

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

Date: Wednesday, 15 March 2017
Time: 9am
Meeting Room: Council Chambers
Venue: 15 Forth Street
Invercargill

Finance and Audit Committee Agenda

OPEN

MEMBERSHIP

Chairperson Ebel Kremer
Mayor Gary Tong
Councillors John Douglas
Paul Duffy

IN ATTENDANCE

Chief Financial Officer Anne Robson
Committee Advisor Fiona Dunlop

Contact Telephone: 0800 732 732
Postal Address: PO Box 903, Invercargill 9840
Email: emailsdc@southlanddc.govt.nz
Website: www.southlanddc.govt.nz

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

Terms of Reference for the Finance and Audit Committee

1. SCOPE OF ACTIVITIES

The Finance and Audit Committee is responsible for:

- Ensuring that Council has appropriate financial, risk management and internal control systems in place that provide:
 - An overview of the 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.

The Finance and Audit Committee will monitor and assess the following:

- 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.

2. MEMBERSHIP

The Finance and Audit Committee will comprise of five members.

Membership will be the Mayor, three Councillors and one external appointee.

External appointees have full speaking and voting rights on the Finance and Audit Committee.

Chairperson

The Chairperson is responsible for:

1. The efficient functioning of the Committee;
2. Setting the agenda for Committee meetings in conjunction with the Chief Financial Officer; and
3. Ensuring that all members of the Committee receive sufficient timely information to enable them to be effective Committee members.

The Chairperson will be the link between the Committee and Council staff.

3. MEETING SCHEDULE

Quarterly or as required. Meetings outside of the regular meeting schedule shall be called by the Chairperson.

4. QUORUM

The quorum at any meeting of the Finance and Audit Committee shall be three members (at least one external member must be present for a quorum to exist) which must comprise two Councillors plus one external appointee.

5. DELEGATIONS

5.1 Power to Act

The Finance and Audit Committee shall have the following delegated powers and be accountable to Council for the exercising of these powers.¹

In exercising the delegated powers, the Finance and Audit Committee will operate within:

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

The Finance and Audit 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.

¹ Local Government Act 2002, Schedule 7, Clause 32

Internal Reporting

- (a) To consider the processes for ensuring the completeness and quality of financial and operational information being provided to the 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 the 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 the 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 the 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 recommendation to the 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 the 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 the 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 the 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.
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Business Case Review

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

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) Recommending to Council treasury policies.

6. Power to Recommend

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

- (a) Policies relating to risk management, rating, loans, funding and purchasing.
- (b) Accounting treatments, changes in generally accepted accounting practice, and new accounting and reporting requirements.
- (c) The approval of financial and non-financial performance statements including adoption of the Annual Report, Annual Plans and Long Term Plans.

6.2 The Finance and Audit Committee is responsible for considering and making recommendations to the Services and Assets Committee on business cases completed under section 5.1 (above).

7. RELATIONSHIPS WITH OTHER PARTIES

The Chief Executive is responsible for servicing and providing support to the Committee in the completion of its duties and responsibilities. The Chief Executive generally appoints the Chief Financial Officer to provide these functions on his/her behalf.

Professional advisors to the Committee shall be invited to attend all meetings of the Committee:

- External auditor;
 - Internal auditor/risk advisor (if appointed); and
 - Chief Financial Officer.
-

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.

The Chief Executive Officer 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.

The Committee shall provide guidance and feedback to the Council on financial performance, risk and compliance issues.

The Committee will report to Council as it deems appropriate but no less than twice a year.

7.1 Public Access and Reporting

Notification of meetings to the public and public access to meetings and information shall comply with Standing Orders, but it should be noted that:

- At any meeting of the Committee at which no resolutions or decisions are made, the provisions of Standing Orders relating to public access do not apply.
- Workshop meetings solely for information and discussions and at which no resolutions or decisions are made may be held in accordance with Standing Orders.
- Extraordinary meetings of the Committee may be held in accordance with Standing Orders.
- The public may be excluded from the whole or part of the proceedings of the meeting and information withheld on one or more of the grounds specified in *the Local Government Official Information and Meetings Act 1987 s.48*.

The Committee shall record minutes of all its proceedings and present the minutes to the next available Council meeting following the Committee meeting.

7.2 Contacts with Media and Outside Agencies

The Committee Chairperson is the authorised spokesperson for the Committee in all matters where the Committee has authority or a particular interest.

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.

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 the Southland District Council.

8. CONDUCT OF AFFAIRS

The Committee shall conduct its affairs in accordance with the *Local Government Act 2002*, the *Local Government Official Information and Meetings Act 1987*, the *Local Authorities (Members' Interests) Act 1968*, Council's Standing Orders and Code of Conduct.

In fulfilling their role on the Finance and Audit Committee, members shall be impartial and independent at all times.

9. REMUNERATION

Elected members will be reimbursed in accordance with the current Local Government Elected Members' Determination.

External members and advisors to the Committee will be reimbursed in accordance with their standard business rates, including disbursements.

10. FUNDING AND BUDGETS

Funding for the Committee will align with Council's Revenue and Financing Policy.

The Committee shall only expend funding on purposes for which that funding was originally raised and in accordance with the budgets approved by Council through its Long Term Plan and Annual Plan.

Remuneration and expenses will be funded from the Leadership activity budget.

11. REPORTING

Minutes of all meetings of the Finance and Audit Committee will be provided to the Council.

12. REVIEW OF THE COMMITTEE

The Committee shall undertake an annual self-review of its objectives and responsibilities.

Such objectives and responsibilities shall also be reviewed by the Council, the Chief Executive Officer and the Chief Financial Officer and any other person the Council considers appropriate.

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

5 Extraordinary/Urgent Items

To consider, and if thought fit, to pass a resolution to permit the 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 – There are no minutes to confirm as this is the first meeting of the Committee.

Health and Safety

Record No: R/17/2/2841
Author: Janet Ellis, People and Capability Manager
Approved by: Steve Ruru, Chief Executive

☐ Decision ☐ Recommendation ☒ Information

Purpose

- 1 To provide an update on Health and Safety activity within the Southland District Council.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled “Health and Safety” dated 2 March 2017.**
- 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.**
- e) **Notes the draft findings of the Health and Safety Gap Analysis conducted by Simpson Grierson in February 2017 and agrees to the draft recommendations.**

Content

Finance and Audit Committee Responsibilities and Delegated Authority

- 1 The Finance and Audit Committee has responsibility for:
 - Reviewing, monitoring and making recommendations to Council on Southland District Council’s health and safety risk management framework and policies to ensure Council has clearly set out its commitments to manage health and safety matters effectively.
 - Reviewing and making recommendations to Council for achieving health and Safety objectives.
 - Reviewing and recommending for Council approval targets for health and safety performance and assessing performance against those targets.
 - Monitoring Council compliance with health and safety policies and relevant applicable law.
 - Ensuring that the systems used to identify and manage health and safety risk are fit-for-purpose, being effectively implemented, regularly reviewed and continuously improved.

- Seeking assurance that Council is effectively structured to manage health and safety risks.
- Reviewing health and safety related incidents and consider appropriate actions to minimise the risk of recurrence.
- Making recommendations to Council regarding the appropriateness of resources available for operating the health and safety management systems and programmes.

Due Diligence Responsibilities

- 2 In addition to the responsibilities of the Finance and Audit Committee all Councillors have due diligence requirements. Councillors are required to keep up to date with health and safety matters, understand the nature of the business, audit its hazards and risks, ensure there are appropriate reporting and investigation processes in place and monitor and verify that appropriate actions are being taken.

Health and Safety Gap Analysis

- 3 In February 2017, Council contracted Simpson Grierson to undertake a Health and Safety Gap Analysis. The gap analysis included a review of Southland District Councils Health and Safety Management System, discussions with key operational leaders and visits to operational locations and discussions with workers and key contractors. The result of the Gap Analysis will be a written report detailing findings and recommendations for improvement. At the time of writing this report, the written report from Simpson Grierson was not available. This will be provided at the Finance and Audit Committee Meeting.
- 4 The informal feedback provided by the Consultant following the Gap Analysis was that Council had a clearly developing maturity in Health and Safety, some processes had been developed and good work had been undertaken in identifying and the managing the key risks. However, there were a number of initial recommendations that indicated that our H&S systems were more reactive and that we had significant opportunity to further develop our overall health and safety systems.
- 5 There were a number of initial recommendations made. These included:
 - That Council's Executive team needed to develop a statement of intent for Health and Safety that expressed their ambition and direction in this area.
 - The Executive Team needed to look for opportunities to express their support and leadership of Health and Safety, including site visits and more interaction with key contractors
 - The Executive Team should consider Health and Safety Leader training to support them and their direct reports in their roles. The training should cover key aspects of health and safety culture development, safety observations and conversations and behavioural safety elements.
 - Development of a Health and Safety Plan for 2017 that contained a review of previous performance and objectives, clearly calls out improvement measures and targets, Identifies key elements to deliver improvement and allocates resource requirements. That this plan is signed off by the Executive and ratified by both Council and the Finance and Audit Committee.
 - Establish a health and safety framework, review current procedural gaps and draft new procedures to ensure a full management system over time. The tool kit that was developed in 2016 was a good start but it has been identified as not containing enough information to form accountability in leaders and managers at Council.

- Ensure employees are involved in the change process and development of new procedures.
- Create clarity on critical risks and what these are. In addition create control plans that indicate how we control risk and who is responsible, using a 'bow tie' methodology.
- Review hazard and risk procedures to create one process for management of risks and the risk registers.
- Develop a reporting process that conveys how Council will report its H&S performance, set targets and who details, who receives this information and when they receive the information.
- Ensure measures include lead and lag indicators and provide a view of actual performance, so that Council can measure its progress.

- 6 Implementation of the recommendations will require a structured approach, additional commitment and resources to undertake. A plan will be developed and presented at the next Finance and Audit Risk Committee meeting. The plan will detail what needs to occur, when it will occur and resources required. Draft Health and Safety objectives and targets will also be presented.

Review of Health and Safety related incidents

Accidents/Incidents/Near Misses

- 7 Please find below a summary of the accidents/incidents/near misses for the twelve month period from 1 January to 31 December 2016.

Key Performance Indicator	1 January 2016 – 31 December 2016
Medical Treatment intervention required	12
Lost time due to injury	0
Near Misses	15

- 8 In the period of 1 July 2016 to 31 December 2016 we had a 200% increase in near miss reporting. This coincided with a near miss campaign that was run in September.
- 9 Following a number of incidents with the garage door opposite the Invercargill office, the Property team have been working with the Landlord of this building and have now installed a roller door to make access easier and safer for staff.
- 10 A number of the near miss reports involved motor vehicles. Driving is seen as one of the main risks for the safety of our people. A number of initiatives are underway in this space including a review of Council's vehicle procurement procedures and vehicle policy. An increased number of staff are now undertaking advanced driver training including those that drive the Mobile Library Bus.
- 11 In January 2017 an Animal Control Officers had a serious motor vehicle accident while he was undertaking duties. The staff member suffered a broken arm and had an overnight stay in hospital. This incident was a notifiable event under the new Health and Safety Legislation and has been notified to Work Safe. They have notified us they will not be undertaking any investigations. Council staff have undertaken an investigation and a number of recommendations have been made including development of a driving fatigue policy.

Southland Councils Health and Safety Management Group

- 12 Currently the Southland Councils Health and Safety Management Group is working with the IT Shared Service team on putting together the key requirements for a joint Health and Safety System.
- 13 A Request for Proposal (RFP) is scheduled to be released to the market in April 2017.

Attachments

There are no attachments for this report.

Financial Report for the month ended 31 January 2017

Record No: R/17/2/3457
Author: Robert Tweedie, Management Accountant
Approved by: Anne Robson, Chief Financial Officer

☐ Decision ☐ Recommendation ☒ Information

Background

1. This report outlines the financial results for the seven months to 31 January 2017 or 58% of the financial year.
2. The Monthly and YTD Actual results, in the attached Summary Monthly Financial Report, are compared to the Full Year Budget (Projection) in the 2016/2017 Annual Plan Budget. The projection values include any carried forward items approved by Council in August 2016 and will include any changes as a result of forecasting that Council approved. The 2016/2017 Annual Plan budget is shown in the Monthly Financial Summary Report as the Full Year Budget (Budget).

Overview

3. The Summary Monthly Financial Report consolidates the business units within each of the key areas of the Executive Leadership Team (ELT) responsibility. The following commentary focusses on the year to date (YTD) results excluding GST.
4. The Detailed Monthly Financial Report includes more detailed explanations and commentary on variances by the Executive Leadership Team. Commentary generally focuses on the year to date (YTD) results and, where specified, monthly results.
5. Part of the monthly review involves budget managers phasing or timing their budgets in conjunction with the Finance team. Where phasing of budgets has not occurred, one twelfth of annual budgeted cost is used to calculate the monthly budget.
6. In the Council Summary and Detail Reports, the values in the columns for:
 - The Monthly Budget is phased, where appropriate, and includes forecasting.
 - The YTD Budget is the Annual Plan, carry forwards and forecasting year to date.
 - The Full Year Budget is the LTP budget for the year.
 - The Full Year Projection is the forecasted year end result.
7. The first round of forecasting for the first four months has been adopted. The revised budgets are included in the monthly, year to date budgets and projection.
8. Council staff will continue to refine the format of this report to enhance the financial information reported. We welcome any feedback or suggestions on further improvements that could be made to this report.
9. Phasing of budgets occurs in the first 2 months of the financial year, at forecasting and when one-off costs have actually occurred. This should reduce the number of variance explanations due to timing.

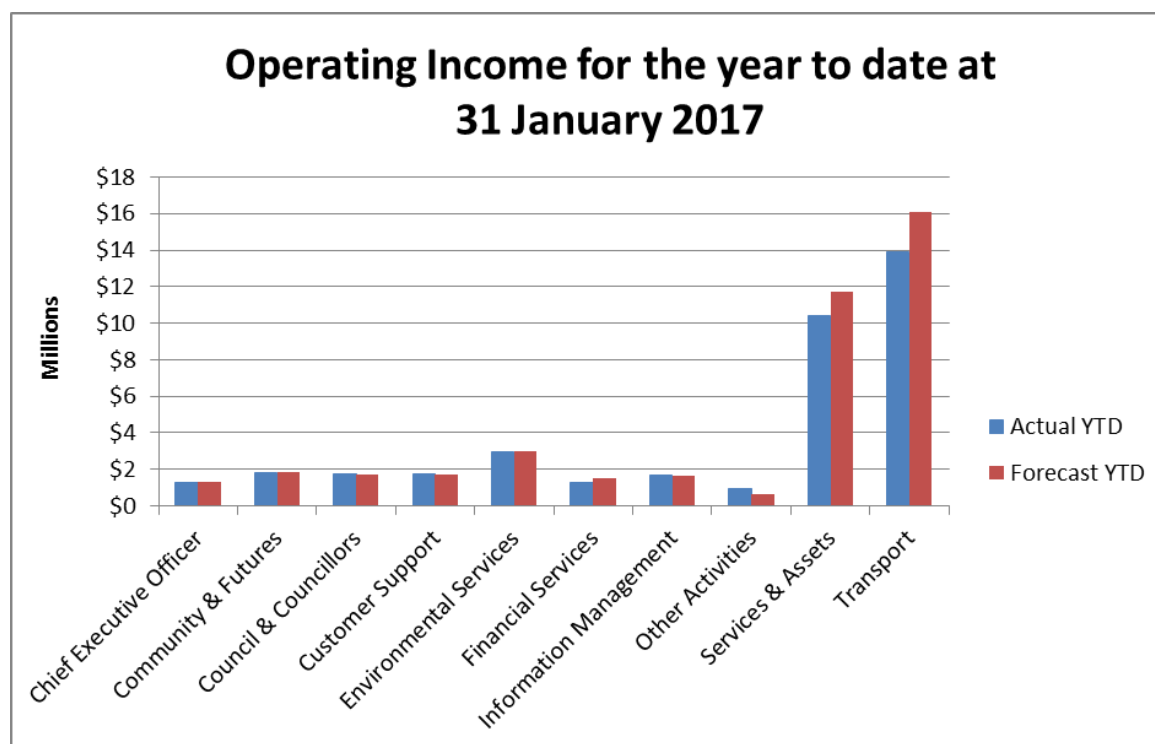
10. The Council Summary Report (actuals vs *phased and forecast* budget) year to date are as follows:

YEAR TO DATE	Actual	Budget	Variance	Act to Bgt
INCOME	\$ 37.6M	\$ 41.2M	(\$3.6M)	↓ (9%)
OPERATING EXPENDITURE	\$ 28.4M	\$ 30.4M	\$ 1.8M	↑ 6%
NET SURPLUS / (DEFICIT)	\$ 9.2M	\$ 10.8M	(\$1.6M)	↓ (15%)

YEAR TO DATE	Actual	Budget	Variance	Act to Bgt
CAPITAL EXPENDITURE	\$ 8.5M	\$ 14.4M	\$ 5.8M	↑ 41%

Income

11. Operating Income is \$3.6M or 9% under budget year to date (\$37.6M actual vs \$41.2M budget).



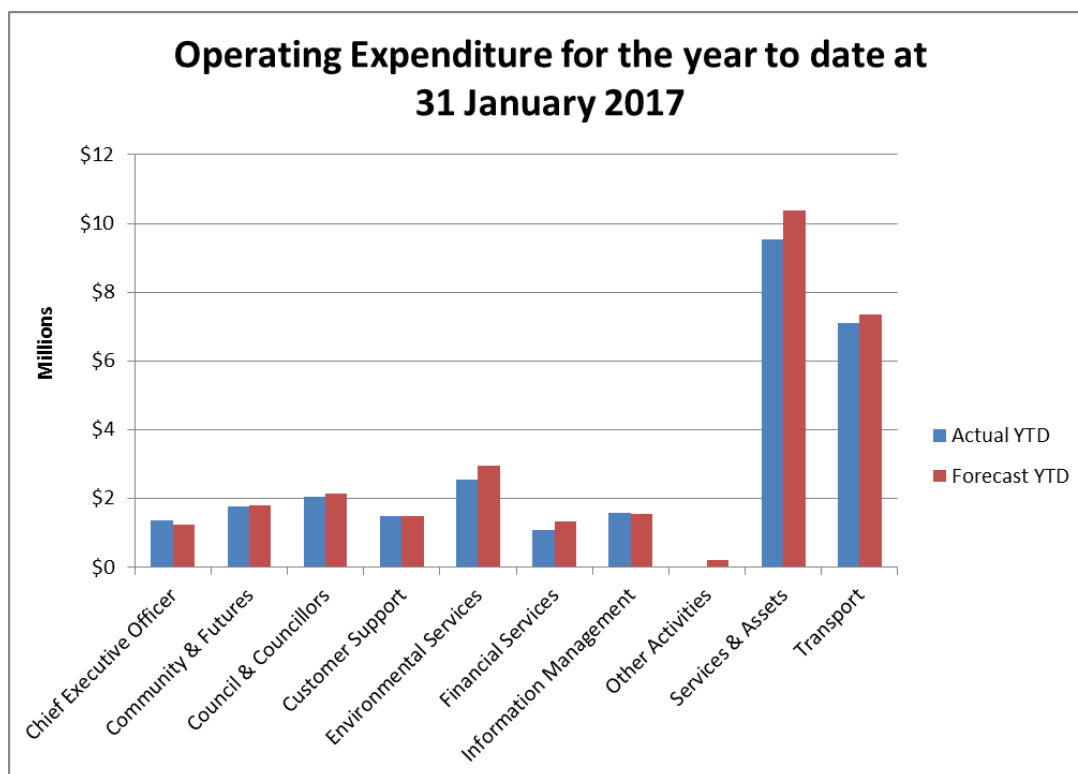
12. Other Activities is over budget due to:

- External interest income on investments being higher than budgeted. Annual Budget interest assumptions were made based on the level of cash reserves of projected capital works that were going to be undertaken. Cash reserves which would have been applied to these projects have resulted in higher cash reserves than budgeted leading to more interest income.
- A grant of \$105K was returned to the allocations committee. This was originally allocated to the Edendale Hall project which is no longer going ahead.

