District 2021 Revaluation Summary Report			X			
Projects Over \$2 Million – Core professional roading services						X

Health and Safety Update

Record No: R/21/2/8491
Author: Janet Ellis, People and Capability Manager
Approved by: Cameron McIntosh, Chief Executive

Decision Recommendation Information

Purpose

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

Content

Health, safety and wellbeing update

- 2 Please find attached the health, safety and wellbeing update as at 28 February 2021.
- 3 This is a new document that has been drafted to give councillors more information regarding their health and safety responsibilities.

Other health and safety related initiatives

- 4 There are many ways to keep current on health and safety matters, subscribing to the Worksafe updates is an easy way to remain up to date. The link is:
<https://worksafe.govt.nz/home/subscriptions>
- 5 Health and safety training continues with staff completing the health and safety e-learning modules based on the health and safety procedures. All new staff are required to complete all the modules.
- 6 The health and safety governance training that was scheduled for early 2021 has now been delayed due to the cancellation of a council meeting for an LTP workshop. A new date will be set shortly. All community board chairs will be invited to attend the training.
- 7 In July 2020, Southland District Council undertook a high-level assessment and review of Council's approach to the management of health and safety. This included a review of Council's governance framework, strategic plan and performance measures and targets.
- 8 The review also included a thin slice review of the health and safety management system targeting risk management, incident management, worker engagement, contractor management and injury management.
- 9 The opportunities identified as part of this gap analysis have been incorporated into the Draft Health, Safety and Wellbeing Operation Plan 2021/23 and the Health, Safety and Wellbeing Road Map 2021/23 and are attached for your information, discussion and recommendation to Council.
- 10 Please note that the resources identified to achieve this plan are estimates only. Detailed work now needs to occur on implementation and project planning stage. This detailed work will highlight actual resources required to achieve what is required in the timeframes.

- 11 The areas identified for improvement include governance, health and safety planning, health and safety management system, risk management and health and safety performance measurement.
- 12 Council continues to manage the risk and transmission of Covid-19. Council continues to invest in additional PPE gear to ensure we can continue to provide our essential services regardless of alert level changes.
- 13 Review of policies and information is ongoing to support our employee health safety and wellbeing, updates include bullying, harassment and discrimination policy and employee handbook. Alongside our policy reviews and updates, education opportunities are provided.

Recommendation

That the Finance and Assurance Committee:

- a) **receives the report titled “Health and Safety Update” dated** 15 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 recommend to Council to approve the Draft Health, Safety and Wellbeing Operation Plan for 2021/23.
- e) agrees to recommend to Council to approve the Health, Safety and Wellbeing Road Map for 2021/23.

Attachments

- A Health Safety & Wellbeing Update for Council 28th February 2021 [↓](#)
- B Health, Safety and Wellbeing Operational Plan and Road Map [↓](#)

Health Safety & Wellbeing Update for Council

As at 28th February 2021

Author: Teri Black

Relevant WorkSafe health safety wellbeing news and media

Overlapping health and safety duties: Fines for PCBUs:

<https://www.copelandashcroft.co.nz/overlapping-health-and-safety-duties-fines-for-pcbus/>

Managing workplace mental health:

<https://www.copelandashcroft.co.nz/managing-workplace-mental-health/>

H&S Resource

Health and Safety training modules

New employees are continuing to undertake H&S e-learning modules as a part of their induction to SDC. Level 2 for module 8 – In an emergency is in draft. This part focuses on emergency warden training.

With the health and safety framework review complete, it is time to evaluate framework performance against the HS14 – Getting it Right procedure and subsequent implementation checklists. This began in January and is still ongoing.

Implementation plan update

The implementation plan for 20/21 will change based on draft HSW operational plan 2021-2023 adoption.

The gap analysis recommendations have driven this change so as improvement actions can be developed and implemented.

Data

Monitor - Organisational H&S data update, including contractor monitoring

2020

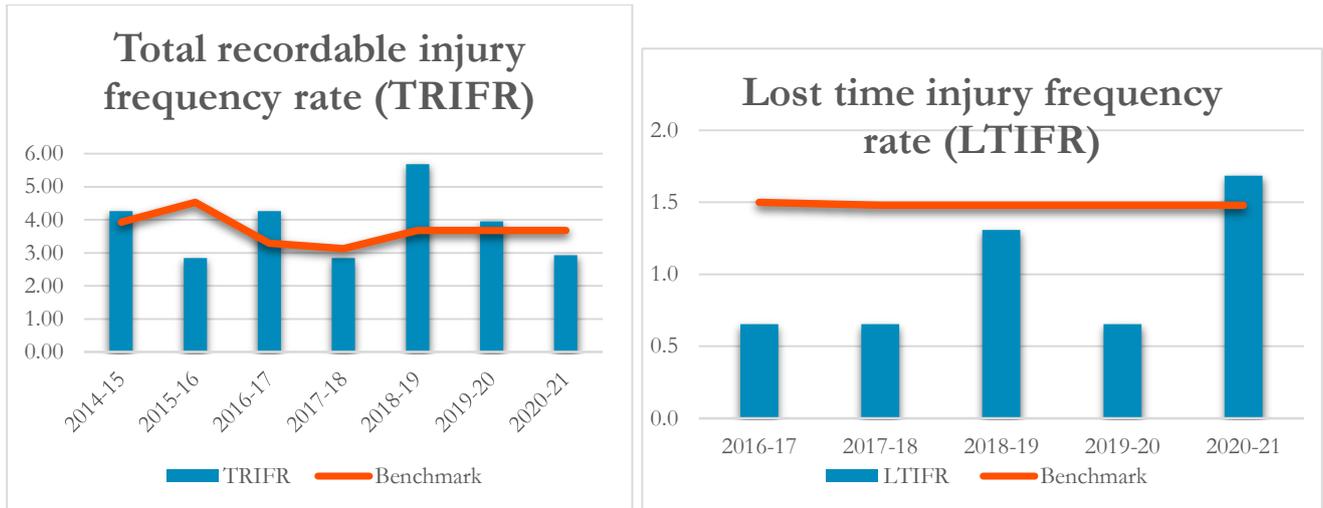
Date	Total Reported Events	EDI - Early Discomfort Incident	NMI - Near Miss Event	MNI - Minor No Treatment Event	FAI - First Aid Event	MTI - Medical Treatment Injury Event	LTI - Lost Time Event	PDI - Property Damage Event	RSK - Risk Reports	Other (ie Medical Event/NWR)	Number of incidents investigated	Number of Corrective Actions set	Number of Corrective Actions achieved	LTI Free Days	Days Lost Time	ACC Claims	Contractor Safety/Site Observations received	Contractor Audits Completed	Contractor Audits Requiring Follow up
Jan-20	13	2	2	0	2	2	0	0	5	0	13	13	11	84	0	1	15	16	0
Feb-20	5	0	1	0	0	1	0	1	2	0	5	5	3	113	0	0	9	8	0
Mar-20	2	1	0	0	0	0	0	0	1	0	2	3	3	144	0	1	12	6	0
Apr-20	6	3	0	0	0	0	0	0	3	0	6	1	0	174	0	0	10	5	0
May-20	8	2	1	2	0	0	0	1	2	0	8	3	4	205	0	0	27	4	0
Jun-20	3	0	1	0	0	0	0	0	2	0	2	2	1	235	0	0	6	5	0
Jul-20	5	0	0	1	0	1	0	1	2	0	4	4	4	266	0	1	3	6	0
Aug-20	2	0	0	1	0	0	0	1	0	0	2	2	4	297	0	1	1	7	0
Sep-20	4	0	1	0	0	0	0	0	3	0	3	4	4	327	0	0	4	16	0
Oct-20	8	0	5	0	0	0	0	1	2	0	5	4	3	358	0	0	10	16	6
Nov-20	5	2	3	0	0	0	0	0	0	0	5	10	3	388	0	0	1	19	1
Dec-20	6	1	1	1	0	1	0	1	1	0	6	5	10	15	7	1	2	15	0
Total	67	11	15	5	2	5	0	6	23	0	61	56	50		7	5	100	123	7

2021

Health Safety Wellbeing Monthly Reporting

Date	Total Reported Events	EDI - Early Discomfort Incident	NMI - Near Miss Event	MNI - Minor No Treatment Event	FAI - First Aid Event	MTI - Medical Treatment Injury Event	LTI - Lost Time Event	PDI - Property Damage Event	RSK - Risk Reports	Safety Observation internal	Other (ie Medical Event/NWR)	Number of incidents investigated	Number of Corrective Actions set	Number of Corrective Actions achieved	LTI Free Days	Days Lost Time	ACC Claims	Contractor Safety/Site Observations received	Contractor Audits Completed	Contractor Audits Requiring Follow up
Jan-21	10	1	2	0	1	2	1	0	2	1	0	9	6	5	46	7	2	0	2	0
Feb-21	8	0	0	3	0	0	0	1	0	4	0	8	8	9	74	0	0	3	9	0
Mar-21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Apr-21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
May-21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Jun-21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Jul-21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Aug-21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sep-21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oct-21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nov-21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dec-21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	18	1	2	3	1	2	1	1	2	5	0	17	14	14		7	2	3	11	0

Organisation overview



There have been three lost time accidents that resulted in ACC claims this 20/21 year to date, with a total of 21 days lost time.

The lost time in relation to these has pushed our LTIFR above the benchmark. With five more months in this reporting space, this ratio may change as we move further through 2021.

The Benchmark has been updated alongside the 2018 Benchmarking report published by the Business Leaders Health and Safety Forum, a summary of this can be found here:

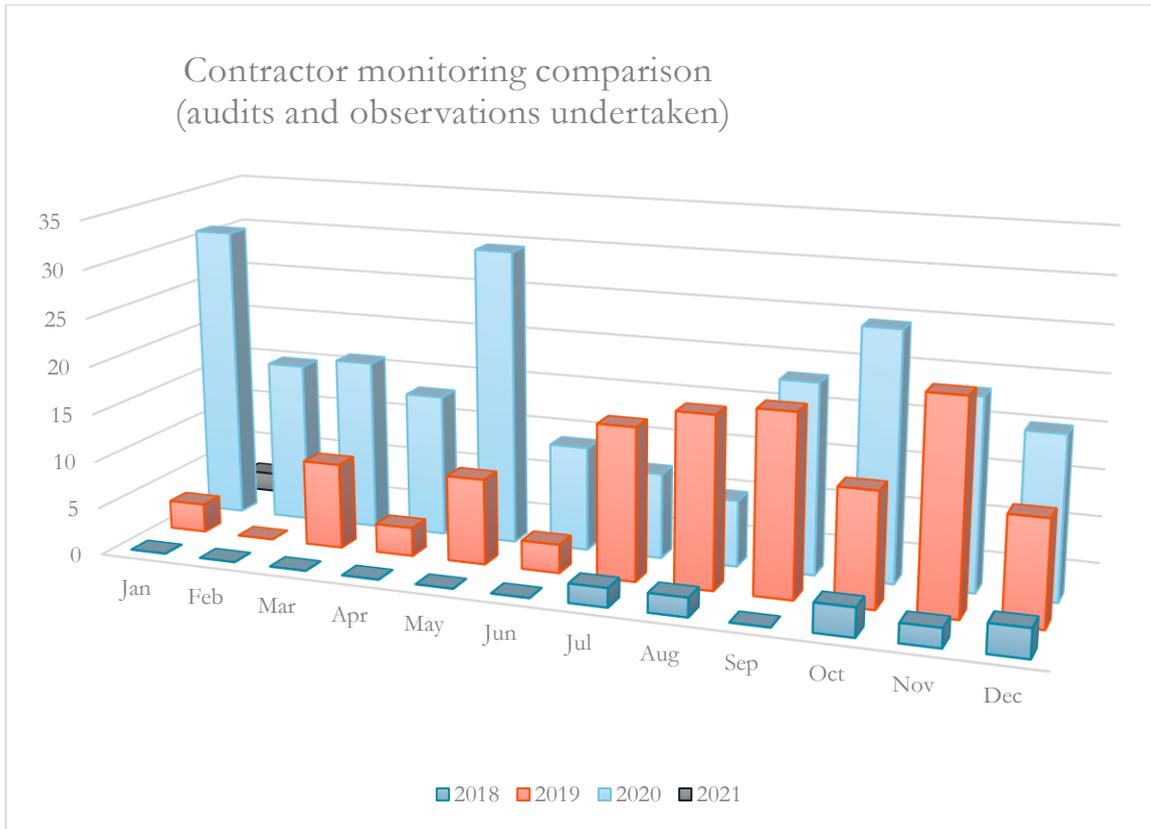
<https://www.zeroharm.org.nz/assets/Uploads/Benchmarking-Snapshot-2018.pdf>

Definitions

The TRIFR is the number of injuries (excluding fatalities) requiring medical treatment per 200,000 hours worked within this organisation based on our FTE workforce.

