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

Date:	**Monday, 27 September 2021**
Time:	**9am**
Meeting room:	**Council Chamber**
Venue:	**Level 2** **20 Don Street** **Invercargill**

Finance and Assurance Committee Agenda
OPEN

MEMBERSHIP

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

IN ATTENDANCE

Committee advisor	Fiona Dunlop
Chief financial officer	Anne Robson

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

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

Health and safety – emergency procedures

Toilets – The toilets are located outside of the chamber, directly down the hall on the right.

Evacuation – Should there be an evacuation for any reason please exit down the stairwell to the assembly point, which is the entrance to the carpark on Spey Street. Please do not use the lift.

Earthquake – Drop, cover and hold applies in this situation and, if necessary, once the shaking has stopped we will evacuate down the stairwell without using the lift, meeting again in the carpark on Spey Street.

Phones – Please turn your mobile devices to silent mode.

Recording - These proceedings are being recorded for the purpose of live video, both live streaming and downloading. By remaining in this meeting, you are consenting to being filmed for viewing by the public.

Covid QR code – Please remember to scan the Covid Tracer QR code.

Terms of Reference – Finance and Assurance Committee

TYPE OF COMMITTEE	Council standing committee
RESPONSIBLE TO	Council
SUBCOMMITTEES	None
LEGISLATIVE BASIS	Committee constituted by Council as per schedule 7, clause 30 (1)(a), LGA 2002. Committee delegated powers by Council as per schedule 7, clause 32, LGA 2002.
MEMBERSHIP	Mayor, three councillors and one external appointee
FREQUENCY OF MEETINGS	Quarterly or as required
QUORUM	Three members
SCOPE OF ACTIVITIES	The Finance and Assurance 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 and non-financial performance of the organisation - effective management of potential opportunities and adverse effects - reasonable assurance as to the integrity and reliability of Council's financial and non-financial reporting. • exercising active oversight of information technology systems • exercising active oversight of Council's health and safety policies, processes, compliance, results and frameworks • relationships with external, internal auditors, banking institutions and insurance brokers. The Finance and Assurance 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 • Council's compliance with its Fraud Policy.

DELEGATIONS	The Finance and Assurance Committee shall have the following delegated powers and be accountable to Council for the exercising of these powers. In exercising the delegated powers, the Finance and Assurance 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 • the approved budgets for the activity. The Finance and Assurance Committee will have responsibility and delegated authority in the following areas: **Financial and Performance Monitoring** a) monitoring financial performance to budgets b) monitoring service level performance to key performance indicators. **Internal Control Framework** a) reviewing whether Council's approach to maintaining an effective internal control framework is sound and effective b) reviewing whether Council has taken steps to embed a culture that is committed to probity and ethical behaviour c) reviewing whether there are appropriate systems, processes and controls in place to prevent, detect and effectively investigate fraud. **Internal Reporting** a) to consider the processes for ensuring the completeness and quality of financial and operational information being provided to Council b) to seek advice periodically from internal and external auditors regarding the completeness and quality of financial and operational information that is provided to the Council. **External Reporting and Accountability** a) agreeing the appropriateness of Council's existing accounting policies and principles and any proposed change b) enquiring of internal and external auditors for any information that affects the quality and clarity of Council's financial statements and statements of service performance, and assess whether appropriate action has been taken by management in response to the above

	c) satisfying itself that the financial statements and statements of service performance are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal control (ie letters of representation), and recommend signing of the financial statements by the chief executive/mayor and adoption of the Annual Report, Annual Plans, Long Term Plans **Risk Management** a) reviewing whether Council has in place a current, comprehensive and effective risk management framework and associated procedures for effective identification and management of the Council's significant risks b) considering whether appropriate action is being taken to mitigate Council's significant risks. **Health and Safety** a) review, monitor and make recommendations to Council on the organisations health and safety risk management framework and policies to ensure that the organisation has clearly set out its commitments to manage health and safety matters effectively. b) review and make recommendations for Council approval on strategies for achieving health and safety objectives c) review and recommend for Council approval targets for health and safety performance and assess performance against those targets d) monitor the organisation's compliance with health and safety policies and relevant applicable law e) ensure that the systems used to identify and manage health and safety risks are fit for purpose, being effectively implemented, regularly reviewed and continuously improved. This includes ensuring that Council is properly and regularly informed and updated on matters relating to health and safety risks f) seek assurance that the organisation is effectively structured to manage health and safety risks, including having competent workers, adequate communication procedures and proper documentation g) review health and safety related incidents and consider appropriate actions to minimise the risk of recurrence h) make recommendations to Council regarding the appropriateness of resources available for operating the health and safety management systems and programmes i) any other duties and responsibilities which have been assigned to it from time to time by Council.

	Internal Audit a) approve appointment of the internal auditor, internal audit engagement letter and letter of understanding b) reviewing and approving the internal audit coverage and annual work plans, ensuring these plans are based on Council's risk profile c) reviewing the adequacy of management's implementation of internal audit recommendations d) reviewing the internal audit charter to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place. **External Audit** a) confirming the terms of the engagement, including the nature and scope of the audit, timetable and fees, with the external auditor at the start of each audit b) receiving the external audit report(s) and review action(s) to be taken by management on significant issues and audit recommendations raised within c) enquiring of management and the independent auditor about significant business, political, financial and control risks or exposure to such risks. **Compliance with Legislation, Standards and Best Practice Guidelines** a) reviewing the effectiveness of the system for monitoring Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards, and best practice guidelines as applicable b) conducting and monitoring special investigations, in accordance with Council policy, and reporting the findings to Council c) monitoring the performance of Council organisations, in accordance with the Local Government Act. **Business Case Review** a) review of the business case of work, services, supplies, where the value of these or the project exceeds $2 million or the value over the term of the contract exceeds $2 million. **Insurance** a) consider Council's insurance requirements, considering its risk profile

	b) approving the annual insurance renewal requirements **Treasury** a) oversee the treasury function of Council ensuring compliance with the relevant Council policies and plans b) ensuring compliance with the requirements of Council's trust deeds are met c) recommend to Council treasury policies at least every three years. d) approve debt, interest rate and external investment management strategy. **Fraud Policy** a) receive and consider reports relating to the investigation of suspected fraud b) monitor the implementation of the Fraud Policy. **Power to Recommend** The Finance and Assurance Committee is responsible for considering and making recommendations to Council regarding: a) policies relating to risk management, rating, loans, funding and purchasing 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. The Finance and Assurance Committee is responsible for considering and making recommendations to the Services and Assets Committee on business cases completed under the 'Power to Act' section above.
FINANCIAL DELEGATIONS	Council authorises the following delegated authority of financial powers to Council committees in regard to matters within each committee's jurisdiction. **Contract Acceptance:** • accept or decline any contract for the purchase of goods, services, capital works or other assets where the total value of the lump sum contract does not exceed the sum allocated in the Long Term Plan/Annual Plan and the contract relates to an activity that is within the scope of activities relating to the work of the Finance and Assurance Committee • accept or decline any contract for the disposal of goods, plant or other assets other than property or land that is provided for in the Long Term Plan

	Budget Reallocation. The committee is authorised to reallocate funds from one existing budget item to another. Reallocation of this kind must not impact on current or future levels of service and must be: • funded by way of savings on existing budget items • within the jurisdiction of the committee • consistent with the Revenue and Financing Policy.
LIMITS TO DELEGATIONS	Matters that must be processed by way of recommendation to Council include: • amendment to fees and charges relating to all activities • powers that cannot be delegated to committees as per the Local Government Act 2002 and sections 2.4 and 2.5 of this manual. Delegated authority is within the financial limits in section 9 of this manual.
RELATIONSHIPS WITH OTHER PARTIES	The committee shall maintain relationships with each of the nine community boards. Professional advisors to the committee shall be invited to attend all meetings of the committee including: • external auditor • internal auditor/risk advisor (if appointed) • 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 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 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.

CONTACT WITH MEDIA	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 Southland District Council.

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1 Apologies

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

2 Leave of absence

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

3 Conflict of interest

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

4 Public forum

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

5 Extraordinary/urgent items

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

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

(i) the reason why the item was not on the agenda, and

(ii) the reason why the discussion of this item cannot be delayed until a subsequent meeting.

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

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

(a) that item may be discussed at that meeting if-

(i) that item is a minor matter relating to the general business of the local authority; and

(ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but

(b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion."

6 Confirmation of minutes

6.1 Meeting minutes of Finance and Assurance Committee, 15 June 2021

6.2 Meeting minutes of Extraordinary Finance and Assurance Committee, 29 June 2021

Finance and Assurance Committee

OPEN MINUTES

Minutes of a meeting of Finance and Assurance Committee held in the Council Chamber, Level 2, 20 Don Street, Invercargill on Tuesday, 15 June 2021 at 9am. (9.07am – 10.34am, 10.58am – 12.24pm, 12.56pm – 2.07pm (PE 12.57pm – 2.07pm))

PRESENT

Chairperson	Bruce Robertson (external member) Mayor Gary Tong
Deputy chair	Ebel Kremer (9.07am – 10.21am, 10.24am - 10.34am, 10.58am – 12.24pm, 12.56pm – 2.07pm)
Councillors	Don Byars (9.07am – 10.26am, 10.33am - 10.34am, 10.58am – 12.24pm, 12.56pm – 2.07pm) John Douglas Paul Duffy Julie Keast

IN ATTENDANCE

Councillor Frazer (9.07am – 10.34am)
Councillor Harpur
Councillor Menzies (9.07am – 10.34am, 10.58am – 11.49am, 11.51am - 12.24pm, 12.56pm – 1.25pm)
Councillor Ruddenklau
Councillor Scott
Southland District Council youth council member – Josh Mattsen (9.07am – 12.56pm)
Chief financial officer - Anne Robson
Committee advisor - Fiona Dunlop

1 Apologies

There were no apologies.

2 Leave of absence

There were no requests for leave of absence.

3 Conflict of interest

There were no conflicts of interest declared.

4 Public forum

There was no public forum.

5 Extraordinary/urgent items

There were no extraordinary/urgent items.

6 Confirmation of minutes

Resolution

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

That the Finance and Assurance Committee confirms the minutes of the meeting held on 21 May 2021 of a true and correct record of that meeting.

Reports

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

Record No: R/21/6/26176

Project accountant – Emma Strong was in attendance for this item.

Resolution

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

That the Finance and Assurance Committee:

a) Receives the report titled "Finance and Assurance Committee Work plan for the year ended 30 June 2021" dated 10 June 2021.

b) Notes the changes made to the Finance and Assurance Committee Work plan for the year ended 30 June 2021 since the last meeting.

7.2 Draft Remission and Postponement of Rates Policy

Record No: R/21/6/26370

Finance development coordinator – Nicole Taylor was in attendance for this item.

Miss Taylor advised that the purpose of the report was to presents the draft Remission and Postponement of Rates Policy to the committee recommend to Council the adoption of the draft policy.

Resolution

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

That the Finance and Assurance Committee:

a) receives the report titled "Draft Remission and Postponement of Rates Policy" dated 10 June 2021.

b) determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.

c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

d) endorses the draft Remission and Postponement of Rates Policy.

e) recommends to Council that it adopt the draft Remission and Postponement of Rates Policy.

7.3 Draft Long Term Plan 2021-2031 for endorsement

Record No: R/21/6/33576

Corporate performance lead – Jason Domigan, Project accountant – Emma Strong and Communications manager – Louise Pagan were in attendance for this item.

Officers advised that the purpose of the report was to present the draft Long Term Plan 2021-2031 to the Committee prior to adoption at Council.

The Committee noted that on 31 May 2021, Council received information from Waka Kotahi NZ Transport Agency announcing its indicative funding levels for continuous programmes over the first three years the Long Term Plan 2021-2031 had been allocated only 85% of the funding it sought to carry out its projected programme of road rehabilitations and bridge renewals in the first three years of this 10 year plan. This

reduction in funding has had a significant impact on the proposed roading work programme.

The officers further advised that staff will utilise the funding received in years one to three as best as possible but will need to increase road rehabilitations and bridge renewals from 2024 onwards.

As a result of delayed timelines by Audit NZ an extraordinary meeting of the Committee would be required prior to the adoption of the Long Term Plan.

Resolution

Moved Chairperson Robertson, seconded Deputy Chairperson Kremer **recommendations a to f and a new g and new h and resolved:**

That the Finance and Assurance Committee:

a) Receives the report titled "Draft Long Term Plan 2021-2031 for endorsement" dated 10 June 2021.

b) Determines that this matter or decision be recognised as significant in terms of Section 76 of the Local Government Act 2002.

c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

d) Agrees to recommend to Council that it amend the rating boundary for the Tuatapere Community Board urban rate and stormwater full charge rate for the Tuatapere township (Map 209).

e) Agrees to recommend to Council that the Otapiri-Lora Gorge hall rate be amended to $6,573 (including GST).

f) Agrees to recommend to Council to resolve that in accordance with Section 100 of the Local Government Act 2002 that it is financially prudent for Council to project operating deficits in the first, second and third year of the plan. This principally reflects Council's policy to transition towards fully funding depreciation in 2028/2029.

New g) Agrees to delegate authority to the chief executive and chair of the Finance and Assurance Committee to bring a recommendation on the draft Long Term Plan 2021-2031 subject to the results of the Audit NZ hot review.

New h) Resolves to hold an extraordinary meeting of the Finance and Assurance Committee on Tuesday 29 June 2021 at 9am to deal with the matter in new g above.

~~g) Agrees to recommend to Council that it adopts the draft Long Term Plan 2021-2031, subject to the outcome of Audit New Zealand's hot review.~~

~~h) Agrees to delegate authority to the chief executive to approve any minor amendments prior to adoption of the draft Long Term Plan 2021-2031.~~

7.4 Annual Report Audit Plan for year ending 30 June 2021

Record No: R/21/3/11741

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

Mrs Marrah advised that the purpose of the report was for the Committee to approve the Annual Report Audit Plan as proposed by Audit New Zealand for the year ending 30 June 2021.

(Councillor Kremer left the meeting at 10.21am and returned at 10.24am.)

Resolution

Moved Mayor Tong, seconded Cr Douglas **recommendations a to c and d with an addition and a ~~deletion~~ and resolved:**

That the Finance and Assurance Committee:

a) Receives the report titled "Annual Report Audit Plan for year ending 30 June 2021" dated 10 June 2021.

b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.

c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to deciding on this matter.

d) Agrees the Annual Report Audit Plan for the year ending 30 June 2021, as ~~set out in attachment A~~ indicated below noting that the actual timelines may be subject to Audit NZ change.

Anticipated Date	Process
13 September 2021	Draft financial statements (excluding notes) and trial balance with actual year-end figures to be provided to Audit NZ.
20 September 2021	Final audit begins. Workpapers to be loaded onto Audit Dashboard.

21 September 2021	**Draft Annual Report available for audit including notes to the accounts, Chair and Chief Executive's overview or reports.**
14 October 2021	**Final audit changes to be provided to Council.**
18 October 2021	**Final Annual Report to be provided to Audit NZ updated with all agreed amendments.**
21 October 2021	**Verbal audit clearance provided to Council.**
27 October 2021	**Council adoption and audit opinion issued.**
15 November 2021	**Draft management report issued to Council.**

7.5 Annual report audit fee proposal letter

Record No: R/21/3/11746

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

Mrs Marrah advised that the purpose of the report was to receive the proposal letter from Audit New Zealand to set the fees for the audit of Council on behalf of the Auditor-General, for the years ended 30 June 2021 and 30 June 2022

The Committee noted that the proposed audit fees are for the financial years ending 30 June 2021 and 30 June 2022.

(Councillor Byars left the meeting at 10.26am and returned at 10.33am.)

Resolution

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

That the Finance and Assurance Committee:

a) Receives the report titled "Annual report audit fee proposal letter" dated 10 June 2021,

b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002,

c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to deciding on this matter,

d) Accepts the proposed audit fee increase of $10,812 (9%) for the audit of the annual report for the year ended 30 June 2021, resulting in an overall audit fee of $130,936 (excl GST) plus actual disbursements for the year ended 30 June 2021.

e) Accepts the proposed audit fee increase of $11,783 (9%) for the audit of the annual report for the year ended 30 June 2022, resulting in an overall audit fee

of $142,719 (excl GST) plus actual disbursements for the year ended 30 June 2022.

f) Authorises the mayor to sign the proposed 2021 and 2022 audit fees letter, from Audit NZ, including any amendments agreed at the meeting or subsequent.

g) Recommends Council approve unbudgeted expenditure of $15,936 for the 2020/21 financial year for additional audit fees to be funded from operational savings or the District operations reserve.

h) Recommends Council approve unbudgeted expenditure of $25,419 for the 2021/22 financial year for additional audit fees to be funded from operational savings or the District operations reserve.

i) Requests staff incorporate into the 2022/23 and later years' budgets, an additional $20,000 plus inflation to be funded from the District rate.

(Councillor Frazer left the meeting at 10.34am.)

(The meeting adjourned for morning tea at 10.34am and reconvened at 10.58am.)

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

Mayor Tong introduced Southland District Council Youth Council member Josh Mattsen to the Committee. Josh joined the Committee at the table to experience the meeting.

7.6 Accounting policies for the year ended 30 June 2021

Record No: R/21/3/11748

Graduate accountant – Brie Lepper was in attendance for this item.

Miss Lepper advised that the purpose of the report was for the Committee to consider and recommend to Council the adoption of the accounting policies to be used to compile Council's Annual Report for the year ended 30 June 2021.

Resolution

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

That the Finance and Assurance Committee:

a) Receives the report titled "Accounting policies for the year ended 30 June 2021" dated 10 June 2021.

b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.

c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not

require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to deciding on this matter.

d) Recommends to Council that the accounting policies as outlined in attachment A (of the officer's report) be adopted for use in preparation of Council's Annual Report for the year ended 30 June 2021.

7.7 Internal Audit Terms of Reference - Project Management Review

Record No: R/21/6/26365

Chief financial officer – Anne Robson was in attendance for this item.

Miss Robson advised that the purpose of the report was to consider and agree the terms of reference for the fourth internal audit on the review of project management at Council.

Resolution

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

That the Finance and Assurance Committee:

a) Receives the report titled "Internal Audit Terms of Reference - Project Management Review" dated 10 June 2021.

b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.

c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

d) Approves the internal audit terms of reference for the Project Management review as attached to the report.

e) Acknowledges and agrees to the increased fee of between $28,000 to $34,000 plus GST to undertake the Project Management Internal Audit.

f) Agrees to delay an audit programme planned for 2021/22 to 2022/23 to enable the budget of $15,000 to be utilised for the delivery of the Project Management Review.

g) Recommends to Council that it approve unbudgeted expenditure of up to $4,000 to undertake the expanded internal audit of the project management review to be funded from operational surpluses or the District Operations Reserve.

h) Agrees to ask staff to advise Deloitte of Council's acceptance of the terms of reference for the Project Management Review subject to Council approval of unbudgeted expenditure as noted in resolution (g).

7.8 Monthly Financial Report - April 2021

Record No: R/21/5/25680

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

Mrs Smith advised that the purpose of the report was to provide the Committee with an overview of the financial results for the ten months to 30 April 2021 by the nine activity groups of Council, as well as the financial position, and the statement of cash flows as at 30 April 2021.

Resolution

Moved Cr Keast, seconded Cr Douglas **and resolved:**

That the Finance and Assurance Committee:

a) Receives the report titled "Monthly Financial Report - April 2021" dated 10 June 2021.

7.9 Draft Fraud Policy

Record No: R/21/6/32863

Policy analyst – Shru Shrivastava was in attendance for this item.

Miss Shrivastava advised that the purpose of this report was to present the draft Fraud Policy to the committee for feedback, and request that the committee recommend that Council adopt the draft policy.

(Councillor Menzies left the meeting at 11.49am.)

Resolution

Moved Cr Keast, seconded Cr Duffy **and resolved:**

That the Finance and Assurance Committee:

a) Receives the report titled "Draft Fraud Policy" dated 9 June 2021.

b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.

c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

d) Endorses the draft Fraud Policy.

e) Agrees to recommends to Council that it adopt the draft Fraud Policy.

7.10 Draft Elected Members' Remuneration and Reimbursements Policy

Record No: R/21/5/20433

Intermediate policy analyst – Carrie Williams was in attendance for this item via Teams (digital technology).

Miss Williams advised that the purpose of this report was for the committee to provide feedback on the draft policy and that the committee recommend that Council adopt the draft policy.

(Councillor Menzies returned to the meeting at 11.51am.)

Resolution

Moved Deputy Chairperson Kremer, seconded Mayor Tong **and resolved:**

That the Finance and Assurance Committee:

a) Receives the report titled "Draft Elected Members' Remuneration and Reimbursements Policy" dated 10 June 2021.

b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.

c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

d) Considers the draft Elected Members' Remuneration and Reimbursements Policy and provides feedback.

e) Recommends to Council that it determine that a tablet or similar, printer and mobile phone is required by community board chairs, and that a tablet or similar and printer is required by community board members, to perform their functions, and requests that members use their own equipment for those purposes.

f) Recommends to Council that it determine that all elected members are requested to use their own internet service for Council business, and that community board chairpersons are requested to use their own mobile phone service for Council business.

g) Endorses the draft Elected Members' Remuneration and Reimbursements Policy.

h) Recommends to Council that it adopt the draft Elected Members' Remuneration and Reimbursements Policy.

7.11 Health and Safety Update

Record No: R/21/5/21292

Group manager project delivery – Nick Hamlin and Health, wellbeing and safety coordinator – Teri Black were in attendance for this item.

Mr Hamlin advised that the purpose of the report was to provide an update on health and safety related events and activity over the last quarter (as at 31 May 2021).

Resolution

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

That the Finance and Assurance Committee:

a) receives the report titled "Health and Safety Update" dated 10 June 2021.

b) determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.

c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

(The meeting adjourned for lunch at 12.24pm and reconvened at 12.56pm.)

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

Public excluded

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

Resolution

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

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

C8.1 Annual Insurance Renewal (for the year 1 July 2021 to 30 June 2022)

C8.2 Risk management - June 2021 quarterly update

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Annual Insurance Renewal (for the year 1 July 2021 to 30 June 2022)	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 management - June 2021 quarterly update	s7(2)(e) - the withholding of the information is necessary to avoid prejudice to measures that prevent or mitigate material loss to members of the public. s7(2)(i) - the withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.

The public were excluded at 12.57pm.

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

The meeting concluded at 2.07pm.

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

DATE:.....

CHAIRPERSON:.....

Extraordinary Finance and Assurance Committee

OPEN MINUTES

Minutes of a meeting of Extraordinary Finance and Assurance Committee held in the Council Chamber, Level 2, 20 Don Street, Invercargill on Tuesday, 29 June 2021 at 9.01am. (9.01am – 9.02am, 9.04am – 9.19am)

PRESENT

Chairperson	Bruce Robertson – external member (via Teams – digital technology)
	Mayor Gary Tong
Deputy chair	Ebel Kremer
Councillors	John Douglas
	Paul Duffy

APOLOGIES

Councillor Don Byars
Councillor Julie Keast

IN ATTENDANCE

Councillor Bruce Ford
Councillor Darren Frazer
Councillor Karen Owen
Councillor Ruddenklau (via Teams – digital technology)
Councillor Scott
Chief financial officer - Anne Robson
Committee advisor - Fiona Dunlop

Adjournment of meeting

Moved Councillor Kremer, seconded Councilor Duffy, the motion that the Finance and Assurance Committee adjourns until the conclusion of public forum at the Council meeting.

The motion was put and declared CARRIED.

The meeting adjourned at 9.02am.

The meeting reconvened at 9.04am.

Mayor Tong, Councillors Douglas, Duffy, Ford, Frazer, Kremer, Owen, Ruddenklau (via Teams – digital technology) and Scott and Bruce Robertson (via Teams – digital technology) were present when the meeting reconvened.

1 Apologies

There were apologies from Councillors Byars and Keast.

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

That the Finance and Assurance Committee accept the apologies.

2 Leave of absence

There were no requests for leave of absence.

3 Conflict of interest

There were no conflicts of interest declared.

4 Public forum

There was no public forum.

5 Extraordinary/urgent items

There were no extraordinary/urgent items.

6 Confirmation of minutes

Resolution

Moved Cr Duffy, seconded Cr Douglas **and resolved:**

That the Finance and Assurance Committee confirms the minutes of the meeting held on 15 June 2021 as a true and correct record of that meeting.

Reports

7.1 Long Term Plan 2021-2031 - recommendation to adopt

Record No: R/21/6/35472

Corporate performance lead – Jason Domigan, Project Accountant – Emma Strong and Strategy and policy manager – Michelle Stevenson were in attendance for this item.

Audit NZ audit director – Dereck Ollsson was in attendance via teams (digital technology). While Mr Ollsson was present the independent auditor's report on the 2021/2031 Long Term Plan was circulated to the committee.

The officers advised that the purpose of the report was to present the draft Long Term Plan 2021-2031 to the Committee prior to being considered for adoption by Council.

Resolution

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

That Finance and Assurance Committee:

a) Receives the report titled "Long Term Plan 2021-2031 - recommendation to adopt" dated 24 June 2021.

b) Determines that this matter or decision be recognised as significant in terms of Section 76 of the Local Government Act 2002.

c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

d) Agrees to recommend to Council that it amend the rating boundary for the Tuatapere Community Board urban rate and stormwater full charge rate for the Tuatapere township (Map 209).

e) Agrees to recommend to Council that the Otapiri-Lora Gorge hall rate be amended to $6,573 (including GST).

f) **Agrees to recommend to Council to resolve that in accordance with Section 100 of the Local Government Act 2002 that it is financially prudent for Council to project operating deficits in the first, second and third year of the plan. This principally reflects Council's policy to transition towards fully funding depreciation in 2028/2029.**

g) **Agrees to recommend to Council that it adopt the draft Long Term Plan 2021-2031, subject to any amendments.**

h) **Agrees to delegate authority to the chief executive to approve any minor amendments prior to adoption of the draft Long Term Plan 2021-2031.**

The meeting concluded at 9.19am.

CONFIRMED AS A TRUE AND CORRECT RECORD AT A MEETING OF THE FINANCE AND ASSURANCE COMMITTEE HELD ON TUESDAY 29 JUNE 2021.

DATE:.....

CHAIRPERSON:.....

Finance and Assurance Committee Work plan for the year ended 30 June 2022

Record No: R/21/6/35454
Author: Emma Strong, Project accountant
Approved by: Anne Robson, Chief financial officer

☐ Decision ☐ Recommendation ☒ Information

Purpose

1. To update the Committee on the status of the work programme discussed and agreed at the 24 March 2021 meeting for the financial year ending 30 June 2022.
2. As noted at the meeting the adoption of the work plan does not preclude the Committee or staff from including additional reports as and when required.
3. As the year proceeds the work plan will be updated to incorporate the actual dates reports are being presented where that differs to the work plan adopted. For the committees information the "X" in red shows the date the report was presented, where this differs from what was approved in the work plan or if it is a new report that will be presented on an annual basis. If there is a black "X" on the same line as a red "X", the black "X" indicates the date agreed by the committee. The "X" in green reflects changes identified to the ongoing work plan since it was adopted. The "X" in blue reflects a report that has been removed permanently.
4. The 25 August meeting has been removed and replaced with a meeting on 22 October to recommend adoption of the 2020/21 Annual Report to Council. The reports from 25 August have been moved to the next appropriate meeting.
5. There are several other changes to the work plan this meeting:
    - The Central Area Road Alliance external audit, NZTA Technical Audit and External Waimea Area Road Alliance Audit have been shifted to 22 October 2021 meeting.
    - The 2022/23 Annual Plan Timetable report and Assumptions and Accounting Policies report have been moved to 22 October 2021 meeting.
    - The 2020/21 and 2021/22 Debenture Trust Engagement Letter have both been added to the work plan.
    - As Audit NZ has informed Council they will not be performing an interim audit for the 2020/21 Annual Report, this report has been removed. The 2020/21 Annual Report – Final audit management report and Recommend Adoption by Council have both moved to 22 October 2021 meeting.
    - Internal Audit – the contract management audit report will be presented to the next meeting. The Project Management audit is currently in progress and the report will either go to the next meeting or the following meeting depending on when the report is received.

Recommendation

That the Finance and Assurance Committee:

a) Receives the report titled "Finance and Assurance Committee Work plan for the year ended 30 June 2022" dated 21 September 2021.

b) Notes the changes made to the Finance and Assurance Committee Work plan for the year ended 30 June 2021 since the last meeting.

Attachments

A Finance & Assurance timetable (October 22 meeting) ⇩

Finance and Assurance Committee Workplan to 30 June 2022

Content	25 August 2021 (removed)	27 September 2021	22 October 2021 (recommend to audit)	3 December 2021	3 February 2022 (consulting on AP)	30 March 2022	8 June 2022
2022/23 Annual Plan – Timetable		~~X~~	X				
2022/23 Annual Plan – Assumptions and accounting policies		~~X~~	X				
2022/23 Annual Plan – Workshop				X			
2022/23 Annual Plan – Draft financials and draft document					X		
2022/23 Annual Plan – Recommend adoption by Council							X
Quarterly Risk Report		X		X		X	X
Health & Safety Update		X		X		X	X
Health & Safety Events Report		X		X		X	X
Financial Monthly Report		X		X		X	X
2020/21 Annual Report – Interim Audit Management Report	~~X~~						
2020/21 Annual Report – Agree report ready for audit	~~X~~	X					
2020/21 Annual Report – Final audit management report		~~X~~	X				
2020/21 Annual Report – Recommend adoption by Council		~~X~~	X				
2020/21 Debenture Trust Engagement Letter		X					
2021/22 Annual Report – Audit Arrangements Letter						X	
2021/22 Annual Report – Audit Timetable						X	
2021/22 Annual Report – Accounting Policies							X
2021/22 Annual Report – Interim Audit Management Report							X
2021/22 Debenture Trust Engagement Letter							X
Comparison of actual to forecast for 20/21		X				X	
Work Programme for 2021/22 incl projects c/f from 20/21		X					
Forecast Financial Position				X		X	
Interim Performance Report		X		X		X	
Financial Transaction Update Report to 30 June 2021		X					
Determine Finance & Assurance Meeting Content 22/23						X	
Financial and Risk Policies – Debt Recovery Policy					X		
Internal Audit Terms of Reference (Asset Management or Information Integrity)	~~X~~				X		
Internal Audit Final Report (Contract Management, Project Management, Asset Management or Information Integrity)	~~X~~	~~X~~	X	X			X
Internal Audit Action Points				X			X
Insurance - Insurance policy renewal approval							X
External NZTA Technical Audit	~~X~~	~~X~~	X				

Content	25 August 2021 (removed)	27 September 2021	22 October 2021 (recommend to audit)	3 December 2021	3 February 2022 (consulting on AP)	30 March 2022	8 June 2022
External Waimea Area Road Alliance Audit		~~X~~	X				
QV Southland District 2021 Revaluation Summary Report				X			
Projects Over $2 Million – Core professional roading services							X
External Audit – 2020 Central Area Road Alliance	~~X~~	~~X~~	X				
LTP Management Audit NZ Report		X					
Judicial Review – Forest & Bird v SDC and New Brighton Colleries Ltd		X					

R/21/3/11371

Risk management - September 2021 quarterly update

Record no: R/21/7/38476
Author: Jane Edwards, Policy analyst
Approved by: Fran Mikulicic, Group manager democracy and community

☐ Decision ☒ Recommendation ☐ Information

Purpose

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

Executive summary

2 A risk management framework (RMF) was adopted by Council in February 2019. This framework supports risk thinking across Council so that risk can be understood, planned for and mitigated across all levels and activities.

3 As part of the RMF process, Council's priority strategic risks were identified and endorsed in June 2021 and these form the basis of the committee quarterly risk report including the risk register.

4 The leadership team (LT) jointly owns the current eleven priority risks for Council and is responsible for maintaining oversight of Council's risks, controls and treatments.

5 The LT has reviewed the status of the top priority risks for the September 2021 quarter and the risks are presented as attachment A with their assessment, any current and proposed mitigations, and their residual risk assessment.

6 The matrices used to assess the risks are included for information as attachment B.

7 Following the committee's consideration of the quarterly risk management update, those strategic risks considered of significant issue will be reported to the community and strategy committee at its 5 October 2021 meeting.

Recommendation

That the Finance and Assurance Committee:

a) receives the report titled "Risk management - September 2021 quarterly update" dated 20 September 2021.

b) determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.

c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

d) endorses those risks considered of significant issue being reported on to the community and strategy committee at its next meeting.

Background

8 The eleven priority risks were assessed by LT workshops in March 2021 and adopted by Council in June 2021. As a living document, the risk register will be reviewed formally on an annual and as required basis. The next formal LT review is scheduled to take place in March 2022.

9 The priority strategic risks endorsed by Council are jointly owned by the LT and form the basis of the risk register.

10 The LT review the status of the top risks, and any emerging risks, on a quarterly basis and this report is then presented to the committee for consideration. After feedback from the committee each quarter, the RMF requires those risks considered of significant issue to be reported to the next Council meeting.

11 The eleven priority risks are considered of equal importance to Council and are outlined in a single tiered risk register. This will allow prioritisation to be fluid for the reporting year with resource allocated where appropriate across the top risks. Governance will continue to have a clear indication of management's risk priorities by the utilisation of the risk thresholds and status to indicate where focus and resource could be directed each quarter.

12 The consequences, likelihoods and thresholds for each risk have been assessed after a review of the risk register and they reflect the highest assessed aspect of each risk for this current quarter.

13 The status of each risk is a summary of the mitigations that are currently in place for each risk and indicate whether the mitigations are assessed as causing the threshold to rise, lower or remain static.

Overview of Council's priority strategic risks

14 The risk register update for the September 2021 quarter is attached as attachment A.

15 The risk register has eleven priority risks of which there are two 'very high', three 'high', and six 'medium' rated risk post mitigation.

16 Issues to note this quarter include:

Change and reform

17 This risk continues to be assessed as worsening this quarter.

18 This risk looks to understand and manage both the external and internal factors that could have significant negative impact on Council's resilience. If Council does not have the capacity to respond to increasing levels of change then adequate financial planning and exploiting potential opportunities may be missed.

19 Council's resilience and ability to adapt continues to be tested by the high level of uncertainty regarding reform and legislative change from central government and, to a lesser extent, as a result of internal changes at senior management level within the organisation.

20 Mitigations both current and proposed look to ensure that Council is able to be agile and flexible as change evolves and is not adversely affected by new or unpredictable developments.

21 In order to successfully navigate the review of local government as a whole, along with the suite of reforms already in process, Council continues to actively monitor and engage with LGNZ and central government to keep pace with anticipated reform expectations and proactively respond as more information becomes available.

22 While there is merit in developing an engagement strategy to communicate the transitions ahead to the community, there is also currently the potential for difficulty articulating external messaging across three differing but interlinked work programmes (three waters/RMA/climate change).

23 As capacity allows, work also continues internally with workforce planning and succession planning underway.

Climate change

24 The risk status of climate change continues to be assessed as worsening this quarter.

25 This status is based on the urgency of actions required by central government, businesses and organisations to reduce emissions, and the impact the transition will have on the economy, society and environment. Action on climate change is progressing at a faster rate than previously seen and it is likely that this will continue for the foreseeable future.

26 While it is acknowledged that the uncertainty of climate change modelling and lack of clear direction from central government has slowed the development of a climate change strategy, it is essential that Council begins to proactively build capacity at a District level.

27 An internal climate change role is currently being established to focus on climate risk across multiple different workstreams within the organisation – services & assets, community resilience, adaptive regulatory process, changing consents, carbon reduction targets and LiDAR.

28 Council will continue to observe scenarios from the climate change commission until it is appropriate to begin development of a climate change strategy or policy position that will build alignment of activities across the organisation.

Cyber security

29 The status of this risk continues to be assessed as static.

30 Following the impacts of recent major cyber-attacks in New Zealand (including the Waikato District Health Board), Council has responded with mitigations that include identifying anomalous activity and any known vulnerabilities to Council from both an internal and external perspective.

31 In the immediate term, targeted end-user training is being investigated to help staff identify and act accordingly to these cyber security threats. Part of the newly established cyber security engineer role will include establishing policies for staff and elected members along with implementing further security controls.

