



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

Date: **Wednesday, 24 April 2024**
Time: **12:30 pm**
Meeting room: **Council Chamber**
Venue: **Level 2**
20 Don Street
Invercargill

Finance and Assurance Committee Agenda

OPEN

MEMBERSHIP

Chairperson Mr Bruce Robertson
Mayor Rob Scott

Councillors Jaspreet Boparai
Don Byars
Derek Chamberlain
Paul Duffy
Darren Frazer
Sarah Greaney
Julie Keast
Christine Menzies
Tom O'Brien
Margie Ruddenklau
Jon Spraggon
Matt Wilson

IN ATTENDANCE

Chief financial officer Anne Robson
Committee advisor Rachael Poole

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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.

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	The mayor, all councillors and one external appointee.
FREQUENCY OF MEETINGS	Quarterly or as required
QUORUM	Seven members
SCOPE OF ACTIVITIES	<p>The Finance and Assurance committee is responsible for:</p> <ul style="list-style-type: none"> • ensuring that Council has appropriate financial, risk management and internal control systems in place that provide: <ul style="list-style-type: none"> - an overview of the financial and non-financial performance of the organisation - effective management of potential opportunities and adverse effects - reasonable assurance as to the integrity and reliability of Council’s financial and non-financial reporting. • exercising active oversight of information technology systems • exercising active oversight of Council’s health and safety policies, processes, compliance, results and frameworks • relationships with external, internal auditors, banking institutions and insurance brokers. <p>The Finance and Assurance committee will monitor and assess the following:</p> <ul style="list-style-type: none"> • the financial and non-financial performance of Council against budgeted and forecasted outcomes • consideration of forecasted changes to financial outcomes • Council’s compliance with legislative requirements • Council’s risk management framework • Council’s control framework • Council’s compliance with its treasury responsibilities • Council’s compliance with its Fraud Policy.
DELEGATIONS	<p>The Finance and Assurance committee shall have the following delegated powers and be accountable to Council for the exercising of these powers.</p> <p>In exercising the delegated powers, the Finance and Assurance committee will operate within:</p>

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

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

Financial and performance monitoring

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

Internal control framework

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

Internal reporting

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

External reporting and accountability

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

Risk management

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

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

Health and safety

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

Internal audit

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

External audit

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

Compliance with legislation, standards and best practice guidelines

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

Business case review

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

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:

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

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

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1 Apologies

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

2 Leave of absence

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

3 Conflict of interest

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

4 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.”

5 Confirmation of minutes

5.1 Meeting minutes of Finance and Assurance Committee, 27 March 2024

6 Public participation

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.



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 27 March 2024 at 9.30am. (9.36am – 11.05am, 11.24am - 12.43pm, 1.15pm - 3.05pm (PE 2.48pm – 3.05pm)).

PRESENT

Chairperson

Bruce Robertson

Mayor Rob Scott (9.36am - 10.07am - 10.09am, 10.09am – 11.05am, 11.24am - 2.08pm, 2.10pm - 2.50pm)

Councillors

Jaspreet Boparai (9.36am – 11.05am, 12.36pm – 12.43pm, 1.15pm - 3.05pm)

Don Byars (9.36am – 10.32am, 10.35am -10.51am, 10.52am – 11.05am, 11.24 - 12.10pm, 12.14pm – 12.43pm, 1.15pm - 3.05pm)

Derek Chamberlain (9.36am– 10.44am, 10.45am - 11.05am, 11.24 – 12.43pm, 1.15pm - 3.05pm)

Paul Duffy

Darren Frazer (9.36am – 11.05am, 11.24am – 12.43pm)

Sarah Greaney (10.11am – 11.05am, 11.24 -12.43pm, 1.26pm -3.05pm)

Julie Keast

Christine Menzies

Tom O'Brien

Margie Ruddenklau (9.51am – 11.05am, 11.24am - 2.31pm, 2.33pm - 3.05pm)

Jon Spraggon

Matt Wilson (9.36am – 11.05am, 11.24 – 12.43pm, 1.15pm - 2.33pm, 2.35pm – 3.05pm)

IN ATTENDANCE

Chief financial officer

Anne Robson

Chief executive

Cameron McIntosh

Committee advisor

Rachael Poole

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 Extraordinary/urgent items

There were no extraordinary/urgent items.

5 Confirmation of minutes

Resolution

Moved Chairperson Robertson, seconded Cr O'Brien **and resolved:**

That the Finance and Assurance Committee confirms the minutes of the meeting held on 14 February 2024 as a true and correct record of that meeting.

6 Public participation

There was no public participation

Reports

7.1 Finance and Assurance Committee work plan to 30 June 2024

Record No: R/24/3/23218

Financial accountant, Teresa Morgan was in attendance for the item.

Resolution

Moved Mayor Scott, seconded Cr Boparai **and resolved:**

That the Finance and Assurance Committee:

- a) **receives the report titled "Finance and Assurance Committee work plan to 30 June 2024".**
- b) **notes the changes made to the Finance and Assurance Committee Work plan for the year ended 30 June 2024 since the last meeting.**

7.2 2023/24 Deloitte audit engagement and proposal letters

Record No: R/24/1/3824

Financial accountant, Teresa Morgan and Deloitte partner assurance and advisory – Mike Hawken, via video call, were in attendance for the item.

The purpose of the report was for the Committee to receive the audit proposal letter from Deloitte to conduct the audit of Council on behalf of the Auditor-General for year ended 30 June 2024 and consider accepting the audit fee proposed in the letter.

During discussion Cr Ruddenklau joined the meeting at 9.51 am.

Resolution

Moved Chairperson Robertson, seconded Deputy Mayor Menzies **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled “2023/24 Deloitte audit engagement and proposal letters” dated 21 March 2024,**
- 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) **Receives the proposal letter from Deloitte (attachment A of the officers report) to conduct the audit of Council on behalf of the Auditor-General for the 2023/2024 financial year.**
- e) **Receives the refreshed audit engagement letter from Deloitte (attachment B of the officers report) for the year ending 30 June 2024.**
- f) **Accepts the proposed audit fee of \$187,883 (excl GST) plus actual disbursements for the audit of the annual report for the year ended 30 June 2024.**
- g) **Accepts the terms of engagement as set out in the refreshed audit engagement letter (attachment B of the officers report) for the audit of the annual report for year ending 30 June 2024.**
- h) **Authorises the Mayor to sign the refreshed audit engagement letter and the proposal letter from Deloitte, incorporating any amendments agreed at the meeting or subsequent.**
- i) **Agrees to include the audit fee shortfall of \$2,000 into Councils forecasting process to be met from the district operations reserve or any operating surplus at year end.**

7.3 Debenture Trust Engagement Letter

Record No: R/24/1/3825

Financial accountant, Teresa Morgan and Deloitte partner assurance and advisory – Mike Hawken, via video call, were in attendance for the item.

The purpose of the report was to provide an overview of and seek authorisation of Deloitte engagement letter for the limited independent assurance report of Southland District Council's debenture trust deed and to seek approval for the mayor to sign the Deloitte engagement letter. It was noted that the cost of the audit remains unchanged from last year at \$4,500 (excl GST).

The Finance and Assurance Committee will be forwarded a copy of the final sign off.

Resolution

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

That the Finance and Assurance Committee:

- a) **Receives the report titled "Debenture Trust Engagement Letter" dated 21 March 2024,**
- 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 to accept the terms and responsibilities as set out in the Deloitte Audit Engagement letter (attachment A of the officers report),**
- e) **Agrees to delegate authority to the mayor to sign the Deloitte confirmation of engagement letter for the limited independent assurance report of the debenture trust deed on Council's behalf.**

7.4 Quarterly update to the Finance and Assurance Committee on progress for the Environmental Services Business Improvement Plan - 17a review.

Record No: R/24/3/9889

GM regulatory services, Adrian Humphries, customer and business continuous improvement lead, Jane Johnston, environmental services co-ordinator, Jo Affleck and building co-ordinator team leader, Jo Ward were in attendance for this item.

The purpose of this report was to receive an update on the Environmental Services Business Improvement Plan and to consider changes to delivery dates and oversight.

Staff demonstrated the changes made to the website to make it easier to navigate for both staff and users. Staff are also auditing the website bi-monthly to make sure the information is up to date and complete analytics on user data to ensure the website remains relevant.

During discussion:

Mayor Scott left the meeting at 10.07am and returned at 10.09am

Councillor Greaney arrived at 10.11am

Councillor Byars left at 10.32am and returned at 10.35am

Councillor Chamberlain left at 10.44am and returned at 10.45am.