A lost-time injury is something that results in a fatality, permanent disability or time lost from work. It could be as little as one day. LTIFR refers to the number of lost-time injuries within a given period, relative to the total number of hours (200,000) worked in that period based on our FTE workforce.

Contractor overview



Health Safety and Wellbeing Operational Plan 2021-2023 - DRAFT

Our health and safety commitment

We care for the wellbeing and safety of our people and those who interact with us. Our goal is to deliver safe and effective services to our community and ensure everyone gets safely home every day (SHED).

Current performance

Our health and safety was benchmarked and reviewed by an external organisation in 2017, and our health and safety management has focused on key gaps identified in this analysis. Leading into the 2020/21 plan, a health and safety external gap analysis was undertaken in June 2020 to ensure we continue on the correct path to continually improve health, safety and wellbeing.

As an executive leadership team (ELT) we have discussed the recommendations identified in this gap analysis and, as per 20/21 action plan, have adjusted our health, safety and wellbeing plan for 2020/2021 to align with and support implementation of the improvement opportunities identified.

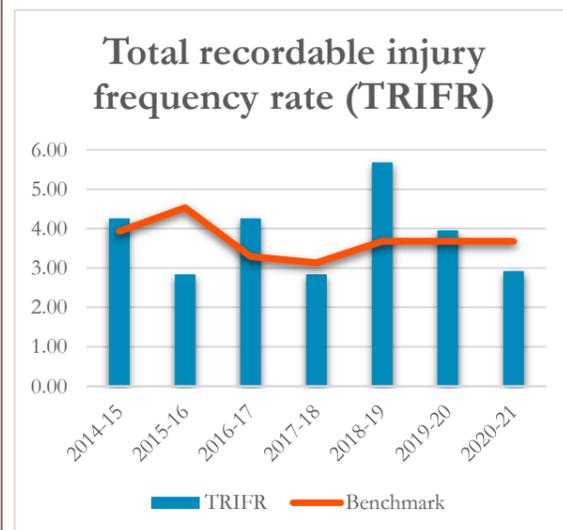


This health safety wellbeing operational plan for 2021 through to 2023 provides Southland District Council (SDC) with a clear pathway to understanding our current risk profile, improving risk management across the organisation, and supports achievement of our core health safety and wellbeing goal which is to deliver safe and effective services to our community and ensure everyone gets safe home every day (SHED).

Data

The graph below shows our current total recordable injury frequency rate. This is based on the average hours worked by our full time equivalent (FTE) workforce. This frequency rate is the number of recordable injuries per

200,000 hours worked. While the majority of the injuries recorded are minor in nature, it is a reminder that a serious injury can occur at any time. A graph of ACC claim trends below shows an increase in ACC claims for the 20/21 year to date. Majority of these are sprains and strains. With the new plan, injury prevention is part of our improving risk management goal.



Action plan

As part of our commitment as a leadership team we will co-sponsor a key activity within the health, safety and wellbeing plan, this sponsorship commitment is supporting the roll-out of the initiative or objective and keep each other and our teams on track in undertaking the objectives within SDC.

CURRENT PERFORMANCE	ACTION REQUIRED	EXECUTIVE SPONSOR	WHEN	FUTURE PERFORMANCE
Recognition that real improvement has been made but true culture of health safety and wellbeing is yet to be achieved	Develop road map for HSW improvement	Janet Ellis	February 2021 to June 2022	We will have a clear understanding of our risk profile Our people will be involved and engaged with our work Our leaders demonstrate exemplary behaviours and attitudes to health safety and wellbeing
	Shift in culture	All of executive leadership team	February 2021 To May 2023	
	Reporting improvements	Matt Russell Nick Hamlin	February 2021 to July 2021	
	Training	Janet Ellis	April 2021 to March 2022	
Officers may not satisfy all due diligence requirements under the HSWA 2015	Governance training	Cameron McIntosh	March 2021	We will build genuine relationships with our people to build a culture where ideas and issues are shared and jointly acted on
	Annual review of officers	Cameron McIntosh	July 2021 to June 2022	
Our risk management is not 'fit for purpose' in its current state	Risk Management	Matt Russell Nick Hamlin	March 2021 To June 2022	Health, safety, wellbeing and the environment will be integrated into the way we work
Operational/tactical approach rather than led by governance and ELT. Heavy organisational reliance on operational health safety and wellbeing roles	Leadership and performance	Fran Mikulicic Anne Robson Trudie Hurst	May 2021 To June 2022	

taking ownership working together being proud to belong creating opportunities

Health Safety and Wellbeing Strategic Road Map – 2021-2023

We care about the health safety and wellbeing of our people and those who interact with us. The health safety and wellbeing strategic road map provides Southland District Council with a clear pathway to understanding our risk profile, improving risk management across the organisation, and supports achievement of our core health safety and wellbeing goal which is to deliver safe and effective services to our community and ensure everyone gets safe home every day.

Current performance	Action required	How we will achieve our target and measure our journey	resource required	When	Draft Measures for monitoring	Future performance
Recognition that real improvement has been made but true culture of health safety and wellbeing is yet to be achieved	Develop road map for HSW improvement	<ul style="list-style-type: none"> Develop and present draft 3-year HSW strategic plan for approval Develop detailed implementation plan to set 3/6/12/targets to achieve road map actions 	ELT time	February 2021 to June 2022	Road map progress reported on % completion against implementation plan	We will have a clear understanding of our risk profile Our people will be involved and engaged with our work Our leaders demonstrate exemplary behaviours and attitudes to health safety and wellbeing We will build genuine relationships with our people to build a culture where ideas and issues are shared and jointly acted on Health safety wellbeing and the environment will be integrated into the way we work Overall Measurement: Gap analysis completed in October 2022 with significant improvement made and recognition that the true culture of health safety and wellbeing is on track and at the early stages of being achieved
	Shift in culture	<ul style="list-style-type: none"> Engagement/consultation Link with values and organisational direction Safety II 	\$20,000	February 2021 To May 2023	Need to get some advice on this overall – a part of the \$20,000 cost Safety Culture?	
	Reporting improvements	<ul style="list-style-type: none"> Review reporting structure (Operational, ELT, F&A, Council) 	Current resource with support from external consultant \$3,000	February 2021 to July 2021	# of officers satisfied with the quality/content of HSW reports received # of major risk assessments completed involving ELT Reporting structure finalised and implemented	
	Training	<ul style="list-style-type: none"> E-learning refresher for all employees Review learning management system 	Will use organisational training budgets for the next two years	April 2021 to March 2022	Training needs assessment completed and training plan completed # or % increase in training completion (plan) % of health and safety employee induction review and update complete	
Officers may not satisfy all due diligence requirements under the HSWA 2015	Governance training	<ul style="list-style-type: none"> Provide governance training opportunities 	External \$3,000	March 2021	# or % of officer induction overdue # or % of officer induction refresher overdue % of officers attending refresher training	Health safety wellbeing and the environment will be integrated into the way we work Overall Measurement: Gap analysis completed in October 2022 with significant improvement made and recognition that the true culture of health safety and wellbeing is on track and at the early stages of being achieved
	Annual review of officers	<ul style="list-style-type: none"> Develop and implement officer due diligence requirements Review of officers' due diligence by external resource 	External \$10,000	Feb 2021 to June 2022	Review of officers completed # of gaps identified and % progress toward corrective actions set in response	
Our risk management is not 'fit for purpose' in its current state	Risk Management	Review risk management framework. Includes: <ul style="list-style-type: none"> Critical risk management Environmental risk management Risk reporting 	Option 1 Aggressive \$20,000 Plus additional resource (~\$80,000) Option 2 (takes longer): In house current resource plus \$20,000	March 2021 to June 2022	# of risks reviewed within one year & within 2 years # of risks not yet reviewed # of risk corrective actions completed and outstanding # control failures % of residual risks categorised by priority # new reports, ACC claims, DART rate # and frequency rates: LTI, LTIFR, FAI, MTI, TRIFR	Overall Measurement: Gap analysis completed in October 2022 with significant improvement made and recognition that the true culture of health safety and wellbeing is on track and at the early stages of being achieved
		<ul style="list-style-type: none"> Review and update contractor management processes in line with changes implemented in risk management framework review 			# of contractor audits and observations completed % of contractor management documentation reviewed and current	
Operational/tactical approach rather than led by governance and ELT. Heavy organisational reliance on operational health safety and wellbeing roles	Leadership and performance	<ul style="list-style-type: none"> Set SMART H&S KPI's org wide and link to performance management system Increase leadership visibility Increase monitoring and observations 	ELT time and education	May 2021 To June 2022	# or % of leader induction overdue # or % of leader induction refresher overdue % of leaders attending refresher training # of health and safety audits and observations attended by officers and leaders % of meetings where health and safety updates are discussed	
OUR ORGANISATIONAL VALUES: TAKING OWNERSHIP WORKING TOGETHER BEING PROUD TO BELONG CREATING OPPORTUNITIES						

Employee Numbers

Record No: R/21/2/8485
Author: Janet Ellis, People and Capability Manager
Approved by: Cameron McIntosh, Chief Executive

Decision Recommendation Information

Purpose

- 1 The purpose of the report is to provide the Finance and Assurance Committee with information as requested on both current and prior years' employee numbers.

Executive Summary

- 2 At the Finance and Assurance Committee meeting on 15 December 2020, the committee asked for a report on the current and prior years' employee numbers.
- 3 This report sets out the current (FY20) and previous (FY16-FY19) employee numbers as well as provides analysis of relevant employee information.

Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled " Employee Numbers" dated** 15 March 2021.

Employee Numbers

- 4 In December 2020 the Finance and Assurance Committee asked for information on both current and prior years' employee numbers.
- 5 This report uses a full time equivalent (FTE) metric for measuring employee numbers. The table below details the last five years.

Year	Full time equivalent (FTE)	% increase
FY16	130	
FY17	141	8.5%
FY18	146	3.5%
FY19	159	8.9%
FY20	168	5.6%

- 6 Over the past four years employee numbers have been steadily increasing. These increases are a direct reflection of an organisation working towards delivering and supporting the key objectives

that council set through the LTP process, managing the current complex local government environment, supporting the organisation in the day to day deliverables and making system and process improvements.