32 Over the longer term, Council has engaged an external consultant to create a cyber security strategy in order to identify mitigations to both internal and external facing vulnerabilities. While it is acknowledged that it is impossible to eliminate all risks, this work will identify the areas that can and that cannot be mitigated against and will clarify the ongoing work needed.

33 Council continues to work closely with the other Southern councils to create alignment with policies, processes and technology as well as sharing knowledge and expertise.

Disaster event

34 This risk status remains assessed as static this quarter.

35 On 17 August 2021, New Zealand moved back into lockdown after a Covid-19 community outbreak in Auckland. These most recent lockdown measures have not significantly changed the outlook of this risk and subsequently it will continue to be monitored and reviewed as necessary. While the post treatment threshold remains very high, the rating is due to the unknown impact any disaster event could have on the district.

36 Council's emergency management is supported by continued collaboration with local emergency services, National Emergency Management Agency, and Emergency Management Southland (EMS). Emergency response mitigations include continued collaboration with EMS to coordinate response, appropriate and ongoing training of staff and continued review of Council's emergency preparedness.

37 Ongoing monitoring and resurgence preparation has ensured that Council was ready to roll back into lockdown procedures with the latest alert level change in August 2021. The potential re-opening of borders with Australia in the future underlines the importance that the organisation is ready to meet future alert level changes with minimal warning.

38 While a recent review undertaken with EMS confirmed that Council had the staffing contribution available to assist with civil defence emergencies, further consideration has been proposed to ensure that the staffing resource assigned has the appropriate capacity and competency for emergency response.

39 Effective collaboration requires effective communication and governance with assigned roles and responsibilities. It is proposed to ensure clarity is given to designated roles and responses across the collaborative regional response to prevent duplication and ensure the sustainability of any extended response.

40 Effective succession planning and business continuity plans are needed to ensure Council is able to support and release emergency management resource while maintaining in-house continuity of delivery.

41 Further consideration will be given to how Council could best support community resilience in the face of a disaster event and the mitigations that could be put in place such as effective engagement strategies and increased collaboration with Council. Lessons learned from the Covid-19 pandemic highlighted the importance of having effective community networks in place prior to a disaster event unfolding. Consideration will need to be given to backfilling within the community networks to ensure effective continuity within the District with many key community board members also holding roles with EMS.

Resource and delivery

42 The status of this risk has changed from improving to worsening this quarter.

43 This risk focuses on the significant strain on resources locally, nationally and globally, and the impact this has on achieving Council's strategic objectives. Organisational performance, the delivery of Council's committed outcomes, and meeting community expectations are significantly impacted by difficulties obtaining skilled resources and material.

44 This quarter and for the foreseeable future, Council must be aware of the potential impacts of further Covid-19 lockdowns with resultant escalation in resource delay due to material availability and transport logistics. Auckland is a main conduit for supplies and its ongoing level 4 lockdown is currently affecting supply chains throughout the country. Travel restrictions, both nationally and internationally, are also affecting movement of both skill and resource.

45 Council continues to monitor and analyse changes that may affect the market capacity and access to supply chains. Council's works programme has been structured with long lead in times to try and mitigate delays in material supply for critical infrastructure.

46 Procurement optimisation has been a focus over the quarter with successful contractors' workshops and engagement held to take the works programme out to the market. Feedback has been incorporated into procurement processes to ensure Council's work programme remains attractive in a saturated market.

Emergent Risks

47 Emerging risks are those that may develop or that already exist. These risks are difficult to quantify but may have a high consequence or impact if they materialise.

48 No emergent risks have been identified by the LT this quarter.

Operational Risk Assurance

49 Following the adoption of the revised strategic risk register in June 2021, work has begun to develop the operational risk register. Discussions have been held both internally, and externally with risk managers within other local government organisations and risk management software providers to identify an effective model that Council could utilise.

50 In the interim, group managers will continue to work with their respective teams to identify and mitigate operational risks.

In-depth look at each Risk

51 The committee has an in-depth look at particular strategic risks on a rotational basis, to provide assurance to the committee that the risks are being effectively managed and that controls are operating as intended.

52 Given the capacity issues resulting from the current lockdown restrictions, discussions have been held with the LT, chief executive and committee board chair, and the decision has been made to postpone the in-depth risk discussion for the September 21 quarter.

Next Steps

53 Following the committee's consideration of the September 2021 quarterly risk management update, those strategic risks assessed as of significant issue will be reported to the community and strategy committee at its meeting 5 October 2021.

Attachments

A Risk register - Finance and Assurance Committee - September 2021 ⇩
B Risk management framework - risk matrices ⇩

SOUTHLAND DISTRICT COUNCIL

Quarterly risk register September 2021

Finance and Assurance Committee

STRATEGIC RISK SUMMARY TABLE – SEPTEMBER 2021 QUARTER										
Change and reform	Climate change	Compliance and fraud	Cyber-security	Data and systems	Disaster event	Health, safety and wellbeing	Public health	Relationships and reputation	Resource and delivery	Strategy and direction
PRE TREATMENT THRESHOLD										
High	Very high	High	Very High	High	Very high	Very high	Very high	Very high	Very high	High
POST TREATMENT THRESHOLD										
Medium	High	Medium	Medium	Medium	Very high	Very high	High	High	Medium	Medium
RISK STATUS FOR THE CURRENT QUARTER IS ASSESSED AS:										
Worsening	Worsening	Static	Static	Improving	Static	Static	Static	Static	Worsening	Static
RISK LEAD										
Cameron McIntosh	TBC	TBC	TBC	Leadership team	TBC	TBC	TBC	TBC	TBC	Cameron McIntosh
ACTION OFFICER										
New strategic adviser role	Marcus Roy SALT	Shelley Dela Llana Marcus Roy Grant Isaacs	Jock Hale		SALT Louise Pagan Marcus Roy	Teri Black	Grant Isaacs Dave Inwood Michael Sarfaiti	All	Brendan Gray	Leadership team

Risk register template
1/06/2019

Southland District Council
Te Rohe Pôtae o Murihiku
PO Box 903
15 Forth Street
Invercargill 9840
0800 732 732
sdc@southlanddc.govt.nz
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SOUTHLAND DISTRICT COUNCIL

Strategic risk	CHANGE AND REFORM			
DESCRIPTION	**Risk that Council has inadequate adaptability to respond to a continuously changing environment**			**Status:** Worsening
Risk management framework CATEGORY	Strategic	**Risk register LINKS**	Climate change Compliance	Strategy and direction
RISK LEAD	Cameron McIntosh	**ACTION OFFICER**	*New strategic advisor role*	
POTENTIAL RISK TRIGGERS	External: • changes in central government political direction and/or decision-making • changes in community/stakeholder service level expectations Internal: • organisational lack of agility and resilience due to: o inadequate capacity and capability o complexity and effectiveness of organisational systems and processes o siloed culture o political personalities, trust and relationships o loss of key staff/elected members o inadequate contingency planning o ineffective change communication o lack of strategic direction			
PRE TREATMENT THRESHOLD	**Consequence:** Moderate	**Likelihood:** Likely		
	High			
CURRENT MITIGATIONS	• monitoring of macro trends/broader environment o taking an apolitical approach to continue momentum on projects			

Risk register template
1/06/2019

Page | 2

	○ continued engagement with LGNZ to monitor anticipated reforms from central government ○ work to understand implications of climate changes to communities and how this will impact on service delivery • improving organisational resilience ○ review and improve systems/procedures around data capture, management and storage ○ review of current internal structures and practices to ensure they are fit for purpose ○ review and identify process to increase adaptiveness and agility of governance/management/staff • improving financial resilience ○ monitoring of macro trends/broader environment ○ ensuring the ability to urgently reprioritise capital spending and/or community levels of service spending • maintain trust and confidence of our communities through effective communication and engagement ○ continued engagement/collaboration with neighbouring councils/central government / governance/management/ staff level relationships			
POST TREATMENT THRESHOLD	**Consequence:**	Moderate	**Likelihood:**	Possible
	Medium			
PROPOSED MITIGATIONS	• engagement strategy • leadership forum			
COMPLETED MITIGATIONS	• none reported for the September 2021 quarter			

SOUTHLAND DISTRICT COUNCIL

Strategic risk	CLIMATE CHANGE				
DESCRIPTION	**Risk that Council fails to adapt to, or mitigate the effects of, climate change impacts**				**Status:** Worsening
Risk management framework CATEGORY	Health, safety and wellbeing Regulatory and compliance	Strategic Social, cultural and environmental	**Risk register LINKS**	Change and reform Disaster event	
RISK LEAD	To be confirmed		**ACTION OFFICER**	Services and Assets Leadership Team Marcus Roy	
POTENTIAL RISK TRIGGERS	External: • ineffective clear advice to enable evidence-based quality decisions due to: o variability and uncertainty in climate change modelling o changes in political direction Internal: • inadequate consideration of climate impacts in: o strategic decision-making o fit for purpose activity management				
PRE TREATMENT THRESHOLD	**Consequence:** Major		**Likelihood:** Likely		
	Very high				
CURRENT MITIGATIONS	• effective governance, strategies and plans o infrastructure planning to have activity-based approach to address zoning decisions o climate change considerations included in draft Long Term Plan 21/31, draft infrastructure strategy, activity management plans o ensuring continued compliance with appropriate national and regional plans • build knowledge o understand and identify implications of climate changes to communities and how this will impact service delivery				

	○ research programme including stakeholders ○ continuing to engage with LGNZ and central government to monitor anticipated reform change ○ continuing to engage at regional level on information gathering and analysis relating to hazards • build capacity ○ adequate borrowing capacity in place through the financial strategy to assist with recovery costs ○ Local Authority Protection Programme insurance in place ○ emergency resourcing in place and available			
POST TREATMENT THRESHOLD	**Consequence:**	Major	**Likelihood:**	Possible
	High			
PROPOSED MITIGATIONS	• consider and develop climate change strategy outlining the actions being taken to build knowledge, deliver change and build capacity • develop a draft climate change policy that sets out appropriate climate change scenarios to use, governance for climate change, capability and capacity requirements • investigate Council's carbon footprint to better understand actions required to reduce Council's operational emissions			
COMPLETED MITIGATIONS	• regional climate change assessment complete (Dec 20) • Deep South science challenge complete (Dec 20)			

SOUTHLAND DISTRICT COUNCIL

Strategic risk	COMPLIANCE AND FRAUD			
DESCRIPTION	**Risk that Council is unable to adapt to the impacts of fraud and increasing compliance standards on the organisation**			**Status: Static**
Risk management framework CATEGORY	Financial Strategic Regulatory and compliance		**Risk register LINKS**	Public health Service delivery Reputation
RISK LEAD	To be confirmed		**ACTION OFFICERS**	Fraud – Shelley Dela Llana Compliance – Ian Evans / Marcus Roy

POTENTIAL RISK TRIGGERS	External:
	• central government changes to the regulatory standards for compliance
	  ○ external attempts to perpetrate fraud
	Internal:
	• community and stakeholder service-level expectations not being met
	• breakdown in internal controls resulting in:
	  ○ continued or serious breaches leading to increased compliance requirements and regulation
	  ○ poor resource allocation/prioritisation
	  ○ complacency
	  ○ emotionally and financially stressed staff
	  ○ lack of training and awareness
	  ○ remote/flexible working			

PRE TREATMENT THRESHOLD	**Consequence:**	Catastrophic	**Likelihood:**	Unlikely
	High			
CURRENT MITIGATIONS	Fraud: • effective governance, strategies and plans ○ fraud policy adopted, fraud officers nominated and fraud awareness training initiated			

	○ external and internal audits, segregation of duties and well established documented approvals process ○ well documented and aligned procurement process - procurement policy and manual adopted and training workshops initiated Compliance: • ensuring continued compliance with appropriate national and regional plans • effective governance, strategies and plans ○ prioritisation of projects to ensure compliance is maintained ○ forward planning for resourcing works programme ○ documented process and procedures, internal and external audit, staff training, strengthened links between teams and quality assurance processes • collaborative governance group meetings			
POST TREATMENT THRESHOLD	**Consequence:**	Catastrophic	**Likelihood:**	Rare
	Medium			
PROPOSED MITIGATIONS	• monthly team leader forum to undertake a stocktake to identify critical high risk areas			
COMPLETED MITIGATIONS	• none reported for the September 2021 quarter			

SOUTHLAND DISTRICT COUNCIL

Strategic risk	CYBER SECURITY				
DESCRIPTION	**Risk that Council's systems are vulnerable to cyber-attack and/or error**				**Status: Static**
Risk management framework CATEGORY	Financial Operational	Regulatory and compliance	**Risk register LINKS**	Data and systems Disaster event	Reputation Service delivery
RISK LEAD	To be confirmed		**ACTION OFFICER**	Jock Hale	
POTENTIAL RISK TRIGGERS	External: • external threat attempts • complacency with regard to international trends and attacks Internal: • technical failure to protect IT systems o increasing digitisation without integration with processes o inadequate cyber strategy o underinvestment/lack of maintenance • breakdown of internal controls o inadequate IT security awareness/culture/behaviours /competency potentially resulting in malicious or innocent employee activities o remote/flexible working creating less secure connections				
PRE TREATMENT THRESHOLD	**Consequence:**	Catastrophic	**Likelihood:**	Possible	
	Very high				
CURRENT MITIGATIONS	• increased digital protection o E-delivery project, regular updating of IT equipment including enhanced mobility • effective governance, strategies and plans o cyber security strategy, SAM for compliance, disaster recovery plan				

	• improve internal controls
	  ○ phone systems, systems back up, role based controls in place
	  ○ establishment of cyber security engineer role completed			

POST TREATMENT THRESHOLD	**Consequence:**	Catastrophic	**Likelihood:**	Rare
	Medium			
PROPOSED MITIGATIONS	• improve internal controls: ○ mobile device management (MDM)			
COMPLETED MITIGATIONS	• cyber security engineer role established July 2021			

SOUTHLAND DISTRICT COUNCIL

Strategic risk	DATA AND SYSTEMS			
DESCRIPTION	**Risk of ineffective and inefficient use of information in Council's decision-making**			**Status: Improving**
Risk management framework CATEGORY	Financial Strategic Operational		**Risk register LINKS**	Cyber security
RISK LEAD	To be confirmed		**ACTION OFFICER**	Leadership team
POTENTIAL RISK TRIGGERS	Internal: • inability to maximise effectiveness of information systems and tools due to: o complexity of organisational systems o lack of integration/alignment across information systems o lack of analytics capability/capacity o insufficient data governance o poor resource allocation/prioritisation • cyber security o inefficient systems which are vulnerable to attack and/or error			
PRE TREATMENT THRESHOLD	**Consequence:** Moderate		**Likelihood:** Likely	
	High			
CURRENT MITIGATIONS	• review and improve systems/procedures around data capture, management and storage o implementation of asset management tool (IPS) o contract alignment o staff training and reporting options o implementation of metadata standards o established infrastructure design standards • effective communication			

	○ part of BAU with operational reporting to community boards • effective resourcing ○ recruitment has been completed and currently being utilised to resolve the backlog of Three Waters data			
POST TREATMENT THRESHOLD	**Consequence:**	Moderate	**Likelihood:**	Possible
	Medium			
PROPOSED MITIGATIONS	• review and prioritisation of data analytics			
COMPLETED MITIGATIONS	• recruitment of data/GIS temporary resources to resolve backlog of 3-Waters data (Jun 21) • IPS/GIS resource improved. Created process for data capture and plan to resolve historic gaps (Dec 20) • Master Data Specifications for Council. Completed for community facilities and water & waste (Dec 20) • improved internal cost estimation process. Review and reconciliation process completed so that costs are double checked before being signed off. Embedment ongoing (Dec 20)			

SOUTHLAND DISTRICT COUNCIL

Strategic risk	DISASTER EVENT				
DESCRIPTION	**Risk that Council is unable to respond to the consequences of a natural or human-induced event impacting the District**				**Status: Static**
Risk management framework CATEGORY	Financial	Social, cultural and environmental	**Risk register LINKS**	Climate change Cyber security	Public health Relationships
RISK LEAD	To be confirmed		**ACTION OFFICERS**	Services and Assets Leadership Team	Louise Pagan Marcus Roy
POTENTIAL RISK TRIGGERS	External: • biosecurity outbreak • severe weather event • disaster caused by failure of man-made structure • natural disaster event without warning or build up • global financial crisis Internal: • critical asset failure that impacts safety as a result of poor resource allocation/prioritisation • insufficient organisational agility and resilience • ineffective clear advice to enable evidence-based quality decisions due to variability and uncertainty • inadequate or ineffective engagement, communication, governance • ineffective or lack of collaboration /partnership • relationship mismanagement • inadequate contingency planning				
PRE TREATMENT THRESHOLD	**Consequence:**	Catastrophic	**Likelihood:**	Possible	
	Very high				

CURRENT MITIGATIONS	• emergency management
	  ○ collaboration on emergency management response approach across agencies and the region
	  ○ emergency response and pandemic plans
	  ○ community emergency response plans
	  ○ ensuring warning systems and protocols are in place e.g. flood monitoring system, tsunami alerts
	• infrastructure resilience
	  ○ identify strategic sites at risk and develop plan for their maintenance and return to normal
	  ○ criticality assessment and asset identification ratings
	  ○ availability of technical expertise to manage, monitor, operate and maintain critical infrastructure
	  ○ infrastructure strategy			

POST TREATMENT THRESHOLD	**Consequence:**	Catastrophic	**Likelihood:**	Possible
	Very high			
PROPOSED MITIGATIONS	• business continuity planning			
COMPLETED MITIGATIONS	• none reported for the September 2021 quarter			

SOUTHLAND DISTRICT COUNCIL

Strategic risk	HEALTH, SAFETY AND WELLBEING			
DESCRIPTION	**Risk of health, safety and wellbeing harm to staff, contractors and community**			**Status: Static**
Risk management framework CATEGORY	Health, safety and wellbeing Operational	**Risk register LINKS**	Public health Reputation	
RISK LEAD	To be confirmed	**ACTION OFFICER**	Teri Black	
POTENTIAL RISK TRIGGERS	External: • complacency leading to greater risks being taken by the community of public safety issues Internal: • poor health and safety culture and/or behaviours across the organisation leading to: o stressed disengaged staff o increased staff workloads o limited capability and capacity o inadequate governance understanding of role/accountability • competing priorities: o deferred maintenance / under resourcing o time pressures and/or complacency leading to acceptance of high levels of risk • failure to engage with and listen to the community • failure to act on lessons learned from near misses and incidents (including lessons from other industry experiences) • BCP and Pandemic Plans not adhered to			
PRE TREATMENT THRESHOLD	**Consequence:** Catastrophic	**Likelihood:** Highly likely		
	Very high			
CURRENT MITIGATIONS	o effective governance, strategies and plans o health and safety wellbeing policy and framework			

	○ health and safety strategic road map 2021-23 ○ health and safety gap analysis – development of a prioritisation programme to address gap analysis recommendations ○ health and safety risk management framework developed and implemented across organisation ○ pandemic business continuity plan in place and current ○ organisational culture ○ wellbeing progamme ○ ongoing education process with staff about the controls in place along with continued monitoring of their effectiveness ○ comprehensive audit framework ○ collaboration with other agencies			
POST TREATMENT THRESHOLD	**Consequence:**	Catastrophic	**Likelihood:**	Possible
	Very high			
PROPOSED MITIGATIONS	• health and safety KPIs linked to individual staff performance			
COMPLETED MITIGATIONS	• health and safety competency register developed across the organisation (Sept 21) • additional administration resource in place to allow risk project to commence (Sept 21) • training for governance and management on roles and responsibilities (Jun 21) • revised HS&W dashboard reporting prepared for LT and governance reporting providing hot spot data (Jun 21) • core improvement in standardisation of contract administration process (Mar 21) • health and safety plan with associated action plan approved (Dec 20) • establishment of the project delivery team means greater focus on ensuring appropriate documentation and workflows to support robust health and safety project management (Dec 20) • review of pre-qualification process for contractors completed (Dec 20) • introduction of fatigue guidelines and drug and alcohol policy (Dec 20)			

SOUTHLAND DISTRICT COUNCIL

Strategic risk	PUBLIC HEALTH				
DESCRIPTION	**Risk that Council exposes the community to a public health emergency**				**Status: Static**
Risk management framework CATEGORY	Financial Health, safety and wellbeing Operational	Regulatory and compliance Social, cultural and environmental	**Risk register LINKS**	Compliance and fraud Disaster event	Health, safety and wellbeing
RISK LEAD	To be confirmed		**ACTION OFFICERS**	Grant Isaacs Dave Inwood Michael Sarfaiti	

POTENTIAL RISK TRIGGERS	External:
	• severe weather, natural disaster, a fire, chemical spill
	• complacency leading to greater risks being taken by the community of public safety issues e.g. potential for unknown residential connection to stock water supplies resulting in contamination event
	
	Internal:
	• failures in asset maintenance
	  ○ ineffective clear advice to enable evidence-based quality decisions results in poor understanding of the health and safety risks within Council's facilities and services provided
	  ○ competing priorities lead to deferred maintenance across portfolio and/or under resourcing
	• time pressures and/or complacency leading to acceptance of high levels of risk
	• human error / inappropriate behaviours / criminal behaviours or damage at Council assets
	• failure to engage with and listen to the community
	• failure to act on lessons learned from near misses and incidents (including lessons from other industry experiences)
	• BCP and Pandemic Plans not adhered to				

PRE TREATMENT THRESHOLD	**Consequence:**	Catastrophic	**Likelihood:**	Highly likely
	Very High			

CURRENT MITIGATIONS	• ensure compliance with appropriate national and regional plans
	  ○ robust compliance monitoring system
	  ○ prioritised programme of review including sanitary assessment report and water safety plans
	  ○ condition assessments for assets
	  ○ review of public access to operational sites			

POST TREATMENT THRESHOLD	**Consequence:**	Catastrophic	**Likelihood:**	Unlikely
	High			
PROPOSED MITIGATIONS	• establishment of water officer role • review of sanitary assessment report and water safety plans • business continuity plans • increased public education and awareness of requirements of the Health Act • effective communication strategy in place for potential contamination event			
COMPLETED MITIGATIONS	• establishment of water and waste leadership team			

SOUTHLAND DISTRICT COUNCIL

Strategic risk	RELATIONSHIPS AND REPUTATION				
DESCRIPTION	**Risk that Council fails to manage its local, regional and national relationships** **Risk that Council suffers reputational damage because of service delivery failure**				**Status: Static**
Risk management framework CATEGORY	Social and cultural Strategic		**Risk register LINKS**	Change and reform Compliance and fraud Cyber security Disaster event	Health, safety and wellbeing Public health Resource and delivery Strategy and direction
RISK LEAD	To be confirmed		**ACTION OFFICER**	Leadership team	

POTENTIAL RISK TRIGGERS	External
	• political EQ
	Internal:
	• inadequate or ineffective engagement, communication, governance
	  ○ narrow, short term/misaligned strategic focus
	  ○ ineffective or lack of collaboration/partnership with stakeholders/community
	  ○ dysfunctional internal relationship between governance and staff
	• dysfunctional organisational culture - job uncertainty/restructures/staff burnout/remote working
	• lack of awareness regarding Treaty obligations and iwi protocol				

PRE TREATMENT THRESHOLD	**Consequence:** Major		**Likelihood:** Likely		
	Very high				

CURRENT MITIGATIONS	• establish strong networks with other agencies and external stakeholders to share knowledge, learnings and culture
	  ○ regular engagement with stakeholders at political and executive level
	  ○ collaborative governance group meetings to progress alignment of strategic direction – Mayoral forum, TAMI board sessions, Te Roopu Taiao meetings, CEG civil defence forums, neighbouring councils				

	• understanding Council's Treaty obligations
	  ○ Iwi charter of understanding in place
	  ○ identify and address gaps in organisational cultural and diversity awareness
	• enabling community boards to bring community voice back into Council
	  ○ community board 'health check' completed
	• establish internal mentoring and knowledge sharing workshops by senior management
	  ○ monthly team leader forums established for knowledge sharing across the organisation			

POST TREATMENT THRESHOLD	**Consequence:**	Major	**Likelihood:**	Possible
	High			
PROPOSED MITIGATIONS	• induction and training of management in terms of Treaty obligations • establish internal mentoring and knowledge sharing workshops by senior management • proactive steps taken at the start of each local government triennium to re-establish trust and relationships with community and stakeholders • relationship management between: CE/Mayor, LT/key staff, Mayor/elected members			
COMPLETED MITIGATIONS	• none reported for the September 2021 quarter			

SOUTHLAND DISTRICT COUNCIL

Strategic risk	RESOURCE AND DELIVERY			
DESCRIPTION	Risk of non-performance/delivery of committed outcomes and meeting expectations			**Status:** Worsening
Risk management framework CATEGORY	Operational	Regulatory and compliance	**Risk register LINKS**	Reputation
RISK LEAD	To be confirmed		**ACTION OFFICER**	Brendan Gray

POTENTIAL RISK TRIGGERS	External:
	• market capacity
	• inadequate response to macro factors affecting price and accessibility e.g. climate change, Covid alert level impacts, international political instability
	• change in community/ stakeholder service level expectations
	Internal:
	• ineffective clear advice to enable evidence-based quality decisions
	• inadequate measures including accountability, capability, transparent and proactive self-monitoring
	• complexity of organisational systems
	• competing priorities resulting in deferred maintenance across portfolio
	• siloed organisational culture
	• inadequate or failed cooperation and collaboration with neighbouring councils
	• difficulty attracting and maintaining skilled resources
	• strategic objectives:
	  ○ narrow strategic approach - not looking at 'big picture'
	  ○ unclear and incomplete understanding of objectives			

PRE TREATMENT	**Consequence:**	Major	**Likelihood:**	Highly likely

THRESHOLD	**Very high**			

CURRENT MITIGATIONS	• effective governance, strategies and plans
	  ○ development of a well-informed capital works programme based on known condition and performance of assets
	  ○ allocation of appropriate funding and resources to deliver the prioritised work plan
	  ○ procurement optimisation
	  ○ Three Waters works programme
	  ○ internal and external audit
	  ○ effective communication between teams and other agencies
	• recruiting and retaining skilled resources
	  ○ monitoring organisational climate
	  ○ work closely with industry providers and training institutions
	  ○ workforce strategy
	  ○ resource sharing
	  ○ develop potential for secondments, internships and developing a cadet system
	• organisational culture
	  ○ look after staff by building a culture that encourages staff to stay and to recruit into
	  ○ outsourcing and using external mechanisms at key pressure points to mitigate stress			

POST TREATMENT THRESHOLD	**Consequence:**	Major	**Likelihood:**	Unlikely
	Medium			
PROPOSED MITIGATIONS	• prioritisation plan to consider the number and impact of work outside the formally signed off works programme			
COMPLETED MITIGATIONS	• procurement plan prepared for the entire 2021-22 year – completed and signed off by Council as part of LTP (Sept 21) • project scoping document developed and signed off by community boards – completed through LTP process (Sept 21) • works programme input into Global Forecast Programme and baseline tracking set up (Sept 21) • project delivery team in place and adequately resourced (Sept 21)			

	• development of established minimum LoS for community facilities. Review was progressed through AMP update process with community board consultation occurring in relation to community facilities assets (Dec 20)

Strategic risk	STRATEGY AND DIRECTION			
DESCRIPTION	**Risk of poor or ineffective decision-making due to lack of strategic integration and alignment**			**Status: Static**
Risk management framework CATEGORY	Financial Strategic		**Risk register LINKS**	Change and reform
RISK LEAD	Cameron McIntosh		**ACTION OFFICER**	Leadership team
POTENTIAL RISK TRIGGERS	• inadequate discussion of strategic direction • unclear and incomplete understanding of strategic objectives • near-sighted decision making • competing priorities • complex decision-making processes and requirements • ineffective clear advice to enable evidence-based quality decisions			
PRE TREATMENT THRESHOLD	**Consequence:**	Moderate	**Likelihood:**	Likely
	High			
CURRENT MITIGATIONS	• effective governance, strategies and plans ○ strategy development workplan currently being developed			
POST TREATMENT THRESHOLD	**Consequence:**	Moderate	**Likelihood:**	Possible
	Medium			
PROPOSED MITIGATIONS	• long term formal commitment to collaboration between Council and key agencies • deliver strategic vision to the community effectively			
COMPLETED MITIGATIONS	• none reported for the September 2021 quarter			

KEY:

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

Risk management framework – risk matrices

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

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

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

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

Interim Performance Report - period three - 1 July 2020 to 30 June 2021

Record No: R/21/9/50764
Author: Shannon Oliver, Planning and reporting analyst
Approved by: Fran Mikulicic, Group manager democracy and community

☐ Decision ☐ Recommendation ☒ Information

Purpose

1 The purpose of the report is to provide the Finance and Assurance Committee with the Interim Performance Report for the period 1 July 2020 to 30 June 2021 for review and feedback.

Executive summary

2 The Interim Performance Report (IPR) forms part of the Corporate Performance Framework (CPF), the purpose of which is to streamline Council planning and reporting functions.

3 The IPR provides a 'snapshot in time' record of the status of Council's key performance indicators (KPIs) and is reported to the Finance and Assurance Committee every four months. The report will be presented as a cumulative record throughout the financial year, 1 July 2020 to 30 June 2021.

4 The final interim performance report results at the end of June 2021 are used in the Annual Report 2020/2021. The Annual Report is audited by Audit NZ and will be examined to ensure that the final result is correct and the methodology for monitoring the KPI is recorded and robust. The external KPIs go into the Annual Report and there are also 24 internal KPI's that do not.

5 The results for the year end are the last time that this particular KPI set will be used under the LTP 2018-2028. The new LTP 2021-2031 that was adopted in July 2021 will be used for the new financial year (1 July 2021 to 30 June 2022). For the new financial year, the number of KPIs reduces from 113 to around 60.

6 The results of the June 2021 reporting period for the 113 KPIs were that 73 (65%) were achieved and 40 (35%) were not achieved and none were not measured. In comparison to last year, the June 2020 reporting period results for the 113 KPIs were 77 (68%) were achieved and 36 (32%) were not achieved which is similar to this year.

7 Staff recommend that the committee receive this report and provide feedback.

Recommendation

That the Finance and Assurance Committee:

a) Receives the report titled "Interim Performance Report - period three - 1 July 2020 to 30 June 2021" dated 20 September 2021.

b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.

c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

Background

8 The Corporate Performance Framework (CPF) aligns Council's high-level direction to its activities and outcomes, and its purpose is to streamline Council planning and reporting functions.

9 As part of the framework, Council produces interim performance reports for the periods - July to October, November to February and March to June showing the years cumulative results at that time, with the third being produced to inform the Annual Report at year end.

10 The CPF has been endorsed by Council and incorporated into the 2018-2028 Long Term Plan. Council measures performance against targets that are clearly linked to the benefits outlined in the strategic framework and to levels of service. This set of key performance indicators (KPIs) provide a leading indicator of whether a change in performance has occurred. There are 113 KPIs showing the measures and targets for organisational, community and district benefits.

11 The intended role of the IPR is to provide a touch point throughout the financial year for elected members and staff to monitor progress against targets and milestones. Interim reporting is a critical element of any performance monitoring framework, keeping high level performance goals relevant to daily operations and enabling early identification of potential issues.

12 In order to produce the IPR an online reporting tool CAMMs Strategy is used. The CAMMs Strategy online tool was introduced in October 2018 to activity managers within Council, and those staff who input the information needed to complete the report.

13 The IPR provides Council with a snapshot in time on how we are progressing towards meeting our LTP key performance indicator (KPI) targets. The KPIs have been put into scorecards which are split into the organisations six groups: Community and Futures, Customer Delivery, Environmental Services, Financial Services, People and Capability and Services and Assets. The relevant group manager provides an overall summary of their group's performance for the reporting period.

14 A summary of Council's overall KPI performance measures as contained in the report are detailed below.

Results and analysis

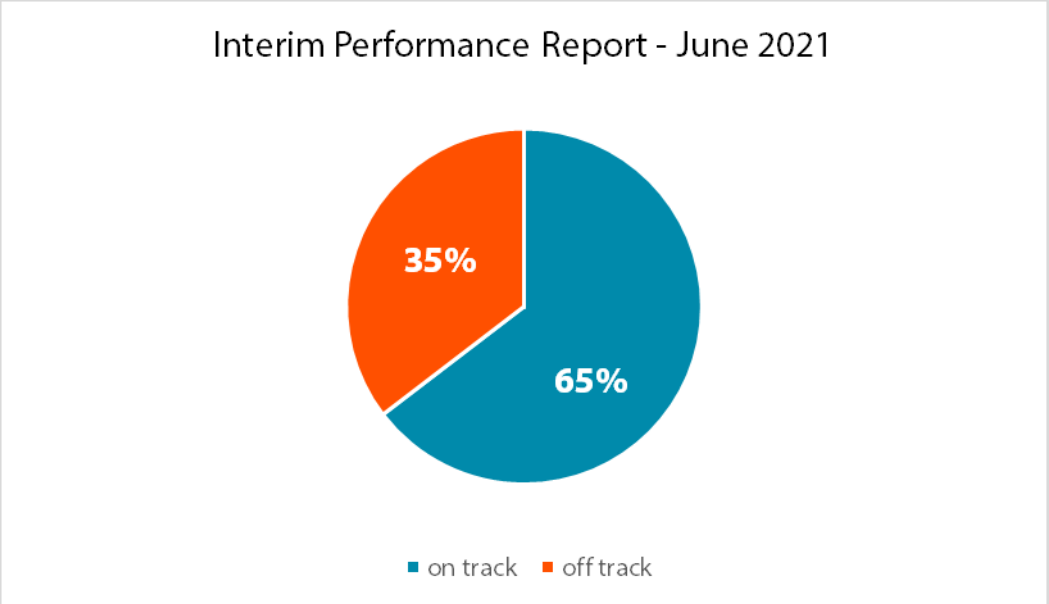
The KPI results have the following key definitions.

Achieved/on track/green	Not achieved/off track/red	Not measured
The result shows that the set target has been met.	The result shows that the set target has not been met	The result is not available within the reporting period because the information is not available.

15 For the KPIs that were not achieved or not measured, these have been categorised. KPI's that are annual or not measured in the first report period have been classified as 'not measured'. KPI's that have not met their target or need to be monitored have been classified as 'not achieved'.

Category	Description	Classification	Oct number	Feb number	June number
Not measured in the first report period	These relate to different surveys that are not conducted until later in the year.	Not measured	14	17	0
Annual	These are KPI's that are measured at year end because the results are not available until then that do not relate to surveys.		4	2	0
KPI target not met	These are KPI's that have already exceeded their target or will never reach the target because the priority has now changed.	Not achieved	5	10	-
Monitor	These are KPI's that have currently not met target, but are still able to recover and improve on their result.		22	14	-
At year-end target not met	June 2021 not met KPI				40

16 Results for the June 2021 reporting period for the 113 KPIs were that 73 (65%) were achieved and 40 (35%) were not achieved and none were not measured. In comparison to last year, the June 2020 reporting period results for the 113 KPIs were 77 (68%) were achieved and 36 (32%) were not achieved which is similar to this year. In comparison to the February 2021 reporting period the results for the 113 KPIs indicated that 70 (62%) were achieved and 24 (21%) were not achieved and 19 (17%) were not measured.



Result by group

Group	Achieved	Not achieved	Not measured	Total
Community and Futures	7	5	0	12
Customer Delivery	3	6	0	9
Environmental Services	10	5	0	15
Financial Services	8	0	0	8
People and Capability	3	7	0	10
Services and Assets	42	17	0	59
All	73	40	0	113

Not achieved KPIs

There were 40 KPI's that did not achieve their targets. These are listed below and any considered of a higher risk to Council are shown in yellow highlighting.