13. Services and Assets are under budget.
- Community Engineers and Engineering Consultants business units are internally funded and under budget year to date. The costs are lower for both these business units against budget but forecast to be on target by the end of the year.
 - Forestry Income is under budget and has historically been net sales after deducting harvesting costs. The forecast has been adjusted to report gross sales. Sales are set to increase in the second half of the year as logging has commenced at Dipton and is forecast to be on target by year end.
14. Transport and Roding income is below budget year to date. This year's capital works programme has commenced but still behind the planned schedule which directly affects the level of income from NZTA. NZTA funding is still planned to be on budget by year end.

Operating Expenditure

15. Operating Expenditure is \$2M or 6% under budget for the year to date (\$28.4M actual vs \$30.4M budget).

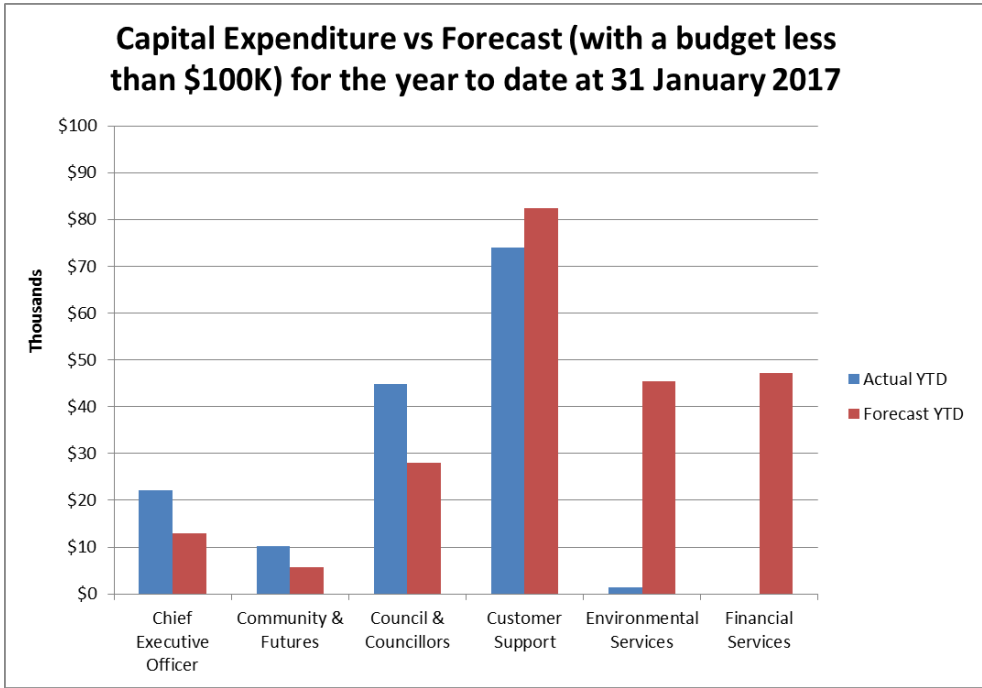


16. Environmental Services is below budget due to reduced staffing levels in several departments.
17. Within Financial Services, insurance and valuation roll costs are estimated to be well below budget for the year as well as savings due to staff vacancies. The lower costs will reflect lower income "recoveries" for the year.
18. Services and Assets are under budget by \$857K. Harvesting costs have historically been directly offset against Forestry sales income. Logging at Dipton has commenced later than expected it is forecast to be on target by year end.

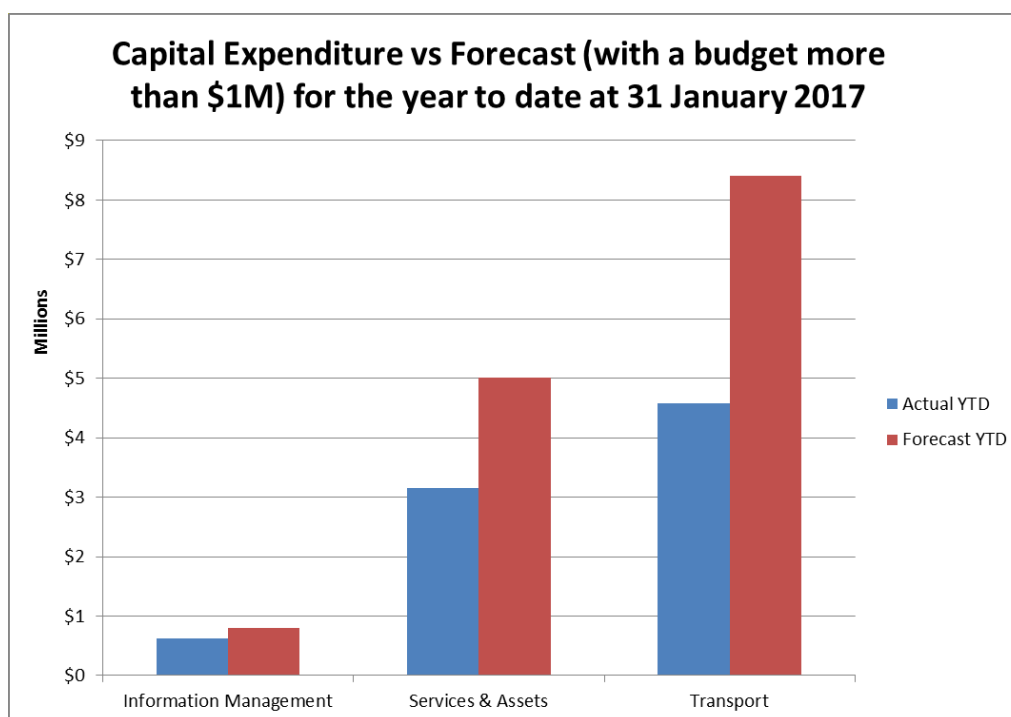
19. Transport and Roding operational maintenance costs are slightly behind budget but are expected to be in line with budget by year end.

Capital Expenditure

20. Capital Expenditure is \$5.9M 41% under budget year to date (\$8.5M actual v \$14.4M budget).



21. Chief Executive capital expenditure includes the new reception desk, funding for this will be from savings in the business unit or the district operating reserve. This expenditure was included with the first round of forecasting but has been phased over 12 months, this will be corrected in the next Council report.
22. Community and Futures capital expenditure relates to office furniture purchased in the Policy and Governance areas. This will be funded from the district operating reserves. Phasing has been over 12 months, this will be corrected for the next Council report.
23. Council and Councillors annual budget is for the replacement of the mayor’s car. This was phased over 12 months but will be corrected in the next Council report.



24. Information Management Services is progressing with the digitisation project. Work in respect of the Core Systems Review is still in progress as noted in the forecast report to Council last month. No significant capital expenditure will be incurred in this financial year and the forecast spend is \$1.8M less than budgeted.
25. Capital expenditure for Services and Assets is overall \$1.9M below budget. Projects in Water (\$1.2M behind budget) and Sewerage (\$0.6M behind budget) are still in the design and tender phase and yet to commence. Work on the Winton Water Main replacement has begun and will continue through until June. At this stage it is anticipated that the Riversdale Sewerage Treatment upgrade will not be undertaken. A portion of the total Annual plan cost has been removed as part of the last forecasting round, some funds have been retained for a possible land purchase.
26. Overall roading capital expenditure is \$3.8M less than budgeted for the year to date due to weather conditions. The resealing programme and tendered projects is expected to increase significantly to meet the target by year end.

Balance Sheet

27. Council's financial position as at 31 January 2017 is detailed below and is for the activities of Council. The balance sheet as at 30 June 2016 represents the audited balance sheet for activities of Council and includes SIESA and Venture Southland.
28. Current Assets (Other Financial Assets) at 30 June 2016 includes loans to Venture and SIESA. An additional amount of \$10M in term deposits was disclosed under Other Financial Assets. This is in line with reporting standards for deposits with a term of 90 days or more at year end.

29. At 31st January 2017, Council had \$13M invested in four term deposits ranging from one to three month maturities as follows:

Bank	Amount	Interest Rate	Date Invested	Maturity Date
ANZ	\$ 2,000,000	2.89%	29-Nov-16	29-Mar-17
ASB	\$ 5,000,000	3.50%	30-Nov-16	30-May-17
BNZ	\$ 3,000,000	3.32%	30-Aug-16	28-Feb-17
WPC	\$ 3,000,000	3.40%	30-Nov-16	19-Apr-17

30. Funds on call:

Balance at 31 December	Bank	Interest Rate
\$ 561,894	BNZ	0.35%

31. The movement in Property, Plant and Equipment is the budgeted depreciation for the year to date.
32. The reduction in internal loans are the repayment of loans. These are loans to the local communities raised in June each year.
33. Non-Current Assets (Intangible Assets) are the acquisition costs for the Council's digitisation software.
34. Current Liabilities (Borrowings) \$600K at the end of January was bridging cash for 2 days over month end. This was required due to cash being held in term deposits. The interest earned on term deposits is higher than the use of this facility.

SOUTHLAND DISTRICT COUNCIL
STATEMENT OF FINANCIAL POSITION
31 January 2017

	Actual 31-Jan-17	Actual 30-Jun-16
Equity		
Retained Earnings	721,695,346	727,868,332
Asset Revaluation Reserves	628,114,960	628,114,960
Other Reserves	30,676,903	31,174,431
Fair Value Reserve	1,983,063	1,983,063
	1,382,470,272	1,389,140,785
Represented by:		
Current Assets		
Cash & Cash Equivalents	13,806,801	5,714,785
Trade and Other Receivables	6,446,619	5,854,023
Inventories	85,148	98,991
Other Financial Assets	421,198	12,511,753
	20,759,766	24,179,551
Non-Current Assets		
Property, Plant and Equipment	1,352,812,251	1,358,059,613
Intangible Assets	2,567,914	2,177,601
Forestry Assets	12,951,000	12,951,000
Internal Loans	18,308,887	19,992,918
Work in Progress	2,779,101	2,779,101
Other Financial Assets	3,647	3,956
	1,389,422,800	1,395,964,188
TOTAL ASSETS	1,410,182,566	1,420,143,740
Current Liabilities		
Trade and Other Payables	4,736,311	6,696,612
Contract Retentions and Deposits	447,494	449,416
Employee Benefit Liabilities	1,147,191	1,341,157
Development and Financial Contributions	2,286,209	2,285,557
Borrowings	600,000	51,092
Landfill Contingency	14,000	14,000
	9,231,205	10,837,833
Non-Current Liabilities		
Employment Benefit Liabilities	147,051	147,051
Provision for Decommissioning	25,151	25,151
Provisions	-	-
Internal Loans - Liability	18,308,887	19,992,919
Borrowings	-	-
	18,481,089	20,165,121
TOTAL LIABILITIES	27,712,294	31,002,954
NET ASSETS	1,382,470,272	1,389,140,785

Recommendation

That the Finance and Audit Committee:

- a) Receives the report titled “Financial Report for the month ended 31 January 2017” dated 7 March 2017.

Attachments

- A Council's District Activities Summary Monthly Financial Report - 31 January 2017 [↓](#)
- B Council's District Activities Detailed Monthly Financial Report - 31 January 2017 [↓](#)



DISTRICT COUNCIL ACTIVITIES

(ATTACHMENT TO THE REPORT TO COUNCIL)

SUMMARY MONTHLY FINANCIAL REPORT FOR JANUARY 2017

Key Financial Indicators

<i>Indicator</i>	<i>Actual</i>	<i>Target*</i>	<i>Variance</i>	<i>Compliance</i>
External Funding: Non rateable income/Total income	29%	≥ 36%	8%	⊗
Working Capital: Current Assets/Current Liabilities	2.25	≥0.39	1.86	✓
Debt Ratio:** Total Liabilities/Total Assets	0.68%	≤0.82%	-0.14%	✓
Debt To Equity Ratio: Total Debt/Total Equity	0.04%	≤0.01%	0.03%	⊗

* All target indicators have been calculated using the 2016/17 Annual Plan figures.

** Excludes internal loans.

Financial Ratios Calculations:**External Funding:**

Non Rateable Income
Total Income

This ratio indicates the percentage of revenue received outside of rates. The higher the proportion of revenue that the Council has from these sources the less reliance it has on rates income to fund its costs. This is a financial prudence benchmark on Rates Income affordability set by Council.

This ratio was under the target at the end of January due to NZTA roading revenue had not yet been received and the grant for the Cycle Trail which will not be received this year.

Working Capital:

Current Assets
Current Liabilities

This ratio indicates the amount by which short-term assets exceed short term obligations. The higher the ratio the more comfortable the Council can fund its short term liabilities.

Debt Ratio:

Total Liabilities
Total Assets

This ratio indicates the capacity of which the Council can borrow funds. This ratio is generally used by lending institutions to assess entities financial leverage. Generally the lower the ratio the more capacity to borrow.

Debt to Equity Ratio:

Total Debt
Total Equity

It indicates what proportion of equity and debt the Council is using to finance its assets. In January this ratio is not favourable as there was a bridging cash loan from Westpac of \$600K.

For the period ending January 2017

Council Summary Report



	Monthly				YTD				Full Year Budget			
Income	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive Officer	134,400	137,426	(3,026)	(2%)	1,258,713	1,298,022	(39,309)	(3%)	2,141,745	2,141,745	-	-
Community & Futures	238,524	264,791	(26,266)	(10%)	1,783,540	1,853,535	(69,996)	(4%)	3,177,489	3,177,489	-	-
Council & Councillors	250,312	246,890	3,421	1%	1,732,234	1,728,232	4,002	-	2,963,922	2,963,922	-	-
Customer Support	252,040	245,687	6,353	3%	1,761,329	1,719,809	41,520	2%	2,948,244	2,948,244	-	-
Environmental Services	325,363	363,973	(38,610)	(11%)	2,927,714	3,013,147	(85,433)	(3%)	4,867,538	4,867,538	-	-
Financial Services	177,040	207,730	(30,690)	(15%)	1,259,951	1,504,295	(244,344)	(16%)	2,593,131	2,593,131	-	-
Information Management	240,965	237,261	3,704	2%	1,691,397	1,660,827	30,569	2%	2,847,133	2,847,133	-	-
Other Activities	(2,019)	91,041	(93,060)	(102%)	951,783	658,411	293,372	45%	1,530,012	1,530,012	-	-
Services & Assets	1,463,202	1,702,834	(239,632)	(14%)	10,413,160	11,707,199	(1,294,039)	(11%)	18,941,677	20,102,567	1,160,890	6%
Transport	2,373,197	2,555,006	(181,810)	(7%)	13,867,910	16,050,385	(2,182,475)	(14%)	29,098,745	29,326,645	227,900	1%
Total	5,453,023	6,052,639	(599,616)	(10%)	37,647,730	41,193,862	(3,546,132)	(9%)	71,109,636	72,498,426	1,388,790	2%
	Monthly				YTD				Full Year Budget			
Operating Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive Officer	242,979	188,655	(54,324)	(29%)	1,354,570	1,238,436	(116,134)	(9%)	2,240,976	2,240,976	-	-
Community & Futures	236,433	253,232	16,799	7%	1,768,902	1,806,449	37,547	2%	3,155,182	3,155,182	-	-
Council & Councillors	505,917	525,677	19,760	4%	2,030,317	2,122,456	92,139	4%	2,980,327	3,028,928	(48,601)	(2%)
Customer Support	193,747	207,153	13,407	6%	1,470,354	1,491,427	21,073	1%	2,584,457	2,594,157	(9,700)	-
Environmental Services	312,627	392,487	79,860	20%	2,539,158	2,939,238	400,080	14%	5,115,012	5,115,012	-	-
Financial Services	154,871	171,495	16,624	10%	1,105,593	1,320,042	214,449	16%	2,329,251	2,329,251	-	-
Information Management	210,261	216,783	6,522	3%	1,582,760	1,540,390	(42,370)	(3%)	2,726,526	2,677,607	48,919	2%
Other Activities	(74,551)	12,034	86,585	720%	(23,880)	192,391	216,271	112%	1,493,388	1,493,388	-	-
Services & Assets	1,213,956	1,418,182	204,226	14%	9,517,505	10,374,651	857,146	8%	15,509,128	17,360,018	(1,850,890)	(12%)
Transport	1,008,314	997,681	(10,633)	(1%)	7,097,521	7,356,595	259,073	4%	12,584,678	12,584,678	-	-
Total	4,004,554	4,383,380	378,826	9%	28,442,799	30,382,073	1,939,274	6%	50,718,925	52,579,197	(1,860,272)	(4%)
	Monthly				YTD				Full Year Budget			
Net Surplus/(Deficit)	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	1,448,469	1,669,259	(220,790)	(13%)	9,204,931	10,811,789	(1,606,858)	(15%)	20,390,711	19,919,229	(471,482)	(2%)
	Monthly				YTD				Full Year Budget			
Capital Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive Officer	-	1,852	1,852	100%	22,222	12,963	(9,259)	(71%)	-	22,222	(22,222)	-
Community & Futures	-	805	805	100%	10,209	5,638	(4,571)	(81%)	1,743	9,665	(7,922)	(455%)

r/17/1/320

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Item 7.2 Attachment A

For the period ending January 2017

Council Summary Report



Council & Councillors	-	3,995	3,995	100%	44,795	27,964	(16,831)	(60%)	47,938	47,938	-	-
Customer Support	10,289	11,766	1,477	13%	74,024	82,360	8,336	10%	123,021	141,188	(18,167)	(15%)
Environmental Services	1,334	6,485	5,151	79%	1,334	45,394	44,060	97%	77,819	77,819	-	-
Financial Services	-	6,732	6,732	100%	-	47,122	47,122	100%	40,780	80,780	(40,000)	(98%)
Information Management	208,303	114,167	(94,136)	(82%)	630,340	799,167	168,826	21%	3,141,081	1,370,000	1,771,081	56%
Services & Assets	1,058,732	716,238	(342,494)	(48%)	3,148,814	5,013,667	1,864,854	37%	12,449,250	8,594,858	3,854,392	31%
Transport	1,449,545	1,942,961	493,416	25%	4,572,021	8,412,319	3,840,298	46%	17,297,491	17,727,491	(430,000)	(2%)
Total	2,728,203	2,805,001	76,797	3%	8,503,758	14,446,593	5,942,835	41%	33,179,123	28,071,961	5,107,162	15%

	Monthly				YTD				Full Year Budget			
Funding Adjustments	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive Officer	-	8,269	(8,269)	(100%)	-	57,885	(57,885)	(100%)	99,231	99,231	-	-
Community & Futures	(16,394)	(1,053)	(15,340)	1456%	(17,427)	(7,374)	(10,053)	136%	(20,564)	(12,642)	7,922	(39%)
Council & Councillors	-	9,412	(9,412)	(100%)	23,056	65,884	(42,828)	(65%)	64,343	112,944	48,601	76%
Customer Support	(15,532)	(17,742)	2,210	(12%)	(108,722)	(124,191)	15,469	(12%)	(240,766)	(212,899)	27,867	(12%)
Environmental Services	(15,526)	27,108	(42,634)	(157%)	(15,526)	189,754	(205,280)	(108%)	325,293	325,293	-	-
Financial Services	(21,988)	(15,258)	(6,729)	44%	(153,913)	(106,808)	(47,105)	44%	(223,100)	(183,100)	40,000	(18%)
Information Management	(2,337)	100,039	(102,376)	(102%)	(16,356)	700,276	(716,633)	(102%)	3,020,474	1,200,474	(1,820,000)	(60%)
Other Activities	-	(3,052)	3,052	(100%)	(105,000)	(21,364)	(83,636)	391%	(36,624)	(36,624)	-	-
Services & Assets	(19,224)	534,027	(553,251)	(104%)	(134,568)	3,738,186	(3,872,754)	(104%)	9,016,700	5,797,308	(3,219,392)	(36%)
Transport	-	(126,657)	126,657	(100%)	9,054	1,619,570	(1,610,516)	(99%)	783,424	985,524	202,100	26%
Total	(91,000)	515,093	(606,093)	(118%)	(519,403)	6,111,818	(6,631,221)	(108%)	12,788,411	8,075,509	(4,712,902)	(37%)



DISTRICT COUNCIL ACTIVITIES

(ATTACHMENT TO THE REPORT TO COUNCIL)

