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

Date:	**Wednesday, 25 June 2025**
Time:	**10am**
Meeting room:	**Council Chamber**
Venue:	**Level 2 20 Don Street Invercargill**

Finance and Assurance Committee Agenda
OPEN

MEMBERSHIP

Chairperson	Bruce Robertson
Deputy chairperson	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

Committee advisor	Rachael Poole
Group manager finance and assurance	Anne Robson

Contact telephone: 0800 732 732
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Website: www.southlanddc.govt.nz
Online: Southland District Council YouTube

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

Health and safety

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

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.

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.

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

<table>
<tr><td>TYPE OF COMMITTEE</td><td>Council standing committee</td></tr>
<tr><td>RESPONSIBLE TO</td><td>Council</td></tr>
<tr><td>SUBCOMMITTEES</td><td>None</td></tr>
<tr><td>LEGISLATIVE BASIS</td><td>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.</td></tr>
<tr><td>MEMBERSHIP</td><td>The mayor, all councillors and one external appointee.</td></tr>
<tr><td>FREQUENCY OF MEETINGS</td><td>Quarterly or as required</td></tr>
<tr><td>QUORUM</td><td>Seven members</td></tr>
<tr><td>SCOPE OF ACTIVITIES</td><td>The Finance and Assurance committee is responsible for:

ensuring that Council has appropriate financial, risk management and internal control systems in place that provide:

an overview of the financial and non-financial performance of the organisation
effective management of potential opportunities and adverse effects
reasonable assurance as to the integrity and reliability of Council’s financial and non-financial reporting.

exercising active oversight of information technology systems
exercising active oversight of Council’s health and safety policies, processes, compliance, results and frameworks
relationships with external, internal auditors, banking institutions and insurance brokers.

The Finance and Assurance committee will monitor and assess the following:

the financial and non-financial performance of Council against budgeted and forecasted outcomes
consideration of forecasted changes to financial outcomes
Council’s compliance with legislative requirements
Council’s risk management framework
Council’s control framework
Council’s compliance with its treasury responsibilities
Council’s compliance with its Fraud Policy.
</td></tr>
<tr><td>DELEGATIONS</td><td>The Finance and Assurance committee shall have the following delegated powers and be accountable to Council for the exercising of these powers.
In exercising the delegated powers, the Finance and Assurance committee will operate within:

policies, plans, standards or guidelines that have been established and approved by Council
</td></tr>
</table>

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

	b) accounting treatments, changes in generally accepted accounting practice, and new accounting and reporting requirements c) the approval of financial and non-financial performance statements including adoption of the Annual Report, Annual Plans and Long Term Plans. The Finance and Assurance committee is responsible for considering and making recommendations to Council on business cases completed under the 'Power to act' section above.
FINANCIAL DELEGATIONS	Council authorises the following delegated authority of financial powers to Council committees in regard to matters within each committee's jurisdiction. **Contract acceptance:** • accept or decline any contract for the purchase of goods, services, capital works or other assets where the total value of the lump sum contract does not exceed the sum allocated in the Long Term Plan/Annual Plan and the contract relates to an activity that is within the scope of activities relating to the work of the Finance and Assurance committee • accept or decline any contract for the disposal of goods, plant or other assets other than property or land that is provided for in the Long Term Plan **Budget reallocation**. The committee is authorised to reallocate funds from one existing budget item to another. Reallocation of this kind must not impact on current or future levels of service and must be: • funded by way of savings on existing budget items • within the jurisdiction of the committee • consistent with the Revenue and Financing Policy.
LIMITS TO DELEGATIONS	Matters that must be processed by way of recommendation to Council include: • amendment to fees and charges relating to all activities • powers that cannot be delegated to committees as per the Local Government Act 2002 and sections 2.4 and 2.5 of this manual. Delegated authority is within the financial limits in section 9 of this manual.
RELATIONSHIPS WITH OTHER PARTIES	The committee shall maintain relationships with each of the nine community boards. Professional advisors to the committee shall be invited to attend all meetings of the committee including: • external auditor • internal auditor/risk advisor (if appointed) • chief financial officer. At each meeting, the chairperson will provide the external auditor and the internal auditor/risk advisor (if appointed) with an opportunity to discuss any matters with the committee without management being present. The chairperson shall request the chief

	executive and staff in attendance to leave the meeting for the duration of the discussion. The chairperson will provide minutes for that part of the meeting. The chief executive and the chief financial officer shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of Council, material breakdown in internal controls and any material event of fraud. The committee shall provide guidance and feedback to Council on financial performance, risk and compliance issues. The committee will report to Council as it deems appropriate but no less than twice a year.
CONTACT WITH MEDIA	The committee chairperson is the authorised spokesperson for the committee in all matters where the committee has authority or a particular interest. Committee members, including the chairperson, do not have delegated authority to speak to the media and/or outside agencies on behalf of Council on matters outside of the committee's delegations. The chief financial officer will manage the formal communications between the committee and its constituents and for the committee in the exercise of its business. Correspondence with central government, other local government agencies or other official agencies will only take place through Council staff and will be undertaken under the name of Southland District Council.

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1 Apologies

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

2 Leave of absence

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

3 Conflict of interest

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

4 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, 14 May 2025

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

(UNCONFIRMED)

Minutes of a meeting of Finance and Assurance Committee held in the Council Chamber, Level 2, 20 Don Street, Invercargill on 14 May 2025 at 10am. (10am – 12.27pm (PE 11.59 – 12.27pm))

PRESENT

Chairperson	Bruce Robertson
Mayor	Rob Scott (10.36am – 12.27pm)
Councillors	Jaspreet Boparai
	Don Byars
	Derek Chamberlain
	Paul Duffy
	Darren Frazer
	Sarah Greaney (10.36am – 12.27pm)
	Julie Keast
	Christine Menzies
	Tom O'Brien
	Margie Ruddenklau
	Jon Spraggon
	Matt Wilson

APOLOGIES

IN ATTENDANCE

Group manager finance and assurance	Anne Robson
Committee advisor	Rachael Poole

1 Apologies

Apologies for lateness were received form Rob Scott, Darren Frazer and Sarah Greaney.

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

That the Finance and Assurance Committee accept the apologies.

2 Leave of absence

There were no requests for leave of absence.

3 Conflict of interest

There were no conflicts of interest declared.

4 Extraordinary/urgent items

There were no extraordinary/urgent items.

5 Confirmation of minutes

Resolution

Moved Chairperson Robertson, seconded Cr O'Brien

That the Finance and Assurance Committee confirms the minutes of the meeting held on 19 March 2025 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 for the year ended 30 June 2025

Record No: R/25/5/20895

Group manager finance and assurance, Anne Robson presented this report. Reports that have been added for this meeting include Procurement Policy for review, FMIS project timetable and the B2B project update. The Insurance Policy review report was moved from this meeting to the 11 June meeting.

Resolution

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

That the Finance and Assurance Committee:

a) receives the report titled "Finance and Assurance Committee work plan for the year ended 30 June 2025"

b) notes amendments made to the workplan.

7.2 Interim Performance Report - period two - 1 July 2024 to 28 February 2025

Record No: R/25/4/16170

Group manager finance and assurance, Anne Robson introduced this report and explained that the purpose of this report was to provide the Finance and Assurance Committee (the committee) with an Interim Performance Report for the period 1 July 2024 to 28 February 2025 for review and feedback.

Of the nineteen KPIs that are off target, staff believe five, will most likely meet at least minimum standards by year end. Of the remaining fourteen staff continue to make improvements where they can, with a number showing this from the last reporting period.

The Finance and Assurance Committee have requested an actual figure for the dog attacks on animals as part of the environmental services reporting and more information in relation to water supply treatment monitoring.

Staff explained that the money that has been rated and held in regard to roading will be used to pay off some of the roading debt, some will be put to reserves and as Council has been successful in securing some additional funding for structures, some of the money will go towards this.

The Committee thanked Ms Robson and her team and credited them for what has been achieved to date, and appreciated that staff are across the information and performance and able to answer questions that they raised during this report.

During the above discussion, Cr Byars left the meeting at 10.34am and returned at 10.44am.

Mayor Scott and Councillor Greaney arrived at 10.36am.

Resolution

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

That the Finance and Assurance Committee:

a) Receives the report titled "Interim Performance Report - period two - 1 July 2024 to 28 February 2025" dated 9 May 2025.

7.3 FMIS project timeline update

Record No: R/25/5/21089

Systems accountant, Matthew Denton and manager information services, Craig Small were in attendance for this report. They updated the Committee on the proposed timeline for the implementation of the Datascape system and the related supporting information technology (IT) systems that form part of the Financial Management Information system.

The timeline has been developed (attachment A) with major phases as follows:

- Discovery and Planning now to June 2025
- Design and Foundation July – Dec 2025
- Build and Configure July 2025 – January 2025
- Test and Train February – June 2026
- Operational Onboarding March – June 2026,
- Go-Live on 1 July 2026, and stabilisation and hyper care ongoing after this.

As part of the project, staff acknowledge the importance of communications and change management in this project, and these will overlay this project. As part of this, training is currently being organised on change management principles to upskill staff on other aspects of ensuring a successful project.

Staff resourcing for the project will be included in the next update report to the Committee.

Resolution

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

That the Finance and Assurance Committee:

a) receives the report titled "FMIS project timeline update".

b) determines that this matter or decision be recognised 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 the timetable as presented in Attachment A, on which future reporting will be based**

7.4 Annual Report 2024/2025 timetable

Record No: R/25/2/6851

Financial accountant, Teresa Morgan was in attendance for this report and explained that the purpose of this report was to provide the Committee with the key dates for the annual report 2024/2025.

The draft unaudited annual report will be presented to the Committee at its meeting 27 August 2025 so that this can be reviewed and approved for release to Deloitte (Councils auditors)

The audit of the annual report is planned to occur from 25 August 2025 to 19 September 2025.

The Committee will receive the final draft of the annual report on the 29 September 2025 incorporating any changes from audit in order for the Committee to recommend its adoption by Council on the 8 October 2025.

Resolution

Moved Cr O'Brien, seconded Cr Boparai **and resolved:**

That the Finance and Assurance Committee:

a) **Receives the report titled "Annual Report 2024/2025 timetable".**

During the above discussion, Cr Ruddenklau left the meeting at 10.50am and returned at 10.59am.

7.5 Draft Procurement and Contract Management Policy

Record No: R/24/7/47082

Senior policy analyst, Ana Bremner presented this report and sought feedback and recommendations on Council's draft Procurement and Contract Management Policy to progress the draft policy to Council for approval.

The current Procurement Policy was adopted in 2020. A separate Contract Management Policy was adopted in June 2023. Organisational policy staff reviewed both current policies and have recommended changes.

The draft policy combines both the current Procurement Policy with the current Contract Management Policy. This is to remove duplication between the content of both policies, and reduce administrative time spent on reviewing polices.

The Committee have asked that the draft policy is aligned closer to the buyers guide to ensure that the Policy meets Councils needs. The draft policy also needs more details in regards to contract management around controls to ensure that Council is receiving what they have asked for.

Resolution

Moved Deputy chairperson Scott, seconded Cr Boparai **and resolved:**

That the Finance and Assurance Committee:

a) receives the report titled "Draft Procurement and Contract Management Policy"

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

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

d) considers the draft Procurement and Contract Management Policy and asks management to consider feedback received and incorporate into the revised draft policy.

During the above discussion, Councillor Frazer arrived at 11.23am.
Councillor Byars left the meeting at 11.39am and returned at 11.42am.

7.6 B2B project update

Record No: R/25/4/18771

Chief executive advisor, Jane Parfitt and contractor, Jendi Paterson were in attendance for this report and updated the committee on the progress of the Back Together Build (B2B) project.

Four working groups are now confirmed, one of which – the Communications and Engagement Group - is already underway and has provided the project name B2B. The PSG has endorsed the communications strategy and engagement principles recommended by the Group.

Key risks currently identified include budget pressures, structural challenges, procurement complexity, and stakeholder expectations.

Resolution

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

That the Finance and Assurance Committee:

a) **receives the report titled "Henderson House refurbishment update"**

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 this report is for information only as it forms an update.**

Public excluded

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

Resolution

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

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

C8.1 B2B project update

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
B2B project update	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. s7(2)(h) - the withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.	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 11.59am.

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

The meeting concluded at 12.27pm.

Confirmed as a true and correct record at a meeting of the Finance and Assurance Committee held on 14 May 2025.

DATE:

CHAIRPERSON:

Finance and Assurance Committee work plan for the year ended 30 June 2025

Record No: R/25/6/29203
Author: Rachael Poole, Committee advisor
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 27 March 2024 meeting for the financial year ending 30 June 2025.

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. On this agenda there have been a number of reports moved to the next financial year. This has been done to accommodate the additional reports that needed to be added to this agenda along with the expected time to discuss them all. As such the following reports will be now reported on in the next quarterly meeting in September,
   - People and Culture update,
   - Follow up on audit action points,
   - Update on progress of the Environmental Services Business Plan,
   - IANZ re-accreditation report.

5. The balanced funds investment review has been permanently removed as treasury reporting is now being undertaken as part of the financial report. The Interim performance report should not have been on this meeting agenda as the June results are reported on as part of the Annual Report in August. Currently there is no internal audit terms of reference needed. The internal audit final report will be moved to the next financial year.

6. The Annual Risk Review report has been incorporated into the quarterly risk report.

7. The Commercial infrastructure – forestry harvest report will be revisited in the next financial year when recruitment for that role has occurred.

8. Added to the workplan for this meeting is the following reports
   - Water services facilities and hygiene audits report

- Investment Opportunity report
- Investment and Liability Policy update

Recommendation

That the Finance and Assurance Committee:

a) receives the report titled "Finance and Assurance Committee work plan for the year ended 30 June 2025"

b) notes amendments made to the workplan.

Attachments

A Finance and Assurance Workplan - 25 June 2025

Finance and Assurance Committee Workplan to 30 June 2025

Content	7 Aug 2024	4 Sept 2024	16 Oct 2024	4 Dec 2024	19 Feb 2025	19 Mar 2025	14 May 2025	25 Jun 2025
2024/25 Long term plan - endorse the draft LTP and release to audit for final audit opinion.	X							
2025/26 Annual Plan – Timetable		~~X~~	X					
2025/26 Annual Plan – accounting policies			X					
2025/26 Annual Plan – significant forecasting assumptions			X					
2025/26 Annual Plan – workshop (if required)								
2025/26 Annual Plan – Recommend draft annual plan to Council					X			
2025/26 Annual Plan – Recommendation adoption to Council								X
Quarterly Risk Report		X		X		X		X
Health & Safety Update including H&S events dashboard		X		X		X		X
Financial Monthly Report		~~X~~	X	X		X		X
Follow up on audit action points		X		X		X		~~X~~
Cyber security update		X		X		X		X
Environmental Services Business Update (if required)		X		X		X		~~X~~
Investment strategy update		X		X		X		X
Interim Performance Report		X		X		~~X~~	X	~~X~~
2023/24 Annual Report – agree report ready for audit			X					
2023/24 Annual Report – management representation letter				X				
2023/24 Annual Report – recommend adoption by Council				X				
2023/24 Annual Report – final audit management report				X				
2024/25 Annual Report – Audit Timetable						~~X~~	X	
2024/25 Annual Report – accounting policies						X		
2024/25 Annual Report – Deloitte engagement and fee proposal letter						X		
2024/25 Debenture Trust Engagement Letter						X		
Analysis of actual results to forecast for year end 30 June 24			X					
Forecast Financial Position						X		
Financial Transactional Team Update Report to 30 June 2025		X						
Determine Finance & Assurance meeting Content 25/26						X		
Insurance Policy Review						~~X~~	~~X~~	X
Insurance - renewal approval								X

Content	7 Aug 2024	4 Sept 2024	16 Oct 2024	4 Dec 2024	19 Feb 2025	19 Mar 2025	14 May 2025	25 June 2025
Internal Audit Terms of Reference		~~X~~	X	~~X~~				~~X~~
Internal Audit Final Report				X				~~X~~
Commercial infrastructure – forestry harvest plan 2025/2026		X						~~X~~
Procurement Policy			~~X~~	~~X~~			X	
Draft risk management framework – recommendation to Council				X				
Annual Risk Review Report								X
Roading management and maintenance of current contracts renewals for Waimea, Central and Foveaux alliance.								X
Dog 10a Report			X					
IANZ Re-Accreditation Audit Report								X
Balfour Wastewater Treatment plant re discharge consent renewal					X			
Edendale/Wyndham Wastewater Treatment plant re discharge consent renewal				~~X~~				
Edendale/Wyndham Stormwater renewal					X			
NZTA Waka Kotahi audit report								X
Recycling Contract Renewal						X		
Independent Review	X				~~X~~			
Contract advisory group	X							
Update on strategic property purchase investigations		X						
Council organisation reporting						X		
Delivery of the project work programme 2024 - 25				X				
People and Culture update				X		X		~~X~~
FMIS project update						X	X	
Strategic Project update					X	X	X	X
Update on progress of the Environmental Services Business Plan						X		~~X~~
Investment and liability management policy review								X
Water facilities and hygiene audits								X
Investment opportunity								X

B2B project update

Record no: R/25/6/27735
Author: Jendi Paterson, Project Director
Approved by: Cameron McIntosh, Chief executive

☐ Decision ☐ Recommendation ☒ Information

Purpose

1. The purpose of this report is to update the Committee on progress with the Back Together Build (B2B) project, including design development, space planning, project governance, and risk management.