GROUP	KPI	UNIT	TARGET	RESULT	JUNE COMMENTS
Community & Futures	19.2 - Number of community leadership plan processes held/completed	#	3	0 (Oct) 0 (Feb) 0 (June)	This piece of work has been replaced by the development of nine community board plans that are reflective of Council's new governance structure across the District. This year the community leadership team have been doing some more work with the boards around the Chairs' introductions and finalising of the action plans. The plans are with the Communications team who are working through the design and laying out of the documents. The Community Leadership Team will commence work with the boards around prioritising of their actions and delivery of the plans going forward.
Community & Futures	25.1.a - Percentage of residents that have confidence in Council decision-making	%	85	80 (June)	Comments from residents included that the rates and fees are too high with nothing in return, a lack of consultation, dissatisfied with all the regulations, hard to deal with Council, lack of funding and no local community initiatives. The result is an improvement on the previous year result which was 73%.
Community & Futures	25.1.b - Percentage of residents that feel Council decision-making represents local and district needs	%	85	37 (June)	Comments from residents included that the rates and fees are too high with nothing in return, a lack of consultation, dissatisfied with all the regulations, hard to deal with Council, lack of funding and no local community initiatives. The result is lower than the previous year result which was 44%.
Community & Futures	31.1 - Number of Milford Community Trust meetings held annually	#	4	3 in total 0 (Oct) 2 (Feb) 1 (June)	The first meeting was held on the 5th of November 2020 and the second, planned for the 26th February had to be cancelled due to a lack of quorum - it was rescheduled and held on the 2nd of March 2021. A third meeting was held on the 28th of June. The trustees did not want to meet a fourth time during the reporting period as given the ongoing impact of Covid-19 on tourism, and particularly Milford Sound Piopiotahi, there was insufficient business to warrant a meeting.
Community & Futures	31.2 - Number of public forums held in Milford each year	#	1	0 (Oct) 0 (Feb) 0 (June)	Due to the issues associated with Covid-19 on the Milford businesses and the consequential effect it has had on the recreation centre building project it was agreed by the Trustees not to hold a meeting in Milford this year.
Customer delivery	24.2 - Cost of library service per person	$	55	18 (Oct) 33 (Feb) 60 (June)	The cost of service per person has ended $4 per person over target. The overspend has not been caused by being over budget(as the District Library budget was well under) but is in fact due to the target not being adjusted on a yearly basis and has not taken into account fluctuations in budgets including funds rolled over
Customer delivery	28.1.a - User satisfaction with information management - usability	%	67	0 (Oct) 0 (Feb) 0 (June)	The survey was not conducted as it was considered ineffective for the cost. Instead we are continually talking with teams to better understand their issues and requirements. Common areas for improvement that were identified were our Finance and HR systems. We have engaged with staff from across the organisation to

					gather their requirements for these two new systems and are progressing these upgrades as part of the Core Systems project.
Customer delivery	28.1.b - User satisfaction with information management - features	%	70	0 (Oct) 0 (Feb) 0 (June)	The survey was not conducted as it was considered ineffective for the cost. Instead we are continually talking with teams to better understand their issues and requirements. Common areas for improvement that were identified were our Finance and HR systems. We have engaged with staff from across the organisation to gather their requirements for these two new systems and are progressing these upgrades as part of the Core Systems project.
Customer delivery	28.1.c - User satisfaction with information management - data quality	%	63	0 (Oct) 0 (Feb) 0 (June)	The survey was not conducted as it was considered ineffective for the cost. Instead we are continually talking with teams to better understand their issues and requirements. Common areas for improvement that were identified were our Finance and HR systems. We have engaged with staff from across the organisation to gather their requirements for these two new systems and are progressing these upgrades as part of the Core Systems project.
Customer delivery	3.2 - Percentage of abandoned calls	%	1.5	2.44 (Oct) 2 (Feb) 1.8 (June)	We received 13,891 calls this period, which takes the number of calls for the year to 42,691. Pleasingly, the percentage of abandoned calls has reduced to 1.80% overall for the year however didn't quite make our ambitious target of 1.5%.
Customer delivery	3.3 - Request for service net promoter score	#	53	36 (Oct) 34 (Feb) 37 (June)	Good to see an improvement in this score. The final average annual result was 37 but it was pleasing to see the final period at 42. Over the final report period, 65% of our customers were promoters, 11% passive and 23% detractors. The key finding from this survey identifies that we still have work to do around timely communication with our customers and this will be an area of focus in the upcoming months.
Environmental Services	11.1 - Number of serious injuries to the public from dog attacks	#	0	0 (Oct) 0 (Feb) 1 (June)	There has been one serious dog attack on a member of the public. A courier driver was delivering a parcel to a property in Otautau, and was attacked by two dogs as he entered the property. He was bitten multiple times. Infringements were issued and the dogs were euthanised. Staff propose to run a training course for couriers and posties in the future.
Environmental Services	11.3 - Percentage of people contacting Council about dog/animal control satisfied with the response to their request	%	90	0 (Oct) 0 (Feb) 1 (June)	This was not completed due to administration resourcing issues. The priority for this year has been on moving to online services and continued training of the technical support partners who provide administration support to the team.
Environmental Services	13.1.c - Average time to process applications for Project Information Memorandum (PIM)	Days	9	24 (Oct) 21 (Feb) 20 (June)	The cumulative average time to process PIM applications for FY20/21 is 20 days. This is the statutory requirement. These timeframes have reduced during the year from 24 days to 20. Due to insufficient staff in the team at the start of the year and very few PIM applications being received, it has taken a long time to bring the cumulative average back into alignment. No PIM applications were processed during June 2021. The average for the last quarter (April - June 2021) was 16 statutory days.

Environmental Services	9.1 - Median time to process non-notified consent applications	Days	18	19 (Oct) 20 (Feb) 20 (June)	This is the median for all consents processed for the full financial year. The team has been working through vacancies and some delays receiving internal comments from departments which has contributed to consents going over time. There has been an increase in the complexity of decisions which has also contributed to delays.
Environmental Services	9.2 - Median charge per non-notified resource consent application	$	1,000.00	$800 (Oct) $1,200 (Feb) $1,200 (June)	The annual median for the year is $1200.00 which exceeds the KPI. While the KPI has been exceeded the actual cost associated with processing these resource consents has been captured and on-charged to the user. There has been an increase in the complexity of decisions which has also contributed to delays. There has also been a need to use external resource to continue processing consents.
People & Capability	29.1 - Budgeted Full time equivalent (FTE)	#	153	166 (Oct) 168 (Feb) 165 (June)	This target was not met as it is based on the LTP 2018-2028 number of FTE's which changed over time. There were services and assets, water and building team reviews together with other approved new roles since it was set which has meant that the result increased beyond the target.
People & Capability	29.2 - Labour turnover	%	8	1.7 (Oct) 8 (Feb) 12 (June)	We have had 8 resignations in this period with a headcount of permanent staff of 177 at the end of June. This gives us a labour turnover of 5% for the March-June period and 12% for the year. For the year there were 22 resignations.
People & Capability	29.4.a - Number of WorkSafe notifications	#	0	1 (Oct) 1 (Feb) 1 (June)	One WorkSafe notification for a contractor near miss on project site this reporting year. WorkSafe did not investigate further.
People & Capability	29.4.b - Number of medical treatment injuries	#	0	1 (Oct) 8 (Feb) 4 (June)	We have had four reported medical treatment injuries this reporting year. All have been investigated with corrective actions applied. There were no injuries in the final reporting period. In the reporting period ended Feb 2021, the MTI number was eight. This has reduced as four health and safety events have been reclassified as first aid only due to no need for further medical treatment upon investigation follow up.
People & Capability	29.4.c - Number of health and safety incidents	#	0	20 (Oct) 49 (Feb) 86 (June)	Even though this target is zero we have had 86 events reported for the year to date. However other than the notifiable near miss reported to us by a contractor in October, there have been no major incidents or events to date, the number includes hazards, near miss and early reporting for pain/discomfort. The targets have been reviewed and will be reported in Health and Safety reporting to the Finance and Assurance committee and Council.
People & Capability	29.4.d - Number of lost time due to injury incidents	#	0	14 (Feb) 14 (June)	There were a total of 14 days in lost time this reporting year. This total has been made up of two separate medical treatment events that both required seven days off each.
People & Capability	29.4.f - Percentage of health and safety investigations completed	%	100	70 (Oct) 86 (Feb) 91 (June)	Not all health and safety events require investigation, corrective actions are often applied at the time of event for less serious reports.
Services & Assets	14.1.a - Percentage resident satisfaction with the services provided - rubbish and recycling wheelie bins	%	90	88	The comments included some suggestions for improvements such as latches on bins, a separate glass collection, more consistent collection times, concerns about dumping

					and several comments objecting to the AB lime collection site.
Services & Assets	14.1.c - Percentage resident satisfaction with the services provided - transfer station hours	%	80	67	There were eight comments related to issues with transfer stations. Comments mentioned the bad appearance of the transfer station, limited opening hours and long distances away, improvement suggestions include going back to a drive by/drop in station and having a 24 hour access site.
Services & Assets	14.1.d - Percentage resident satisfaction with the services provided - recycle locations	%	80	72	Comments included suggesting a glass recycling service and gate pick up, more recycling, more green waste services, better accessibility, concern over recycling being dumped instead of recycled and recycling centres are too far away.
Services & Assets	15.1.a - Amount of waste diverted from landfill as a percentage of total waste	%	40	39 (Oct) 34 (Feb) 30 (June)	The year to date result is 30.52%. Diverted Materials (refers to materials diverted from landfill disposal i.e., green waste, clean fill, recycling, metals, glass etc.). What was previously permitted for recycling has changed. Clean fill is not accepted at Southland District transfer stations.
Services & Assets	2.3 - Percentage of effluent tests that comply with relevant resource consent conditions	%	100	94 (Oct) 97 (Feb) 93 (June)	89% are compliant in June only, where dissolved inorganic nitrogen at Te Anau and dissolved inorganic nitrogen and E-coli at Riversdale were found. For the year there was 93% compliance. Non-compliance was due to a number of schemes that are due for replacement in the upcoming LTP work program.
Services & Assets	2.4 - Total number of overflow incidents	#	0	4 (Oct) 6 (Feb) 7 (June)	June - There were a total of seven sewage overflows this reporting year 2020/2021 recorded in IPS. They consisted of four dry and three wet overflows. Previous comments: Oct - There were two WET and two DRY weather overflows (Riverton and Winton). This is caused by blockages or by rainfall events Feb - There were two overflow events in period two, one being Wet, the other Dry. Both were recorded in January at Te Anau.
Services & Assets	22.1.b - Percentage of facilities that meet desired standards - wharves and jetties	%	100	90.91 (Oct) 90.91 (Feb) 83 (June)	For Riverton five out of six – One of the Council structures is non-compliant due to an ongoing access issue which has meant we are unable to repair the structure. We have yet to resolve an issue with a wharf licence holder that is stopping us from undertaking the work required to bring the structure in Riverton up to standard. An additional assessment has been undertaken on the T Wharf to determine the weight loading. This was at the request of the Riverton Harbour subcommittee. Additional work will need to be carried out if the wharf is to be brought up to Class One standard. Discussions remain ongoing. Until such time as there is a resolution the wharf remains closed and unused. For Stewart Island five out of six are compliant – A report was considered at the Council meeting on 27 August 2021 seeking approval to renew the Ulva Island wharf. Council approved the report. Staff have satisfied the three conditions that were in the report. Work has started on getting the relevant consent approvals, an EOI process has been undertaken and now staff are working towards the tendering process. Construction work will start in the new financial year.

Services & Assets	23.1.d - Percentage of public toilets that meet desired standards	%	100	98 (Oct) 98 (Feb) 98 (June)	There is currently one toilet at Athol that is currently out of service. This is due to the plumbing connection and the septic tank not being able to meet the demand placed on it. Council staff now have an arrangement with a member of the community to provide public toilets while they investigate options for the provision of service in Athol. The Activity management Plan maturity assessment that has been undertaken has identified the need for a toilet strategy to be completed. Staff had an initial proposal to have this completed, however it was not able to be achieved in the time frame available. This will be a priority along with some other strategies that were identified through the assessment in the new financial year. The toilet at Cosy Nook was burnt down and will need to be replaced. This will be replaced in the new financial year. Desired standards relate to those set under the contract and includes a range of factors such as cleaning, equipment inspection and maintenance.
Services & Assets	23.2.a - Complete Open Space Strategy implementation plan within budget for open spaces projects	%	100	60 (Oct) 70 (Feb) 90 (June)	Council staff have engaged a consultant to review strategy documents to develop a set of criteria to rank potential projects against. This is being developed to provide a robust set of guidelines to support the open space budgets identified in the LTP with the aim of identifying how the open space funding will be used over the next ten years. The funding has been restructured throughout the LTP to allow additional time to undertake this work. Council have filled the open space graduate position and the successful applicant has created a works programme identifying the plan to review the open space policy and strategy and then the reserve management. The green asset assessment is 75% complete. Contractors has surveyed 5600 trees across 20 towns throughout the district. The western southland towns will be completed in the new financial year. Once this work is completed a tree works programme will be developed with the intention that this work would potentially form a district wide contract.
Services & Assets	23.2.b - Complete Open Space Strategy implementation plan within budget for public toilet projects	#	6	2 (June)	Staff have allocated funding in the next LTP to address the issues that were identified through the toilet condition assessment. Priority has been given to the older concrete block structures that have structural issues. Staff have received a proposal to undertake a review of Council's public conveniences and produce a strategy. This piece of work was not able to be undertaken within the timeframe available and has been scheduled for the first quarter of the new financial year. The project to install two new toilets at Monkey Island and Clifden were completed. Two other toilet replacements at Edendale and Wyndham were deferred until the new financial year.
Services & Assets	23.3 - Number of complaints about public toilets	#	25	15 (Oct) 15 (Feb) 31	There were 31 requests for the year. Council received six requests for service over the reporting period. One of these requests was for a non-Council owned toilet outside of our district, two requesting additional cleaning and one for vandalism and three for

					additional toilet supplies. We are still having issues with vandalism at these facilities throughout the District.
Services & Assets	23.4 - Cost of parks and reserves per hectare	$	77	701	This figure represents the additional work that has been done throughout the year to upgrade some of the play grounds across the district. There was also an increase in the cost of the gardening due to contract renewals. There has also been a focus on tree maintenance with increased costs being passed on by the power companies to undertake work under power lines. There was a total budget of $791,334 for maintenance and $386,854 for capital projects this year so the target of $77/ha was always going to be exceeded.
Services & Assets	5.1.b - Percentage of compliance with drinking water standards for Protozoal	%	100	0 (TBC)	There are 12 schemes. SDC only claimed for the Riverton scheme. The compliance assessment will be given by the Drinking Water Assessor report which is due in October 2021.
Services & Assets	6.2 - Average consumption of water per resident per day	L	850	888 (Oct) 826 (Feb) 891 (June)	As stated this DIA KPI is unsuited to the rural schemes analysed, in particular Mossburn, Otautau, Tuatapere and Ohai Nightcaps Wairio have stockwater usage. Adding to the problem of reporting this KPI is the District having 70% unmetered supply which does not allow accurate assessment.
Services & Assets	6.3 - Annual cost per water connection incl. GST	$	661	269.89 (Oct) 536.25 (Feb) 760.58 (June)	The costs per connection are higher than plan due increased maintenance costs to meet changing regulatory requirements
Services & Assets	8.2 - Average annual cost per property connected to stormwater network incl. GST	$	103	116.62 (June)	The costs per connection is higher than the annual plan. The operating costs per connection were lower than budget, the depreciation charge for stormwater is $20.09 higher than the annual plan due to an increase in the valuation of the stormwater asset.
Services & Assets	8.3 - Stormwater - Percentage of monitoring results that show compliance with resource consent conditions	%	100	100 (Oct) 95 (Feb) 91 (June)	There were 51 samples obtained of which seven failed to meet resource consent conditions. There were 27 sites visited twice where samples were unable to be obtained but these visits meant that the resource condition had been met.

Issues

KPI structure

17 The more off-track KPIs there are for Council, the increased risk that levels of service, legislative requirements and community expectations are not being met.

18 The reason that a KPI is not achieved could indicate that:

- demand or priorities have changed since the target was set
- there is a potential need for more resources or information to improve performance
- a process improvement may be needed or an improvement plan needs to be put in place
- the target was not set to the correct level in the Long Term Plan

Year-end KPIs

19 There are a number of "year-end" KPIs that do not show their performance result until the end of year which means that no action can be taken in advance to improve its performance if the final KPI result is off track. Compared to the February results where there were 19 not measured and 24 not achieved and the June results had 40 not achieved.

Annual surveys

20 A number of the KPIs are reliant on annual surveys that are generally not conducted until the final reporting period.

Restating the target

21 KPI 29.1 which measures the budgeted FTE had the target restated from 134 to 153.

Change in focus

22 KPI 19.2 could not meet its target because instead of a focus on community leadership plans the focus had changed to community board plans.

Lack of resource

23 KPI 11.3 did not have the resource to measure the KPI.

Stretch KPI's

24 There are a number which has aspirational targets of 0 such as the health and safety KPI's. The structure of these KPI's are being reviewed for the next LTP.

Annual Report Audit materiality

25 In the audit plan for year ending 30 June 2021, Audit NZ identified a number of performance measures they consider to be material. This materiality of individual performance measures is based "on what we expect would influence readers' overall understanding, decision making, or assessment of the Council's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.".

KPI No.	KPI	Result		MATERIALITY
5.1 a & b	a) Percentage of compliance with drinking water standards for bacteria b) Percentage of compliance with drinking water standards for Protozoal	a) Achieved - To be confirmed b) To be confirmed	Department of Internal Affairs (DIA) mandatory measure – safety of drinking water	Quantitative materiality is not applicable. The reported result is to be qualitatively consistent with supporting information.
4.2	Total number of drinking water complaints regarding; clarity, taste, odour, pressure or flow, continuity of supply, and the way Council responds to any of these issues per 1000 connections	Achieved	DIA mandatory measure customer satisfaction (drinking water)	8%
1.1	Number of dry weather overflows per 1000 wastewater connections	Achieved	DIA mandatory measure – dry weather sewerage overflows	5%

2.1 (a-d)	a) Compliance with resource consents for wastewater discharges measured by the total number of Abatement Notices issued received in relation to the resource consents b) Compliance with resource consents for wastewater discharges measured by the total number of Infringement Notices issued received in relation to the resource consents c) Compliance with resource consents for wastewater discharges measured by the total number of Enforcement Orders issued received in relation to the resource consents d) Compliance with resource consents for wastewater discharges measured by the total number of Convictions received in relation to the resource consents	a-d) Achieved	DIA mandatory measure – wastewater discharge compliance	Quantitative materiality is not applicable. The reported result is to be qualitatively consistent with supporting information.
1.3	Total number of sewerage system complaints about; odour, faults, blockages, and the way Council responds to any of these issues per 1000 connections	Achieved	DIA mandatory measure – customer satisfaction (waste water)	5%
7.1 a & b	a) Overflows resulting from the stormwater system that result in flooding of a habitable floor, total number per year. b) Overflows resulting from the stormwater system that result in flooding of a habitable floor - number per 1000 properties connected	A & b) Achieved – no habitable floor flooding	DIA mandatory measure – storm water system adequacy (flooding)	5%
17.1	Annual change in the number of fatalities and serious injury crashes	Achieved	DIA mandatory measure – road safety	8%
16.1	The average quality of ride on a sealed local road network, measured by smooth travel exposure.	Achieved	DIA mandatory measure – road condition (smooth travel exposure)	8%

Key not achieved KPI's

26 The key KPI's not achieved include the mandatory DIA performance measures, resource management and building KPIs. These are ones where there may be a risk to council if these continue to be not achieved in the future without appropriate action being taken.

Factors to consider

Legal and statutory requirements

27 There are no legal or statutory requirements to consider, however the final interim performance report in June 2021 has information to be included in the non-financial performance measures in the Annual Report.

Community views

28 Community views on Council's KPI's were sought as part of the 2018-2028 Long Term Plan (LTP) consultation process.

Costs and funding

29 Council uses an online software strategic reporting system, CAMMs. There is also a cost of staff time to input into the results and develop the report. All costs are met within allocated budgets, and there are no additional cost for producing this report.

Policy Implications

30 There are no policy implications identified for this report.

Analysis

Options considered

31 Option 1 – receive the interim performance report.

32 Option 2 – do not receive the interim performance report.

Analysis of options

Option 1 – receive the interim performance report

Advantages	*Disadvantages*
• the committee has a clear understanding of the status of performance measures • the committee and staff can identify any issues as early as possible and take corrective actions as required • gives transparency to the community about the performance results of Council	• no known disadvantages

Option 2 – do not receive the interim performance report

Advantages	*Disadvantages*
• no known advantages	• non-financial performance information (service level performance to KPIs) is not monitored and assessed as per the terms of reference of the committee • quality and completeness of internal reporting data is not reviewed as per the terms of reference of the committee • potential risks to Council are not identified and remedied as early as possible

Assessment of significance

33 This report is not considered significant under Council's Significance and Engagement Policy.

Recommended option

34 Staff recommend that the Finance and Assurance committee considers option 1 and receives the interim performance report.

Next steps

35 The new financial year's interim performance report will be presented to the Finance and Assurance Committee in November/December 2021.

Attachments

A Interim performance report - 1 July 2020 to 30 June 2021 ⇩

Southland District Council

Performance Report

Printed: 17-Sep-2021
Applied Filters

Date Select: From 01 Jul 2020 to 30 Jun 2021

Community and Futures Group

01 Jul 2020 – 30 Jun 2021

Group manager comments: The community board plans which replaced the community leadership plans are very close to being formally released. Additional effort is being placed on the Community Board connection with community as we continue to embed the new representation structure. This should lift resident confidence in decision making.

Key Performance Indicator	Unit	Target	YTD	Indicator
19.1 - Number of community conversations held	#	10.00	24.00	GREEN
Thirteen drop-in meetings were held during the Long Term Plan (LTP) consultation in April, adding to the 11 meetings held over the previous report period. These also included meetings about Monkey Island, Winton wastewater, community and grant meetings.				
19.2 - Number of community leadership plan processes held/completed	#	3.00	0.00	RED
This piece of work has been replaced by the development of nine community board plans that are reflective of Council's new governance structure across the District. This year the community leadership team have been doing some more work with the boards around the chairs' introductions and finalising of the action plans. The plans are with the communications team who are working through the design and laying out of the documents. The community leadership team will commence work with the boards around prioritising of their actions and delivery of the plans going forward.				
20.1 - Percentage of funds distributed through contestable community grants and funding schemes that comply with grant criteria	%	100.00	100.00	GREEN
All grants given out meet the criteria.				
21.1 - Southland regional unemployment rate	%	4.20	3.50	GREEN
In March 2021 the Statistics New Zealand Household Labour Force Survey, showed that the national unemployment rate was 4.2% and the rate for Southland was 3.5%.				
21.2 - Southland regional GDP	$	6.36	6.56	GREEN
The year ending March 2020 regional GDP figure for Southland is $65.673B. The results were released in March 2021 by Statistics NZ. The NZ result was $325B				
25.1.a - Percentage of residents that have confidence in Council decision-making	%	85.00	80.00	RED

Comments from residents included that the rates and fees are too high with nothing in return, a lack of consultation, dissatisfied with all the regulations, hard to deal with Council, lack of funding and no local community initiatives. The result is an improvement on the previous year result which was 73%.				
25.1.b - Percentage of residents that feel Council decision-making represents local and district needs	%	85.00	37.00	RED
Comments from residents included that the rates and fees are too high with nothing in return, a lack of consultation, dissatisfied with all the regulations, hard to deal with Council, lack of funding and no local community initiatives. The result is lower than the previous year result which was 44%.				
25.2 - Proportion of main (agenda) items held in open meetings	%	85.00	91.00	GREEN
For report period three the result was 94%. For the whole year the result was 91%. There were 599 items for the year of which 547 were held in open meetings.				
27.1 - Level of public attendance at engagement activities/opportunities	#	200.00	429.00	GREEN
This does not measure all the one on one engagement with the public and with stakeholders that staff members do. An engagement activity or opportunity is defined for this purpose as an advertised meeting or drop-in where staff and/or councillors are talking with the public about specific issues. It does not include general conversations one-on-one or at events. In the first reporting period engagement activities include a meeting about Monkey Island, the Winton wastewater project advisory group, general community meetings and grants meetings. There we no formal engagement activities in the second reporting period. In the final reporting period, Council held 13 drop-in sessions throughout the district during the long term plan engagement. Numbers were generally small but there were more in Tuatapere and Otautau.				
27.2 - Percentage of residents who are satisfied with Council communications	%	50.00	51.00	GREEN
The residents' survey was held in April 2021 and the percentage of residents satisfied with Council communications remains at 50%. . Comments include lack of communication, not getting a reply when called with a request for service, better consultation needed, feel not listened to and some misunderstanding about what Council does.				
31.1 - Number of Milford Community Trust meetings held annually	#	4.00	3.00	RED
The first meeting was held on 5 of November 2020 and the second, planned for the 26th February had to be cancelled due to a lack of quorum - it was rescheduled and held on the 2nd of March 2021. A third meeting was held on the 28th of June. The trustees did not want to meet a fourth time during the reporting period as given the ongoing impact of Covid-19 on tourism, and particularly Milford Sound Piopiotahi, there was insufficient business to warrant a meeting.				
31.2 - Number of public forums held in Milford each year	#	1.00	0.00	RED
Due to the issues associated with Covid-19 on the Milford businesses and the consequential effect it has had on the recreation centre building project it was agreed by the trustees not to hold a meeting in Milford this year.				

Customer Delivery Group

01 Jul 2020 – 30 Jun 2021

Group manager comments: The internal user satisfaction measures for IT all appear to be off target, however, due to the core systems review and direct engagement with stakeholder's the user survey was not undertaken. Other KPIs are on or near target.

Key Performance Indicator	Unit	Target	YTD	Indicator
3.1 - Percentage of requests for service resolved within service levels	%	90.00	90.00	GREEN
Great to see us meet this KPI for the year at 90% of RFS resolved within service levels. A review of the RFS process along with ongoing training of staff has seen an improvement in the management of this essential tool.				
3.2 - Percentage of abandoned calls	%	1.50	1.80	RED
We received 13,891 calls this period, which takes the number of calls for the year to 42,691. Pleasingly, the percentage of abandoned calls has reduced to 1.80% overall for the year however didn't quite make our ambitious target of 1.5%.				
3.3 - Request for service net promoter score	#	53.00	37.00	RED
Good to see an improvement in this score. The final average annual result was 37 but it was pleasing to see the final period at 42. Over the final report period, 65% of our customers were promoters, 11% passive and 23% detractors. The key finding from this survey identifies that we still have work to do around timely communication with our customers and this will be an area of focus in the upcoming months.				
24.1 - Active library membership per capita	%	14.40	14.56	GREEN
Throughout the year our membership has remained stable at 14.0% (4,495) of district population. With the Winton library reopening and the appointment of two new staff members and focusing on building new connections between the library and our community we hope to eventually see a gradual increase in membership in the long term.				
24.1 - Active library membership per capita	%	14.40	14.56	GREEN
Throughout the year our membership has remained stable at 14.0% (4,495) of District population. With the Winton library reopening and the appointment of two new staff members and focusing on building new connections between the library and our community we hope to eventually see a gradual increase in membership in the long term.				
24.2 - Cost of library service per person	$	55.00	60.00	RED

The cost of service per person has ended $4 per person over target. The overspend has not been caused by being over budget(as the District Library budget was well under) but is in fact due to the target not being adjusted on a yearly basis and has not taken into account fluctuations in budgets including funds rolled over.				
24.3 - Library programme net promoter score	#	100.00	100.00	GREEN
We have two amazing new staff members responsible for programming across the district who are delivering more programs to more people at a greater frequency than we have ever been able to in the past and we still have received no negative feedback.				
28.1.a - User satisfaction with information management - usability	%	67.00	0.00	RED
The survey was not conducted as it was considered ineffective for the cost. Instead we are continually talking with teams to better understand their issues and requirements. Common areas for improvement that were identified were our Finance and HR systems. We have engaged with staff from across the organisation to gather their requirements for these two new systems and are progressing these upgrades as part of the Core Systems project.				
28.1.b - User satisfaction with information management - features	%	70.00	0.00	RED
The survey was not conducted as it was considered ineffective for the cost. Instead we are continually talking with teams to better understand their issues and requirements. Common areas for improvement that were identified were our Finance and HR systems. We have engaged with staff from across the organisation to gather their requirements for these two new systems and are progressing these upgrades as part of the core systems project.				
28.1.c - User satisfaction with information management - data quality	%	63.00	0.00	RED
The survey was not conducted as it was considered ineffective for the cost. Instead we are continually talking with teams to better understand their issues and requirements. Common areas for improvement that were identified were our Finance and HR systems. We have engaged with staff from across the organisation to gather their requirements for these two new systems and are progressing these upgrades as part of the core systems project.				

Environmental Services Group

01 Jul 2020 – 30 Jun 2021

Group manager comments: The resource consent processing timeframes have not met the target and are being impacted by recruitment issues as the RMA reform is pulling planners from local government to central government roles. Building KPI's have significantly improved following the recruitment of additional resource. Emergency management and Environmental health remain consistently on target.

Key Performance Indicator	Unit	Target	YTD	Indicator
9.1 - Median time to process non-notified consent applications	Days	18.00	20.00	RED

This is the median for all consents processed for the full financial year. The team has been working through vacancies and some delays receiving internal comments from departments which has contributed to consents going over time. There has been an increase in the complexity of decisions which has also contributed to delays.				
9.2 - Median charge per non-notified resource consent application	$	1,000.00	1,200.00	RED
The annual median for the year is $1200.00 which exceeds the KPI. While the KPI has been exceeded the actual cost associated with processing these resource consents has been captured and on-charged to the user. There has been an increase in the complexity of decisions which has also contributed to delays. There has also been a need to use external resource to continue processing consents.				
10.1 - Report two-yearly on District Plan effectiveness	#	1.00	1.00	GREEN
The District Plan effectiveness report was completed prior to the end of June 2021 and therefore achieved the KPI. The report was presented to Council on 4 August.				
11.1 - Number of serious injuries to the public from dog attacks	#	0.00	1.00	RED
There has been one serious dog attack on a member of the public. A courier driver was delivering a parcel to a property in Otautau, and was attacked by two dogs as he entered the property. He was bitten multiple times. Infringements were issued and the dogs were euthanised. Staff propose to run a training course for couriers and posties in the future.				
11.2 - Percentage of non-working dogs subject to the responsible owner category	%	87.00	90.28	GREEN
The current target is 87% we are currently at 90% for the responsible owner category which we consider a good level. We are still encouraging education and free microchipping. This KPI relates to non-working dogs.				
11.3 - Percentage of people contacting Council about dog/animal control satisfied with the response to their request	%	90.00	0.00	RED
This was not completed due to administration resourcing issues. The priority for this year has been on moving to online services and continued training of the technical support partners who provide administration support to the team.				
12.1 - Number of incidents of foodborne illness believed to be caused by food sold at a Council-certified business	#	0.00	0.00	GREEN
There have been no incidents of foodborne illness caused by food sold at a Council-verified business				
12.2 - Number of alcohol licensees that fail a controlled purchase operation	%	10.00	0.00	GREEN

The police have not conducted a controlled purchase operation within the reporting period. The only controlled purchase operation by Police for the year was on 27 November 2020. 14 off licensed premises were visited, mainly in Western Southland and also Winton. There were no sales, a successful result.				
13.1.a - Average time to process applications for building consents	Days	18.00	16.74	GREEN
Average time has consistently decreased throughout the year as the team has expanded and become equipped to work through the high volume of consents being received. The Building Solutions Team have ended the year fully compliant with this KPI as a cumulative average. The average statutory time to process applications for the month of June 2021 was 10 statutory days.				
13.1.b - Average time to process applications for Land Information Memorandum (LIM)	Days	9.00	6.94	GREEN
Council have consistently met this KPI throughout the year. In addition, the knowledge management team have worked hard to reduce the cumulative average each quarter despite an increase in the volume of LIM applications being received. The average processing days for the month of June 2021 was 6 processing days which is fantastic customer service for the community.				
13.1.c - Average time to process applications for project information memorandum (PIM)	Days	9.00	20.00	RED
The cumulative average time to process PIM applications for FY20/21 is 20 days. This is the statutory requirement. These timeframes have reduced during the year from 24 days to 20. Due to insufficient staff in the team at the start of the year and very few PIM applications being received, it has taken a long time to bring the cumulative average back into alignment. No PIM applications were processed during June 2021. The average for the last quarter (April - June 2021) was 16 statutory days.				
13.2 - Maintain accreditation as a Building Consent Authority	#	1.00	1.00	GREEN
Council received email confirmation in May 2021 from the IANZ lead assessor that the criteria for re-accreditation had been met on time (all general non compliance's and serious non compliance's has been cleared). Council have maintained IANZ accreditation this year.				
13.3 - Number of building consents where code of compliance certificates (CCC's) are yet to be issued	#	2,360.00	988.00	GREEN
980 CCC decisions are remaining which relate to the pre-2004 Building Act, this is a reduction of 24 historical decisions in the past quarter. Eight CCC decisions are at their due date which relate to the post 2004 Building Act. The Building solutions team have made good progress on clearing historical CCC decisions required and now operate fully compliant with the Building Act 2004.				
26.1 - Number of Southland communities covered by a community response plan	#	25.00	27.00	GREEN

There are now more plans than the previous year with a total of 27. The LTP 2018-2028 target was 25 plans by 2021. There are 27 response plans now complete (including 17 with the Southland area). Emergency Management Southland are now starting a review process following the three year cycle to ensure all the plans are up to date.				
26.2 - Percentage of surveyed households that have a written or verbal emergency plan	%	57.00	88.00	GREEN
The result was 88% which is a significant increase from the previous year result of 75%.				

Financial Services Group

01 Jul 2020 – 30 Jun 2021

Group manager comments: Overall, on the preliminary 30 June 2021 financial results, we have met or bettered our targets. Some of these may change as a result of finalising the financial figures for the year. Final key performance indicators will be reported on as part of the Annual Report which will be adopted in the coming months. Key income changes has been the additional funding that we have received for the three waters stimulus project and the Milford Opportunities project. Borrowings are lower than planned at year end as a result of receiving additional grant funding and the delay to some key capital works.

Key Performance Indicator	Unit	Target	YTD	Indicator
30.1.a - Rates income complies with the limits set in the financial strategy - rates increase over previous year (affordability benchmark/rates benchmark)	%	3.27	2.31	GREEN
The actual percentage needs to be lower than the target to be achieved. The 2018-2028 LTP set the forecast for the rates increase. For 2020/2021 in the Annual Plan, Council have set a 2.31% rates increase so we have therefore achieved this target.				
30.1.b - Rates income complies with the limits set in the financial strategy - rates as a proportion of total revenue (affordability benchmark/rates benchmark)	%	70.00	58.00	GREEN
The actual result needs to be lower than the target to be achieved i.e.: we do not want our rates income to exceed 70% of our total revenue. Council rates income is lower at this time due to grant revenue received for the Milford Opportunity project and the 3 waters stimulus funding.				
30.2 - Debt complies with the limits set in Council's financial strategy - external debt as a proportion of total revenue (Affordability benchmark/Debt benchmark)	%	100.00	5.79	GREEN
Council has $5 million of borrowings at 30 June 2021. This was repaid in full on 16 July 2021. Council has the ability to loan up to 100% of its revenue as set out in Council's financial strategy. Council planned to have $19.8M of borrowings in the 2020/2021 Annual Plan as a result of the Te Anau wastewater project. Borrowings are lower than budget due to the timing and deferral of a number of projects such as the core systems project, the timing of the Te Anau Waste water project, the Te Anau Library project and government grants received for a number of projects such as three waters stimulus, tourism infrastructure and Around the Mountain Cycle Trail projects that were not budgeted for.				

30.3 - Revenue (excluding income from development and financial contributions, revaluations and vested assets) exceeds operating expenditure (sustainability benchmark/balanced budget benchmark)	%	100.00	101.00	GREEN
On track				
30.4 - Capital expenditure on the five network infrastructure services exceeds depreciation on those five services (essential services benchmark)	%	100.00	168.00	GREEN
Currently capital expenditure is higher than depreciation due to the continuing work on the Te Anau wastewater project, 3 waters stimulus funded projects and bridge renewals (some of which were carried forward from last financial year).				
30.5 - Borrowing costs are less than 10% of operating revenue (sustainability benchmark/debt servicing benchmark)	%	10.00	0.03	GREEN
0.03% relates to the fee Council is currently incurring in relation to borrowings it can access if required and in interest paid in relation to any borrowings.				
30.6 - Net cash flow from operations equals or exceeds budget (Predictability benchmark/Operations control benchmark)	$	20,833,000.00	30,334,345.00	GREEN
Net cashflow exceeds budget due to additional government grants received for three waters stimulus, tourism infrastructure and Around the Mountain Cycle Trail projects.				
30.7 - Net debt is less than or equal to forecast net debt in the local authority's long term plan (predictability benchmark/debt control benchmark)	$	7,700,000.00	5,000,000.00	GREEN
At 30 June 2021 Council had $5 million of external borrowings. This was repaid in full on 26 July 2021. Borrowings are lower than budget due to the timing and deferral of a number of projects such as the Core Systems project, the Te Anau Waste water project, the Te Anau Library project and government grants received for a number of projects grants for three waters stimulus, tourism infrastructure and Around the Mountain Cycle Trail projects that were not budgeted for.				