DETAILED MONTHLY FINANCIAL REPORT FOR JANUARY 2017

r/17/0/0718

For the period ending January 2017

Council Detail Report



	Chief Executive Officer											
	Monthly				YTD				Full Year Budget			
Income	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive	20,582	20,425	157	1%	450,932	422,576	28,356	7%	680,738	680,738	-	-
Civil Defence	21,444	21,414	30	-	149,966	149,900	66	-	256,972	256,972	-	-
Community Outcomes	3,750	3,750	-	-	26,250	26,250	-	-	45,000	45,000	-	-
Council Elections	3,486	5,535	(2,049)	(37%)	35,516	38,743	(3,227)	(8%)	66,416	66,416	-	-
People and Capability	40,508	50,497	(9,989)	(20%)	307,941	353,482	(45,540)	(13%)	605,969	605,969	-	-
Rural Fire Control	24,735	24,700	35	-	172,978	172,902	76	-	296,404	296,404	-	-
Shared Services Forum	-	-	-	-	56,444	56,439	5	-	56,439	56,439	-	-
SI Visitor Levy	19,895	11,104	8,791	79%	58,685	77,729	(19,044)	(25%)	133,807	133,807	-	-
Total	134,400	137,426	(3,026)	(2%)	1,258,713	1,298,022	(39,309)	(3%)	2,141,745	2,141,745	-	-
	Monthly				YTD				Full Year Budget			
Operating Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive	41,376	53,680	12,304	23%	425,576	393,431	(32,145)	(8%)	679,654	679,654	-	-
Civil Defence	64,263	64,243	(20)	-	192,869	192,729	(140)	-	256,972	256,972	-	-
Community Outcomes	-	3,750	3,750	100%	50,000	26,250	(23,750)	(90%)	45,000	45,000	-	-
Council Elections	-	13,941	13,941	100%	103,303	97,585	(5,719)	(6%)	167,288	167,288	-	-
People and Capability	40,508	48,338	7,829	16%	307,941	347,317	39,376	11%	605,969	605,969	-	-
Rural Fire Control	74,101	-	(74,101)	-	222,672	148,202	(74,470)	(50%)	296,404	296,404	-	-
Shared Services Forum	-	4,703	4,703	100%	29,435	32,923	3,488	11%	56,439	56,439	-	-
SI Visitor Levy	(176)	-	176	-	(133)	-	133	-	133,250	133,250	-	-
Total	220,071	188,655	(31,417)	(17%)	1,331,663	1,238,436	(93,227)	(8%)	2,240,976	2,240,976	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	(85,671)	(51,229)	(34,443)	67%	(72,951)	59,585	(132,536)	(222%)	(99,231)	(99,231)	-	-
	Monthly				YTD				Full Year Budget			
Capital Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive	-	1,852	1,852	100%	22,222	12,963	(9,259)	(71%)	-	22,222	(22,222)	-
Civil Defence	-	-	-	-	-	-	-	-	-	-	-	-
People and Capability	-	-	-	-	-	-	-	-	-	-	-	-
SI Visitor Levy	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	1,852	1,852	100%	22,222	12,963	(9,259)	(71%)	-	22,222	(22,222)	-
	Monthly				YTD				Full Year Budget			
Funding Adjustments	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Chief Executive	-	(90)	90	(100%)	-	(632)	632	(100%)	(1,084)	(1,084)	-	-
Civil Defence	-	-	-	-	-	-	-	-	-	-	-	-
Community Outcomes	-	-	-	-	-	-	-	-	-	-	-	-
Council Elections	-	8,406	(8,406)	(100%)	-	58,842	(58,842)	(100%)	100,872	100,872	-	-

r/17/2/271R

CHIEF EXECUTIVE COMMENTARY**Chief Executive**

Income in this business unit is 7% (\$28K) over budget predominantly due to higher rates penalties income (\$23K) for the year. The charges are calculated quarterly so will fluctuate depending on the month. This revenue stream is income from ratepayers not paying on time.

Expenditure year to date is 8% (\$32K) over budget. This is mainly due to the annual membership of NZ Society of Local Government Managers (\$10K) and Consultants for the independent review of Around the Mountain Cycle Track (\$22k) year to date.

Civil Defence

Income and expenditure are on budget.
Rates collected are paid as a grant to Environment Southland.

Community Outcomes

Income is on target year to date. This activity is internally funded.

The year to date overspend is as a result of \$50K being paid as part of the agreed SDC allocation to the SORDS project. The annual budget is \$45K and is expected to be \$5K over budget for the year.

Council Elections

Income is 8% under budget and partly funded from rates and nomination deposits.

An over spend on election costs of \$102K against a budget of \$95K year to date has resulted in expenses being 3% over budget. These expenses are expected to be within the full year budget of \$167K.

People and Capability

Income year to date is 13% (\$45K) under budget. This activity is internally funded and lower expenditure directly impacts on income allocated to this activity.

Expenditure year to date is 11% (\$39K) under budget year to date. This is mainly due to lower expenditure than budgeted on training (\$24K), other expenditure for OSH (\$5K) and consultants (\$10K). This activity is internally funded. The reduced expenditure impacts directly on income.

Rural Fire Control

Income and expenditure are on budget.
Rates collected are paid out as a grant to Southern Rural Fire. This activity will be managed at a national level from 1 July.

Shared Services Forum

Income and expenditure is on target year to date with a deficit of \$27k at the end of January. Additional consultant fees are expected for the establishment of SORDS.

r/17/0/2718

Stewart Island Visitor Levy

Income is 25% (\$19K) behind budget as levies are still to be processed.

Last year, the bulk of the levies were collected over the summer months from December through to the end of May. Levies collected was \$9K over budget for January indicating an upward trend in tourists visiting the island.

r/17/2/2712

Group Manager – Community and Futures

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For the period ending January 2017

Council Detail Report



Community & Futures												
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Communications and Engagement	66,472	95,224	(28,752)	(30%)	586,030	666,567	(80,537)	(12%)	1,142,687	1,142,687	-	-
Community Leadership	50,374	46,717	3,658	8%	343,620	327,016	16,604	5%	560,599	560,599	-	-
Governance	42,450	52,135	(9,685)	(19%)	361,246	364,947	(3,701)	(1%)	625,623	625,623	-	-
Strategy & Policy	79,228	70,715	8,513	12%	492,644	495,005	(2,361)	-	848,580	848,580	-	-
Total	238,524	264,791	(26,266)	(10%)	1,783,540	1,853,535	(69,996)	(4%)	3,177,489	3,177,489	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Communications and Engagement	64,899	90,412	25,512	28%	575,022	645,540	70,518	11%	1,121,580	1,121,580	-	-
Community Leadership	50,374	45,490	(4,884)	(11%)	343,620	317,127	(26,493)	(8%)	560,599	560,599	-	-
Governance	42,431	49,089	6,658	14%	361,116	356,252	(4,863)	(1%)	625,623	625,623	-	-
Strategy & Policy	78,728	68,241	(10,487)	(15%)	489,144	487,529	(1,615)	-	847,380	847,380	-	-
Total	236,433	253,232	16,799	7%	1,768,902	1,806,449	37,547	2%	3,155,182	3,155,182	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	2,091	11,558	(9,467)	(82%)	14,638	47,087	(32,448)	(69%)	22,307	22,307	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Capital Expenditure												
Communications and Engagement	-	145	145	100%	-	1,017	1,017	100%	1,743	1,743	-	-
Community Leadership	-	-	-	-	-	-	-	-	-	-	-	-
Governance	-	-	-	-	1,290	-	(1,290)	-	-	-	-	-
Strategy & Policy	-	660	660	100%	8,919	4,621	(4,298)	(93%)	-	7,922	(7,922)	-
Total	-	805	805	100%	10,209	5,638	(4,571)	(81%)	1,743	9,665	(7,922)	(455%)
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Funding Adjustments												
Communications and Engagement	-	(1,614)	1,614	(100%)	-	(11,296)	11,296	(100%)	(19,364)	(19,364)	-	-
Community Leadership	(172)	-	(172)	-	(1,206)	-	(1,206)	-	-	-	-	-
Governance	(16,222)	-	(16,222)	-	(16,222)	-	(16,222)	-	-	-	-	-
Strategy & Policy	-	560	(560)	(100%)	-	3,921	(3,921)	(100%)	(1,200)	6,722	7,922	(660%)
Total	(16,394)	(1,053)	(15,340)	1456%	(17,427)	(7,374)	(10,053)	136%	(20,564)	(12,642)	7,922	(39%)

r/17/2/271R

Group Manager - Community and Futures 6

COMMUNITY AND FUTURES COMMENTARY

Income is 4% (\$70K) under budget and expenditure is (\$38K) under budget for the year-to-date.

Communications and Engagement

As this activity is internally funded, the expenditure impacts directly on the income allocated to this business unit.

Income is 12% under budget and expenditure is 11% under budget.

Expenditure was down mainly due to First Edition being \$24K below budget year to date, \$23K below on salaries and \$16K on Communication and Public expenditure.

Community Leadership

Income is 5% over budget and expenditure is 8% over budget year to date.

As this activity is internally funded the expenditure impacts directly on income allocation.

Expenditure reflects staff related costs of \$35K undertaking roles which had not been budgeted in this financial year.

Governance

Income is 1% under budget and expenditure is 1% under budget year to date. There are no significant variances this month.

As this activity is internally funded the expenditure impacts directly on income allocation.

Capital expenditure includes minor furniture acquisitions which were not budgeted.

Strategy and Policy

Income is on target year to date. As this activity is internally funded the expenditure impacts directly on income allocation.

Capital expenditure of \$9K was for furniture acquisitions as part of the office relocation which were not budgeted.

r/17/0/2718

Team Leader - Governance

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For the period ending January 2017

Council Detail Report



	Council & Councillors											
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Council and Councillors	69,924	66,752	3,173	5%	470,718	467,262	3,457	1%	801,020	801,020	-	-
Council Contributions/Gran	32,996	32,950	46	-	230,751	230,650	101	-	395,400	395,400	-	-
International Relations Commit	923	922	1	-	6,457	6,454	3	-	12,303	12,303	-	-
Venture Southland	146,468	146,267	201	-	1,024,308	1,023,866	442	-	1,755,199	1,755,199	-	-
Total	250,312	246,890	3,421	1%	1,732,234	1,728,232	4,002	-	2,963,922	2,963,922	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Council and Councillors	48,131	66,774	18,643	28%	407,659	491,296	83,637	17%	832,425	832,425	-	-
Council Contributions/Gran	15,586	15,678	92	1%	295,458	297,384	1,926	1%	380,400	415,400	(35,000)	(9%)
International Relations Commit	-	1,025	1,025	100%	600	7,177	6,577	92%	12,303	12,303	-	-
Venture Southland	442,200	442,200	-	-	1,326,600	1,326,600	-	-	1,755,199	1,768,800	(13,601)	(1%)
Total	505,917	525,677	19,760	4%	2,030,317	2,122,456	92,139	4%	2,980,327	3,028,928	(48,601)	(2%)
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	(255,605)	(278,787)	23,182	(8%)	(298,083)	(394,224)	96,142	(24%)	(16,405)	(65,006)	(48,601)	296%
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Capital Expenditure												
Council and Councillors	-	3,995	3,995	100%	44,795	27,964	(16,831)	(60%)	47,938	47,938	-	-
Total	-	3,995	3,995	100%	44,795	27,964	(16,831)	(60%)	47,938	47,938	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Funding Adjustments												
Council and Councillors	-	6,612	(6,612)	(100%)	23,056	46,283	(23,228)	(50%)	79,343	79,343	-	-
Council Contributions/Gran	-	1,667	(1,667)	(100%)	-	11,667	(11,667)	(100%)	(15,000)	20,000	35,000	(233%)
International Relations Commit	-	-	-	-	-	-	-	-	-	-	-	-
Venture Southland	-	1,133	(1,133)	(100%)	-	7,934	(7,934)	(100%)	-	13,601	13,601	-
Total	-	9,412	(9,412)	(100%)	23,056	65,884	(42,828)	(65%)	64,343	112,944	48,601	76%

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Team Leader - Governance

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COUNCIL AND COUNCILLORS' COMMENTARY

Total Income is on target and total expenditure 4% below budget year to date.

Council and Councillors

Income is on target and expenditure is 17% under budget.

The main variance was in councillors and board members' expenditure \$52K under budget for the year.

Training, Travel and Strategic Retreat costs not yet incurred for the year accounted for a further \$33K variance lower than budgeted.

Council Contributions / Grants

Income and expenditure is on target year to date

Committed grants have been allocated.

International Relations Committee

Income is on budget and expenditure is 92% (\$6K) under budget for this reporting period.

The International Relations Committee has been disestablished and not included in the Community and Policy Committee.

Venture Southland

Income is on budget and expenditure on target year to date. This business unit consists of rates collected and the grant paid to Venture Southland.

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Group Manager – Customer Support

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For the period ending January 2017

Council Detail Report



	Customer Support											
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Area Offices	57,941	50,156	7,785	16%	371,698	351,093	20,606	6%	601,873	601,873	-	-
Customer Services	106,690	107,025	(335)	-	781,810	749,174	32,637	4%	1,284,298	1,284,298	-	-
District Library	87,409	88,506	(1,097)	(1%)	607,820	619,543	(11,722)	(2%)	1,062,073	1,062,073	-	-
Total	252,040	245,687	6,353	3%	1,761,329	1,719,809	41,520	2%	2,948,244	2,948,244	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Area Offices	18,201	21,864	3,664	17%	146,787	153,664	6,877	4%	262,985	262,985	-	-
Customer Services	106,670	104,611	(2,058)	(2%)	781,669	756,104	(25,566)	(3%)	1,324,298	1,324,298	-	-
District Library	68,876	80,678	11,801	15%	541,897	581,660	39,762	7%	997,174	1,006,874	(9,700)	(1%)
Total	193,747	207,153	13,407	6%	1,470,354	1,491,427	21,073	1%	2,584,457	2,594,157	(9,700)	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	58,293	38,534	19,760	51%	290,975	228,382	62,593	27%	363,787	354,087	(9,700)	(3%)
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Capital Expenditure												
Area Offices	-	-	-	-	5,419	-	(5,419)	-	-	-	-	-
Customer Services	-	-	-	-	295	-	(295)	-	-	-	-	-
District Library	10,289	11,766	1,477	13%	68,310	82,360	14,049	17%	123,021	141,188	(18,167)	(15%)
Total	10,289	11,766	1,477	13%	74,024	82,360	8,336	10%	123,021	141,188	(18,167)	(15%)
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Funding Adjustments												
Area Offices	(15,532)	(28,241)	12,709	(45%)	(108,722)	(197,685)	88,963	(45%)	(338,888)	(338,888)	-	-
Customer Services	-	3,333	(3,333)	(100%)	-	23,333	(23,333)	(100%)	40,000	40,000	-	-
District Library	-	7,166	(7,166)	(100%)	-	50,160	(50,160)	(100%)	58,122	85,989	27,867	48%
Total	(15,532)	(17,742)	2,210	(12%)	(108,722)	(124,191)	15,469	(12%)	(240,766)	(212,899)	27,867	(12%)

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Group Manager – Customer Support 10

CUSTOMER SUPPORT

YTD our expenditure is now on budget as we have reduced staffing costs in Customer Support. Our Income is on track at 2% above plan.

Area Offices

The transfer of the Stewart Island Area Office to combining with the Stewart Island Library has required some electrical, networking and building work so there is some capital expenditure, however this is expected to come under \$10,000 in total.

Customer Support

In January, the Customer Services budget reduced the gap from being 5% over budget YTD in December to 3% over budget in January. The area is still over budget due to unbudgeted staff salaries and travel costs for our Quarterly Staff Training Day.

Libraries

Income is still below plan due to a less money from recoveries such as fines and charges. We have received income for the bookbus service that visits parts of the Gore district now. Expenses are still 7% below plan and are due to reduced fuel costs for the bookbus.

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Group Manager – Environmental Services

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For the period ending January 2017

Council Detail Report



	Environmental Services											
	Monthly				YTD				Full Year Budget			
Income	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Alcohol Licensing	12,353	17,052	(4,700)	(28%)	127,299	119,367	7,932	7%	205,290	205,290	-	-
Animal Control	32,869	15,100	17,769	118%	438,175	467,703	(29,528)	(6%)	555,620	555,620	-	-
Building Regulations	90,251	131,923	(41,671)	(32%)	837,058	923,458	(86,399)	(9%)	1,583,070	1,583,070	-	-
Enviro & Com Dev Admin	17,752	20,420	(2,668)	(13%)	124,439	142,938	(18,498)	(13%)	245,036	245,036	-	-
Environmental Health	26,602	10,704	15,898	149%	106,421	92,457	13,964	15%	145,978	145,978	-	-
Health Licensing	(1,230)	1,236	(2,466)	(200%)	98,625	94,460	4,165	4%	122,090	122,090	-	-
Museum	52,486	51,975	510	1%	382,507	363,826	18,681	5%	623,702	623,702	-	-
Regulatory - Non Recoverab	11,273	11,258	16	-	78,839	78,804	35	-	135,093	135,093	-	-
Resource Consent Processin	59,280	80,612	(21,331)	(26%)	568,428	564,283	4,144	1%	967,343	967,343	-	-
Resource Planning/Policy	23,726	23,693	33	-	165,924	165,851	73	-	284,316	284,316	-	-
Total	325,363	363,973	(38,610)	(11%)	2,927,714	3,013,147	(85,433)	(3%)	4,867,538	4,867,538	-	-
	Monthly				YTD				Full Year Budget			
Operating Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Alcohol Licensing	18,668	16,683	(1,985)	(12%)	119,070	120,648	1,578	1%	212,409	212,409	-	-
Animal Control	44,152	51,544	7,392	14%	358,442	372,983	14,541	4%	656,828	656,828	-	-
Building Regulations	90,510	124,211	33,701	27%	831,232	889,724	58,491	7%	1,555,905	1,555,905	-	-
Enviro & Com Dev Admin	17,752	19,117	1,365	7%	124,439	133,203	8,764	7%	236,348	236,348	-	-
Environmental Health	15,247	10,049	(5,197)	(52%)	96,905	95,479	(1,426)	(1%)	145,978	145,978	-	-
Health Licensing	10,172	9,627	(545)	(6%)	68,057	69,534	1,477	2%	122,090	122,090	-	-
Museum	44,431	46,087	1,656	4%	381,080	391,298	10,217	3%	623,702	623,702	-	-
Regulatory - Non Recoverab	-	-	-	-	31,339	47,283	15,944	34%	135,093	135,093	-	-
Resource Consent Processin	57,312	77,726	20,414	26%	472,008	553,533	81,525	15%	967,343	967,343	-	-
Resource Planning/Policy	14,383	37,442	23,059	62%	56,584	265,553	208,968	79%	459,316	459,316	-	-
Total	312,627	392,487	79,860	20%	2,539,158	2,939,238	400,080	14%	5,115,012	5,115,012	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	12,736	(28,514)	41,250	(145%)	388,556	73,909	314,647	426%	(247,474)	(247,474)	-	-
	Monthly				YTD				Full Year Budget			
Capital Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Animal Control	498	-	(498)	-	498	-	(498)	-	-	-	-	-
Building Regulations	-	3,403	3,403	100%	-	23,819	23,819	100%	40,833	40,833	-	-
Enviro & Com Dev Admin	-	3,082	3,082	100%	-	21,575	21,575	100%	36,986	36,986	-	-
Environmental Health	836	-	(836)	-	836	-	(836)	-	-	-	-	-
Health Licensing	-	-	-	-	-	-	-	-	-	-	-	-
Museum	-	-	-	-	-	-	-	-	-	-	-	-
Resource Consent Processin	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,334	6,485	5,151	79%	1,334	45,394	44,060	97%	77,819	77,819	-	-


Item 7.2 Attachment B

Group Manager – Environmental Services

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For the period ending January 2017

Council Detail Report



	Monthly				YTD				Full Year Budget			
Funding Adjustments	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Alcohol Licensing	-	593	(593)	(100%)	-	4,153	(4,153)	(100%)	7,119	7,119	-	-
Animal Control	-	8,434	(8,434)	(100%)	-	59,038	(59,038)	(100%)	101,208	101,208	-	-
Building Regulations	-	1,139	(1,139)	(100%)	-	7,973	(7,973)	(100%)	13,668	13,668	-	-
Enviro & Com Dev Admin	-	2,358	(2,358)	(100%)	-	16,507	(16,507)	(100%)	28,298	28,298	-	-
Environmental Health	(15,526)	-	(15,526)	-	(15,526)	-	(15,526)	-	-	-	-	-
Health Licensing	-	-	-	-	-	-	-	-	-	-	-	-
Museum	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory - Non Recoverab	-	-	-	-	-	-	-	-	-	-	-	-
Resource Consent Processin	-	-	-	-	-	-	-	-	-	-	-	-
Resource Planning/Policy	-	14,583	(14,583)	(100%)	-	102,083	(102,083)	(100%)	175,000	175,000	-	-
Total	(15,526)	27,108	(42,634)	(157%)	(15,526)	189,754	(205,280)	(108%)	325,293	325,293	-	-

Group Manager – Environmental Services 13

ENVIRONMENTAL SERVICES COMMENTARY

Overall January 2017 monthly income for the Environmental Services Group was 11% (\$38,610) below budget at \$325,363 actual versus \$363,973 budget.