- 7 In year FY17 change in FTE occurred after an organisational review. The organisational review reset priorities to enable delivery on Council priorities around the Southland way, growing our communities and a dynamic and effective organisation. The review resulted in establishment of a community partnership team and establishment and reshaping of the customer delivery team and additional resources for the finance team.
- 8 In FY18 and FY19 FTE's increases were mainly to do with increases in the services and assets team priorities and the community leadership team being extended with the inclusion of the Community Liaison Officers originally from Venture Southland. The Services and Assets review aimed to improve how projects were delivered, improve the level of community facility support and introduce greater commercial disciplines including contract and procurement management within the group. A project delivery team, a commercial team and community facilities teams were established as part of that review.
- 9 In the FY20 year increases were in the policy, communications, building control and in the water and waste team. These increases were to support additional workloads and to meet delivery and statutory requirements.
- 10 It is expected that the increase in FTE numbers will continue. This year (July 2020 to now), changes have occurred in the water and waste team and in the building control team to ensure delivery as well as meet statutory requirements. The draft LTP also sets out significant changes that need to occur in capital expenditure programmes, changes in regulatory activities and preparation for significant legislative changes with resource management and biodiversity. The majority of these employee number changes have been included in the draft LTP.
- 11 Council's workforce is critical to the success and achievement of the LTP. In addition to achievement of LTP it is important to note that the world of work is changing also. Advancement of technology, aging workforce and the increased demand for different and more flexible working arrangements need to be considered in future workforce requirements. This needs to be balanced with the need to continue to improve on being an effective and efficient council.
- 12 Work is progressing on a Strategic Workforce Plan. The plan will identify the workforce capability required by SDC to meet its objectives now and into the future. The plan will also identify people management strategies to be implemented with the aim of maintaining and developing a workforce capability that meets Council and our communities needs for now and into the future.

Attachments

There are no attachments for this report.

Internal Audit Terms of Reference - Contract Management Review

Record No: R/21/2/4394
Author: Anne Robson, Chief Financial Officer
Approved by: Cameron McIntosh, Chief Executive

Decision Recommendation Information

Purpose

- 1 To consider and agree the terms of reference for the third internal audit on the review of contract management.

Executive Summary

- 2 The committee appointed Deloitte as Council's Internal Auditor in 2018. As part of the appointment the committee asked Deloitte to work with staff and the committee to form a three year internal audit work programme.
- 3 The contract management review is the third of six agreed programmes of work to be completed.
- 4 The attached draft terms of reference are for consideration and agreement by the committee.

Recommendation

That the Finance and Assurance Committee:

- a) Receives the report titled "**Internal Audit Terms of Reference - Contract Management Review**" dated 17 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) Approve the attached Terms of Reference for the Contract Management Review.

Background

- 5 The committee appointed Deloitte as Council's internal auditor in 2018. As part of the appointment the committee asked Deloitte to work with staff and the committee to form a three year internal audit work programme which was completed and agreed by the committee in September 2019. The agreed programme was for six pieces of work, two to be completed in each year of the engagement.
- 6 With each internal audit undertaken, terms of reference will be prepared by Deloitte. These outline the review to be undertaken, a background to the review, the objective and scope of the

review, what is out of scope, the approach to be taken, what the review will entail, the deliverables at the end of the audit, the staffing, timing and budget.

- 7 As discussed with the committee previously, approval for each terms of reference will be sought from the committee before conducting each audit.
- 8 The attached terms of reference, is in relation to the third audit regarding purchasing through to contract management and review. It is referred to as the contract management review. The first internal audit, procure to pay; and the second, cyber health check were undertaken and reported back to the committee last year.
- 9 The procurement lifecycle (which covers purchasing through to contract management and renewal) is a critical element in managing service delivery pressures faced by local authorities.
- 10 Southland District Council must deliver on commitments to support the local community and improve sustainability of the district, whilst consistently demonstrating value for money through its procurement.
- 11 It is therefore important for Council to have strong processes and internal controls in place over its contract management processes.
- 12 The objective of this review is to assess the systems and controls in place to ensure that contracts approved by Council are appropriately managed. The following specific control objectives will be addressed:
 - contract management practices and expectations/requirements are included within Council's policies and procedures and are regularly reviewed. These policies and procedures are aligned with other Councils policies and good contract management practice when compared to organisations of similar size and complexity
 - contracts and related correspondence are retained in a central repository, being accessible to the appropriate business units and with access restricted according to the sensitivity of information. Confidentiality/security of information and privacy (for both parties) is maintained, as appropriate
 - contract management processes evidence policy compliance, robust process and good practice. This includes:
 - contracts are reviewed and approved (i.e. transactions only take place with parties who have valid contracts in place)
 - contract costs are monitored to ensure that costs incurred do not exceed agreed upon contract value
 - monitoring and review of supplier performance and service delivery against the contract at key milestones throughout the period, including verification of the accuracy of the information submitted by contractors in support of their performance claims
 - regular and appropriate reporting to key stakeholders
 - identification, reporting and actioning of any performance issues, disputes and non-compliance with contract terms in a timely manner. Escalations are addressed in an appropriate manner
 - contract variations are approved in line with delegations and documented
 - periodic contract reviews are undertaken to enable implementation of improved processes, and ensure contracts meet current and future needs and value for money

- monitoring of contract expiry and rollover dates, and completion of any contract conclusion, extension, or renegotiation process in accordance with policy and procedures, best practice and delegated authority.

Issues

- 13 In reviewing the terms of reference, the committee needs to particularly consider if the objectives and scope meet the expectations of the committee, having regard to what is noted to be out of scope. This is the appropriate time to consider and amend the terms of reference if the committee believes it needs to be expanded or refined.

Factors to Consider

Legal and Statutory Requirements

- 14 Section 101 of the Local Government Act 2002, financial management, notes in section 1(g), that a local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community.

Community Views

- 15 The community wants to know that Council is undertaking its activities prudently. The internal audit function contributes to this by seeking assurance that Council has the proper controls, governance and risk management processes in place.

Costs and Funding

- 16 Council has an annual budget of \$30,000 for the planned internal audit programme. This review will cost \$15,000 plus GST and disbursements.

Policy Implications

- 17 The committee, as part of its terms of reference are responsible for establishing and undertaking an internal audit programme.

Analysis

Options Considered

- 18 The two key options are to accept, subject to amendments at the meeting, the terms of reference for the third audit, contract management review.

Analysis of Options

Option 1 – to accept, subject to amendments at the meeting, the terms of reference for the contract management review.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">enables the internal audit to proceed in a timely mannerwill result in the committee receiving independent feedback on Council's processes around procurement and contract management and potential areas of improvement, as well as recognition of what is being done well.	<ul style="list-style-type: none">if the committee either felt that this was no longer an appropriate audit to undertake at this time, then the opportunity to undertake another audit now instead would be missed.

Option 2 – to decline the terms of reference for the contract management review.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">enables any amendments to the work programme requested by the committee to be undertaken.	<ul style="list-style-type: none">may delay the internal audit programme.

Assessment of Significance

- 19 This issue is not considered significant in terms of Council's significance policy.

Recommended Option

- 20 The recommended option is option 1 – to accept, subject to amendments at the meeting, the terms of reference for the contract management review.

Next Steps

- 21 Advise Deloitte of the outcome of the committee meeting and proceed to undertake the internal audit programme.

Attachments

- A Deloitte draft terms of reference contract management review [↓](#)



Southland District Council

Terms of Reference

Business Assurance Plan – FY20/21	
Review	Contract Management Review
Sponsor	Anne Robson (Chief Financial Officer)
Responsible Manager	XX
Audience	Finance and Assurance Committee
Background	<p>This review of Contract Management is part of the Three Year Internal Audit Plan for Southland District Council ("SDC"), as approved by the Finance and Assurance Committee.</p> <p>The Procurement Lifecycle (which covers purchasing through to contract management and renewal) is a critical element in managing service delivery pressures faced by local authorities. SDC must deliver on commitments to support the local community and improve sustainability of the region, whilst consistently demonstrating value for money through its procurement.</p> <p>It is therefore important for SDC to have strong processes and internal controls in place over its contract management processes.</p>
Objective & Scope	<p>The objective of this review is to assess the systems and controls in place to ensure that contracts approved by SDC are appropriately managed. The following specific control objectives will be addressed:</p> <ul style="list-style-type: none"> • Contract management practices and expectations/requirements are included within SDC policies and procedures and are regularly reviewed. These policies and procedures are aligned with other SDC policies and good contract management practice when compared to organisations of similar size and complexity; • Contracts and related correspondence are retained in a central repository, being accessible to the appropriate business units and with access restricted according to the sensitivity of information. Confidentiality/security of information and privacy (for both parties) is maintained, as appropriate; and • Contract management processes evidence policy compliance, robust process and good practice. This includes: <ul style="list-style-type: none"> ○ Contracts are reviewed and approved (i.e. transactions only take place with parties who have valid contracts in place); ○ Contract costs are monitored to ensure that costs incurred do not exceed agreed upon contract value; ○ Monitoring and review of supplier performance and service delivery against the contract at key milestones throughout the period, including verification of the accuracy of the information submitted by contractors in support of their performance claims; ○ Regular and appropriate reporting to key stakeholders; ○ Identification, reporting and actioning of any performance issues, disputes and non-compliance with contract terms in a timely manner. Escalations are addressed in an appropriate manner; ○ Contract variations are approved in line with delegations and documented; ○ Periodic contract reviews are undertaken to enable implementation of improved processes, and ensure contracts meet current and future needs and value for money; ○ Monitoring of contract expiry and rollover dates, and completion of any contract conclusion, extension, or renegotiation process in accordance with policy and procedures, best practice and delegated authority.
Out of Scope	The following areas are outside the scope of this review:
Private & Confidential	



Business Assurance Plan – FY20/21

Review	Contract Management Review <ul style="list-style-type: none"> The procurement process and supplier set up; The fit for purpose nature and effectiveness of the contract management functions and operating model; Assessment and assurance over the reliability of contract management information and reporting, including provider reporting and performance; Assessment of the value for money and performance of providers; Review of controls for approval of invoices and payments; and Benchmarking against other organisations’ practices.
Assumptions	<p>We have made the following assumptions when scoping and budgeting for this review:</p> <ul style="list-style-type: none"> All contract management documentation is located on XXX system All data and document requests are actioned on a timely basis; and Samples are chosen prior to being on site and all relevant documentation is available at the commencement of fieldwork.
Approach	<p>Our review will be performed by completing the following:</p> <ul style="list-style-type: none"> Understand relevant policies, systems and processes through discussions with key personnel, review of process and procedure documentation, and observation as required; Test three samples of mixed level contracts in place (sample size to be agreed) to assess compliance with policy and best practice; Examine SDC’s available contract management data and reported information to support understanding and assess broader contract management monitoring controls; Test completeness of contracts data by selecting a sample from Accounts Payable transactional data to identify any contracts that are missing; Identify any material risks based on our understanding of the relevant risks and existing management environment for mitigations; Validate any control / process gaps and control effectiveness on issues identified; Discuss and recommend appropriate and practical solutions with key personnel; and Complete and distribute a draft and final report.
Deliverables	<p>Following the completion of fieldwork the findings will be presented to you in a report. The findings, format and presentation of the report will be discussed in draft with you and senior management before the final report is issued. The report will outline our findings and will contain suggestions for process/control improvement where appropriate.</p>
Professional Standards	<p>As a member of the New Zealand Institute of Chartered Accountants, all work performed by Deloitte is subject to the Accounting Professional and Ethical Standards, which include requirements in the areas of ethics, independence, documenting the terms of the engagement, and quality control.</p> <p>The procedures that we will perform will not constitute an assurance engagement in accordance with New Zealand Standards for Assurance Engagements, nor will it represent any form of audit under New Zealand Standards on Auditing, and consequently, no assurance conclusion or audit opinion will be provided.</p>
Staffing	<p>Engagement Partner: David Seath Engagement Manager: Sarah Pass Engagement Team: Joanna Niles</p>
Timing	<p>Fieldwork: XX Draft Findings: Within 3 weeks of completion of fieldwork Final Report: Within 3 weeks of receipt of draft report</p>
Budget	<p>Estimated range: \$15,000 plus GST and disbursements</p>

Private & Confidential



Engagement Sign Off	
Engagement Terms	This terms of reference and the work connected there with are subject to the Terms and Conditions of the engagement letter between Southland District Council and Deloitte.
Review	Contract Management Review
Deloitte Engagement Partner	Name: David Seath
	Signature: _____ Date: _____
	Position: Partner
Southland District Council Engagement Owner	Name:
	Signature: _____ Date: _____
	Position:

Draft

Private & Confidential

Investment and Liability Management Policy

Record No: R/21/2/8441
Author: Anne Robson, Chief Financial Officer
Approved by: Cameron McIntosh, Chief Executive

Decision Recommendation Information

Purpose

- 1 The purpose of this report is to present the Investment and Liability Management Policy to Finance and Assurance for its consideration and endorsement to Council for adoption.