People and Capability Group

01 Jul 2020 – 30 Jun 2021

Group manager comments: The labour turnover result is as expected, but this is a regional and national trend that labour turnover is higher than usual. Exit interviews indicate that people are leaving for career development. Annual leave balances are as expected. The health and safety KPI's that were outside target were a result of having a stretch target of 0 for most Health and Safety KPI's. These targets were reviewed in the LTP 2021-2031 as they were unrealistic to achieve.

Key Performance Indicator	Unit	Target	YTD	Indicator
29.1 - Budgeted Full time equivalent (FTE)	#	153.00	165.35	RED
This target was not met as it is based on the LTP 2018-2028 number of FTE's which changed over time. There were services and assets, water and building team reviews together with other approved new roles since it was set which has meant that the result increased beyond the target.				
29.2 - Labour turnover	%	8.00	12.00	RED
We have had eight resignations in this period with a headcount of permanent staff of 177 at the end of June. This gives us a labour turnover of 5% for the March-June period and 12% for the year. For the year there were 22 resignations.				
29.3.a - Percentage of staff with annual leave greater than 25 days	%	18.00	8.00	GREEN
We ended the year with 14 staff with leave balances in excess of 25 days. People leaders are working with these staff to further reduce these balances over the coming year. Covid has impacted on a number of these who had been planning overseas breaks which have been deferred.				
29.3.b - Percentage of staff with annual leave greater than 40 days	%	8.00	4.50	GREEN
We finished the year with eight people having in excess of 40 days annual leave. People leaders are working with these staff to ensure a reduction of these balances over the coming year.				
29.4.a - Number of Worksafe notifications	#	0.00	1.00	RED
One worksafe notification for a contractor near miss on project site this reporting year. Worksafe did not investigate further.				
29.4.b - Number of medical treatment injuries	#	0.00	4.00	RED
We have had four reported medical treatment injuries this reporting year. All have been investigated with corrective actions applied. There were no injuries in the final reporting period. In the reporting period ended Feb 2021, the MTI number was eight. This has reduced as four health and safety events have been reclassified as first aid only due to no need for further medical treatment upon investigation follow up.				
29.4.c - Number of health and safety incidents	#	0.00	86.00	RED
Even though this target is zero we have had 86 events reported for the year to date. However other than the notifiable near miss reported to us by a contractor in October, there have been no major incidents or events to date, the number includes hazards, near miss and early reporting for pain/discomfort. The targets have been reviewed and will be reported in Health and Safety reporting to the Finance and Assurance committee and Council.				

29.4.d - Number of lost time due to injury incidents	#	0.00	14.00	RED
There were a total of 14 days in lost time this reporting year. This total has been made up of two separate medical treatment events that both required seven days off each.				
29.4.e - Number of health and safety near misses	#	39.00	17.00	GREEN
Seventeen near miss events were reported for this reporting year and corrective actions were assigned accordingly.				
29.4.f - Percentage of health and safety investigations completed	%	100.00	91.00	RED
Not all health and safety events require investigation, corrective actions are often applied at the time of event for less serious reports.				

Services and Assets Group

01 Jul 2020 – 30 Jun 2021

Group manager comments: KPI performance is generally in line with previous reporting periods. There are a number of annual survey's to be completed in order to determine whether targets are being met. KPI's have been reviewed as part of the LTP 2021 process. Although there are a number of mandatory measures established by MBIE, in particular in relation to Water and Waste, there are a significant number of amendments have been made to consolidate the number and intent of KPI's in some areas. Areas of non-performance have focussed on ensuring corrective actions and appropriate budgets have been established.

Key Performance Indicator	Unit	Target	YTD	Indicator
1.1 - Number of dry weather overflows per 1000 wastewater connections	#	1.00	0.42	GREEN
There were four dry weather overflows for the year.				
1.2.a - Median response times for sewage overflows resulting from blockages or other faults with the sewerage system between the time of notification and the time when service personnel reach the site	Hours	1.00	0.28	GREEN
The median response time was 17 minutes.				
1.2.b - Median resolution times for sewage overflows resulting from blockages or other faults with the sewerage system between the time of notification and resolution of the blockage or other	Hours	6.00	2.97	GREEN

fault				
The median response time was two hours 58 minutes. This time increased over the last reporting period due to a significant number of incidents with fibre optic install strikes by external contractor.				
1.3 - Total number of sewerage system complaints about; odour, faults, blockages, and the way Council responds to any of these issues per 1000 connections	#	8.00	5.58	GREEN
There were six faults, 42 Blockages and six odour complaints during the 2020/2021 year. This equates to 5.58 per 1000 wastewater connections				
2.1.a - Compliance with resource consents for wastewater discharges measured by the total number of abatement notices issued received in relation to the resource consents	#	0.00	0.00	GREEN
No abatement notices issued				
2.1.b - Compliance with resource consents for wastewater discharges measured by the total number of Infringement notices issued received in relation to the resource consents	#	0.00	0.00	GREEN
No Infringements issued				
2.1.c - Compliance with resource consents for wastewater discharges measured by the total number of Enforcement Orders issued received in relation to the resource consents	#	0.00	0.00	GREEN
No enforcement orders Issued				
2.1.d - Compliance with resource consents for wastewater discharges measured by the total number of convictions received in relation to the resource consents	#	0.00	0.00	GREEN
No convictions				
2.2 - Annual cost per wastewater connection incl. GST	$	663.00	655.06	GREEN
The costs per connection are lower than budget due to a lower than planned depreciation charge for the period and a higher number of connections than budget to spread the total costs across				

2.3 - Percentage of effluent tests that comply with relevant resource consent conditions	%	100.00	93.00	RED
89% are compliant in June only, where dissolved inorganic nitrogen at Te Anau and dissolved inorganic nitrogen and E-coli at Riversdale were found. For the year there was 93% compliance. Non-compliance was due to a number of schemes that are due for replacement in the upcoming LTP work program.				
2.4 - Total number of overflow incidents	#	0.00	7.00	RED
There were a total of seven sewage overflows this reporting year 2020/2021 recorded in IPS. They consisted of four dry and three wet overflows.				
4.1.a - Median time to attend urgent drinking water supply faults or unplanned interruption call-outs	Hours	1.00	0.25	GREEN
The median response time is 15 minutes.				
4.1.b - Median time to resolve urgent drinking water supply faults or unplanned interruption call-outs	Hours	6.00	4.85	GREEN
The median resolution time is four hours 51 minutes. There were nine requests for the year.				
4.1.c - Median time to attend non-urgent drinking water supply faults or unplanned interruption call-outs	Hours	4.00	1.10	GREEN
The median response time is one hour and six minutes.				
4.1.d - Median time to resolve non-urgent drinking water supply faults or unplanned interruption call-outs	Hours	24.00	20.33	GREEN
The median resolution time is 20 hours and 20 minutes.				
4.2 - Total number of drinking water complaints regarding; clarity, taste, odour, pressure or flow, continuity of supply, and the way Council responds to any of these issues per 1000 connections	#	10.00	6.02	GREEN
The year to date result is 6.02 per 1000 connections. Quality is five, pressure is 21 and supply is 22.				
5.1.a - Percentage of compliance with drinking water standards for bacteria	%	0.00	100.00	GREEN
There are 12 schemes. No bacteria found in any samples taken this year. The compliance assessment will be given by the drinking water assessor report which is due in October 2021.				

5.1.b - Percentage of compliance with drinking water standards for Protozoal	%	100.00	0.00	RED
There are 12 schemes. SDC only claimed for the Riverton scheme. The compliance assessment will be given by the drinking water assessor report which is due in October 2021.				
6.1 - Percentage of water lost from the reticulation network	%	25.00	24.00	GREEN
This KPI now includes Lumsden Balfour, Eastern Bush Otahu Flat and Orawia. The KPI is now a lot more volatile.				
6.2 - Average consumption of water per resident per day	L	850.00	891.00	RED
As stated this DIA KPI is unsuited to the rural schemes analysed, in particular Mossburn, Otautau, Tuatapere and Ohai Nightcaps Wairio have stockwater usage. Adding to the problem of reporting this KPI is the District having 70% unmetered supply which does not allow accurate assessment.				
6.3 - Annual cost per water connection incl. GST	$	661.00	760.58	RED
The costs per connection are higher than plan due increased maintenance costs to meet changing regulatory requirements				
7.1.a - Overflows resulting from the stormwater system that result in flooding of a habitable floor, total number per year	#	5.00	0.00	GREEN
There were no overflows resulting in the flooding of habitable floor.				
7.1.b - Overflows resulting from the stormwater system that result in flooding of a habitable floor - number per 1000 properties connected	#	1.00	0.00	GREEN
No overflows resulted in the flooding of habitable floor.				
7.2 - Median response time between the time of notification and the time when service personnel reach the site when habitable floors are affected by flooding resulting from faults in the stormwater system	Hours	2.00	0.00	GREEN
There were no habitable floor flooding incidents for the reporting period or for the year.				
7.3.a - Complaints about the stormwater system, number per 1000 properties connected	#	15.00	4.16	GREEN

The end of year result is 4.16.				
7.3.b - Number of complaints about the stormwater system	#	60.00	40.00	GREEN
There have been 40 complaints related to the stormwater system. Of the 100 requests for service coded as storm water complaints, further investigation has indicated that a significant number have been miscoded at the initial point of contact and therefore indicate complaints about genuine flooding events related to problems with the stormwater infrastructure occurred on 40 occasions.				
8.1.a - Compliance with resource consents for stormwater discharges, measured by the total number of stormwater abatement notices issued	#	0.00	0.00	GREEN
No abatement notices issued.				
8.1.b - Compliance with resource consents for stormwater discharges, measured by the total number of infringement notices issued	#	0.00	0.00	GREEN
No infringements issued.				
8.1.c - Compliance with resource consents for stormwater discharges, measured by the total number of enforcement orders issued	#	0.00	0.00	GREEN
No enforcement orders issued				
8.1.d - Compliance with resource consents for stormwater discharges, measured by the total number of convictions	#	0.00	0.00	GREEN
No convictions.				
8.2 - Average annual cost per property connected to stormwater network incl. GST	$	103.00	116.62	RED
The costs per connection is higher than the annual plan. The operating costs per connection were lower than budget, the depreciation charge for stormwater is $20.09 higher than the Annual Plan due to an increase in the valuation of the stormwater asset.				
8.3 - Stormwater - Percentage of monitoring results that show compliance with resource consent conditions	%	100.00	91.00	RED

There were 51 samples obtained of which seven failed to meet resource consent conditions. There were 27 sites visited twice where samples were unable to be obtained but these visits meant that the resource condition had been met.				
14.1.a - Percentage resident satisfaction with the services provided - rubbish and recycling wheelie bins	%	90.00	88.00	RED
The comments included some suggestions for improvements such as latches on bins, a separate glass collection, more consistent collection times, concerns about dumping and several comments objecting to the AB Lime collection site.				
14.1.b - Percentage resident satisfaction with the services provided - transfer station locations	%	80.00	83.00	GREEN
Comments mentioned transfer stations being too far away. In 2019/2020 the result was 89%.				
14.1.c - Percentage resident satisfaction with the services provided - transfer station hours	%	80.00	67.00	RED
There were eight comments related to issues with transfer stations. Comments mentioned the bad appearance of the transfer station, limited opening hours and long distances away, improvement suggestions include going back to a drive by/drop in station and having a 24 hour access site.				
14.1.d - Percentage resident satisfaction with the services provided - recycle locations	%	80.00	72.00	RED
Comments included suggesting a glass recycling service and gate pick up, more recycling, more green waste services, better accessibility, concern over recycling being dumped instead of recycled and recycling centres are too far away.				
15.1.a - Amount of waste diverted from landfill as a percentage of total waste	%	40.00	30.52	RED
The year to date result is 30.52%. Diverted materials (refers to materials diverted from landfill disposal ie, green waste, clean fill, recycling, metals, glass etc). What was previously permitted for recycling has changed. Cleanfill is not accepted at Southland District transfer stations.				
15.1.b - Amount of waste per property disposed of to landfill	T	0.65	0.61	GREEN
0.61 = 610 kg. Annual target is 650 kg measured on a cumulative basis and the actuals are on track to meet the target.				
16.1 - Average quality of ride on sealed local roads	%	97.00	99.00	GREEN

High speed data collected by WDM Ltd for Council sealed roads has been uploaded into the RAMM database (road assessment maintenance and management). This information has been used to calculate the result. This data is only collected every two years and it was also 99% in 2018/2019.				
16.2 - Percentage of sealed local road network that is resurfaced	%	7.30	7.81	GREEN
1,050,675m2 of reseal was completed this season. This includes some Covid-19 carry over sites from 2019/2020. This equates to 7.81% of the sealed network being resurfaced which exceeds the target of 7.3%.				
16.3 - Percentage of customer service requests responded to within required time frames	%	90.00	93.30	GREEN
93.3% of requests were responded to within target timeframes. This has been a focus area for improvement which is shown compared to last year's result of 83%.				
16.4 - Percentage of gravel road tests where road roughness meets acceptable standards	%	85.00	88.30	GREEN
The annual roadroid District wide survey was undertaken during November 2020. The overall score was 88.3% good or satisfactory which is consistent with previous year scores and meets the target of greater than 85%. Stewart Island/Rakiura roads were not included due to the logistical challenges and for cost effectiveness reasons.				
17.1 - Annual change in the number of fatalities and serious injury crashes	#	12.00	11.00	GREEN
As at 01/07/2021; there are ten serious injury and one fatal crash recorded in the crash analysis system database. This has met the maximum target of 12 fatal or serious injury crashes for the 20/21 year. 64% of the 11 crashes had alcohol as a suspected factor of the crash. One of the ongoing target areas for our road safety advertising and education is around alcohol and drugs.				
18.1 - Percentage of footpaths in reasonable or better condition	%	70.00	90.68	GREEN
The 2020/2021 footpath condition rating survey concluded with a result of 90.68% footpaths in reasonable or better condition. This is slightly down on last year's result but still well above the minimum target of 70%. This goes to show that the renewal programme is important to keep on top of deterioration.				
22.1.a - Percentage of community centres that meet desired standards	%	100.00	100.00	GREEN
All community centres meet required standards.				
22.1.b - Percentage of facilities that meet desired standards - wharves and jetties	%	100.00	83.00	RED

For Riverton five out of six – One of the Council structures is non-compliant due to an ongoing access issue which has meant we are unable to repair the structure. We have yet to resolve an issue with a wharf licence holder that is stopping us from undertaking the work required to bring the structure in Riverton up to standard. An additional assessment has been undertaken on the T Wharf to determine the weight loading. This was at the request of the Riverton Harbour subcommittee. Additional work will need to be carried out if the wharf is to be brought up to Class One standard. Discussions remain ongoing. Until such time as there is a resolution the wharf remains closed and unused. For Stewart Island five out of six are compliant – A report was tabled at the Council meeting on 27 August seeking approval to renew the Ulva Island wharf. Council approved the report. Staff have satisfied the three conditions that were in the report. Work has started on getting the relevant consent approvals, an EOI process has been undertaken and now staff are working towards the tendering process. Construction work will start in the new financial year.				
22.2 - Community housing occupancy rate	%	90.00	90.00	GREEN
Six flats vacant and at varying stages of refurbishment for re tenanting. The fickle nature of local demand for priority persons and the increased due diligence requirement for non-priority persons has slowed the re-tenanting process. The timely availability of contractors to refurbish flats has further impacted on the timeliness. The result for the third period was 91%. The average occupancy for the twelve months was 90%.				
22.3 - Community housing net cost (rates)	$	0.00	0.00	GREEN
This measure equals community housing operational and capital costs are to be fully self-funded from rental income so there is no impact on rates. There has been no requirement to increase rates to fund the community housing for this reporting period.				
22.4 - Cemetery internment net cost (rates)	$	0.00	0.00	GREEN
Income for the full year is $18,846.91 greater than costs which means no costs to rates therefore meeting the KPI target.				
22.5 - Percentage of burial plots prepared by the time requested	%	100.00	100.00	GREEN
The total for the year is 86 burials with all casket interment plots prepared on time.				
22.6 - Number of unplanned interruptions to Stewart Island electricity supply	#	6.00	4.00	GREEN
There was one unplanned interruption in June due to inconsistent electrical loading pattern that interrupted supply. Control programming has been amended to avoid this situation. There have been a total of four interruptions for the year, including the three interruptions from earlier in the year that were due to voltage mismatch, vegetation and engine drive belt failure.				
23.1.a - Percentage of parks and reserves that meet desired standards	%	95.00	95.00	GREEN
There were 55 requests for the year. The parks and reserves are inspected by Council's contractors and no issues have been reported. There have been six requests for service for issues related to reserves for the reporting period. All of these were responded to within the timeframe, however two were not closed off within the timeframe. This is a substantial reduction				

over the previous reporting period where we had 32 requests. Desired standards relate to those set under the contract and includes a range of factors such as lawn mowing, weed removal and equipment inspection and maintenance.				
23.1.b - Percentage of playgrounds that meet desired standards	%	95.00	95.00	GREEN
Staff have completed some equipment upgrades throughout the year. They have also had to remove some more non compliant equipment. A new auditing tool has been deployed to contractors which is easier to use and this is providing valuable information to staff. Throughout the Long Term Plan process staff have been working with community boards to make sure that their playgrounds will continue to meet the appropriate standards. This has meant that some projects have been carried forward and amalgamated with projects in the next financial year to achieve a higher level of service.				
23.1.c - Percentage of sportsfields that meet desired standards	%	95.00	95.00	GREEN
Council sports fields are inspected by our contractors and contract managers. There has been one issue identified through Council's request for service (RFS) application relating to sports fields. This was related to turf management which is normally the responsibility of the clubs that use the fields. These are locally funded assets and the community boards define the levels of service. It has however highlighted an area that needs to be reviewed in terms of the agreements that council has with sports clubs in relation to turf\field management. Desired standards relate to those set under the contract and includes a range of factors such as lawn mowing, weed removal and equipment inspection and maintenance.				
23.1.d - Percentage of public toilets that meet desired standards	%	100.00	98.00	RED
There is currently one toilet at Athol that is currently out of service. This is due to the plumbing connection and the septic tank not being able to meet the demand placed on it. Council staff now have an arrangement with a member of the community to provide public toilets while they investigate options for the provision of service in Athol. The activity management Plan maturity assessment that has been undertaken has identified the need for a toilet strategy to be completed. Staff had an initial proposal to have this completed, however it was not able to be achieved in the time frame available. This will be a priority along with some other strategies that were identified through the assessment in the new financial year. The toilet at Cosy Nook was burnt down and will need to be replaced. This will be replaced in the new financial year. Desired standards relate to those set under the contract and includes a range of factors such as cleaning, equipment inspection and maintenance.				
23.2.a - Complete Open Space Strategy implementation plan within budget for open spaces projects	%	100.00	90.00	RED
Council staff have engaged a consultant to review strategy documents to develop a set of criteria to rank potential projects against. This is being developed to provide a robust set of guidelines to support the open space budgets identified in the LTP with the aim of identifying how the open space funding will be used over the next ten years. The funding has been restructured throughout the LTP to allow additional time to undertake this work. Council have filled the open space graduate position and the successful applicant has created a works programme identifying the plan to review the open space policy and strategy and then the reserve management. The green asset assessment is 75% complete. Contractors has surveyed 5600 trees across 20 towns throughout the district. The western southland towns will be completed in the new financial year. Once this work is completed a tree works programme will be developed with the intention that this work would potentially form a District wide contract.				
23.2.b - Complete Open Space Strategy implementation plan within budget for public toilet projects	#	6.00	2.00	RED

Staff have allocated funding in the next LTP to address the issues that were identified through the toilet condition assessment. Priority has been given to the older concrete block structures that have structural issues. Staff have received a proposal to undertake a review of Council's public conveniences and produce a strategy. This piece of work was not able to be undertaken within the timeframe available and has been scheduled for the first quarter of the new financial year. The project to install two new toilets at Monkey Island and Clifden were completed. Two other toilet replacements at Edendale and Wyndham were deferred until the new financial year.				
23.3 - Number of complaints about public toilets	#	25.00	31.00	RED
There were 31 requests for the year. Council received six requests for service over the reporting period. One of these requests was for a non Council owned toilet outside of our District, two requesting additional cleaning and one for vandalism and three for additional toilet supplies. We are still having issues with vandalism at these facilities throughout the District.				
23.4 - Cost of parks and reserves per hectare	$	77.00	701.00	RED
This figure represents the additional work that has been done throughout the year to upgrade some of the play grounds across the District. There was also an increase in the cost of the gardening due to contract renewals. There has also been a focus on tree maintenance with increased costs being passed on by the power companies to undertake work under power lines. There was a total budget of $791,334 for maintenance and $386,854 for capital projects this year so the target of $77/ha was always going to be exceeded.				

Analysis of Actual Results to Forecast for the year ended 30 June 2021

Record No: R/21/8/49118
Author: Joanie Nel, Management accountant
Approved by: Anne Robson, Chief financial officer

☐ Decision ☐ Recommendation ☒ Information

Purpose

1. The report updates the Finance and Assurance Committee (the committee) on the actual financial results for the 2020/2021 financial year compared to the final forecast budget approved by Council in April 2021.

Background

2. This report compares the actual 2020/2021 financial results to the approved forecast budget for the period.
3. The forecast budget reflects the changes to the 2020/2021 Annual Plan budget that were considered and approved by Council as part of forecasting the year-end position in April 2021.
4. The actual results outlined in this report are expected to align closely with the unaudited draft 2020/2021 Annual Report which is scheduled to be considered by the committee in October 2021. However, this report compares actual results with forecast budget while the Annual Report will compare the actual results to the approved 2020/2021 Annual Plan budget.
5. The format of this report is based on the 2020/2021 Annual Plan groups of activities.

Explanation

6. The headings relate to the following:
   - 2020/2021 actual is the actual result for financial year ended 30 June 2021
   - 2020/2021 forecast is the 2020/2021 Annual Plan adjusted for the 2019/2020 carried forward items approved by Council on 21 October 2020 and any budget adjustments as a result of the February 2021 forecasting period.
7. There is a difference in the numbers contained in the summary financial table below and the table in paragraph 32 of the report compared to the rest of the information discussed in the report. Both of these financial tables align with Council's annual report which is based on approved accounting standards which requires Council to eliminate internal transactions. Whilst the internal transactions are eliminated from the tables, they are included in the information provided in paragraphs 9 to 26 of this report.

Summary

8. The table below summarises the actual results compared to forecast for the year.

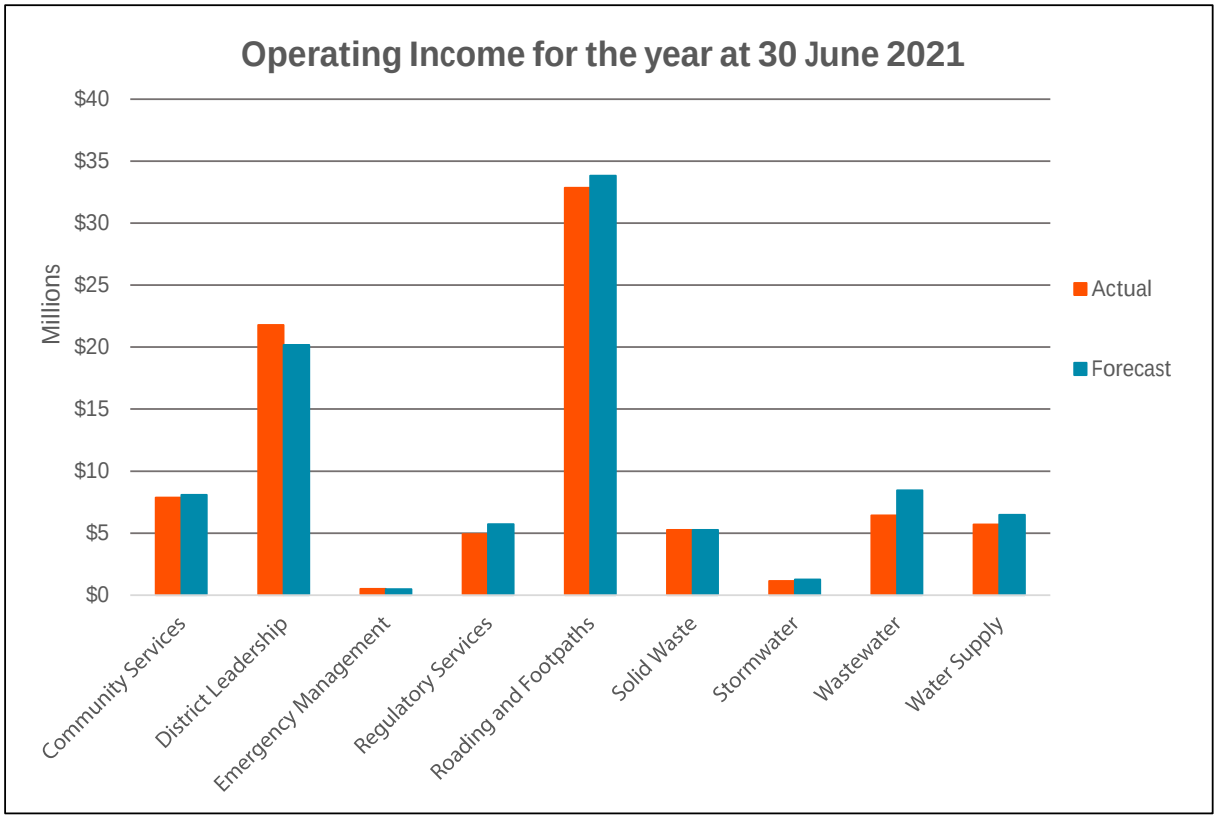
	2020/2021 Actual '000	2020/2021 Forecast '000	Variance '000	Variance
INCOME	86,416	89,739	(3,324)	-4%
OPERATING EXPENDITURE	85,540	89,738	(4,198)	-5%
NET SURPLUS / (DEFICIT)	876	1	874	46424%
CAPITAL EXPENDITURE	42,938	47,826	(4,888)	-10%

The net surplus variance is due to a combination of income being higher than forecasted, particularly for forestry, and lower expenditure related to the timing of projects, depreciation and lower operating costs across several activities (community services, district leadership, regulatory, roading and footpaths as well as wastewater).

Detailed analysis

Income

9. Overall operating income is $3.3 million (4%) less than forecast ($86.4 million actual vs $89.7 million). The key reasons for the variances are detailed for each activity below.



10. Community services income is $211,794 under forecast. This is mainly due to Council receiving lower grant income than forecasted including the grant returned to the Ministry of Business, Innovation and Employment (MBIE) for the cancelled SIESA wind power project and grants for the Stewart Island jetty upgrades of the Ulva Island and Golden Bay wharves which have been deferred to the 2021/2022 financial year.

11. District leadership income is $1.6 million over forecast due to a range of factors:

    - forestry income is$1.3 million higher than projected. This is made up of $171,477 of additional income that was received for Waikaia forest log sales due to higher log prices being received. We harvested 22,325 tonnes versus a budgeted of 18,832 tonnes. Additional emission trading units also increased income by $86,869 and the revaluation of the forest increased income by $1 million
    - three waters collaboration income is $152,254 higher than projected. This income is the contribution from the councils which form the collaboration group and cover its operation. The variance relates to the extension of the staff secondment and related costs. The secondment ended in mid July
    - Stewart Island/Rakiura Visitor Levy income is $39,761 higher than projection due to increased visitor numbers
    - higher cash balances than expected resulted in an additional $30,606 of interest on bank investments.

12. Roads and footpath income was below forecast by $973,250. This is mainly due to the emergency works for the repair on the Lower Hollyford Road. The physical work was predominately completed at 30 June 2021 but staff have been unable to get clarification from Waka Kotahi that all emergency works were completed and invoiced by the end of the year. The remaining amount of the original estimate (and corresponding funding) has been carried forward to 2021/2022.

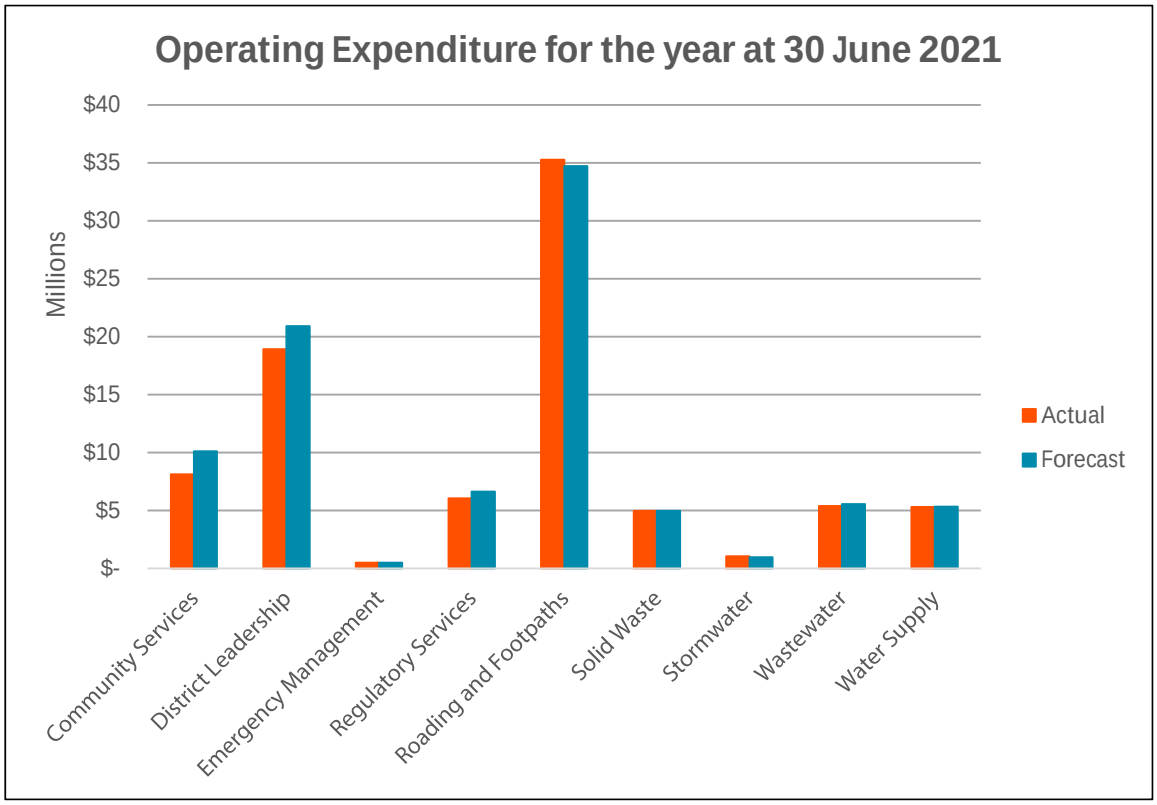
13. Wastewater income is below forecast by $2 million. This is due to the timing of the MBIE grant for the Te Anau wastewater project. $1 million of funding projected for this year was actually received in the previous financial year (2019/2020) with the remaining $1 million carried forward to the 2021/2022 financial year. Completion of the project will depend on how and when the issues found through commissioning can be resolved.

14. Water supply income is below forecast by $787,420 at year-end as a result of lower than projected three waters stimulus grant income being recognised. This is a timing difference in relation to the completion of AC pipe renewals. Four of the five AC renewal projects commenced at the end of June or beginning of July with the last to commence in August. The costs of these projects along with the grant income has been carried forward to the 2021/2022 financial year.

15. Regulatory services income is $808,162 below forecast with the main variance being building control income, included in the forecasted total income was revenue that was received in advance of completing the work.

Operating expenditure

16. Operating expenditure is $4.2 million (5%) less than forecast ($85.5 million actual vs $89.7 million forecast).



17. Community services expenditure is $2 million under forecast due to a range of factors:

- library services are $479,157 under forecast. This is mainly due to lower expenditure on general projects including $382,800 related to delay of the RFID (Radio Frequency Identification) project which is being carried forward to 2021/2022 as well as the refurbishment of the Winton library which has been replaced by the library building upgrade project which is currently underway
- SIESA is $435,403 below forecast. This is mainly due to the MBIE Wind project being cancelled and the projected costs towards this project being unspent
- community centres are $239,630 lower than projection. The variance largely relates to an underspend in operating costs and maintenance, of which some maintenance projects that are on hold while discussions are held with the relevant community boards and hall committees about the future of these halls long term. In the meantime these projects have been carried forward to the 2021/2022 financial year. The remainder of the variance is due to underspends in electricity, toilet supplies and cleaning and internal work scheme costs
- council facilities are underspent by $204,559. This is mainly due to lower lease costs for the Invercargill buildings due to the delay in moving as well as maintenance cost savings due to the partial closure of the Forth Street building
- parks and reserves are $166,125 underspent, mostly due to an underspend in maintenance related costs ($90,000) and general projects ($28,000). Of these costs $43,000 of playground maintenance projects has been carried forward to 2021/2022 to maintain the softfall and to provide the additional level of service required. Rubbish collection costs are also underspent by $30,000 due to lower visitor numbers, particularly in Te Anau, Lumsden and Winton and consultant's costs are underspent by $23,000

- public convenience costs are $136,201 under projection mainly due to an underspend in cleaning costs caused by the actual start date of new cleaning contracts being later than expected
- cemeteries are $49,193 under forecast due to fewer internments occurring than budgeted as well as an underspend in operational maintenance for activities like mowing and tree/hedge trimming and other maintenance costs
- The Te Anau Airport Manapouri is $44,575 underspent due to an underspend in Part 139 certification (due to the deferral date of the audit) and maintenance costs
- water structures are underspent by $30,980 due to lower legal costs being incurred for Riverton harbour and lower maintenance costs incurred for the jetties. Additional legal costs for the harbour were approved during the February forecasting round, for valuation and legal fees around the endowment land rent review and lease renewals. The full amount of these costs were not spent and the remainder of this budget was carried forward to the 2021/2022 financial year.

18. District leadership expenditure is $2 million lower than forecasted. The under spend has occurred over a range of areas with the key variances related to:

- lower interest on loans of $392,090 than forecast as this year we have not been required to take out any external loans, resulting in no external operational interest charges incurred although being budgeted for
- water services costs are $378,496 lower than projection due to lower consultancy costs associated with the timing of the three waters stimulus projects. It is expected that the budget would be utilised by March 2022 and therefore has been carried forward to 2021/2022
- representation and advocacy costs are $269,286 below projection mainly due to lower general projects and consultancy costs
- Milford Opportunities project costs $210,389 below projection. This project was not completed by the end of 2020/2021 and has been carried forward to 2021/2022
- community leadership is $130,234 lower than projection as a number of strategic projects are yet to be completed
- information management is $98,932 below projection due to lower printing and photocopying, software, licencing, travel and training costs incurred
- governance is $127,106 below projection due to staff vacancies unfilled.