Key features of this month's income were that Building Control income was 32% (\$41,671) below budget at \$90,251 actual, versus \$131,923 budget, reflecting levels of activity, and Resource Consent Processing was 26% (\$21,331) below budget at \$59,280 actual versus \$80,612 budget again reflecting subdued levels of activity.

Conversely Environmental Health income was 149% (\$15,898) ahead of budget at \$26,602 actual versus \$10,704 budget, primarily due to the sale of a vehicle.

Overall January 2017 monthly expenditure for the Environmental Services Group was 20% (\$79,860) below budget at \$312,627 actual v \$392,487 budget.

Most departments were well below budget expenditure-wise, reflecting a close focus on spending, which is important in the current economic/ development climate.

Several departments are below budgeted expenditure due to reduced staffing levels.

Overall Group YTD Summary as at end of January 2017:

Overall Group YTD Income at the end of January 2017 for the 2016/2017 financial year is 3% (\$85,433) below budget, at \$2,927,714 actual versus \$3,013,147 budget.

It is anticipated that if the current trend regarding levels of incoming development-related work continues, then overall Environmental Services Group income could be approximately \$150,000 below the original 2016/2017 Annual Plan income budget, at year end.

This is largely a reflection of the current development climate in the Southland District where, with the exception of the Te Anau area, development activity, particularly larger scale activity, has been relatively subdued. Some resourcing changes have been made to reflect these economic conditions.

Overall Group YTD Expenditure at the end of January 2017 of the 2016/2017 financial year is 14% (\$400,080) below budget at \$2,539,158 actual versus \$2,939,238 budget.


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Chief Financial Officer

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For the period ending January 2017

Council Detail Report



	Financial Services											
	Monthly				YTD				Full Year Budget			
Income	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Financial Services	177,040	207,730	(30,690)	(15%)	1,259,951	1,504,295	(244,344)	(16%)	2,593,131	2,593,131	-	-
Total	177,040	207,730	(30,690)	(15%)	1,259,951	1,504,295	(244,344)	(16%)	2,593,131	2,593,131	-	-
	Monthly				YTD				Full Year Budget			
Operating Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Financial Services	154,871	171,495	16,624	10%	1,105,593	1,320,042	214,449	16%	2,329,251	2,329,251	-	-
Total	154,871	171,495	16,624	10%	1,105,593	1,320,042	214,449	16%	2,329,251	2,329,251	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	22,169	36,234	(14,066)	(39%)	154,358	184,253	(29,895)	(16%)	263,880	263,880	-	-
	Monthly				YTD				Full Year Budget			
Capital Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Financial Services	-	6,732	6,732	100%	-	47,122	47,122	100%	40,780	80,780	(40,000)	(98%)
Total	-	6,732	6,732	100%	-	47,122	47,122	100%	40,780	80,780	(40,000)	(98%)
	Monthly				YTD				Full Year Budget			
Funding Adjustments	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Financial Services	(21,988)	(15,258)	(6,729)	44%	(153,913)	(106,808)	(47,105)	44%	(223,100)	(183,100)	40,000	(18%)
Total	(21,988)	(15,258)	(6,729)	44%	(153,913)	(106,808)	(47,105)	44%	(223,100)	(183,100)	40,000	(18%)

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Chief Financial Officer

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FINANCIAL SERVICES COMMENTARY

Operating expenditure is 18% (\$179K) under budget for the year to date. The annual maintenance cost of councils purchase order system (\$25k) is payable in April. Valuation Roll costs and insurance will be under budget at year end by \$55K. Staff vacancies has resulted in staff costs being \$46K under budget. A review of Council's outstanding debt and processes is currently underway, as a result of this debt collection costs are less than budgeted (\$22K). Currently Visa and Mastercard charges are \$10k behind budget however the third rates instalment is due at the end of February and it is expected at this time that actual costs will come back in line with budget. Consultants costs are also well under budget with assistance only recently being sought (\$15K).

As part of forecasting \$40k Capital expenditure has been set aside for renovations in the finance area, this will be funded from underspends above. It is expected that this business unit will be still well under budget at year end.

As this activity is internally funded the reduced expenditure impacts income.

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Chief Information Officer

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Item 7.2 Attachment B

For the period ending January 2017

Council Detail Report



Information Management												
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Information Management	152,618	151,720	899	1%	1,086,306	1,062,038	24,268	2%	1,820,636	1,820,636	-	-
Knowledge Management	58,139	52,811	5,328	10%	365,460	369,676	(4,216)	(1%)	633,730	633,730	-	-
Property & Spatial Services	30,208	32,731	(2,523)	(8%)	239,631	229,114	10,517	5%	392,767	392,767	-	-
Total	240,965	237,261	3,704	2%	1,691,397	1,660,827	30,569	2%	2,847,133	2,847,133	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Information Management	122,122	135,716	13,594	10%	979,123	962,057	(17,066)	(2%)	1,673,358	1,673,358	-	-
Knowledge Management	57,931	49,589	(8,342)	(17%)	364,006	352,794	(11,212)	(3%)	660,401	611,482	48,919	7%
Property & Spatial Services	30,208	31,478	1,270	4%	239,631	225,539	(14,092)	(6%)	392,767	392,767	-	-
Total	210,261	216,783	6,522	3%	1,582,760	1,540,390	(42,370)	(3%)	2,726,526	2,677,607	48,919	2%
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	30,704	20,478	10,226	50%	108,637	120,438	(11,801)	(10%)	120,607	169,526	48,919	41%
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Capital Expenditure												
Information Management	6,952	20,833	13,881	67%	108,824	145,833	37,009	25%	1,750,000	250,000	1,500,000	86%
Knowledge Management	201,351	93,333	(108,017)	(116%)	521,516	653,333	131,817	20%	1,391,081	1,120,000	271,081	19%
Total	208,303	114,167	(94,136)	(82%)	630,340	799,167	168,826	21%	3,141,081	1,370,000	1,771,081	56%
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Funding Adjustments												
Information Management	(980)	8,560	(9,540)	(111%)	(6,862)	59,921	(66,783)	(111%)	1,602,722	102,722	(1,500,000)	(94%)
Knowledge Management	(1,356)	91,479	(92,836)	(101%)	(9,495)	640,355	(649,850)	(101%)	1,417,752	1,097,752	(320,000)	(23%)
Property & Spatial Services	-	-	-	-	-	-	-	-	-	-	-	-
Total	(2,337)	100,039	(102,376)	(102%)	(16,356)	700,276	(716,633)	(102%)	3,020,474	1,200,474	(1,820,000)	(60%)

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Chief Information Officer

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INFORMATION MANAGEMENT COMMENTARY

Overall Income is 2% (\$31K) over budget for the year-to-date.
 Overall Operating expenditure is 3% (\$42K) over budget for the year-to-date.
 The year-to-date position is on target.
 Capital expenditure is 79% under budget

Information Management

Income is 3% (\$24K) over budget for the year-to-date.
 Expenditure is 2% (\$17K) over budget.
 The net year-to-date position is \$7K under budget.

Capital Work:*Core Systems / Business Improvement Project:*

Work is continuing on the mapping and identification of existing processes that are used across Council. This work is being captured in an online tool called ProMapp and is being well received by staff who are new to the organisation or those that are part of larger processes such as the LIM creation process. Council currently have over 800 processes mapped and it is expected that this number will continue to rise to several thousand.

This work is focusing on the current business process mapping and documentation, but there have been a number of wins and improvements that have been achieved as part of this process. One staff member described this as opening up the hood and see what is actually running, which is a good analogy for this work.

This will lead into understanding and prioritising what application and/or services are identified for review under core systems.

The capital expenditure budget will be reviewed as part of the forecast process in February.

Knowledge Management

Income is 1% (\$4K) under budget.
 Expenditure is 3% (\$11K) under budget year-to-date:

Capital Work:*Digitisation Project:*

This project has been progressing well with a number of key components close to being completed and planning well underway for how the end result will be delivered to staff and customers

We are in production mode which means that property files are progressively being sent to Auckland (approx. 12000 property files have been sent so far).

Planning for the deployment of Public View which will be used for public access has also started with this expected in March 2017.

Council officers are working through some areas of data quality that may impact the delivery time and cost of the project. Once these are finalised we will report back to Council as to the overall impact to the budget.

Expenditure to date includes the purchase of Nova software licence and setup of Nova for Council's requirements, project management, and costs associated with packing and transporting files to Power Business Services premises in Auckland.

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Chief Information Officer

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Property and Spatial Services

Income is 7% (\$13K) over budget. This mainly comes from internal income which includes overhead recoveries and GIS income.

Expenditure is 8% (\$15K) over budget.


Over expenditure variances included:

Consultants \$31K over budget year to date and in excess the annual budget. This was due to integration between GMSC (GIS Tool), Google Street view and the Pathway Smart Client. Savings in other expenditure items will ensure that costs are within budget by year end.

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Finance

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For the period ending January 2017					Council Detail Report							
												
	Monthly				YTD				Full Year Budget			
Income	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Allocation Committees	14,503	14,305	198	1%	233,098	121,255	111,843	92%	309,620	309,620	-	-
Operating investments	(16,521)	76,737	(93,258)	(122%)	718,685	537,156	181,529	34%	1,220,392	1,220,392	-	-
Total	(2,019)	91,041	(93,060)	(102%)	951,783	658,411	293,372	45%	1,530,012	1,530,012	-	-
	Monthly				YTD				Full Year Budget			
Operating Expenditure	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Allocation Committees	64,001	8,850	(55,151)	(623%)	119,771	170,101	50,330	30%	322,503	322,503	-	-
Operating investments	(138,552)	3,184	141,736	4451%	(143,652)	22,289	165,941	744%	1,170,885	1,170,885	-	-
Total	(74,551)	12,034	86,585	720%	(23,880)	192,391	216,271	112%	1,493,388	1,493,388	-	-
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	72,532	79,007	(6,475)	(8%)	975,663	466,021	509,643	109%	36,624	36,624	-	-
	Monthly				YTD				Full Year Budget			
Funding Adjustments	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Allocation Committees	-	1,074	(1,074)	(100%)	(105,000)	7,515	(112,515)	(1497%)	12,883	12,883	-	-
Operating investments	-	(4,126)	4,126	(100%)	-	(28,879)	28,879	(100%)	(49,507)	(49,507)	-	-
Total	-	(3,052)	3,052	(100%)	(105,000)	(21,364)	(83,636)	391%	(36,624)	(36,624)	-	-

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Finance

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OTHER ACTIVITIES COMMENTARY**Grant Allocation Committees**

Year to date Income is 92% (\$112K) over budget. This is due to \$105K being returned by the Edendale Community Board which had previously been given for the Edendale Hall project which is no longer going ahead. Additionally, Creative Community and Sport NZ funding is expected to be approximately \$5K and \$3K over budget at year end respectively.

Year to date Expenditure is 30% (\$50K) under budget. The first Allocations committee meeting was held in December 2016 with grants totalling \$117,990 awarded. Additionally, grants were awarded in December for the Ohai Railway Board. The \$50K variance from budget is in part due to the Creative Communities NZ funding being awarded later than usual due to the requirement to set up a new committee. Additionally, various grants allocated in December have yet to be processed.

Operating Investments

Income is \$293K over budget year to date.

- Interest earned on investments is \$64K over budget. Surplus cash has been invested as it has not been needed for the distribution of internal loans.
- Internal Interest received on loans is calculated monthly and is (\$208K) less than budget year to date. This is mainly due to internal loan balances being less than budgeted. Council has set the interest rate to be charged on these loans as part of its 10 Year Plan process. Interest is being charged on a monthly basis on all internal loan draw-downs up until 30 June, end of the last financial year.
- Internal Interest is only calculated at year end on Reserves, Cost of Capital and Contribution balances and budgeted to be received at year end in June.

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Group Manager – Services and Assets

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For the period ending January 2017

Council Detail Report



	Services & Assets											
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Income												
Area Engineers	97,402	97,725	(323)	-	640,356	684,074	(43,718)	(6%)	1,172,698	1,172,698	-	-
Around Mountains Cycle Trail	2,993	3,417	(424)	(12%)	20,991	23,917	(2,925)	(12%)	541,000	41,000	(500,000)	(92%)
Council Property	91,785	76,878	14,907	19%	572,145	538,149	33,996	6%	925,562	925,562	-	-
District Reserves	13,924	13,904	19	-	97,373	97,330	43	-	166,852	166,852	-	-
District Sewerage	347,659	345,538	2,120	1%	2,078,332	2,061,300	17,032	1%	3,500,579	3,500,579	-	-
District Water	249,361	244,686	4,675	2%	1,854,430	1,857,631	(3,201)	-	3,230,030	3,230,030	-	-
Engineering Administration	41,189	42,320	(1,131)	(3%)	279,412	296,241	(16,829)	(6%)	507,841	507,841	-	-
Engineering Consultants	59,950	67,438	(7,488)	(11%)	408,709	472,065	(63,355)	(13%)	809,254	809,254	-	-
Forestry	-	276,895	(276,895)	(100%)	650,515	1,938,265	(1,287,749)	(66%)	1,661,850	3,322,740	1,660,890	100%
Property Administration	47,679	46,657	1,022	2%	316,141	326,600	(10,459)	(3%)	559,886	559,886	-	-
Public Conveniences	65,611	56,550	9,061	16%	406,788	395,852	10,937	3%	678,603	678,603	-	-
Road Safety Com. Advisor	-	3,082	(3,082)	(100%)	68,897	21,572	47,325	219%	36,991	36,991	-	-
Waste Management	352,210	321,513	30,697	10%	2,311,905	2,250,593	61,312	3%	3,863,337	3,863,337	-	-
Water Services	80,215	82,350	(2,135)	(3%)	571,253	576,447	(5,194)	(1%)	1,000,626	1,000,626	-	-
Work Schemes (CTF)	13,224	23,881	(10,657)	(45%)	135,913	167,165	(31,251)	(19%)	286,568	286,568	-	-
Total	1,463,202	1,702,834	(239,632)	(14%)	10,413,160	11,707,199	(1,294,039)	(11%)	18,941,677	20,102,567	1,160,890	6%
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Operating Expenditure												
Area Engineers	97,390	95,510	(1,880)	(2%)	640,270	650,963	10,693	2%	1,148,316	1,148,316	-	-
Around Mountains Cycle Trail	18,266	17,167	(1,100)	(6%)	283,399	120,167	(163,232)	(136%)	41,000	206,000	(165,000)	(402%)
Council Property	56,824	61,750	4,926	8%	629,609	617,597	(12,012)	(2%)	911,347	926,347	(15,000)	(2%)
District Reserves	9,225	13,654	4,429	32%	58,007	95,871	37,865	39%	164,143	164,143	-	-
District Sewerage	204,834	178,256	(26,578)	(15%)	1,284,136	1,324,036	39,900	3%	2,215,317	2,215,317	-	-
District Water	174,780	200,397	25,617	13%	1,415,950	1,472,630	56,680	4%	2,474,615	2,474,615	-	-
Engineering Administration	41,189	40,283	(906)	(2%)	279,412	283,995	4,583	2%	498,368	498,368	-	-
Engineering Consultants	59,950	67,438	7,488	11%	408,709	472,065	63,355	13%	809,254	809,254	-	-
Forestry	50,969	205,418	154,449	75%	644,588	1,480,276	835,688	56%	846,477	2,507,367	(1,660,890)	(196%)
Property Administration	41,083	44,624	3,541	8%	315,551	317,946	2,395	1%	559,886	559,886	-	-
Public Conveniences	51,456	48,797	(2,660)	(5%)	328,670	358,788	30,118	8%	602,773	602,773	-	-
Road Safety Com. Advisor	14,078	3,709	(10,369)	(280%)	132,904	20,680	(112,223)	(543%)	36,991	36,991	-	-
Waste Management	310,213	316,219	6,006	2%	2,108,690	2,223,373	114,683	5%	3,805,379	3,805,379	-	-
Water Services	65,652	104,242	38,589	37%	836,258	784,424	(51,834)	(7%)	1,127,060	1,137,060	(10,000)	(1%)
Work Schemes (CTF)	18,045	20,718	2,673	13%	151,352	151,841	489	-	268,202	268,202	-	-
Total	1,213,956	1,418,182	204,226	14%	9,517,505	10,374,651	857,146	8%	15,509,128	17,360,018	(1,850,890)	(12%)
	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Net Surplus/(Deficit)	249,246	284,652	(35,406)	(12%)	895,655	1,332,548	(436,893)	(33%)	3,432,549	2,742,549	(690,000)	(20%)

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Item 7.2 Attachment B

Group Manager – Services and Assets

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For the period ending January 2017

Council Detail Report



	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Capital Expenditure	-	9,061	9,061	100%	-	63,427	63,427	100%	108,732	108,732	-	-
Area Engineers	-	9,061	9,061	100%	-	63,427	63,427	100%	108,732	108,732	-	-
Around Mountains Cycle Trail	115,338	25,000	(90,338)	(361%)	202,304	175,000	(27,304)	(16%)	5,867,764	300,000	5,567,764	95%
Council Property	825	37,080	36,255	98%	43,179	259,560	216,381	83%	444,960	444,960	-	-
District Reserves	148,115	70,336	(77,779)	(111%)	748,790	492,351	(256,438)	(52%)	815,000	844,031	(29,031)	(4%)
District Sewerage	15,840	239,379	223,540	93%	1,088,793	1,675,655	586,862	35%	1,744,734	2,872,551	(1,127,817)	(65%)
District Water	772,073	319,082	(452,991)	(142%)	1,031,863	2,233,572	1,201,709	54%	3,300,757	3,828,981	(528,224)	(16%)
Engineering Administration	-	3,361	3,361	100%	-	23,524	23,524	100%	40,327	40,327	-	-
Engineering Consultants	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-	-	-
Property Administration	-	-	-	-	-	-	-	-	-	-	-	-
Public Conveniences	(52)	12,940	12,991	100%	11,548	90,578	79,030	87%	126,976	155,276	(28,300)	(22%)
Road Safety Com. Advisor	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	5,182	-	(5,182)	-	20,925	-	(20,925)	-	-	-	-	-
Water Services	1,412	-	(1,412)	-	1,412	-	(1,412)	-	-	-	-	-
Work Schemes (CTF)	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,058,732	716,238	(342,494)	(48%)	3,148,814	5,013,667	1,864,854	37%	12,449,250	8,594,858	3,854,392	31%

	Monthly				YTD				Full Year Budget			
	Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var %	Budget	Projection	Variance	Var %
Funding Adjustments	-	7,029	(7,029)	(100%)	-	49,204	(49,204)	(100%)	84,350	84,350	-	-
Area Engineers	-	7,029	(7,029)	(100%)	-	49,204	(49,204)	(100%)	84,350	84,350	-	-
Around Mountains Cycle Trail	-	38,750	(38,750)	(100%)	-	271,250	(271,250)	(100%)	5,367,764	465,000	(4,902,764)	(91%)
Council Property	-	37,145	(37,145)	(100%)	-	260,018	(260,018)	(100%)	430,745	445,745	15,000	3%
District Reserves	-	70,110	(70,110)	(100%)	-	490,771	(490,771)	(100%)	812,291	841,322	29,031	4%
District Sewerage	(1,388)	127,691	(129,079)	(101%)	(9,713)	893,835	(903,548)	(101%)	459,472	1,532,289	1,072,817	233%
District Water	(9,352)	256,131	(265,482)	(104%)	(65,461)	1,792,914	(1,858,374)	(104%)	2,545,342	3,073,566	528,224	21%
Engineering Administration	-	2,571	(2,571)	(100%)	-	17,998	(17,998)	(100%)	30,854	30,854	-	-
Forestry	-	(17,030)	17,030	(100%)	-	(119,212)	119,212	(100%)	(815,374)	(815,374)	-	-
Property Administration	-	-	-	-	-	-	-	-	-	-	-	-
Public Conveniences	(5,421)	6,621	(12,042)	(182%)	(37,948)	46,344	(84,291)	(182%)	51,146	79,446	28,300	55%
Road Safety Com. Advisor	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	(3,064)	(4,830)	1,766	(37%)	(21,447)	(33,809)	12,362	(37%)	(57,958)	(57,958)	-	-
Water Services	-	11,370	(11,370)	(100%)	-	79,587	(79,587)	(100%)	126,434	136,434	10,000	8%
Work Schemes (CTF)	-	(1,531)	1,531	(100%)	-	(10,714)	10,714	(100%)	(18,366)	(18,366)	-	-
Total	(19,224)	534,027	(553,251)	(104%)	(134,568)	3,738,186	(3,872,754)	(104%)	9,016,700	5,797,308	(3,219,392)	(36%)

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Group Manager – Services and Assets 23

SERVICES AND ASSETS COMMENTARY (EXCLUDING TRANSPORT / ROADING)**Overall Financial Performance**

The overall financial performance of the Services and Assets group shows income is below and expenditure is also under budget year to date.