Resolution

Moved Chairperson Robertson, seconded Cr O'Brien **and resolved:**

That the Finance and Assurance Committee:

- a) **receives the report titled "Quarterly update to the Finance and Assurance Committee on progress for the Environmental Services Business Improvement Plan - 17a review."**
- 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 removal of operational managers from the steering group overseeing the delivery of the 17A actions and the addition of the Group Manager Environmental Services to the steering group.**
- e) **Agrees to the following updated action delivery dates to reflect the work needed to be undertaken, the priority of action items and the need to balance improvements with ongoing day to day work.**

Action No	Action	Current date	Revised date
23	Develop simple guides and fact sheets that explain the process for common activities/questions e.g. "How do I"	April 2024	June 2024
20b	Clarify responsibility for ensuring all existing website information is current and correct	Ongoing	12/4/24
20c	Continue to test website layout to ensure that information can be found in intuitive locations	Ongoing	12/4/24
19	Develop a targeted communication plan about the new online processes being introduced. Include what information customers are required to provide and where they can find help if they need it	31/10/23	24/4/24
17	Investigate and implement strategies for administrative support for the team to complete administrative tasks and free up technical resources for technical tasks	ASAP	24/4/24
35	Source appropriate customer services training and implement based on identified needs. E.g. To improve balance between compliance and customer service. Pilot & Implement.	Ongoing Pilot by 15/12/23	Pilot by Apr 24 Training complete by Jul 24
27	Implement clear process to capture follow ups to compliance issues. Monitor follow up actions to ensure they are completed. Training programme as required.	31/11/23	29/3/24
15a	Investigate pros and cons of introducing a customer relationship partner/co-ordinator rather than using technical resources. This role could also support internal planners for increased efficiency. Consider other innovative ways of working and whether changing the operating model is warranted	28/2/24	30/06/24
26	Continuing on the path of implementing a quality-based system for building control and health, using a modern approach to quality to improve processes for efficiency and consistency	29/2/24	30/9/24
32	Assess whether field-based devices are fit for purpose. Introduce any improvements.	31/10/23	26/4/24
5	Explore potential for either joint procurement or individual contracts, or joint contracts with other Councils	31/10/23	31/5/24
9	Test the comfort level of regional partners to apply common systems and processes. Continue building cluster group approach.	28/2/24	31/5/24
10	Do a stocktake of regional bylaws to assess level of differentiation	28/2/24	31/5/24

11	Do a stocktake of warranted officers across the region	15/3/24	31/5/24
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7.5 Interim Performance Report - period two - 1 July 2023 to 29 February 2024

Record No: R/24/1/350

Corporate performance lead, Robyn Laidlaw was in attendance for this item. Ms Laidlaw explained that the purpose of the report was to provide the Finance and Assurance Committee with the Interim Performance Report for period two 1 July 2023 to 29 February 2024 for review and feedback.

During the discussion Councillor Byars left the meeting at 10.51am and returned at 10.52am.

Resolution

Moved Cr Greaney, seconded Cr Ruddenklau **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled "Interim Performance Report - period two - 1 July 2023 to 29 February 2024" dated 22 March 2024.**

(The meeting adjourned at 11.05am and reconvened at 11.24am.)

Councillor Boparai was not present when the meeting reconvened.

7.6 Health and safety update

Record No: R/24/3/23450

Organisational health and safety manager, David McCone was in attendance for this item. The purpose of this report was to provide an update on health and safety related events and activities over the last quarter.

Councillors have asked that at the next update they have a demonstration of the Telus (Benestar) app so they have an understanding of what wellbeing tools are available to staff.

Resolution

Moved Cr Frazer, seconded Cr Greaney **and resolved:**

That the Finance and Assurance Committee:

- a) **Receives the report titled "Health and safety update" dated 18 March 2024 and attached appendices.**

7.7 Risk management - March 2024 quarterly update

Record No: R/23/9/41841

Jane Edwards was in attendance for this report. Ms Edwards explained that the purpose of this report was to:

- a) provide the March 2024 Quarterly Risk Management report for consideration by the Finance and Assurance Committee.
- b) advise the committee of the risk management work programme for 2024-2027 agreed by the Executive Leadership Team.

Chair Robertson spoke about an emergent risk around retaining tight leadership through the three waters transition and the importance of collaborating with our neighbouring Councils.

During the discussion Councillor Byars left the meeting at 12.10pm and returned at 12.14pm.

Resolution

Moved Cr Ruddenklau, seconded Mayor Scott **and resolved:**

That the Finance and Assurance Committee:

- a) **receives the report titled "Risk management - March 2024 quarterly update".**
- b) **notes the risk management work programme 2024-2027.**

7.8 Financial Report for the period ended 31 January 2024

Record No: R/24/3/10955

Financial accountant, Teresa Morgan was in attendance for this item and explained that the purpose of the report was to provide Council with an overview of the financial results for the seven months to 31 January 2024 by Council's seven activity groups, as well as the financial position and the statement of cashflows as at 31 January 2024.

Chair Robertson requested that the PWC quarterly report on debt that includes key metrics is appended to this report moving forward.

Resolution

Moved Chair Robertson, seconded Cr O'Brien **and resolved:**

That Finance and Assurance Committee:

- a) **Receives the report titled "Financial Report for the period ended 31 January 2024" dated 21 March 2024.**

Chair Robertson took item 7.10 next.

7.10 Updated timeline for Long Term Plan 2024-2034

Record No: R/24/3/11139

Corporate performance lead, Robyn Laidlaw and transactional lead, Shelley Dela Llana were in attendance for this item. The purpose of the report was to update the Finance and Assurance Committee on the progress of the Long Term Plan 2034 (LTP 34) and to provide an updated timetable that takes advantage of the legislative extension.

Resolution

Moved Cr Menzies, seconded Cr Ruddenklau **and resolved:**

That the Finance and Assurance Committee

- a) **receives the report titled “Updated timeline for Long Term Plan 2024-2034”.**
- 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 and recommends to the revised timeline as detailed in this report and adoption of the 2024-34 Long Term Plan ~~on~~ by the 21 August 2024.**
- e) **Endorses and recommends to Council the addition of Finance and Assurance meeting and Council meetings as listed below:**
 - **24 April 2024, Finance and Assurance Committee meeting**
 - **1 and 2 July 2024, Council meetings, to consider LTP submissions**
 - **8 July 2024, if required, Council meeting for LTP deliberations**
 - **24 July 2024, Finance and Assurance meeting**
- f) **Endorses and recommends to Council the setting of the 2024/25 fees and charges in June 2024 to apply from 1 July 2024.**
- g) **Endorses and recommends to Council the setting of the year end rates penalty in June 2024 separately from the full 2024/2025 rates resolution in August 2024.**
- h) **Endorses and recommends to Council the setting of four rates instalments for 2024/2025 being 27th September 2024, 29th November 2024, 28 February 2025, 30th May 2024.**
- i) **Endorses and recommends to Council the setting of rates penalties ~~rates~~ on the second, third and fourth instalments**

- j) **Acknowledges that the Revenue and Financing policy and the Rates Remission and Postponement policy will be consulted on and adopted by 30 June 2024**

(Councillor Boparai returned to the meeting at 12.36pm.)

The meeting adjourned for lunch at 12.43pm and reconvened at 1.15pm.

(Councillor Frazer left the meeting at 12.43pm.)

(Councillor Greaney was not present when the meeting reconvened.)

7.9 Draft Financial and Infrastructure strategies for the Long Term Plan (LTP) 2024-2034

Record No: R/24/3/11141

Corporate performance lead, Robyn Laidlaw, strategic manager transport, Hartley Hare, strategic manager water and waste, Grant Isaacs and GM infrastructure and capital delivery, Fran Mikulicic were in attendance for this item and explained that the purpose of this report is seeking the endorsement of the Finance and Assurance Committee (the committee) of the draft infrastructure strategy and the draft financial strategy, as part of the supporting information for the Long Term Plan 2034 (LTP 34), for release to the auditors and for the consultation process.

During the discussion:

Councillor Greaney returned to the meeting at 1.26pm

Mayor Scott left the meeting at 2.08pm and returned at 2.10pm.

Cr Ruddenklau left the meeting at 2.31pm and returned at 2.33pm.

Cr Wilson left the meeting at 2.33pm and returned at 2.35pm.