Executive summary

2. The project governance and delivery framework to guide the successful delivery of the B2B project has matured considerably over the past month and is well placed to support the next phase of detailed design, procurement, and operational planning.
3. It includes the establishment of a Project Delivery Group to lead the day to day delivery and ensure the project is delivered on time, on budget and to the required quality.
4. Four internal working groups each chaired by a staff member, with ELT members participating on an ex officio basis, have been convened to provide real-time input into specific aspects of the project – from internal layout advice and digital readiness to staff move logistics and communication planning.
5. A live project risk register underpins this governance structure and is reviewed regularly. Key risks currently identified include budget pressures, structural challenges, procurement complexity, and stakeholder expectations.
6. The initial concept design is within budget and provides for all staff, along with shared meeting spaces, a Council Chamber, staff amenities, and collaborative zones. It is on the Henderson House footprint with a small extension into the eastern carpark bay to allow for Council Chambers.
7. Through continued staff involvement, sound design principles, and smart use of space, we are confident we can achieve the three outcomes we have been charged with delivering.
8. We have refined our milestones to sit within six phases which are detailed in the body of the report.
9. The total budget allocated for this project is $15 million. As of the end of May the total expenditure to date stands at $3,391,288. This includes the purchase of the buildings ($3million), along with costs associated with pre-purchase due diligence, preliminary design investigations, and mould removal and remediation.

Recommendation

That the Finance and Assurance Committee:

a) Receives the report titled "Henderson House refurbishment update".

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 this report is for information only as it forms an update.

Background

10. The accommodation project was initiated to consolidate Southland District Council (SDC) staff into a single, fit-for-purpose civic building. The acquisition of Henderson House was completed following Council's decision on 2 October 2024 to delegate authority to the chief executive to execute the relevant documents for the purchase.
11. The primary objective of the project is to create a collaborative workspace that fosters team efficiency and supports Council operations effectively.
12. With the current Council office spaces spread across three separate buildings, this project aims to improve operational efficiency, enhance interdepartmental collaboration, and provide long-term financial benefits by streamlining facility management. The project is being guided by a governance structure to ensure transparent decision making, effective monitoring and risk management, while adhering to budgetary constraints.

Outcomes measurement

13. The committee defined the outcomes we are striving to achieve as follows:
    - a fit for purpose civic building for Southland which enables elected members to do their jobs efficiently and effectively
    - a design and fit out which fosters team collaboration, a positive culture, and supports a high performing organization
    - the move takes place by the target date of December 2026 falls within the budget of $15 million and the workspaces are functional and modern.
14. These outcomes will be used to assist in guiding all aspects of the project from communication through to procurement.

Governance and Project Plan

15. As outlined in prior updates, a clear governance framework has been established to guide the successful delivery of the B2B project. This framework continues to provide strategic oversight, operational leadership, and integrated staff input across all workstreams.

16. The Project Steering Group (PSG), retains responsibility for strategic direction, budget and risk monitoring, and reporting through to the Finance and Assurance Committee. The chief executive remains an ex officio member. The PSG has now met several times and is embedded as the core decision-making forum for the project.

17. On the delivery side, the project director leads the day-to-day delivery and coordination and chairs the Project Delivery Group (PDG). This group includes the architect, structural engineer, quantity surveyor, and project manager and is responsible for the design development, cost planning, and delivery oversight.

18. To support internal engagement and practical implementation, there are four internal working groups:
    - Communications and Engagement
    - Technology and Infrastructure
    - Design Advisory
    - Logistics and Execution

19. Each working group is chaired by a staff member, with ELT members participating on an ex officio basis. The groups will provide real-time input into specific aspects of the project – from internal layout advice and digital readiness to staff move logistics and communication planning.

20. A live project risk register underpins this governance structure and is reviewed regularly. It continues to evolve alongside design development and is attachment A of this report.

21. This framework has matured considerably over the past month and is well placed to support the next phase of detailed design, procurement, and operational planning.

Design Progress

22. Staff engagement has been a key driver of the current layout and design thinking for Henderson House. Feedback from the architect-led workshops and engagement sessions has been invaluable in shaping a workplace that supports both operational requirements and staff wellbeing.

23. Recurring themes in the feedback included the importance of:
    - access to natural light and views
    - acoustic privacy, particularly in open-plan areas
    - thermal comfort and effective climate control
    - ensuring desks are not located in busy circulation areas
    - a mix of quiet spaces for focused work and collaborative zones for team interaction
    - clear separation between public-facing areas and staff-only spaces to support safety, confidentiality, and comfort.

24. There was also strong support for working environments that reflect team adjacencies — for example, placing finance, procurement, and property near one another, or ensuring customer service has proximity to key support functions like information services and rates. Staff were

especially positive about the opportunity to come together in a shared building and expressed optimism about the chance to build stronger cross team relationships and a the fit out that supports how they actually work.

25. The design team has sought to respond to these themes, with an emphasis on creating a modern, flexible and welcoming environment. That said, we acknowledge this will represent a shift in working style for some staff — particularly those moving from private offices to more open plan or shared zones. As the internal layouts are refined, we will continue working with staff and the Design Advisory Working Group to strike the right balance between openness, privacy, and team specific needs.
26. Importantly, the internal fit out remains at an early design stage. This means there is still opportunity to shape how shared areas, enclosed rooms, and team neighbourhoods are configured — including how we cater for roles requiring confidentiality or reduced sensory stimulation. This is especially relevant in light of feedback from neurodiverse staff who shared how lighting, sound, and choice of work environment can impact wellbeing and productivity.
27. The project delivery team will continue to facilitate engagement sessions to test assumptions, identify gaps, and ensure the final layout is fit for purpose, inclusive, and adaptable.
28. The initial concept design provides for all staff, along with shared meeting spaces, a Council Chamber, staff amenities, and collaborative zones — all within the Henderson House footprint with a small extension into the eastern carpark bay to allow for Council Chambers.
29. It is a compact layout, which will require some cultural and operational adjustments. At the same time also presents an opportunity to modernise our ways of working — shifting away from siloed office configurations and toward more agile, collaborative modes of work. Staff have already identified the benefits of better technology, improved meeting rooms, and co-located teams in supporting more seamless day to day interactions.
30. Design refinement work is now focused on how to maximise efficiency and comfort, particularly in the first floor layout. This includes:
    - reconfiguring underutilised areas
    - exploring alternative furniture layouts and storage solutions
    - creating more breakout areas, focus rooms, and shared utility spaces.
31. Through continued staff involvement, sound design principles, and smart use of space, we are confident we can deliver a workplace that meets the needs of a diverse and high-performing organisation, within the constraints of the approved capital budget.

Risk register

32. Risk management is playing a central role in informing procurement strategy and governance oversight for the project. Identified risks, such as cost escalation, supply chain delays, and integration challenges associated with refurbishing an existing structure; have been factored into procurement planning, including the appointments of key professional services to ensure continuity and minimise onboarding risk.
33. The risk register, as per the attachment, is reviewed regularly by the project steering group and forms part of the reporting suite to the committee. Key risks currently identified include budget pressures, structural challenges, procurement complexity, and stakeholder expectations.

34. The risk framework supports early identification and mitigation, with structured updates aligned to each project milestone. This proactive approach ensures issues are escalated promptly and decisions remain aligned with the project's objectives and budget envelope.

Project update and key milestones

35. We have refined the milestones to sit within the following six phases:

Phase	Completion	Description
1. Discovery & foundation	October 2024-March 2025	• site acquisition and due diligence • governance structures confirmed (PSG, Project Delivery Group, Working Groups) • initial structural and service investigations • definition of project objectives and budget envelope • Communications & Engagement WG begins building narrative and staff story
2. Structural and strategy	April 2025-June 2025	• governance and delivery framework finalised • Working Group roles, expectations and memberships confirmed • Communications WG develops internal engagement strategy • Technology & Infrastructure WG and Design Advisory WG provide early critical advice • monthly B2B updates begin to ELT and WGs
3. Design development and integration	July -October 2025	• concept design development and testing • Design Advisory WG supports staff and elected member feedback • Council Chamber requirements refined • Technology WG confirms key ICT, data and cabling requirements • Communications WG supports broader consultation on space layouts • procurement planning advances
4. Procurement and pre delivery readiness	November – March 2026	• construction procurement initiated and awarded • final design documentation completed • Technology WG develops IT transition and infrastructure installation plan • Logistics WG confirms move sequencing, storage and safety needs • Communications WG leads external messaging and ELT updates
5. Construction and operational transition	April – October 2026	• building and refurbishment works underway • regular site updates and risk oversight through PDG • Logistics WG preps office layout and workstation installations • Technology WG manages implementation of digital systems • Communications WG provides fortnightly updates to staff and councillors • orientation resources prepared

6. Move in and post occupancy support	November 2026- February 2027	• staged relocation of staff and services • welcome and orientation sessions run by Logistics WG • Technology WG ensures all systems operational from day 1 • Design Advisory WG monitors early-stage issues and adjustments • communications WG supports storytelling and transition • project close out, final reporting, and celebration of completion

36. Following the completion of initial design options and staff workshops, a preferred option for the Henderson House redevelopment will be confirmed. This option will be shaped by feasibility testing, design refinement, and alignment with project outcomes and available budget.

37. A report outlining the preferred design option is scheduled to be presented to the Finance and Assurance Committee at its next meeting, supported by concept design material, updated costing, and a summary of the trade-offs considered through the PSG.

38. This milestone reflects the culmination of the current planning phase and will provide the basis for progressing into detailed design and procurement delivery.

Factors to consider

Legal and statutory requirements

39. This report meets the requirements of the Local Government Act 2002.

Community views

40. Not applicable to this report.

Cost and funding – to be updated

41. The total budget allocated for this project is $15 million. As of the end of May the total expenditure to date stands at $3,391,288. This includes the purchase of the buildings ($3million), along with costs associated with pre-purchase due diligence, preliminary design investigations, and mould removal and remediation.

Policy implications

42. Not applicable to this report.

Analysis

Options considered

43. This is an information only report.

Assessment of significance

44. The contents of this report are not considered significant under s76 of the Local Government Act.

Next steps

45. The project remains in the design refinement and planning phase. Over the coming months, the focus will be on the following key activities:

- finalising a preferred option: design testing and incorporating in staff feedback following workshops, balanced with cost analysis, will inform a preferred redevelopment option for Henderson House. This will be presented to the committee at its next meeting
- procurement of professional services: engagement of key consultants, will be initiated to support concept development and costing validation
- development of concept design: based on the preferred option, initial concept design and floor layouts will be developed and tested against project outcomes and available budget
- governance and reporting: ongoing updates will be provided to the committee, including budget tracking, risk review, and design milestone reporting to maintain visibility and oversight
- stakeholder and staff engagement: staff and elected member engagement will continue through the established working groups and communications channels to ensure the design continues to reflect operational needs and strategic goals.

46. These steps mark the transition from early planning to design led delivery and will underpin future project phases, including detailed design, procurement packaging, and construction readiness.

Attachments

A B2B Risk register - 18 June 2025

Risk register: B2B project

Risk Rating:		Likelihood:		Consequence:	
	Extreme		5 Almost Certain		5 Extreme
	High		4 Likely		4 High
	Moderate		3 Possible		3 Moderate
	Low		2 Unlikely		2 Low
			1 Rare		1 Negligible

Category	#	Risks	Description	Effect on SDC Reputation (High / Med / Low)	Risk Owner	Person Responsible (Staff member)	Inherent (before Controls)			Key Controls in place	Residual (after Controls)			Trend	Mitigation Actions	Commentary
							Likelihood	Consequence	Risk Rating		Likelihood	Consequence	Risk Rating			
Planning	**1**	**Project cannot deliver all staff back into one site**	The repair and structural strengthen is more significant than preliminary investigations identified, resulting in not being able to accommodate all staff and spaces into building repair and refurbishment within budget.	High	Cameron McIntosh	Jendi Paterson	**3**	**5**	**15**	Structural assessments and feasibility studies conducted during early planning. Regular engagement with engineers and architects to validate capacity assumptions. Contingency planning for phased occupancy if needed	**2**	**4**	**8**	→	Re-evaluate space optimisation strategies to maximise available capacity. Review alternative strengthening or expansion solutions that could be cost-effective	
Financial	**2**	**Repair and extension project cannot be delivered within the total budget.**	When the project goes to market, the resulting prices exceed the budget. Unknown problems arise during project delivery, which places the total project budget at risk of being exceeded.	High	Cameron McIntosh	Jendi Paterson	**3**	**5**	**15**	Early cost estimation and financial modelling. Procurement strategies to lock in pricing where possible. Value engineering to optimise design for cost efficiency.	**3**	**3**	**9**	→	Identify priority elements and establish a phased approach to project delivery. Explore additional funding sources or budget reallocation. Implement strict contract management to minimise cost overruns.	
Physical Delivery	**3**	**Contractor and supply chain availability**	There is a risk that due to the nature of this project there are no suitable available contractors. This could add significant delays to the project.	Medium	Jane Parfitt	Jendi Paterson	**3**	**5**	**15**	Pre-market engagement to assess contractor interest and capacity. Preferred supplier agreements to secure labour and materials. Use of multiple procurement approaches (e.g., early contractor involvement).	**3**	**3**	**9**	→	Have contingency plans, such as subcontractor agreements, in case of contractor unavailability. Consider alternative delivery models (e.g., design-build partnerships). Expand procurement reach to a broader range of suppliers	
Planning	**4**	**The planning and consent approvals and process delays affect the project timeframes**	During the planning approval process there could be delays which would affect the project timing.	High	Jane Parfitt	Jendi Paterson	**3**	**3**	**9**	Early engagement with regulatory authorities to pre-emptively address concerns. Detailed project timelines incorporating buffer periods for approvals. Dedicated compliance management team to track applications.	**2**	**3**	**6**	→	Maintain proactive communication with local authorities and stakeholders. Pre-lodge critical approvals where possible to expedite the process. Ensure planning documentation is comprehensive and aligned with regulatory requirements.	
Planning	**5**	**Infrastructure - the project assumes existing services to the site are adequate for the project scope**	The project assumes electrical, communications and 3 waters capacity is available and any additional requirement is currently unfunded. Any additional infrastructure spend would impact the total cost/scope of the project.	Medium	Jane Parfitt	Jendi Paterson	3	4	**12**	infrastructure capacity assessments completed before project commencement. Coordination with service providers (power, water, communications) to confirm capacity. Budget contingency for minor infrastructure adjustments.	2	2	**4**	→	Include scalable infrastructure solutions to adapt to potential future needs.	
Stakeholder	**6**	**The reinstatement process is held up due to stakeholder involvement**	The project time/cost/scope can be influenced by a number of stakeholders; staff, elected members, public, elections,	High	Jane Parfitt	Jendi Paterson	**3**	**4**	**12**	Early stakeholder engagement to identify concerns and expectations. Clear project communication plan to manage expectations and reduce uncertainty Governance structure in place to streamline decision-making and approvals.	**2**	**2**	**4**	→	Proactive communication with key stakeholders to address issues early. Internal staff and engagement working group throughout project	
Physical Delivery	**7**	**Health and Safety Risks from joint PCBU's**	Risk that someone working onsite suffers death or serious injury	High	Nick Hamlin	Jendi Paterson	3	5	**15**	Clearly defined PCBU (Person Conducting a Business or Undertaking) responsibilities. Regular health and safety audits and toolbox meetings Strong contractor management framework in place, including induction and training history	2	2	**4**	→	Implement strict site safety protocols and regular monitoring. Ensure all parties understand and comply with their health and safety obligations. Develop and test emergency response plans specific to the project site.	

18/06/2025 1 of 1

Health and safety update

Record no: R/25/6/28982
Author: David McCone, Organisational health and safety manager
Approved by: Fran Mikulicic, Group manager infrastructure and capital delivery

☐ Decision ☐ Recommendation ☒ Information

Purpose

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

Health, safety and wellbeing dashboard update

2 Please find attached the health, safety and wellbeing dashboard update for the period 1 March 2025 – 31 May 2025. This report is on operational (employee) health and safety within Council focused on critical risk and associated controls.

3 The event summary provides the measurement of incident reporting to our H&S system. Unfortunately, there has been two notifiable incidents during this period of reporting.

4 Health and safety training is directed at progressing our staff and contractor capacity.

5 Our commitment to monitoring contractor health and safety performance is continuing to improve. Our programme of audits, safety observations and associated learnings demonstrates our expectations to others as well as building credible relationships across stakeholders.

6 Review of risks is focused according to the likelihood of exposure. Recognising the top three critical risks encountered for the period ensures effective mitigation.

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

Recommendation

That the Finance and Assurance Committee:

a) Receives the report titled “Health and safety update” dated 16 June 2025 and attached appendices.

Attachments

A FA May 2025_ QA'd

Health and Safety Dashboard – 1 March 2025 – 31 May 2025

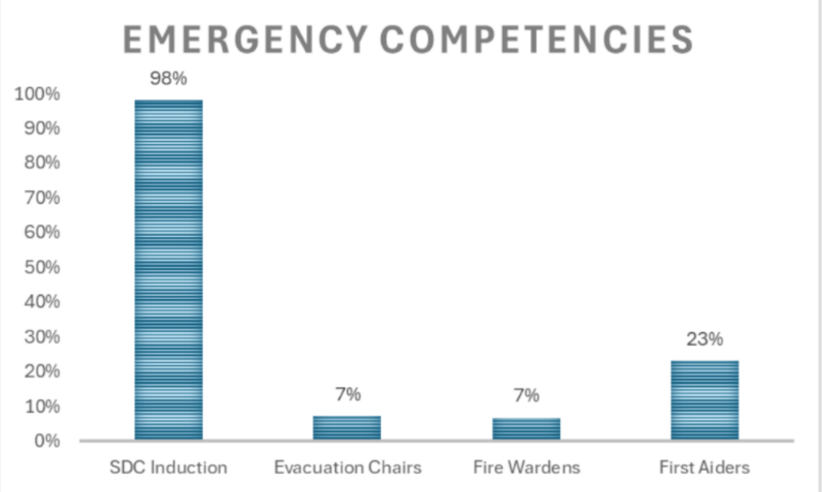
D McCone 16/06/2025

EVENT SUMMARY	Current period	YTD	Currently active	Resolved this period
Notifiable events	2	2	1	1
Total injuries	2	4	1	3
Lost time injury	0	0	0	0
Medical treatment	1	1	1	0
First aid	1	3	0	3
No treatment	0	0	0	1
Property damage	0	1	0	0
Environmental	0	0	0	0
Near miss	8	10	2	6
Pain and discomfort	4	4	0	4

TOP THREE TYPES OF INJURY

1	Crush – plant/machinery – death. This is still subject to investigation by the contractor and the regulator, WorkSafe.
2	Strain – back.
3	Minor cut to hand.