Executive Summary

- 2 The Investment and Liability Management Policy outlines how Council will manage its investments, including what Council will invest in, and how investment risk will be assessed and managed. The policy also outlines how Council will manage borrowings.
- 3 PWC and Council staff have prepared the draft Investment and Liability policy on discussions held with the Finance and Assurance Committee and Council over the last six months and best practice. The policy also incorporates the necessary changes to enable Council to apply to the LGFA to become a guaranteeing participating Council as agreed at Council's meeting of 10 March 2021.
- 4 Overall this draft policy, in regards to investments, acknowledges and allows for Council to maximise its returns on funds held whilst considering its risk profile. It acknowledges a low risk approach to its treasury investments used for working capital and restricted reserves. It accepts a moderate risk approach to investing general reserves to maintain capital and provide a return for offsetting rates through the ability to invest in an existing New Zealand managed balanced fund. It also retains the ability of Council to internally borrow against these reserves, if it chooses to do so. As part of this, the appropriate delegations and reporting have been added to the policy.
- 5 It is important to note that Council's Long Term Plan has Council moving from a net investor to a core borrower so the changes to the policy also incorporate more detail about Council's borrowing limits and how it will manage its borrowing risks by incorporating good practice methods into the liability management policy.
- 6 This report recommends that the committee endorse the policy (including any amendments agreed at this meeting) and recommend to Council for adoption.

Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled “Investment and Liability Management Policy” dated 18 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 endorse the draft Investment and Liability Management Policy (including any amendments agreed at this meeting).
- e) Agrees to recommend to Council the adoption of the draft Investment and Liability Policy (including any amendments agreed at this meeting) including the following borrowing limits:

Net debt as a percentage of total revenue	<175%
Net interest as a percentage of total revenue	<10%
Net interest as a percentage of rates revenue	<7%
Liquidity (external, borrowing + available committed loan facilities + available liquid investments as a percentage of existing external debt)	>110%

- f) Agrees to recommend to Council that it amends Councils delegations manual to incorporate the delegations that are outlined in the draft Investment and Liability Management Policy.

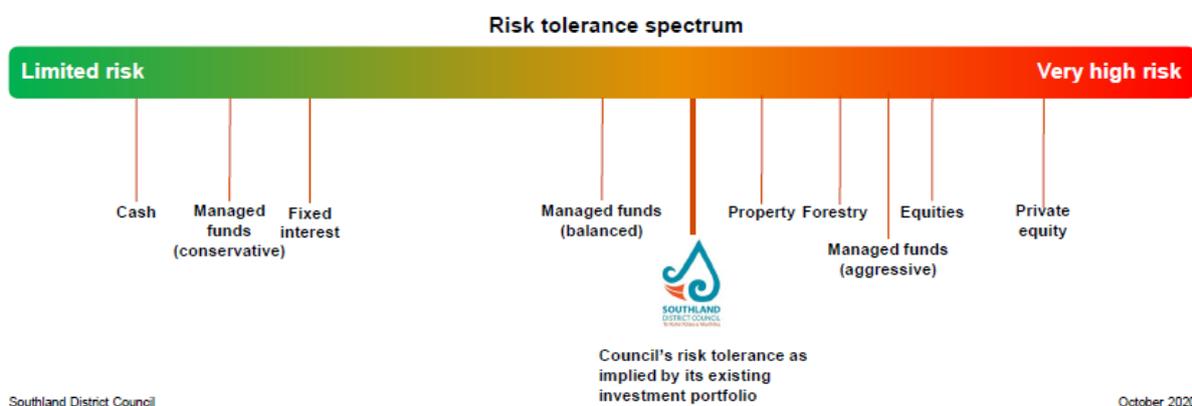
Background

- 7 Under Section 102 of the Local Government Act 2002 (LGA 2002), Council is required to have both an Investment Policy and a Liability Management Policy. These policies have been merged into one document (the policy) due to their similar nature.
- 8 This policy was last revised and consulted on in 2018.

-
- 9 In developing this policy, PWC was engaged to work with the Finance and Assurance Committee and Council to undertake the following
- an investment strategy review, which would provide a framework to feed into the Investment Policy review. The review will look at the investment portfolio needed to achieve Council's short and longer term objectives
 - considering the role and purpose of Council's portfolio and key objectives
 - Council's role as a custodian of an intergenerational investment portfolio, including comparisons to other councils approaches
 - Council's purpose and approach to reserves
 - what an appropriate portfolio composition is
 - the optimal return and annual volatility targets
 - assist Council to understand and consider LGFA membership
 - treasury policy review and update
- 10 In undertaking the above, PWC held a number of workshops with the Finance and Assurance Committee and Council to understand Council, its risk appetite and its current investment approach.
- 11 The first workshop held with Council intended to assist Council in determining its future investment strategy and as such covered the following items:
- Council's existing investment policies, framework and approach
 - the current investment portfolio
 - desirable asset class characteristics
 - Council's desired future investment objectives and approach.
- 12 Throughout, feedback was sought on a range of topics to help shape the discussion and potential future investment direction. These included:
- the appropriateness of Council's current approach and its investment objectives
 - Council's risk tolerance
 - return targets
 - other investment constraints.
- 13 Overall, this outlined the \$57 million of investments and reserves held and the investment characteristics for Council of each asset type.

Asset Class	Current Investments (\$m)	Use of Revenue	Capital Protection	Liquidity	Capital Growth	Cash Yield
Reserves	Internal Loans	\$35.4m • Offset general rates • Reduce external debt • Fund interest liability on reserves	High	Low	Low	Low
	Loans and advances for community development	- • Social and community – no required return	Low	Low	Low	Low
	Treasury investments ¹	\$6.4m • Fund council activities • Offset revenue • Offset external debt	High	High	Low	Low/Moderate
Investments	Property	- • Offset general rates • Offset opex	Moderate	Moderate	High	Moderate
	Forestry	\$14.8m • Offset general rates • Fund working capital • Fund reserves	Moderate	Moderate	Moderate	Moderate
	Equity investments	\$0.4m • Offset general rates	Low	Low	High	Moderate

14 To put investment risk into perspective, PWC presented the below table which plotted the different asset classes by their overall risk. Overall risk is based on the qualities noted in the table above including capital protection, volatility, liquidity and capital growth. The table notes Council’s current risk tolerance implied by its existing investment portfolio



15 On 20 November 2020 PWC prepared its investment strategy review and recommendation report which it presented at a further workshop in November 2020. The key review point was a desire of Council to investigate the rebalance its internal loans. This rebalance was sought to achieve a potentially greater return. Currently reserves are invested in bank deposits and internal loans. Interest is charged on internal loans at 4.5% with ratepayers paying this return. A rebalance would see these internal loans refinanced from external loans, through the LGFA at a lower interest rate (currently 2.2% for 16 years). The resulting cash would then be invested externally.

16 A review of the current investment objectives indicated their continued relevance. The objectives being:

- to manage investments in a sustainable and equitable way
- effective management of assets to ensure adequate safeguarding of portfolio value

- maximise interest income within a prudent level of investment risk
- Council recognises that as a responsible public authority, any investments that it holds should be of relatively low risk.

17 The below slide from the PWC presentation outlines the considerations and discussions held that considered the risk assessed and the types of investment most appropriate for Council

Determining the appropriate investment for Council

Council workshop feedback indicated the future approach to investing reserves (as described on page 11) was attractive. Determining the appropriate asset classes in which this approach could be executed requires Council to determine its risk tolerance and return requirements. Below we have the key items we asked Council for its feedback on and its response. This ultimately resulted in Council's decision to invest in balanced managed Funds.

	Risk	Returns	Asset Classes
What we asked you	<ul style="list-style-type: none"> • What is Council's risk tolerance? • What is Council's view on the level of risk associated with each of its existing investments? • Would Council seek to position its investments in a different way? 	<ul style="list-style-type: none"> • What is the right amount of cash yield for Council to receive? • What does Council want to use its investment income for? • What is the appropriate level of income that should be put in reserves each year? 	<ul style="list-style-type: none"> • Does Council have a preference to invest directly or indirectly? • What are Council's views on the characteristics of the asset classes presented to them (refer Appendix)? • Does Council have a particular view on the returns it expects from particular asset classes?
What you told us	<ul style="list-style-type: none"> • Council's risk tolerance identified as being moderate. This is reasonably aligned with other peer councils. • Outside of internal loans, Council is comfortable with its other investments and their risk profiles. 	<ul style="list-style-type: none"> • Council had not historically maximised its investment returns. • Strong desire for Council to achieve higher investment returns for the benefit of current and future generations. • Income to be used to subsidise rates and to be reinvested. 	<ul style="list-style-type: none"> • Preference to invest indirectly. • Mixture of capital growth and cash yield required from asset classes. • Asset class alignment with Council's risk tolerance important.

Council decision to invest funds raised from 'rebalancing' internal loans in a balanced managed Fund.

18 Based on the questions and the discussions held, PWC assessed Council's risk tolerance as moderate. From a range of suitable asset classes a balanced managed fund was identified as having the traits most likely aligned with Council's investment objectives and requirements from its reserve investments. PWC have recommended based on the likely size of Council's investment that an existing managed fund be used although it noted that Council could hire its own investment manager. Examples of existing managed balanced funds indicate five year returns around 6% to 7%.

19 It also noted Council's continued desire to retain its forestry investment for the long term and the desire for investments to provide intergenerational benefit.

What is in the draft policy

- 20 The investment part of the policy is designed to ensure that the financial resources of Council are managed in an efficient and effective way. It sets out why Council holds investments, its strategy towards risk, mix of investments it has and how it will distribute any return on investments.
- 21 The key aspects of the Investment Policy are:
- the use of banks for working capital, restricted reserves etc where the bank has a Standard and Poors rating of A- or above. This currently excludes investment in SBS who has a rating of BBB. Currently, Council only invests in New Zealand registered banks where investment is limited to \$10 million and if the bank has a rating of A1 or better
 - the use of a balanced managed fund for general reserve funds repurposed to cash from internal loans. Typically these funds have an equal allocation of income (cash on call, term deposits, Australasian and International bonds) and growth (property, Australasian and international equities, Infrastructure) assets to ensure some investment income and capital growth is achieved
 - outlining Council's risk profile, overall Council identifies itself a risk conscious entity. It then acknowledges that the type and purpose of the investment defines the risk approach being mindful to the rationale of holding the various types of investments. The policy notes that treasury investments should be low risk and are there for the investments of working capital, achieving returns within risk parameters noted and investing amounts allocated to general reserves, trust funds and special funds. For externally managed funds used to maintain and protect the real capital value of general reserves and maintaining liquidity, the policy acknowledges the monies may be used to offset rates as well as maintain capital and as such a moderate risk profile is acceptable hence the policy allows for the purchase of units in an established externally managed balanced fund
 - Council's ability to invest internally through the use of internal loans is retained.
 - the ability for Council to invest in the Local Government Funding Agency Limited (LGFA) which occurs when Council borrows from the LGFA. All borrowers are required to contribute 1.6% of the total amount borrowed as borrower's notes.
- 22 The liability management part of the policy is designed to provide a framework for prudent debt management. It sets out the objectives of any borrowing undertaken, the limits to borrowing, the forms of borrowing, how Council will handle risk and the reporting/delegations to support the function to enable best practice.
- 23 The key aspects of the proposed Liability Management Policy are:
- borrowing Limits
 - four ratios are needed as part of the covenants agreed to with LGFA these are shown in the table below

BORROWING RATIO	COUNCIL BORROWING LIMIT PROPOSED	LGFA MAXIMUM BORROWING LIMIT
Net debt as a percentage of total revenue	<175%	<175%
Net interest as a percentage of total revenue	<10%	<20%
Net interest as a percentage of rates revenue	<7%	<20%
Liquidity (external, borrowing + available committed loan facilities + available liquid investments as a percentage of existing external debt)	>110%	>110%

- the net debt as a percentage of total revenue has been set as part of the financial strategy. Based on the financial information supporting the 2021-31 LTP consultation document the above proposed limits are achievable
- how Council will handle interest rates, liquidity and funding risks. This includes hedging, to manage the impact that movements in interest rates can have. Table 4 in the policy outlines the policy around this
- that security for borrowing will usually be way of negative pledge or a charge over rates. However an option exists to offer security over other assets of Council where Council considers doing so would help further its community goals or objectives.
- that Council can as one of its debt funding options, borrow from the Local Government Funding Authority.
- that Council can advance internal loans for the purpose of capital or one-off activities. Council investments may be used as a source of the funding of these loans.