Resolution

Moved Cr Duffy, seconded Mayor Scott **and resolved:**

That the Finance and Assurance Committee:

- a) **receives the report titled "Draft Financial and Infrastructure strategies for the Long Term Plan (LTP) 2024-2034".**
- b) **determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**

- d) **Agrees to endorse the draft infrastructure strategy, including any amendments agreed at this meeting, as information that provides the basis for the preparation of the Long Term Plan 2034 and consultation document in accordance with Section 93G of the Local Government Act 2002.**
- e) **Agrees to endorse the draft financial strategy, including any amendments agreed at this meeting, as information that provides the basis for the preparation of the Long Term Plan 2034 and consultation document in accordance with Section 93G of the Local Government Act 2002.**

Public excluded

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

Resolution

Moved Chair Robertson, seconded Cr Menzies **and resolved:**

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

C8.1 Cyber security update - December 2023 to February 2024

C8.2 Follow up audit action points

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
Cyber security update - December 2023 to February 2024	s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.	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.
Follow up audit action points	s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.	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 2.48pm.

(Mayor Scott left the meeting at 2.50pm.)

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 3.05pm.

CONFIRMED AS A TRUE AND CORRECT RECORD AT A MEETING OF THE FINANCE AND ASSURANCE COMMITTEE HELD ON 27 MARCH 2024.

DATE:.....

CHAIRPERSON:.....

Finance and Assurance Committee work plan to 30 June 2024

Record no: R/24/4/25674
Author: Teresa Morgan, Financial accountant
Approved by: Anne Robson, Group manager finance and assurance

Decision Recommendation Information

Purpose

1. To update the Committee on the status of the work programme discussed and agreed at the 22 March 2023 meeting for the financial year ending 30 June 2024.
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 committee's 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 April 24th meeting is an additional meeting added to the workplan and has the following two reports:
 - Forecasted Financial position for the year ending 30 June 2024
 - The remaining Activity Management Plans (AMPS) have been added to enable the Committee to endorse the remaining LTP supporting documents for release to Deloitte and to support the consultation document.

Recommendation

That the Finance and Assurance Committee:

- a) receives the report titled "Finance and Assurance Committee work plan to 30 June 2024".
- b) notes the changes made to the Finance and Assurance Committee Work plan for the year ended 30 June 2024 since the last meeting.

Attachments

- A Finance and Assurance Workplan to 30 June 2024

Remaining Activity Management Plans (AMPS) supporting documents for the Long Term Plan 2024- 2034 (LTP34)

Record No: R/24/4/25601

Author: Robyn Laidlaw, Corporate performance lead

Approved by: Anne Robson, Group manager finance and assurance

Decision

Recommendation

Information

Purpose

- 1 This report recommends that the Finance and Assurance Committee (the Committee) endorses the remaining supporting documents for the Long Term Plan 2024- 2034 (LTP 34) for release to the auditors, Deloitte, and to support the consultation document (CD).

Executive Summary

- 2 All councils are required by legislation to adopt an LTP and review it every three years. The process to develop Council's LTP began in early 2023.
- 3 Under the Local Government Act 2002, local authorities are required to develop a consultation document for the purpose of consulting with the community as well as making publicly available the information that provides the basis for the preparation of the LTP. Staff have developed a suite of documents that provide information which reflects the decisions and guidance that has been provided by elected members (the supporting information).
- 4 Overall there will be a number of documents that the Committee and Council will be asked to approve to support the Consultation document. Some have already been endorsed in previous Committee and Council meetings.
- 5 This report includes the remaining Activity Management Plans (AMPS) and recommends these documents be endorsed by the committee. The documents will then be released to the Auditors Deloitte and will be made available online to support the consultation document. The AMPs have been discussed at workshops and resulting direction incorporated.
- 6 These draft AMPs came to the Committee in its February 2024 meeting. At that meeting the Committee approved the roading AMP but asked staff to review the remaining AMPs, to check that the discussions previously held with Council were reflected/discussed in the AMP's.
- 7 Since that meeting, staff have reviewed the AMPs, have contacted relevant elected members and have focused on budgets and the commentary within the AMPs. There has been updates in all of the AMPS, most of those have not been significant with an emphasis on refining what was in the AMP and updating relevant information. The changes are discussed within the report.
- 8 The key changes since the beginning of the year has been within the Water Services, Environmental Services and Waste Services AMPS. With the changes in legislation these AMPs have been adapted to encompass those legislative changes and to reflect how those changes impact the associated budgets. The changes are discussed within the report.

Recommendation

That Finance and Assurance Committee:

- a) **Receives the report titled “Remaining Activity Management Plans (AMPS) supporting documents for the Long Term Plan 2024-2034 (LTP34)” dated 19 April 2024.**
- 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) **Endorses and recommends to Council the following draft supporting information for the Long Term Plan consultation document:**
 - Activity management Plans for Council Activity groups**
 - **Environmental services group**
 - Environmental Services AMP (A)**
 - Emergency Management AMP (B)**
 - **Community Leadership group**
 - Community leadership AMP (C)**
 - **Transport group**
 - Water facilities AMP (D)**
 - **Water Services group**
 - Water Services AMP (E)**
 - **Community Resources group**
 - Community Services AMP (F)**
 - Community Facilities AMP (G)**
 - Open Spaces AMP (H)**
 - Waste Services AMP (I)**
 - Stewart Island Electricity Supply Authority (SIESA) AMP (J)**
- e) **Acknowledges that the Committee will be asked at its meeting on the 5th of June to endorse changes to the Performance measures previously endorsed at its February 2024 meeting**
- f) **Notes that the supporting documents will be made publicly available during the consultation period.**

Background

- 9 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
- 10 The process to develop Council's LTP began in early 2023. The LTP process provides the opportunity for Council to review the direction that it wishes to go in, and ensure Council is delivering the appropriate services for Southland District.
- 11 A number of workshop discussions have been held and reports presented over the eight months to November 2023 in preparation for the LTP. As part of these workshops, the supporting documentation (AMPs) included today have been discussed and reviewed.
- 12 Many of the projects and budgets forming part of the Activity Management Plans (AMPs) were discussed with the Community Boards and Water Supply Subcommittees at their LTP budget meetings held from October to December 2023. As a result of these meetings, some amendments were made to the AMPs.
- 13 Following the general election held in October 2023 the National lead coalition government was formed and set out the 100-day programme of work as its first order of business. As part of that plan there has been legislative changes that have impacted local government.
- 14 Those changes have impacted the development of the LTP, and includes, the repeal of the Resource Management Act reform (RMA), the Natural and Built Environment Act (NBE) and the Spatial Planning Act (SPA). Councils have also been directed to stop all work on the NBE and SPA and to also cease work on the Significant Natural Areas (SNA).
- 15 Additionally, government has introduced legislation to repeal the Water Services Entities Act 2022, returning waters assets into council ownership and management throughout the life of LTP, thus meaning staff needed to review and amend the Water Services AMP along with the associated budgets.
- 16 Government plans to replace the act with 'Local Water Done Well plan' which restores council ownership and control, but with stronger central government oversight, setting strict rules for water quality, and addressing the issue of investment in infrastructure to ensure water services are financially sustainable for future generations.
- 17 As such the significant forecasting document has also be updated to incorporate the Government advice post the Act enactment.

LTP supporting information

- 18 Instead of a draft LTP, local authorities are required to develop a consultation document for the purpose of consulting with the community as well as making publicly available the information that provides the basis for the preparation of the LTP.
- 19 Staff have developed the following set of supporting information which provides more detail and context to support the LTP consultation document. This material reflects the decisions and guidance that has been provided by elected members and will be available online through the consultation period. The table below identifies the documents that have already been endorsed by the Committee or approved by Council and the documents that staff are seeking the Committee to endorse as part of this report.

Documents for endorsement 24.04.24 (attachments A-J)
Draft Environmental Services activity management Plan
Draft Emergency Management activity management plan
Draft Community Leadership activity management plan
Draft Water Facilities activity management plan
Draft Water Services activity management plan (stormwater, wastewater, water supply)
Draft Community Services activity management plan
Draft Community Facilities activity management plan
Draft Open Spaces activity management plan
Draft Waste Management activity management plan
Draft Stewart Island Electricity Supply (SIESA) activity management plan
Documents the Finance and Assurance committee (F&A) and/or Council has already endorsed or adopted
Draft Significant forecasting assumptions 06.09.23 (F&A)
Draft Significance and Engagement Policy 13.12.23 (Council)
Draft Remission and Postponement of rates 06.12.23 (F&A)
Draft Financial and Development contributions 06.12.23 (F&A)
Draft Revenue and Financing policy 14.02.24 (F&A)
Draft Performance Management Framework 14.02.24 (F&A)
Draft Transport activity management plan 14.02.24 (F&A)
Draft Financial Strategy 27.03.24 (F&A)
Draft Infrastructure Strategy 27.03.24 (F&A)
Draft Revenue and Financing Policy 10.04.24 (Council)

Draft activity management plans (AMPS)

- 20 Following the workshops held throughout 2023, Activity Managers have prepared draft AMPs as the supporting documents that underpin the LTP. These plans have considered the revised strategic framework confirmed by Council, as well as the direction from Council through those workshops, and any discussion at report presentation time.
- 21 Summaries of the draft AMPs were presented to Council at workshops in November 2023. These were discussed with activity managers and provided additional direction for activity budgets. Staff have made changes to the AMPs, reflecting the complexity of managing assets within the current economic climate and the changes in legislation as appropriate. The changes also reflect the feedback following the committee meeting in February 2024.
- 22 The transport AMP was endorsed on 14 February 2024 by the committee.
- 23 While Council is being asked to endorse the remaining draft AMPs today, the AMPs will continue to be living documents and will need to be updated to reflect any future decisions Council makes regarding the LTP and/or any legislative changes from central government.