EMERGENCY PREPAREDNESS



Introduction to our emergency management procedures is delivered by our induction e-learning programme.

Evacuation chair, use of fire extinguisher and fire warden duties training are scheduled for the third quarter of 2025, so there has been no change to these capabilities.

We have increased our numbers of staff trained in first aid with 23% currently holding a certificate. Support equipment including AEDs remain current.

During April 2025, the use of AEDs, the 'AED locations' app and 'The Goodsam responder' apps were promoted to staff via our intranet system 'The Loop'.

In March, a M6.8 earthquake occurred west of Stewart Island – with tremors felt at our various offices. In response our published emergency procedures were updated to ensure currency and through May planning for an emergency response at home and work were promoted via The Loop.

We have upgraded our fire extinguishers at the Winton, Te Anau and Wyndham libraries – as well as our Hunt Street yard.

Our approved evacuation schemes are current.

MANAGING RISK

Top three risks encountered this period

1 **Driving**

The quality and standard of our fleet is being maintained by the current renewal policies.

During this quarter our workers have recorded 293.7K of motor vehicle travel across the Southland network.

Through this, driver performance across all users has averaged at four star within the performance monitoring system.

Incidents for our fleet involved a broken tail light from hitting a bush when reversing, a broken windscreen due to debris coming off a truck and near misses initiated by other road users.

So while driving remains our most encountered critical risk, the combination of our critical controls and worker engagement indicate this is being managed to as low as reasonably practicable.

2 **Environmental/ biological risk - Asbestos**

During May we notified Worksafe of asbestos being disturbed at the Manapouri Hall. The hall was being prepared for exterior painting.

Remedial works and information sharing with the contractors involved were promptly enacted.

A learning review has also occurred – idenitifying further actions required to ensure the accuracy of our Asbestos Management Plan going forward.

As a result of our response, assessed by Worksafe, they have advised no further actions will follow.

3 **Mechanical – Mobile plant and equipment**

The risk associated to mobile plant and equipment was noted in 22 reports during this quarter – reflecting a period where project and contractor activity has been high.

Southland District Council staff have done well in identifying hazards and addressing them at the time on work sites.

Given the number of reports – there is an opportunity internally to highlight critical controls when working with or near mobile plant and site traffic management on the Loop. There is also a further opportunity to provide feedback to contractors highlighting the hazards noted and the necessary critical controls.

VERIFICATION AND ASSURANCE

Type - Audit	Occurred this period	YTD
External	63	70
Internal	1	5
Playground and reserves	4	28
Water and waste	34	41

Our focus on verification and assurance activities conitinues.

Our audit activities focus on evaluating the application of our contractors health and safety system in the workplace.

Additional to this becoming an activity embedded in a number of work areas – we are also seeing improvement in reporting quality as staff understanding of both compliance requirements and risk management grows.

This is demonstrated in the ongoing requests for improvements to our online reporting system and associated app.

Type – Safety observation	Occurred this period	YTD
Safe practice	11	37
Unsafe conditions	8	47
Unsafe practices	10	22
Suggestions	4	16

Safety observations focus on specific, real time safety practices and potential hazards in the workplace. As a result they are more immediate to work being done and there is also an ability to schedule these around higher risk work.

Both audits and safety observations now record the critical risk profiles viewed and if associated to a contractor – supporting quality reporting and allowing us to develop a profile in respect of health and safety performance for internal work groups and/or contractors.

ENGAGEMENT AND PARTICIPATION

New starters continue to complete both the online induction modules and in person sessions. These are offered over the first month in addition to onboarding support from people and culture.

Health and safety representative meetings continue to occur on a monthly basis through 2025.

As examples of engagement by workers I highlight the organisational spread of reporting for audit activities (chart 1) and safety observation activities (chart 2).

Health and Safety Dashboard – 1 March 2025 – 31 May 2025 D McCone 16/06/2025

CHART 1

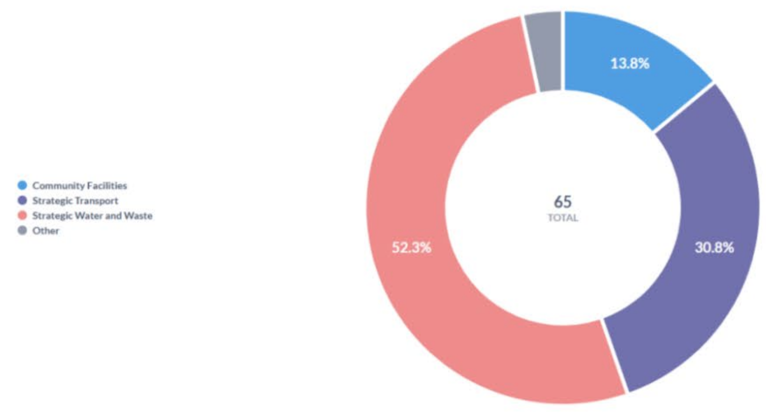
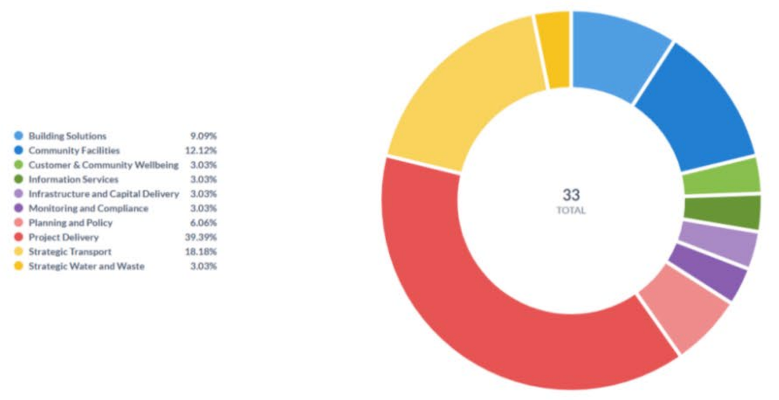
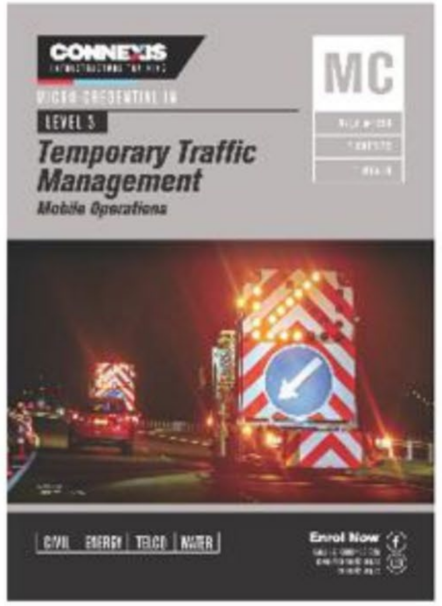
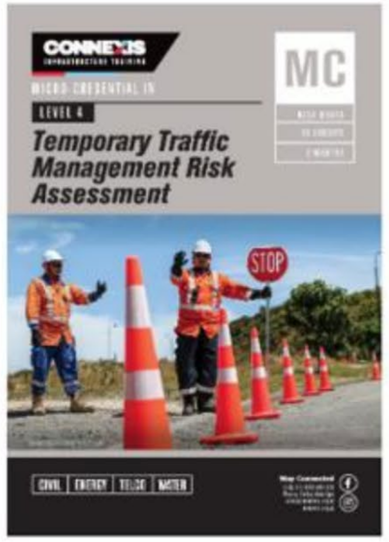
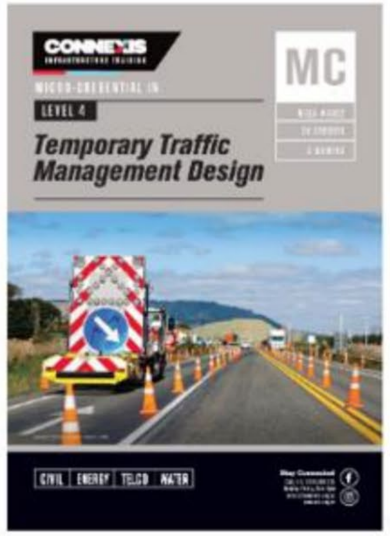


CHART 2









WORKER AND CONTRACTOR KNOWLEDGE

The introduction of the New Zealand Guide to Temporary Traffic Management continues.

Eleven Southland District Council staff completed the risk assessment module for Management Risk Assessment in March and April.

Additional modules regarding low risk low impact activities, TTM within the road reserve, mobile operations and TTM design were released at the end of May. Enquiries as to how we might assist smaller contractors access these competencies continue.

New Zealand Transport Agency investment audit report for the period 2021/2022 to 2023/2024

Record no: R/25/5/22012
Author: Hartley Hare, Strategic manager transport
Approved by: Fran Mikulicic, Group manager infrastructure and capital delivery

☐ Decision ☐ Recommendation ☒ Information

Summary of report

1 As part of the New Zealand Transport Authority Waka Kotahi (NZTA) requirement an investment audit is undertaken every three years. This is to ensure that the investment in Council's land transport programme is being well managed and delivering value for money.

2 The audit covers five key areas:

- previous audit issues
- financial processes
- procurement procedures
- contract management
- professional services.

3 Attached is the NZTA audit report for the procedural audit of Southland District Council (attachment A) issued on 7 May 2025.

4 The prior audit completed in 2021 has one issue in relation to ensuring Council is using an appropriate charge out rate for internal staff. This has been addressed since the last audit and comments included in section five on page nine of the NZTA report.

5 NZTA has identified two recommendations on procurement procedures and two recommendations on contract management.

6 Recommendation R3.1 has been implemented with the procurement policy uploaded to our website once the auditor advised that it was missing.

7 For recommendation R3.2 council has been using the GETS website for tenders consistently since 2022.

8 Staff and consultants regularly involved with Council roading procurement have been reminded around the need to have fully signed conflicts of interest forms saved for each project.

9 The item raised around 100 point scaling highlights the risk of sole reliance on Council procurement documents and templates developed from government procurement rules that may not always explicitly highlight exemptions or minor changes for agencies such as NZTA.

10 Staff will look to ensure that the safe system audit guidelines are applied consistently (recommendation R4.1) for the 2024/2025 audits due for completion 30 July. Along with responding to and fully close out the stage 4 post construction safe system audit per recommendation R4.2.

Recommendation

That the Finance and Assurance Committee:

a) receives the report titled "New Zealand Transport Agency investment audit report for the period 2021/2022 to 2023/2024".

Attachments

A NZTA investment audit report 2025

INVESTMENT AUDIT REPORT

Procedural Audit of Southland District Council

Monitoring Investment Performance

Report of the investment audit carried out under Section 95(1)(j)(ii)(iii) of the Land Transport Management Act 2003.

Robert Woods

7 May 2025

FINAL

NZ TRANSPORT AGENCY WAKA KOTAHI

Te Kāwanatanga o Aotearoa New Zealand Government

Approved Organisation (AO):	Southland District Council
Waka Kotahi NZ Transport Agency Investment (2021 – 2024 NLTP):	\$50,535,209 (budgeted programme value)
Date of Investment Audit:	28th - 31st January 2025
Auditor(s):	Robert Woods - Senior Investment Auditor
Report No:	RARWOI-2473

AUTHORITY SIGNATURES

Prepared by:

Robert Woods, Senior Investment Auditor

Approved by:

Vanessa Delegat, Manager Audit & Assurance

7/5/25

Date

DISCLAIMER

WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THIS REPORT, THE FINDINGS, OPINIONS, AND RECOMMENDATIONS ARE BASED ON AN EXAMINATION OF A SAMPLE ONLY AND MAY NOT ADDRESS ALL ISSUES EXISTING AT THE TIME OF THE AUDIT. THE REPORT IS MADE AVAILABLE STRICTLY ON THE BASIS THAT ANYONE RELYING ON IT DOES SO AT THEIR OWN RISK, THEREFORE READERS ARE ADVISED TO SEEK ADVICE ON SPECIFIC CONTENT.

EXECUTIVE SUMMARY

New Zealand Transport Agency Waka Kotahi (NZTA) funds Southland District Council's (Council, SDC) land transport activity through its National Land Transport Programme (NLTP). The Council is responsible for the management of the land transport activity, excluding the state highways, within the Southland District Council boundaries. This procedural investment audit was completed for the period 1st July 2020 to 30th June 2024.

Claims for funding assistance for the four financial years were reconciled against Council's General Ledger. Sufficient audit trail was evident to support claims to the NZTA with transaction testing across work categories conducted. There is a good level of scrutiny applied to the claim prior to entry into TIO, however currently this is reliant on a single person.

Council has good financial processes in place to separately identity emergency works activities, and all expenditure items tested were eligible for funding assistance. Council demonstrated robust checking mechanisms to verify contractor claims.

However, a condition of funding is not being met with regard to the management of the Low-Cost Low Risk (LCLR) spreadsheet and this is discussed further in section two.

Council has a current NZTA endorsed procurement strategy, which expires on 14th November 2025. It is not published on the Council's website as per rule 10.6 of the NZTA Procurement Manual.

Sixteen contracts were reviewed for compliance with NZTA procurement procedures set out in the Procurement Manual. All generally complied with Council's own procurement strategy and NZTA procurement manual requirements. The contract management review identified good practices are in place.

Council undertook limited improvements or renewals during the audited period so there were few safe system audits to review however two were examined and found to be incomplete.

AUDIT RATING ASSESSMENT

Subject Areas		Rating Assessment*
1	Previous Audit Issues	N/A
2	Financial Processes	Effective
3	Procurement Procedures	Some Improvement Needed
4	Contract Management	Some Improvement Needed
5	Professional Services	Effective
Overall Rating		**Some Improvement Needed**

** Please see Introduction for Rating Assessment Classification Definitions*

RECOMMENDATIONS

The table below captures the audit recommendations. Agreed dates are provided for the implementation of recommendations by the approved organisation.

We recommend that Southland District Council:		Implementation Date
R2.1	Ensures that it meets the condition of funding for any LCLR Programme by updating actual project expenditure by the 31st of August of the FY recently completed.	30 July each year
R3.1	Ensures the current Southland District Council Procurement Strategy is published on Council's website at all times.	Actioned
R3.2	Ensures it consistently uses GETS, fully completes conflict of interest declarations, includes late tender policies in tender documents, uses 100 point scales in non-price attributes scoring, uses correct mandatory non-price attributes and selects the correct supplier selected processes in the circumstances.	Actioned. In place since 2022.
R4.1	Ensures that safe system audit guidelines are applied consistently, safe system auditor comments responded to, and audits are fully closed out.	Audits are to be finilised by 30 July 2025 as part of the 2024/25 audits.
R4.2	Respond to and fully close out stage 4 post-construction safe system audits for Pavement Rehabs 2021 Pavement Rehabs 2022-24.	Audits are to be finilised by 30 July 2025 as part of the 2024/25 audits.

1. INTRODUCTION

1.1. Audit Objective

The objective of this audit is to provide assurance that NZ Transport NZTA Waka Kotahi (hereafter NZTA) investment in Council's land transport programme is being effectively managed and delivering value for money. We also seek assurance that the Council is appropriately managing risk associated with NZTA investment. We recommend improvements where appropriate.

1.2. Assessment Ratings Definitions

	Effective	Some Improvement Needed	Significant Improvement Needed	Unsatisfactory
Investment management	Effective systems, processes and management practices used.	Acceptable systems, processes, and management practices but opportunities for improvement.	Systems, processes, and management practices require improvement.	Inadequate systems, processes, and management practices.
Compliance	NZ Transport Agency and legislative requirements met.	Some omissions with NZ Transport Agency requirements. No known breaches of legislative requirements.	Significant breaches of NZ Transport Agency and/or legislative requirements.	Multiple and/or serious breaches of NZ Transport Agency or legislative requirements.
Findings/ deficiencies	Opportunities for improvement may be identified for consideration.	Error and omission issues identified which need to be addressed.	Issues and/or breaches must be addressed, or on-going NZ Transport Agency funding may be at risk.	Systemic and/or serious issues must be urgently addressed, or on-going NZ Transport Agency funding will be at risk.

1.3. Council Comments

Note: Before being finalised this report was referred to Southland District Council for comment. Its responses are incorporated throughout the respective sections of the report.

2. ASSESSMENT FINDINGS

Our findings relating to each subject area are presented in the tables below. Where necessary, we have included recommendations and/or suggestions.

1. Previous Audit Issues

There was one recommendation from the previous audit in February 2020 relating to charge out rates and allocated hours. This has been addressed and is discussed further in section 5.

We recommend that Southland District Council:		Implementation Date
R5.1	Reviews its financial arrangements to ensure the charge out rates and allocated hours fairly reflect the costs being attributed to the professional services business unit.	30 June 2021

* * *

2. Financial Processes	Effective

Claims for financial assistance for four financial years from 1st July 2020 to 30th June 2024 were reconciled against Council's final TIO claim submissions.

Transaction testing was conducted across multiple Local Road Maintenance, Operations and Renewals (MOR) and Emergency Works work categories (W/C's).

All transactions tested were eligible for funding assistance and were claimed under the correct work categories. The Auditor was satisfied that there is a good level of scrutiny applied to claims prior to their entry into Transport Investment Online (TIO).

The 30/70 split for street cleaning was tested (W/C 113). The split is completed through the monthly roading claim spreadsheet and applied to the claim. The split of costs and calculation was confirmed as correct.

In relation to retentions from previous contracts, the Auditor found there to be no historic retentions relating to financially assisted contracts being held by Council. Current retentions appear up to date and well managed.