Overall, income streams are 11% below budget. The forestry result is due to logging commencing in February issue in that the revenue flow is not in line with the staged budgets.

Operating expenditure overall is 8% less than budget. The outliers are the Around the Mountains Cycle Trail legal expenses which was the last of the legal and expert witness costs for the Environment Court hearing. The outcome of the environment court is being contested and may result in future legal expenditure. Forestry expenditure is 56% below budget at this point in time. Harvesting commences in February at Dipton and this will increase over the next 5 months.

The Road Safety Community Advisor costs are 543% over budget. The portion of costs for Gore and Invercargill are not budgeted as they are passed on to Invercargill City Council (ICC), Gore District Council (GDC) and SDC (Transport Division). This business unit is balanced to zero at year end.

Capital expenditure is only 37% of the budgeted figure. District Water (\$586K) and Sewerage (\$1.2M) under budget, are in design phase, not yet underway or are underway but little costs have come to charge.

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Item 7.2 Attachment B

Strategic Transport Manager

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For the period ending January 2017

Council Rooding Report



		Rooding											
		Monthly				YTD				Full Year Budget			
		Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var%	Budget	Projection	Variance	Var %
Income													
Contributions		-	-	-	-	(9,054)	-	(9,054)	-	-	-	-	-
Grants		1,242,994	1,418,377	(175,383)	(12%)	5,972,881	8,110,888	(2,138,007)	(26%)	15,187,248	15,415,148	227,900	2%
Internal Income		-	-	-	-	35,335	40,507	(5,172)	(13%)	288,938	288,938	-	-
Other Income		35,043	43,173	(8,130)	(19%)	239,410	282,738	(43,327)	(15%)	505,588	505,588	-	-
Rates		1,095,100	1,093,431	1,729	0%	7,829,337	7,813,510	15,826	0%	13,085,913	13,085,913	-	-
User Charges and Fees		-	26	(26)	(100%)	-	2,742	(2,742)	(100%)	31,058	31,058	-	-
Total		2,373,197	2,555,006	(181,810)	(7%)	13,867,910	16,050,385	(2,182,475)	(14%)	29,098,745	29,326,645	227,900	1%
Direct Expenditure													
Advertising		-	-	-	-	354	254	(100)	(39%)	789	789	-	-
Communications		275	311	35	11%	3,123	4,662	1,539	33%	7,770	7,770	-	-
Conferences and courses		-	-	-	-	6,766	12,010	5,243	44%	16,915	16,915	-	-
Electricity		3,224	3,000	(224)	(7%)	26,761	21,000	(5,761)	(27%)	38,000	38,000	-	-
Fees and Charges		-	-	-	-	-	-	-	-	-	-	-	-
Financial Expenses		-	-	-	-	151	-	(151)	-	-	-	-	-
Insurance		-	-	-	-	2,438	2,731	293	11%	2,731	2,731	-	-
Other Expenditure		(30,969)	331	31,300	9462%	(139,514)	12,370	151,884	1228%	16,333	16,333	-	-
Postage and Stationery		-	174	174	100%	764	564	(200)	(36%)	1,025	1,025	-	-
Professional Services		300	1,794	1,494	83%	13,342	24,293	10,950	45%	35,875	35,875	-	-
Rates		-	-	-	-	2,014	2,295	281	12%	2,295	2,295	-	-
Repairs and Maintenance	Emergency Reinstatement	49,558	19,488	(30,073)	(154%)	49,558	193,083	143,524	74%	268,710	268,710	-	-
	Environmental Maintenance	53,965	85,433	31,468	37%	716,408	587,352	(129,057)	(22%)	1,067,912	1,067,912	-	-
	General Projects	-	-	-	-	-	-	-	-	-	-	-	-
	Level Crossing Warning Devices	528	2,738	2,210	81%	5,457	16,731	11,274	67%	30,420	30,420	-	-
	Maint - General	275	427	152	35%	25,497	2,990	(22,507)	(753%)	5,125	5,125	-	-
	Network and Asset Management	178,784	208,802	30,019	14%	1,403,423	1,392,831	(10,793)	(1%)	2,321,667	2,321,667	-	-
	Routine Drainage Maintenance	87,848	38,589	(49,259)	(128%)	648,594	513,899	(134,695)	(26%)	932,177	932,177	-	-
	Sealed Pavement Maintenance	297,073	273,599	(23,474)	(9%)	1,792,311	1,793,596	1,285	0%	3,039,993	3,039,993	-	-
	Spraying	-	3,177	3,177	100%	26,072	22,240	(3,833)	(17%)	38,125	38,125	-	-

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Strategic Transport Manager

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		Roading											
		Monthly				YTD				Full Year Budget			
		Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var%	Budget	Projection	Variance	Var %
	Stock Underpasses Minor Improv	-	-	-	-	-	38,025	38,025	100%	76,050	76,050	-	-
	Street Lighting Transit	2,749	2,292	(457)	(20%)	23,936	16,042	(7,895)	(49%)	27,500	27,500	-	-
	Structures Maintenance	31,980	8,788	(23,192)	(264%)	245,033	108,363	(136,670)	(126%)	172,380	172,380	-	-
	Traffic Services Maintenance	35,928	55,914	19,986	36%	294,682	275,371	(19,311)	(7%)	509,539	509,539	-	-
	Unsealed Pavement Maintenance	170,115	168,122	(1,994)	(1%)	1,087,289	1,427,764	340,476	24%	2,382,424	2,382,424	-	-
	Total	908,804	887,367	(41,437)	(5%)	6,318,260	6,387,884	69,624	1%	10,872,022	10,872,022	-	-
Staff Costs		45,476	46,838	1,361	3%	312,792	316,654	3,862	1%	563,545	563,545	-	-
Travel and Accommodation		-	117	117	100%	4,518	6,379	1,861	29%	11,719	11,719	-	-
Vehicle Expenses		1,239	(54)	(1,294)	2387%	5,180	359	(4,821)	(1342%)	(183)	(183)	-	-
Total		928,350	919,877	(8,473)	(1%)	6,556,951	6,791,455	234,504	3%	11,566,816	11,566,816	-	-
Indirect Expenditure													
Depreciation (Funded)		1,812	1,417	(395)	(28%)	14,635	9,918	(4,718)	(48%)	22,985	22,985	-	-
Internal Expenses		78,152	76,388	(1,765)	(2%)	525,935	555,222	29,288	5%	994,877	994,877	-	-
Total		79,964	77,804	(2,160)	(3%)	540,570	565,140	24,570	4%	1,017,862	1,017,862	-	-
Net Surplus/(Deficit)													
		1,364,882	1,557,325	(192,443)	(12%)	6,770,388	8,693,790	(1,923,402)	(22%)	16,514,067	16,741,967	227,900	1%

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Item 7.2 Attachment B

Strategic Transport Manager

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		Roading											
		Monthly				YTD				Full Year Budget			
		Actual	Budget	Variance	Var %	Actual	Budget	Variance	Var%	Budget	Projection	Variance	Var %
Capital Expenditure													
Capital Expenditure	Assoc Imprmnts - Aq LOS	-	-	-	-	492	-	(492)	-	-	-	-	-
	Bridges - Renewal	26,918	39,000	12,082	31%	70,815	247,000	176,185	71%	1,300,000	1,300,000	-	-
	Drainage Renewals - Aq LOS	13,282	82,838	69,556	84%	116,027	958,554	842,527	88%	1,183,400	1,183,400	-	-
	Drainage Renewals - Renewal	53,828	14,196	(39,632)	(279%)	163,113	158,184	(4,929)	(3%)	202,800	202,800	-	-
	Minor Improvements Aq LOS	1,592	87,454	85,862	98%	12,024	743,358	731,334	98%	1,027,584	1,457,584	(430,000)	(42%)
	Minor Improvements Renewals	3,560	-	(3,560)	-	284,855	-	(284,855)	-	-	-	-	-
	Other Equip - Aq LOS	-	-	-	-	65	-	(65)	-	-	-	-	-
	Pavement Rehab - Aq LOS	-	-	-	-	-	27,732	27,732	100%	55,483	55,483	-	-
	Pavement Rehab - Renewal	25,332	79,748	54,414	68%	179,479	458,538	279,059	61%	998,822	998,822	-	-
	Preventive Maint - Renewals	889	10,140	9,271	91%	14,101	85,910	51,809	79%	253,500	253,500	-	-
	Seal Rd Resurface - Aq LOS	-	700,000	700,000	100%	130,151	1,120,000	989,849	88%	2,800,000	2,800,000	-	-
	Seal Rd Resurface - Renewal	1,093,428	782,615	(310,813)	(40%)	2,005,570	2,558,543	550,973	22%	5,217,434	5,217,434	-	-
	Structure Component - Renewal	326	13,800	13,474	98%	74,030	149,500	75,470	50%	230,000	230,000	-	-
	Traffic Services - Aq LOS	796	-	(796)	-	47,024	590,188	543,164	92%	922,169	922,169	-	-
	Traffic Services - Renewal	46,680	36,092	(10,589)	(29%)	359,678	375,352	15,673	4%	721,830	721,830	-	-
	Unsealed Rd Metal - Renewal	182,935	93,964	(88,971)	(95%)	1,114,597	939,642	(174,955)	(19%)	2,349,108	2,349,108	-	-
	Vehicles - Renewal	-	3,117	3,117	100%	-	21,818	21,818	100%	37,403	37,403	-	-
Total		1,449,545	1,942,961	493,416	25%	4,572,021	8,412,319	3,840,298	46%	17,297,491	17,727,491	(430,000)	(2%)
Funding Adjustments													
Total		-	(126,657)	126,657	(100%)	9,054	1,619,570	(1,610,516)	(99%)	783,424	985,524	202,100	26%

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Strategic Transport Manager

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TRANSPORT COMMENTARY

Please note that the budgeted numbers for 16/17 have not been apportioned, therefore a number of the variances are as a result of timing issues.

The commentary below relates to NZTA funded activities only.

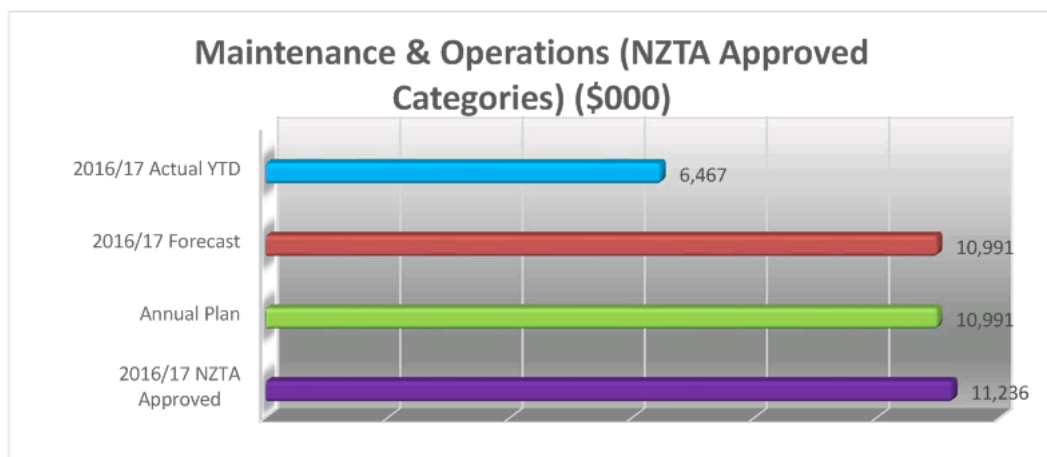
(Emergency re-instatement will only be spent in the event of damage to roading from extreme conditions e.g. flooding. This will only be recovered from NZTA if the claim exceeds \$100K)

Overall Financial Performance

Strategic Roding is currently placing a major focus on the Southern Scenic Route and the Alliance Maintenance Contracts with both Tenders closing in February. Roding is continuing to design guardrail and bridge projects in order to fully utilise NZTA funding. A planning session occurred in January and identified various projects for the 2017/18 financial year, Strategic roading are in consultation with NZTA around the funding to ensure they meet NZTA's criteria. These projects will be sent to our consultants for design prior to the financial year beginning giving contractors a large window to complete the various projects once approval has been obtained from NZTA.

Operating Expenditure

Operating expenditure is slightly over for the year to date however this is expected to be in line with budget at year end.

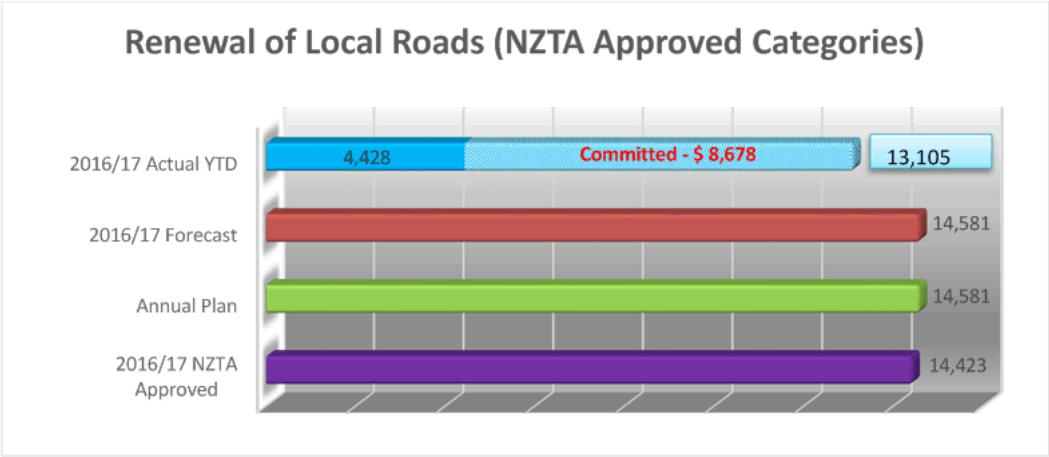


Financial Tracking vs Plans (Maintenance)			
YTD	Forecast	Annual Plan	NZTA Approved
58.84%	58.33%	58.33%	57.55%

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Capital Expenditure

Capital expenditure is currently behind budget however with the reseal programme underway and other capital projects being tendered this is expected to increase significantly in next 2-3 months. Strategic Roading is currently identifying additional projects that will utilise the remaining NZTA funding.



Financial Tracking vs Plans (Capital)			
YTD	Forecast	Annual Plan	NZTA Approved
30.37%	58.33%	58.33%	30.49%

Draft Investment and Liability Management Policy

Record No: R/17/1/1083
Author: Robyn Rout, Policy Analyst
Approved by: Anne Robson, Chief Financial Officer

☒ Decision ☐ Recommendation ☐ Information

Purpose

- 1 This report presents the draft Investment and Liability Management Policy for the Finance and Audit Committee's (the Committee's) consideration. If approved, the Policy will be used for public consultation from 18 March until 21 April 2017.

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 Changes to the draft policy include clarity around the intent of Council in the setting of interest on internal loans, and changes to roles and responsibilities.
- 4 Feedback is also being sought from the Committee confirming Council's specific borrowing limits.

Recommendation

That the Finance and Audit Committee:

- a) Receives the report titled "Draft Investment and Liability Management Policy " dated 7 March 2017.
- b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.
- c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) Approves the draft Investment and Liability Management Policy (attached) for release for public consultation from 18 March until 21 April 2017.

Content

Background

- 5 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.
- 6 This policy was last revised and consulted on as part of the 2013/14 Annual Plan. At the time Bancorp were engaged to review sections of the Investment Policy relating to financial market investments. Their review focused on developing appropriate recommendations for additions or amendments to the Investment and Liability Policy to enable the treasury activities of SDC to be carried out under a set of market best practice standards. The review also included the section on the Local Government Funding Agency.
- 7 The investment part of the policy is designed to ensure that the financial resources of the Council are managed in an efficient and effective way. It sets out why Council holds investments, its strategy towards risk, the mix of investments it has and how it will distribute any return on investments.
- 8 The liability management part of the policy is designed to provide a framework for prudent debt management. It sets out how Council may wish to use debt as a funding mechanism, along with limits to borrowing and how Council will handle risk.
- 9 The policy also outlines the structure of responsibilities and reporting lines within Council. These ensure appropriate management and accountability of liability and investment activities.
- 10 Given the review that was undertaken as part of the 2013/14 Annual Plan, no substantial changes have been made to the draft policy. The changes proposed in the draft policy are around clarification of aspects of the policy and updates to roles and responsibilities.
- 11 As background, Councils investment portfolio at the 30 June 2016 was as follows

Investments	\$(000)
Internal Loans	19,991
Forestry (at market valuation)	12,951
Other Financial assets - Cash	12,200
Cash and Cash equivalents	5,715
Property - Community Housing Land & Buildings (Book Value)	614
Other Financial assets - Shares	312
Property - Intended for Sale (Cost)	144
Total	51,927

- 12 At 30 June 2016, Council had no borrowings.
- 13 The key aspects of the Investment Policy is:
 - Outlining Council's risk profile, which is that Council is a risk adverse entity and does not wish to incur additional risk from its treasury operations. As such the types of

treasury investments that Council allows investment in is limited to 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 \$10M if the bank has a rating of A1 or better.

- Council's ability to invest internally through Internal Loans. Council has \$20M of internal loans at 30 June 2016. These loans are to facilitate the development of Council projects and the funding of these to date has been from funds held (generally reserve funds held by Council or committees of Council) rather than borrowings.
- The ability for Council to invest in the Local Government Funding Agency Limited (LGFA). The LGFA was established to enable Local Government to borrow at lower margins than would be available otherwise. All borrowers are required to contribute 1.6% of the total amount borrowed as capital. The policy allows for Council to invest in the LGFA if circumstances are beneficial to Council.

14 The key aspects of the proposed Liability Management Policy is:

- That borrowing limits of Council remain unaltered. Council has set the limit at 150% of total revenue. Based on the 2015/16 Annual Report this would be around \$101M.
- How Council will handle risk. 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 by way of 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 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. Currently \$20M of loans exist.

Issues

15 A number of small changes have been made in the revised policy, and these are outlined below.

Interest charged on loans and advances to Community organisations

16 From time to time Council provides a loan or advance to a community organisation. Previously the policy stated that these loans and advances were "usually interest free". This part of the policy has been changed, and it now states that Council is to charge interest at the same rate as if it had undertaken an internal loan. This change reflects the discussion Council had around loaning funds to the South Catlins Charitable Trust last year.

Charging of interest on internal loans

17 The current policy allows for internal loans to be given and Council investments to be used as a source of funding. It also limits the term to 25 years and states that the method of calculation of the interest rate. Setting of the interest rate is by way of Council resolution as part of the Annual Plan/LTP process, taking into account the 5-10 year government bond rates. It also states that when Council considers the method of calculation that Council's present and future financial position as well as market conditions be taken into account, and adjusted where fairness and equity apply.

18 The interest charged on internal loans is a complex matter and one that our community questions us on from time to time. Especially given that much of the interest earned is

allocated back to the individual reserves held by Council. It is therefore important that the policy covers off the following points to ensure that our community understands Council's reasoning and the issues around any interest rate calculation.