Finance and Assurance Committee

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- 24 The Climate Change content has been updated in each AMP to better reflect current regional and organisational activities and to ensure consistency across the whole LTP.
- 25 The AMPs are presented in the activity groups they are associated with.

Activity Group												
Environmental Services (combines environmental health, animal services, resource management, includes district planning and building solutions)		Community Leadership Includes representation and advocacy, community partnership		Transport including roading, bridges, footpaths, cycle trail, Te Anau airport and water facilities.		Waste water Sewerage treatment and disposal	Stormwater	Water supply	Community Resources			
Activity management plan												
Environmental Services	Emergency Management	Community leadership	Roading, footpaths, bridges, culverts, airport and cycle trail	Water facilities Wharves, pontoons Jetties	Water services	Water services	Water services	Community Services including cemeteries community housing libraries	Community Facilities including toilets halls libraries and offices	Open Spaces parks reserves streetscapes	Waste services Solid waste and recycling	Stewart Island electricity supply authority SIESA

Environmental Services.

- 26 The environmental services group has two associated AMPS, **Environmental Services** and **Emergency Management**. The Environmental Services AMP has Legal and Compliance, Environmental Strategy, Environmental Health, Building Solutions and Resource consents within it.
- 27 The Emergency Management AMP has been developed, reviewed and updated by the team at Emergency Management Southland (EMS) as part of the emergency management service the four local authorities Invercargill City Council (ICC), Gore District Council (GDC), Environment Southland (ES) and Southland District Council (SDC) share.
- 28 Following on from the workshops in 2023 the substantive changes that have been made to the Environmental Services AMP are:
- **Plan Limitations.**
 - There has been significant amendment to the wording regarding the status of legislative repeal (RMA)
 - All references to Labour’s RMA process (the three bills) have been amended throughout the AMP to reflect the repeals.
 - **Regulatory Considerations.** All Bylaws and Legislation have had the years added. Repealed documents have been removed.
 - **Key Projects**
 - **Review of specific sections of the District Plan 2018.** The list of best practice has been expanded as per legislative requirements
 - **Policy and Plan Effectiveness monitoring.** A new section has been added.
 - **Climate change.** Staff have added a description to include, the participation in regional collaborative climate change responses in partnership with Southland councils and stakeholders, and the development of a Council emissions reduction plan and climate action plan.

Issues and risks

- **Resource Management**
 - **National Planning Framework.** This section has been removed
 - **National Policy Statement for Indigenous Biodiversity.** The content has been strengthened to give more context.

- **Climate change and natural hazard management.** The content has been strengthened to include updated information.
- **Legal and Compliance**
 - **Freedom Camping.** Removal of the Tourism Infrastructure Fund (TIF) funding reference, as this funding is no longer available.

Assumptions

- **Key Assumptions**
 - **Climate Change.** Staff have made a change to the assumptions to align with the Significant Forecasting Assumptions document.
 - **Activity Specific Assumptions – Environmental Health**
 - **Legal Highs legislation.** Discussion has been added to reflect that if changes occur, additional policy and legal support would be required.
 - **Legal and Compliance**
 - **Freedom Camping Bylaws.** Discussion has been amended to reflect the assumption more accurately.
 - **Climate Change.** Discussion has been strengthened to reflect the assumption more accurately.
- 29 There have been no substantive changes made to the Emergency Management AMP.

Community Leadership

- 30 The **Community Leadership** activity is made up community leadership, regional development, community assistance and representation and advocacy. All the activities are encompassed in the one AMP.
- 31 This activity sets out to provide Council with support in all aspects of governance including setting schedules, preparing agendas and running council, community board meetings and workshops for all elected members. The governance support also looks after election and representation reviews. The community aspect of the activity relates to building strong networks and relationships with new and existing partners, agencies/stakeholders, iwi, community boards and communities. It is also about understanding the aspirations of mana whenua and where relationships and partnerships are appropriate. Through these relationships, Council helps address a wide range of issues, challenges and opportunities, in order to improve and protect wellbeing through planning, investment, decision making, and agreed actions
- 32 There have been two changes to this AMP since the discussion at workshops in 2023. Staff have changed the wording in KPI 1.1.2 – removing ‘workshops’ from the measurement. KPI now reads -Percentage of Community Board meetings where residents and rate payers are in attendance. Staff have also removed the KPI 1.1.1- percentage of community partnership fund and district initiatives fund requested meets budgeted amount. This was removed following discussion with the Activity Manager and the General Manager as more work needs to be done to determine what is being measured and why we are measuring this.

Issues/risks

- 33 A number of issues/risks have been identified for this area including responding to challenges associated with climate change, the increasing need to effectively exercise tikanga/partner with Māori, and responding to change in the sector.

Assumptions

- 34 This AMP has been written on the assumption Council will continue to build strong networks, support the community boards and that Council will continue to require the same level of governance support throughout the life of LTP 34.

Transport Group

Water Facilities

- 35 The **Water Facilities** AMP is part of the Transport activity group. The Rooding AMP was endorsed at an earlier meeting therefore the water facilities AMP is the last AMP of this group to be presented for endorsement.
- 36 Southland District Council (SDC) manages a variety of assets that come under the water facilities activity. These assets provide access to rivers, lakes and the sea for both commercial and recreational opportunities throughout the district. They range from jetties/wharves, boat ramps, navigation aids, swimming pontoon and retaining/sea walls.
- 37 In the 2021-2031 LTP staff included funding to allow for annual maintenance and renewals. SDC has renewed four of the assets over the previous three years and installed one new asset.

Issues/risks

- 38 One of the major issues with this activity is the ability to fund the level of investment needed to meet Council's agreed levels of service (LOS), and the operational and legislative requirements especially given these are locally funded assets.
- 39 In the case of Stewart Island Rakiura there is a limited population base to support the activity. This creates issues when trying to provide sufficient funding to support the level of maintenance on ageing infrastructure.

Assumptions

- 40 SDC will continue to maintain the water assets at the appropriate health and safety level and meet operational requirements.

Water Services group

- 42 The **Water Service** AMP is the combined high-level overview of SDC's stormwater, waste water and water supply activities.
- 43 This Activity Management Plan (AMP) provides an overview of how Council intends to manage the Water Supply activity and associated assets in an effective, cost efficient and sustainable manner. The plan outlines key issues, goals, objectives, and the levels of service that Council will provide to its communities. The plan provides information on new projects and expenditure that are required to meet future demand as well as detail about life cycle management and maintenance. It provides an overview of costs and how the Water Supply activity is funded. The risks and uncertainties involved in undertaking the activity and how we manage those are also outlined in the plan.
- 44 The return of the water assets to Council budgets has meant slowing down what we are doing and making sure we get the balance of doing what needs to be done – what is right, with the affordability of rates increases for ratepayers.
- 45 This is one of Councils consultation issues, with Councils preference being to spread the timeframe out for doing the work needed and putting off some proactive work. If we smooth the timing of upgrades, which relies on Environment Southland allowing us to extend the current consents for up to five years, the pressure is taken off borrowing limits and resource constraints

for delivery internally and externally, along with reducing the size of the rate increase. All wastewater consent renewals would be still completed by the end of 2034. This would be a cost of \$259 million - \$176 million on sewerage, \$48.5 million on water and \$34.5 million on stormwater.

Issues/risks

- 46 The adjustments to the renewal programmes increase the risk for the need of reactive maintenance over the 10-year period and more active asset management to ensure the assets with the greatest risk of failure are prioritised for renewal.
- 47 There is also a risk of change in regulatory requirements, meaning some of the projects deferred to the future may need to be brought forward into the 10-year capital programme.
- 48 Council continues to have multiple separate schemes with small populations supporting the cost of increasing regulatory and statutory standards. It is really important that Council, Central Government, Environment Southland and IWI continue to work together to get the balance right for environmental, cultural, social and economic factors.
- 49 The deferral of the capital programme will create a bow wave of capital requirements 2034 and beyond and as a result, increase Councils debt requirements to excessive levels, requiring a rethink over the maximum level of debt currently capped at 175% of income in any year.