Overall, appropriate controls are in place for monitoring and managing Council's financial accounting systems, though Council only has a single staff member able to prepare a claim. Council advised this is being addressed through the recruitment of further staff who will be trained in this field.

Monthly uploads from MagiQ to the roading model spreadsheet are performed by the finance business partner, which is used as the basis for making the claim in TIO. There is a robust RAMM process of checking and approving works by the network managers prior to invoices being received in MagiQ.

Low-Cost Low Risk Programme

There is a condition of funding within W/C 341 Low Cost-Low Risk (LCLR) that *'the template list is expected to be maintained and updated regularly by the approved organisation and Waka Kotahi (for its own activities)'* The condition exists for claiming in the new financial year and *'so the template must be updated by 31 August of each year. This means that by 31 August:*

- *of the first year of the new NLTP the template relating to the previous NLTP must be updated with final cash-flows for individual projects.*
- *for each of the second and third years of the current NLTP, the low-cost, low-risk template must be updated to reflect actual project expenditure in the previous year and cash-flows for committed activities and projects planned to commence in the balance of the NLTP.'*

For LCLR FY 20/21 the spreadsheet totalled $3,030,000 and the claim was for $4,671,349 a difference of $1,641,349. In FY 21/22 the spreadsheet totalled $427,151 and the claim was for $428,100, a difference of $949. In FY 22/23 the spreadsheet totalled $1,592,143 and the claim was for $11,320, a difference of $1,580,823. In FY 23/24 the spreadsheet totalled $680,987 and the claim was for $955,211, a difference of $272,224. Council have been in regular contact with NZTA staff regarding the LCLR programme and actual project costs. However, there appears to be a gap in the process, whereby Council have not met this condition of funding.

Council needs to ensure that it meets the condition of funding for any LCLR Programme by updating actual project expenditure by the 31st of August of the FY recently completed. Compliance with this condition of funding is critical for the NZTA to effectively manage LCLR nationally as well as wider management of NLTP activity classes funding ranges.

Conditions of Approval

There were no outstanding conditions of approval registered in TIO.

Recommendation	We recommend that Council: R2.1 Ensures that it meets the condition of funding for any LCLR Programme by updating actual project expenditure by the 31st of August of the FY recently completed.
Southland District Council's comment	Council will include this action as part of the standard year end reporting process completed in July.

* * *

3. Procurement Procedures	Some Improvement Needed

Southland District Council has a current endorsed procurement strategy. This Strategy expires on 14th November 2025. The Strategy is not published on the Council's website as per rule 10.6 of the NZTA Procurement Manual.

Sixteen contracts were reviewed for compliance with NZTA procurement procedures. These are outlined in Appendix C. Each generally complied with Council's own Procurement Strategy and NZTA procurement requirements. However, there were departures from the NZTA Procurement Manual:

- Tenders advertised on Tenderlink as recently as 2022. Council must advertise on the Government Electronic Tender Service (GETS) (Government Procurement Rule 56).
- Conflict of Interest Declaration forms were occasionally missing signatures.
- The use of a 10-point scale instead of 100-point scale when evaluating non-price attributes (Procurement Manual Rule 10.14). *This was noted on contracts C23/39, C23/48, C23/41 and C23/144. Government templates note the need to replace the scoring scale with one approved by the Agency.*

- The contracts reviewed had no explicit late tender policy in RFTs (Procurement Manual Rule 10.12).
- Contract C22/57 used a closed contest supplier selection process although the estimate was greater than $200,000. *From the documentation made available it appeared three contractors were invited to tender (not advertised), with the evaluation of tenders resembling a lowest price conforming methodology.*

These instances were exceptions and largely immaterial to an effective outcome but nonetheless do not comply with the requirements of the NZTA Procurement Manual.

Overall, procurement standards and the majority of documentation seen were of a good quality and thorough for the contracts reviewed and Council is commended on this.

Recommendations	We recommend that Council: R3.1 Ensures the current Southland District Council Procurement Strategy is published on Council's website at all times. R3.2 Ensures it consistently uses GETS, fully completes conflict of interest declarations, includes late tender policies in tender documents, uses 100-point scales in non-price attributes scoring and selects the correct supplier selection process for the circumstances.
Southland District Council's comment	Procurement Strategy will be uploaded before the end of May 2025. In 2022 council moved to only advertising on GETS. Council Infrastructure and Capital Delivery group have been reminded around the importance of timely and complete declarations. Key consultants used for the transport activity have also been reminded of this, including reviewing their current base tender templates. Clarification is sought on R3.2 as NZTA procurement tools only allow for the use of 100-point scales to calculate premiums so there is no other option. In addition, as the Government Procurement template utilises a 10-point scaling system it would be good to get confirmation which rules take president. It is acknowledged that, for reporting, the results were reverted back to a 10 point scale in some instances, pending confirmation the 100 point scaling will be used for all future reporting. C22/57 was not a closed contest selection process. Could you please confirm that this is the correct comment for this contract?

* * *

4. Contract Management	Some Improvement Needed

Council has a comprehensive programme for monitoring and reporting on the performance of the network maintenance contract. There are effective contract management practices in place to ensure that Council is getting value for money. Council staff participate in day-to-day road maintenance decisions as well as overseeing completed works. Joint network inspections are also regularly undertaken.

Meeting minutes and progress reports for a range of contracts were reviewed during the audit and found to be comprehensive and well managed. Discussions with Council staff indicated there is an openness and high degree of collaboration with the term maintenance contractors. Contract variations requests and approvals for the contracts selected showed good documentation describing the reasons and costs for contract variations with accompanying approvals. **Safe System Audits** In October 2022 Road Safety Audits were renamed Safe System Audits (SSA). A SSA is a formal, robust technical assessment of transport safety risks associated with transport improvement and renewal projects with the objective of minimising death and serious injury on the network. SDC provided only two SSAs completed during the audit period and no exemptions. These were stage 4 post-construction audits of pavement rehab contracts. There were no stage 3 audits presented for these works, or exemptions. These had no responses from the SDC team. Combined these audits contained 3 serious and 2 significant issues raised by the safety auditors. Failing to respond to SSAs and to fully close them out increases unnecessary risks on the Council, should a subsequent incident occur, that could have been avoided if the Council had acted more promptly to respond to the identified issues. These outstanding audits need to be responded to and closed out as soon as possible.	
Recommendation	We recommend that Council: R4.1 Ensures that safe system audit guidelines are applied consistently, safe system auditor comments responded to, and audits are fully closed out. R4.2 Respond to and fully close out stage 4 post-construction safe system audits for Pavement Rehabs 2021 Pavement Rehabs 2022-24.
Southland District Council's comment	Auditors comments are noted, and process will be completed by 30 July in conjunction with the 2024/2025 audits.

* * *

5. Professional Services	Effective
The delivery of professional services is carried out in-house and supplemented by external expertise as necessary i.e., structures expertise. The 'build-up' of costs relating to the in-house professional services / administration were reviewed. Timesheets are completed by in-house staff (14 no.) and an average hourly rate is applied to the total hours to arrive at the total cost per month. This ensures the costs are a true reflection of the actual costs, an issue raised at the last audit. These were reviewed in the last year. The overhead costs apportioned out for claiming appear reasonable and the overhead cost model is updated on an annual basis.	
Southland District Council's comment	Auditors comments are noted and demonstrates our councils' commitments to ensuring we meet NZTA expectations.

* * *

3. APPENDICES

APPENDIX A

Council Feedback

Council feedback on the draft report is noted after each of the sections above.

In the process of finalising this report the auditor added clarification to his original comments in response to Council feedback, as indicated in *italics*.

APPENDIX B

Audit Programme

1. Previous audit February 2020.
2. Land Transport Disbursement Account (GL).
3. Final Claims for 2020/21, 2021/22, 2022/23, 2023/24.
4. Transactions (accounts payable).
5. Retentions Account.
6. Procurement Procedures.
7. Contract Variations.
8. Contract Management & Administration.
9. Professional Services.
10. Transport Investment On-line (TIO) Reporting.
11. Other issues that may be raised during the audit.
12. Close-out meeting.

APPENDIX C

Contracts Audited

Contract Number	Tenders Received	Date Let	Description	Contractor		
C22/30	2	Jun 22	Panel Contract for Roading Professional Services Capital Forward Works Programme	Beca NZ Ltd	Estimate Let Price Final Cost	schedule schedule ongoing
C22/31	2	Jun 22	Panel Contract for Roading Professional Services Capital Forward Works Programme	GHD Ltd	Estimate Let Price Final Cost	schedule schedule ongoing
C23/19	2	Dec 23	Southland Resurfacing 2024-27 (Eastern Area and Western Area)	Downer NZ Ltd	Estimate Let Price Final Cost	$22.35m $21.24m ongoing
C19/54	2	Sep 20	Eastern Southland Resurfacing 2020-23	Fulton Hogan	Estimate Let Price Final Cost	$9.76m $10.33m $10.67m
C19/55	2	Sep 20	Western Southland Resurfacing 2020-23	Downer NZ Ltd	Estimate Let Price Final Cost	$9.16m $9.97m $9.77m
C23/39	3	Sep 23	Southland Bridge Renewals Package 1	SouthRoads Ltd	Estimate Let Price Final Cost	$1.42m $1.70m $1.48m
C22/44	2	May 23	Roading Core Services (item 1)	Beca NZ Ltd	Estimate Let Price Final Cost	schedule schedule ongoing
C23/48	4	Oct 23	Southland Bridge Renewals Package 4	SouthRoads Ltd	Estimate Let Price Final Cost	$1.18m $1.86m $1.46m
C23/41	2	Dec 23	Bridge Renewals Package 3 Papatotara Coast Road	Concrete Structures Ltd	Estimate Let Price Final Cost	not avail. $1.36m $1.28m
C22/57	2	Dec 22	Otautau Nightcaps Road Pavement Rehabilitation	SouthRoads Ltd	Estimate Let Price Final Cost	$1.50m $0.95m $0.85m
C23/61	5	Dec 23	Southland Footpath Renewals	SouthRoads Ltd	Estimate Let Price Final Cost	$0.90m $0.80m $0.84m

C21/01	3	Apr 21	2020/21 Construction of Footpath and Kerb and Channel	Downer NZ Ltd	Estimate Let Price Final Cost	$0.92m $0.59m $1.09m
C21/74	3	Feb 22	Two Chain Road Minor Safety Improvement	SouthRoads Ltd	Estimate Let Price Final Cost	$0.43m $0.36m $0.35m
C23/144	2	May 24	Water Cutting Eastern Area 2024	Fulton Hogan Ltd	Estimate Let Price Final Cost	$0.20m $0.20m $0.20m
C19/60	6	Jan 20	Ardlussa Cattleflat Road Bridge Replacements	Wilson Contractors Ltd	Estimate Let Price Final Cost	$0.10m $0.10m $0.10m
C23/103	2	Jan 24	Southland Resurfacing 2024-27 (Stewart Island)	Fulton Hogan Ltd	Estimate Let Price Final Cost	$1.50m $1.50m not avail.

New road maintenance contracts

Record no: R/25/6/29067
Author: Hartley Hare, Strategic manager transport
Approved by: Fran Mikulicic, Group manager infrastructure and capital delivery

☐ Decision ☒ Recommendation ☐ Information

Purpose

1 The purpose of this report is to seek endorsement from the committee to proceed with a report to Council supporting the development and procurement of new Roading Network Management, Operation and Maintenance Alliances in line with the outcome from the 17A Review.

Executive summary

2 A number of roading contracts are coming to the end of their current terms and the largest of these are the road network management, operation and maintenance alliances (Maintenance Alliance).

3 The three current Maintenance Alliances expire on 30 June 2026. The incumbents are Fulton Hogan for the Foveaux region and SouthRoads for the Waimea and Central regions.

4 A review under s17A of the Local Government Act, has been carried out, of the roading services delivered by Council. The review completed by Morrison Low (Attachment A) has effectively reaffirmed that Council's current service delivery models are effective and providing value for money, however, there is an opportunity for some improvements.

5 Due to the size and value of the contracts, any change in supplier will need a reasonable amount of lead in time to establish prior to 1 July 2026. In order to give suppliers, the best opportunity the earlier Council can go to market and award new contracts the better the likely outcome of any transition or changes that may be required before 1 July 2026.

6 This report seeks to obtain endorsement that Council retains three road contract areas and continue to utilise the alliance base model for the delivery of the core road network, operation and maintenance services while incorporating viable changes recommend by the Morrison Low review.

7 While a full procurement plan needs to be worked through, it is proposed that a two-stage interactive process be in accordance with Council and NZTA procurement documents.

8 It is also proposed to retain the provision that no single contractor can be awarded all three regions.

Recommendation

That the Finance and Assurance Committee:

a) receives the report titled "New road maintenance contracts".

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

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

d) recommends to Council to approve procurement work proceed to the tender stage for the new roading alliance maintenance contract and that the results of the tender evaluation process be reported back to Council for consideration of awarding a contract.

Background

9 The current roading maintenance alliances expires on 30 June 2026. The incumbents are Fulton Hogan for the Foveaux region and SouthRoads for the Waimea and Central regions.

10 The form of these alliances has been reviewed in 2025 and the outcome is contained in the Morrison Low Report "Review of Roading Activity" dated June 2025.

11 This review examined the options for future governance and service delivery of network operations and maintenance of the services including each main element of the services, the number of network regions (one, two or three), current market trends, and feedback from the industry and compared different contract models.

12 It concluded that the Southland alliance model was working well and should be continued.

13 The "Review of Roading Activity", June 2025, by Morrison Low (Appendix A) contains the following text:

"The key O&M contracts are performing reasonably well and it is recommended that the current model be continued, three collaborative partnering contracts delivered under alliance principles, using cost-plus terms.".

14 Broadly the terms of the new alliance contracts are as follows:

- general road maintenance activity including routine inspection, sealed road maintenance, unsealed road maintenance including grading, metalling and surface water channel maintenance, vegetation control, and emergency event response and repairs
- continuation of the successful joint governance and management of each alliance by the alliance partner and Southland District Council (SDC)

- Joint Alliance Leadership Team (JALT) representing all three alliances that is a forum for sharing new technology and pavement maintenance techniques and the monitoring of a common set of key performance indicators (KPIs) across all three alliances with increasing transparency and also allowing for when things may not go well.

15 The procurement plan will establish the final set out and the basis on which the future alliance partners would be selected. To preserve to the degree possible local market competition, no tenderer would be awarded all three alliances.

16 As the procurement plan has not yet been established, a likely scenario for selecting the preferred proponent for each region is outlined below utilising the process used for selecting the current suppliers. The process is divided into two stages:

17 **Stage I - Desktop review** of the written submissions and the shortlisting of two proponents. This stage will likely be heavily weighted on non-price attributes of relevant experience, track record and management skills. The weightings from the previous process are set out in the table below:

Attribute	Stage I attribute weighting
Relevant experience	20%
Track record	20%
Technical skills	10%
Resources	10%
Management skills - team available - systems available	 20% 5%
Methodology	15%
Total	**100%**

18 **Stage II – Workshops (short listed proponents only).** This stage involved participation in a separate one-day alliance development workshop with each of the shortlisted proponents to establish the principles and foundation for the prospective alliance. Upon the conclusion of these workshops the Evaluation Team will select using the attribute weighting below the proponent that is the "**preferred proponent" for each of the three regions**.

Attribute	Stage II attribute weighting
Relevant experience	0%
Track record	0%
Technical skills	10%
Resources	10%
Management skills - team available - systems available	 20% 10%
Methodology	50%
Total	**100%**

19 Following endorsement by Council of the preferred proponent for each region, Stage 3 being the Commercial Negotiations, will commence.

Issues

20 There are no specific or unusual issues to note beyond those discussed elsewhere in the report.

Factors to consider

Legal and statutory requirements

21 No significantly unusual legal considerations are involved with this tender. As with all larger value projects, there is the risk of a legal challenge regarding the tender results from unsuccessful tenderers. To reduce this risk the Tender Evaluation Team will diligently follow the New Zealand Transport Agency (NZTA) procurement requirements along with those of Council.

22 To reduce the risk to Council around the tendering process and outcome, Council will seek to engage a probity auditor to be part of and provide oversight of the procurement process.

Community views

23 No specific community views have been sought outside of Council's Long Term Plan or Annual Plan process due to the nature of the works primarily being standard road maintenance activities.

24 This style of contract aims to enhance the service provided to the community and boost responsiveness to their issues.

Costs and funding

25 The costs will continue to be part of the overall roading maintenance budgets with the NZTA share being apportioned to qualifying roading activities.

26 As an indication of the order of annual estimated budgets (including NZTA share), the projected value of work for operations, maintenance and minor capital works (excluding pavement rehabilitation/renewals and reseals) will be provided as an indication for the quantum of work.

27 If the terms of the new contracts are based on the same as the existing contracts (7+2 term), the total combined value over the nine year period would be circa $135million.

Policy implications

28 As outlined above NZTA and Council procurement requirements will be followed. Consideration is also given to the outcome of the 'Review of Roading Activity' undertaken in May/ June 2025.

Analysis

Options considered

29 Contract styles - Alliance versus Conventional Contract or Network Outcomes Contract (current State Highway).

Analysis of options

Option 1 – Alliance model

Advantages	*Disadvantages*
• collaborative relationship (respect and trust) • service delivery ownership • best for network decisions • full transparency • highly flexible • promotes sharing knowledge • absence of bottom line pressure to cut corners.	• requires significant Council participation in joint management • perceptions (uniformed) around cost recover model • requires detailed cost against work.

Option 2 – Network Outcomes Contracts

Advantages	*Disadvantages*
• price certainty for client (short term) • performance incentive (but negatively geared with penalties for loss of measured network condition).	• only being applied for sealed networks and to date not considered suitable for unsealed networks • does not promote ‘best for network’ • fixed price promotes minimising work inputs • arm’s length relationship can be combative • lacks flexibility to target areas of changing need and move funds • high commercial risk for contractor.