24 Overall, the policy also outlines the structure of responsibilities and reporting lines within Council. These ensure appropriate management and accountability of liability and investment activities.

25 The policy also includes a series of benchmarks to determine the success of its policy, which will be regularly reported on.

Issues

- 26 As noted above the policy has been developed from the discussions held between PWC and Council.
- It notes Council is risk conscious. Acknowledging that Council is prepared to accept different risk levels for different investment types. Low risk for working capital and restricted reserves. Moderate risk for general reserves.
 - continued ability to invest in internal loans and banks with a rating of A- or above
 - ability to invest in a New Zealand managed balanced fund
 - ability to borrow from the LGFA and other lending institutions
 - tighter controls around the management of borrowing risks
 - establishment of borrowing limits
 - further development of roles and responsibilities and reporting for investing and borrowing.
- 27 There is no legal requirement to consult over this policy and it is not proposed to do so. Potential changes to the way Council invested was noted in the public consultation over the LGFA, no feedback was received.

Factors to Consider

Legal and Statutory Requirements

- 28 As has been stated above, under the act, Council is required to have both an Investment Policy and a Liability Management Policy. Council must state its policies in respect of investments, including:
- the mix of investments
 - acquire new investments
 - an outline of the procedures by which investments are managed and reported on to the local authority
 - an outline of how risks associated with investments are assessed and managed.
- 29 The act also requires Council to state its policy in respect to both borrowing and other liabilities, including:
- interest rate exposure
 - liquidity
 - credit exposure
 - debt repayment.
- 30 Under Section 102 of the Act, amendments to the policy can be made by a resolution of Council. There is no legal requirement to consult.

31 Pursuant to Clause 32(2), Schedule 7, of the Local Government Act 2002, Council may make delegations to Council staff to allow for the efficient conduct of Council business. Clause 32(3), Schedule 7 of the Act also allows staff to delegate those powers to other staff.

32 The power to borrow money, or purchase or dispose of assets, other than in accordance with the Long Term Plan remains the sole responsibility of Council (Clause 32(1)(c), Schedule 7). This responsibility cannot be delegated.

Community Views

33 Included in the proposal to participate in the Local Government Funding Agency, Council noted its desire to externally borrow its current internal loans used to fund capital programmes.

34 It outlined that this meant that cash reserves that are currently being used to fund these internal loans (\$35.3 million at 30 June 2020) would instead be available for investing.

35 It further indicated that Council was currently reviewing its Investment and Liability policy and had indicated a desire to broaden the policy to allow for investments in managed funds.

36 Overall, it is likely that the public would support prudent and effective management, a balanced investment/risk profile, and to maintain appropriate procedures, controls and reporting.

Costs and Funding

37 There are no costs associated with implementing a new policy.

38 At the 30 June 2020, Council had \$41.8 million of reserves and \$15.2 million of investment assets, made up of \$14.8 million of forestry assets, \$0.4 million of Milford Sound Tourism shares and \$0.2 million of Civic Financial Services shares.

Policy Implications

39 Included in the draft Investment and Liability Management Policy, is a number of delegations. When the policy is approved, Council's delegations manual will be updated to incorporate any changes.

Analysis

Options Considered

40 Council is required to adopt an Investment and Liability Management Policy. On this basis, Council has the option of adopting the draft policy, or making further changes to the policy.

Analysis of Options

Option 1 – Recommend to Council the adoption of the draft Investment and Liability Management Policy (including any amendments agreed at this meeting)

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• gives a clear outline of how Council will manage its investments and liabilities• complies with legislation• meets best practice guidelines• documents current practice and the rationale for future reference• ensures appropriate management and accountability of liability and investment activities.	<ul style="list-style-type: none">• there are no known disadvantages.

Option 2 – Making further changes to the draft Policy

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">• further clarifies Council's thinking on investments and borrowings.	<ul style="list-style-type: none">• this option may mean the policy is adopted later, however, there is still the capacity to meet legislative requirements.

Assessment of Significance

- 41 This policy has been assessed as not being significant in relation to Council's Significance and Engagement Policy.

Recommended Option

- 42 Option One - recommend to Council the adoption of the draft Investment and Liability Management Policy.

Next Steps

- 43 Make any changes identified at the meeting.
- 44 Prepare the report to Council incorporating the committees discussions.
- 45 Circulate the adopted policy to relevant staff and make the necessary changes to the delegations manual.
- 46 Start work on the investment and borrowing strategies for discussion with the Finance and Assurance Committee as well as developing the reports required of this policy.

Attachments

- A Draft Investment & Liability Management Policy [↓](#)

Investment Policy and Liability Management Policy

Group Responsible: Chief Financial Officer
Date Approved: DRAFT FOR DISCUSSION
Date Amended:
File No: 19/4/6521

1.0 Overview

The Local Government Act 2002 requires local authorities to adopt an Investment Policy and a Liability Management Policy.

The Investment Policy is designed to ensure that the financial resources of the Council are managed in an efficient and effective way. It sets out how Council can utilise funds from the sale of assets, what should be done with the investment income and so on.

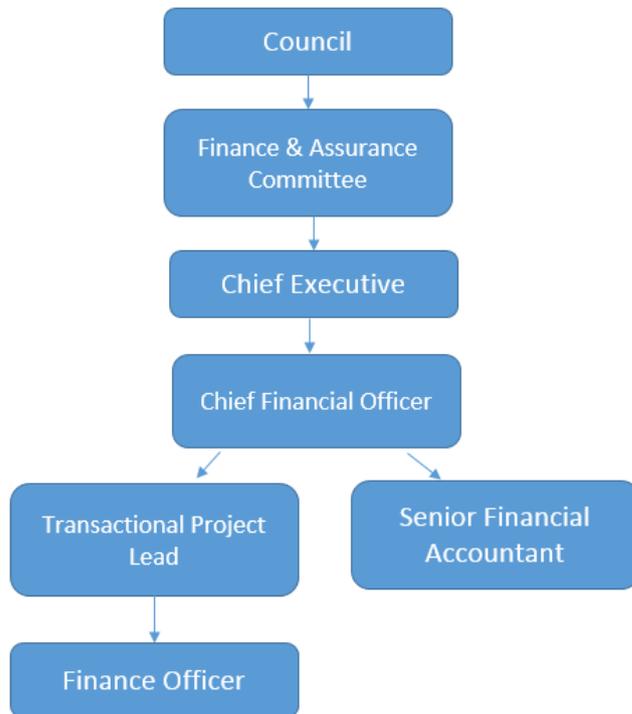
The Liability Management Policy is designed to provide a framework for prudent debt management and sets out how Council may wish to use debt as a funding mechanism.

Council has a structure of responsibilities and reporting lines to ensure the appropriate management and accountability of the liability and investing activities.

2.0 Structure

Organisational Structure

The organisational chart for the finance activity is as follows:



Responsibilities

The key responsibilities of the above positions are as follows:

Council

- approve, adopt and review the Policies including any revisions and amendments.
- approve by resolution all external Council borrowing outside of that noted in the long term plan.
- approve the external managed fund and the appointment of any fund managers.
- approve amount of funds to be placed with external managed fund
- approve membership to LGFA including CCO/CCTOs

Finance & Assurance Committee

- oversee the treasury function of Council ensuring compliance with the relevant Council policies and plans
- ensuring compliance with the requirements of Council's trust deeds
- recommend to Council treasury policies at least every three years
- approving debt, interest rate and external investment management strategy

Chief Executive (CE)

- ultimately responsible for ensuring the Policies adopted by Council are implemented by officers of Council and administered in accordance with their terms.

Chief Financial Officer (CFO)

- responsible for recommending investment, borrowing and risk management strategy in conjunction with relevant staff.
- ensure compliance with any relevant Strategies
- responsible for determining the level of cash available for investment and that held for working capital purposes.
- execute the external investment management and interest rate strategy
- approve amounts to be placed with an external fund manager for investment purposes within that set within the Annual Plan or Long Term plan or by way of separate Council resolution
- recommend to Finance & Assurance Committee and Council amendments to the Policies as required
- .recommend to Finance & Assurance Committee the debt, interest rate and external investment management strategy for approval.
- review internal audit reports and ensure any recommendations agreed by the Finance & Assurance Committee are made.
- approve new treasury investments ensuring the proposed investment complies with these policy documents.
- receive managed fund reports and annually monitor performance and present the necessary reports to the Finance & Assurance Committee.

Transactional Project Lead

- responsible for confirming adherence to the policies, through internal reviews, to be performed on a regular basis and present a summarised report of compliance to the CFO.
- responsible for recommending to the CFO the level of cash available for investment and that held for working capital purposes.
- negotiate and undertake treasury investment and borrowing/funding transactions.
- assist in identifying amendments to the investment, borrowing and risk management strategy, which may require amendment of the Policies.
- responsible for all activities relating to the daily implementation and maintenance of the Policies.
- assist in determining the most appropriate sources and terms for borrowing and investing.
- responsible for keeping the CFO informed of significant activity and market trends.
- responsible for reviewing/approving the weekly cashflow and cash management transaction requirements completed by the Senior Accounts Payable Officer (or equivalent).

Senior Financial Accountant

- check all treasury deal confirmations against the treasury spreadsheet and report any irregularities immediately to the CFO.
- Responsible for settling treasury transactions

Finance Officer

- prepare and manage Council's cashflow and cash requirements
- report to the Finance Manager on the weekly cashflow position and resulting cash management transactions required.

3.0 Investment

Introduction

This Investment Policy has been prepared pursuant to Section 102(1) of the Local Government Act 2002 (the “Act”), which requires the Council to adopt an Investment Policy and a Liability Management Policy. Section 105 of the Act sets out what must be included in an Investment Policy.

Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity.

Council’s rationale for retaining investments is:

- strategic assets are to be held by the Council, for public good.
- to earn from strategic investments a cash flow for investment in community wellbeing.
- to prudently manage cash flows within annual budget parameters.

Council is a risk conscious entity and does not wish to incur additional risk from its treasury activities. Accordingly, Council’s primary objective when investing is the protection of its initial investment and generating a commercial return on strategic investments is considered a secondary objective.

Objectives

The key investment policy objectives are to:

- provide a framework for the prudent and effective management of investments.
- ensure that investments are managed in accordance with current governing legislation and Council’s strategic and commercial objectives.
- manage investments in a sustainable and equitable way, having regard to current and future generations.
- recognise the community ownership of these assets and the need for a balanced investment/risk profile.
- ensure Council assets are managed prudently and adequately safeguarded.
- safeguard Council’s financial market investments by establishing and regularly reviewing investment parameters and ensuring all investment activities are carried out within these parameters.
- maximise interest income on treasury investments, within a prudent level of investment risk. Council recognises that as a responsible public authority any treasury investments that it does hold should be of relatively low risk. It also recognises that lower risk generally means lower returns.
- maintain and increase the real capital value of the eternal managed funds.
- ensure funds are available to meet Council’s needs.
- maintain professional relationships with the Council’s bankers, financial market participants, fund managers, trustees and other stakeholders.
- regularly review the performance and creditworthiness of all investments.
- maintain procedures and controls and provide timely and accurate financial and management information.