- To guide the interest rate setting and to inform our Community, the proposed policy sets to clarify the objective that Council is trying to achieve in undertaking internal loans. The proposed policy discusses that any method of calculation needs to consider the net opportunity cost (after bank fees etc) to Council, taking into account having the money invested or borrowing. Although Council may have this objective, it may not always be able to be achieved. The setting of interest rates on internal loans is done as part of the Long Term Plan (LTP)/Annual Plan, this is well in advance of actual interest received. Council, may actually receive more or less from the banks when it invests. The impact of this is that the interest rate paid to reserve balances may be greater or less than actual bank rates, due to the fact that rates collected was based on a prediction of where rates would be.
- The current Investment Policy states that Council should, in setting the method of calculation of the interest rate for internal loans have regard to the 5-10 year government bond rates and overall return sought from Council's total investment portfolio. The charging of interest and the calculation of the rate is a Liability Policy discussion. The proposed Investment Policy will now discuss Council's desire to obtain the net opportunity cost of investing but recognise that as discussed in the previous paragraph it may actually receive more or less. The proposed Liability Policy will leave the method of interest calculation for the Annual Plan/LTP to be determined annually by Council resolution. This allows Council to consider its objective of obtaining the net opportunity cost to Council along with Council's financial position and the market conditions at the time.
- The current policy allows for specific rates of interest to differ from that calculated in specific cases after taking into account fairness and equity. The draft policy retains this. I know of no instance to date where this has been applied however the ability exists should Council deem it appropriate.
- The maximum term of any loan is proposed to increase from 25 to 30 years.
- Confirming that the interest rate that we set for internal loans during the LTP/Annual Plan will be the interest rate that we charge on any loans at year end. This is irrespective of actual market interest rates in that period, given that Council has collected rates based on this budgeted interest rate set.

Changes to roles and responsibilities

- 19 Amendments have been made to the roles and responsibilities outlined in the policy, to reflect changes in roles within Council.

Guidance sought on other matters

Council's borrowing limits

- 20 Council also have the option at this time to make changes to its specific borrowing limits. Currently the policy states that the net external debt shall not exceed 150% of total revenue. Based on Council's revenue at the 30 June 2016, this is a limit of \$101M. As at 30 June 2016, Council's external debt is at 0% of total revenue. In the Long Term Plan it is projected that in 2028 this percentage will be at 0.06% of total revenue. Other councils throughout New Zealand who have a specific borrowing limit based on their total revenue, also have their maximum debt percentage around the 150% mark.

- 21 When considering the debt limit, Council needs to consider its future needs and its ability to service the debt long term. Although the proposed policy makes no change to the debt limit, Council may consider altering it. The 2015-2025 Long Term Plan indicates debt at no higher than \$5.4M. However a level of debt will most likely be required should a civil emergency occur in the district and effect infrastructure. Currently, Council does not have its underground infrastructure assets insured. This, along with the potential funding of Council's share of any road in an emergency, means that the capacity to borrow is important. The level required would of course depend on the extent of the emergency.

Factors to Consider

Legal and Statutory Requirements

- 22 Under the Act the Council is required to state what its policy is in relation to:
- The mix of investments;
 - Acquire new investments;
 - An outline of the procedures by which investments are managed and reported on to the local authority; and
 - An outline of how risks associated with investments are assessed and managed.
- 23 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.

Community Views

- 24 If the Committee endorses the draft policy for community consultation, a newspaper advertisement will be placed, notifying people in the District of the draft Policy and asking for feedback.
- 25 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. Council is still required to comply with its Significance and Engagement Policy, and to consider the views and preferences of persons likely to be affected by, or interested in, the matter (in accordance with Section 78). The proposed consultation process will allow the Committee to consider community views on the draft Policy.
- 26 This Policy does not need to be included in the Long Term Plan 2018-2028 and will not be included in the consultation document for the Long Term Plan. Consultation will occur through a separate process.

Costs and Funding

- 27 There are no costs associated with the review of this policy, aside from the minor costs associated with staff time and consultation (advertising).

Policy Implications

- 28 Changes to the policy, will not substantially alter how Council currently operates its investments and potential borrowings. It hopefully will clarify and confirm Council's policy on these matters.

Analysis

Options Considered

- 29 Council is required to adopt an Investment and Liability Management Policy. On this basis, the Committee has the option of endorsing the attached draft policy, or making changes to the policy, as it sees fit.

Analysis of Options

30 **Option 1 - Endorsing the draft policy for release for public consultation**

<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.

31 **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">• May delay the release for public consultation, however we still have the capacity to meet legislative requirements.

Assessment of Significance

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

Recommended Option

- 33 It is recommended that the Committee endorses the draft policy for release for public consultation (Option 1).

Next Steps

- 34 If the Committee endorses the draft policy for release for public consultation, the public will be able to make submissions on the draft policy from 18 March until 21 April 2017. Officers would then report back to the Committee later this year about the feedback received, and with further recommendations.

Attachments

- A Draft Investment and Liability Management Policy for 2018-28 LTP [↓](#)
B Final Investment and Liability Management Policy - Annual Plan 2013/14 [↓](#)

SOUTHLAND DISTRICT COUNCIL INVESTMENT POLICY AND LIABILITY MANAGEMENT POLICY

This policy applies to: The Southland District Council

DOCUMENT CONTROL

Policy owner: Chief Financial Officer	TRIM reference number: r/17/3/4252	Effective date: «type date»
Approved by: Council	Date approved: «type date»	Next review date: 2020
	<input type="checkbox"/> Operational policy	<input checked="" type="checkbox"/> Council policy

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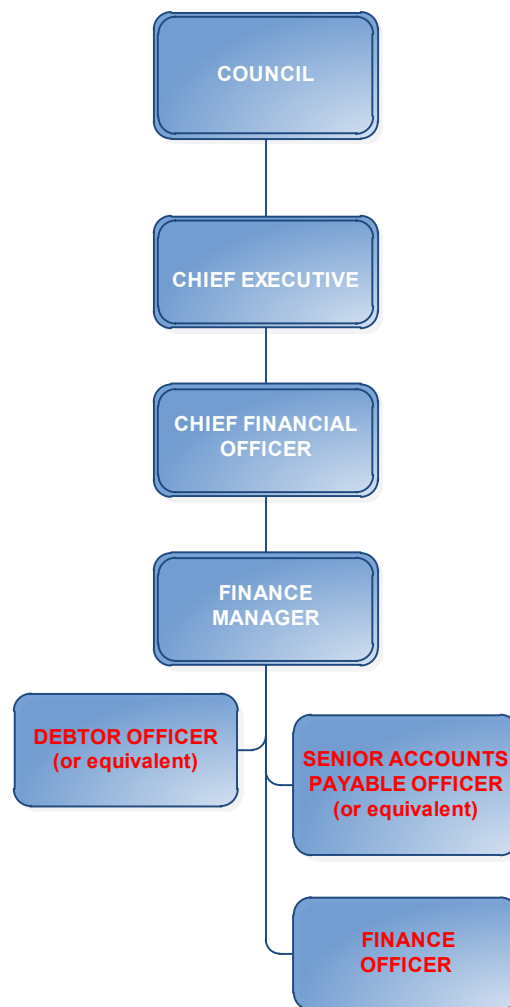
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INVESTMENT POLICY AND LIABILITY MANAGEMENT POLICY**Item 7.3 Attachment A****1 OVERVIEW**

- 1.1 The Local Government Act 2002 requires local authorities to adopt an Investment Policy and a Liability Management Policy.
- 1.2 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.
- 1.3 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.
- 1.4 Council has a structure of responsibilities and reporting lines to ensure the appropriate management and accountability of the liability and investing activities.

2. STRUCTURE**Organisational Structure**

- 2.1 The organisation chart for the finance activity is as follows:



Responsibilities

2.2 The key responsibilities of the above positions are as follows:

Council

- Approve and adopt the Policies.
- Review at least on a three yearly basis the Policies and approve any revisions or amendments as required.
- Approve by resolution all external Council borrowing.
- Responsible for the appointment of any fund managers.

CEO

- 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 the Senior Financial Accountant and the Policy and Planning Manager.
- Ensure compliance with the Risk Management Strategy.
- Responsible for determining the level of cash available for investment and that held for working capital purposes.
- Approve amounts to be placed with a fund manager for investment purposes.
- Recommend to Council amendments to the Policies as required.
- Recommend to Council the most appropriate source and terms for borrowing as and when required.
- Review internal audit reports and approve as appropriate any recommendations made.
- Approve new investments ensuring the proposed investment complies with these policy documents.

Finance Manager

- Responsible for confirming adherence to the Policies, through internal reviews, to be performed on a regular basis.
- Negotiate investment and borrowing transactions.
- Reports findings to the CFO.
- 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.
- Negotiate investment and borrowing transactions.
- 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).

Finance Officer/Senior Accounts Payable Officer/Debtor Officer (or equivalent)

- 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. INVESTMENT**Introduction**

- 3.1 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.
- 3.2 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.

- 3.3 Council is a risk adverse 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

- 3.4 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, within a prudent level of investment risk. Council recognises that as a responsible public authority any investments that it does hold should be of relatively low risk. It also recognises that lower risk generally means lower returns.
 - Ensure funds are available to meet Council's needs.
 - Maintain professional relationships with the Council's bankers, financial market participants and other stakeholders.
 - Regularly review the performance and credit-worthiness of all investments.
 - Maintain procedures and controls and provide timely and accurate financial and management information.

- 3.5 These objectives will be achieved by having regard to:
- The mix of investments that Council will utilise.
 - The process for the acquisition of new investments.
 - The management and assessment of risk.
 - The need for appropriate management and reporting procedures.

Investment Mix

- 3.6 Council has a portfolio of investments, at any time these could comprise:
- **Treasury, including** investments in banks, local government and government stock.
 - Stocks, bonds, debentures and notes.
 - Equity investments.
 - Property.
 - **Other property investments – Community Housing.**
 - Forestry.
 - **Loans, advances for community development purposes.**
 - **Internal Loans**
 - Shares (if market conditions are favourable).
- 3.7 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

- 3.8 With the exception of treasury 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.
- 3.9 The authority to acquire treasury investments is delegated to the **Chief Financial Officer**.

Application of Returns from Investments

- 3.10 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.

Equity Investments

Nature of Investment

- 3.11 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 Development Authority Limited** (2,000 shares). The role of Council is to facilitate and co-ordinate development and operations at Milford Sound/*Piopiota*hi and Council's intention is to retain its shareholding in the Authority.

Rationale for Holding Investment

- 3.12 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.

3.13 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

3.14 These investments are held for strategic reasons only and not for investment purposes. As such these investments do not derive revenue. If they do, revenue will be used to offset general rates.

Risk Management

3.15 Investments in the Civic Assurance Corporation and the Milford Sound Development Authority 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.

3.16 Dispositions and acquisitions require Council approval.

Property

Nature of Investment

3.17 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. Investment property holdings are being leased out based on market rents or lease conditions. Property investments do not include properties for operational purposes.

Rationale for Holding Investment

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

3.19 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

3.20 Income generated is used to offset operational expenditure and reduce the overall rates levied.

Risk Management

3.21 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.

3.22 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

3.23 Council currently has 69 community house units available for rental, generally to elderly or disabled persons. These houses are located in various townships across the Southland District.

Rationale for Holding Investment

3.24 Council retains community housing to allow people to continue to live in its local community. These people are primarily the elderly or people with disabilities.

- 3.25 Council's philosophies include ensuring that rental charges cover cost (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

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

Risk Management

- 3.27 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.

- 3.28 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.

Forestry

Nature of Investment

- 3.29 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

- 3.30 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

- 3.31 Any surplus revenue is used to offset rates. The revenue used to offset rates in any year may be the smoothed revenue calculated over a number of years. Approximately \$100,000 is retained for operating working capital at any time.

Risk Management

- 3.32 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.

Loans and Advances for community development purposes

Nature of Investment

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

Rationale for Holding Investment

- 3.34 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.

- 3.35 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

- 3.36 Generally these loans are to the benefit 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

- 3.37 Council reviews the performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved.
- 3.38 Council monitors the compliance of the borrower with the terms and conditions agreed upon.
- 3.39 All loans and advances documentation is subject to independent legal review prior to finalisation.

Internal Loans

Nature of Investment

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

Rationale for Holding Investment

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

Disposition of Revenue

- 3.42 Income derived from internal loans is generally used to fund the interest liability on reserves. Any surplus income is used to reduce external debt or offset against general rates.

Risk Management

- 3.43 Internal loans shall be managed as a treasury investment. Interest rates will be set having regard for Council's opportunity cost forgone by not investing externally.
- 3.44 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

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

Rationale for Holding Investment

3.46 The Council maintains financial investments to:

- Invest surplus cash and working capital funds.
- Achieve the desired level of returns within acceptable risk parameters.
- Invest amounts allocated to trust funds and special funds.

Disposition of Revenue

3.47 **Income derived from Council's treasury activities will be used to fund Council activities including interest on reserves and offsetting rates and external debt.**

Risk Assessment and Management

3.48 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 investments that it does hold should be low risk. It also recognises that lower risk generally means lower returns.

3.49 To provide the greatest benefit, Council utilises its surplus internal funds for internal borrowing to reduce external debt, thus effectively reducing net interest costs.

3.50 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.

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

3.52 Within the above credit constraints, Council also seeks to:

- Ensure investments are liquid.
- Maximise investment return.
- Manage potential capital losses due to interest rate movements.

3.53 The above objectives are captured in the following investment framework *Interest Rate Risk Management*.

Credit Risk Management

3.54 Credit risk is minimised by placing maximum limits for each broad class of non-Government issuer and by limiting investments to registered banks, bonds issued by institutions with appropriate investment grade from a recognised rating agency, local authority bonds, and other financial institutions which are within prescribed limits.

Liquidity Risk Management

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

Interest Rate Risk Management

3.56 Council aims to minimise the risk of default and variability of interest rates. It does this by:

- Ensuring that investments are made with entities that have at least a strong capacity (A-) rating from Standard and Poor's or equivalent rating in Fitch or Moodys.
- Limiting total exposure to prescribed amounts.
- Monitoring compliance against set limits.

3.57 Based on Standard and Poor's rating, investments are to be spread as follows:

TABLE 1 - How the Southland District Council will Spread its Investments				
Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria - Standard and Poor's (or Moody's or Fitch equivalents)	Limit for each issuer subject to overall portfolio limit for issuer class \$
New Zealand Government	100%	<ul style="list-style-type: none"> Government Stock Treasury Bills 	Not Applicable	Unlimited
Rated Local Authorities	70%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term Moody rating of A1 or better	3.0M
			Long term S&P rating of A- or better	2.0M
			Long term S&P rating of A+ or better	3.0M
			Long term S&P rating of AA or better	5.0M
Unrated Local Authorities	50%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Not Applicable	2.0M
				2.0M
New Zealand Registered Banks	100%	<ul style="list-style-type: none"> Call/Term Deposits/Bank Bills/Commercial Paper Bonds/MTNs/FRNs 	Short term Moody rating of A1 or better	10.0M
			Long term S&P rating of A- or better	3.0M
			Long term S&P rating of A+ or better	5.0M
State Owned Enterprises	50%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term Moody rating of A1 or better	3.0M
			Long term S&P rating of BBB+ or better	1.0M
			Long term S&P rating of A+ or better	3.0M
Corporates	50%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term Moody rating of A1 or better	2.0M
			Long term S&P rating of A- or better	1.0M
			Long term S&P rating of A+ or better	2.0M
			Long term S&P rating of AA or better	3.0M
Financials	30%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term Moody rating of A1 or better	2.0M
			Long term S&P rating of A- or better	1.0M
			Long term S&P rating of A+ or better	2.0M
			Long term S&P rating of AA or better	3.0M
Building Societies	20%	<ul style="list-style-type: none"> Call and Term Deposits 	To be individually approved by Council	3.0M

- 3.58 Credit ratings are as determined by Standard and Poor's, or equivalent rating. 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.
- 3.59 Short term investments (less than six months at the time of inception) shall be benchmarked against the ANZ 90 day bank bill index and that the comparison should be done on a quarterly basis. Long term investments (more than six months at the time of inception) shall be benchmarked against the ANZ A Grade Corporate Bond Index and the comparison shall be done on a quarterly basis. Compliance with the benchmarking standard is not required if the nominal value of either short term investments is less than \$5M or long term investments is less than \$5M.

Foreign Exchange

- 3.60 Council has foreign exchange exposure through the occasional foreign exchange transactions that Council may undertake such as plant and equipment.
- 3.61 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.
- 3.62 Council does not borrow or enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency.

Procedures for Management and Reporting

Cash Management

- 3.63 The finance function is responsible for managing the Council's cash surpluses and/or deficits.
- 3.64 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.
- 3.65 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 Senior Accounts Payable Officer and the Debtors' Officer.
- 3.66 Generally cash flow surpluses from timing differences are available for periods less than 90 days.
- 3.67 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 within limits specified in Table 1.
 - The Council has a committed bank overdraft facility with a limit of \$5,000,000 for working capital purposes which is used on an operational basis.
 - Council also has the option of raising finance by issuing debentures pursuant to a Debenture Trust Deed entered into by a corporate trustee, should this provide a more attractive financing option than bank funding.

- The use of interest rate risk management on cash management balances is not permitted.

Internal Controls

- 3.68 The Council's systems of internal controls over **cash management** includes adequate segregation of duties among the core investment functions of deal execution, confirmation, settling and accounting/reporting.
- 3.69 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.
- 3.70 There are a small number of people involved in investment 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 investment activity.
 - Regular management reporting.
 - Operational risk control reviews will be undertaken periodically.
 - Appropriate organisational, systems, procedural and reconciliation controls exist to ensure:
 - (a) all investment 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.

Reports

- 3.71 The following reports are produced to monitor cash management and investment activity:

Table 2 - Reports Produced to Monitor Case Management and Investment Activity

Report	Frequency	Prepared By	Recipient
Cashflow	Daily	Senior Accounts Payable Officer or equivalent	Senior Finance staff member
Renewal Investment	Monthly	Senior Accounts Payable Officer or equivalent	Senior Finance staff member
Operating Investment	Monthly	Senior Accounts Payable Officer or equivalent	Senior Finance staff member

- 3.72 Additionally, a quarterly report to the Finance and Audit Committee containing the following key details of both short term and long term investments.
- Total nominal value of portfolio.
 - Weighted average interest rate.
 - **Asset class profile (if there are multiple classes).**
 - **Credit profile.**
 - **Maturity profile.**
 - Duration measurement.
 - A statement of policy compliance.
 - **Details of any exceptions.**

Delegated Authorities

- 3.73 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.
- 3.74 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.
- 3.75 The Investment Policy related delegations are below.

Table 3 - Investment Policy Related Delegations

Activity	Delegated to	Limits
Approve and amend policy document	Council	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 and Finance Manager	
Investment management	Chief Executive, Chief Financial Officer and Finance Manager	Subject to policy
Interest rate 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	Finance and Audit Committee	Unlimited subject to legislative limitations
Maximum daily transaction amount (approved investment, cash management, interest rate risk management)	Council, Chief Executive, Chief Financial Officer	Unlimited
Ensuring compliance with policy	Chief Financial Officer	N/A

Local Government Funding Agency Limited (LGFA)

- 3.76 Despite anything earlier in this Investment Policy, Council may invest in shares and other financial instruments of the New Zealand LGFA and may borrow to fund that investment. The Council's objective in making any such investment will be to:
- Obtain a return on the investment; and
 - Ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.
- 3.77 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.
- 3.78 If required in connection with the investment, Council may also subscribe for uncalled capital in the LGFA.

4. LIABILITY MANAGEMENT

Introduction

- 4.1 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.
- 4.2 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.
- 4.3 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 later 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 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 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.

- 4.4 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

- 4.5 Council's borrowing limits are:
- Net external debt not to exceed 150% of total revenue.

Interest Rate Exposure

- 4.6 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
- 4.7 The interest rate exposures of Council shall be managed according to the parameters detailed in the following table and shall apply to the projected core debt of Council. Core debt is defined as that contained in the LTP or Annual Plan or as otherwise determined by the **Chief Financial Officer**.

Table 4 - Fixed Rate Hedging Percentages		
Term	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0 -2 years	50%	100%
2 - 5 years	25%	80%
5 - 10 years	0%	60%

- 4.8 'Fixed rate' is defined as any debt that has an interest rate reset beyond three months.

Interest Rate Risk Management

- 4.9 To manage the interest rate risk associated with its debt Council may use the following interest rate risk management instruments.
- Interest rate swaps.
 - Swap options.
 - Interest rate options.
 - Interest rate collar structures but only in a ratio of 1:1.
 - Forward rate agreements.
- 4.10 Any other financial instrument must be specifically approved by the Chief Executive and **Chief Financial Officer** 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.
- 4.11 Prudent selection of funding instruments and mix will help the Council achieve its low debt servicing costs and risk minimisation objectives. Selling interest rate options for the primary purpose of generating income is not permitted, because of its speculative nature.
- 4.12 Selling interest rate options for the primary purpose of generating premium income is not permitted because of its speculative nature.