Option 3 – Measure and Value

Advantages	*Disadvantages*
• well understood widely used traditional model • requires lower level client participation (more monitoring role).	• requires good knowledge of asset condition • moderately high risk for contractor on rates • ability to load rates for target items with view to extras

	• high client risk on quantities • lacks the power of joint 'best for network' • lacks flexibility without variation compensation.

30 On balance the Alliance model is the preferred deliver model as it is not driven solely by cost, but also the desire to achieve the preferred service deliver outcome in a flexible and transparent manner which fairly rewards the contractors for doing the right thing for the network.

Assessment of significance

31 While the dollar value and term of the contract could be considered significant the reoccurring nature and need for the work is not.

32 The Alliance Maintenance Contract is not new to Southland is in keeping with the current delivery model for this service.

Recommended option

33 To recommend to Council to approve the transport team proceed with development of new contracts based on alliance principles as recommended by the Morrison Low report.

34 To recommend to Council to proceed with procurement process for new road maintenance contracts with a commencement date of the new contracts being 1 July 2026.

Next steps

35 To report to Council the recommendations from Finance and Assurance Committee.

Attachments

A SDC Roading s17A Review 2025

Review of Roading Activity

Southland District Council

19 June 2025

Version	Written	Reviewed	Approved	Report Date
Draft	Linda Cook	Ewen Skinner / Cushla Anich	Cushla Anich	3 June 2025
Final Draft	Linda Cook	Cushla Anich	Cushla Anich	12 June 2025
Final Draft V3	Linda Cook	Cushla Anich	Cushla Anich	19 June 2025
Final	Linda Cook	Cushla Anich	Cushla Anich	19 June 2025

Contents

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Executive Summary

Overview

Southland District Council's (Council / SDC) roading activity includes strategy, asset, network and traffic management, operations and maintenance, and the design and construction of capital works, as well as governance and funding of the activity.

Through its Roading Team, SDC manages the roading activity in-house. Term contracts for roading professional services and operations and maintenance works (O&M) are outsourced with the core roading activity delivered under three geographically based contracts (collaborative partnerships using alliance principles). Capital works are delivered through a professional services panel and separate physical works contracts.

The O&M Contracts are due to expire in June 2026. Prior to going out to market, Council has undertaken a Local Government Act (LGA) Section 17A (s17A) review to determine the best service delivery model for the next term.

The LGA states: *"A local authority must review the **cost-effectiveness** of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services and performance of regulatory functions."*

The review

The main purpose of this review was to:

a) Undertake a Service Delivery Review of the roading activity for Council, incorporating a s17A review to decide whether to continue delivering the roading activity under the current model or take an alternative approach.

b) Benchmark SDC's performance against other Road Controlling Authorities (RCA).

c) Identify areas of improvement for the roading activity that can be implemented alongside the preferred delivery model to further improve cost-effectiveness and efficiency of the activity.

The review assesses Council's current service delivery model against a range of other potential service delivery options for the roading activity, considering in-house and outsourced arrangements.

A mix of interviews and workshops were held with Council's Roading Team, elected members, New Zealand Transport Agency (NZTA), incumbent service providers and neighbouring councils to understand the challenges that are being faced and identify potential opportunities to improve efficiency and cost-effectiveness of the roading activity.

The service delivery options set out under s17A of the LGA were assessed for both professional services and physical works against agreed criteria to identify a shortlist of options which were then assessed against risks and benefits.

Key themes

Through individual interviews and collective workshops with key stakeholders, several key themes were identified that the review seeks to address:

- The current overall hybrid model of an in-house roading team supported by outsourced professional services and physical works is working well, with good relationships and resulting in delivery efficiencies.
- The O&M contracts are working well and the cost-plus model allows flexibility in scope and resources to support a 'best for network' approach to work.
- An enhanced in-house team has the potential to improve delivery of services and reduce the reliance on external service providers. However, Council would carry the recruitment and retention risk.
- There are opportunities to rationalise some of the professional service activities, delivering more in-house and making better use of the current panel arrangements for 'project-based' tasks.
- There are opportunities to work closer with neighbouring councils such as continued informal knowledge sharing through to formal shared arrangements.

Recommendations

S17A delivery model review

With the current model working reasonably well, the recommended option moving forward for the professional services and physical works (O&M and capital works) is the 'Enhanced Status Quo' option. This will build on the current model to optimise services and improve overall outcomes.

Governance and funding would continue to be delivered in-house under this option.

For professional services, it is recommended that Council:

- Increase its in-house delivery whilst maintaining its relationships with recognised professional services specialists.
  - In the short to medium term, this could include growing capacity in routine works such as GIS and forward works planning.
  - In the long term, Council could seek to grow its capacity and capability in capital works and potentially in bridges / structures.
- Rationalise the core roading contract and panel arrangements.
- Structures / bridges contract to be unchanged at this stage, recognising the need for expertise in this area.

- **For the operations and maintenance contracts** it is recommended that Council:
  - Continue to outsource its contracts under the current format:
    - Collaborative partnering contracts for operations and maintenance delivered under the principles of an alliance and delivered under the same geographic split (three contracts).
    - Annual roadmaking contract delivered as a traditional contract on a three-year term (with provision for extension to a maximum of five years) – recommended that market engagement as part of procurement planning inform the decision to maintain separate

contracts or combine into a single contract when the current arrangements expire. There was only one response for the Western Contract and two for the Eastern Contract, with award of both contracts going to one contractor.
  - Streetlighting delivered as a stand-alone traditional contract which is consistent with national trends.
- Increase capacity in compliance and network management to allow the O&M contract managers to better concentrate on that work.
- Review contracts prior to procuring to better drive performance and support cost-effective outcomes.

For capital works, it is recommended that Council:

- Continue to deliver works as outsourced contracts but seek to deliver improvements through, for example:
  - Increased collaboration between different contracts (e.g. between the reseal contractors and the O&M contractors who complete the pre-reseal repairs).
  - Review the way the Management, Surveillance, and Quality Assurance (MSQA) phase of capital works is delivered, currently through the Project Delivery Team. Whilst a dedicated and appropriately skilled team can ensure high levels of monitoring, separation can lead to communication gaps or misalignment between teams, potentially impacting collaboration and responsiveness.
  - As the Roading Team grows, there may be benefits in delivering the MSQA through the Roading Team provided they are fully utilised.

Service improvements

A number of improvement areas have been identified that will enhance the current model and should be investigated further. Each of these would need to be investigated further to fully understand the feasibility and cost implications.

These include but are not limited to:

1. **In-house delivery** - Through the review, it is recognised that there is potential benefit in growing the in-house team, both in capacity and capability with subsequent refinement and downsizing of the scope of outsourced professional services. This would see savings in budget and build up the in-house team to provide a more strategic focus as well as increasing control and ownership and building institutional knowledge to support better planning and programming as well as providing for succession planning:
   - Increasing utilisation of internal resources in RAMM and GIS work areas. Developing in-house expertise in these areas will reduce dependency on external parties with potential cost-savings and will foster long-term resilience. Internal teams can also respond more efficiently to issues, requests, or changes,
   - Additional resourcing in the RCA role such as compliance / regulatory, corridor management and traffic management would provide separation of the RCA role (auditing / compliance) and alliance contract management (delivery) role as well as allowing the O&M contract managers to have more time ‘on the ground’ managing the contracts and delivering

responsive and effective input / decision-making and to ensure that the contracts continue to deliver as intended.

- Management of resealing contracts in-house would provide the opportunity for cost-savings in professional services as well as supporting a more collaborative approach to planning and delivery of this key activity.

2. **Rationalisation of professional services contracts** - With a potential increase in in-house capability and capacity, there is the opportunity to rationalise the current professional services contracts:
   - The scope of the core roading professional contract could be reduced with routine tasks delivered in-house such as GIS and forward works planning.
   - Better use could be made of the panel to deliver 'project' work currently delivered under the core contract such as annual asset valuations.
3. **Physical works contracts** - All contracts should be reviewed for improvement as they come up for renewal to ensure efficiencies and value for money as well as supporting market interest at the tender box.
4. **Shared arrangements with neighbours** - It is recognised that there is opportunity for more informal and formal collaboration between councils. This would depend on demonstrated benefit to both parties, or no disbenefit to one party but a benefit to the other, and agreement on cost-sharing / levels of service / political drivers etc. Examples include:
   - Sharing of resources in RAMM and data management
   - Sharing of compliance / regulatory tasks (such as traffic management)
   - Potential joint delivery and / or procurement of contracts.

   In the first instance, Council should initiate discussions with the relevant councils to understand if there is a joint appetite to pursue these opportunities.
5. **Gravel supply** - The supply of gravel for the roading activity, coupled with river management has been raised as an area of concern. This is outside the scope of this review but a study should be undertaken to understand the potential sources, the costs, consenting requirements and the risks and benefits of the options. This study should also engage with stakeholders including Environment Southland and local iwi. Such a study would need to be fully scoped but it could potentially require a full-time resource over a fixed term of 12 months or more.

Next steps

It is acknowledged that any change requires consideration and formal approval prior to implementation as some require additional in-house resources. Below are key recommendations around what should be considered in the short term:

- Review the current O&M contracts prior to procuring on the open market for a start date of 1 July 2026.
- Further analysis of expanding the in-house team.
- Rationalisation of professional services contracts in line with the in-house delivery review.

1 Introduction

Southland District Council's (Council / SDC) roading activity includes strategy, asset, network and traffic management, operations and maintenance, and the design and construction of capital works, as well as governance and funding of the activity.

Through its Roading Team, SDC manages the roading activity in-house. Term contracts for roading professional services and operations and maintenance works (O&M) are outsourced with the core roading activity delivered under three geographically-based contracts (collaborative partnerships using alliance principles). Capital works are delivered through a professional services panel and separate physical works contracts.

The O&M Contracts are due to expire in June 2026. Prior to going out to market, Council has undertaken a Local Government Act (LGA) Section 17A (s17A) review to determine the best service delivery model for the next term.

Hence the main purpose of this review was to:

a) Benchmark SDC performance against other RCA.

b) Undertake a Service Delivery Review of the roading activity for Council, incorporating a Section 17A (s17A) review under the requirements of the Local Government Act (2002) to decide whether to continue delivering the roading activity under the current model or take an alternative approach.

c) Identify areas of improvement for cost-effective delivery of the roading activity.

The review assesses Council's current service delivery model and evaluates a range of other potential service delivery options for the roading activity, considering in-house and outsourced arrangements for both BAU and resilience works. It incorporates feedback from Council staff, elected members, NZTA, incumbent service providers and neighbouring councils.

2 Review methodology

2.1 Service Delivery Review

Service delivery reviews are a legislative requirement under s17A of the Local Government Act (2002) which states:

> *"A local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services and performance of regulatory functions."*

The Act goes on to specify that a review must be undertaken in the following circumstances:

- When a significant change to the level of service is proposed
- Within two years of a contract or binding agreement expiring
- At any other time, but no less than six years following the last review.

Where a review is required to be undertaken, as a minimum, it must consider the 'following:

- Governance and funding by:
  - Council alone; or
  - In a shared governance arrangement with one or more other local authorities.
- Service delivery by:
  - The local authority (i.e., in-house)
  - A CCO owned by the local authority or jointly owned with another shareholder (e.g. another local authority or private party)
  - Another local authority (e.g. through a shared service arrangement); or
  - Another person or agency (e.g. outsourced contract or by opting out).

This s17A review has been triggered by the expiry of Council's roading O&M physical works contracts in 2026.

2.2 Service delivery optimisation

S17A of the Act is focussed on the overall service delivery mechanism for each council activity that delivers good-quality local infrastructure, local public services, or the performance of regulatory functions.

For the majority of activities, the primary delivery mechanism will not be the only delivery mechanism, with external expertise required to address complex or one-off issues. In-house oversight is provided on all externally sourced work. Settling on one or other primary delivery models under the Act will not reduce the ability of local authorities to deliver activities through such other models.

Once the primary delivery mechanism has been chosen, the local authorities can continue to optimise their service delivery, as shown conceptually in the following figure.

Council should continually be seeking opportunities to increase the effectiveness and efficiency of the service delivery including having the appropriate internal structure and resourcing, and through opportunities to work collaboratively with other local authorities.

Figure 1 Ongoing service delivery optimisation after a s17A review

Service Delivery Options - Section 17A (what is the most cost-effective model?)	→	**Service Delivery Optimisation (how can we better deliver on the preferred model?)**
• Considers governance, funding & delivery. • Governance and funding delivered in-house or through joint arrangements. • Delivery model through CCO / in-house / Outsource / by another Local Authority.		Examples • In-house structure, resourcing, and processes. • Contracts - Number, type, and length. • Joint approach - Contracts, procurement. • Regional collaboration. • Contract model.

2.3 Governance and Funding

s17A specifies the service delivery and governance options that need to be considered but is less prescriptive about funding options.

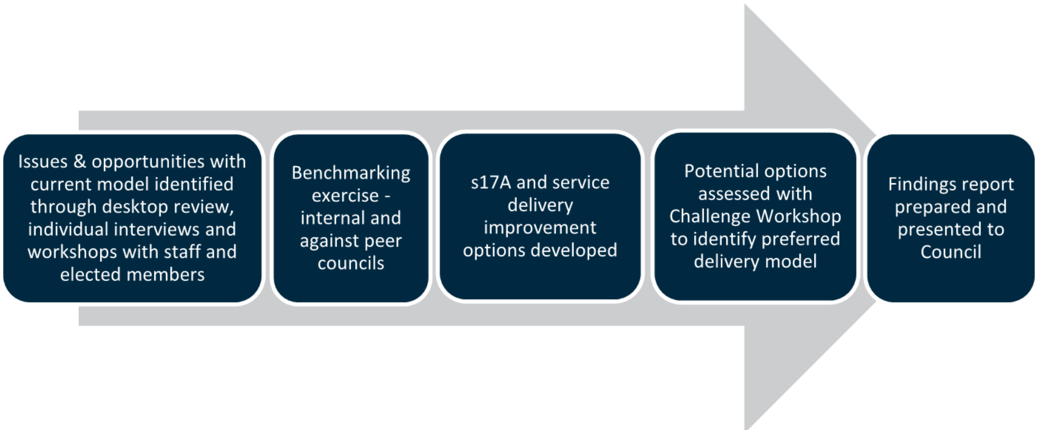
The focus of s17A is on service delivery and decisions regarding funding are not a key decision-making variable when looking at service delivery options. Regardless of which service delivery model is accepted, the funding options remain the same (in particular for roading which is subsided by NZTA). They are continually assessed and refined as part of regular service optimisation reviews, when changes to service are proposed (e.g., as part of the Long-Term Plan) or when Council reviews its revenue and financing policy. For this reason, this s17A review focuses on service delivery options and the associated governance options, with funding options being optimised as part of the implementation of the preferred service delivery option.

2.4 Our approach

2.4.1 Overview

The following steps have been completed in undertaking this review:

Figure 2 Service delivery review approach



To fully understand the current situation, the challenges being faced and potential opportunities to support improved delivery of the roading activity, elected members, Council staff, NZTA representatives, service providers and neighbouring council representatives were interviewed. Council staff and elected members also participated in a series of onsite workshops and interviews on 13 and 14 May 2025.

A list of the external and internal stakeholders interviewed is provided in Appendix A.

3 Current service delivery arrangements

3.1 Overview

Covering an area of approximately 30,000km2, the SDC roading network is extensive when compared nationally and comprises[1]:

- 4,959 km of roads
  - 1,998km sealed (approx. 40%)
  - 2,961km unsealed (approx. 60%)
- 1,073 bridges.

Council delivers its roading activity through a mixture of in-house delivery, long term contracts with professional services and physical works contractors as well as individual specialist and capital works projects.

The current service delivery approach for the roading activity is shown below in the table below.

Table 1 Current service delivery arrangements – roading activity

Activity	Key Services
In-house Roading Team	• Network management – corridor access management / compliance / traffic management / community liaison • Asset management • Contract management • Capital delivery management (through Project Delivery Team)
Professional Services	• Design and project management for capital delivery through panel of 4 suppliers • Core roading services including FWP / valuations / GIS / advisory services • Traffic counting • Structural services • Road resurfacing contract management
Physical works	• General road maintenance: 3 x Alliance contracts - Foveaux / Central / Waimea • Pavement markings: 2 x 3+1+1 term contracts (awarded to a single contractor) – East and West • Streetlight and public lighting • Resurfacing – Currently a 3+1+1 -year term contract to deliver annual programme of works delivered under two contracts (awarded to a single contractor). • Capital works on an as-required basis including activities such as pavement rehabilitation, bridges and footpaths. Existing contract size and scope varies

[1] Source: *Transport Insights - Road Efficiency Group Te Ringa Maimoa*

Activity	Key Services
	significantly with services provided by large tier 1 contractors through to smaller locally based organisations.

3.2 In-house Roading Delivery

The figure below shows the current in-house team with responsibility for the delivery of the roading activity.

The Strategic Transport team includes 10 FTE staff with commercial and financial support. The Project Delivery Team provides the MSQA role for capital projects across all infrastructure.

Figure 3 Current Roading Delivery

4 Performance

4.1 Overview

The in-house management structure for the roading activity generally meets operational service delivery needs. However, it is recognised that an increase in internal resourcing could support improved delivery.

Both the physical works and professional services contracts are running well.

4.2 Levels of service

Levels of service (LOS) for the roading activity are included in the 2024-2034 Long Term Plan. Performance against these LOS and targets, taken from Annual Reports, are shown below and show general compliance with levels of service where within Council's control.

The exception is in meeting resurfacing target where funding has not supported achievement of this performance measure. It is noted that this is not uncommon across councils in New Zealand.