These objectives will be achieved by having regard to:

- the mix of investments that Council will utilise.
- the process for the acquisition and divestment of new investments.
- the management and assessment of risk.
- the need for appropriate management and reporting procedures.

Investment Mix

Council has a portfolio of investments; at any time, these could comprise:

- treasury investments,
- direct equity investments.
- property.
- other property investments – Community Housing.
- forestry.
- loans, advances for community development purposes.
- internal loans
- external managed funds that could include equities .

The decision on which mix of investments Council will hold at any time will be based on the purpose for which the funds were acquired and the market conditions at the time.

Acquisition of New Investments

With the exception of treasury investments, internal loans and equity investments, new investments are acquired if an opportunity arises and approved by Council resolution, based on advice and recommendations from management. Before approving any new investments, Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives and the financial risks of owning the investment.

The authority to acquire treasury investments is delegated to the Chief Financial Officer.

Application of Returns from Investments

Some returns are earmarked for specific purposes, but generally returns on Council investments are applied to give equal benefit to the District ratepayers by application in a pro-rata basis to offset the costs of District services.

Direct Equity Investments

Nature of Investment

Direct equity investments are held for strategic purposes only and include interests in:

- **Civic Assurance Corporation** (13,715 shares).
Civic Assurance is a specialist Local Government insurance company.
- **Milford Sound Tourism Limited** (2,000 shares). The role of Council is to facilitate and co-ordinate development and operations at Milford Sound/*Piopiota* and Council's intention is to retain its shareholding in the company.

Rationale for Holding Investment

The Council may hold equity for non-investment purposes, provided that the holding is in furtherance of its purpose under the Local Government Act 2002.

To have the ability to utilise equity investments where necessary to:

- achieve the desired level of returns; and/or
- to provide a diversified investment portfolio.

Disposition of Revenue

These investments are held for strategic reasons only and not for investment purposes.

As such these investments do not derive revenue to Council in the form of dividends. If they do, revenue or dividends will be used to offset general rates.

Risk Management

Investments in the Civic Assurance Corporation and the Milford Sound Tourism Limited are held for strategic purposes. For any other equity investments, Council reviews the performance of the trading enterprises at least annually to ensure that strategic and financial objectives are being achieved.

Dispositions and acquisitions require Council approval.

Property

Nature of Investment

The Council's first objective is to only own property that is strategically necessary for the economic, physical and social development of the Southland District and secondly, to achieve an acceptable rate of return. Property investments do not include properties for operational purposes.

Rationale for Holding Investment

Council holds investment properties in order to generate income to offset general rates.

The Council reviews the performance of its property investments on an annual basis and ensures that the benefits of continued ownership are consistent with its stated objectives. Any disposition of these investments requires the Council's approval.

Disposition of Revenue

Income generated is used to offset operational expenditure. Surplus funds will be used to fund future property projects.

Risk Management

The risk in respect of holding investment property is evaluated as low given the location of the properties and their current and long-term use.

Rental income is considered low risk, due to the fixed and long-term nature of the lease agreements. Lease rental is negotiated at the time the lease expires.

Other Property Investments - Community Housing

Nature of Investment

Council has 69 community housing units available for rental. These houses are located in various townships across the Southland District.

Rationale for Holding Investment

Council retains community housing to allow people to continue to live in its local community. The elderly or people with disabilities are given preference.

Council's philosophies include ensuring that rental charges cover costs (excluding depreciation) and to continue to maintain the housing at its current high standard. There is no required rate of return on this investment.

Disposition of Revenue

Revenue earned from the investment in community housing is retained in the community housing investment.

Risk Management

The risk in respect of holding other property investments is evaluated as low given the location of the properties and their current and long term use.

Council's community housing activities are managed by staff in the Property Department. They regularly review Council's involvement in community housing, including assessment of the need for this asset within the community.

Dispositions and acquisitions require Council approval.

Forestry

Nature of Investment

The Council and its predecessor organisations have been involved in forestry for many years. Council's current forestry policy is that it will operate and maintain up to 3,000 planted hectares. The Council currently maintains 1,800 hectares of land.

Rationale for Holding Investment

Forestry assets are held as a long-term investment. The overall investment policy of the Council with regard to forestry is to maximise profit, with harvesting on a sustainable yield basis and without any demand on rates.

Disposition of Revenue

Any surplus revenue is used to offset rates. Any surplus not used in the year it was earned is accumulated into a forestry reserve and used to offset future rates. The use of the reserve in future years, will often be based on an even spread over a number of years to minimise rates fluctuations. Approximately \$100,000 is retained for operating working capital at any time.

Risk Management

Forests are currently managed by a specialist external party. Forestry activities are reviewed by the Services and Assets Committee.

Significant risk management strategies include diversity of forest age classes, insurance against fire and access to a rural fire fighting force, a mix of species, geographic spread of forests and controlled access. Retention of the forest is reviewed periodically.

Dispositions and acquisitions require Council approval.

Loans and Advances for community development purposes

Nature of Investment

The Council is not a lender and therefore is not generally involved in providing loans or advances.

Rationale for Holding Investment

Council provides loans for community development purposes. From time to time, Council has provided a loan or advance to a community organisation to facilitate the ongoing provision of community services or recreational opportunities. The loans/investments are not made for financial investment purposes.

Council sets the terms and conditions for any loans or advances as they are granted. Council will require security as deemed appropriate for each loan or advance. The security will be the assets or revenue of the organisation.

Disposition of Revenue

Generally, these loans are to the benefit of the local community and not for financial investment purposes. Interest will be charged at a rate that is consistent with Council's interest rate on internal loans. Any revenue would be applied to reserves, reduce external debt or offsetting general rates.

Risk Management

Council will review the performance of its loan advances on a regular basis to ensure the planned strategic and economic objectives are being achieved.

Council monitors the compliance of the borrower with the terms and conditions agreed upon.

All loans and advances documentation are subject to independent legal review prior to finalisation.

Internal Loans

Nature of Investment

Council may utilise its general reserves and surplus funds for internal borrowing/lending purposes to reduce external debt, thus effectively reducing borrowing costs.

Rationale for Holding Investment

To facilitate the development of Council activities within Council and the community to minimise the costs associated with borrowing externally.

Disposition of Revenue

Income derived from internal loans is generally used to generate a return to reserves.. Any surplus income is used to reduce external debt and/or offset against general rates.

Risk Management

Internal loans shall be managed as a treasury investment. Interest rates will be set having regard for Council's opportunity cost forgone.

Council may not achieve the opportunity cost due to actual external interest rates being different to the interest rate set for any given year as part of the LTP/Annual Plan process. In this case the return to Council may be more or less and will impact on the return to reserves.

Treasury Investments

Nature of Investment

To provide the ability to utilise a range of financial investments not already specified in this policy.

Approved treasury investments include;

CATEGORY	INSTRUMENT
TREASURY INVESTMENTS	Call and term bank deposits Bank certificates of deposit (RCDs) Treasury Bills and Government Bonds LGFA bonds/Floating Rate Notes (FRN)/Commercial Paper (CP) LGFA borrower notes

With the exception of LGFA borrower notes, the term of the treasury instruments is no greater than one year.

Rationale for Holding Investment

Council's philosophy in the management of treasury investments is to optimise its capital protection and liquidity objectives while balancing risk and return considerations. Council recognises that as a responsible public authority any treasury investments that it does hold should be low risk. It also recognises that lower risk generally means lower returns.

The Council maintains treasury investments to:

- invest surplus cash and working capital funds.
- achieve the desired level of returns within acceptable risk parameters.
- invest amounts allocated to general reserves, trust funds and special funds.

Council's primary objective when investing is the protection and liquidity of its investment. Accordingly, only credit-worthy counterparties are acceptable. Credit-worthy counterparties are selected on the basis of their current Standard and Poor's (S&P) or equivalent rating, which must be strong or better.

To avoid undue concentration of exposures, treasury investments should be used with as wide a range of counterparties as practicable. Transaction principal amounts and maturities should be well spread where possible.

Within the above constraints, Council also seeks to:

- ensure investments are liquid.
- maximise investment return.
- manage potential capital losses due to interest rate movements.

Liquidity risk is minimised by ensuring that all negotiable treasury investments must be capable of being liquidated in a readily available secondary market.

Disposition of Revenue

Income derived from Council's treasury activities will be used to fund Council activities including the allocation of interest on reserves, offsetting rates and repaying external debt.

Externally Managed Funds

Nature of Investment

Council may invest its general reserves in externally managed funds. Council has a medium to long-term investment horizon as it seeks to manage investments in a sustainable and equitable way, having regard to both current and future generations of ratepayers.

Council would purchase units in a NZD managed fund or funds.

Rationale for Holding Investment

Council maintains externally managed funds to:

- maintain, protect and increase the real capital value of the principal amount invested. Real capital value is the value that has been adjusted for the effect of inflation.
- diversify the investment of Council's general reserves.
- maintain liquidity and access to cash if needed.
- obtain annual cash income to subsidise rates revenue.

Where practical, investments will be made considering the ethical practices of the investment entity. Council's intention for the Funds is to avoid direct involvement with industries that have a negative impact on society and the environment. This includes:

- alcohol,
- tobacco, and
- military/weapons.

Disposition of Revenue

The managed funds are expected to return (before fees and taxes) at least 5% per annum. Council will consider as part of its planning process what is appropriate to subsidise rates revenue and what should be accrued back to its reserves, having regard to its rationale noted above. The actual disposition may differ from that planned as a result of the actual returns being more or less than budgeted again having regard to the rationale above.

Income derived from managed funds in the form of interest and dividends, is generally used to offset general rates with any surplus income used to provide a return on reserves. Surplus income can be re-invested in the managed fund(s).

Annually, Council evaluates whether to realise any capital gains that have been accumulated by the managed funds over the period. Overall the objective is to hold the managed funds for the medium to long term.

Risk Management

Council has a preference to invest indirectly in externally managed funds that are managed by a suitably qualified fund manager(s) and be managed within the below criteria.

Council's risk profile is considered moderate for financial investment purposes and therefore seeks to invest in a 'balanced' managed fund where there is a mix of capital growth and income asset types. Council will buy units in an established externally managed fund but could appoint its own investment manager.

The strategic asset allocation and tactical ranges are provided in the following table:

Allocation	Benchmark %	Ranges %
Total growth assets	50%	40-60%
Total income assets	50%	40-60%

Growth assets include approved asset types; listed domestic and international equities and listed property shares. Income assets include asset types such as; cash, term deposits, domestic and international floating and fixed rate debt securities. Any other asset types must be approved by Council before any investment is made.

Investments may be hedged back to NZD.

The counterparty risk policy set out in section 4 does not apply to externally managed funds. The investment guidelines are set out in Appendix 1.

At least quarterly reporting is provided on the performance of the managed fund(s). Annually the fund performance is benchmarked to other similar funds.

Local Government Funding Agency Limited (LGFA)

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

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

Because of this dual objective, Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required in connection with the investment, Council may also subscribe for uncalled capital in the LGFA.

4.0 Liability Management

Introduction

This Liability Management Policy has been prepared pursuant to the

Local Government Act 2002; section 102(1) which requires the Council to adopt a Liability Management Policy and section 104 which outlines the contents of the policy.

Generally, Council borrows to provide funding for the following activities:

- fund Council capital expenditure requirements.
- manage timing differences between cash inflows and outflows.
- cover special 'one-off' projects.
- fund assets with intergenerational qualities.
- manage timing differences in the rebalancing of its internal loan portfolio into externally managed funds.

Total debt levels are determined through Council's Long-Term Plan (LTP) and Annual Plans. Council approves this borrowing requirement for each financial year in the Annual Plan or LTP or by resolution during the year.