Liquidity and Funding Risk Management

- 4.13 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.
- 4.14 The Council will strive to ensure the timely availability of funds to meet the Council's various expenditure needs, preferably without incurring penalties or holding unnecessary cash reserves.
- 4.15 To avoid a concentration of debt maturity dates Council will, where practicable, aim to have no more than 50% of debt subject to refinancing in any 12 month period.
- 4.16 The Council shall aim to maintain committed funding lines of not less than 105% of projected core debt.

Credit Exposure

- 4.17 The Council may only enter into interest rate risk management transactions with New Zealand Registered Banks which have a minimum Standard and Poor's long term credit rating of 'A+' or Moody Investors' Service or Fitch Ratings equivalents.

Debt Funding

- 4.18 The Council may obtain funding utilising the following methods:
- Bank debt from New Zealand Registered Banks which have a minimum Standard and Poor's long term credit rating of 'A+' or the Moody Investors Service or Fitch Ratings equivalents.
 - Capital markets issuance comprising Commercial Paper, Fixed Rate Bonds, Medium Term Notes and Floating Rate Notes.
 - From the Local Government Funding Agency.
- 4.19 The 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 its investors and financial institutions. To this end it is the Council's intention to seek and maintain a strong balance sheet position.
- 4.20 The 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.

Debt Repayment

- 4.21 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.
- 4.22 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.
- 4.23 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.

Security

- 4.24 It is Council's general policy to offer security for its borrowing by way of negative pledge or a charge over its rates.
- 4.25 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.

Benchmarking

- 4.26 That for performance measurement purposes the actual borrowing performance of the Council shall be compared with the following external benchmark which is predicated off the midpoints of the risk control bands contained in Table 4.
- 25.0% Average 90 day bank bill rate for the reporting month.
 - 12.5% Average one year swap rate for the reporting month.
 - 12.5% Average one year swap rate for the reporting month, one year ago.
 - 12.5% Average three year swap rate for the reporting month.
 - 12.5% Average three year swap rate for the reporting month, three years ago.
 - 12.5% Average seven year swap rate for the reporting month.
 - 12.5% Average seven year swap rate for the reporting month, seven years ago.
- 4.27 Compliance with the benchmarking standard is not required if Council's nominal debt levels are less than \$10M.

Reporting

- 4.28 A quarterly report to the Finance and Audit Committee is compiled which contains the following key details of Council's debt and hedging profile:
- Total debt facility utilisation, including bank sourced debt, capital markets issuance and LGFA funding.
 - Interest rate hedging profile against percentage hedging limits.
 - New interest rate hedging transactions completed.
 - Weighted average cost of funds.
 - Performance measurement.
 - A statement of policy compliance.
- 4.29 The details of any exceptions, including remedial action taken or intended to be taken.

LGFA

- 4.30 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

- 4.31 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.
- 4.32 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.
- 4.33 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.
- 4.34 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.
- 4.35 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.

Investment Policy and Liability Management Policy

KEY CHANGES TO THE POLICY

The changes to the Investment Policy and Liability Management Policy (the Policies) is to ensure Council has best practice in the management of its surplus cash funds as they arise from time to time (its Investment Policy) and to provide it with a greater range of options for raising capital (its Liability Management Policy). There are two significant changes to the Policies.

First, it is to strengthen the prudential supervision of Council's investments and liabilities by requiring quarterly reporting and monitoring to ensure its investment and term liabilities are being managed in accordance with the terms of the Policies. Secondly, the changes allow Council to borrow funds from the Local Government Funding Agency Limited (LGFA). This is a special purpose funding vehicle for local authorities and provides Council with another option for raising long term debt on competitive terms, and is in addition to issuing stock under its debenture trust deed or borrowing from a bank. These changes are highlighted in the attached policy.

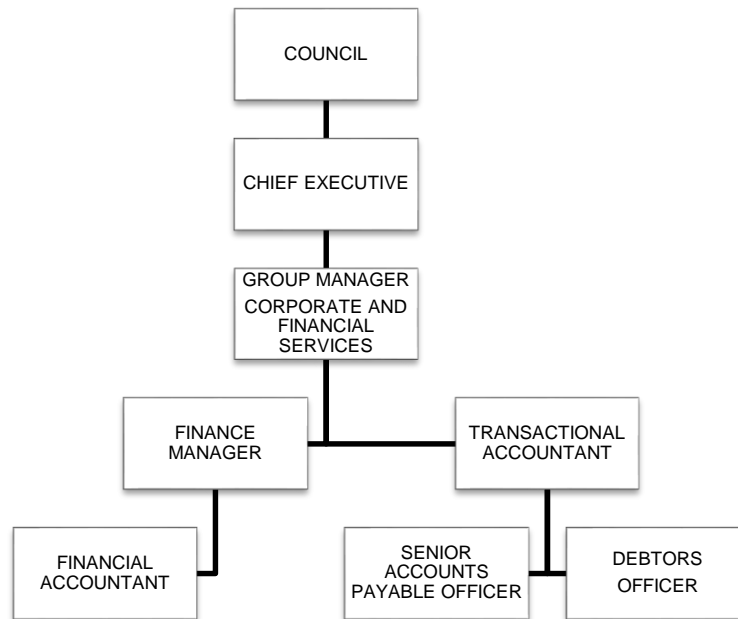
1. OVERVIEW

- 1.1 The Local Government Act 2002 requires local authorities to adopt an Investment Policy and a Liability Management Policy.
- 1.2 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.
- 1.3 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.
- 1.4 Council has a structure of responsibilities and reporting lines to ensure the appropriate management and accountability of the liability and investing activities.

2. STRUCTURE

Organisational Structure

2.1 The organisation chart for the finance activity is as follows:



Responsibilities

2.2 The key responsibilities of the above positions are as follows:

Council

- Approve and adopt the Policies.
- Review at least on a three yearly basis the Policies and approve any revisions or amendments as required.
- Approve by resolution all external Council borrowing.
- Responsible for the appointment of any fund managers.

CEO

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

- Reports findings to the Group Manager Corporate and Financial Services
- Assist in identifying amendments to the investment, borrowing and risk management strategy, which may require amendment of the Policies.

Group Manager Corporate and Financial Services

- Responsible for recommending investment, borrowing and risk management strategy in conjunction with the Senior Financial Accountant and the Policy and Planning Manager.
- Ensure compliance with the Risk Management Strategy.
- Responsible for determining the level of cash available for investment and that held for working capital purposes.
- Approve amounts to be placed with a fund manager for investment purposes.
- Recommend to Council amendments to the Policies as required.
- Recommend to Council the most appropriate source and terms for borrowing as and when required.
- Review internal audit reports and approve as appropriate any recommendations made.
- Approve new investments ensuring the proposed investment complies with these policy documents.

Finance Manager

- Responsible for confirming adherence to the Policies, through internal audit reviews, to be performed on an annual basis.
- Negotiate investment and borrowing transactions.

Transactional Accountant

- 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.
- Negotiate investment and borrowing transactions.
- Responsible for keeping the Group Manager Corporate and Financial Services 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.

Senior Accounts Payable Officer

- Prepare and manage Council's cashflow and cash requirements.
- Report to the Transactional Accountant on the weekly cashflow position and resulting cash management transactions required.

3. INVESTMENT

Introduction

- 3.1 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.
- 3.2 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.

- 3.3 Council is a risk adverse 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

- 3.4 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, within a prudent level of investment risk. Council recognises that as a responsible public authority any investments that it does hold should be of relatively low risk. It also recognises that lower risk generally means lower returns.

- Ensure funds are available to meet Council's needs.
- Maintain professional relationships with the Council's bankers, financial market participants and other stakeholders.
- Regularly review the performance and credit-worthiness of all investments.
- Maintain procedures and controls and provide timely and accurate financial and management information.

3.5 These objectives will be achieved by having regard to:

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

Investment Mix

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

- Investments in banks, local government and government stock.
- Stocks, bonds, debentures and notes.
- Equity investments.
- Property.
- Forestry.
- Loans, advances and guarantees for community development purposes.
- Shares (if market conditions are favourable).

3.7 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

3.8 With the exception of treasury 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.

3.9 The authority to acquire treasury investments is delegated to the Group Manager Corporate and Financial Services.

Application of Returns from Investments

3.10 Some returns are earmarked for specific purposes, but generally returns for 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.

Equity Investments

Nature of Investment

3.11 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 Development Authority Limited** (2,000 shares). The role of Council is to facilitate and co-ordinate development and operations at Milford Sound/*Piopirotahi* and Council's intention is to retain its shareholding in the Authority.

Rationale for Holding Investment

3.12 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.

3.13 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

3.14 These investments are held for strategic reasons only and not for investment purposes. As such these investments do not derive revenue. If they do revenue will be used to offset general rates.

Risk Management

3.15 Council reviews the performance of the trading enterprises at least annually to ensure that strategic and financial objectives are being achieved.

In particular, the Council reviews the financial returns and the present and future values of these investments.

3.16 Dispositions and acquisitions require Council approval.

Property

Nature of Investment

3.17 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. Investment property holdings are being leased out based on market rents or lease conditions. Property investments do not include properties for operational purposes.

Rationale for Holding Investment

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

3.19 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

3.20 Income generated is used to offset operational expenditure and reduce the overall rates levied.

Risk Management

3.21 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.

3.22 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

3.23 Council currently has 69 community houses available for rental, generally to elderly or disabled persons. These houses are located in various townships across the Southland District.

Rationale for Holding Investment

3.24 Council retains community housing to allow people to continue to live in its local community. These people are primarily the elderly or people with disabilities.

3.25 Council's philosophies include ensuring that rental charges cover cost (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

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

Risk Management

- 3.27 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.
- 3.28 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.

ForestryNature of Investment

- 3.29 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 current maintains 1,800 hectares of land.

Rationale for Holding Investment

- 3.30 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

- 3.31 Approximately \$120,000 is retained for operating working capital. Any surplus revenue is used to offset general rates.

Risk Management

- 3.32 Forests are currently managed by an external company IFS Growth Limited, with forestry activities being reviewed quarterly by a management committee of elected Councillors.

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.

Loans, Advances and GuaranteesNature of Investment

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

Rationale for Holding Investment

- 3.34 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.

- 3.35 Council sets the criteria to apply for any other loans or advances as they are granted. It is normal that Council secures loans and advances against the assets of the organisation and obtains guarantees where appropriate.

Disposition of Revenue

- 3.36 Generally these loans are to the benefit the local community and not for financial investment purposes. As such these loans are usually interest free. Any revenue would be applied to reduce external debt or offset general rates.

Risk Management

- 3.37 Council reviews performance of its loan advances on a regular basis to ensure strategic and economic objectives are being achieved.

Internal Loans**Nature of Investment**

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

Rationale for Holding Investment

- 3.39 Internal loans are to encourage business managers to be prudent with their expenditure and/or to provide funding of capital expenditure. It rewards managers who stay within their limits and charges those who overspend.

Disposition of Revenue

- 3.40 At present no income is derived from internal loans as reserve balances currently net out. If income is derived the income is to reduce external debt or offset against general rates.

Risk Management

- 3.41 Internal loans shall be managed as corporate debt, with interest rates to be reviewed annually by Council having regard for the 5-10 year government bond rates and the overall return sought from Council's total investment portfolio.

Treasury Investments**Nature of Investment**

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

Rationale for Holding Investment

- 3.43 The Council maintains financial investments to:
- Invest surplus cash and working capital funds.
 - Achieve the desired level of returns within acceptable risk parameters.
 - Invest amounts allocated to trust funds and special funds.

Disposition of Revenue

- 3.44 All interest income from Council's treasury investments is included in the consolidated rating account.

Risk Assessment and Management

- 3.45 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 investments that it does hold should be low risk. It also recognises that lower risk generally means lower returns.
- 3.46 To provide the greatest benefit, Council utilises its surplus internal funds for internal borrowing to reduce external debt, thus effectively reducing net interest costs.
- 3.47 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.
- 3.48 To avoid undue concentration of exposures, treasury investments/financial instruments should be used with as wide a range of counterparties as practicable. Transaction notional and principal sizes and maturities should be well spread where possible.

- 3.49 Within the above credit constraints, Council also seeks to:
- Ensure investments are liquid.
 - Maximise investment return.
 - Manage potential capital losses due to interest rate movements.

- 3.50 The above objectives are captured in the following investment framework *Interest Rate Risk Management*.

Credit Risk Management

- 3.51 Credit risk is minimised by placing maximum limits for each broad class of non-Government issuer and by limiting investments to registered banks, bonds issued by institutions with appropriate investment grade from a recognised rating agency, local authority bonds, and other financial institutions which are within prescribed limits.

Liquidity Risk Management

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

Interest Rate Risk Management

- 3.53 Council aims to minimise the risk of default and variability of interest rates. It does this by:
- Ensuring that investments are made with entities that have at least a strong capacity (A-) rating from Standard and Poor's or equivalent rating in Fitch or Moodys.
 - Limiting total exposure to prescribed amounts.
 - Monitoring compliance against set limits.
- 3.54 Based on Standard and Poor's rating, investments are to be spread as follows:

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria - Standard and Poor's (or Moody's or Fitch equivalents)	Limit for each issuer subject to overall portfolio limit for issuer class \$
New Zealand Government	100%	<ul style="list-style-type: none"> • Government Stock • Treasury Bills 	Not Applicable	Unlimited
Rated Local Authorities	70%	<ul style="list-style-type: none"> • Commercial Paper • Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA or better	3.0M 2.0M 3.0M 5.0M
Unrated Local Authorities	50%	<ul style="list-style-type: none"> • Commercial Paper • Bonds/MTNs/FRNs 	Not Applicable	2.0M 2.0M
New Zealand Registered Banks	100%	<ul style="list-style-type: none"> • Call/Term Deposits/Bank Bills/Commercial Paper • Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better	10.0M 3.0M 5.0M

State Owned Enterprises	50%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of BBB+ or better Long term S&P rating of A+ or better	3.0M 1.0M 3.0M
Corporates *	50%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA or better	2.0M 1.0M 2.0M 3.0M
Financials*	30%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA or better	2.0M 1.0M 2.0M 3.0M
Building Societies	20%	<ul style="list-style-type: none"> Call and Term Deposits 	To be individually approved by Council	3.0M

- 3.55 Credit ratings are as determined by Standard and Poor's, or equivalent rating. 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.
- 3.56 Short term investments (less than six months at the time of inception) shall be benchmarked against the ANZ 90 day bank bill index and that the comparison should be done on a quarterly basis. Long term investments (more than six months at the time of inception) shall be benchmarked against the ANZ A Grade Corporate Bond Index and the comparison shall be done on a quarterly basis. Compliance with the benchmarking standard is not required if the nominal value of either short term investments is less than \$5M or long term investments is less than \$5M.

Foreign Exchange

- 3.57 Council has foreign exchange exposure through the occasional foreign exchange transactions that Council may undertake such as plant and equipment.
- 3.58 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.
- 3.59 Council does not borrow or enter into incidental arrangements within or outside New Zealand in currency other than New Zealand currency.

Procedures for Management and Reporting

Cash Management

- 3.60 The finance function is responsible for managing the Council's cash surpluses and/or deficits.
- 3.61 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 borrowing requirements. Individual business units within the Council do not maintain separate bank accounts.
- 3.62 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 Senior Accounts Payable Officer and the Debtors' Officer.
- 3.63 Generally cash flow surpluses from timing differences are available for periods less than 90 days.
- 3.64 Cash management activities must be undertaken within the following parameters:
- An optimal daily range of zero 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 within limits specified in Table 1.
 - The Council has a committed bank overdraft facility with a limit of \$5,000,000 for working capital purposes which is used on an operational basis.
 - Council also has the option of raising finance by issuing debentures pursuant to a Debenture Trust Deed entered into with Perpetual, should this provide a more attractive financing option than bank funding.
 - The use of interest rate risk management on cash management balances is not permitted.

Internal Controls

- 3.65 The Council's systems of internal controls over investment activity includes adequate segregation of duties among the core investment functions of deal execution, confirmation, settling and accounting/reporting.
- 3.66 There are a small number of people involved in investment 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 investment activity.
 - Regular management reporting.
 - Regular operational risk control reviews by an independent audit function.
 - Organisational, systems, procedural and reconciliation controls to ensure:
 - (a) all investment 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.
- 3.67 More specifically, key internal 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 and checked by the Transactional Accountant.

Reports

- 3.68 The following reports are produced to monitor cash management and investment activity:

Report	Frequency	Prepared By	Recipient
Cashflow	Daily	Senior Accounts Payable Officer	Transactional Accountant
Renewal Investment	Monthly	Senior Accounts Payable Officer	Financial Accountant
Operating Investment	Monthly	Senior Accounts Payable Officer	Financial Accountant

- 3.69 Additionally, a quarterly report is compiled containing the following key details of both short term and long term investments.
- Total nominal value of portfolio.
 - Weighted average interest rate.
 - Comparison with a benchmark portfolio (if applicable).
 - Asset class profile (graphically illustrated).
 - Credit profile (graphically illustrated).
 - Maturity profile (graphically illustrated).
 - Duration measurement.
 - A statement of policy compliance.
 - Details of any exception reports.

Delegated Authorities

- 3.70 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.
- 3.71 Notwithstanding Clause 32 (1) (c), Schedule 7 the power to borrow money, or purchase or dispose of assets, other than in accordance with the LTP remains the sole responsibility of the Council. This responsibility cannot be delegated.

3.72 The Investment Policy related delegations are below.

Activity	Delegated to	Limits
Approve and amend policy document	Council	Unlimited
Open/close bank accounts	Group Manager Corporate and Financial Services with advice given to Chief Executive	Unlimited
Approve authorised cheque/electronic signatory positions	Chief Executive	Unlimited
Investment management	Chief Executive/ Group Manager Corporate and Financial Services (delegated by Council)	Subject to policy
Interest rate management	Chief Executive/ Group Manager Corporate and Financial Services (delegated by Council)	Subject to policy
Cash management	Chief Executive/ Group Manager Corporate and Financial Services (delegated by Council)	Subject to policy
Approving transactions outside policy	Council	Unlimited
Approving allowable risk management instruments	APAC Committee	Unlimited subject to legislative limitations
Maximum daily transaction amount (approved investment, cash management, interest rate risk management)	Council Chief Executive Group Manager Corporate and Financial Services (delegated by Council)	Subject to policy
Ensuring compliance with policy	Group Manager Corporate and Financial Services (delegated by Council)	N/A

Local Government Funding Agency Limited (LGFA)

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

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

3.74 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.

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

4. LIABILITY MANAGEMENT

Introduction

4.1 This Liability Management Policy has been prepared pursuant to of 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.

4.2 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.

4.3 Total debt levels are determined through Council's LTP and Annual Plans. Council approves this borrowing requirement for each financial year in the Annual Plan or LTP or by later 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 relationships and Council general borrowing profile in the local debt and, if applicable, capital markets, so that Council is able to fund itself appropriately at all times.
- Control Council 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.

4.4 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

4.5 Council's borrowing limits are:

- Net external debt not to exceed 150% of total revenue.

Interest Rate Exposure

4.6 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

4.7 The interest rate exposures of Council shall be managed according to the parameters detailed in the following table and shall apply to the projected core debt of Council. Core debt is defined as that contained in the Annual Plan or as otherwise determined by the Group Manager Corporate and Financial Services.

Fixed Rate Hedging Percentages		
Term	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0 - 2 years	50%	100%
2 - 5 years	25%	80%
5 - 10 years	0%	60%

- 4.8 'Fixed rate' is defined as any debt that has an interest rate reset beyond three months.

Interest Rate Risk Management

- 4.9 To manage the interest rate risk associated with its debt Council may use the following interest rate risk management instruments.
- Interest rate swaps.
 - Swaptions.
 - Interest rate options.
 - Interest rate collar structures but only in a ratio of 1:1.
 - Forward rate agreements.
- 4.10 Any other financial instrument must be specifically approved by the Chief Executive and Group Manager Corporate and Financial Services 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.
- 4.11 Prudent selection of funding instruments and mix will help the Council achieve its low debt servicing costs and risk minimisation objectives. Selling interest rate options for the primary purpose of generating income is not permitted, because of its speculative nature.
- 4.12 Selling interest rate options for the primary purpose of generating premium income is not permitted because of its speculative nature.