Table 2 Annual Report Results

Level of service – performance measure	*Target (2023/24)*	Actual (2021/22)	Actual (2022/23)	Actual (2023/24)
Percentage of the sealed local network that is resurfaced*	*6.5%*	6.2%	5.2%	4.1%
Percentage of footpaths meeting condition rating	*≥70%*	95%	96%	96%
The average quality of ride on a sealed local road network, measured by smooth travel exposure	*98%*	Not measured	99%	99%
Gravel road roughness to acceptable standards	*≥85%*	89%	92%	91.3%
The number of serious and fatal crashes**	*reduction of 1 from prior year*	19 vs 10	22 vs 19 (2 x crashes on SHs)	11 vs 22
Response to service requests within required timeframes	*≥90%*	92%	95%	97%

**Funding has been the key reason for not meeting resurfacing targets*
***Safety results often outside the control of Council e.g. alcohol as a factor*

4.3 Benchmarking against peer councils

The REG Transport Insights data (https://transportinsights.nz/home) has been used as a tool to measure SDC's performance against peer councils[2].

Overall, SDC is achieving at or above its peer group for 'value for money, efficiency and effectiveness' as shown below:

[2] SDC peer group defined as 'Rural Districts with a proportion of ONRC classified network equalling 10% urban and below'

Figure 4 Transport Insights Performance Dashboard – Value for Money, Efficiency and effectiveness

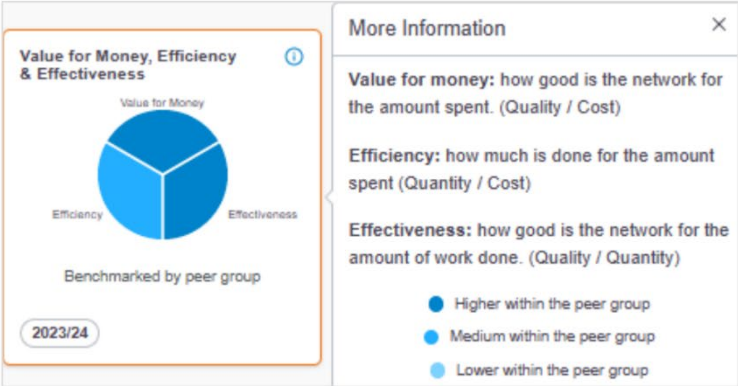
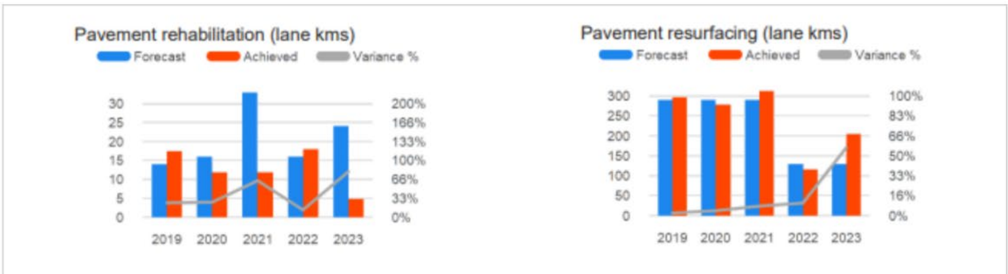


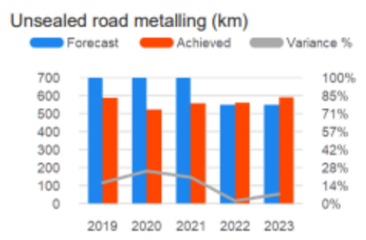
Figure 5 Cost efficiency comparison across peer councils

These graphs show that SDC has a lower cost per km of road in terms of all expenditure and in its maintenance, operations and renewals activities.

This compares to Council generally spending close to its annual forecast as shown in Figure 6 below.

Figure 6 Road maintenance performance across peer councils





Procedural and technical audits completed by NZTA have resulted in 'effective' co-investor assurance for 2022/23 (there are no results for 2023/24).

4.4 What are the key themes?

From discussion with key stakeholders (internal and external) and workshops with elected members and the Roading Team, the following sections outline the key positives and challenges being faced under the current arrangements.

4.4.1 What's working well?

Overall, the current model for delivering the roading activity has been delivering sound results with good relationships and performance.

Table 3 What's working well

Theme	Discussion
Relationships with current suppliers is good	• This has been recognised across all internal and external parties and greatly contributes to the overall performance of the roading activity and its various contracts. • In particular, O&M delivery under a high risk model with good relationships has supported 'best-for-network' decision-making.
Generally meeting LTP levels of service targets and performance compares favourably with its peer groups	• Refer to section 4.2 above. • The exception to delivery against LTP targets is resurfacing where funding limitations have impacted delivery. • Council is generally performing at or above its peer groups in value for money, efficiency and effectiveness, delivering works at a lower $/km.
A contract model of collaborative partnering delivered under alliance principles model allows for flexibility to change scope of works to best meet needs	• The cost-plus model allows Council and its alliance partners to focus on areas with most need. • Flexibility in resourcing – good for routine works as well as reactive and emergency response. • Works / scope can be changed to meet budgets.

Theme	Discussion
An alliance model can support innovation and trying new alternative / ideas	• In agreement between parties, and subject to available funding, the Principal and their service providers can work together to try new ideas – would be some reluctance to this in a traditional contract where scope is more fixed. • New and alternative ideas can often lead to a more efficient or cost-effective and better outcomes.
Feedback suggests that the current contract delivery model is working	• The current mix of contracts for physical works and professional services is appropriate for Southland and is working reasonably well.

4.4.2 Where are the opportunities for improvement?

Whilst it is generally accepted, through interviews and workshops, that the roading activity is being delivered to required standards, this review has identified several areas for improvement as summarised in the table below. The improvement actions have the potential for efficiencies in delivery of the roading activity if implemented.

Table 4 Where are the challenges and the opportunities for improvement?

Theme	Challenges / Improvement areas
Cost of delivery increasing	• This has an impact on what can be achieved but the alliance arrangements allow flexibility to respond. • This has been particularly so in Council not meeting its resurfacing targets. • How can the roading activity be delivered more cost-effectively / where are the potential cost-savings? • Need to prioritise on a 'best for network' basis.
Performance management provisions could be strengthened	• It is generally accepted that an overall good performance for the roading activity is based largely on trusted relationships. • KPIs were developed in the establishment stage of the alliance contracts but there is general agreement that these could be strengthened to allow for 'when things aren't going so well'. This needs to be reviewed as part of the new contracts. • Incentives can drive performance.
There are opportunities to deliver more in-house	• Increased in-house delivery can support control, ownership, institutional knowledge and succession planning. • Alliance Contract Managers do not have the capacity to be 100% 'on the ground' due to other competing demands such as corridor access, compliance and traffic management.

Theme	Challenges / Improvement areas
	• Increased in-house delivery will reduce the reliance on external service providers although access specialists would still be needed for some activities such as bridges / structures. • Increased in-house delivery will carry the risk of recruitment and retention – need to make any new roles attractive.
Geographic spread, location and length of network can have an impact on the supplier market	• Can be difficult to attract suppliers so need a model that ensures continued resourcing. • Whilst Council supports engagement of local resources, this needs to be balanced against cost, quality of delivery and other factors such as health and safety.
Potential opportunities to work with neighbours	• Options for shared services include (and are discussed in more detail later in this report: – Data management – Some physical works such as resurfacing – Traffic management • Benefits could include: – Cost-efficiencies – Consistency in delivery – Shared costs where a full FTE is not required for a specific activity • Council will need to demonstrate a balance in benefit to each council and the overall good of the region. • There is also the opportunity for general knowledge sharing through industry forums such as REG.
Professional services could potentially be rationalised	• Council has a number of separate professional services contracts as well as a panel in place. There is potential to rationalise these to reduce the number. • This would be best done with an increase in in-house delivery as above. • Examples raised include: – Parts of the core roading services contract such as GIS and forward works planning could be delivered in-house. – Project based work delivered under the core roading contract, such as valuations, could potentially be awarded as a separate contract either annually through the panel or on a term basis. – Resurfacing contract management could be largely delivered in-house although would still need access to specialists at times.

Theme	Challenges / Improvement areas
	This needs to be explored further and would be influenced by the ability to grow the in-house team.
Supply of roading metal across the District - are there better options / how do we manage risk?	• Whilst this is recognised as an ongoing issue and does have implications on delivery of the roading activity, particularly in the maintenance of unsealed roads, further investigation into options is beyond the scope of this review. • It is recommended that this be the subject of a separate review / business case.

5 Regional perspective

5.1 Neighbouring councils

SDC has a good relationship with its neighbouring councils on an informal and ad hoc basis. It is generally agreed that these relationships could be enhanced whilst recognising that under the current delivery models, this can be challenging.

Gore District Council (GDC) delivers its roading activity through six physical works contracts. As well as larger general maintenance contracts (routine maintenance, sealed repairs, vegetation control, road markings), this includes smaller contracts such as concreting works and mechanical cleaning. The works have been unbundled with a drive to engage the local market. The resurfacing contract is currently delivered jointly with Clutha District Council but this contract is due to expire late 2025.

Invercargill City Council (ICC) operates under a mix of in-house and outsourcing including an alliance for operations and maintenance, professional services provider for capital works and separate resurfacing and rehab contracts.

Both councils agree that there are good opportunities for coordinating of activities but would need to ensure that the contracts align. Shared arrangements in areas such as data management could also be of benefit alongside more informal opportunities such as training and knowledge sharing. Working closer together could also support more efficient response / emergency management.

Road safety education is delivered across Gore, Invercargill and Southland under a single contract managed through ICC.

SDC and ICC also have a joint Engineering Code of Practice which promotes consistent standards across both areas in subdivision development and land use.

Other neighbours: Queenstown Lakes, Clutha, Central Otago and Westland District Councils deliver their roading activities under a number of different contract models. The opportunity for any formal collective approach to delivery is less with these councils than with GDC and ICC, although the current knowledge sharing through REG and other forums should continue.

5.2 NZTA and the state highways

There are a number of state highways that pass through the Southland District. In particular, these include SH6 that runs north to south and SH96 that runs east to west. SH1, SHS 93, 94, 95, 97, 98 and 99 are also part of the Southland network. Currently delivery is through a Network Outcomes (NOC) model, although NZTA is procuring a new Integrated Delivery Model (IDM) which is anticipated to be in place by April 2026.

With local communities seeing the state highways and local roads as a single roading network, relationships are important between the two organisations to support effective engagement and communication with those communities.

6 Service delivery options

6.1 Overview of options assessment

The options for alternative service delivery arrangements have been assessed against the status quo. These include those options required under s17A as listed in Section 2.1.

A longlist of options was identified for professional services and physical works (O&M and capital works considered separately) and assessed against agreed weighted criteria. From this, a shortlist of options was identified and assessed in further detail against benefits and risks.

A challenge workshop with the Roading team was held on 27 May 2025 to review the initial strawman assessment of options completed by Morrison Low.

6.2 Assessment criteria

The following criteria has been agreed for assessing the service delivery options, both professional services and physical works.

The weightings applied demonstrate the importance of quality-of-service delivery and flexibility to respond to changing requirements and access to specialist expertise.

The criteria also acknowledge that cost is a key factor in delivery of physical works but quality of works and the ability to access specialists is more critical for professional services.

Table 5 Assessment criteria

Criteria	Weighting		Discussion
	Professional Services (%)	Physical works – O&M / Capex (%)	
Financial			
Establishment / set up costs	5	5	
Ongoing delivery costs	25	35	
Total financial	***30%***	***40%***	
Non-financial			
Ability to control / influence outcomes	20	20	Council's ability to directly influence the quality of the service provided and manage risk.
Flexibility to respond to changing requirements	15	20	To meet demand of communities / funding changes / legislative change.
Ease of access to expertise	20	5	To support the preferred model.
Resourcing risk	10	10	Internal staff and external suppliers / service providers.

Criteria	Weighting		Discussion
	Professional Services (%)	Physical works – O&M / Capex (%)	
Complexities around implementation	5	5	Is it achievable and sustainable and in line with Council's risk appetite?
Total non-financial	***70%***	***60%***	

6.3 Assessment of options – Professional services

6.3.1 Longlist assessment – professional services

The longlist of options was assessed against agreed assessment criteria. A summary of the assessment is provided in the table below with the full assessment included in Appendix B.

Table 6 Summary of longlist assessment – professional services

Option			Description	Rank	Assessment
Governance and Funding in-house	1. Hybrid Model	**1a –status quo**	Mix of in-house and outsourced delivery: • Contract management, network management, asset management delivered in-house. • Capex PS delivered through Panel. • Core roading PS contract. • Structures PS contract.	2	SHORTLISTED • Status quo works well although some current in-house vacancies. • With some service optimisation, the current model could improve overall delivery. • This model provides access to specialist skills that are needed from time to time.
		1b – enhanced status quo	initiatives to improve delivery under the current model explored further such as: • Increased in-house delivery. • Rationalisation / review of scope of current PS contracts. • Greater use of panels. • More collaboration with neighbouring councils.	1	SHORTLISTED • With some service optimisation, the current model could improve overall delivery. • This model provides access to specialist skills that are needed from time to time.
	2	**Delivery all in-house** (set up as a business unit or similar as per s25(5) of the LTMA 2003)	• All roading professional services delivered in-house - contract management, network management, design (minor capex and renewals), asset management. • SDC would employ all professional services staff.	4	NOT RECOMMENDED • Risks related to recruitment and retention and lack of ease of access to specialist expertise make this option less favourable than the hybrid model.

Option			Description	Rank	Assessment
	3	**Delivery by own CCO**	• Transfer of professional services to a newly formed CCO/CCTO with a board of directors / committee.	8	NOT RECOMMENDED • Complex model. • No benefits over in-house / hybrid model.
	4	**Delivery by another Local Authority**	• Transfer of professional services to another Local Authority. • SDC would provide strategic direction.	10	NOT RECOMMENDED • No benefits over in-house model which is generally well-resourced. • Complexities in governance and mgt. • Some loss of control if another TLA was to deliver professional services for SDC. • Likely more expensive model.
	5	**Delivery fully outsourced**	• Delivery of professional services fully outsourced. • SDC would provide strategic direction.	6	NOT RECOMMENDED • Fully outsourced not considered necessary where SDC has an in-house team. • Would be a more expensive model and SDC would lose some control.
Governance and funding through Joint Committee or other shared governance arrangement	6	**Delivery by Joint CCO**	• Similar to option 3 but with other councils as joint owners.	7	NOT RECOMMENDED • Complex model. • Would also unlikely be a preferred option of neighbouring councils. • Large set-up costs and complexities.
	7	**Delivery by another Local Authority**	• Delivery of professional services by neighbouring council. • Strategic direction set as a collective.	11	NOT RECOMMENDED • Loss of ownership and control. • May affect quality of delivery with differing priorities across councils.
	8	**By shared service agreement with another council(s)**	• Council enters into shared services agreement with neighbouring council/s to manage and provide professional services.	3	SHORTLISTED • This option has the potential to provide cross-boundary benefits of shared thinking and planning.

Option			Description	Rank	Assessment
			• Each council provides their own strategy, policy direction but enter into a formal shared services arrangement for professional services. • Could be some or all PS.		• Could also provide for capability and capacity gaps across participating councils. • May be some competing priorities to deal with and would need to agree levels of service. • Service Level Agreement between councils needed.
	9	**Delivery by another agency / outsourced**	• Delivery of professional services outsourced under a shared agreement. • Strategic direction set as a collective.	9	NOT RECOMMENDED • Potentially more expensive model. • Complexities in governance and management.
	10	**Delivery through alliance**	• PS incorporated into the Alliance contracts.	5	NOT RECOMMENDED • No significant benefits of including professional services in an alliance for routine O&M - more relevant for large scale capital works.

6.3.2 Shortlist assessment – Professional Services

The highest-ranking options from the longlist assessment, as below, were shortlisted for further consideration against benefits and risks to determine the recommended way forward.

Table 7 Professional services – shortlisted options assessment

Option	Benefits / Alignment with drivers *Cost-effectiveness / Value for Money* *Ability to control outcomes* *Flexibility to respond to changing needs* *Internal capability and capacity* *Ease of access to specialists / experts*	Assessment against risks *Council's ability to attract and retain staff* *Affordability* *Implementation and complexity of the service delivery model* *Lack of interest from the market*	Overall assessment
Enhanced status quo (Option 1b) *initiatives to improve delivery under the current model:* • *Increased in-house capability and capacity* • *Rationalisation of current contracts – reduced scope of core contract and increased delivery under panels*	High alignment: • Potential to give best value for money with service optimisation options introduced. • Collaborative and more direct relationships to support better network outcomes. • Delivering more in-house and rationalisation of contracts has the potential to deliver improvements in delivery and cost-savings. • Strengthening of the in-house team to fill capability and capacity gaps, at contract management, planning and operational levels, reducing reliance on external service providers, whilst recognising that they will continue to be an important part of overall delivery. • Ability to introduce flexibility into new contracts to provide for enhanced in-house team. • More in-house control will provide more flexibility.	• Council will carry a higher recruitment and retention risk: – More collaborative model with more opportunities likely to be more attractive for recruitment and retention of staff. • Getting the in-house / outsourced balance right – level of service vs cost to deliver. • Simple model to establish with minimal change and consequently minimal risk: – Any changes to be developed and initiated over 1-2 years to reduce risks associated with implementation.	RECOMMENDED Low risk with positive outcomes. Refer Section 6.6 for discussion

Option	Benefits / Alignment with drivers *Cost-effectiveness / Value for Money* *Ability to control outcomes* *Flexibility to respond to changing needs* *Internal capability and capacity* *Ease of access to specialists / experts*	Assessment against risks *Council's ability to attract and retain staff* *Affordability* *Implementation and complexity of the service delivery model* *Lack of interest from the market*	Overall assessment
Status Quo (Option 1a) *Professional services outsourced through:* • *Core Roading contract* • *Bridges / structures* • *Capital works panel* • *Reseals contract mgt*	Some alignment: • Easy access to specialists and ability to efficiently resource varying workloads including peak workloads. • No change to current governance / management.	• Status quo unlikely to improve overall cost-effectiveness. • Unlikely to see any cost-savings. • Limited ability to attract skilled staff – has impact on institutional knowledge / succession planning etc. • Limited ability to respond to change.	NOT RECOMMENDED - The status quo will not deliver the improvements desired.
By shared service agreement with another council(s) (Option 8) *Would apply to some services only*	Some alignment: • Potentially some regional benefits such as consistency in delivery. • Shared resourcing may deliver some efficiencies.	Medium risk: • More complex governance structure to implement. • Some potential for cost-savings in delivery but likely to be limited for SDC. • Would be some additional cost in set up and governance.	FUTURE POTENTIAL but subject to further discussion with neighbours and scoping of opportunities. Would also likely be influenced by in-house / outsource discussions.