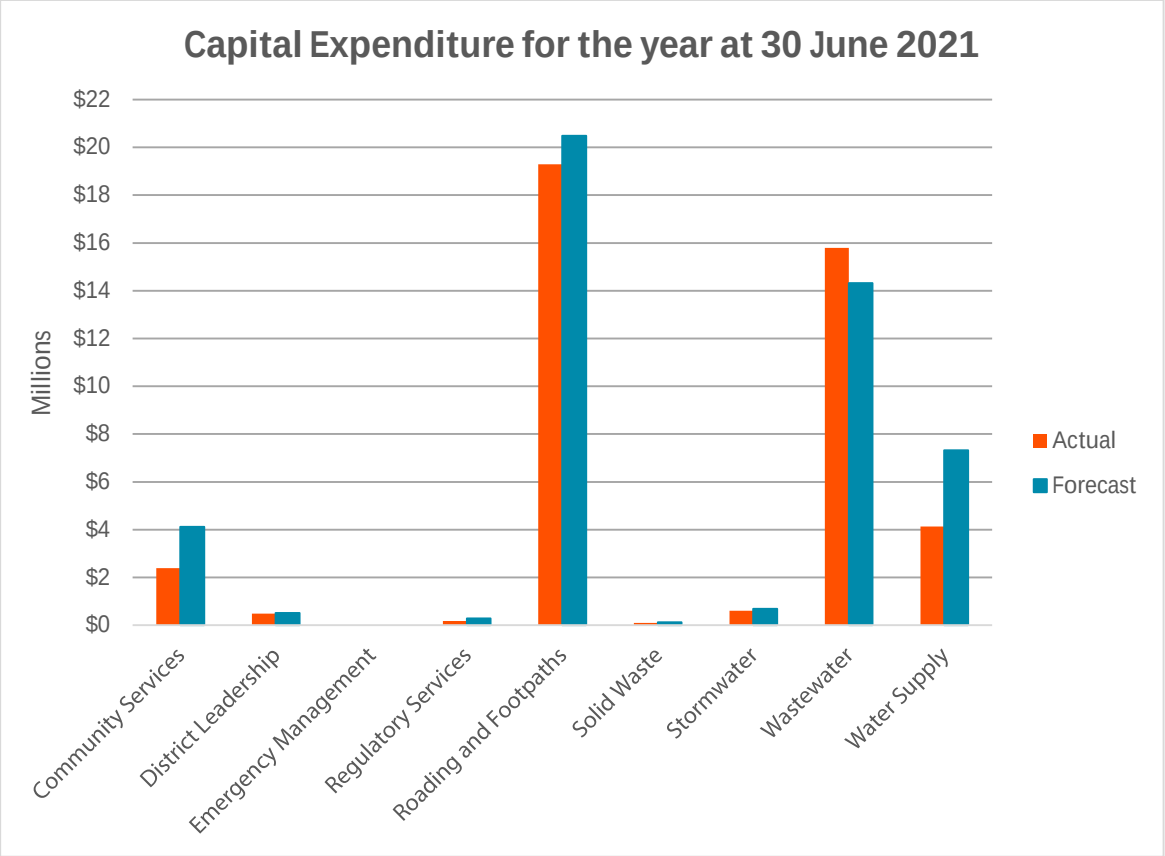
19. Regulatory services expenditure was $593,211 below forecast due to staff vacancies and various underspends in legal/consultant/demolition costs for building solutions. Resource shortages caused by staff vacancies were forecast to be covered by consultants, but high demand across the country has since restricted the availability of consultants and therefore reduced expenditure.

20. Roading and footpath expenditure was $548,429 over forecast due to higher depreciation costs specifically for bridges and sealed roads. Depreciation is higher for bridges in the current year as a result of the estimated useful life for concrete bridges being changed from 120 years to 100 years during this valuation process. This bring the estimated useful life for concrete bridges in line with our current design standards.

21. Wastewater costs are $164,811 less than forecast due to lower sewerage depreciation costs compared to forecast. This is mainly due to the timing of the Te Anau wastewater project, the actual costs capitalised in 2019/2020 were less than budgeted for, hence the actual depreciation on those assets for the 2020/2021 year were lower than the budgeted depreciation.

Capital expenditure

22. Capital expenditure is $4.9 million (10%) less than forecast ($42.9 million actual v $47.8 million forecast).



23. Community services is $1.7 million lower than forecast due to the following:

- public conveniences are $720,151 under projection mainly due to the delays in construction of the new toilets at the Te Anau library, Wyndham and Taramea Bay. These project budgets have been carried forward to the 2021/2022 financial year
- water structures are $553,118 lower than projection due to the Stewart Island jetty upgrade of the Ulva Island wharf which has been deferred to 2021/2022
- Invercargill office project costs are $211,363 below budget due to savings in phase one of the project completed in May 2021
- SIESA is $135,794 under projection due to the delay of the generator replacement project. The budget for this project has been carried forward to the 2021/2022 financial year
- parks and reserves are $116,147 lower than projection. A number of projects have been deferred to the 2021/2022 financial year including the Thornbury and Tokanui playgrounds due to delays with equipment delivery.

- work scheme is $62,000 lower than projection due to the delay in the replacement of the vehicle cost.

24. Overall roading and footpath capital expenditure is $1.2 million less than forecasted due to the following:

- Around the Mountains Cycle Trail – underspend of $270,030 below projection. This budget relates to the various work that is still to be undertaken to bring the trail up to NZ Cycle Trail standard. The remaining budget has been carried forward to the 2021/2022 financial year
- roading district wide is $887,882 below forecast. $300,000 of this has been used to undertake maintenance work and footpath renewal was below forecast by $107,638. The maintenance that capital was used on, was predominately on sealed roads. There is no risk as a result of the capital work being transferred as the work will be reprioritised where appropriate. Maintenance is an easier lever to use at short notice to spend the NZTA funds, as the work has smaller lead time and is less likely to be subject to a construction season. The reason for the footpath renewal being below forecast is due to a combination of townships where no work was undertaken (either wanting to put toward a bigger project or insufficient local share of what was being considered) and work completed for less than was anticipated.

25. Wastewater is $1.5 million over projection. $1.8 million of the Te Anau wastewater upgrade project has been delivered ahead of schedule and a carry back from the 2021/2022 financial year budget will be required. This is offset with an underspend relating to projects in Riversdale, Ohai and Manapouri. These are multi-year projects, which have been started and the remainder of the budget have been carried forward to the 2021/2022 financial year.

26. Water supply is $3.2 million below projection. The underspend relates to the Lakefront Drive watermain renewal as well as the AC pipe replacement projects at Eastern Bush, Riverton and Manapouri. These are multi-year projects of which all uncompleted works are included in the budgets carried forward to 2021/2022.

Projects

27. The following table and graphs are based on the actual spend on projects for the year and their status as of 30 June 2021 excluding roading.

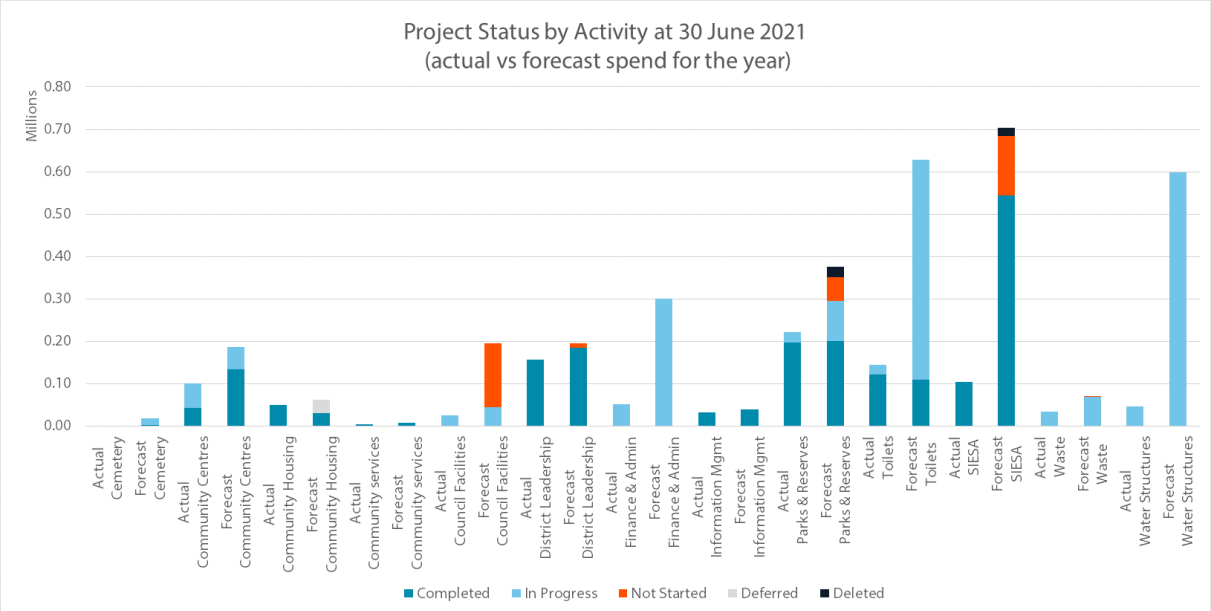
Project Status at 30 June 2021				
	# of Projects		Actual costs	
Completed	47	33%	$4,982,538	18%
In Progress	62	44%	$23,274,357	82%
Not Started	10	7%	$0	0%
Deferred	3	2%	$0	0%
Deleted	20	14%	$0	0%
Grand Total	**142**	**100%**	**$28,256,896**	**100%**

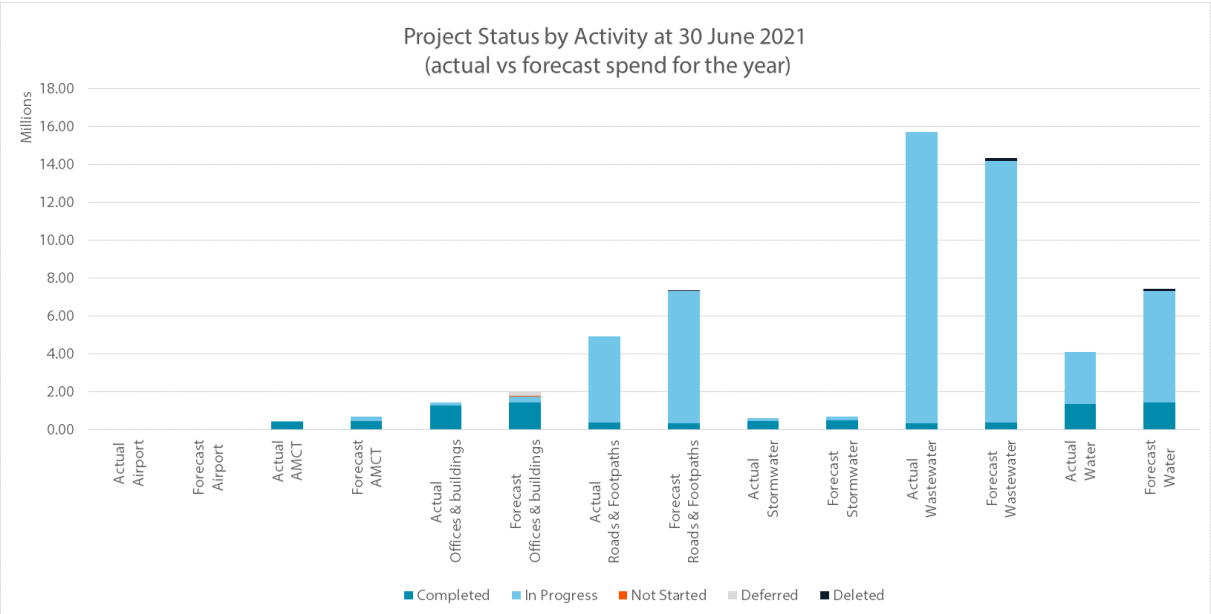
28. Specific details of the projects in progress, not started and deferred are included in the "Projects from 2020/2021 to be carried forward into the 2021/2022 financial year" report presented to Council on 15 September 2020.

29. The graphs below show graphically the actual project spend for the year-ended 30 June 2021 compared to the forecast spend by activity.

30. There are a number of projects that have been split as part of the February forecasting round to occur over multiple years and as indicated by projects with the status "in progress".

31. The total actual spend for all projects was $46.7 million against a forecast budget of $55.2 million. Of these totals, Roading related projects came in $18.4 million actuals versus a forecasted budget of $19.3 million.





Statement of comprehensive income

32. The actual versus forecast comparative statement of comprehensive income for the year-ending 30 June 2021 is detailed below:

Comparative Statement of Comprehensive Income for the period ending 30 June 2021
District and Local Activities

	Actual Result for 2020-2021 ($000)	Forecasted Result for 2020-2021 ($000)	Variance
Revenue			
Rates	49,569	49,390	179
Other revenue	9,460	9,508	(49)
Interest and Dividends	81	47	34
NZTA	17,924	18,922	(997)
Grants and Subsidies	7,966	12,091	(4,125)
Other Gains/(Losses)	1,252	(258)	1,510
Vested Assets	0	0	0
Development and Financial Contributions	164	40	124
	86,416	**89,739**	**(3,324)**
Expenditure			
Employee Benefit Expenses	15,940	16,073	(133)
Depreciation and Amortisation	24,979	23,815	1,163
Finance Costs	27	422	(396)
Other Council Expenditure	44,595	49,427	(4,832)
	85,540	**89,738**	**(4,198)**
SURPLUS/(DEFICIT) BEFORE TAX	**876**	**2**	**874**
Income Tax Benefit	0	0	0
Share of Associate Surplus/(Deficit)	220		
SURPLUS/(DEFICIT) AFTER TAX	**1,096**	**2**	**1,094**
Financial assets at fair value through other revenue and expense	1,195	0	1,195
Gain/(Loss) on Property, Plant and Equipment Revaluations	18,665	2,666	15,999
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	**20,955**	**2,668**	**18,287**

Recommendation

That the Finance and Assurance Committee:

a) Receives the report titled "Analysis of Actual Results to Forecast for the year ended 30 June 2021" dated 20 September 2021.

Attachments

There are no attachments for this report.

Monthly Financial Report - August 2021

Record No: R/21/9/50838
Author: Lesley Smith, Management accountant
Approved by: Anne Robson, Chief financial officer

☐ Decision ☐ Recommendation ☒ Information

Summary

1. The purpose of this report is to provide the Finance and Assurance Committee with an overview of the financial results for the two months to 31 August 2021 by the seven activity groups of Council, as well as the financial position, and the statement of cash flows as at 31 August 2021.

2. This report summarises Council's financial results for the two months to 31 August 2021.

Recommendation

That the Finance and Assurance Committee:

a) Receives the report titled "Monthly Financial Report - August 2021" dated 20 September 2021.

Attachments

A Monthly Financial Report - August 2021 ⇩

SOUTHLAND
DISTRICT COUNCIL

Monthly financial report

August 2021

Southland District Council
Te Rohe Pōtae o Murihiku

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Executive summary

This monthly financial report summarises Council's financial results for the two months to 31 August 2021.

The report summary consolidates the business units within each of Council's groups of activities and includes:

- year to date (YTD) actuals, which are the actual costs incurred
- year to date (YTD) projection, which is based on the full year projection and is currently year one of the Long Term Plan (LTP)
- year to date (YTD) budget, which is based on the full year LTP budget for year one with adjustments for phasing of budgets
- full year (FY) budget, which is the LTP year one budget figures
- full year (FY) projection, which is the LTP year one budget figures plus approved unbudgeted expenditure reports.

As the current period's year to date budget and projection are the same, the graphs are displaying the budget figures only.

The activities reported include the seven activities in the LTP, along with corporate services. Corporate services (previously part of District Leadership) includes all the customer and corporate support (like people and capability, communications, strategy and policy, finance, information management) and Forestry. These costs are spread across all the activities but they have also been separated out for the purposes of this report.

Phasing of budgets occurred in August, and will occur at forecasting and when one-off costs have actually been incurred. This should reduce the number of variance explanations due to timing.

Where phasing of budgets has not occurred, one twelfth of the annual budgeted cost is used to calculate the monthly budget.

Carry forwards will be entered in September and forecasting will occur in April.

Southland District Council summary reports use a materiality threshold to measure, monitor and report on the financial performance and position of Council. In determining materiality, variances more of less than 10% of the original budget and greater than $10,000 are considered material and explained in the report.

Report contents:

A. Council monthly summary

B. Council summary report - income and expenditure and commentary

C. statement of comprehensive income

D. statement of financial position and movement commentary

E. statement of cash flows.

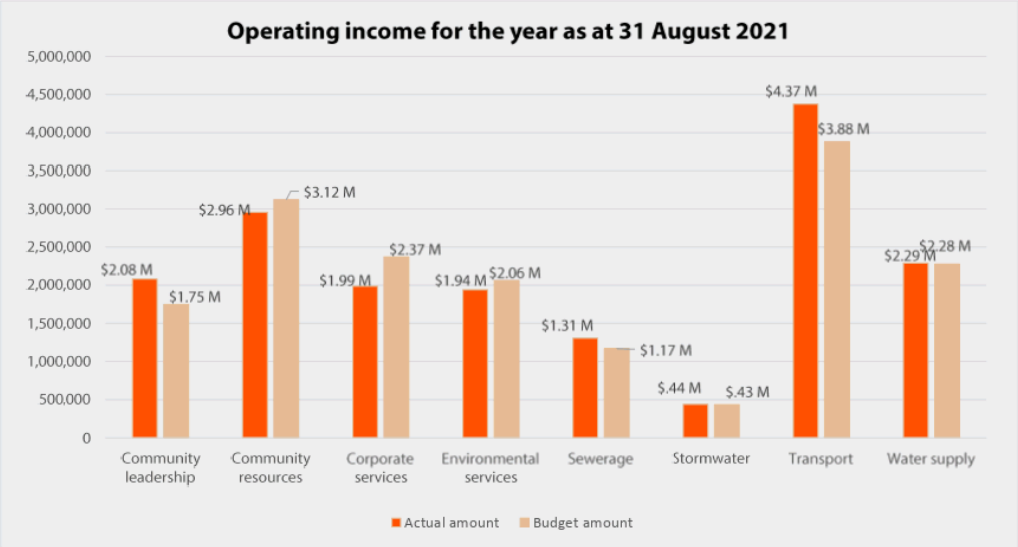
Abbreviation explanation

Abbreviation	Description
AP	Annual Plan
CAPEX	Capital expenditure
ELT	Executive leadership team
FYB	Full year budget
GDC	Gore District Council
GIS	Geographic information system
GMSE	GeoMedia smart client
GST	Goods and Services tax
ICC	Invercargill City Council
LED	Light emitting diode
LTP	Long Term Plan
ME	Month end
NZTA	Waka Kotahi NZ Transport Agency
SDC	Southland District Council
SIESA	Stewart Island Electricity Supply Authority
YE	Year end
YTD	Year to date
YTD Variance	Comparison of actual results compared to YTD budget
$M	Millions of dollars

Council monthly summary

Income

Operating income is $314,879 (2%) below budget YTD ($17.4 million actual vs $17.1 million budget). The key reasons for the variances in each activity area is discussed below.



- **community leadership** income is $333,674 (19%) higher than budget mainly due to the unspent portion of grant income for Milford Opportunities being carried forward from 2020/2021 to complete the project.
- **corporate services** income is $382,017 (16%) lower than budget largely due to investment income being $342,331 lower than budget. Council is in the process of changing its approach to investments and borrowing that would have seen an increase in investment income. While these increased returns were budgeted, the new approach has not yet commenced resulting in the budgeted income for the period being lower. However, this is partially offset by a reduction in borrowing costs.
- **transport** income is $492,459 (13%) higher than budget largely because income from Waka Kotahi NZ Transport Agency for road maintenance is $527,279 higher than budget as a result of more road maintenance being carried out during the period than expected.

  For the committee's information, Council staff were advised in September of an increase in Waka Kotahi's overall funding for the first three years of the LTP. The table below shows the updated programme compared with the final LTP.

	2021-24 submitted programme	Final LTP programme	Waka Kotahi updated programme(Sep-21)	Variance
Total maintenance and operations	99,714,769	85,375,174	92,260,264	6,885,090
Total low cost low risk	4,552,869	4,552,869	2,700,281	(1,852,588)
Total	**104,267,638**	**89,928,043**	**94,960,545**	**5,032,502**

Waka Kotahi NZ Transport Agency provided details of the final funding approval for the three years of 2021/2022, 2022/2023 and 2023/2024. The final approval for the operations, maintenance and renewals programme is $92,260,264 (compared to interim approval provided of $85,375,174). The approval for 2021/2022 includes additional work of $2,158,335 from the program included in the LTP. Staff are currently reviewing the programme and will come back Council in due course to discuss options for the revised programme and related funding.

The approval for the low cost low risk programme, which relate to safety projects and reduced speed around schools is $2,700,281, compared to requested funds of $4,552,869. The funds approved related to projects we put forward which aligned with Waka Kotahi safety assessment tool.

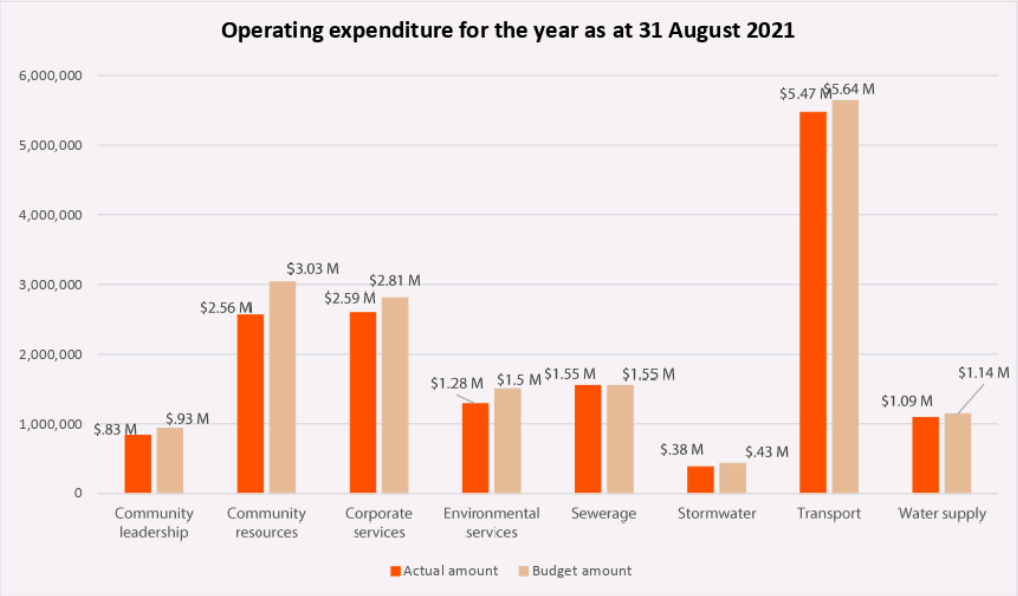
While this is not reflected in the variances above at this time, it may have an impact on future reports.

Update on three water funding

The committee may also be interested to know that Council received the second instalment of three waters stimulus funding ($3,073,000) during August instead of November as expected. This has been treated as revenue in advance on the statement of financial position and will be recognised as revenue in the operating income graph above as the project costs are incurred.

Expenditure

Operating expenditure is $1.3 million (7%) below budget for the YTD ($15.7 million actual vs $17 million budget). The key reasons for the variances in each activity area is discussed below.



- **community leadership** operating expenditure is $101,618 (11%) lower than budget. The main variances include:
  - representation and advocacy costs are $131,634 (23%) below budget. The main variances relate to lower staff costs due to vacancies, and consultancy costs lower than budget. The budget for consultants was spread evenly over the year with the actual for the two months less than budgeted

for this period, over the course of the full year the cost of consultants is expected to be in line with budget

- Milford Opportunities project costs are $51,825 higher than budget ($0) due to the extension of the project into 2021/2022. The public launch of the masterplan was held on 28 July in Te Anau. The government had previously announced a further $15 million would be allocated for stage three of the project which is to be led by a board of directors and project team independent of, but 'hosted' by the Department of Conservation. Council has been asked to nominate a non-elected member for the stage three governance board and that person will be the chief executive

- **community resources** operating expenditure is $473,751 (16%) lower than projection. The main variances include:
  - parks and reserves costs are $159,354 (52%) lower than budget. Maintenance costs ($87,000) and mowing costs ($19,000) are lower than budget across the district because the costs have not been phased. Winter is a slow period of the year with the majority of the maintenance work undertaken in spring and summer. Over the course of the year these are costs are expected to be in line with budget
  - streetscapes costs are $154,462 (60%) lower than budget. The majority of this is a combination of reduced costs incurred for gardening, mowing and street litter bins, and are expected to level out once the contracts start for the new growing/visitor season
  - Waste services costs are $77,087 (10%) below budget as a result of a delay in processing the August invoice for waste disposal costs This will be corrected in September.
  - cemetery costs are $50,607 (73%) lower than budget principally due to fewer internment claims, along with lower mowing and operational maintenance costs due to the time of the year
  - hall costs are $40,361 (30%) lower than budget largely because we are yet to transfer rates collected on behalf of non-Council owned halls to the relevant committees. These payments are generally made once applications have been received with reminders sent quarterly
  - library service costs are $26,989 (11%) below budget. This related to the online database costs of $24,000 which were budgeted in August and likely to now be spent in April
- **corporate services** operating expenditure is $212,952 (8%) below budget. The main variances include:
  - investment operating costs are $254,285 lower than budget. As detailed in the income section, the borrowing strategy had not yet commenced during this period resulting in a lower level of external borrowings, directly impacting external interest costs
  - water services operating costs are $67,150 lower than budget due to vacancies in the team ($29,000) along with lower consultancy costs ($33,000) due to how this budget has been spread evenly over the year. Over the course of the full year the cost of consultants is expected to be in line with budget.
  - three waters collaboration costs are $76,235 higher than budget. These are the final costs for the collaboration to be incurred by SDC and on-charged to the other Councils who form the collaboration, with SDC portion funded from the stimulus grant income
- **environmental services** operating expenditure is $213,440 (14%) below budget. The main variances include:
  - resource management costs are $155,091 lower than budget. There is a variance in staff costs ($64,000) due to vacancies in the team. The recruitment processes have been delayed due to the

legislative changes around ecology/biodiversity not being passed as well as Covid-19 and immigration challenges. The other main variances are due to the timing of legal fees and consultant costs and how the budget for this has been spread over the financial year with costs yet to be incurred.

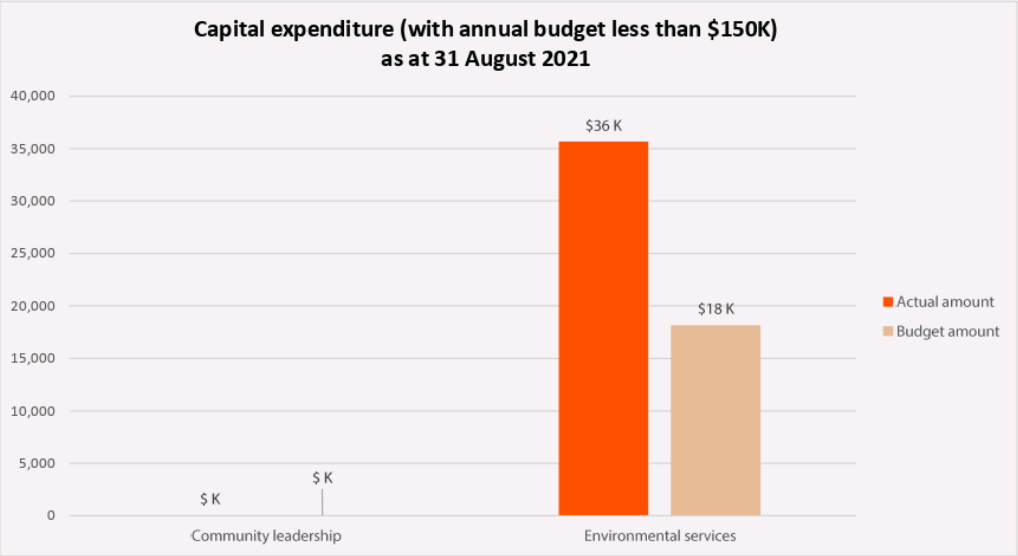
- building solutions costs are $63,894 (13%) lower than budget with the main variances related to consultants and general projects. The budget for these costs has been spread evenly over the year with the actual for the two months less than budgeted for the period, over the course of the full year these costs are expected to be in line with budget

- **stormwater** operating expenditure is $45,838 (11%) below projection. $16,000 of this relates to the timing of insurance payments where the budget has been included in August with the actual costs expected in October. Phasing of maintenance and investigation expenditure evenly across the year has also caused a variance with actuals for the two months less than budgeted for this period. These costs are expected to be in line with budget over the course of the year

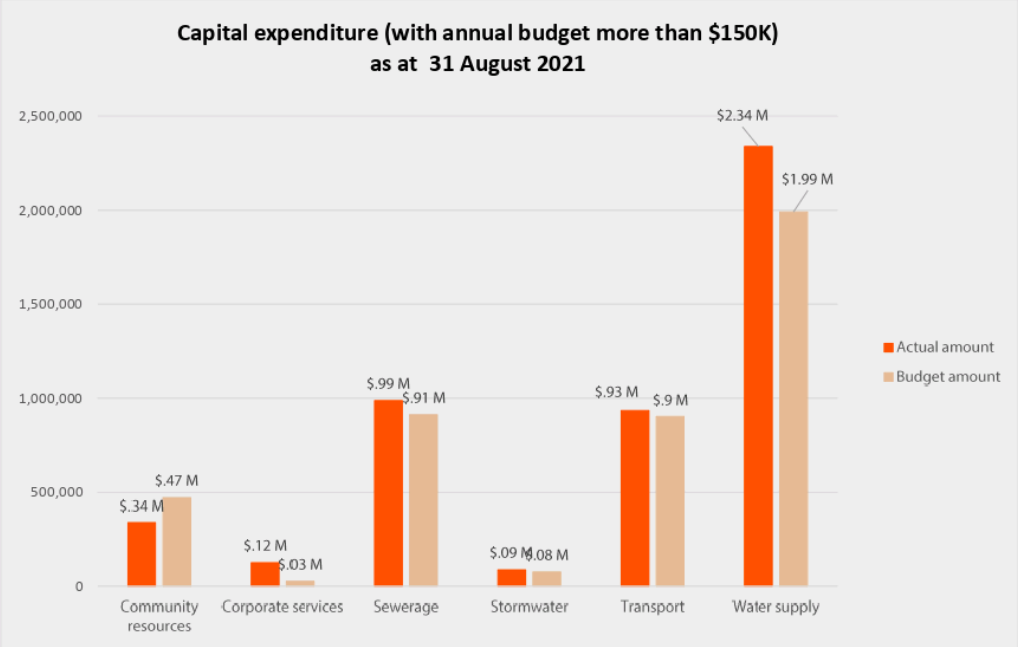
- **transport** operating expenditure is $168,241 (3%) below budget. The main variances include:
  - roading administration costs are $61,831 (74%) below budget. Recovery of wage costs has improved as a result of advancements to the staff time tracking system, resulting in a cost reduction of $51,000
  - special purpose roading is $28,333 (100%) lower than budget. These funds are typically used for repairs to roads caused by unplanned events (like weather events). As such the nature and timing of the work cannot be scheduled resulting in an expenditure variance.
  - cycle trail costs are $16,240 (34%) lower than budget due to lower marketing and maintenance costs incurred for the period

Capital expenditure (CAPEX)

Capital expenditure is $450,168 (10%) higher than budget year to date ($4.8 million actual vs $4.4 million budget). The key reasons for the variances in each activity area is discussed below.



- **environmental services** capital expenditure is $17,525 (97%) higher than budget. The main variances include:
  - environmental health is $35,278 over budget ($0) due to a new vehicle being received in July which was budgeted for in 2020/2021. The budget will be moved into the current year as part of carry forwards.
  - resource management is $17,750 (100%) lower than budget largely due to how the budget for vehicle replacements have been phased. This will be corrected for future reports to align with the months when the vehicles are expected to be purchased.



- **community resources** capital costs are $132,529 (28%) lower than budget. The main variances include:
  - offices and buildings are $87,838 (43%) lower than budget. This variance relates to the Te Anau library upgrade project, which is yet to be started. Staff have received quotes for this project and will be engaging contractors within the next month
  - library services are $41,921 (43%) higher than budget. The main variance relates to library book renewals because of the way the budget for library books has been spread evenly over the financial year. The actual cost for the year is expected to be in line with the annual budget
  - cemeteries are $33,333 (100%) lower than budget because the budget is based on a portion of the total budget for the proposed new cemetery management system. This will be adjusted for future reports so the cost is phased to the expected time of acquisition
  - halls are $17,791 (100%) lower than budget because the budget relates to a project at the Orepuki hall, which is yet to commence. Staff are currently in the process of receiving quotes for the work

before awarding the contract. This budget will be phased to the expected time the work will be undertaken for future reports

- **corporate services** capital costs are $98,229 (378%) higher than budget. The main variances include:
  - motor vehicles are $70,556 over budget ($0). This is for two vehicles that were received in July and budgeted for in 2020/2021. The budget will be moved into the current year as part of the carry forwards.
  - information management is $35,333 (188%) higher than budget. The capital costs relate to hardware and software purchases, which have been budgeted for later in the financial year
- **sewerage** capital costs are $75,615 (8%) above budget. $48,000 of this variance is for costs associated with the Tokanui embankment work which commenced in the 2020/2021 financial year. The budget for this will be moved into the current year as part of the carry forwards. The remainder of the variance relates to preliminary costs of the Caswell Road project which is one of the stimulus projects budgeted for later months
- **transport** capital costs are $31,435 (3%) higher than budget. The main variances include:
  - roading is $153,044 (20%) higher than budgeted as work on metalling unsealed roads is $151,000 ahead of the budgeted timing for this work
  - water facilities are $89,410 (78%) below budget. This variance relates to the budget for boat ramps at Manapouri and Te Anau and the procurement process for these projects is underway.
  - Around the Mountains Cycle Trail is $34,982 (100%) below budget. The annual budget has been spread evenly over the financial year and, as the projects budgeted for are yet to commence, these will be phased to when the project costs are expected to be incurred
- **water supply** capital costs are $347,000 (17%) higher than budget. $200,000 of this variance relates to projects for with carry forwards. These projects commenced in the 2020/2021 financial year with further costs incurred in July and August for well head improvements, SCADA upgrades and Riverton water treatment plant. The remainder of the difference relates to costs of projects that have been incurred ahead of the budget for the year (eg NZDWS compliance instrumentation one of the stimulus projects).