Liquidity and Funding Risk Management

- 4.13 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.
- 4.14 The Council will strive to ensure the timely availability of funds to meet the Council's various expenditure needs, preferably without incurring penalties or holding unnecessary cash reserves.
- 4.15 To avoid a concentration of debt maturity dates Council will, where practicable, aim to have no more than 50% of debt subject to refinancing in any 12 month period.

- 4.16 The Council shall aim to maintain committed funding lines of not less than 105% of projected core debt.

Credit Exposure

- 4.17 The Council may only enter into interest rate risk management transactions with New Zealand Registered Banks which have a minimum Standard and Poor's long term credit rating of 'A+' or Moody Investors' Service or Fitch Ratings equivalents.

Debt Funding

- 4.18 The Council may obtain funding utilising the following methods:
- Bank debt from New Zealand Registered Banks which have a minimum Standard and Poor's long term credit rating of 'A+' or the Moody Investors Service or Fitch Ratings equivalents.
 - Capital markets issuance comprising Commercial Paper, Fixed Rate Bonds, Medium Term Notes and Floating Rate Notes.
 - From the Local Government Funding Agency.
- 4.19 The 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 its investors and financial institutions. To this end it is the Council's intention to seek and maintain a strong balance sheet position.
- 4.20 The 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.

Debt Repayment

- 4.21 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.
- 4.22 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.	4.28	Compliance with the benchmarking standard is not required if Council's nominal debt levels are less than \$10M.
4.23	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.	4.29	<p>Reporting</p> <p>A quarterly report is compiled which contains the following key details of Council's debt and hedging profile:</p> <ul style="list-style-type: none"> • Total debt facility utilisation, including bank sourced debt, capital markets issuance and LGFA funding. • Interest rate hedging profile against percentage hedging limits (graphically illustrated). • New interest rate hedging transactions completed. • Weighted average cost of funds. • Performance measurement. • A statement of policy compliance.
	<p>Security</p> <p>4.24 It is Council's general policy to offer security for its borrowing by way of negative pledge or a charge over its rates.</p> <p>4.25 In the normal course, the Council's policy is not to offer security over any of the other assets of the Council. However:</p> <ul style="list-style-type: none"> • 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. 	4.30	Details of any exception reports including remedial action taken or intended to be taken.
4.26	The Council may decide to offer security over the asset.	4.31	<p>LGFA</p> <p>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:</p> <ul style="list-style-type: none"> • 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.
	<p>Benchmarking</p> <p>4.27 That for performance measurement purposes the actual borrowing performance of the Council shall be compared with the following external benchmark which is predicated off the midpoints of the risk control bands contained in the 'Fixed Rate Hedging Percentages' table contained in Section 2 of this review.</p> <ul style="list-style-type: none"> • 25.0% Average 90 day bank bill rate for the reporting month. • 12.5% Average one year swap rate for the reporting month. • 12.5% Average one year swap rate for the reporting month, one year ago. • 12.5% Average three year swap rate for the reporting month. • 12.5% Average three year swap rate for the reporting month, three years ago. • 12.5% Average seven year swap rate for the reporting month. • 12.5% Average seven year swap rate for the reporting month, seven years ago. 		

Internal Loans

- 4.32 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.
- 4.33 The term of any internal loan shall not be more than 25 years and will be set after taking into account the ability to pay of the ratepayers affected, alternative uses of the funds and the life of the assets to be funded. All terms of internal loans will be subject to review during the course of the loan.
- 4.34 The interest to be applied to internal loans for any given year will be determined in late November/December of the preceding year as part of Council's LTP or Annual Plan assumptions. The method of calculation and the rate will be resolved at this time by Council and will consider Council's present and future financial position as well market conditions. It is permitted to apply rates of interest below that in specific cases, after taking into account fairness and equity.

Draft Remission and Postponement of Rates Policy

Record No: R/17/1/1027
Author: Robyn Rout, Policy Analyst
Approved by: Anne Robson, Chief Financial Officer

☐ Decision ☒ Recommendation ☐ Information

Purpose

- 1 This report presents the draft Remission and Postponement of Rates Policy for the Finance and Audit Committee's (the Committee's) consideration. If approved, the draft Policy will be used for public consultation in accordance with the section 82 of the Local Government Act (the Act) from 18 March until 21 April 2017.

Executive Summary

- 2 The Remission and Postponement of Rates Policy specifies the circumstances where the Council will consider remitting or postponing rates. The Policy aims to:
 - provide financial assistance and support to ratepayers where it is reasonable;
 - address possible rating anomalies; and
 - provide Council with the ability to act reasonably in administering its rating powers and policies.
- 3 The only significant change to the Policy is the inclusion of remission of rates for natural disasters and emergencies. Discussion is also included in the report on other areas that Councils include in their policies for your information and consideration. The remaining changes in the draft Policy attached are clarification of the supporting documentation required and the applicable remission periods for each of the remission and postponement categories. The responsibilities and financial limits in the roles and responsibilities schedule have also been clarified.
- 4 This report seeks the Committee's approval to release the draft Remission and Postponement of Rates Policy for public consultation. If approved, these documents will be used for public consultation in accordance with section 82 of the Act from 18 March until 21 April 2017.

Recommendation

That the Finance and Audit Committee:

- a) **Receives the report titled “Draft Remission and Postponement of Rates Policy” dated 1 March 2017.**
- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Approves the draft Remission and Postponement of Rates Policy for release for public consultation.**
- e) **Undertakes consultation in accordance with section 82 of the Local Government Act 2002 from 18 March until 21 April 2017.**

Content

Background

- 5 A review of Council's Remission and Postponement of Rates Policy has been undertaken in preparation for the Long Term Plan 2018-28. The Policy outlines several categories where Council may grant remission or postponement of rates, and it gives detail on the conditions and criteria under which applications will be considered.
- 6 Other than the addition of a proposed remission of rates for natural disasters and emergencies and a specific clause relating to remission on individual properties subject to a significant fire, the remaining changes to the Policy (marked in red in Attachment A) are not significant and seek only to clarify the content of the Policy as well as align the Policy to current roles and processes within Council.

Issues

- 7 Categories of Remission and Postponement: Council has considerable discretion in the application of rates remission and postponement. Council may wish to take the opportunity to consider whether all categories of exemption and postponement should continue to be applied.
- 8 At the SOLGM Rating Forum in late 2016, a review was undertaken of the majority of Council's rates remission policies. In summarising the findings, Council's current Policy includes the majority of other councils' relevant remissions. Upon reflection of this high level review and an examination of a number of other Council's policies, Council staff are proposing that the following additional category be included in the draft policy:
 - Remission of rates for natural disasters and emergencies - given the significant impact of the Christchurch and Kaikoura earthquakes on the communities in recent years, it is appropriate that Council address this in the review of the Policy.

Currently 34 of the 60 Council's policies reviewed include allowance for natural disasters and/or emergencies.

- 9 Staff have also amended the Remission of Rates in exceptional circumstances to include a specific clause in relation to individual rating units which are subject to a fire which limits their ability to be occupied or used for an extended period.
- 10 Additionally the review of other policies indicated a number of remissions that exist which Council do not currently allow. The below are a sample of relevant remission clauses that Council may wish to consider:
- Development of land - to encourage development, where one parcel of land with separate valuation assessment numbers or titles, in common ownership only pays one set of Uniform Annual General Charges (ie a subdivision where sections are available for sale).
 - Restoration of heritage buildings - to encourage preservation of the District's heritage by encouraging the maintenance and restoration of historic buildings.
 - Earthquake-prone building strengthening - to encourage compliance with earthquake-prone building requirements and keep the community safe by allowing remission during the period the strengthening work is being undertaken.
 - Business/Economic development - to promote employment and economic development by assisting new businesses or expanding existing businesses.
 - Unusable/Landlocked land - land which has become unusable as a result of a natural disaster (ie erosion, inundation etc), or land that has no reasonable access via sea or other property.
 - Council owned properties - consider if we should be charged and pay rates on the properties owned by Council. Some are recoverable from revenue sources other than rates ie: those charged on community housing are recovered from rentals, service rates charged on community centres, toilets etc are technically an increase in rates to repay rates. Technically by Council paying rates to itself it the reported cost of activities is more accurate.
- 11 A sample of policy statements from other councils will be tabled at the meeting to assist you with considering the whether the above remission categories are appropriate for Council to consider implementing. If the Committee opt to consider addition of any of the above categories to Council's Policy, further investigation and analysis will be required by staff in order to develop the Policy further and consider the potential financial impact.
- 12 Changes to application process: The draft Policy has been updated to clarify the supporting documentation required to make an application for remission or postponement as well as specify the period of remission or postponement.
- 13 Delegations: The draft Policy gives rise to a number of delegations. These are set out in Clause 6. Titles have been updated to reflect the current roles, and the responsibilities. Historically, there has been no financial limit set for Council staff to remit rates and penalties. The Policy has been updated to include a limit of \$100 for Finance Officers and \$5,000 for the Finance Manager, per request. Any remission greater than \$5,000 will be required to be approved by the Chief Financial Officer. The Finance Manager has been given delegated authority to set remission guidelines for finance officers to apply.

Factors to Consider

Legal and Statutory Requirements

- 14 If Council wishes to provide remissions or postponements to ratepayers, a policy of this nature is required under the Local Government (Rating) Act 2002 and the Local Government Act (2002).
- 15 The Local Government (Rating) Act 2002 (Section 85) states:
- (1) A local authority may remit all or part of the rates on a rating unit (including penalties for unpaid rates) if—
 - (a) the local authority has adopted a rates remission policy under section 109 of the Local Government Act 2002; and
 - (b) the local authority is satisfied that the conditions and criteria in the policy are met.
- 16 For this reason, it is essential that Council's Remission and Postponement of Rates Policy contains conditions and criteria for each remission and postponement category.
- 17 This Policy is being reviewed as a result of a requirement of the Local Government Act (2002) (Section 109 (2A)) which states that the Policy must be reviewed at least once every six years using a consultation process.
- 18 Council has a substantial amount of discretion to grant a remission or postponement of all or part of a ratepayer's rates under the Local Government (Rating) Act 2002. The draft Policy complies with the requirements of the Act. Council could choose to reconsider the categories of remission and postponement to exclude some categories.

Community Views

- 19 Criteria used in the draft Policy are also consistent with a number of other local authorities throughout New Zealand. Council has not undertaken further engagement regarding this issue because it has not removed existing categories of remission or postponement and because the financial impact of this issue is relatively minor.

Costs and Funding

- 20 There are no costs associated with implementing the draft Policy.
- 21 Currently, the financial value of remitted and postponed rates is low and the number of ratepayers granted remissions and postponements is small. This is unlikely to change if the draft Policy is adopted.

Policy Implications

- 22 This Policy does not need to be included in the Long Term Plan 2018-2028 and will not be included in the consultation document for the Long Term Plan. Consultation will occur through a separate parallel process along with other council policies which are currently being reviewed.

Analysis

Options Considered

- 23 The Finance and Audit Committee could choose either of the following options:
- 24 **Option 1:** Adopt the draft Policy which includes a remission of rates for natural disasters or emergencies (subject to any changes approved at this meeting); or
- 25 **Option 2:** Continue to apply the existing Policy.

Analysis of Options

Option 1 - Adopt the draft Policy which includes a remission of rates for natural disasters or emergencies (subject to any changes approved at this meeting)

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Achieves legislative compliance; • Informs ratepayers of when applications may be granted; • Provides a decision making framework for staff; • Ensures consistency in Council's approach to applying remissions and postponements; • Increases the alignment of Southland District Council's practices with those of other local authorities throughout New Zealand; and • Limits opportunities for complaints or appeals by limiting staff discretion in granting or declining applications. 	<ul style="list-style-type: none"> • There are no disadvantages to this option as there is no cost involved and no categories of postponement or remission have been removed.

Option 2 - Continue to apply the existing policy

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Achieves legislative compliance; • Informs ratepayers of when applications may be granted; • Provides a decision making framework for staff. 	<ul style="list-style-type: none"> • Does not include allowance for remission of rates for natural disasters or emergencies. • Delegations are out of date. • May give rise to opportunities for complaints or appeals as some conditions and criteria and remission periods are not stipulated.

Assessment of Significance

- 26 This issue has not been assessed as significant because the draft Policy does not exclude any of the existing categories of remission. Further, the financial impact of this issue is minor as is the number of ratepayers likely to be affected.

Recommended Option

- 27 The recommended option is for the Finance and Audit Committee to recommend the draft Remission and Postponement of Rates Policy (Attachment A) for adoption by Council.

Next Steps

- 28 If the Finance and Audit Committee endorses the draft Policy for release for public consultation in accordance with Section 82 of the Act, the public will be able to make submission on the draft Policy from 18 March until 21 April 2017.
- 29 After receiving all submissions, the Committee will then be able to recommend that Council adopts the Remission and Postponement of Rates Policy, with any desired amendments.

Attachments

- A Draft Remission and Postponement of Rates Policy [↓](#)

SOUTHLAND DISTRICT COUNCIL REMISSION AND POSTPONEMENT OF RATES POLICY

This policy applies to: All Southland District ratepayers.

DOCUMENT CONTROL

Policy owner: Chief Financial Officer	TRIM reference number: r/16/10/17769	Effective date: 1 July 2017
Approved by: Council	Date approved: To be confirmed	Next review date: 2020

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REMISSION AND POSTPONEMENT OF RATES POLICY

1. PURPOSE

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

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

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

2. DEFINITIONS AND ABBREVIATIONS

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

3. BACKGROUND

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

4. POLICY DETAILS

4.1 Rating of small community and sports associations with liquor licences

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

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

4.1.2 Conditions and criteria

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

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

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

4.2 **Community facilities owned by persons, general clubs, societies or associations**

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

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

- A society incorporated under the Agricultural Pastoral Societies Act (1908), or
- A society or association (whether incorporated or not) for games or sports, except galloping races, harness races or greyhound races, or
- A society or association (whether incorporated or not) for the purpose of the arts.

4.2.1 Conditions and criteria

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

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

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

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

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

4.3 Remission of penalties

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

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

4.3.1 Conditions and criteria

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

Late payments

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

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

Payment arrangement made for arrears

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

Significant family disruption

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

Missing payments

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

Payment misallocation

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

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

Penalties on Small Overdue Balances

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

4.4 Extreme financial hardship - remission of rates

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

4.4.1 Conditions and criteria

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

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

4.5 Rates remission for school sewerage charges

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

4.5.1 Conditions and criteria

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

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

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

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

4.6 Grants in lieu of remissions of rates

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

4.6.1 **Conditions and criteria**

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

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

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

4.7 Remission of rates in exceptional circumstances

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

4.7.1 **Conditions and criteria**

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

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

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

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

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

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

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

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

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

4.8.1 Conditions and criteria

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

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

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

Where a ratepayer cancels or reduces their wheelie bin service after they have been charged an annual rate, they may be eligible for a remission. This form of remission reflects the part of the year where the service is cancelled or reduced. A reduction in service refers to instances in which a ratepayer has elected to reduce the number of bins being collected during the year (eg moving from two to one).

4.9.1 Conditions and criteria

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

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

4.10 Remission of rates for natural disasters and emergencies

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

4.10.1 Conditions and criteria

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

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

4.11 **Extreme financial hardship - postponement of rates**

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

4.11.1 **Conditions and criteria**

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

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

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

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

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

4.11.2 **Process and period of postponement**

Rates may be postponed:

- Until the death of the ratepayer.
- Until the ratepayer ceases to own the rating unit.
- For a specified period so defined by Council.
- Until the postponed rates equate to 80% of the available equity in the property.

- Until a date when the applicant/occupier ceases to use the property as his/her permanent place of residence; or to use the property solely for residential purposes.

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

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

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

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

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

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

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

5. MAKING AN APPLICATION

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

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

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

Application type	Supporting documentation required and period of remission
Small community and sports associations with liquor licences	<ul style="list-style-type: none"> • A statement of objectives. • Financial accounts. • Information on activities and programmes. • Details of membership or clients. <p>Remission ceases where a property is sold or ownership transferred or there is a change in operations. Applicants are responsible for notifying Council if their circumstances and eligibility for remission change.</p>
Community facilities owned by persons, general clubs, societies or associations	<ul style="list-style-type: none"> • Statement of objectives. • Constitution or Trust Deed. • Full financial accounts. • Information showing extreme financial hardship and operating position. • Information on activities and programmes. • Information on funding sources. <p>Remission ceases where a property is sold or ownership transferred or there is a change in operations. Applicants are responsible for notifying Council if their circumstances and eligibility for remission change.</p>
Remission of penalties	<p>As requested by delegated parties.</p> <p>Council staff determine the term of the remission based on the circumstances.</p>
Extreme financial hardship - Remission of rates	<p>Remission of rates, or a portion thereof, may only be made after the Finance Manager is satisfied of the ratepayer's true financial position. A review of the ratepayer's financial records and commitments and a declaration from the ratepayer of their financial position should accompany any request made for this form of remission. Applications must be re-submitted on an annual basis.</p>
Remission of rates for school sewerage charges	<p>A written confirmation from the educational establishment of the number of pans or notional number of pans in the establishment. A confirmation for the relevant calendar year must be received on or before 30 April each year. Applications must be re-submitted on an annual basis.</p>
Grants in lieu of remissions of rates	<p>Applications must state the reasons a grant is required and provide any supporting documentation appropriate. Applications should include a review of</p>

Application type	Supporting documentation required and period of remission
	the ratepayer's financial records and commitments. Applications must also detail the public benefit which would be gained from providing a grant in lieu of remitting rates. Applications must be re-submitted on an annual basis.
Remission of rates in exceptional circumstances	Applications must be in writing and include evidence from the ratepayer of the exceptional circumstances, to a level that is considered satisfactory by the delegated party. Applications must be re-submitted on an annual basis.
Remission of roading rates on other utilities with no primary address	Confirmation from the rating information database that the property is classified "other utilities". Remission ceases when a property's classification ceases to be "other utilities".
Remission of rates for cancellation or reduction of wheelie bin service	Applications must be made verbally or in writing to an appropriate member of Council staff. Confirmation of the bin being returned to the contractor or no longer available is required from the contractor before the remission will be applied. Remissions apply from the first day of the month following the confirmation of the return to the contractor and apply until 30 June of the following year.
Remission of rates for natural disasters and emergencies	As requested by delegated parties. Applications must be re-submitted on an annual basis.
Financial hardship - Postponement of rates	Postponement of rates, or a portion thereof, may only be made after the Finance Manager is satisfied of the ratepayer's true financial position. Written applications should include a review of the ratepayer's financial records and commitments and a declaration from the ratepayer of their financial position.

6. ROLES AND RESPONSIBILITIES

Party/Parties	Roles and Responsibilities
Southland District Council Water and Waste Department	Staff from Southland District Council's Water and Waste Department are responsible for providing information to Finance Officers regarding remissions for rating units that have the capacity to be connected to water and sewerage systems, but do not have a physical connection. These staff will also advise when remissions for rubbish and recycling bins are required.
Finance Officer	The Finance Officers will have delegated authority to make decisions regarding the remission of rates and penalties up to \$100 per request. The Finance Officers also have delegated authority to apply remission terms as stated in the appropriate finance guidelines.
Finance Manager	The Finance Manager has delegated authority to make decisions regarding the remission of rates and penalties up to \$5,000 per request. The Finance Manager also has delegated authority to establish the appropriate remission guidelines. The Finance Manager also has authority to request any further information and documentation required to make a decision regarding the remission or postponement of rates or penalties.
Chief Financial Officer	The Chief Financial Officer has delegated authority to make decisions regarding the remission or postponement of rates and the application of postponement fees. Recommendations to Council regarding the calculation of postponement fees should be made by the Chief Financial Officer.
Council, appropriate committee of Council, Community Board or Community Development Area Sub-committee	Southland District Council, the appropriate committee of Council, Community Board or Community Development Area Subcommittee may consider applications relating to grants in lieu of rates remission.

7. ASSOCIATED DOCUMENTS

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

8 . REVISION RECORD

Date	Version	Revision Description
To be confirmed	2018-2028 10 Year Plan	r/16/10/17769
20 May 2015	2015-2025 10 Year Plan	r/15/6/10846
	2012-2022 LTP Version	r/13/8/11128

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 Draft Early Payment of Rates Policy

C8.2 Risk Register - Quarterly Update March 2107

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
Draft Early Payment of Rates Policy	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Risk Register - Quarterly Update March 2107	<p>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>	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.