6.4 Assessment of options – physical works (O&M)

6.4.1 Longlist assessment – physical works (O&M)

The longlist of options was assessed against agreed assessment criteria. A summary of the assessment is given in the table below with the full assessment included in Appendix B.

Table 8 Summary of longlist assessment – physical works (O&M)

<table>
<tr><th colspan="3">Option</th><th>Description</th><th>Rank</th><th>Assessment</th></tr>
<tr><td rowspan="3">Governance and Funding in-house</td><td rowspan="2">1 - 3 x Alliance contracts</td><td>1a Status quo</td><td>• Operations and maintenance delivered under 3 separate alliance / collaborative contracts.
• Separate traditional term contracts for road markings / streetlights.
• Separate resurfacing contacts.</td><td>2</td><td>SHORTLISTED
• Meets requirements but room for improvement through service optimisation to drive cost-effectiveness.</td></tr>
<tr><td>1b Enhanced status quo</td><td>• Current delivery model with improvements implemented.</td><td>1</td><td>SHORTLISTED
• With some service optimisation, the current model could improve overall delivery.</td></tr>
<tr><td>2</td><td>Delivery in-house</td><td>• Not a viable option (LTMA section 25(4)).</td><td colspan="2">Not scored - Not a viable option (LTMA section 25(4))
‘It is a condition of every procurement procedure that the Agency or an approved organisation must procure outputs from a provider other than the Agency or that organisation (as the case may require), or its employees’</td></tr>
</table>

Option			Description	Rank	Assessment
	3.Alternative outsourcing models	3a O&M physical works delivered under a traditional model	• Alliance disestablished and physical works contracts delivered under a traditional model.	8	NOT RECOMMENDED • Traditional model (M&V / lump sum) does not provide flexibility of current model. • Unlikely to be any benefits.
		3b O&M physical works delivered under a single contract	• All O&M works combined under a single contract (either as a collaborative / alliance approach under a traditional model).	4	NOT RECOMMENDED • Resourcing risk. • Negative impact on market.
	4	Delivery by CCO	• Council forms a CCO or CCTO for the delivery and management of all roading services. • Planning and administration would be undertaken by a centralised team within the CCO.	7	NOT RECOMMENDED • Complex model. • Large set-up costs and complexities for minimal benefit.
	5	Delivery by another Local Authority	• Neighbouring council delivers O&M works on behalf of SDC. • SDC sets strategic direction and undertakes planning.	10	NOT RECOMMENDED • Complex model that is likely to be more expensive and not support SDC priorities.
Governance and funding through	6	Outsourced delivery - joint contract with another Local Authority	• Works procured jointly with neighbouring council/s.	4	NOT RECOMMENDED • This model could deliver cost benefits but the likelihood of achieving this is low. • Current delivery models are not aligned. • Competing priorities.

Option			Description	Rank	Assessment
	7	Delivery by Joint CCO	• Similar to option 3 but with other councils as joint owners.	9	NOT RECOMMENDED • Complex model. • Would also unlikely be a preferred option of neighbouring councils. • Large set-up costs and complexities.
	8	Delivery by another TLA	• Physical works delivered by another TLA on behalf of SDC. • SDC provides strategic and planning input through joint agreement.	11	NOT RECOMMENDED • Complex model that is likely to be more expensive and may not support SDC priorities.
	9	Delivery through full Alliance	• Alliance between SDC, O&M Contractor and professional services provider under a true Alliance format.	3	SHORTLISTED • Shared goals and objectives • Potential for improved planning and programming of routine works. • Likely more benefit growing in-house team than full Alliance
	10	Delivery through PPP	• Public Private Partnership	6	NOT RECOMMENDED • Complex model with no benefits over status quo.

6.4.2 Shortlist assessment – Physical works (O&M)

The highest ranking options from the longlist assessment, as below, were shortlisted for further consideration against benefits and risks to determine the preferred way forward.

Table 9 Physical works (O&M) – shortlisted options assessment

Option	Benefits / Alignment with drivers	Assessment against risks	Overall assessment
	Cost-effectiveness / Value for Money *Ability to control outcomes* *Flexibility to respond to changing needs* *Internal capability and capacity* *Ease of access to specialists / experts*	*Council's ability to attract and retain staff* *Affordability* *Implementation and complexity of the service delivery model* *Lack of interest from the market*	
Enhanced status quo (Option 1a) *Whilst the contract model would remain unchanged, improvements would be made through increased resourcing (for SDC) and a review of contracts to drive performance*	High alignment: • Further builds on a model that is working - Potential to give best value for money with service optimisation options introduced. • In-house team will be strengthened to fill capability and capacity gaps and support further collaboration 'on the ground' in contract management. • Council continues to remain in control over the form of contract, contract duration, standards, and specifications	Low risk: • Will be a cost to additional resources and Council will carry a higher recruitment and retention risk but: – More opportunities likely to be more attractive for recruitment and retention of staff. – Additional resourcing costs in compliance, corridor management etc will largely be on-cost to the customer. • Simple model to establish, minimal change. • Some reluctance to change when current model is working – need buy in and time will be required to fully demonstrate effectiveness of the improvement initiatives.	**RECOMMENDED** Refer Section 6.5 for discussion and Section 7 for service delivery improvements

Option	Benefits / Alignment with drivers *Cost-effectiveness / Value for Money* *Ability to control outcomes* *Flexibility to respond to changing needs* *Internal capability and capacity* *Ease of access to specialists / experts*	Assessment against risks *Council's ability to attract and retain staff* *Affordability* *Implementation and complexity of the service delivery model* *Lack of interest from the market*	Overall assessment
Status Quo (Option 1a)	Some alignment: • Certainty with the status quo • Model is generally working to an acceptable level	Low risk: • Already in place and delivering against requirements but status quo unlikely to improve overall cost-effectiveness or deliver improvements.	NOT RECOMMENDED - The status quo will not deliver the improvements desired.
Delivery through a full Alliance *SDC, O&M Contractor*	High alignment: • Shared objectives for the network. • Less reliance on external resources with a full Alliance in place. • Consistency across the contract/s.	Medium risk: • More complex governance structure with 3rd party and change to full alliance model. • Hard to demonstrate benefits to include consultant in O&M alliance model. • Need high level of 'maturity' within each organisation to be able to deliver under an Alliance.	NOT RECOMMENDED - more complex arrangement and limited benefit

6.5 Assessment of options – physical works (capital works)

6.5.1 Longlist assessment – physical works capital

The longlist of options was assessed against agreed assessment criteria. A summary of the assessment is given in the table below with the full assessment included in Appendix B.

Table 10 Summary of longlist assessment – physical works (capital works)

Option			Description	Rank	Assessment
Governance and Funding in-house	1 - 3 x Alliance contracts	1a Status quo	• Capital works outsourced under multiple traditional contracts.	2	SHORTLISTED • Meets requirements but room for improvement through service optimisation to drive cost-effectiveness.
		1b Enhanced status quo	• Current delivery model with improvements implemented such as increased collaboration across parties, a review of contract models.	1	SHORTLISTED • An effective collaborative model can support best network outcomes. • Joint planning and programming can best meet Council's requirements whilst ensuring appropriate resources etc. • Service optimisation can help deliver efficiencies.
	2	Delivery in-house	• Not a viable option (LTMA section 25(4)).	Not scored - Not a viable option (LTMA section 25(4)) *'It is a condition of every procurement procedure that the Agency or an approved organisation must procure outputs from a provider other than the Agency or that organisation (as the case may require), or its employees'*	

Option			Description	Rank	Assessment
	3.Alternative outsourced arrangements	3a Resealing contract (renewals) incorporated into alliance contracts	• Resealing contracts incorporated into alliance contracts.	4	SHORTLISTED to further explore (not uncommon to be part of O&M contract) • Resealing contract currently outside the alliance in an attempt to provide an open market environment. • Is typically different crews to the routine O&M of a largely unsealed network. • May make the contract more attractive. • Benefits of reseal repairs and resealing activities being delivered under same contract e.g. ease of access to resources.
		3b All physical works (O&M / capex) incorporated into a single contract	• O&M, road markings, possibly streetlights, renewals and capital works delivered as a combined contract. • Can still be delivered on a geographic split either as an alliance or a traditional contract.	5	NOT RECOMMENDED • No perceived benefit over the status quo - financial or non-financial. • Potential complexities of a single contract delivering O&M and capital works - different contractor capability needed.
	4	Delivery by CCO	• Council forms a CCO or CCTO for the delivery and management of all roading services. • Planning and administration would be undertaken by a centralised team within the CCO.	9	NOT RECOMMENDED • Complex model. • Large set-up costs and complexities for minimal benefit.
	5	Delivery by another TLA	• Neighbouring council delivers O&M works on behalf of SDC. • SDC sets strategic direction and undertakes planning.	11	NOT RECOMMENDED • Complex model that is likely to be more expensive and not support SDC priorities.

Option			Description	Rank	Assessment
Governance and funding through Joint Committee or other shared governance arrangement	6 - Outsourced - joint contract with another TLA/s	6a All works	• All capital works procured jointly with neighbouring council/s.	8	NOT RECOMMENDED • This model could deliver cost benefits but the likelihood of achieving this is low. • Current delivery models are not aligned. • Competing priorities.
		6b Selected works	• Works procured jointly with neighbouring council/s for selected works e.g. reseals.	3	SHORTLISTED • This model could deliver cost benefits. • Potential competing priorities to be managed.
	7	Delivery by Joint CCO	• Similar to option 3 but with other councils as joint owners.	10	NOT RECOMMENDED • Complex model. • Would also unlikely be a preferred option of neighbouring councils. • Large set-up costs and complexities.
	8	Delivery by another TLA	• Physical works delivered by another TLA on behalf of SDC. • SDC provides strategic and planning input through joint agreement.	11	NOT RECOMMENDED • Complex model that is likely to be more expensive and may not support SDC priorities.
	9	Delivery through full Alliance	• Alliance between SDC, O&M Contractor and professional services provider under a true Alliance format.	6	NOT RECOMMENDED • An alliance that also incorporates PS is more common in larger capital works contracts and unlikely to be of benefit for SDC.
	10	Delivery through PPP	• Public Private Partnership.	6	NOT RECOMMENDED • A high level of maturity is required across all parties. • More common in significant capital works projects. • Minimal perceived benefit to SDC.

6.5.2 Shortlist assessment – Physical works (capital works)

The highest ranking options from the longlist assessment, as below, were shortlisted for further consideration against benefits and risks to determine the preferred way forward.

Table 11 Physical works (capital works) – shortlisted options assessment

Option	Assessment of Benefits	Assessment against risks	Overall assessment
	Cost-effectiveness / Value for Money *Ability to control outcomes* *Flexibility to respond to changing needs* *Internal capability and capacity* *Ease of access to specialists / experts*	*Council's ability to attract and retain staff* *Affordability* *Implementation and complexity of the service delivery model* *Lack of interest from the market*	
Enhanced status quo (Option 1b) *Current delivery model with improvements implemented such as increased collaboration across parties, a review of contract models*	High alignment: • Potential to give best value for money with service optimisation options introduced (refer Section 7 below). • Ability to provide for local workforce development through procurement procedures. • Collaborative relationships, working together, to support positive network outcomes e.g. Joint planning and programming across parties can best meet Council's requirements whilst ensuring appropriate resources etc.	Low risk: • More collaborative model with more strategic direction likely to be more attractive for recruitment and retention of staff. • Governance structure and set up unchanged.	RECOMMENDED Refer to Section 7 for more consideration of delivery improvements.
Status quo (Option 1a)	Some alignment: • Certainty with the status quo. • Model is generally working to an acceptable level.	Low risk: • Already in place and delivering against requirements but status quo unlikely to improve overall cost-effectiveness or deliver improvements.	NOT RECOMMENDED - The status quo will not deliver the improvements desired.

Option	Assessment of Benefits	Assessment against risks	Overall assessment
	Cost-effectiveness / Value for Money *Ability to control outcomes* *Flexibility to respond to changing needs* *Internal capability and capacity* *Ease of access to specialists / experts*	*Council's ability to attract and retain staff* *Affordability* *Implementation and complexity of the service delivery model* *Lack of interest from the market*	
Outsourced through joint delivery with another TLA for selected works (Option 6b)	Some alignment: • Efficiencies of scale. • Consistency in approach.	Medium risk: • Some loss of control over local priorities - would need to agree levels of service for delivery. • Some complexities around sharing resources across 2 councils. • Scale of works across councils unlikely to deliver significantly on cost. • Some complexities in agreement programmes.	FUTURE POTENTIAL To consider on a case-by-case basis: What is the appetite from other councils / What are the viable options and what are the benefits to each council?
Resealing contract (renewals) incorporated into alliance contracts (Option 3a)	• Potential efficiencies of scale. • Improved alignment between planning / programming and delivery.	• Impact on contractor market. • Different works – different crews – would the work be sub-contracted (with associated mark ups).	FUTURE POTENTIAL Potential but needs further consideration: 1. Cost analysis – are there potential savings? 2. Impact on management of O&M contracts. 3. Market analysis for suppliers.

6.6 Recommended option

6.6.1 Overview

With the current model working reasonably well, the recommended option moving forward for the professional services and physical works (O&M and capital works) is the **'Enhanced Status Quo'** option. This will build on the current model to optimise services and improve overall outcomes. Governance and funding would continue to be delivered in-house under this option.

The sections below provide more discussion on the recommended approach.

6.6.2 Professional Services

For the Enhanced Status Quo option, Council would seek to:

- Increase its in-house delivery whilst maintaining its relationships with recognised professional services specialists.
- Rationalise the core roading contract and panel arrangements.
- Structures / bridges contract to be unchanged at this stage, recognising the need for expertise in this area.

The extent to which Council is able to grow its in-house team will influence changes to the professional services arrangements. The Core Roading Professional Services contract is due to expire in 2026 with provision for extensions to 2028. Hence the recommendation is that changes be introduced into the new contract, allowing Council to progressively grow its capability and capacity (refer Section 7 for more discussion).

The key benefits of this option are:

- Service optimisation initiatives (refer to Section 7 below for examples) have the potential to deliver improvements in delivery.
- Through expanding in-house capability and capacity levels, Council can grow its institutional knowledge, increase control over outcomes, including at a strategic level, and provide for succession planning.
- Building the in-house technical capability and capacity, where this can be demonstrated to provide efficiencies through reduced reliance on external service providers.
- Continued benefits of outsourcing and access to a wide range of specialists and the ability to vary workloads to meet demand / need.
- The in-house governance structure will not change and is not complex.

To minimise risks associated with this option:

- Review the various contracts to ensure that future needs are met:
  - Focus will be on the core roading contract and the panel arrangements (what could be better delivered in-house and how can the panel be better utilised).
  - Scope of bridges / structures contracts to remain more or less unchanged (specialist skills required) but reviewed for currency and any potential improvements.
- Introduce any in-house changes to support the improvements over an appropriate timeframe to allow for onboarding and upskilling of new staff.
- Affordability of any optimisation initiatives would need to be assessed on a case-by-case basis and additional funding requested through the Annual Plan / Long Term Plan processes.

6.6.3 Physical works – Operations and Maintenance

The '**Enhanced status quo'** is the recommended option for both the O&M delivery and delivery of capital works with the potential to give added value for money with service optimisation initiatives introduced:

- For O&M, Council would continue to outsource its contracts under the current format:
  - Collaborative partnering contracts for operations and maintenance delivered under the principles of an alliance and delivered under the same geographic split (three contracts).
  - Annual roadmaking contract delivered as a traditional contract on a three-year term (with provision for extension to a maximum of five years) – recommended that market engagement as part of procurement planning inform the decision to maintain separate contracts or combine into a single contract when the current arrangements expire. There was only one response for Western Contract and two for the Eastern Contract, with award of both contracts going to one contractor.
  - Streetlighting delivered as a traditional contract which is consistent with national trends.
- Council would increase capability and capacity in compliance and network management to allow the O&M contract managers to better concentrate on that work.
- Contracts would be reviewed to better drive performance.

The key benefits of this option are:

- Service optimisation initiatives (refer to Section 7 below for examples) have the potential to deliver improvements in delivery.
- The in-house governance structure will not change and is not complex.
- Council continues to remain in control over the form of contract, contract duration, standards, and specifications.

To minimise risks associated with this option:

- Review the various contracts to ensure that all needs are met and that there is incentive to deliver better outcomes.

6.6.4 Physical works – Capital works

The **'Enhanced status quo'** is the recommended option for both the O&M delivery and delivery of capital works with the potential to give added value for money with service optimisation initiatives introduced.

For capital works, Council would continue to deliver works as outsourced contracts but would seek to deliver improvements through, for example:

Increased collaboration between different contracts (e.g. with the O&M contractors).

- Seek to improve collaboration with Council's Project Delivery Team who are primarily responsible for the MSQA phase for capital works.

The key benefits of this option are:

- Service optimisation initiatives (refer to Section 7 below for examples) have the potential to deliver improvements in delivery.
- The in-house governance structure will not change and is not complex.

- Council continues to remain in control over the form of contract, contract duration, standards, and specifications.

To minimise risks associated with this option:

- Review the various contracts to ensure that all needs are met and that there is incentive to deliver better outcomes.