Council summary report

Southland District Council financial summary
for the period ending 31 August 2021

Operating income

	YTD					FYB			
Activity	Actual amount	Projection amount	Budget amount	Variance	Var %	Projection amount	Budget amount	Variance	Var %
Community leadership	2,082,899	1,749,225	1,749,225	333,674	19%	9,557,721	9,557,721	(0)	(0%)
Community resources	2,958,200	3,120,518	3,120,518	(162,317)	(5%)	18,192,966	18,192,965	(1)	(0%)
Corporate services	1,987,416	2,369,433	2,369,433	(382,017)	(16%)	19,474,114	19,474,114	0	0%
Environmental services	1,940,532	2,062,572	2,062,572	(122,040)	(6%)	9,335,696	9,335,696	0	0%
Sewerage	1,305,452	1,171,198	1,171,198	134,254	11%	7,210,702	7,210,702	0	0%
Stormwater	439,854	433,035	433,035	6,818	2%	3,254,744	3,254,744	(0)	(0%)
Transport	4,373,068	3,880,609	3,880,609	492,459	13%	34,129,768	34,129,768	(0)	(0%)
Water supply	2,290,303	2,276,255	2,276,255	14,048	1%	8,045,929	8,045,929	(0)	(0%)
Total	**$17,377,724**	**$17,062,845**	**$17,062,845**	314,879	2%	**$109,201,640**	**$109,201,639**	(1)	(0%)

Operating expenditure

	YTD					FYB			
Activity	Actual amount	Projection amount	Budget amount	Variance	Var %	Projection amount	Budget amount	Variance	Var %
Community leadership	831,034	932,651	932,651	(101,618)	11%	9,373,552	9,373,552	0	0%
Community resources	2,558,817	3,032,568	3,032,568	(473,751)	16%	19,567,043	19,551,548	(15,495)	(0%)
Corporate services	2,594,074	2,807,026	2,807,026	(212,952)	8%	19,234,329	19,234,329	0	0%
Environmental services	1,283,897	1,497,337	1,497,337	(213,440)	14%	10,087,028	10,087,029	1	0%
Sewerage	1,548,213	1,545,499	1,545,499	2,714	(0%)	7,927,450	7,927,450	(0)	(0%)
Stormwater	380,665	426,503	426,503	(45,838)	11%	2,119,684	2,119,684	0	0%
Transport	5,468,690	5,636,930	5,636,930	(168,241)	3%	35,540,539	35,533,789	(6,750)	(0%)
Water supply	1,086,584	1,138,741	1,138,741	(52,156)	5%	6,489,669	6,489,669	0	0%
Total	**$15,751,973**	**$17,017,255**	**$17,017,255**	(1,265,281)	7%	**$110,339,294**	**$110,317,050**	(22,244)	(0%)
Net surplus/deficit	**$1,625,751**	**$45,590**	**$45,590**	1,580,161	(6%)	**($1,137,654)**	**($1,115,411)**	22,243	0%

Capital expenditure

	YTD					FYB			
Activity	Actual amount	Projection amount	Budget amount	Variance	Var %	Projection amount	Budget amount	Variance	Var %
Community leadership	-	-	-	0	-	79,000	79,000	0	0%
Community resources	337,512	470,041	470,041	(132,529)	(28%)	6,335,714	6,335,714	0	0%
Corporate services	124,229	26,000	26,000	98,229	0%	1,079,210	1,079,210	0	0%
Environmental services	35,608	18,083	18,083	17,525	0%	108,500	108,500	(0)	(0%)
Sewerage	986,950	911,335	911,335	75,615	8%	6,140,315	6,140,314	(1)	(0%)
Stormwater	87,031	75,000	75,000	12,031	16%	2,208,402	2,208,402	(0)	(0%)
Transport	934,098	902,663	902,663	31,435	3%	20,711,721	20,711,721	(0)	(0%)
Water supply	2,338,455	1,990,593	1,990,593	347,862	17%	8,937,875	8,937,875	0	0%
Total	**$4,843,884**	**$4,393,716**	**$4,393,716**	450,168	10%	**$45,600,737**	**$45,600,736**	(1)	(0%)

ACTIVITY GROUPS AND ACTIVITIES

This table details what is included in the various LTP activities used for this report

Activity Group	Community leadership	Community resources	Environmental services	Transport
Activity	**Community assistance** (includes Community Partnership Fund which supports local initiatives and projects, along with grants and donations) **Community futures** (includes district development services which includes community leadership, regional development funding and Stewart Island Visitor Levy) **Representation and advocacy** (includes governance, elected members, elections and chief executive)	**Community facilities** (includes public toilets, community centres/halls, office/library/amenity buildings and dump stations) **Community services** (includes cemeteries, community housing and library services) **Open spaces** (including parks, reserves, playgrounds and streetscapes) **Waste services** **Stewart Island Electricity Supply Authority (SIESA)**	**Animal control** **Building solutions** **Emergency management** **Environmental health**	**Airport** **Cycle trails** **Footpaths** **Roading** **Water facilities** (includes boat ramps, Riverton Harbour and Stewart Island Jetties)
	Corporate services (shared across all activities) Includes customer and corporate support (such as people and capability, communications, strategy and policy, finance, information management) and forestry			

Statement of comprehensive income

Statement of comprehensive revenue and expenses for the period ending 31 August 2021					
	YTD			FYB	
	Actual amount	Projection amount	Budget amount	Projection amount	Budget amount
Revenue					
Rates revenue	9,033,689	9,144,669	9,144,669	54,179,025	54,179,024
Other revenue	1,659,552	1,603,358	1,603,358	9,214,042	9,214,042
Interest and dividends	4,607	336,600	336,600	2,019,599	2,019,599
NZ Transport Agency funding	1,354,803	749,184	749,184	15,327,781	15,327,781
Grants and subsidies	2,500,784	2,113,266	2,113,266	8,668,794	8,668,794
Other gains/losses	9,948	21,181	21,181	647,085	647,085
Vested assets	0				
Development and financial contributions	0	1,741	1,741	10,445	10,445
	14,563,384	**13,969,998**	**13,969,998**	**90,066,771**	**90,066,770**
Expenditure					
Employee benefit expense	1,967,379	2,001,449	2,001,449	16,907,216	16,907,216
Depreciation and amortisation	4,523,235	4,534,996	4,534,996	27,209,974	27,209,974
Finance costs	25,123	210,843	210,843	1,265,059	1,265,059
Other Council expenditure	6,421,896	7,177,120	7,177,120	45,822,175	45,799,932
	12,937,633	**13,924,408**	**13,924,408**	**91,204,425**	**91,182,181**
Total comprehensive income	**1,625,751**	**45,590**	**45,590**	**(1,137,654)**	**(1,115,411)**

Note:

The revenue and expenditure in the comprehensive income statement does not reconcile to the total income and total expenditure reported in the Council summary report on page 11 due to the elimination of the internal transactions. However, the net surplus/deficit (as per the Council summary report) matches the total comprehensive income (as per the statement of comprehensive income).

The presentation of the statement of comprehensive income aligns with Council's Annual Report. The Annual Report is based on national approved accounting standards. These standards require us to eliminate internal transactions. Council is also required to report by activities. A number of Council functions relate to a number of activities, eg finance. To share these costs, an internal transaction is generated between the finance business unit and the activity business units. Within the Annual Report, Council also prepares activity funding impact statements. These statements are prepared under the Financial Reporting and Prudence Regulations 2014. This regulation requires that internal charges and overheads recovered be disclosed separately. The Council summary report is a summary of what these activity funding impact statements will disclose for income and expenditure at year end.

Statement of financial position

Council's financial position as at 31 August 2021 is detailed below. The statement of financial position below only includes Southland District Council and SIESA financials. This means that the statement of financial position for 30 June 2021 differs from the Annual Report which includes Venture Southland and Wastenet. The 30 June 2021 statement of financial position will be presented to the Finance and Assurance Committee and has not yet had audit sign off. The audited statement of financial position will be included as the comparative in the December report.

Southland District Council
Statement of financial position
as at 31 August 2021

	Actual 31-Aug-21	Actual 30-Jun-21
Equity		
Retained earnings	722,956,671	721,330,920
Asset revaluation reserves	856,312,665	856,312,665
Other reserves	40,963,080	40,963,080
Share revaluation	4,771,233	4,771,233
	1,625,003,651	**1,623,377,898**
Represented by:		
Current assets		
Cash and cash equivalents	20,142,891	1,674,768
Trade and other receivables	2,927,387	10,683,506
Inventories	126,353	126,353
Other financial assets	2,172,901	2,522,901
	25,369,532	**15,007,527**
Non-current assets		
Property, plant and equipment	1,614,226,718	1,613,474,356
Intangible assets	4,751,111	4,835,073
Forestry assets	13,270,000	13,270,000
Internal loans	52,455,124	52,455,124
Work in progress	105,214	452,965
Investment in associates	1,164,297	1,164,297
Other financial assets	1,450	1,579
	1,685,973,913	**1,685,653,393**
Total assets	**1,711,343,445**	**1,700,660,921**
Current liabilities		
Trade and other payables	10,022,717	15,534,466
Contract rententions and deposits	614,544	538,012
Employee benefit liabilities	1,584,953	2,098,531
Development and financial contributions	1,626,262	1,620,697
Borrowings	20,000,000	5,000,000
Provisions	3,023	3,023
	33,851,499	**24,794,728**
Non-current liabilities		
Employment benefit liabilities	23,163	23,163
Provisions	10,008	10,008
Internal loans - liability	52,455,124	52,455,124
	52,488,294	**52,488,294**
Total liabilities	**86,339,794**	**77,283,022**
Net assets	**1,625,003,651**	**1,623,377,898**

Statement of cash flows

Statement of cashflows for the period ended 31 August 2021

	2021/2022 YTD Actual
Cash flows from operating activities	
Receipts from rates revenue	14,041,249
Receipts from other revenue (including NZTA)	7,806,314
Cash receipts from interest and dividends	4,607
Payment to suppliers	(11,734,768)
Payment to employees	(2,480,957)
Interest paid	(25,123)
GST general ledger (net)	412,349
Net cash inflow (outflow) from operating activities	**8,023,672**
Cash flows from investing activities	
Receipts from sale of PPE	9,948
(Increase)/decrease other financial assets	350,129
Purchase of property, plant and equipment	(4,927,846)
Purchase of forestry assets	-
Purchase of intangible assets	83,962
Net cash inflow (outflow) from investing activities	**(4,483,807)**
Cash Flows from financing activities	
Increase/(decrease) term loans	14,928,258
Increase/(decrease) finance leases	-
Net cash inflow (outflow) from financing activities	**14,928,258**
Net increase/(decrease) in cash and cash equivalents	**18,468,123**
Cash and cash equivalents at the beginning of the year	**1,674,768**
Cash and cash equivalents at the end of August	**20,142,891**

Cash and cash equivalents and other financial assets

1. At 31 August 2021, Council had $9.5 million invested in two term deposits as follows:

SDC Investments - Term Deposits				
Bank	**Amount**	**Interest Rate**	**Date Invested**	**Maturity Date**
Westpac	$ 4,500,000	0.47%	25-Aug-21	19-Oct-21
ANZ	$ 5,000,000	0.48%	30-Aug-21	19-Oct-21
Total	$ 9,500,000			

2. At 31 August 2021, SIESA had $1.72 million invested in six term deposits as follows:

SIESA investments - term deposits				
Bank	**Amount**	**Interest rate**	**Date invested**	**Maturity date**
BNZ	$ 370,000	0.95%	7-Apr-21	7-Oct-21
BNZ	$ 250,000	0.87%	2-Feb-21	2-Nov-21
BNZ	$ 250,000	1.05%	3-Jun-21	3-Dec-21
BNZ	$ 200,000	1.00%	4-May-21	4-Dec-21
BNZ	$ 300,000	1.00%	7-Apr-21	7-Apr-22
BNZ	$ 350,000	1.35%	24-Aug-21	24-May-21
Total	$ 1,720,000			

3. Funds on call at 31 August 2021:

Funds on call				
	Amount	**Bank**	**Account**	**Interest rate**
SDC	$ 9,848,169	BNZ	Funds on call	0.05%
	$ 0	Westpac	Funds on call	0.05%
	$ 10,000	BNZ	Operating bank acc	0.05%
	$ 613,574	BNZ	Restricted funds acc	0.05%
SIESA	$ 169,011	BNZ	Funds on call	0.05%
Total	$ 10,640,754			

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

4. Reconciliation to statement of financial position:

	Amount
Cash and cash equivalents	
Note 1 - SDC Investments	$ 9,500,000
Note 2 - SIESA Investments	$ 1,720,000
Note 3 - Funds on call	$ 10,640,752
Total cash and cash equivalents	**$ 21,860,752**
Add other financial assets	
Cash on hand	$ 2,140
Loan advances - developers contributions	$ 1,450
Loans - community	$ 31,616
Civic Assurance shares	$ 12,986
Milford Sound Tourism shares	$ 408,299
Total other financial assets	**$ 456,490**
Total cash and cash equivalents and other financial assets	**$ 22,317,242**
Per the statement of financial position	
Cash & cash equivalents	$ 20,142,891
Other financial assets - current assets	$ 2,172,901
Other financial assets - non current assets	$ 1,450
Total per statement of financial position	**$ 22,317,242**

Overall work programme for 2021/2022 including carry forward budgets from 2020/2021

Record no: R/21/9/52442
Author: Kate Westenra, Accountant
Approved by: Anne Robson, Chief financial officer

☐ Decision ☐ Recommendation ☒ Information

Purpose

1 To inform the Committee of the overall programme for the 2021/2022 financial year. This includes a comparison to the two prior financial years. The work programme includes Councils total capital budget plus operational projects.

Carry forwards

2 Every year as part of the Annual Report processes staff are provided with an opportunity to carry forward work that was not completed by 30 June, and the associated budgets, into the new financial year. Any work carried forward is added to the work programme developed in the Long Term Plan/Annual Plan (LTP/AP) to form the total work program for the next year.

3 Items to be carried forward from 2020/2021 to 2021/2021 were approved by Council on 15 September 2021. The full list can be found in Attachment A.

4 There were 106 items, totalling a net value of $4,047,867 approved by Council to be carried forward. The two major carry forwards are the three waters stimulus programme for $1,337,840 and the $1M grant from MBIE for the Te Anau waste water project. The remainder of the carry forward budget is a combination of activities throughout the district in both operational and capital expenditure accounts.

5 A comparison to the two previous years is shown in the table below:

Year	Number of carry forwards	Value of carry forwards
2020/2021 to 2021/2022	106	$4,047,867
2019/2020 to 2020/2021	96	$9,077,044
2018/2019 to 2019/2020	87	$2,861,114

6 Historically we have carried forward around 1/3 of projects, this year it is 40% (51 of 129 projects). In dollars, this represents 12% or $3.42M of $29M. The roading programme is outside of these figures.

7 The previous year Council had carry forward projects of 30% (51 of 168), at a value of $5.49M from a total projects budget of $19.2M (29%). Of the 51 projects, 25 have been completed, 19 are being requested to be carried forward again (included in the 51 projects above) and seven no longer need the remaining budget due to being terminated or are already budgeted in the LTP.

8 This means the overall works programme for 2021/22, is 199 projects. Recent changes to procurement processes will mean a number of these will be programmed together. The total increase in budget is $3.46M, adding to the $28M LTP project budget. Of the $3.46M budget being carried forward, $2.01M is increasing or decreasing 24 budgets already included in the LTP, and $1.45M is 50 projects being added to the programme.

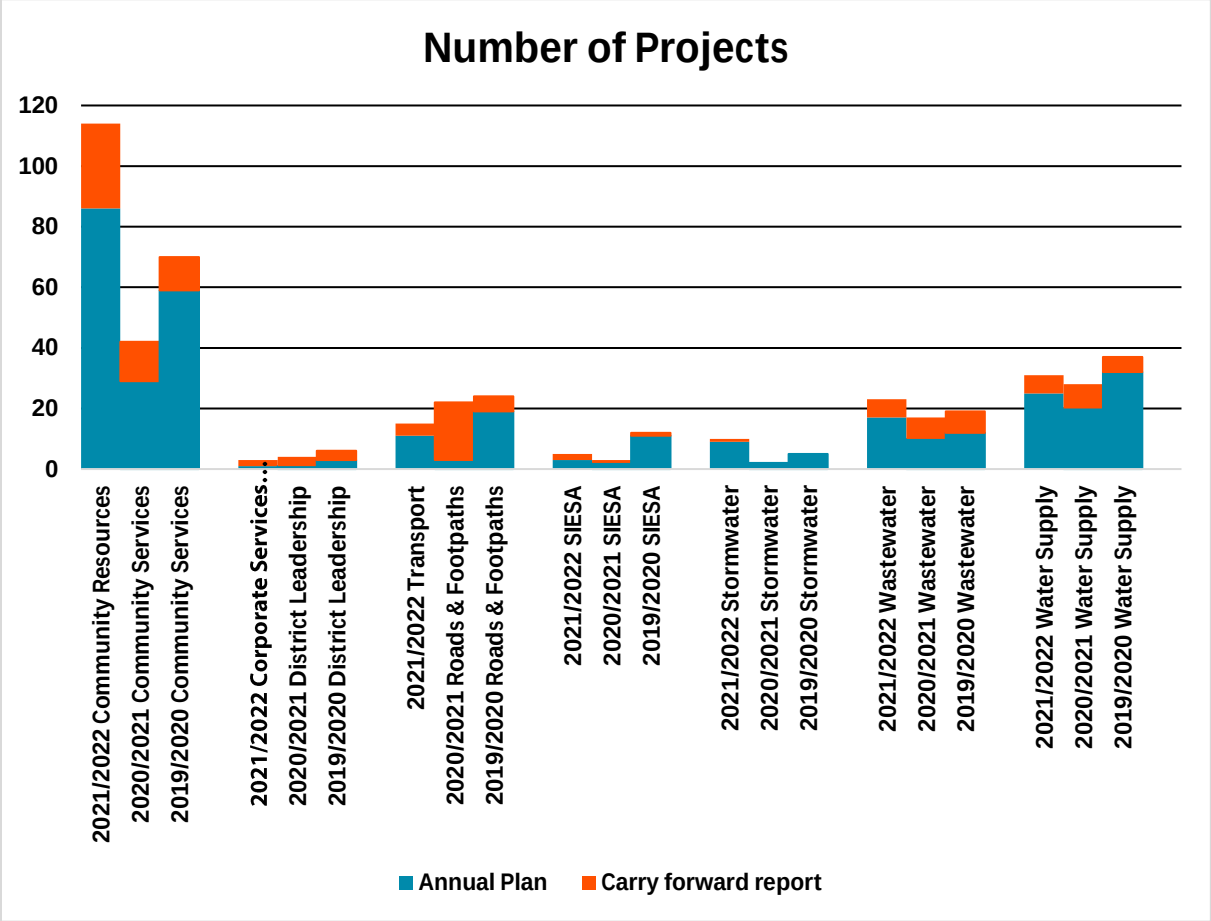
Activity grouping changes for projects and work programme graphs

9 Most activities for the LTP (2021 onwards) are grouped consistently with the previous plans (2018-2020). However there are a few changes that it is useful to be aware of that may affect financial comparatives:

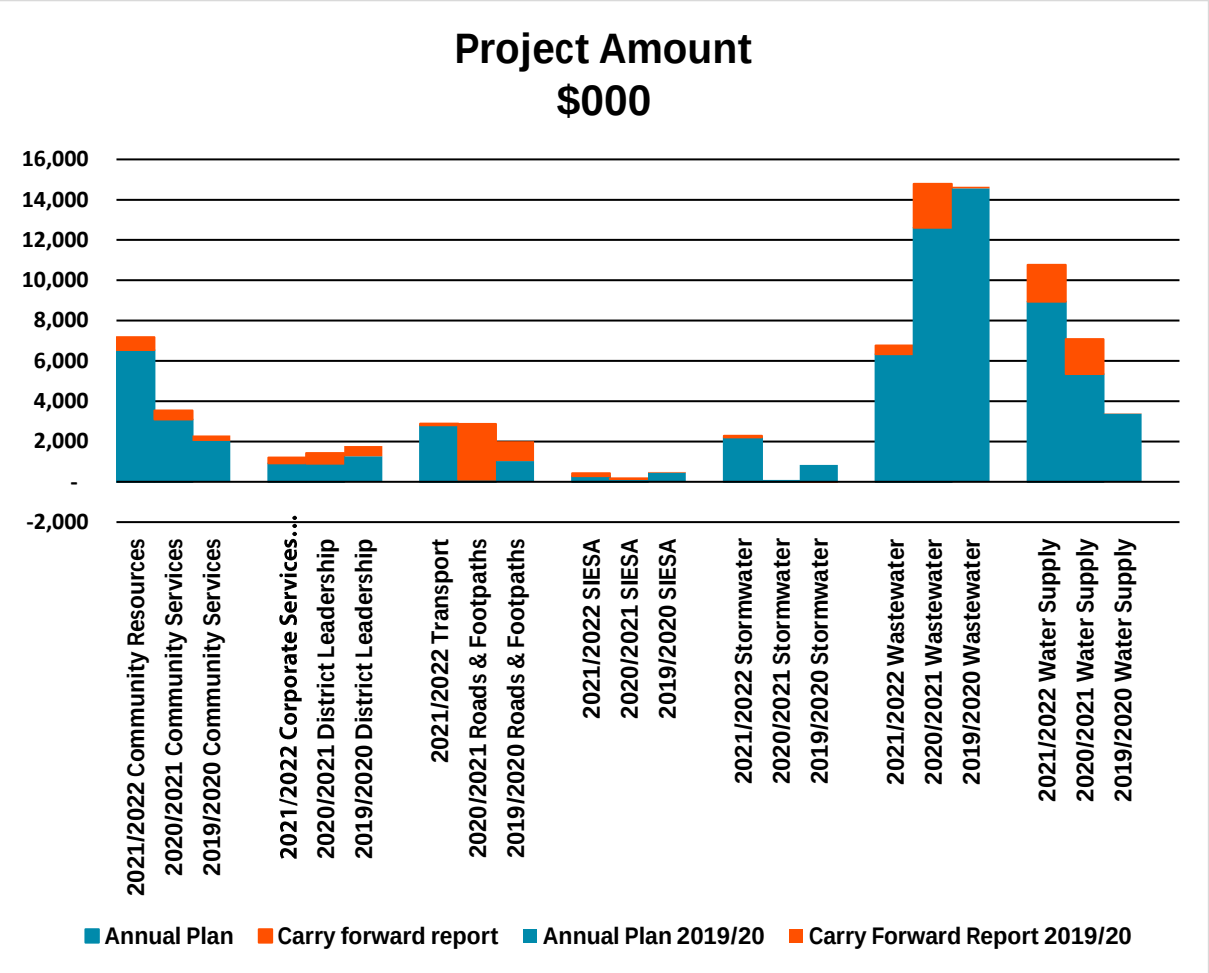
- Transport (previously Roading and Footpaths) now includes the airport and water facilities activities which were previously included Community Services
- Community Leadership (previously District Leadership) now includes Community Assistance for grants etc that was previously included in Community Services
- Community Resources (previously Community Services) now includes Waste Services and SIESA (which were both reported separately in the work programme report) and no longer includes airports, water structures or community assistance (as above).
- Environmental Services (previously Regulatory Services) now includes Emergency Management (which was previously treated separately).
- Corporate Services (previously part of District Leadership) includes all the customer and corporate support (like people and capability, communications, strategy and policy, finance, information management) and Forestry. In the LTP these costs are spread across all the activities but they have been separated out for the purposes of this report.

Projects

10 A breakdown, by activity, is shown in the graph below of the total number of items carried forward combined with projects in the published LTP/AP document. To avoid any projects being counted twice, where there was an existing budget in the relevant LTP/AP the carry forward is counted as part of the LTP/AP.


Number of Projects
120
100
80
60
40
20
0
2021/2022 Community Resources
2020/2021 Community Services
2019/2020 Community Services
2021/2022 Corporate Services...
2020/2021 District Leadership
2019/2020 District Leadership
2021/2022 Transport
2020/2021 Roads & Footpaths
2019/2020 Roads & Footpaths
2021/2022 SIESA
2020/2021 SIESA
2019/2020 SIESA
2021/2022 Stormwater
2020/2021 Stormwater
2019/2020 Stormwater
2021/2022 Wastewater
2020/2021 Wastewater
2019/2020 Wastewater
2021/2022 Water Supply
2020/2021 Water Supply
2019/2020 Water Supply
Annual Plan
Carry forward report

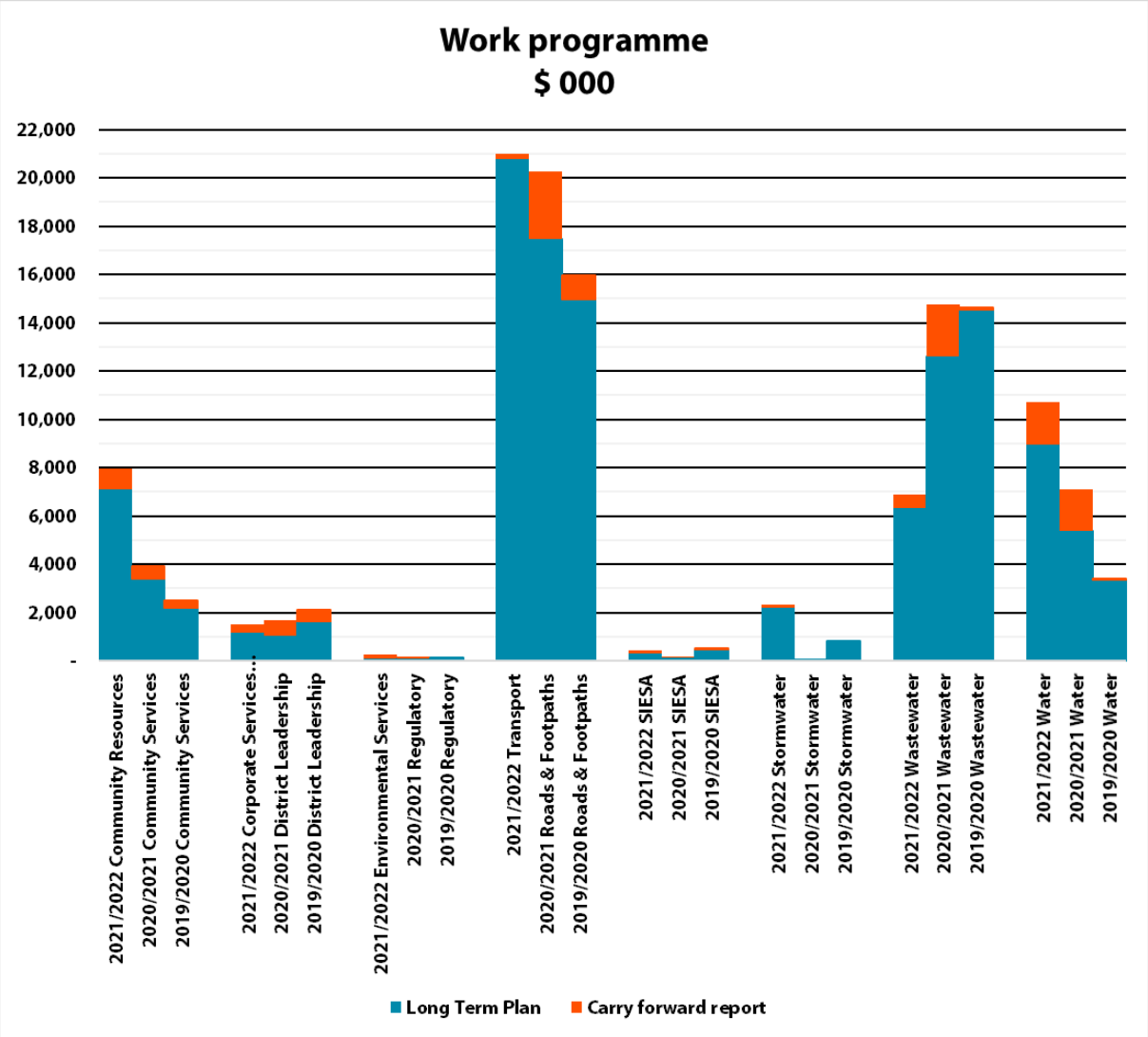
11 The dollar value of the projects in the LTP/AP combined with the amounts carried forward is shown below:



12 As there is a significant amount of capital expenditure that is not included in the LTP/AP as a project, the graph above does not reflect the entire work programme. The overall work programme is shown in the graph below. Capital expenditure not included as a project is the majority of the roading programme, library books, furniture and fittings and hardware replacement purchases.

Overall work programme

13 The programme of capital expenditure and all projects (some of which are classified as operational expenditure) is shown below. This is a combination of the Long Term Plan and the carry forwards, but does not include any unbudgeted expenditure that has been approved for the year to date.



14 The budgeted programme shown above and the actual results are as follows:

Year	Budgeted expenditure	Actual expenditure
2021/2022	$51,135,387	-
2020/2021	$48,278,337	$43,394,602
2019/2020	$40,038,474	$27,523,833

*Budgeted and Actual Expenditure are total capital plus operational projects

15 There are several factors that are important to consider in relation to the works programme:

- On 7 September 2021, Waka Kotahi NZ Transport Agency provided details of final funding approved for 2021/2022. This included an increase of $1,635,155 for capital expenditure of the total $2,158,335 for the Roading programme. Staff are currently reviewing the program and will come back to Council in due course,
- Covid-19 continues to have an impact on the progress of the works programme; causing delays in receiving goods and services and construction sights falling behind due to lockdown level restrictions,
- The SDC committed works programme for 2021/2022 was already a very full programme in terms of scale, now with the added carry forward budgets the team is still coming to terms with resource capacity (internal/external), and the scale of commitment.
- The way in which projects are delivered is seeing significant improvement with greater clarity around project scope, information and workflow tracking. Similar nature projects are being programmed together for contracting purposes, making cost and time saving,
- There is work to be done to improve the way we plan for, track and forecast multi-year projects, particularly in relation to a tightening regulatory and consenting framework in some areas of delivery;
- The Stimulus Programme was on track for the March 2022 completion deadline prior to COVID-19 lockdown. Unfortunately, physical works were put on hold during this time, however sites in the design phase have been able to continue. It is unknown at this stage what the full impact on the timeline has been but Council may need to request an extension on this funding.

16 During the year, Council staff will update the Services and Assets committee, on any programme adjustments needed and will seek to reflect these changes through the forecasting process.

Recommendation

That the Finance and Assurance Committee:

a) receives the report titled "Overall work programme for 2021/2022 including carry forward budgets from 2020/2021" dated 21 September 2021.

Attachments

A 2020 2021 Proposed carry forwards to 2021 2022 ⇩

Type	Town	Activity	Project name	Funded from	Carry Forward Explanation	Actual Carry Forward
Income						
Income	District	Sewerage	Te Anau Wastewater MBIE funding	Loan	Funding from MBIE subject to completion of construction of the project, yet to be commission at 30/6/21	(1,000,000)
Income	District	Corporate Services	Four vehicle sales	Reserve	Due to a delay in the vehicles replacement, the current vehicles sales have not occurred.	(51,555)
Income	District	Roading	Road Safety community advisor vehicle sale	Reserve	Due to a delay in the vehicles replacement, the current vehicles sales have not occurred.	(10,220)
Income	District	Environment Health	Five vehicle sales	Reserve	Due to a delay in the vehicles replacement, the current vehicles sales have not occurred.	(51,552)
Total Income						**(1,113,327)**
Operational						
Operational	District	Community Assistance	Museum Services funding	Reserve	More external funding received in 2019/2020 than budgeted so Council contribution not required and put into District operations, this may need to be available for the 2020/2021 year	58,105
Operational	District	Corporate Services	Internal Audit Programme	Reserve	Internal Audit programme not completely carried out and moved to next year as per Council report (F & A committee)	39,323
Operational	District	Corporate Services	ESRI project - Eagle technology group	Reserve	The services were not entirely provided as expected, therefore the remainder of the budget is required to complete the project in the 2021/22 year.	15,000
Operational	District	Corporate Services	Sign Audit	Reserve	The audit of signs throughout the district was completed but the second part of the project to replace old logos and damaged signage based on the audit findings was not able to be completed.	30,000
Operational	District	Corporate Services	Website development	Reserve	Staff started work on redeveloping the website but were unable to get as far as planned due to other prioritised work. This budget will enable external developers to fast track this work.	14,000
Operational	District	Community & Futures	Community Leadership general projects	Reserve	Budget to cover Community Leadership projects around strategy and research that were not completed and where work is till to be carried out.	116,000
Operational	District	Regional Development	Milford Opportunities Project	Government Grant	This project extended beyond the anticipated June 2021 end date. A variation to the contract will be sort from MBIE to use the remainder of the grant funding towards a stage 3 project.	328,466
Operational	District	Corporate Services	Engineering Admin consulting	Reserve	This is a timing issue, work has commenced and budget committed in 20/21.	61,217
Operational	District	Corporate Services	Water services consultants	Reserve	A consultant has been engaged to provide services through the transition of internal staff changes. This resource is also being used to undertake resource consenting applications.	85,457
Operational	District	Building Solutions	Equipment for vehicles - Building regulations	Reserve	Equipment for new vehicles is required once the new vehicles arrive.	12,296
Operational	District	Building Solutions	Software fees	Reserve	Trapeze licenses/Pathway mobile inspection fees for 2021/2022, currently sitting in prepayments. R/20/8/31883 Council approved District Ops funding 27 August 2020.	22,235
Operational	District	Animal Services	Software fees	Loan	Trapeze licenses/Pathway mobile inspection fees for 2021/2022, currently sitting in prepayments.	6,737
Operational	District	Environment Health	Software fees	Loan	Trapeze licenses/Pathway mobile inspection fees for 2021/2022, currently sitting in prepayments.	20,974
Operational	District	Roading	Emergency works February 2020 Flooding	NZTA / Loan	Work still left to complete at Mclean Road along with minor finishing works that are unable to be completed until spring.	75,000

Type	Town	Activity	Project name	Funded from	Carry Forward Explanation	Actual Carry Forward
Operational	Manapouri	Streetscapes	Manapouri walkway easements	Development Cont.	Work was approved by the Fiordland CB in October 2020. This was placed on hold pending further investigation of the alignment of the walkway as part of the 2021/22 walkway project.	10,000
Operational	Riverton	Harbour	Riverton Harbour endowment rent review and lease renewals	Reserve	Council approved an additional budget of $20K through Feb 2021 forecasting. $9K was spent on valuations, the balance is required for legal fees and further valuation costs.	11,000
Operational	Stewart Island	Community & Futures	Butterfields beach drainage grant to SI Lions Club	Reserve	Expenditure approval granted 14 June 2021.	16,885
Operational	Waikaia	Streetscapes	Mower	Reserve	The contractor is currently completing the paperwork to become an approved contractor. Once this is actioned, the grant for the mower will be made.	31,515
Total Operational						**954,210**
Operational Projects						
Operational Project	District	Waste Services	Shed Painting and maintenance	Loan	Maintenance work on the sorting shed is required, this will be painting, roof repairs and lean-to roof timber beams replacements.	16,477
Operational Project	Athol	Parks & Reserves	Athol playground upgrade softfall and edging	Reserve & Loan	Remaining Athol playground budget is required for new boxing, to top up the soft fall and to remove and replace a piece of equipment.	12,024
Operational Project	Balfour	Parks & Reserves	Playground upgrade softfall	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	687
Operational Project	Colac Bay	Parks & Reserves	Playground upgrade softfall	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	1,686
Operational Project	Dipton	Parks & Reserves	Dipton Playground	Reserve	This project was put on hold to combine it with the 2021/22 playground project to enable all work to be done at the same time.	20,000
Operational Project	Edendale Wyndham	Parks & Reserves	Beautification due to tree felling	Reserve	Scope of works was determined in May, physical works was unable to be carried out prior to 30 June.	5,222
Operational Project	Garston	Parks & Reserves	Playground upgrade softfall	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	1,096
Operational Project	Gorge Road	Representation & Advocacy	Install bell at war memorial	Ward Reserve	This project budget has been carried forward for a number of years, this budget is from the Waihopai Toetoes ward. The scope of works has changed a number of times since the original proposal. The Ward councillor and CB have agreed this will be the last time this budget is carried forward if the project is not completed.	10,000
Operational Project	Mossburn	Parks & Reserves	Playground upgrade softfall	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	442
Operational Project	Nightcaps	Parks & Reserves	Playground upgrade softfall - McGregor Park	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	2,662
Operational Project	Nightcaps	Parks & Reserves	Playground upgrade softfall - Dr Woods Memorial park	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	2,000
Operational Project	Ohai	Parks & Reserves	Playground upgrade softfall	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	962

Type	Town	Activity	Project name	Funded from	Carry Forward Explanation	Actual Carry Forward
Operational Project	Orepuki	Parks & Reserves	Playground upgrade softfall	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	661
Operational Project	Riversdale	Parks & Reserves	Playground upgrade softfall	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	857
Operational Project	Riverton	Parks & Reserves	Playground upgrade softfall	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	24,113
Operational Project	Stewart Island	Parks & Reserves	Playground upgrade softfall	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	2,746
Operational Project	Te Anau	Other Facilities	Luxmore development – Obtaining subdivision consent	Reserve	Budget approved in April 2021 but was still in the planning stage as 30 June with no costs incurred.	152,000
Operational Project	Fortrose	Halls	External and roof repaint	Loan	This project has been deferred due to waiting on a decision from the community as to whether or not the hall is still required. This investigation work rescheduled for the 21/22 year will provide information that will assist with making this decision.	31,335
Operational Project	Tokanui	Parks & Reserves	Playground upgrade softfall	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	1,141
Operational Project	Wyndham	Community Assistance	Wyndham memorial archway	Ward reserve & external grant	This project is very specialised, due to this, staff could not engage the services of an appropriate contractors. Discussions with a suitable contractor are currently happening, their availability is yet to be determined.	19,372
Operational Project	Waikaia	Parks & Reserves	Playground upgrade softfall	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	3,062
Operational Project	Wallacetown	Parks & Reserves	Playground upgrade softfall	Reserve	Work still to be undertaken to get the playground up to a standard that can then be maintained within the adjusted LTP budget. Playgrounds around the district are not all at the same level to begin the planned softfall work.	1,609
Operational Project	Winton	Parks & Reserves	Ivy Russell reserve maintenance project	Reserve	The current contractor fell behind the expected delivery dates for the tree assessment. As a result tree maintenance and remedial works were not all able to be undertaken by 30 June.	7,958
Operational Project	Winton	Other Facilities	Winton Maternity Centre window replacement	Reserve	Delays in the supply of materials and installers.	18,190
Total Operational Projects						**336,302**
Total Operational Expenditure						**1,290,512**
Capital						
Capital	District	Library Services	RFID implementation	Loan	Project underway, completion expected Dec/Jan 2022 FY subject to vendor getting to NZ from Melbourne	192,046
Capital	District	Library Services	Library book purchases	Reserve	Replacement of books lost to mould with the aim to purchase books before the Winton library reopens.	18,325
Capital	District	Corporate Services	Hardware replacement	Loan	Due to supply chain delays due to COVID, computer hardware which should have arrived prior to year end did not arrive.	12,432
Capital	Balfour	Footpaths	Balfour Footpath renewal	Reserve	Local contribution for renewal work that was not required in 2020/21. Additional funding is required following the changes to NZTA funding, the 2021/22 programme is being redeveloped.	3,007