Assumptions

- 50 The Water Services AMP has been prepared with the understanding that Council will complete the work that is required of the water assets, doing what is right, while working within a level that is affordable for rate payers and do-able for staff and contractors.

Community Resources group

- 51 The Community Resources Group consist of five district or locally funded activities that come together to provide the services needed for connected and resilient communities across the district. The activities are: **Community Services** including cemeteries, libraries and the tenanting of council's community housing. **Community Facilities**, all the physical structures that council related services are provided from such as: offices, halls, community houses and toilets. The group also includes the **Open Spaces** activity, looking after our green, blue and grey infrastructure such as reserves, undeveloped natural areas, playgrounds, creeks and streams, connection and access to waterways town squares and street scapes. The Stewart Island electricity supply authority (**SIESA**), providing the only electricity generation for the 431 connections on the island including tourism operators. The fifth activity of this group is solid **Waste Services**, providing a solid waste management for all the district, that includes kerbside collection bins, transfer stations, recycling and green waste management.
- 52 While discussing direction for LTP 34 there were specific aspects of the community resources group that elected members indicated a focus on.
- 53 **Housing** – as identified in the work completed by Council within the housing scan (workshop) May 2022 along with the ongoing discussion around community housing, social housing and the lack of suitable housing options across the district identified by the Beyond 2025 long term plan it is important to reference Councils continued commitment to a regional approach and solutions.
- 54 Within the community services and facilities AMP's, council has committed to the continued provision of 69 community housing units in the district. A report will be provided to Council

which will provide an overview of the portfolio and management approach and allow for options to be considered that may lead to changes in the way the activity moving forward.

- 55 **Solid Waste** – Council has a legal requirement to provide Solid Waste Management Services under the Health Act 1956 and the Resource Management Act 1991, Local Government Act 2002 and the recently updated Waste Minimisation Act 2008).
- 56 Council maintains a ‘hands-on’ approach to this Activity, as it believes that solid waste can be most effectively and efficiently managed by local authorities, where the long term social, cultural, economic and environmental factors can be balanced for the benefits to the wider community. Given these legislative requirements, under the shared services banner of WasteNet Southland the Council, Gore District Council and Invercargill City Council have developed a strategic Waste Management and Minimisation Plan (WMMP) to ensure:
- A holistic approach to waste management and minimisation – a common vision and direction
 - Consistent policy across the Councils
 - Simplified consultation with stakeholders and the Community
 - Strengthened collaboration between Councils.
- 57 **The biggest change in this activity is the inclusion of glass recycling.** Government legislation requires councils to recycle glass separately to other recyclables by 2027. Along with our neighbouring councils we will move to start this service now. By taking glass out of the mixed recycling bin the impact of contamination from broken glass in that bin will be reduced. At the moment this contamination is causing extra waste being sent to landfill, which costs more.
- 58 This is another consultation issue for Council with options to either collect a new glass recycling bin monthly or fortnightly. In 2024/25 bins will be bought and distributed and the new collection process will begin in 2025/26.

Open spaces

- 59 The Open Spaces AMP helps to identify, develop, maintain and repurpose the spaces around Southland that make this district a great place to live.
- 60 There has been a significant investment in understanding the condition of the assets associated with this activity. Assessments of Councils open spaces assets have been completed which provide up to date information of the condition, future maintenance requirements and an estimate of the remaining life.
- 61 Following the workshops with council the substantive change has been to remove the Open spaces project with focus over the next 3 years reviewing the policy strategy and reserve management plans.

Community facilities

- 62 The facilities managed through this activity play a vital role in connecting Council to its communities and providing the facilities within which our customers can undertake varied activities. At times halls, offices and or libraries may be the sole remaining community facility therefore providing communities with the opportunity to access services, activities, interact socially and making doing business with council easier.
- 63 Some of these facilities were originally designed as single use facilities (many of which were built in the 1950's) however to move Council owned facilities into the future, these assets are likely to need to accommodate a multitude of varying services.

- 64 We will consider options for providing facilities to our communities by assessing the purpose, need and potential use of the current assets. This may result in solutions that vary across the district to suit the needs of our different communities – as not all communities will have the same needs. For example, the actions we take (after engaging with our communities) could include; modernising existing buildings/facilities, making alterations to create multipurpose spaces within existing buildings or the design and construction of new purpose-built facilities. In some cases where there is no longer a desire or need to retain assets in communities, we will consider disposal or sale options. To support informed decision making, work has commenced to collect usage data of some facilities such as halls.
- 65 Council can effectively maintain these facilities in partnership with community boards who have a governance function over these facilities.

Stewart Island Electricity Supply Authority (SIESA)

- 66 SDC is the supplier of electricity on Stewart Island. While supplying electricity through 4 diesel powered generators is unsustainable into the future, it is what is available now and is providing a consistent supply to the residents of the island.
- 67 Since the last LTP, the activity plan has been developed to be better able to demonstrate the condition of and predict the life of the assets and to monitor and maintain the assets in a timely manner. This has been done through a dedicated asset management plan compliant to the commerce commissions requirements for Electricity Distribution Business (EDB), and is developed through the International Infrastructure Management Manual (IIMM), setting a very high standard of asset management. As a result of this planning, the LTP has less identified asset renewals needed than in previous LTP's.
- 68 The previous government set aside funding for the purpose of investigating alternative energy sources. For Stewart Island the longer-term hope is to no longer need or to only use the diesel generators as back up or in an emergency situation.
- 69 While the work on alternative generation options continues council has committed to providing electricity for Stewart Island

Issues/risks for the Community Resources group

- Continued rising prices of diesel will impact on the price of electricity for residents on Stewart Island. This could go on to have an energy poverty impact on residents and business.
- Closed landfills, the plan over the next 12 years is to remediate the identified 5 high risk sites. Otautau, Riverton rocks, Bayswater, Wreys bush and Thornbury
- Community Facilities, Community services, Open spaces and Water facilities activities requires appropriate resourcing to meet the proposed level of service identified in the current AMPS

Assumptions for the community resources group

- 70 The AMPs in the community resources group are written on the assumption that Council is continuing to provide these services to the District. Specific assumptions include
- Where deferred maintenance has led to the condition of building related facilities deteriorating we will focus on bringing maintenance back to appropriate levels.

- The community housing assets will be maintained until end of useful life, the community housing services will continue to house residents in local townships as per the community housing policy.
- Cemeteries will continue to be maintained in all aspects as part of the Councils maintenance contracts through the community facilities team. This is a district funded cost.
- SDC will maintain facilities in collaboration with Community Boards.
- SDC will continue to bring our playgrounds up to NZ standards over the life of LTP 34.
- Following the review of the Open Spaces strategy and policy and the reserve management plans, this will identify specific projects for inclusion in LTP 37
- SDC will continue to provide electricity to the residents of Stewart Island through the current diesel-powered generation, while working with the community board, residents and rate payers to look at alternative energy generation options.
- SDC will remain in the shared service of WasteNet with ICC and GDC.
- That there are no significant legislative directional changes from central government

Overall Issues

- 71 The documents attached to this report remain in draft form, to complete the supporting documents the final budgets need to be confirmed. Staff have not identified any further issues to resolve around the supporting information documents unless councillors have issues they wish to raise.
- 72 The next step in the LTP process is for the consultation document to be finalised, audited, designed and made ready for the Committees recommendation and the Councils adoption and release for public consultation.

Factors to Consider

Legal and Statutory Requirements

- 73 Before adopting a consultation document, the local authority must prepare and adopt the information that:
- is relied on by the content of the consultation document adopted under Section 93A; and
 - is necessary to enable the Auditor-General to give the required reports; and
 - provides the basis for the preparation of the Long Term Plan.

Community Views

- 74 As part of preparing the LTP supporting information, consideration of the communities' view was included. This was facilitated through the direction setting process with all community boards. In addition, discussions occurred with Te Ao Mārama Incorporated on behalf of local iwi.

- 75 The supporting information will be publicly available on Council’s website during the LTP consultation period. As a result of submissions received, Council may decide to amend any of the supporting information documents when it adopts the LTP.

Costs and Funding

- 76 The LTP proposals have been budgeted for and are set out in the activity management plans and LTP prospective financial statements.
- 77 The monetary impact of the directions outlined in the attached activity management plans will be reflected in future reporting to the committee on the perspective financial result.

Policy Implications

- 78 The LTP is Council’s major mechanism to strategically manage and develop the District. A number of policies inform the preparation of the LTP and have therefore been reviewed by Council.