Objectives

- ensure Council has appropriate working capital funds available to carry out its plans as outlined in its LTP and Annual Plan.
- ensure that Council has an on-going ability to meet its debts in an orderly manner as and when they fall due in both the short and long term, through appropriate liquidity and funding risk management.
- arrange appropriate funding facilities for Council, ensuring they are at market related margins utilising bank debt facilities and/or capital markets as appropriate.
- maintain lender and LGFA relationships and Council general borrowing profile in the local debt and, if applicable, capital markets, so that Council is able to fund its activities appropriately at all times.
- control Council's cost of borrowing through the effective management of its interest rate risks, within the interest rate risk management limits established by this policy.
- ensure compliance with any financing/borrowing covenants and ratios.
- maintain adequate internal controls to mitigate operational risks.
- produce accurate and timely reports that can be relied on by senior management and Council for control and exposure monitoring purposes in relation to the debt raising activities of Council.

Council will manage its borrowing activities prudently to ensure the best interests of the District are maintained. To undertake this, the following will be considered in conjunction with every transaction undertaken:

- cost minimisation
- cost stabilisation/risk management

Specific Borrowing Limits

Total debt levels are maintained at a prudent level and will be managed within the following limits:

ITEM	BORROWING LIMIT
NET DEBT AS A PERCENTAGE OF TOTAL REVENUE	<175%
NET INTEREST AS A PERCENTAGE OF TOTAL REVENUE	<10%
NET INTEREST AS A PERCENTAGE OF RATES REVENUE	<7%
LIQUIDITY (EXTERNAL, BORROWING + AVAILABLE COMMITTED LOAN FACILITIES + AVAILABLE LIQUID INVESTMENTS AS A PERCENTAGE OF EXISTING EXTERNAL DEBT)	>110%

- total Revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).
- net debt is defined as total debt less treasury investments. External debt that is specifically borrowed for on-lending to a CCO/CCTO is netted with the corresponding loan asset for the LGFA covenant calculation.
- liquid investments are unencumbered assets defined as being:
 - Overnight Bank cash deposits
 - Wholesale/retail bank term deposits no greater than 31 days.
 - Bank issued registered certificates of deposit less than 181 days
- external debt funding and associated investment activity relating to pre-funding is excluded from the liquidity ratio calculation
- net Interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- annual Rates Revenue is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).
- financial covenants are measured on Council only.
- disaster recovery requirements are to be met through the liquidity ratio.

Debt Repayment

Total debt levels are indicated through Council's LTP or Annual Plans. Council's Annual Report will contain information to allow actual debt levels to be compared with those forecasted.

Loans raised for specific projects will generally be repaid through user charges or rates. Loans raised for local purposes will generally be repaid by the ratepayers in the relevant local area. Surplus Council funds and proceeds from the sale of investments and assets will be reviewed periodically by Council with a view to repaying debt, or for funding capital projects.

The Council may repay debt before maturity in special cases where the circumstances suggest that this would be in the best interests of the District.

Debt will be repaid as it falls due in accordance with the applicable borrowing arrangement. Subject to the appropriate approval and debt limits, a loan may be rolled over or re-negotiated as and when appropriate.

Guarantees/contingent liabilities and other financial arrangements

Council may act as guarantor to CCOs, financial institutions on loans when the purposes of the loan are in line with Council's strategic objectives.

For any outstanding guarantees, Council will ensure that sufficient financial capacity exists relative to LGFA lending covenants. Unless approved by Council, guarantees or financial arrangements given will not exceed NZ\$1 million in aggregate.

Council is not permitted to provide any guarantee of indebtedness in favour of any loans to CCTOs under Section 62 of the Local Government Act.

For any guarantee for indebtedness provided by Council to a CCO that borrows directly from the LGFA or bank lender, Council will approve the specific borrowing and guarantee arrangement.

Borrowing mechanisms for council-controlled organisations and council-controlled trading organisations

To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs.

Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

Any lending arrangement to a CCO/CCTO must be approved by Council. In recommending an arrangement for approval the Chief Financial Officer considers the following:

- credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- impact on Council's credit standing, debt cap amount (where applied), borrowing limits with the LGFA and other lenders and Council's future borrowing capacity.
- the form and quality of security arrangements provided.
- the lending rate given factors such as; CCO/CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
- lending arrangements must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
- accounting and taxation impact on-lending arrangement.

All lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed and approved by Council's independent legal counsel.

LGFA

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

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

Internal Loans

All Council investments may be used as a source for internal loans in relation to expenditure of a capital (or one off) nature related to any activity that would otherwise be funded by external loan.

The term of any internal loan shall not be more than 30 years and will be set after taking into account the ability of ratepayers affected to pay, alternative uses of the funds and the life of the assets to be funded.

The term set will be subject to review during the course of the loan.

The interest rate to be applied to internal loans for any given year will be developed as part of Council's Long-Term Plan or Annual Plan. To remove any doubt, the interest rate calculated will be the interest rate used for that year for budgeting and end of year actual results.

The method of calculation and the resulting interest rate will be resolved by Council as part of this annual process. In developing the method of calculation, Council will consider its investment policy objective, which is to obtain the net opportunity cost of not having the funds invested externally. Council will also consider its present and future financial position as well as market conditions.

After taking into account fairness and equity, Council can resolve to apply a lesser interest rate than the interest rate calculated where it agrees the circumstances are such that it is warranted.

Security

It is Council's general policy to offer security for its borrowing and risk management activities by way of negative pledge or a charge over its rates offered through a Debenture Trust Deed. Under a Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Local Government Rating Act. The security offered by Council ranks equally or *pari passu* with other lenders.

In the normal course, the Council's policy is not to offer a guarantee or security over any of the other assets of the Council. However, the Council may decide to offer security over the asset:

- where borrowing is by way of finance lease, or some other form of trade credit under which it is normal practice to provide security over the asset concerned, or
- where the Council considers doing so would help further its community goals and objectives.

Any lending to a CCO or CCTO will be on a secured basis and be approved by Council.

Interest Rate Exposure

Interest rate risk management refers to managing the impact that movements in interest rates can have on Council's cash flows. This can have both a positive and/or negative impact. A 1% change in interest rate will have a 0.4% impact on rates (on rates of \$50 million).

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing/hedging of wholesale interest costs. Certainty around interest costs is to be achieved through the proactive management of underlying interest rate exposures.

When actual debt amounts are at \$20 million or above it is mandatory that the interest rate exposures of Council are managed according to the limits detailed in the following table. Council's gross external core debt forecasts (less any pre-funded debt amounts) must be within the following fixed/floating interest rate risk control limits:

FIXED RATE HEDGING PERCENTAGES		
Term	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
Current	40%	90%
Year 1	40%	90%
Year 2	35%	85%
Year 3	30%	80%
Year 4	25%	75%
Year 5	20%	70%
Year 6	0%	65%
Year 7	0%	60%
Year 8	0%	50%
Year 9	0%	50%
Year 10	0%	50%
Year 11	0%	25%
Year 12	0%	25%
Year 13	0%	25%
Year 14	0%	25%
Year 15	0%	25%

“Fixed rate” is defined as all known interest rate obligations on forecast external core debt, including where hedging instruments have converted floating rate obligations into firm commitments.

“Floating rate” is defined as any interest rate obligation subject to movements in the applicable reset rate.

Gross forecast external core debt is the amount of total external debt for a given period. This allows for pre-hedging in advance of projected physical drawdowns of new debt. When approved forecasts are changed, the amount of fixed rate cover in place may have to be adjusted to ensure compliance with the Policy minimums and maximums. Pre-funded debt amounts are excluded from the gross debt forecast.

Core debt is defined as debt that is expected to remain for a period of greater than one year.

A fixed rate maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile that is outside the above limits beyond 90-days requires specific approval by Council.

Any fixed rate hedge with a maturity beyond 15 years must be approved by Council. The exception to this will be if Council raises LGFA funding as fixed rate or as a swapped floating rate and this maturity is beyond 15 years.

Hedging outside the above risk parameters must be approved by Council.

Approved interest rate instruments are as follows:

CATEGORY	INSTRUMENT
INTEREST RATE RISK MANAGEMENT	Forward rate agreements (“FRAs”) on: <ul style="list-style-type: none"> ▪ Bank bills Interest rate swaps/collars including: <ul style="list-style-type: none"> ▪ Swap extensions, deferrals and shortenings Interest rate options on: <ul style="list-style-type: none"> ▪ Bank bills (purchased caps and one for one collars) ▪ Interest rate swaptions (purchased swaptions and one for one collars only)

- One for one collar option structures are allowable, whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, only the sold side of the collar can be closed out (i.e. repurchased) otherwise, both sides must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate ‘in-the-money’;
- Selling interest rate options for the primary purpose of generating premium income is not permitted because of its speculative nature.
- Purchased borrower swaptions must mature within 12 months;
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation;
- Forward start period on swaps and collars to be no more than 36 months from deal date except where the forward start swap/collar starts on the expiry date of an existing swap/collar and has a notional amount which is no more than that of the existing swap/collar;

Any other interest rate instrument must be specifically approved by Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments is restricted by specified counterparty credit limits.

Prudent selection of interest rate instruments and mix will help the Council achieve its low debt servicing costs and risk minimisation objectives.

Liquidity and Funding Risk Management

Liquidity management refers to the timely availability of funds to Council when needed, without incurring penalty costs. This takes into account the ability to refinance or raise new debt at a future time at the same or more favourable pricing and terms of existing facilities.

Council’s ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong credit rating and manage its relationships with the LGFA and financial institutions. To this end it is the Council’s intention to seek and maintain a strong balance sheet position.

Council may use a mixture of short-term facilities (which generally have lower credit margins) as well as longer term facilities to achieve an effective borrowing mix, balancing the requirements of liquidity and cost.

Council's objective for funding risk management is to minimise the risk of large concentrations of debt being reissued or raised at a time of adverse movements in borrowing margins beyond the Council's control.

The Council's policy for liquidity and funding risk management is:

- Ensure that Council's committed debt facilities and term loans mature over a wide time period;
- External debt plus available committed debt facilities, plus liquid assets must be maintained at an amount of at least 110% over existing external debt
- Through the LGFA and bank lenders, diversify borrowing over a range of wholesale investors and lenders.

Ensuring that bank borrowings are only sought from approved strongly rated New Zealand registered banks.

- Matching expenditure closely to its revenue streams and managing cash flow timing differences
- Maintaining its treasury investments in cash/cash equivalent liquid investments
- Council has the ability to pre-fund up to 18 months of the forecast debt requirements including re-financings.

When actual debt amounts are at \$20 million or above it is mandatory that the following limits apply for managing funding risk. The maturity profile of the total committed funding in respect to all external debt and committed debt facilities is to be controlled by the following system:

Period	Minimum %	Maximum %
1 to 3 years	15	60
3 to 7 years	25	85
7 years plus	0	60

A funding maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile outside of policy limits beyond 90-days requires specific approval by Council.

To minimise concentration risk the LGFA requires that no more than the greater of NZD 100 million or 33% of a Council's borrowings from the LGFA will mature in any 12-month period.

Approved debt and liquidity instruments include;

CATEGORY	INSTRUMENT
CASH MANAGEMENT, LIQUIDITY AND BORROWING	Bank overdraft Committed cash advance and bank accepted bill facilities (short term and long-term loan facilities) Floating Rate Note (FRN) Fixed Rate Note (MTN) Commercial paper (CP)/Promissory notes

Credit Risk Management

Counterparty credit risk is the risk of losses, realised or unrealised, arising from a counterparty defaulting on a financial instrument where the Council is a party. Treasury investments, interest rate and foreign currency instruments are captured within the policy. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.

Amounts should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

Credit risk is minimised by placing maximum prescribed limits for each broad class of non-Government issuer and by limiting investments and risk management instruments to registered banks that have a credit rating from a recognised international credit rating agency. The limit system is as follows;

COUNTERPARTY/ISSUER	MINIMUM S&P LONG TERM/SHORT TERM CREDIT RATING	TOTAL MAXIMUM COMBINED LIMIT PER COUNTERPARTY (\$MILLION) *
NZ GOVERNMENT	AA+/A-1+	Unlimited
NZ LOCAL GOVERNMENT FUNDING AGENCY	AA/A-1	Unlimited
NZ REGISTERED BANK (PER BANK)	AA /AA-/A-1	10.0
NZ REGISTERED BANK (PER BANK)	A+/A/A-1	5.0
* THIS COMBINED TOTAL MAXIMUM LIMIT INCLUDES EXPOSURE TO THE COUNTERPARTIES INCLUDING TREASURY INVESTMENTS AND RISK MANAGEMENT INSTRUMENTS AND EXCLUDES EXTERNALLY MANAGED FUND(S).		