Type	Town	Activity	Project name	Funded from	Carry Forward Explanation	Actual Carry Forward
Capital	Browns	Footpaths	Browns Footpath renewal	Reserve	Local contribution for renewal work that was not required in 2020/21. Additional funding is required following the changes to NZTA funding, the 2021/22 programme is being redeveloped.	3,500
Capital	Colac Bay	Footpaths	Colac Bay Footpath renewal	Reserve	Local contribution for renewal work that was not required in 2020/21. Additional funding is required following the changes to NZTA funding, the 2021/22 programme is being redeveloped.	1,769
Capital	Dipton	Footpaths	Dipton Footpath renewal	Reserve	Local contribution for renewal work that was not required in 2020/21. Additional funding is required following the changes to NZTA funding, the 2021/22 programme is being redeveloped.	2,000
Capital	Gorge Road	Footpaths	Gorge Road Footpath renewal	Reserve	Local contribution for renewal work that was not required in 2020/21. Additional funding is required following the changes to NZTA funding, the 2021/22 programme is being redeveloped.	966
Capital	Mossburn	Footpaths	Mossburn Footpath renewal	Reserve	Local contribution for renewal work that was not required in 2020/21. Additional funding is required following the changes to NZTA funding, the 2021/22 programme is being redeveloped.	2,056
Capital	Nightcaps	Footpaths	Nightcaps Footpath renewal	Reserve	Local contribution for renewal work that was not required in 2020/21. Additional funding is required following the changes to NZTA funding, the 2021/22 programme is being redeveloped.	3,208
Capital	Ohai	Footpaths	Ohai Footpath renewal	Reserve	Local contribution for renewal work that was not required in 2020/21. Additional funding is required following the changes to NZTA funding, the 2021/22 programme is being redeveloped.	7,942
Capital	Orepuki	Footpaths	Orepuki Footpath renewal	Reserve	Local contribution for renewal work that was not required in 2020/21. Additional funding is required following the changes to NZTA funding, the 2021/22 programme is being redeveloped.	7,589
Capital	Stewart Island	Footpaths	Stewart Is. Footpath renewal	Reserve	Local contribution for renewal work that was not required in 2020/21. Additional funding is required following the changes to NZTA funding, the 2021/22 programme is being redeveloped.	16,000
Capital	Otautau	Footpaths	Otautau Footpath renewal	Reserve	Local contribution for renewal work that was not required in 2020/21. Additional funding is required following the changes to NZTA funding, the 2021/22 programme is being redeveloped.	16,179
Capital	Wallacetown	Footpaths	Wallacetown Footpath renewal	Reserve	Local contribution for renewal work that was not required in 2020/21. Additional funding is required following the changes to NZTA funding, the 2021/22 programme is being redeveloped.	35,600
Total Capital						**322,619**
Capital Projects						
Capital Project	District	Corporate Services	Core System replacement	Loan	Delays in setting the 20/21 CAPEX workplan due to increased urgency to address cyber security threats, along with introducing the FMIS project.	248,331
Capital Project	District	Cycle Trails	Around the Mountain Cycle Trail Parawa Cattlestop improvements	Reserve	Delays achieving land owner agreement.	31,625
Capital Project	District	Water supply	Well head improvements and seal off old wells	District Funding - Loan	This project has one remaining bore to be completed in Otautau.	50,217
Capital Project	District	Water supply	SCADA software upgrade	District Funding - Loan	Multiyear project which is in construction phase. This carry forward budget is to be added to the existing 2021/2022 project budget.	58,051
Capital Project	District	Sewerage	Inflow project to comply with Consent limits	District Funding - Loan	Budget required to enable continuation of investigation and monitoring work that is currently underway to understand scope of the inflow & infiltration issues within the Winton township.	101,611

Type	Town	Activity	Project name	Funded from	Carry Forward Explanation	Actual Carry Forward
Capital Project	District	Offices & Buildings	Winton office refurbishment	Reserve	Some initial work has been carried out on confirming the design of the refurbishment. With this completed staff are now in a position to start work on the construction to complete the refurbishment of the office.	151,597
Capital Project	District	Waste Services	Replacement of Plant and Equipment	Loan	Maintenance work on the transfer station, which will include completion of shifting the Glass crusher (due to health & safety reasons) and associated hardstand improvement work around the glass crusher area.	18,681
Capital Project	Manapouri	Sewerage	Consent Renewal Preparation	District Funding - Loan	Multiyear project which is in consultation and design phase. Budget to be added to the 21/22 budget.	87,945
Capital Project	Ohai	Sewerage	New UV/Treatment Plant upgrade	District Funding - Loan	Project is progressing through planning and design scoping with a new UV unit to be installed as per consent conditions. Budget will be combined with P-10464 for the new UV install at the Ohai WWPT.	38,572
Capital Project	Ohai	Sewerage	Seals and arms to both trickling filters	District Funding - Loan	Project is progressing through design scoping and will be completed in the 21/22 financial year.	61,500
Capital Project	Ohai	Water Supply	Ohai - Consent Renewal Preparation	District Funding - Loan	Project is still progressing through consent.	4,417
Capital Project	Riversdale	Sewerage	Treatment Upgrade Stage 2	District Funding - Loan	Multiyear project which is in consultation and tender phase.	42,951
Capital Project	Riverton/Aparima	Footpaths	New waste disposal station	Reserve & external grant	Physical works was unable to begin prior to 30 June. Archaeological authority has been granted.	45,813
Capital Project	Riverton	Water Supply	Additional UV disinfection	District Funding - Loan	Project is progressing through construction currently.	92,276
Capital Project	Stewart Island	Footpaths	Install new streetlights on the waterfront in Oban, Stewart Island	SIVL Grant	Powernet unable to get the electrical connection completed in the 21/21 financial year. Expectation to be completed before August.	1,686
Capital Project	Stewart Island	Streetscapes	Upgrade Bathing beach track and signage	SIVL Grant	Signage and track surfacing is still in progress.	7,941
Capital Project	Te Anau	Footpaths	CCTV in Te Anau Town Centre	Reserve	CCTV unable to be completed in the 20/21 financial year due to an outstanding building owner agreement which is being worked through.	6,475
Capital Project	Te Anau	Water Supply	Sandy Brown second water tank and VSD on third pump	District Funding - Loan	Projete is progressing through the design scoping phase and will be completed in the 21/22 financial year.	52,429
Capital Project	Te Anau	Water Supply	Lakefront Drive watermain Upgrade	District Funding - Loan	Project is progressing through construction after a delayed start. Part of this budget was deferred to the 21/22 year throught the LTP.	58,893
Capital Project	Te Anau Rural Water	Water Supply	Consent Renewal Preparation (Ramparts)	Loan	This project is awaiting a third party agreement to be accepted through Environment Southland.	23,046
Capital Project	Te Anau	Airport	Runway surface rehabilitation	Reserve	The condition rating assessment was completed, associated investigation work is yet to be packaged in the runway renewal delivery.	30,000
Capital Project	Thornbury	Toilets	Thornbury Playground	Loan	Weather and ground conditions are holding this project up.	28,044
Capital Project	Waikawa/Niagara	Halls	Reclad Exterior	Loan	This project was delayed due to issues with the delivery of materials. Project is expected to be completed in July 2021.	20,313
Capital Project	Tokanui	Parks & Reserves	Tokanui Playground Equipment	Reserve	Project completion has been delayed due to equipment supply delays.	3,876
Capital Project	Tokanui	Sewerage	Embankment work to ponds - Discharge Channel	District Funding - Loan	Project is progressing through construction currently.	79,651
Capital Project	Tuatapere	Water Supply	Recoat Aerator frame at Water Treatment Plant Tuatapere	District Funding - Loan	Project is progressing through construction currently.	55,953
Capital Project	Eastern Bush	Water Supply	Water Supply Upgrade - Stage 1	District Funding - Loan	Multiyear project which is still in the design phase. Remaining budget is to be spent on drilling investigation bores but has been delayed due to landowner agreement still to be finalised.	215,761
Capital Project	Otautau	Water supply	Otautau Main Street watermain	District Funding - Loan	Further work is required at the water plant related to the changes made with the new rising main that was installed.	65,272

Type	Town	Activity	Project name	Funded from	Carry Forward Explanation	Actual Carry Forward
Capital Project	Winton	Cemeteries	New Information Kiosk at East Winton Cemetery	Development Cont.	There have been multiply delays over the years in developing information boards.	15,744
Capital Project	Winton	Sewerage	Consent Renewal Preparation	District Funding - Loan	Multiyear project which is still in the design phase. Remaining budget is to be spent on drilling investigation bores but has been delayed due to landowner agreement still to be finalised.	55,898
Capital Project	Winton	Sewerage	Gap Road East pumped sewer	District Funding - Loan	Project is progressing through construction currently.	24,000
Capital Project	Wyndham	Toilets	Wyndham toilet	Loan	All toilets are to be put out as a bulk tender.	118,461
Capital Project	SIESA	SIESA	Underground cable installation Ringaringa Road	Reserve	The contractor was unable to complete the work required within the financial year.	6,942
Capital Project	SIESA	SIESA	Replacement Generator/Turbine	Reserve	Project has not commenced, the budget is required for work to be carried out in the 2021/22 Financial year.	140,000
Capital Project	Manapouri	Water Supply	Water Treatment Plant upgrade re turbidity	District Funding - Loan	Multiyear project which is still in the design phase. More was spent in the 20/21 year than originally budgeted so this is reduce the 21/22 budget.	(30,796)
Capital Project	Riverton	Toilets	Taramea Bay Toilets	Loan	This project was deferred through the LTP, however some costs were incurred in 20/21 so this is to reduce the 21/22 budget.	(15,239)
Capital Project	Stewart Island Jetties	Jetties	Rebuild Ulva Island Jetty	Reserve, SIVL grant & Loan	Project was deferred through the LTP. However costs were incurred so this is to reduce the 21/22 budget.	(13,570)
Capital Project	Stewart Island Jetties	Jetties	Golden Bay Wharf Rebuild	SIVL Grant	Project was deferred through the LTP. However costs were incurred so this is to reduce the 21/22 budget.	(31,785)
Capital Project	Clifden Bridge	Parks & Reserves	Clifden Bridge Interpretation Panel	Loan	This budget is a double up in the LTP. P-10944 is in BU 28190 where the project should be.	(10,000)
Capital Project	Te Anau	Parks & Reserves	Walkway in water park area	Reserve	Te Anau CB cancelled this project so that reserve funding was available for a larger project.	(10,445)
Capital Project	Otautau	Parks & Reserves	Arboretum Glenburn Toilet refurbishment	Loan	This refurbishment was rebudgeted in the 2024/25 financial year without removing the 2021/22 budget.	(15,000)
Total Capital Projects						**1,917,135**
Stimulus Programme						
Stimulus	District	Various	Stimulus Programme as agreed to the Government funding agreement	Grants - stimulus funding	The Stimulus programme is a package of multi-year projects. Budgets are being moved to and from the 2021/2022 financial year to ensure budget is available to utilise the total Stimulus funding.	1,337,840
Total Stimulus Programme						**1,337,840**
Vehicle Renewals						
Vehicle Renewal	District	Corporate Services	Three vehicle replacement	Reserve	Vehicles have not yet been replaced.	117,772
Vehicle Renewal	District	Roading	Road Safety community advisor vehicle sale	Reserve	Vehicle has not yet been replaced.	35,770
Vehicle Renewal	District	Environment Health	Four vehicle replacement	Reserve	Vehicles have not yet been replaced.	139,546
Total Vehicle Renewals						**293,088**
Total Capital Expenditure						**3,870,683**
Total Carry Forward						**4,047,867**

Finance transactional update as at 30 June 2021

Record No: R/21/8/45963
Author: Shelley Dela Llana, Accountant
Approved by: Anne Robson, Chief financial officer

☐ Decision ☐ Recommendation ☒ Information

Overview

1 This report provides a summary of Council's transactional activities to 30 June 2021, to assist the committee with monitoring Council's financial performance and in particular risks associated with debt management. The report details the status of the outstanding balances of each revenue stream and any associated actions.

2 The balance owing for each Council revenue stream as at 30 June 2021 is shown in the table below compared with the previous year. A negative (-) shown in the variance column indicates an improvement over the prior year. All figures included in this report are GST inclusive and include any credit balances.

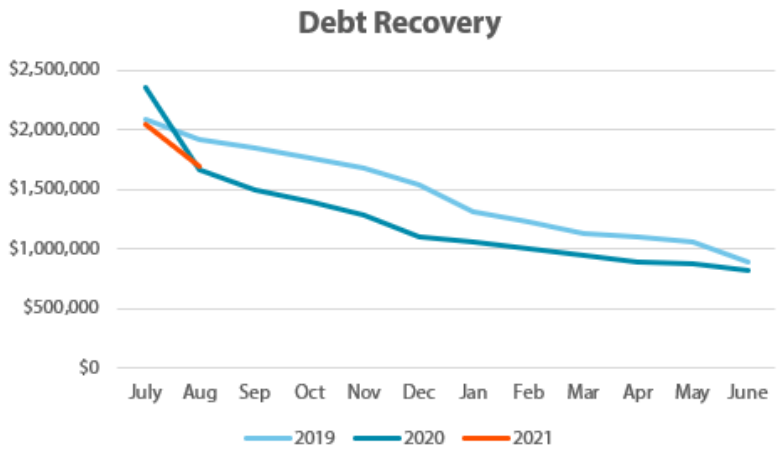
Balance owing by revenue stream (outstanding debt)								
	30 June 2020		30 June 2021		Variance			
	$	No's	$	No's	$		No's	
					$	%	No's	%
Rates	$1,566,207	3,254	$1,128,138	2,719	-$438,069	-28%	-535	-16%
Metered water	$22,139	33	$17,245	14	-$4,894	-22%	-19	-58%
SIESA electricity	$132,530	403	$105,126	358	-$27,404	-21%	-45	-11%
Sundry+	$922,712*	476	$1,892,121	358	$969,409	105%	-118	-25%
Total	**$2,643,588**	**4,166**	**$3,142,630**	**3,449**	**$449,042**	**19%**	**-717**	**-17%**

+ Sundry debt includes building consent, licensing fees, rental etc
* This excludes $5,433,750 invoiced to Ministry of Business, Innovation & Employment invoiced on 30 June 2020

3 The table above indicates good improvements in most areas over the year. Further analysis of each of these outstanding debt types is outlined below.

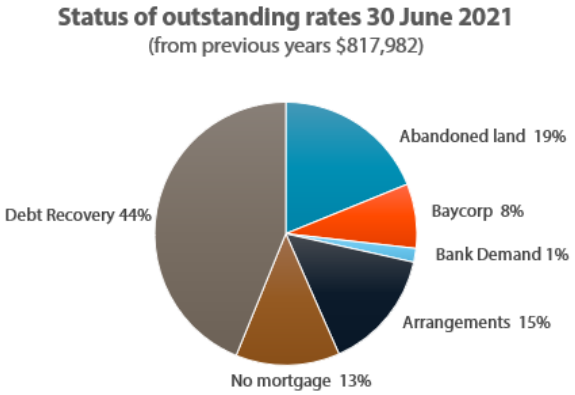
Rates

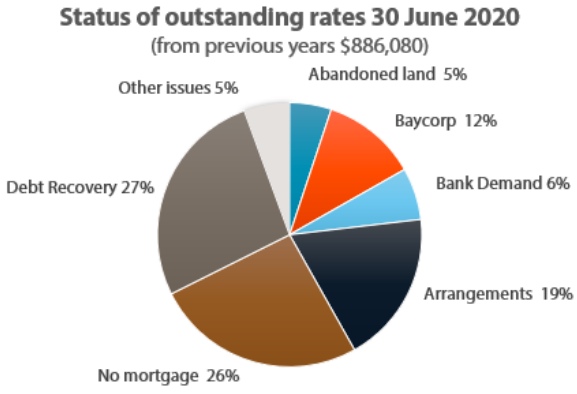
4 The rates amount at the 30 June 2021 of $1,128,138 (2020: $1,566,207) is the net amount owing. The gross amount is $2,045,000 (2020: $2,354,728) after adding back revenue received in advance of $916,861 (2020: $788,521).



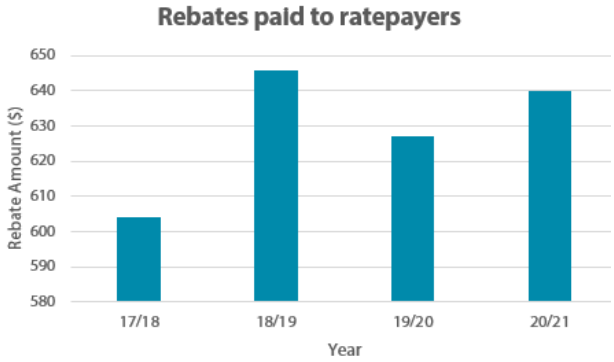
5 Of the $2,045,000 (2020: $2,354,728) outstanding, $817,982 (2020: $886,080) relates to the previous financial year's debt. This indicates that current debt is being well managed during the year while older debt is proving more difficult to address. The steady decrease leading up to December/January shows the result of working with banks and mortgage holders prior to banks paying out in those months, with small movements on remaining debt for the rest of the year.

6 An analysis of the status of the debt is shown in the graph below, which shows an increase in active debt recovery, some being progressed through the courts now. The approach shows a focus on following up on mortgage holders, with only private ones left unpaid. The increase in abandoned land has resulted from the proactive work that staff are doing to follow up on unpaid rates through the debt recovery process.





7 **Rates rebates:** A rates rebate is a partial rates subsidy for low income home owners on the cost of their rates. The number of properties obtaining the rates rebate has remained relatively steady over the past four years as shown in the graph below. The maximum rates rebate is now $665 with the threshold for household income rising by $2,000 and the level of rates rising by $500. Changes to legislation mean the rebate forms no longer need to be witnessed in person which should encourage more people to fill in the forms and post these in. During 2020/2021 finance officers also travelled around the District to promote the scheme through drop in sessions and presentations to local groups. The aim of this was to increase the number of households applying for the rebate. While this was not successful in increasing rebate numbers, Council was praised for being out in the community.



8 **Emailing rates:** The number of ratepayers on email for the first instalment has increased to 3,940 (2020: 3,421). Each year we have been contacting overseas ratepayers via email to promote this service, as it provides a faster method of invoice delivery for the customer and reduces cost for Council. We are still continuing to promote direct debit and email with our yearly competition of a $500 Prezzy card, which is provided to us by Westpac.

9 **Direct debit:** We continue to actively promote direct debit as the preferred form of payment given the considerable time it saves both staff and the ratepayer by ensuring payments go to the correct place. Currently we have 31% (2020: 37%) of ratepayers paying by direct debit. Staff are anticipating that the introduction of a fee on credit card transaction may see an increase in direct debit payments over the coming year.

Metered water rates

10 The amount of metered water rates outstanding at the end of the year has reduced by 20%. This may be in part due to the introduction of the 10% penalty that now goes on each outstanding instalment. Reminder letters are also sent with the penalty to follow up on payments. This year, to be consistent with rates, a second arrears penalty of 10% on total outstanding balance at 30 June was applied and letters sent out. So far there has been no reaction to the letter or no real increase in payments. Any outstanding metered water rates will then progress through the debt recovery process exactly like other rates.

11 Metered water rates outstanding at 30 June 2021 are summarised in the table below

	Last instalment (May 2021)	Older debt	Total
Amount outstanding	$6,397	$10,848	$17,45
Number of debtors	11	3	14

Electricity charges (SIESA)

12 While SIESA shows a reduction in debt of 21%, the reduction is closely linked to lower consumption in June which was down compared to the previous year. With this debt, staff are following policy and actioning disconnection notices to arrears older than 60 days. This is proving to be an effective way to keep on top of payments. No disconnections have been required in the last financial year. The debt relating to April/earlier was all paid in July. Electricity charges outstanding at 30 June 2021 are summarised in the table below:

	June-current	May	April	March and earlier	Total
Amount outstanding	$92,868	$18,235	$3,007	$286	$105,126
Number of debtors	313	36	9	5	358

Sundry debt

13 Sundry debt shows a considerable increase this year. A large portion of this relates to a $1.1 million invoice that was raised in June 2021 and subsequently paid in July.

14 This year there is a focus on reconciling accounts, following up old debt and working with managers on outstanding issues to continue to manage sundry debt.

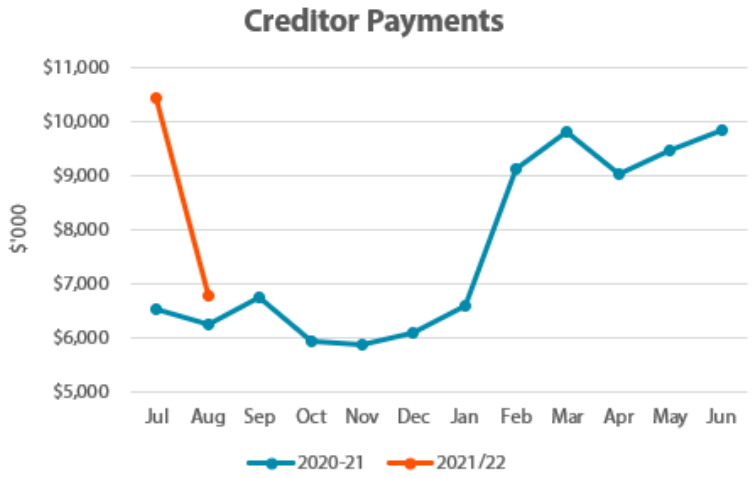
15 Outstanding balances at 30 June 2021 is summarised in the table below:

	June-current	May	April	March	Feb	Jan and earlier	TOTAL
Amount outstanding	$1,587,098*	$212,859	$13,163	$15,565	$23,644	$39,793	$1,892,121
Number of debtors	395	91	23	24	16	35	584

* The debt also includes $40 thousand (2020: $91 thousand) of credit balances.

Creditors

16 The graph below shows that payments to creditors have increased throughout the year as a result of work programmes and projects being completed. A large number of invoices were also paid in July as staff worked through final payments for work carried out in 2020/2021 as part of the balance up for the end of the financial year.



Team summary

17 The following provides an update on other transaction team initiatives and issues:

18 Council's long-term debtors' officer and debt collection officer both resigned last year, resulting in a considerable loss of knowledge. The resulting impact has been lessened due to the introduction of new finance officer roles, which are focused on sharing tasks as well as the creation of role manuals last year. These have been of benefit across the organisation and will continue to be improved.

19 The team are working with IT to move towards using pathways for debt collection management. This will allow staff to produce letters, track activities and add comments all inside the system, with reporting to be developed. The aim will be to manage sundry debtors as well as rates in one system.

20 Mortgage demands for rate arrears have been sent but some banks are delaying payment dates as a result of the latest Covid-19 lockdown. Council staff have also delayed progressing with debt collection due to Covid-19 and will look to progress this again after penalties are applied for instalment one. Staff continue to work with ratepayers during this time to help make arrangements that suit both parties.

21 In April 2021, the government passed significant legislative changes related to Maori owned land to support its use and development. This new legislation provides the ability to:

- make wholly unused land non-rateable
- rate individual homes on Maori freehold land separately
- give councils the ability to write off rates arrears
- allow land protected by Ngai Whenua Rahui kawenta land to be made non-rateable
- standardise rates remissions for Maori freehold land under development
- treat multiple blocks as one.

22 Staff have reviewed the rating of Whenua Maori land as a result of the legislative changes Southland had six properties in the district that were wholly unused land and which have now been made non-rateable with $29,358 of arrears written off.

23 Staff invoice requests for debtors are now going through an online portal, making requests more accurate and uploading into the system easier.

24 The new solicitor's portal for property rates information has been well received with minimal queries. However, staff have had to process more refunds due to non-cancellation of direct debits at the time of property sale. As a result, staff are planning to get in touch with portal users to provide further information on how to check for direct debits to reduce this issue.

25 This year staff also intend to review the way the sale of properties get notified to Council and how best to get that information in a timely and accurate manner.

Recommendation

That the Finance and Assurance Committee:

a) receives the report titled "Finance transactional update as at 30 June 2021" dated 20 September 2021.

Attachments

There are no attachments for this report.

Long Term Plan 2021-2031 - Management report on the Long Term Plan from Audit NZ

Record No: R/21/9/51571
Author: Jason Domigan, Corporate performance lead
Approved by: Fran Mikulicic, Group manager democracy and community

☐ Decision ☐ Recommendation ☒ Information

Purpose

1 To present the management report from Audit New Zealand which relates to the audit of the Long Term Plan 2021-2031.

Executive summary

2 As part of the audit process, Audit New Zealand (Audit NZ) provides Council with a report (known as the management report) at the final stage of the Long Term Plan. This report outlines the work that was performed and lists any recommended areas for improvement.

3 Audit NZ issued an unmodified audit report on 30 June 2021. The Audit NZ management report is included as Attachment A.

4 The report commented on key focus areas, noting the changes in Waka Kotahi NZ Transport Agency funding and the amended approach taken by Council as a result of those changes. This is noted in section two of the management report attached.

5 The unmodified audit report included two emphasis of matter paragraphs, highlighting uncertainty of delivering the proposed capital expenditure programme and the ongoing uncertainty over the three waters reforms. These two matters are noted in section three of the management report.

Recommendation

That the Finance and Assurance Committee:

a) Receives the report titled "Long Term Plan 2021-2031 - Management report on the Long Term Plan from Audit NZ" dated 20 September 2021.

Background

6 All councils are required by legislation to adopt a Long Term Plan (LTP) and review it every three years. The LTP sets out Council's activities, plans, budgets and policies and must be adopted before the beginning of the first year it relates to, having used a special consultative procedure to consult with the community.

7 The Local Government Act 2002 (LGA) requires a consultation document to be prepared and adopted in accordance with sections 93A(1)(a).

Audit process

8 Within the LTP audit process there are two audits. The first one is following the development of the consultation document and supporting information. Once the Long Term Plan process is complete, Audit NZ produce a management report for the overall process.

9 The management report referred to in this document relates to the results of the final audit visit which occurred in May-June 2021 (see attachment A). It discusses the overall outcome of the audit, matters arising from the audit, follow up matters from the consultation document audit and publication of the LTP on the Council's website. It also outlines any corrected misstatements and disclosures.

10 Overall, Audit NZ issued an unmodified audit report on the Council's LTP and included two emphasis of matter paragraphs in the audit report to draw readers' attention to the uncertainty over three waters reforms and uncertainty over the delivery of the capital programme.

Issues

11 There was one matter and two emphasis of matter identified through the audit process.

Waka Kotahi NZ Transport Agency funding

12 Audit NZ identified one matter during the audit. The funding confirmation Council received from Waka Kotahi NZ Transport Agency, on 31 May 2021, advised that the funds to be provided to Council were reduced by $15 million. This reduction resulted in a material adjustment of the financial forecast figures included in the LTP. As a result, Council amended years 1 to 3 of the LTP in line with the Waka Kotahi NZ Transport Agency constrained programme. The shortfall of funding was shifted from the first three years for capital work into years 4 to 10 of the LTP to maintain Council's roading assets and expected levels of service long term. Roading operational costs have been reduced in years 1 to 3 in line with the Waka Kotahi NZ Transport Agency advice, with years 4 to 10 left as per the original budgets.

13 There remains a risk that the source of funding for these projects in years 4 to 10 is not certain and could result in a decrease in levels of service.

14 We have recently received confirmation from Waka Kotahi NZ Transport Agency that additional funding has been approved for the Southland District Council further reducing the shortfall outlined above.

Three waters reforms

15 Without modifying their opinion, audit included an emphasis of matter paragraph in our audit report to draw the readers' attention to the disclosures in the LTP about the uncertainty over three waters reforms.

16 Audit NZ accept Council's assumption as reasonable as it has assumed business as usual for the full LTP period and is consistent throughout the supporting documentation such as asset management plans relating to the three waters activities.

Capital programme delivery

17 Audit also included an emphasis of matter paragraph on the uncertainty over the delivery of the capital programme due to a number of factors, including the significant constraints in the construction market.

18 Audit NZ analysed the delivery against the capital work programme for the last three years and accepted Council's assumptions included in the LTP as reasonable.

19 Audit NZ thanked Council, management and staff for their assistance received during the audit.

20 No other issues were raised in the management report.

Factors to consider

Legal and statutory requirements

21 Under the Public Audit Act 2001 the Auditor-General is appointed as the auditor of all public entities. Audit NZ, as a business unit of the Auditor-General, has been appointed as the auditor of Council.

22 Section 93C(4) of the Local Government Act 2002 states that the consultation document must contain a report from the auditor general that it gives effect to the purpose of a consultation document and the quality of information and assumptions underlying the forecast information.

23 In undertaking their work, the auditors are required to exercise professional judgement and a degree of scepticism to their work and ensure that they understand the broader context within which the organisation is operating.

Community views

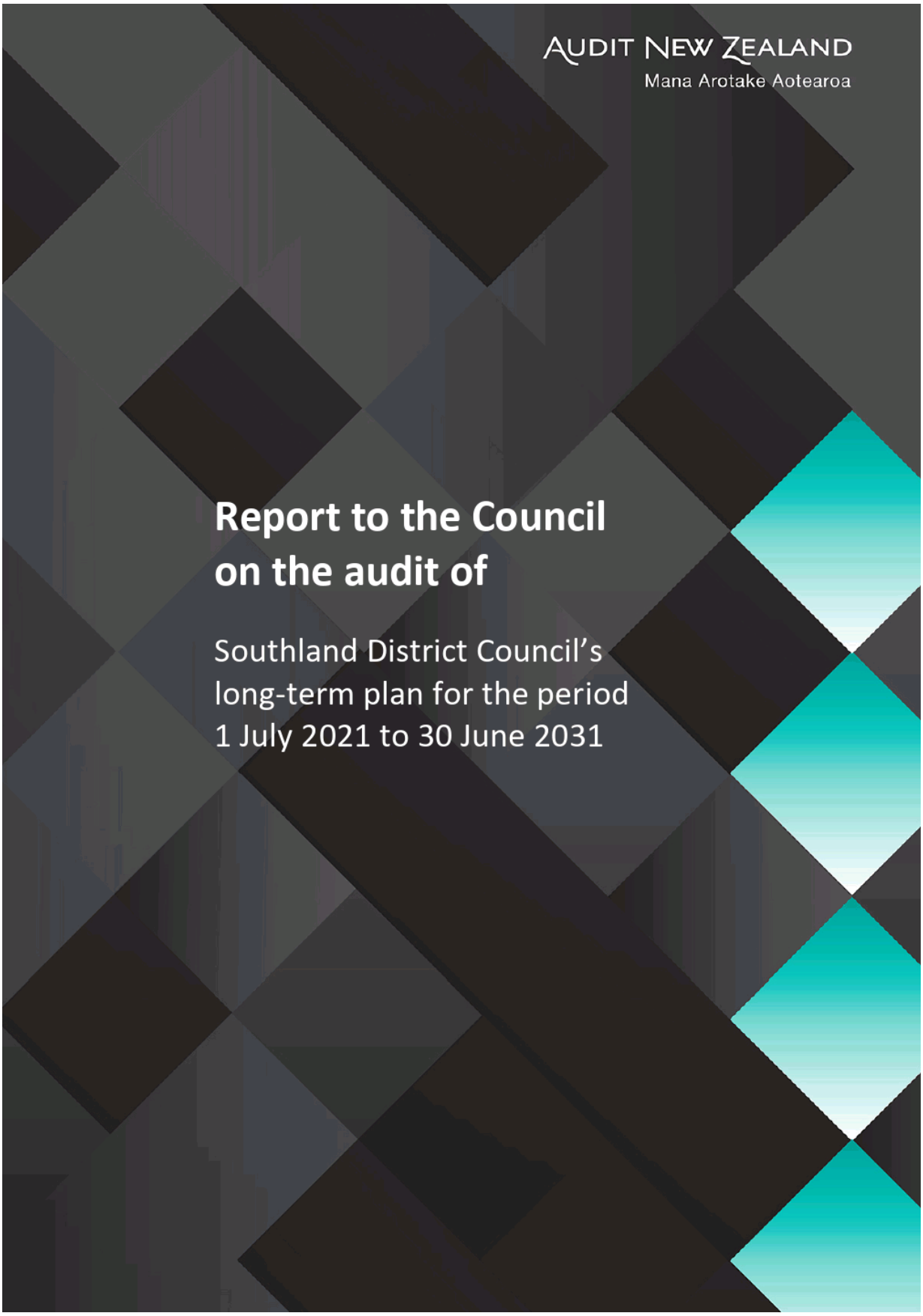
24 The community would expect Council to actively consider and implement where appropriate, recommendations made by its auditors and the auditor's report is included in the Long Term Plan.

Next Steps

25 There are no further steps. This concludes the final step in the audit process of Council's LTP.

Attachments

A Long Term Plan 2021-2031 - Audit NZ Final Management Report ⇩


AUDIT NEW ZEALAND
Mana Arotake Aotearoa
Report to the Council on the audit of
Southland District Council's long-term plan for the period 1 July 2021 to 30 June 2031

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Key messages

We have completed the audit of Southland District Council's (the Council's) long-term plan (LTP) for the 10-year period commencing 1 July 2021 to 30 June 2031. This report sets out our findings from the audit, and where appropriate makes recommendations for improvement.

Audit report

We issued an unmodified audit report on the Council's LTP on 30 June 2021.

We included two emphasis of matter paragraphs in the audit report to draw readers' attention to the uncertainty over three waters reforms and uncertainty over the delivery of the capital programme.

Matters identified during the audit

Changes in the Waka Kotahi - New Zealand Transport Agency (Waka Kotahi) funding

The funding confirmation the Council received from Waka Kotahi, on 31 May 2021, advised that the funds to be provided to the Council were reduced by $15 million. This reduction resulted in a material adjustment of to the financial forecast figures included in the LTP. The Council amended years 1 to 3 of the LTP in line with the Waka Kotahi constrained programme. The shortfall of funding was shifted from the first three years for capital work into years 4 to 10 of the LTP to maintain the Council's roading assets and expected levels of service long term. Roading operational costs have been reduced in years 1 to 3 in line with the Waka Kotahi advice, with years 4 to 10 left as per the original budgets.

There remains a risk that the source of funding for these projects in years 4 to 10 is not certain and could result in a decrease in levels of service.

Thank you

We thank the Council, management and staff for their assistance received during the audit.

Dereck Ollsson
Appointed Auditor
16 August 2021

1 Our audit report

1.1 We issued an unmodified audit report

We issued an unmodified audit report on the Council's LTP on 30 June 2021. This means that:

- the plan provides a reasonable basis for:
  - the long-term, integrated decision-making and co-ordination of the Council's resources; and
  - accountability of the Council to the community; and
- the information and assumptions underlying the forecast information in the plan are reasonable.

Without modifying our opinion, we included an emphasis of matter paragraph in our audit report to draw the readers' attention to the disclosures in the LTP about the uncertainty over three waters reforms.

We also included an emphasis of matter paragraph on the uncertainty over the delivery of the capital programme due to a number of factors, including the significant constraints in the construction market.

In issuing our audit report, we considered the uncorrected misstatements noted below and the matters discussed in sections 2 and 3 of this report.

1.2 Uncorrected misstatements

The forecast information underlying the LTP is free from material misstatements, including omissions. During the audit, we discussed with management any misstatements that we found, other than those that were clearly trivial.

1.3 Corrected misstatements and disclosure deficiencies

Appendix 1 sets out the corrected misstatements and disclosure deficiencies we found during the audit.

1.4 Quality and timeliness of information provided for audit

Management submitted the first draft of the LTP for audit on 24 May 2021 with the supporting information. However, due to the significant changes in the Waka Kotahi funding confirmation received on 31 May 2021, the audit team resolved to halt the audit on 2 June 2021 in order to allow management to revisit the financial model and LTP and assess the full impact. The audit team were provided with an updated version on 9 June 2021, which was then reviewed. We therefore had to reperform our review of the financial and

infrastructure strategies, rates resolution, funding impact statements and the transport asset management plan.