Analysis

Options Considered

- 79 Option 1 – endorse and recommend to Council to adopt the supporting information, with amendments as required.
- 80 Option 2 – do not endorse the supporting information.

Analysis of Options

Option 1 – Endorse and recommend to Council to adopt the supporting information, with amendments as required.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">the supporting information provides additional information to the public about the proposals to assist them to provide feedback on the consultation documentmaking the supporting information available will reduce staff time in dealing with requests for additional informationendorsement of the supporting information formalises the material and also reduces the amount of work required to prepare the final LTP and time for Council review prior to adoptionthe endorsement of the supporting information helps to keep the completion of the LTP within the timeframes previously discussed.	<ul style="list-style-type: none">members of the public may find it difficult to understand which piece of supporting information to look at for further informationmembers of the public may want other information which is not available

<ul style="list-style-type: none"> The endorsed supporting documents can be released to Deloitte staff for audit purposes. 	
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Option 2 – Do not endorse the supporting information.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> may avoid confusion from members of the public who are not sure what the information relates to 	<ul style="list-style-type: none"> the documents would not be available to interested parties to help them find more detail about the activity and how the LTP forecasts have been prepared Council will not have formally endorsed the information in the LTP, this may require additional time to prepare and review prior to adopting the final LTP. Audit process may be help up.

Assessment of Significance

- 81 The LTP is a significant decision as it is the primary way that Council is held accountable for public expenditure.
- 82 Staff consider the decision to adopt the supporting information to the consultation document as significant in relation to Council’s Significance and Engagement Policy and the LGA.
- 83 The likely impact and consequences of the supporting documentation, once adopted and released to the public to support the consultation document, is considered significant for the current and future social, economic, environmental or cultural wellbeing of the District. These documents are critical to help our communities understand the key issues facing the District to provide their views ahead of the final adoption of the LTP.
- 84 An assessment of significance means that the public should be consulted, this is occurring as part of the Long Term Plan process, whereby these documents are provided as supporting information.

Recommended Option

- 85 Staff recommend option 1 that the committee endorse and recommend to Council to adopt the supporting information, with amendments, as required.

Next Steps

- 86 Following Council’s adoption of the LTP consultation document, the supporting information will be made available on Council’s website www.southland.org.nz.
- 87 Council will consider all the feedback and any changes to the supporting information at its deliberations and hearing meetings in coming months.

Attachments

- A Environmental Services AMP
- B Emergency Management AMP
- C Community Leadership AMP
- D Water Facilities AMP
- E Water Services AMP
- F Community Services AMP
- G Community Facilities AMP
- H Open Spaces AMP
- I Waste Services AMP
- J SIESA AMP

Forecasted Financial Position for the year ending 30 June 2024

Record No: R/24/4/25368

Author: Joanie Nel, Senior accountant

Approved by: Anne Robson, Group manager finance and assurance

Decision

Recommendation

Information

Purpose

- 1 To inform the Committee of the expected year-end financial result compared to the Annual Plan 2023/2024 and to seek its approval to recommend to Council the resulting forecasted position.
- 2 To seek Committee endorsement for unbudgeted expenditure requests, and the deletion and deferral of a number of projects.

Executive Summary

- 3 Forecasting the financial position for the year ended 30 June 2024, is intended to provide information about what has changed since the budget was approved, why it has occurred and what the result is expected to be at the end of the year. Only major changes have been included in this forecasting round. These changes are based on the best knowledge that the relevant staff have at a point in time and events can overtake this.
- 4 In considering the final position, staff consider what they planned to do in the 2023/2024 Annual Plan, the projects carried forward from 2022/2023 that were approved by Council on 20 September 2023, unbudgeted expenditure requests approved by Council or committees for the year to date, including the revised project prioritisation undertaken by staff in September 2023 and the expected year end position as a result of operational decisions and information.
- 5 The budgeted expenditure included in the 2023/2024 Annual Plan year was adopted on 21 June 2023. Since this date, a number of events have occurred that will change the year end position.
- 6 Overall revenue has increased by \$3.7 million. This is a combination of amounts to fund carry forward, (\$3.9 million, NZTA and grant funding mainly), a reduction in revenue due to the September 23 prioritisation process (\$1.3 million) and further changes as a result of this process (\$1.1 million). The \$1.1 million relates to the NZTA funding for the September 2023 flooding event, insurance recoveries for Edendale/Wyndham waste water treatment plant accident and the sale of land at Luxmore subdivision. Additionally, this is offset by a reduction in grants & subsidies, principally moving better off funding to 2024/2025 and changing interest indicated to be externally earned as part of the investment approach to internal, thereby reducing the interest paid in operational expenses by \$1.1 million.
- 7 Overall operating expenditure has increased by \$1.9 million. This is a combination of amounts carried forward from 2022/23 that was approved by Council in September 2023 (\$2.3 million), unbudgeted expenditure approved during the year (\$0.2 million) and further changes as a result of this forecasting process (\$0.6 million decrease). The net forecasting increase in operational expenditure of \$1.9 million is as a result of unplanned maintenance, waste disposal costs and the

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movement of some roading expenditure monies budgeted as capital but moved to operational to meet increased costs in maintenance contracts being offset by a reduction in finance costs (\$2.5 million) due to the delay in our investment approach.

- 8 The majority of the forecast changes relate to capital spend. Capital expenditure has decreased by \$2.6 million predominantly due to projects which are proposed to be deferred to a later year as well as the transfer of roading capital expenditure to cover the additional costs increases in maintenance contracts.
- 9 The effect of the forecast changes on the Statement of Comprehensive Revenue and Expenditure and Statement of Financial Position are shown in attachments A and B. Staff have made no attempt to revisit the infrastructure or forestry revaluation. Although indications are that the volatility of the past few years will not occur this year. Staff have reviewed the depreciation charges and believe them to be fair and reasonable based on actual 2022/2023 and increased for inflation.
- 10 As part of the resolutions the Committee is being asked to endorse a number of unbudgeted expenditure requests that have not been considered by Council previously (refer attachment C). Additionally, there are a number of projects that have been identified as needing to be deferred to future years (attachment D). Projects that need to be brought forward from future years are included in attachment E.
- 11 In terms of the capital programme, the majority of works are in progress. There will be still be carry forwards at year end and generally this forecasting process has not attempted to estimate these. This will be due to issues such as consent conditions, discussions still occurring with communities, delays in finding office accommodation and resourcing, materials availability.

Recommendation

That the Finance and Assurance Committee:

- a) **Receives the report titled “Forecasted Financial Position for the year ending 30 June 2024”.**
- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Notes the forecasted changes to Council’s year-end financial performance and position as detailed in attachment A and B.**
- e) **Endorses and recommends to Council the following unbudgeted expenditure and associated funding source:**

Business Unit	Expense	Amount	Funding Source
Te Anau Airport – Manapouri	Runways renewal	\$60,093	Loan
Stewart Island Visitor Levy	Operating costs	\$15,000	Grant
Mayoral Taskforce	Consultants	\$110,000	Grant
Creative communities NZ	Creative communities	\$17,988	Grant
Community housing collective	Maintenance general	\$55,000	Reserves
District water	Maintenance unplanned	\$220,000	General recoveries
Water supply Ohai/Nightcaps	Water renewal	\$112,555	Loan
Tuatapere library	Maintenance general	\$16,000	Reserves
Property sales	Commission and levies	\$10,174	Proceeds on sale
Property sales	Consultants	\$7,379	Proceeds on sale
Property sales	Legal costs	\$19,850	Proceeds on sale
Resource consent processing	Consultants	\$250,000	Reserves
Water supply overheads	Maintenance routine	\$125,000	Loan
District sewerage	Maintenance unplanned	\$150,000	Insurance recoveries
District sewerage	Maintenance routine	\$400,000	Loan
Beautification Stewart island	Improvements Ac LOS	\$50,000	Grant
Sewerage Edendale/ Wyndham	Sewerage renewals	\$300,000	Insurance

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Toilets – Riverton Princess Street	Buildings renewal	\$300,000	Loan
Wheelie bins	Kerbside collection – recycling	\$75,000	Reserves
Wheelie bins	Waste disposal	\$150,000	Reserves

f) Endorses and recommends to Council the deferral of the following items to the 2024/2025 financial year:

Business Unit	Project/Item	Amount	Funding Source
Better off funding	Consultants	(\$150,000)	Grant
Information services	Software renewal	(\$700,000)	Loan
Sewerage scheme Manapouri	Manapouri Wastewater treatment upgrade	(\$600,000)	Loan
Stormwater drainage Te Anau	Stormwater acquisition LOS	(\$1,000,000)	Loan
Resource planning/policy	General projects	(\$400,000)	Grant

g) Approve the bringing forward of the following project budgets from future financial years:

Business Unit	Project	Amount	Funding Source
District sewerage	District wide oxidation pond desludging	\$100,000	Loan

Background

- 12 Forecasting enables transparency and informs Council of the anticipated year-end financial result. Forecasting was first undertaken in November 2015 and since then forecasting has been undertaken twice a year, at the end of October and the end of January or February, depending on meeting dates. However, due to time constraints and other significant work being undertaken across the organisation, this is the fourth year we have only held one forecasting round. Therefore, what would normally have been the second round of forecasting for the financial year, became the only opportunity to make changes to the budgets for the 2023/2024 financial year other than through separate approved unbudgeted expenditure reports. These unbudgeted expenditure reports have been tracked and updated in the financial projections to date.
- 13 The finance team, budget managers and their general managers have focussed on major changes in this forecasting round.
- 14 Changes due to forecasting have been included in the attachments as follows.
- Attachment A - shows the net effect of the changes to the statement of comprehensive revenue and expenditure for the year ended 30 June 2024

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- Attachment B - shows the effect of changes to the statement of financial position for the year ending 30 June 2024
 - Attachment C – provides details of unbudgeted expenditure to be approved as part of forecasting
 - Attachment D - provides details of the specific projects being deferred to future years
 - Attachment E - provides details of the specific projects being brought forward from future years
 - Attachment F – provides details of the changes to expenditure requiring CEO approval (under \$10,000)
- 15 The Chief Executive has delegated authority to approve unbudgeted expenditure under \$10 thousand associated with the district and therefore these forecast changes are excluded from the resolutions included in this report. For this round of forecasting, there is 1 item totalling \$10 thousand which is detailed in attachment F.
- 16 Staff have endeavoured to ensure that Community boards are aware of changes to local budgets including movements in local projects as part of the 2024/2025 annual plan direction setting meetings.
- 17 Staff have made no attempt to revisit any potential changes to infrastructure and forestry revaluations due to the volatility that can exist in determining these. At this stage, we do not believe that the volatility of previous years will be experienced this year.

Revenue

- 18 Overall revenue has increased by \$3.7 million. This is a combination of amounts to fund carry forward, (\$3.9 million, NZTA and grant funding mainly), a reduction in revenue due to the September 23 prioritisation process (\$1.3 million) and further changes as a result of this process (\$1.1 million). The \$1.1 million relates to the NZTA funding for the September 2023 flooding event, insurance recoveries for Edendale/Wyndham waste water treatment plant accident and the sale of land at Luxmore subdivision. Additionally, this is offset by a reduction in grants & subsidies, principally moving better off funding to 2024/2025 and changing interest indicated to be externally earned as part of the investment approach to internal, thereby reducing the interest paid in operational expenses by \$1.1 million.
- 19 At year end, income from resource consents will be less than budgeted, this is due to a mixture of factors including the fast tracking consent process and as a result of an increased number of discounts given due to not meeting the statutory 20 day turn-around. It has been identified that we have not yet invoiced the applicable government agency for the fast tracking consent. This will reduce the overall income deficit, so the additional \$200 thousand being requested from the District Operations Reserve currently we expect to be considerably more than needed however we still need to work through this area.

Operating Costs

- 20 Overall operating expenditure has increased by \$1.9 million. This is a combination of amounts carried forward from 2022/23 that was approved by Council in September 2023 (\$2.3 million),

unbudgeted expenditure approved during the year (\$0.2 million) and further changes as a result of this forecasting process (\$0.6 million decrease). The net forecasting increase in operational expenditure of \$1.9 million is as a result of unplanned maintenance, waste disposal costs and the movement of some roading expenditure monies budgeted as capital but moved to operational to meet increased costs in maintenance contracts being offset by a reduction in finance costs (\$2.5 million) due to the delay in our investment approach.

Key explanations of the \$1.9 million of further changes to other council expenditure as a result of this forecasting process are as follows:

- 21 An additional \$1.2 million of roading operational expenditure has been included to cover inflation increases in the three main maintenance contracts. This has been met from reducing capital budgets. The result is no change to the overall roading spend but a change to the level of service delivered. There has also been a reduction in the budgeted costs for maintenance unsealed roads which represents the property owners share of costs relating to the Otta seal dust suppressant. This programme has been put on hold while previous work completed is being reviewed due to some sites not performing as expected. The budget relating to the work started for school signs has not been forecasted. The work is in the final stages of procurement, indication at this stage is that physical programme is expected to be completed by the end of the financial year and it may be completed under budget. This programme is a specific funding stream from Waka Kotahi and is unable to be used for other work.
- 22 As discussed previously with the Committee, Council staff have been committed to improving the customer service experience in the resource consent area. To support this, a number of business improvement initiatives have been implemented along with a comprehensive training programme for staff. To allow this training to occur and the systems to be developed and imbedded, a higher use of consultants has been needed in the short term. This has been estimated at \$250 thousand to 30 June 2024, net of underspends in other lines, however it is hoped to be less than that as the use of consultants generally is removed. Funding is being proposed from the District Operations Reserve.
- 23 The district water budget for unplanned maintenance requires an additional \$220 thousand as increased repairs were required to the Riverton bridge pipe due to damage caused by a boat in a storm. This will be covered by the boat owner's insurance and is reflected in general recoveries.
- 24 Additional unplanned maintenance costs are required for Te Anau Rural Water supply (\$125 thousand) and \$400 thousand for district sewerage. All unplanned maintenance is now paid as part of the monthly claim under the new contract. Previously, maintenance works under \$5 thousand were included as part of the fixed monthly cost, with additional costs only being due if the total works were greater than this figure. This was not allowed for in the budgets due to these being prepared in 2022 and the contract going to the committee in March 2023. To fund these costs it is proposed to take out a loan over three years. Although staff have increased the unplanned maintenance budgets in the 2024-34 Long Term Plan, a review of the quantum is being undertaken now that we are nearly one year through the new contract to understand what annual cost may be required moving forward for budgeting purposes.
- 25 District sewerage also requires an additional \$150 thousand unplanned maintenance following an accident, to be funded by way of proceeds from an insurance claim.

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- 26 Due to the investment policy changes not being implemented at this time, the finance costs has been decreased to \$784 thousand to reflect the interest on the current LGFA borrowings plus an allowance for potentially another \$5 million of borrowings before financial year end.
- 27 An additional \$150 thousand of waste disposal costs has been forecast to be funded by reserves. This is due to an increase in volumes disposed of compared to budgeted. The budget was based on the 2021/2022 volumes disposed, noting volumes for the current year are in line with those disposed of in 2022/2023. Additional kerbside collection recycling costs are also required for increased escalation costs in line with inflation (\$75 thousand) to be funded by the waste minimisation levy.

Capital Expenditure

- 28 Capital expenditure has decreased by \$2 million. This is a combination of amounts carried forward from 2022/2023 that was approved by Council in September 2023 (\$10.6 million), unbudgeted expenditure approved during the year (\$10 million reduction) and further changes as a result of this process, a reduction of \$2.6 million.
- 29 Edendale/Wyndham Sewerage requires additional renewal costs of \$300 thousand for reinstatement costs following an accident, to be funded by proceeds from an insurance claim.
- 30 The renewal project at the Riverton Princess street toilet requires an additional budget of \$300 thousand. This is forecasted to be funded from underspends in the toilet projects at Dunsdale, Mossburn and Nightcaps.
- 31 Roothing capital expenditure has been reduced by \$1.2 million to fund inflation increases in the three main maintenance contracts. The result is no change to the overall roading spend but a change to the level of service delivered.
- 32 Attachment D includes the deferral of the following projects/items to 2024/2025:
- \$150 thousand consultants' costs funded by Better off funding
 - \$700 thousand software renewal costs as the implementation of the FMIS project is delayed while working with the vendor on the product
 - \$600 thousand towards the Manapouri Wastewater treatment upgrade project due to the design still in progress
 - \$1 million towards the stormwater drainage project in Te Anau as the re-design is in progress with capital delivery scheduled in 2024/2025
 - \$400 thousand for the spatial planning project funded from Better off funding, as a scoping plan is in preparation with delivery actions beginning in the 2024/2025 financial year
- 33 Attachment E outlines 1 project totalling \$100 thousand proposed to be brought forward from the 2024/2025 financial year, being the completion of the district wide oxidation pond desludging.

Forecasted financial results

- 34 The 2023/2024 Annual Plan anticipated a deficit of \$9.2 million for the year ended 30 June 2024. As a result of carry forwards, approved unbudgeted expenditure and forecasting changes outlined in this report, the overall total forecast net deficit for the year is projected to be \$7.4 million.