In determining the usage of the above gross limits, the following weightings will be used:

- Treasury investments (e.g. bank term deposits) – Transaction principal amount.
- Interest rate risk management (e.g. swaps, FRAs) – Transaction Notional x Maturity (years) x 3%
- Foreign Exchange Risk (e.g. Forward Exchange Contract) – Transaction Face Value amount x ((square root of the maturity (years)) x 15%).

Each transaction should be entered into a treasury spreadsheet and a quarterly report prepared to show assessed counterparty actual exposure versus limits. Credit ratings are reviewed on an ongoing basis and in the event of material credit downgrades should be immediately reported to the Chief Financial Officer and assessed against exposure limits. If any counterparty's credit rating falls below the minimum specified in the above table, then all practical steps are taken to eliminate the credit exposure to that counterparty as soon as practicable.

Counterparties exceeding limits should be reported to Council.

Foreign currency

Council has foreign exchange exposure through the occasional foreign exchange transactions that Council may undertake such as plant and equipment.

Significant commitments for foreign exchange can be hedged using foreign exchange contracts, once expenditure is approved. Forward exchange contracts can be used by the Council. The majority of these transactions would be small and would carry no significant foreign exchange risk.

Council does not borrow or enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency.

5.0 Procedures for Management and Reporting

Cash Management

The finance function is responsible for managing the Council's cash surpluses and/or deficits.

The Council maintains rolling daily, monthly and annual cash flow projections which form the basis of its cash management activity. The Council maintains one main bank account for its operating cash flows as well as other bank accounts for specialist activities such as investment and borrowing requirements. Individual business units within the Council do not maintain separate bank accounts.

The Council manages its working capital balances by matching expenditure closely to its revenue streams and managing cash flow timing differences to its favour. Daily bank balances are extracted by the Finance Officer.

Generally, cash flow surpluses from timing differences are available for periods less than 90 days.

Cash management activities must be undertaken within the following parameters:

- an optimal daily range of \$10,000 is targeted for in the Council's main bank account, with investments adjusted to balance the current account if required.
- cash flow surpluses are placed in call deposits, term deposits, registered certificates of deposits and promissory notes.
- amounts invested must be in approved instruments and within approved credit limits .
- the Council has a committed bank facility with a limit of \$5,000,000 for working capital purposes which is used on an operational basis.
- the use of interest rate risk management on cash management balances is not permitted.

Internal Controls

The Council's systems of internal controls over cash management and treasury activity includes adequate segregation of duties among the core treasury functions of deal execution, confirmation, settling and accounting/reporting.

Key internal cash management controls are as follows:

- cheque/electronic banking signatories - dual signatures are required for all cheques and electronic transfers.
- authorised personnel - all counterparties are provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.

- reconciliations - general bank reconciliation is performed daily and monthly by the Debtors Officer (or equivalent) and reviewed by a senior finance staff member.

There are a small number of people involved in treasury activity. Accordingly strict segregation of duties is not always achievable. The risk from this is minimised by the following processes:

- a documented discretionary approval process for treasury activity.
- regular management reporting.
- operational risk control reviews will be undertaken periodically.
- appropriate organisational, systems, procedural and reconciliation controls exist to ensure:
 - (a) all treasury activity is bona fide and properly authorised;
 - (b) checks are in place to ensure the Council's accounts and records are updated promptly, accurately and completely.

The details of any exceptions, including remedial action taken or intended to be taken.

Legal risk

Legal risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, Council may be exposed to such risks.

Council will seek to minimise this risk by adopting policy regarding:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third-party confirmations and the immediate follow-up of anomalies.
- The use of expert advice.

Financial instruments can only be entered into with banks that have in place an executed International Swaps and Derivatives Association (ISDA) Master Agreement with Council.

Council's internal/appointed legal counsel must sign off on all documentation.

Council must not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

Council must comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

Reports

The following reports are produced to monitor treasury activity:

REPORT NAME	FREQUENCY	PREPARED BY	RECIPIENT
DAILY CASH POSITION	Daily	Finance Officer or equivalent	Senior Finance staff member
TREASURY SPREADSHEET	As required	Finance Officer or equivalent	Senior Finance staff member
TREASURY EXCEPTIONS REPORT	As required	Finance Officer or equivalent	Senior Finance staff member/CFO
TREASURY REPORT POLICY LIMIT COMPLIANCE BORROWING LIMITS FUNDING AND INTEREST RISK POSITION TOTAL DEBT FUNDING FACILITY UTILISATION NEW TREASURY TRANSACTIONS COST OF FUNDS VS BUDGET CASH FLOW FORECAST REPORT LIQUIDITY RISK POSITION COUNTERPARTY CREDIT DEBT MATURITY PROFILE RENEWAL INVESTMENT OPERATING INVESTMENT EXCEPTIONS	Monthly	Finance Officer or equivalent	CFO
TREASURY REPORT INCLUDE MONTHLY REPORT ALONG WITH;	Quarterly	Finance Officer or equivalent	CFO and Finance and Audit Committee

EXTERNAL MANAGED FUNDS REPORT A STATEMENT OF POLICY COMPLIANCE. TREASURY AND MARKETS COMMENTARY TREASURY PERFORMANCE CCO/CCTO LOANS AND GUARANTEES, FINANCIAL ARRANGEMENTS REVALUATION OF FINANCIAL INSTRUMENTS			
TRUSTEE REPORT	As required by the Trustee	Finance Officer or equivalent	CFO/Trustee company
LGFA REPORT	Annual	Finance Officer or equivalent	CFO/LGFA

Benchmarking

In order to determine the success of Council's treasury management function, the following benchmarks and performance measures have been prescribed.

Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) are to be reported to Council or an appropriate sub-committee of Council on a quarterly and YTD basis

- All treasury limits must be complied with including (but not limited to) counterparty credit limits, dealing limits and control limits.
- All treasury deadlines are to be met, including reporting deadlines.
- The actual borrowing cost for Council (taking into consideration costs of entering into interest rate risk management transactions) should be below the budgeted borrowing costs.
- The actual investment return for Council on the external managed funds are above the budget investment return amounts.
- Annually the actual total return on the externally managed funds is compared to average annual total return of peer 'balanced' managed funds.

Compliance with the benchmarking standard is not required if Council's nominal debt levels are less than \$10M.

Delegations

Pursuant to Clause 32 (2), Schedule 7, of the Local Government Act 2002, the Council may make delegations to officers of the Council to allow for the efficient conduct of Council business. Clause 32 (3), Schedule 7 of this Act allows officers to delegate those powers to other officers.

Notwithstanding Clause 32 (1) (c), Schedule 7 the power to borrow money, or purchase or dispose of assets, other than in accordance with the Long Term Plan remains the sole responsibility of the Council. This responsibility cannot be delegated.

The Liability Management and Investment Policy related delegations are below.

DELEGATIONS		
Activity	Delegated to	Limits
Approve and amend policy document	Council	Unlimited
Approve external borrowing as set out in the Annual Plan or Long Term Plan	Chief Executive or Chief Financial Officer	As Per Annual Plan or Long Term Plan
Approve LGFA membership	Council	Unlimited subject to legislative limitations
Approve LGFA membership for CCO/CCTO	Council	Unlimited subject to legislative limitations
Approve giving of Council guarantee or uncalled capital	Council	Unlimited subject to legislative limitations
Approve selection of external managed Funds) and amount placed with Fund(s)	Council	Unlimited
Approve amount placed with approved managed fund	Chief Executive or Chief Financial Officer	As per Annual Plan or Long Term Plan
Acquisition and disposition of investments other than treasury investments	Council	Unlimited
Approval for charging assets as security over borrowing and risk management activity	Council	Unlimited
Negotiation and ongoing management of lending arrangements with CCO/CCTO	Chief Executive, Chief Financial Officer	

DELEGATIONS		
Approving new and re-financed debt amounts.	Chief Executive, Chief Financial Officer	Unlimited
Open/close bank accounts	Chief Financial Officer with advice given to Chief Executive	Unlimited
Approve signatories to Council's Bank Accounts	Chief Executive and Chief Financial Officer	Unlimited
Approve electronic banking amendment	Chief Financial Officer	
Liquidity, debt and investment management	Chief Executive, Chief Financial Officer	Subject to policy
Interest rate and foreign currency management	Chief Executive and Chief Financial Officer	Subject to policy
Cash management	Chief Executive, Chief Financial Officer, Finance Manager	Subject to policy
Approving transactions outside policy	Council	Unlimited
Approving allowable risk management instruments	Council	Unlimited subject to legislative limitations
Maximum daily transaction amount (approved investment, debt, cash management, interest rate risk and foreign currency management)	Council Chief Executive Chief Financial Officer	Unlimited \$10m \$5m
Approve debt, investment and interest rate strategies	Finance & Assurance Committee	
Ensuring compliance with policy	Chief Financial Officer	N/A
Triennial review of the Policy	Chief Financial Officer	N/A

Appendix 1 – External Managed Funds - Investment Guidelines

The guidelines and constraints required by Council to be observed by the managed funds or Investment Manager, as applicable are set out below. For the purposes of these constraints, “Funds” shall relate to the portion of the investment assets under the management of the Investment Managers.

Where the Funds are invested into an external managed fund(s) or collective investment vehicle (“units”) or product Council recognises that the strict application of these guidelines and constraints may not be possible. The Manager(s) of the externally managed funds will inform Council of its pooled or collective investment guidelines. Council expect the Manager(s) to inform them of any investment or management practice that materially falls outside the guidelines and constraints so that Council can continually reassess the overall suitability of such an investment approach.

Cash and Term deposits

Council may invest cash in bank, call, term deposits or registered certificates of deposit. Where it does so it may invest in the following:

Bank, call, term deposits and registered certificates of deposit with New Zealand Registered Banks with a Standard and Poor’s or equivalent credit agency, short term credit rating of ‘A-1’ or stronger. Bank term deposits have a maturity date of no greater than 3-years.

To be classified as a cash investment, deposits must have a maturity date of 31 days or less. Both bank term deposits and registered bank bills must have a maturity date of no more than 12 months.

New Zealand and International Fixed Interest

Investment in an unsecured, senior or secured debt security and should have a minimum long-term credit rating of no less than BBB or short term credit rating of A-2, as measured by Standard & Poor’s, or equivalent credit agency.

Commercial Paper issued by a corporate borrower, with a Standard and Poor’s or equivalent credit agency, short term credit rating of ‘A-2’ or stronger. The maturity date can be no more than 12 months.

No investments in direct mortgages, subordinated debt, structured debt, high yield/junk bonds and leveraged loans should be made.

Equities

Investments must be confined to publicly listed widely held securities trading in recognised markets.

New Zealand and International Property Investments

Investment in property entities that are listed on the New Zealand or internationally recognised Stock Exchange.

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

Recommendation

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

C8.1 Milford Opportunities contract update - 3

C8.2 Health and Safety Events

C8.3 Cyber Security Health Check Additional Information

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
Milford Opportunities contract update - 3	<p>s7(2)(b)(i) - The withholding of the information is necessary to protect information where the making available of the information would disclose a trade secret.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Health and Safety Events	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.</p> <p>s7(2)(d) - The withholding of the information is necessary to avoid prejudice to measures protecting the health and safety of members of the public.</p>	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Cyber Security Health Check Additional Information	<p>s7(2)(e) - The withholding of the information is necessary to avoid prejudice to measures that prevent or mitigate material loss to members of the public.</p> <p>s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.</p>	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.