We will seek recoveries of fees relating to the additional work performed over the Waka Kotahi funding. We thank the LTP team from the Council's side for their cooperation and prompt responses to ensure the LTP could be adopted before the 30 June 2021 deadline.

2 Matters arising from the LTP audit

2.1 Audit scope and objective

The scope of our audit engagement and our respective responsibilities are contained in our combined audit proposal and engagement letter dated 21 December 2020.

2.2 Control environment

Our approach to the audit was to identify, confirm and assess the Council's key processes and controls over the underlying information and ultimate production of the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions.

2.3 Area of focus – changes in the Waka Kotahi funding

On 31 May 2021, Waka Kotahi advised they are funding $15 million less than the requested funds. This reduction resulted in the adjustment of the financial forecast figures. The Council amended years 1 to 3 of the LTP in line with the Waka Kotahi constrained programme. The shortfall of funding was shifted from the first three years for capital work into years 4 to 10 of the LTP to maintain the Council's roading assets and expected levels of service long term. Roading operational costs have been reduced in years 1 to 3 in line with the Waka Kotahi advice, with years 4 to 10 left as per the original budgets.

There remains a risk that the source of funding for these projects in years 4 to 10 is not certain and could result in a decrease in levels of service.

3 Follow-up matters from the consultation document audit

3.1 Capital expenditure "do-ability"

We re-visited the "do-ability" assumption included in the LTP and through a hot review process confirmed to include an emphasis of matter paragraph in this LTP opinion as noted above in section 1. This is due to the significant uncertainty over the deliverability of the capital expenditure.

We analysed delivery against the capital work programme for the last three years. The average actual to budget capital expenditure delivery forecast for the last three years was 80%. We accept the Council's assumptions included in the LTP as reasonable.

3.2 Three waters reform

The Council has assumed it will continue to own and directly operate the three waters networks (drinking water, wastewater, and stormwater) and has indicated a high level of uncertainty around this assumption.

We accept the Council's assumption as reasonable as it has assumed business as usual for the full LTP period. We confirmed business as usual for the three waters through our discussions with management and review of the asset management plans, which are correctly flowed through to the LTP. We have not noted any decline in capital expenditure for three waters throughout the 10-year LTP period and the level of capital expenditure is in line with the previous LTP period.

An emphasis of matter paragraph is included in the LTP audit report highlighting the uncertainty over three waters reforms. The Council has made its disclosures on pages 11 and 134 of the LTP document.

4 Publication of the LTP on the Council's website

As the Council intends to publish the LTP electronically, please allow time for us to examine the final electronic file version of the LTP incorporating the audit report before uploading onto your website.

We need to ensure consistency with the paper-based documents that we have audited and given clearance on. Changes may also be needed to the audit report, for example, page number references.

Appendix 1: Corrected misstatements and disclosure deficiencies

Corrected misstatements and disclosure deficiencies
Financial strategy • Several changes to the benchmarks in the financial strategy to align with the adjustments made due to reduction in the Waka Kotahi funding. **Compliance of the LTP document with applicable regulations** • Inclusion of a narration in the accounting policies disclosing the Council's future adoption of Public Benefit Entity IPSAS 41. • Update of the benchmarks section in LTP to comply with applicable regulations.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	We carried out this audit on behalf of the Controller and Auditor General. We are responsible for expressing an independent opinion on the LTP and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002. The audit of the LTP does not relieve management or the Council of their responsibilities. Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.
Assurance and auditing standards	We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400 *The Examination of Prospective Financial Information* that were consistent with those requirements. Our work cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.
Auditor independence	We are independent of the Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners,* issued by New Zealand Auditing and Assurance Standards Board. In addition to our audit of the Council's consultation document and all legally required external audits, we completed an assurance engagement pursuant to the Council's debenture trust deed. These engagements are compatible with those independence requirements. Other than these assignments, we have no relationship with or interests in the Council.
Other relationships	We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council that is significant to the audit. We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the audit.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 232
Dunedin 9054

www.auditnz.parliament.nz

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

Record No: R/21/3/11745
Author: Sheree Marrah, Financial Accountant
Approved by: Anne Robson, Chief financial officer

☒ Decision ☐ Recommendation ☐ Information

Purpose

1 To provide an overview of and seek authorisation of Audit New Zealand's (Audit NZ) engagement letter for the limited independent assurance report of Council's debenture trust deed.

Executive summary

2 Audit NZ requires Council to confirm the terms of its engagement for the limited independent assurance report of Council's debenture trust deed, by way of an engagement letter.

3 This letter is required to be signed by the mayor and returned to Audit NZ to confirm Council's acceptance of the engagement terms.

4 A copy of Audit NZ's engagement letter and associated documents are included as Attachment A.

Recommendation

That the Finance and Assurance Committee:

a) Receives the report titled "Engagement Letter - Limited Independent Assurance Report of the debenture trust deed" dated 20 September 2021.

b) Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.

c) Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

d) Authorises the mayor to sign the Audit New Zealand engagement letter for the limited independent assurance report of the debenture trust deed on Council's behalf.

Background

5 Audit NZ require a separate engagement letter for the limited independent assurance report of Council's debenture trust deed. The cost of undertaking this work is in addition to the Annual Report audit fee.

6 The debenture trust was established in 2009 with assistance from Simpson Grierson in order to give Council a broader range of options for sourcing long term external funding. This is an established market security for lenders and similar trust deeds exist for various other Council's.

7 Under Section 12.2.6 of the debenture trust deed between Council and Covenant (Councils trustee under the debenture trust deed, who act for the benefit of stockholders(those we owe money too)), Council is required to provide an independent auditors report on an annual basis.

8 A copy of the engagement letter is included as Attachment A for your information.

9 The letter of engagement outlines the scope, terms, responsibilities and logistics of the engagement for the year ended 30 June 2021.

10 The engagement letter contains the following key sections:

- **scope of the engagement** – outlines the extent of the work to be undertaken by Audit NZ for this engagement
- **scope of the Council's, the trustee's and the Auditors responsibilities**
- **inherent limitation –** outlines the limitations that may occur
- **independence and quality control** – outlines the independence, ethical standards and quality control requirements that Audit NZ will comply to
- **timetable** - the work will be completed concurrently with Council's statutory annual report audit, with sign off occurring soon after the adoption of Council's Annual Report
- **agreement** - Audit NZ require the mayor and a representative from Covenant Trustee Services Limited (as trustee) to sign this letter to confirm their acceptance of the terms in the engagement letter. You will note, from Attachment A, that Igor Viner has already signed this letter on behalf of Covenant Trustee Services Limited

11 Included as Appendix 1 of Audit NZ's engagement letter is a draft unqualified limited independent assurance report which will be issued to Council at the conclusion of the engagement (subject to successful completion of the necessary fieldwork).

Issues

12 No issues have been identified, the terms of the engagement are consistent with prior years.

Factors to consider

Legal and Statutory requirements

13 Under Section 12.2.6 of the of the debenture trust deed between Southland District Council and Covenant Trustee Services Limited, Council are required to provide an auditor's report on the compliance with the debenture trust deed for the year ended 30 June 2021.

Community views

14 This matter has no impact on community views.

Costs and funding

15 The cost of the limited independent assurance report of the debenture trust deed is $5,000 (GST excl). Council has allowed for this cost within the annual audit fees budget.

Policy implications

16 There are no policy implications.

Analysis of options

Options considered

17 There are two options to be considered in this report as outlined below.

Option 1 – Accept the terms of Audit NZ's engagement letter for the Limited Independent Assurance Report in respect of the debenture trust deed.

Advantages	*Disadvantages*
• timely receipt of the Limited Independent Assurance Report for Council's debenture trust deed • meet our obligation to provide an independent auditor's report under Section 12.2.6 of the debenture trust deed.	• no disadvantages.

Option 2 – Do not accept the terms of Audit NZ's engagement letter for the Limited Independent Assurance Report in respect of the debenture trust deed.

Advantages	*Disadvantages*
• if the committee want to make changes to the proposed arrangements these can be discussed with Audit NZ prior to signing.	• Audit NZ may be unable to provide the Limited Independent Assurance Report for Council's debenture trust deed • Council may fail to meet its obligation to provide an independent auditor's report under Section 12.2.6 of the debenture trust deed.

Assessment of significance

18 This matter is not considered significant in terms of Council's significance and engagement policy.

Recommended option

19 Option 1 - Accept the terms of Audit NZ's engagement letter for the limited independent assurance report in respect of the debenture trust deed.

Next Steps

20 Mayor Tong will sign the engagement letter on behalf of Council and the signed letter will be returned to Audit NZ. Audit NZ will undertake their fieldwork for this engagement in late November/early December 2021.

Attachments

A Debenture Trust Deed Audit engagement letter ⇩

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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

08 September 2021

The District Council
Southland District Council
PO Box 903
Invercargill 9840

The Board of Directors
Covenant Trustee Services Limited
PO Box 4243
Shortland Street
Auckland 1010

Dear Councillors and Directors

Confirmation of engagement – Limited Independent Assurance Report in respect of Southland District Council's Debenture Trust Deed

The purpose of this letter is to confirm our understanding of our mutual responsibilities arising from your request to provide a report (the Report) under clause 12.2.6 of the Debenture Trust Deed between Covenant Trustee Services Limited, (the Trustee) and Southland District Council dated 22 December 2009 (the Trust Deed).

The purpose of this letter is to confirm the terms of our Limited Independent Assurance Engagement and the nature of, and limitations to the services that we will provide. All services are provided subject to the terms and limitations set out in this letter (including any appendices).

Scope of the engagement

The Auditor-General is the auditor of Southland District Council pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand to carry out the audit of the financial statements and performance information of Southland District Council.

The objective of the audit of the financial statements and performance information, which is the subject of a separate letter of engagement with Southland District Council dated 18 May 2020 (attached as Appendix 2), is to report our opinion on those financial statements and performance information on behalf of the Auditor-General.

As auditors appointed for the audit of the financial statements and performance information, we are not responsible for:

- the preparation of the financial statements and performance information of Southland District Council;
- any Reporting Certificate(s) issued to the Trustee by Southland District Council;
- Southland District Council's compliance with the Trust Deed; or
- the obligations of the Trustee, as defined in the Trust Deed and relevant legislation, or the Trustee's execution of those responsibilities in accordance with the Trust Deed and relevant legislation.

The procedures performed when carrying out the audit of the financial statements and performance information of Southland District Council are not designed to assess whether Southland District Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) Southland District Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 12 of the Trust Deed based on information obtained as a by-product of the audit of the financial statements and performance information of Southland District Council for the year ending 30 June 2021.

For the purpose of providing our Limited Assurance report (report), (example attached as Appendix B), other than as expressly stated in the section below titled "Scope of the Auditor's Responsibilities under the Trust Deed", we will not perform any further procedures beyond those required to complete the audit of the financial statements and performance information of Southland District Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time Southland District Council's Reporting Certificate for the year ended 30 June 2021 is prepared. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 12.2.6 of the Trust Deed must be viewed in that context.

Scope of Southland District Council's responsibilities

Southland District Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of Southland District Council and our audit opinion, to the Trustee under clause 12.2.1 of the Trust Deed.

Southland District Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 12.2.4 of the Trust Deed. Southland District Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

Southland District Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.2.8 of the Trust Deed.

Southland District Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

Southland District Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Scope of the Trustee's responsibilities

The Trustee monitors Southland District Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and Southland District Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring Southland District Council.

The receipt of the Limited Independent Assurance Report and the audited financial statements and performance information of Southland District Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"[1]. This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Scope of the Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we will perform and the evidence we will obtain. We will conduct our limited assurance engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the New Zealand Auditing and Assurance Standards Board. A copy of this standard is available on the External Reporting Board's website.

A limited assurance engagement is not an audit and the procedures that will be performed are substantially less than for an audit where reasonable assurance is provided. As a result, the level of assurance that will be obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

We will report to you on the following specific matters under clause 12 of the Trust Deed:

[1] Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

- From our perusal of the Reporting Certificate dated 30 June 2021 given on behalf of Southland District Council pursuant to clause 12.2.4 and, as far as matters that we will observe in the performance of our duties as auditors are concerned, whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

  In meeting this responsibility we will agree the total amount of all categories of stock in the Reporting Certificate dated 30 June 2021 with Link Market Services.

  With reference to the other assertions the Chief Executive will make in the Reporting Certificate our procedures will be limited to talking to management and considering any issues which might have come to our attention as a by-product of the Statutory Audit Engagement.

- Whether, in performing our duties as auditors, we have:

  - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and

  - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

  In meeting this responsibility, our procedures will be limited to talking to management and considering any issues which might come to our attention as a by-product of the audit of the financial statements and performance information.

- As at the end of the financial year, from the audit procedures performed as part of the audit of the financial statements and performance information, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

  We will not test that each individual Stockholder has received all monies due and payable to them.

- Whether Southland District Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

- Southland District Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.2.8.

  We will not audit the Register for the year ended 30 June 2021. Our procedures will be limited to asking Southland District Council for a copy of the audit report about the audit of the Register.

- As at 30 June 2021:

  - the amount of Stock and how much is Security Stock and Bearer Stock; and

- the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we will agree the total of all categories of Stock with Link Market Services. We will not test that each individual Stockholder has received all monies due and payable to them.

Our Limited Independent Assurance Engagement to provide the Report will be completed in accordance with the scope defined in this letter and any reliance on the Report can only be in the context of the scope as defined. The Report will therefore not be suitable for any other purpose.

Inherent limitations

We will report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement will not be performed continuously throughout the period and the procedures performed in respect of Southland District Council's compliance with the Trust Deed will be undertaken on a test basis (that is, we will not check every transaction), our Report cannot be relied on to detect all instances where Southland District Council may not have complied with the requirements of the Trust Deed. Our Conclusion will be formed on the above basis.

Restricted use

Our Report will be addressed to Southland District Council and the Trustee. This Report has been prepared solely for Southland District Council and the Trustee in accordance with the requirements of clauses 12.2.6 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons other than Southland District Council and the Trustee or for any purpose other than that for which it was prepared.

Our Report is not to be copied or made available (in whole or in part), or recited or referred to in any document, made available to any other person, without our prior written consent except as may be required by law. In addition, we will take no responsibility for, nor do we report on, any part of the Trust Deed not specifically mentioned in the report.

Independence and quality control

We will comply with the Auditor-General's:

- Independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and

- Quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Timetable

Our work will be completed concurrently with the audit of the financial statements and performance information. We will complete our Report as soon as possible once Southland District Council has signed the financial statements and performance information and provided us with the Reporting Certificate given on behalf of Southland District Council pursuant to clause 12.2.4 of the Trust Deed.

Fees

The fee will be payable by Southland District Council for this Limited Assurance Engagement. The total fixed fee is $5,000.

Supporting documentation required

In order to complete this engagement we will need access certain information and documentation that council should have in its files supporting its reporting certificate. Please refer to Appendix 3 for details of the information and documentation we will need.

Agreement

If you have any questions about this letter, please contact me. Please confirm your agreement to the terms and limitations of this engagement letter by signing below and returning a copy to us.

Yours faithfully

Dereck Ollsson
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

Southland District Council acceptance

Southland District Council confirms and accepts the engagement of Audit New Zealand to provide the services on the terms and conditions set out in this engagement letter.

_____
(Signature)

_____
(Name)

_____
(Position)

Trustee acceptance

Covenant Trustee Services Limited as Trustee for Southland District Council confirms and accepts the engagement of Audit New Zealand to provide the services on the terms and conditions set out in this engagement letter.

Covenant Trustee Services Limited has entered into this letter of engagement in its capacity as Trustee of Southland District Council and accordingly its liability shall not be personal and unlimited but shall be limited to the assets of Southland District Council available to it from time to time in that capacity.

_____
(Signature)

Igor Viner
_____
(Name)

Relationship Manager
_____
(Position)

Appendix 1: Indicative Report

Limited Independent Assurance Report

To Southland District Council and to Covenant Trustee Services Limited in respect of Southland District Council's Debenture Trust Deed for the year ended 30 June 2021

The Auditor-General is the auditor of Southland District Council (the Council) pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand to undertake a limited assurance engagement, on his behalf as required by clauses 12.2.6 of the Debenture Trust Deed dated 22 December 2009 (the Trust Deed), for the year ended 30 June 2021.

Southland District Council's responsibilities

Southland District Council is required to provide a copy of the annual report, which includes the audited financial statements of Southland District Council and our audit opinion, to the Covenant Trustee Services Limited (Trustee) under clause 12.2.1 of the Trust Deed.

Southland District Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 12.2.4 of the Trust Deed. Southland District Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

Southland District Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.2.8 of the Trust Deed.

Southland District Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

Southland District Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Trustee's responsibilities

The Trustee monitors Southland District Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and Southland District Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring Southland District Council.

DRAFT

The receipt of this Limited Independent Assurance Report (Report) and the audited financial statements of the Southland District Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"[2]. This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the New Zealand Auditing and Assurance Standards Board. A copy of this standard is available on the External Reporting Board's website.

A limited assurance engagement is not an audit and the procedures that have been performed are substantially less than for an audit where reasonable assurance is provided. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

The procedures performed when carrying out the audit of the financial statements of Southland District Council are not designed to assess whether Southland District Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) Southland District Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 12.2.6 of the Trust Deed based on information obtained as a by-product of our engagement to perform the audit of the financial statements of Southland District Council for the year ended 30 June 2021 (Statutory Audit Engagement).

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete the Statutory Audit Engagement of Southland District Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2021 is prepared by Southland District Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 12.2.6 of the Trust Deed must be viewed in that context.

[2] Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

Our responsibility under clause 12.2.6 of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated 30 June 2021 given on behalf of Southland District Council pursuant to clause 12.2.4 and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

  In meeting this responsibility we agreed the total amount of all categories of Stock in the Reporting Certificate dated 30 June 2021 with Link Marketing Services.

- Report whether, in performing our duties as auditors, we have:

  - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and

  - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

  In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a by-product of the Statutory Audit Engagement.

- Report, as at the end of the financial year, from the audit procedures performed as part of our Statutory Audit Engagement, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock had not been paid.

  We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether the Southland District Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

  Southland District Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.2.8.

  We are not the auditor of the Register. Our procedures were limited to asking Southland District Council for a copy of the audit report about the Register.

- Report as at 30 June 2021:

  - the amount of Stock and how much is Security Stock and Bearer Stock; and

  - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

DRAFT

In meeting this responsibility, we have agreed the total of all categories of Stock with Link Marketing Services. We have not tested that each individual Stockholder has received all monies due and payable to them.

Inherent limitations

We report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of the Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Report cannot be relied on to detect all instances where the Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.

Restricted use

This Report has been prepared solely for the Council and the Trustee in accordance with the requirements of clauses 12.2.6 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons other than the Council and the Trustee or for any purpose other than that for which it was prepared.

Limited assurance conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by Southland District Council in the Reporting Certificate dated 30 June 2021 pursuant to clause 12.2.4 are materially incorrect (Reporting Certificate dated 30 June 2021 is given in Appendix 1).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee.
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders;
- In all material respects, that Southland District Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our Limited Independent Assurance Engagement was completed on [date] and our conclusion is expressed as at that date.

DRAFT

The Register and Stock

The Council has provided us with a copy of the audit report about the Register(s). Please refer to Appendix 2 for a copy of the audit report about the Register(s).

Based on the work described in this report, as at 30 June 2021 the following balances are given:

- Total stock of xxxx

This is comprised of:

- Security stock of xxxx
- Bearer stock of xxxx
- Other stock of xxxx
- Security stock (Local Government Funding Agency stock) of xxxx

Based on the work described in this report, as at 30 June 2021 the following balances are given:

Total Principal Money owing and secured under the stock of xxxx

This is comprised of:

- Security stock of xxxx
- Bearer Stock of xxxx
- Other stock of xxxx
- Security stock (Local Government Funding Agency stock) of xxxx

Independence and quality control

We complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this engagement, we performed the annual audit of the Council's financial statements and performance information, and consultation document and long-term plan. Other than these engagements, we have no relationship with or interests in the Council or any of its subsidiaries or the Trustee.

Dereck Ollsson
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

DRAFT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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

Appendix 2: Engagement letter – Audit of the financial statements and performance information

18 May 2020

Gary Tong
Mayor
Southland District Council
PO Box 903
Invercargill 9840

Dear Gary

Audit engagement letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all "public entities", including Southland District Council and Group (SDC), under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of SDC's financial statements and performance information. We will be carrying out these annual audits on the Auditor-General's behalf, for the years ending 30 June 2020 to 30 June 2022.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the governing body (the council) and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the SDC's financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the SDC's financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

The council's responsibilities

Our audit will be carried out on the basis that the council, as the governing body, acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
    - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
    - all other information, in addition to the financial statements and performance information, to be included in the annual report;
    - additional information that we may request from the SDC for the purpose of the audit;
    - unrestricted access to council members and employees that we consider necessary; and
    - written confirmation concerning representations made to us in connection with the audit.

In addition, the council is responsible for:

- the preparation of the summary financial statements and summary performance information;
- making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The council's responsibilities extend to all resources, activities, and entities under its control. We expect that the council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;

- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the council and/or the individuals within the SDC with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of the SDC:

- present fairly, in all material respects:
  - its financial position; and
  - its financial performance and cash flows for the financial year; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

We are also responsible for forming an independent opinion on whether the performance information of SDC:

- presents fairly, in all material respects, the performance for the financial year, including:
  - its performance achievements as compared with the intended levels of service for the financial year; and
  - its actual revenue and expenses as compared with the forecasts included in the long-term plan and annual plan for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including

our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SDC's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the council and the SDC have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the council obtained and applied the resources of the SDC in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the council and the SDC have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

Our independence

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

To protect our independence, specific limitations are placed on us in accepting engagements with the council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the council and me or Audit New Zealand.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a management letter that will be sent to the council. This letter communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the council. Typically, those matters will relate to issues of financial management and accountability. We may also provide other management letters to SDC from time to time. We will inform the council of any other management letters we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new audit engagement letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If, after contacting me, you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours sincerely

Dereck Ollsson
Associate Auditor
On behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the council.

Signed _____ Date 23 June 2020.

Gary Tong
Mayor
Southland District Council

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Appendix 1: Respective specific responsibilities of the council (the governing body) and the Appointed Auditor

Responsibilities of the council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	

You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.
 	
You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.
 	
You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.
	We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:
	
	• present fairly, in all material respects:
	  o the financial position; and
	  o the financial performance and cash flows for the financial year; and
	• comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.
	
	We are also responsible for forming an independent opinion on whether the performance information:
	
	• presents fairly, in all material respects, the performance for the financial year, including:
	  o the performance achievements as compared with the intended levels of service for the financial year; and
	  o the actual revenue and expenses as compared with the forecasts included in the long-term plan and annual plan for the financial year; and
	• complies with generally accepted accounting practice in New Zealand.
	
	We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.

	Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error.

Responsibilities of the council	Responsibility of the Appointed Auditor
	Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information. If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion. An audit also involves evaluating: • the appropriateness of accounting policies used and whether they have been consistently applied; • the reasonableness of the significant accounting estimates and judgements made by those charged with governance; • the appropriateness of the content and measures in any performance information; • the adequacy of the disclosures in the financial statements and performance information; and • the overall presentation of the financial statements and performance information. We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that: • the adoption of the going concern basis of accounting is appropriate; • all material transactions have been recorded and are reflected in the financial statements and performance information; • all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and • uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries. We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the

Responsibilities of the council	Responsibility of the Appointed Auditor
	financial statements and performance information, or for some other reason beyond our control, as soon as possible after that. The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.
Responsibilities for the accounting records	
You are responsible for maintaining accounting and other records that: • correctly record and explain the transactions of SDC; • enable you to monitor the resources, activities, and entities under your control; • enable SDC's financial position to be determined with reasonable accuracy at any time; • enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and • are in keeping with the requirements of the Commissioner of Inland Revenue.	We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information. If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.
Responsibilities for accounting and internal control systems	
You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of SDC), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.	The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information. We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.
Responsibilities for preventing and detecting fraud and error	
The responsibility for the prevention and detection of fraud and error rests with you,	We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that

Responsibilities of the council	Responsibility of the Appointed Auditor
through the implementation and continued operation of adequate internal control systems (appropriate to the size of SDC) supported by written policies and procedures. We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption. We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within SDC with delegated authority have a reasonable basis that suspected fraud has occurred – regardless of the amount involved.	would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will: • obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and • report to you any significant weaknesses in internal control that come to our notice. We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud. As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us. If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.
Responsibilities for compliance with laws and regulations	
You are responsible for ensuring that SDC has systems, policies, and procedures (appropriate to the size of SDC) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of SDC are complied with. Such systems, policies, and procedures should be documented.	We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including: • the relevance of the law or regulation to the audit; • our assessment of the risk of non-compliance; and • the impact of non-compliance for the addressee of the audit report. The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or

Responsibilities of the council	Responsibility of the Appointed Auditor
	significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance. We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures. The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.	We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of SDC may not have acted in accordance with the standards of conduct and personal integrity expected of them. The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.
	The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.
Responsibilities for conflicts of interest and related parties	
You should have policies and procedures to ensure that your members and employees carry out their duties free from bias. You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.	To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.

Responsibilities of the council	Responsibility of the Appointed Auditor
Responsibilities for publishing the audited financial statements on a website	
You are responsible for the electronic presentation of the financial statements and performance information on SDC's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented. If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.	Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.

Appendix 2: Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Appendix 3: Supporting documentation required

We will need access to the following information and documentation from council's records supporting the reporting certificate:

- A copy of the debenture trust deed.
- The signed reporting certificate for the debenture trust deed for 30 June [year].
- The LGFA floating nominal amount confirmation as at 30 June [year].
- Copies of all security stock certificates, including all security stock recorded on the register as 1 cent/1 unit security stocks.
- A security stock listing, indicating who the holders of each security stock are.
- Debt terms sheets for all debenture stock outstanding.
- Written confirmation that all stock that was due to be repaid during the financial was in fact repaid.
- Written confirmation that any interest due for payment on the stock was in fact paid.

Please note that items requested above may not represent all of the information that we need, and additional requests for information and documentation may follow during the course of the engagement depending on the circumstances.

Health and Safety Update

Record No: R/21/8/47078
Author: Nick Hamlin, Group manager programme delivery
Approved by: Cameron McIntosh, Chief executive

☐ Decision ☐ Recommendation ☒ Information

Purpose

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

Content

Health, safety and wellbeing dashboard update

2 Please find attached the health, safety and wellbeing dashboard update as at 28 July 2021.

3 This is a new document that has been drafted to give councillors information that relates to the Health, Safety and Wellbeing Operational Plan 2021-2023 and the Health, Safety and Wellbeing Road Map 2021-2023.

4 The left of the dashboard includes ratios. They are colour coded via a traffic light system. Green for within industry benchmark, orange for sitting on the benchmark and red for when we are over and above the industry benchmark.

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

6 Health and safety training continues with staff completing the health and safety e-learning modules based on the health and safety procedures. All new staff are required to complete all of the modules. You will see on the dashboard that the e-learning completion levels have dropped since last quarter, this is due to an increase in new employees starting in the period. It takes on average 2 to 4 weeks for these modules to be completed as a part of the overall induction process.

7 We have secured a full time, fixed term, health and safety resource for two years to support the implementation of the Health, Safety and Wellbeing Operational Plan 2021/2023 and the Health, Safety and Wellbeing Road Map. The areas identified for improvement include governance, health and safety planning, health and safety management system, risk management and health and safety performance measurement.

8 Risk state is in the beginning stages of risk review in line with our risk management framework review. This will continually evolve over time as we progress through this improvement project.

9 Corrective action summaries on the dashboard are lead indicators that report on the completion and timeframe of corrective actions that are applied in response to a health and safety event report.

10 Contractor monitoring has risen again after a fall in the month of June. As a part of the leadership and performance action in the Health Safety Wellbeing Strategic Roadmap 2021-2023, health safety and wellbeing KPI's will be set and link to performance management systems. This will include targets for contractor health and safety monitoring.

11 The KYND wellness summary will be available in the next reporting period as the data is currently being updated. KYND stands for 'know your numbers dashboard' and is about providing a tool for our people to take charge of their physical and mental health by knowing their numbers, making changes, tracking their own progress and receiving information and support in these areas.

12 There were six events reported in July 2021, one event occurred in June however was not entered into the system until July. The July events include one property damage event, one medical treatment injury and four near miss events.

Other health and safety related initiatives

13 There are many ways to keep current on health and safety matters, subscribing to the Worksafe updates is an easy way to remain up to date. The link is: https://worksafe.govt.nz/home/subscriptions

14 The health and safety governance training that was scheduled for early 2021 was rescheduled to 1 June 2021. All community board chairs were invited to attend the training.

15 Council continues to manage the risk and transmission of Covid-19. Council continues to invest in additional PPE gear to ensure we can continue to provide our essential services regardless of alert level changes.

16 Review of policies and information is ongoing to support our employee health, safety and wellbeing, updates include a new health, safety and wellbeing employee handbook. Alongside our policy reviews and updates, education opportunities are provided.

Recommendation

That the Finance and Assurance Committee:

a) receives the report titled "Health and Safety Update" dated 20 September 2021.

b) determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.

c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.

Attachments

A Health Safety Wellbeing - Monthly Reporting Finance and Assurance July 2021 ⇩

Monthly Health Safety & Wellbeing Dashboard - as at 28th July 2021

Event Reports	
Total reported	6
YTD	6

Near Miss	
Month	2
YTD	2

Event Reports 20/21	
Total reported	85
Total near miss	17

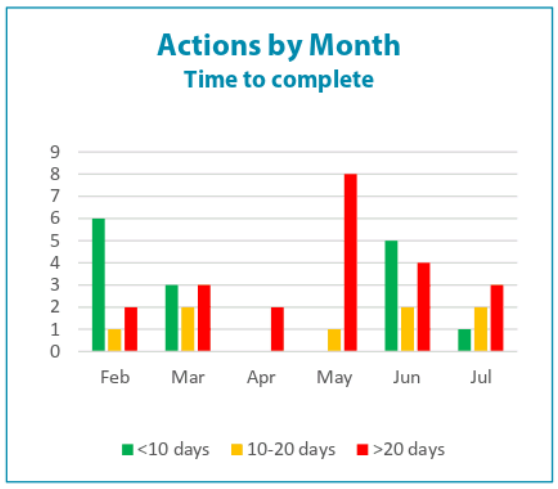
TRIFR	
YTD	0.57
Benchmark	3.68

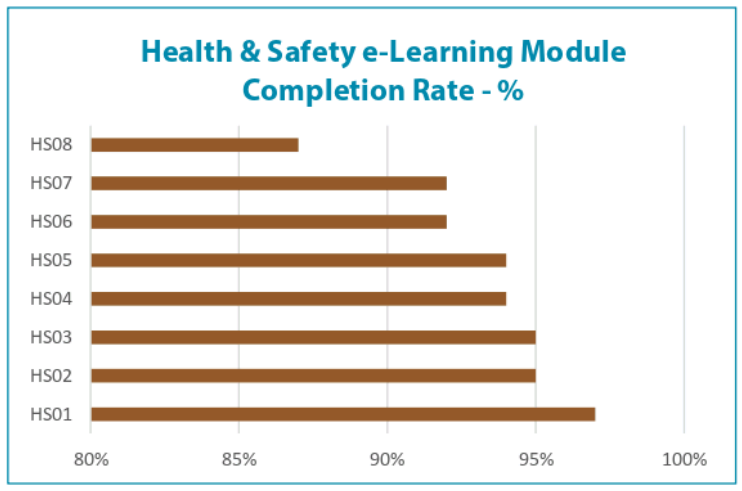
LTIFR	
YTD	0
Benchmark	1.5

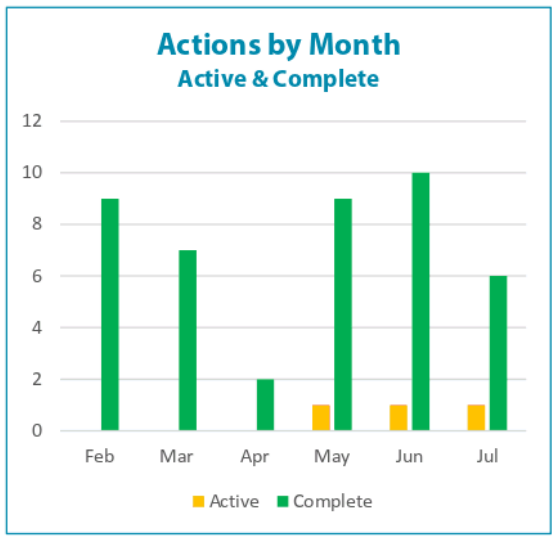
Risk State	
Logged	34
Investigation	1
Minimised	31
Review	3
Eliminated	0

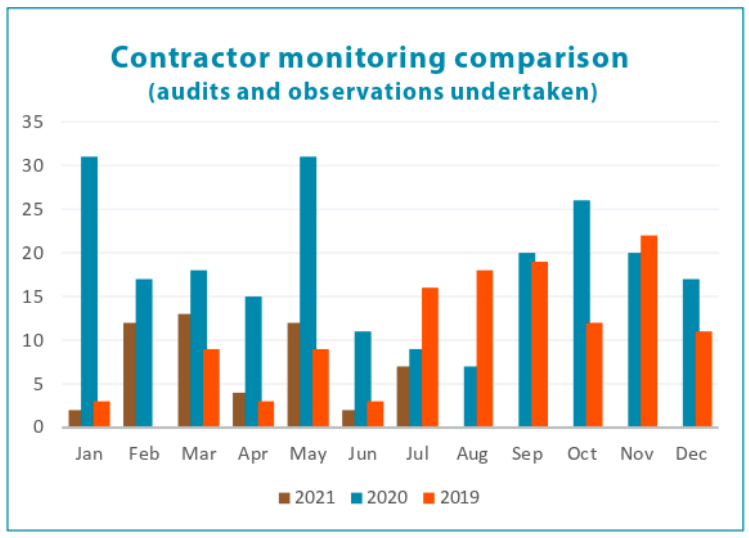
The TRIFR is the number of injuries (excluding fatalities) requiring medical treatment per 200,000 hours worked within this organisation based on our FTE workforce.
A lost-time injury is something that results in a fatality, permanent disability or time lost from work. It could be as little as one day.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

The ratio is compared against the industry benchmark and the aim is to keep both ratios in the green



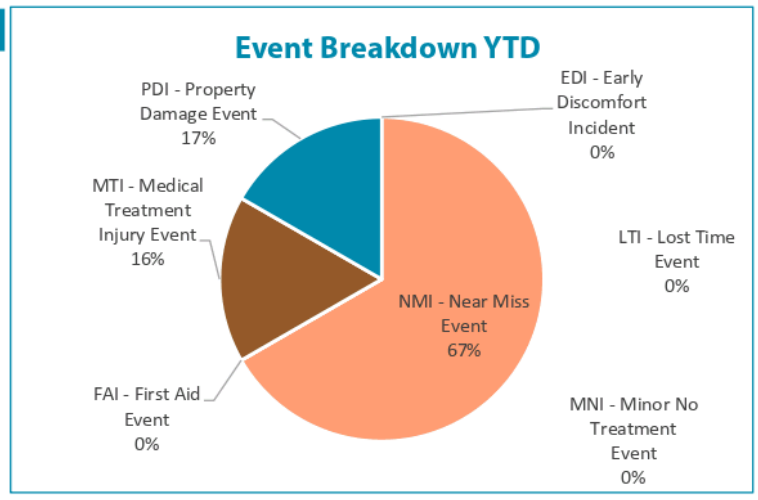






KYND Wellness Summary

Currently undertaking Dr Tom testing and training.
Updated data will be available next reporting period



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

Recommendation

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

C8.1 Health and Safety Events

C8.2 Judicial review - Forest & Bird v Southland District Council & New Brighton Collieries Ltd.

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Health and Safety Events	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. s7(2)(d) - the withholding of the information is necessary to avoid prejudice to measures protecting the health and safety of members of the public.	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.
Judicial review - Forest & Bird v Southland District Council & New Brighton Collieries Ltd.	s6(a) - the making available of the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences and the right to a fair trial. s7(2)(g) - maintain legal professional privilege.	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.