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Refer to attachment A for detail of the forecasted statement of comprehensive income and expense.

- 35 The net asset position at 30 June 2024 was anticipated to be \$2.1 billion in the 2023/2024 Annual Plan. The forecast position after forecasting, adjusting for the actual 30 June 2023 results and other adjustments (carry forwards and unbudgeted expenditure), is projected to be \$2.6 billion. Refer to attachment B for detail of the forecasted statement of financial position.

Benchmarks

- 36 As part of the 2023/2024 Annual Plan, Council budgeted to achieve 104.9% of its benchmark of capital expenditure to exceed depreciation, on the four network infrastructure services (transport, stormwater, sewerage and water supply) in 2023/2024. The benchmark set by legislation is 100%. Currently, the benchmark is 53% for the actual results at 29 February 2024. After the changes proposed for forecasting, this benchmark is now expected to achieve 104%. The revaluations of these assets at year-end will have an impact on the depreciation, and accordingly this benchmark.
- 37 The remainder of the year-end benchmarks based on the revised forecasted results are as follows:

Benchmark	Quantified Limit	Planned as per LTP 23/24	Planned as per the AP 23/24	Revised Forecasted Result 23/24
Debt Affordability Benchmark - Net Debt	175%	78.9%	57.1%	35.0%
Balanced Budget Benchmark	100%	95.0%	91.7%	91.10%
Debt Servicing Benchmark	10%	2.25%	3.22%	3.51%

Issues

- 38 Forecasting is part of the ongoing process to enable Council to understand its year end result. This includes early identification of projects that will not be completed by the end of the current financial year. Forecasting also provides an opportunity to approve anticipated unbudgeted expenditure during the year. This should reduce the number of individual requests needing to be considered by Council. Any works not started or completed by year end will be included as part of the carry forward report presented to Council in August/September 2024.

Impact of forecasting on the works programme

- 39 The forecasting process has identified projects to be deferred and brought forward. Schedules of these projects are included in attachment D and E.
- 40 A summary of the movement of projects (both capital and operational) as a result of carry forwards and forecasting for the 2023/2024 year is as follows:

Financial activity	Other activities \$	Roadings \$	Total \$

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Projects as per 2023/2024 Annual Plan	27,648,674	26,043,261	53,691,935
Projects carried forward from 2022/2023	5,759,647	6,114,848	11,874,495
Projects approved via unbudgeted expenditure reports	1,572,315	52,881	1,625,196
September prioritisation adjustment	(8,930,032)	(3,493,729)	(12,423,761)
Total projects budget for 2023/2024	26,050,604	28,717,261	54,767,865
February forecasting movement	(1,103,870)	(1,524,128)	(2,627,998)
Expected project costs for 2023/2024	24,946,734	27,193,133	52,139,867

41 The capital programme for 2023/2024 is forecast at \$52.1 million. To summarise where staff are at with the project delivery to date,

- All of the three waters projects in the annual plan have started with the majority due for completion by the end of the financial year. There will be key multi-year projects that will require a carry forward into 2024/2025 in particular the Manapouri water treatment plant upgrade and waste water treatment plant upgrades for consent conditions.
- Discussions with the communities over their footpath renewals is still occurring, which may lead to further carry forwards in this area (total budget \$1.2million)
- Monies in relation to the Invercargill office (\$5 million) development are still in the budget to 30 June 2024, with staff continuing to look at options to get everyone back into one office.
- It is also expected projects being undertaken for communities will not be completed in full by year end due to resourcing and materials availability, in particular some of the toilet projects. Staff will continue to source and deliver as much as possible before year end. Carry forwards in this area will occur.

42 The September prioritisation adjustment changes have already been built into the 2024/2034 Long term plan total noted below.

43 Additional changes identified as part of this forecasting process, will affect year one of the 2024/2034 Long term plan and the quantum of projects to be delivered. This is summarised as below:

Projects as per 2024/25 of the Long Term Plan	\$
Projects for 2024/2025 per draft Long Term Plan (including Sept prioritisation projects)	68,349,565
Projects from 2023/2024 to be moved to 2024/25 (see Attachment D)	2,850,000
Revised Projects 2024/2025	71,199,565

44 In regards to the projects for 2024/2025, staff will review the impact of moving these projects from 2023/2024 and will if necessary include any changes in year one (2024/2025) of the

2024/2034 Long Term Plan staff submission report before it is finalised by Council in August 2024. As part of this, resourcing and material availability will be considered.

Impact of forecasting on rates

- 45 The changes indicated may impact future years rates requirements depending on how they are funded. Council generally only rates for loan repayments in the year following the loan being established, however in some cases rates may have been collected if it was expected that a loan would be drawn down and it wasn't as a result of resource delays etc. Where rates are collected these are transferred to the relevant rates reserve for use in the future. Additionally, some costs indicated may have flow on effects to future operational costs, where possible the 2024/2034 Long Term Plan has incorporated these.
- 46 The changes will not impact the rates for the current 2023/2024 year, as the rates have been struck for this year and three of four instalments have been invoiced. Generally, rates to repay loans used to fund projects are collected in the year following loan draw down however there may be a few instances where projects are expected to be completed in a year and for some reason they are not. As a result, collection of principal and interest may occur, should this happen the funds are transferred to the relevant rating reserve at year end to be used for costs going forward.
- 47 There is still a risk that the actual result achieved at 30 June 2024 differs from what has been forecasted and therefore this could give rise to over or under rating depending on the circumstances.

Factors to Consider

Legal and Statutory Requirements

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

Community Views

- 49 Changes proposed to capital and operational expenditure for townships have been or will be reported to the relevant community board.

Costs and Funding

- 50 The forecasting that has been completed shows that the net deficit after these forecasting charges are approved will be \$7.4 million (attachment A).
- 51 Overall capital expenditure is expected to decrease by \$2.6 million in this forecasting round as outlined in attachment B and discussed in this report.
- 52 The funding source for all forecasted changes are identified as part of this process and are predominantly; reserves, loans, external revenues sources (fees, charges, grants etc) and savings in current budgets. The impact on rates is addressed in the issues section of this report.

Policy Implications

- 53 Council staff must ensure that all expenditure is carried out within approved delegations. The current financial delegations only allow the chief executive to approve unbudgeted purchases of

plant, capital items and goods or services expenditure up to \$10 thousand. Everything else must be approved by Council.

Analysis of Options

54 The options are to endorse or not, in full or part, the forecasted adjustments to the expenditure for the 2023/2024 Annual Plan.

Option 1 – Endorse and recommend to Council all forecast changes recommended including any adjustments agreed at the meeting

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Council and the Committee are informed of anticipated changes from the 2022/2023 Annual Plan • Council has had the opportunity to prioritise expenditure to be incurred in the current financial year • Council staff are able to procure as required to provide services to the community in the most appropriate manner 	<ul style="list-style-type: none"> • deferral of projects which are going to be completed later and/or costing more than previously indicated

Option 2 – Do not endorse, in part or in full, of the forecast changes recommended

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Council has more time to consider anticipated changes from the 2023/2024 Annual Plan • Council has the opportunity to prioritise expenditure to be incurred in the current financial year 	<ul style="list-style-type: none"> • processes may be delayed where further approval needs to be sought from Council before committing to additional expenditure • Impact of the flow on effect of changes may not be incorporated into the 2024/2025 Long Term Plan.

Assessment of Significance

55 The assessment of significance needs to be carried out in accordance with Council’s Significance and Engagement Policy. The Significance and Engagement Policy requires consideration of the impact on social, economic or cultural wellbeing of the region and consequences for people who are likely to be particularly affected or interested. The content of this report is not deemed significant.

Recommended Option

56 Option 1 – Endorse and recommend to Council all forecast changes recommended including any adjustments agreed at the meeting

Next Steps

- 57 If endorsed, a report will be prepared for Council to approve the forecast and changes as recommended. Following which if Council approves, staff will advise activity managers of the approval of unbudgeted expenditure and/or confirmed project amendments for the 2023/2024 financial year. Additionally, the approved forecasted information will be incorporated into Council financial systems and consequently future reporting, including any LTP submission report.

Attachments

- A Forecasted Financial Position for 30 June 2024 - Attachment A
- B Forecasted Financial Position for 30 June 2024 - Attachment B
- C Forecasted Financial Position for 30 June 2024 - Attachment C
- D Forecasted Financial Position for 30 June 2024 - Attachment D
- E Forecasted Financial Position for 30 June 2024 - Attachment E
- F Forecasted Financial Position for 30 June 2024 - Attachment F