6.6.5 Alignment of delivery options

The recommended option for professional services and physical works is the 'Enhanced Status Quo' option which will build on the current model of outsourcing to better optimise services.

It is however noted that there should be alignment across the different work programmes to deliver the best outcomes. This is addressed through Section 7 below and through:

- Developing the in-house team to support a more strategic approach to programme delivery and provide more support to delivery.
- Build collaboration within Council to improve relationships, increase visibility across activities and support an organisation-wide approach to delivery.
- Identifying gaps within Council's in-house team to provide the best balance between in-house and outsourced resources and to improve customer service response.
- A review of future tenders / contracts for scope and scale to deliver 'best for network' and cost-effective outcomes.
- Enhance the existing relationships with neighbouring councils to further share knowledge and support a regional approach / shared arrangements where this is of benefit to all parties.

7 Opportunities to improve service delivery

7.1 Overview

The s17A review is a legislated requirement that considers the model of delivery for the roading activity, considering governance, funding, and service delivery.

As noted in Section 2.2, once the primary model of delivery has been selected, Council can optimise service delivery as part of their roading activities through increasing the effectiveness and efficiency of the service delivery. Through the workshops, review of documentation and interviews with stakeholders, several potential areas for improvement have been identified as below.

7.2 In-house delivery

7.2.1 What are our options?

Through the review, and in particular through discussion with the Roading Team, it is recognised that there is potential benefit in growing the in-house team, both in capacity and capability. With the right team, there is the potential to refine and downsize the scope of outsourced professional services which would see savings in budget and build up the in-house team to provide a more strategic focus as well as increasing control and ownership and support in building institutional knowledge to support better planning and programming.

The following areas would be the focus for further consideration:

- Increasing utilisation of internal resources in RAMM and GIS work areas. Developing in-house expertise in these areas will reduce dependency on external parties with potential cost-savings and will foster long-term resilience. Internal teams can also respond more efficiently to issues, requests, or changes.
- Additional resourcing in the RCA role such as compliance / regulatory, corridor management and traffic management would be:
  - Address the separation of the RCA role (auditing / compliance) and alliance contract management (delivery) roles.
  - Allow the O&M contract managers to have more time 'on the ground' managing the contracts and delivering responsive and effective input / decision-making and to ensure that the contracts continue to deliver as intended.
- Resealing contract management, currently fully outsourced (see discussion below).

The approach to recruitment and retention would need to be assessed to ensure that this is an attractive proposition. The option of cadetships could provide for succession planning as well as being an option for individual professional growth.

Council would need to be able to show cost-savings through in-house growth, and employment of staff. This would be demonstrated through reduced professional services input and ability to on-cost charges related to the RCA activities (through fees and charges).

The option of delivering more specialist professional services tasks, for example in-house geometric design and bridges / structures, could be investigated over time. At this stage, the focus would best be on routine tasks that would fully engage personnel.

As part of an in-house delivery review, it is suggested that the role of the Project Delivery Team be considered to support a more collaborative and seamless operation between the two SDC groups.

7.2.2 Where to now?

Table 12 Where to now – in-house delivery

When	What
Short term (6-12 months)	Further analysis of expanding the in-house team: • What roles do we need? • What are the costs, risks and benefits? • How can the relationship / alignment between the Roading Team and Project Delivery be improved for more efficient delivery of projects?
Medium term (next 12-24 months)	• Recruitment of additional staff and review of professional services contracts to reflect the in-housed resourcing, in particular: – Core roading professional services contract – Resealing contract management. • Recruitment of additional compliance and network management staff – refer to Section 7.4 below).
Long term – 24 months +	• Consider the potential opportunity to deliver a full in-house team: – Council would need to have the appetite for this option that would have a high resourcing risk as well as additional staff costs in a financially constrained environment.

7.3 Rationalisation of professional Services contracts

With a potential increase in in-house capability and capacity, there is the opportunity to rationalise the current professional services contracts and this should be investigated further alongside the in-house delivery review as discussed above.

7.3.1 Reduce scope of core contract

The core roading professional services contract includes but is not limited to:

- Capital works planning and programming
- Annual asset valuations
- Safety audits
- GIS and RAMM support
- Advisory services.

The current contract has been in place since 1 July 2023 and has a base contract of three years (to 30 June 2026) with provision for two one-year extensions to a maximum term of five years (to 30 June 2028).

There is the potential to deliver some of these tasks through an enhanced in-house team but it is recognised that this would take time. With the base contract due to expire 2026, the two extensions (if awarded) could provide for a gradual reduction in tasks as the in-house team is built up. This would reduce the risk of not having resource to deliver.

As discussed below, more project-based tasks, such as asset valuations, could be delivered through the panel or procured separately.

Options around in-house delivery and use of the panel will influence the scope of any future core roading contract and may result the dis-establishment of this contract.

7.3.2 Make better use of the panel contracts

It is understood that the panel arrangements are working for Council with easy access to those resources. However, it is also recognised that, due to the nature of the secondary procurement process (primarily price and capacity driven), works are generally delivered by only two of the panellist's (there are four organisations on the panel).

The volume of work delivered through the panel is also heavily reliant on funding for capital works projects.

To increase the use of the panel, project-based tasks currently delivered under the core contract could also be delivered through the panel.

7.3.3 Bridges and structures

With the associated specialist nature of the services, it is proposed that the current bridges and structures professional services contract remain in place as currently scoped. This may be an area to consider for more in-house delivery in the longer term.

7.3.4 Contract management of reseal contracts

Currently fully outsourced, the option of delivering this activity in-house is discussed in Section 7.4.2 below.

7.3.5 Where to now?

Table 13 Where to now – professional services

When	What
Short term (6-12 months)	In line with a review of in-house delivery, further investigate options for delivery of the professional services contract: • Could the scope of the core roading professional services contract be reduced with an increase in in-house delivery (acknowledging that expanding the in-house team will likely take at least 12 months to develop the roles and recruit). • Revisit the scope of the resealing contract management professional services contract in line with the in-house review above and 7.4.2 below).
Medium term (next 12-24 months)	• Core roading professional services contract to be extended to 2028 (on the basis that the consultant is meeting requirements) to allow the growth of the in-house team to be further assessed and implemented as appropriate. • Incorporate relevant changes into the new contract, to be procured late 2027/2028.

7.4 Physical Works Contracts

7.4.1 General

The current form of contracts for professional services and O&M are delivering positive outcomes but the form, scope and content should be reviewed prior to going to market.

It is noted that whilst long term contracts are generally preferred for term contracts to support high levels of investment by service providers, there is a maximum 5-year term under the NZTA Procurement Manual. Any proposal outside this requires formal approval from NZTA through a Procurement Strategy and it is noted that NZTA have been regularly granting approval for more than 5 years. Up to five years is considered appropriate for a professional services contract but for physical works, a longer contract better support contractor interest and investment.

Fixed term contracts need to be periodically reviewed to ensure efficiencies and value for money as well as supporting market interest at the tender box through:

- Is the number, scope, and scale of contracts right to provide a balance between efficiency, cost-effectiveness, market interest at the tender box and providing for broader outcomes such as engagement of local contractors whilst ensuring requirements (such as health and safety / quality assurance) are met and Council has the resources to manage multiple contracts.
- Do Key Result Areas (KRAs) and KPIs reflect what our communities want and do they incentivise continuous improvement? Performance management should be reviewed as part of the new contract development and procurement.

7.4.2 Resealing contracts

Both the professional services contract management and physical works delivery for the resealing contracts are currently outsourced.

The delivery model varies across councils with some including sealing works as part of the O&M contract, others not and the extent of in-house contract management dependent on the capability and capacity of the in-house team. Council does not currently have that capacity but it is considered an area that could potentially be progressively built up.

Areas to consider include:

- Professional services - as part of the in-house delivery review:
  - Planning and programming could be delivered in-house with appropriate resources including candidate site selection and assessment.
  - Could SDC provide the peer review role where contractors complete the design of the reseals?
  - Council could potentially deliver the procurement and MSQA works for reseals, either through the roading team or through Project Delivery (who currently carry out capital works MSQA tasks).
  - Would still need access to specialist design / QA input.
- Physical works:
  - Should they be part of the O&M alliance contracts? At this stage, it is recommended that the resealing contracts be retained as separate to the O&M contracts. Stand-alone reseal contracts, with the need for specialist contractors, will support more players in the market,

potentially leading to more competitive pricing and innovation. Council will also have more flexibility in setting their reseal programmes to suit changing budgets or priorities than if they are locked into a 10 year O&M contract. Combining them into the O&M contracts would provide limited benefits of scale.

- The option of a single contract, based on only two tenderers previously and both contracts awarded to one supplier, should be considered at the procurement planning phase through market engagement.
- Would joint procurement / delivery with neighbouring council provide benefits / overall value for money? At this stage, the timing does not align with neighbouring councils but if the appetite is there, this could be a future option.

7.4.3 Where to now?

Table 14 Where to now – physical works contracts

When	What
Short term (3-6 months)	The key action in the short term (next 3-6 months) is to review the current O&M contracts prior to procuring in the open market for a start date of 1 July 2026: • Contract: – Has scope changed? – How can the contracts be improved? – Strengthen performance management provisions. – Consider pain / gain within contract • Procurement: – Complete Procurement Plan to confirm method of approach to the market. – Prepare the RFx document.
Medium term (next 12 months)	• Recruitment of additional staff (compliance and network management) which will allow more availability for on-the-ground contract management. • Gap analysis – what skills and experience do we need and do we have that person in-house / can staff be better utilised? • Develop job description and start recruitment process.

7.5 Shared arrangements with neighbours

7.5.1 What are our options?

It is recognised that there is opportunity for more informal and formal collaboration between councils.

As noted in Section 5 above, there are some formal arrangements already in place.

However, there is more opportunity specifically in the roading activity. This could include:

- Sharing of resources in RAMM and data management (recognising that GDC has limited capability in this area).
- Sharing of compliance tasks (such as corridor and traffic management) to fully utilise staff (on the basis that party/ies increase in-house capability and capacity).

- Potential joint delivery and / or procurement of resealing contracts – this would require some realignment of end dates with. For example, GDC's contract expiry late 2025 but SDC's base contracts not due to expire until 2027.

7.5.2 Where to now?

Table 15 Where to now – shared arrangements

When	What
Medium term (next 12 months)	• Initiate discussion with the relevant councils (in particular with GDC and ICC) to understand: – What is the appetite for the councils to work together? – What are the political drivers? • What are the options and what are the risks and benefits of each to each party: – Physical works contracts e.g. resealing – would need to align contract end dates. – In-house services such as RAMM management / compliance roles.
Longer term (12 months +)	• Depending on the outcomes above, the following would need to be agreed through a shared service agreement or similar: – Cost sharing agreements. – Levels of service.

7.6 Gravel supply

The supply of gravel for the roading activity coupled with river management has been raised as an area of concern. This is outside the scope of this work but a review / study should be undertaken to understand the potential sources, the costs, consenting requirements and the risks and benefits of the options. The study should also engage with stakeholders including Environment Southland and local iwi. .

Whilst the scope would need to be fully explored, the following are areas that should be considered as part of any study:

- What and where are the potential sources of gravel – river / quarry?
- What are the cost implications for each option including extraction / quarrying and transport?
- What are the delivery options (including extraction, consenting, processing, quarry management etc):
  - Council owned and operated, supplied direct to the contractor at agreed rates.
  - privately owned and operated supplied direct to the contractor at negotiated rates.
  - privately owned and operated supplied with material purchased by Council and supplied to contractors.
- For works funded and subsidised by NZTA, what are the restrictions under s25 of the LTMA which requires '*procurement procedures that are designed to obtain the best value for money spent by the Agency and approved organisations*'.
- What are the consenting requirements?
- What would be the required specifications for the use of the gravel and does available material meet these?

Regional councils and local (territorial) councils have distinct statutory obligations around river management, primarily governed by the Resource Management Act 1991 (RMA) and the Local Government Act 2002.

Each option would come with risks and benefits which would need to be fully assessed, potentially through a business case format.

Such a study would need to be fully scoped but it could potentially require a full time resource over a fixed term of 12 month or more.

8 Summary of key findings and conclusions

Overall, the current delivery model is generally meeting requirements. Good relationships between Council and its service providers have supported a collaborative partnering approach which has resulted in Council generally meeting its levels of services and performing well when compared to its peer councils.

However, it is recognised that there is room for improvement to ensure a continued efficient and cost-effective service. As such, the preferred way forward is to implement an 'enhanced status quo' across all roading activities including in-house delivery alongside outsourced professional services and physical works. Alignment across the activities will also factor into the overall future direction, for example the ability to reduce outsourcing of professional services will be dependent on the ability for Council to grow its in-house team.

Growing in-house capability and capacity has been identified as a key area to support better outcomes with a subsequent growth in control and ownership, institutional knowledge and succession planning.

The key O&M contracts are performing reasonably well and it is recommended that the current model be continued, three collaborative partnering contracts delivered under alliance principles, using cost-plus terms. Additional in-house resourcing in compliance and network management would allow the contract managers to focus more on the contracts themselves, further building relationships and supporting best for network decision-making.

Rationalisation of the outsourced professional services is recommended but will be dependent on the ability for Council to grow its in-house team. In particular, some of the routine activities currently delivered under the core roading professional services contract would benefit from being delivered in-house such as GIS, RAMM data analysis and planning and programming. This would give more ownership and control to Council and build institutional knowledge which would best support network planning and programming decisions.

Specific to the resealing contract, the method of delivery varies across councils and there is real opportunity to re-visit this. Whilst there may be scale efficiencies of including it as part of the wider O&M contracts, this would reduce the market and would carry a greater resourcing risk. There is certainly scope to deliver the contract management in-house but access to specialists would need to be retained.

There is a general consensus that there are opportunities for Council to work with its neighbours, in particular Gore District and Invercargill City Councils. However, more work would need to be done to fully understand the appetite for each council, which activities would such arrangements suit and the risks and benefits and how formal shared arrangements could be delivered.

Overall, there are several opportunities for improvements but these will need to be aligned with the scope and timeframes of existing contracts to support a smooth transition for any change. Also, budget would also need to be approved to recruit additional in house resources.

Appendix A Stakeholder engagement

The table below lists the stakeholders we engaged with for the service delivery review.

Who / Role / Organisation
Internal
Cameron McIntosh – Chief Executive
Fran Mikulicic - Group Manager Infrastructure and Capital Projects
Hartley Hare – Strategic Manager, Transport
Ben Whelan – Roading Engineer
Roy Clearwater – Roading Asset Manager
Nick Lewis - Contract Manager
Shaun Holland – Contract Manager
Moira Tinnock – Contract Manager
Mike Duggan – Roading Engineer (RAMM)
Susan McNamara – Senior Management Accountant
Susan Mckenzie - Cycle Trail Manager
Donna Williams - Transport Administrator
External
Richard Horn / Quinn Stweart – Fulton Hogan (Foveaux Alliance)
Amy Williams / Dominic Elder – Downer (road markings)
Stephen Milne / Dylan Rabbidge – South Roads (Central and Waimea Alliances)
Bruce Andrew / Sreenath Venkataraman / Ian Sutherland – WSP (Professional services)
Gordon McDonald – NZTA (funding partner)
Ben Greenwood – Queenstown Lakes District Council
Doug Rodgers / Russell Pearson – Invercargill City Council
Henri Can Zyl / Murray Hasler – Gore District Council

Appendix B Options Assessment

Southland District Council Review of Roading Activity

Service delivery options - Professional Services	Weighting	Governance and funding in-house: Hybrid model: Status Quo (1a)	Governance and funding in-house: Hybrid model: Enhanced status quo (1b)	Governance and funding in-house: Delivery all in-house (2)	Governance and funding in-house: Delivery by own CCO (3)	Governance and funding in-house: Delivery by another Local Authority (4)	Governance and funding in-house: Delivery fully outsourced (5)
Description of options		Mix of in-house and outsourced delivery. Contract management, network management, asset management delivered in-house Capex PS delivered through Panel Core roading PS contract. Structures PS contract	initiatives to improve delivery under the current model explored further eg - increased in-house delivery - rationalisation / review of scope of current PS contracts - more use of panels - more collaboration with neighbours	All roading professional services delivered in-house - contract management, network management, design (minor capex and renewals), asset management. SDC would employ all professional services staff.	Transfer of professional services to a newly formed CCO/CCTO with a board of directors / committee.	Transfer of professional services to another Local Authority. SDC would provide strategic direction	Delivery of professional services fully outsourced. SDC would provide strategic direction
Financial criteria							
Establishment/procurement cost	5%	5	4	1	1	1	2
Delivery cost	25%	3	4	4	3	1	2
Financial score	**30%**	**1.0**	**1.2**	**1.1**	**0.8**	**0.3**	**0.6**
Financial Commentary		No change to current cost structure	Efficiencies through improvements may deliver cost-savings	Increase in staff costs would be offset by some reduction in prof services cost (eg profit margin). Costs in recruiting additional staff.	High establishment costs of a new entity and ongoing higher governance costs. Delivery costs similar to in-house delivery option	Establishment costs of new arrangements Delivery costs likely higher than status quo	High establishment / procurement costs. Likely increase in management and governance costs with separation. Likely higher costs over in-house option to deliver the works
Non-financial criteria							
Ability to control / influence outcomes and manage risk	20%	3	4	5	4	2	3
Ease of access to expertise	20%	3	3	1	1	1	4
Flexibility to respond to changing requirements	15%	3	3	3	3	2	2
Resourcing risk (internal and external)	10%	3	3	1	1	5	3
Complexities around implementation	5%	5	5	1	1	1	2
Non-financial score	**70%**	**2.2**	**2.4**	**1.8**	**1.6**	**1.5**	**2.1**
Non-Financial Commentary		Status quo Works well and delivers to requirements but room for improvement to drive cost-effectiveness.	Current model is working well but there is room for further optimisation of the services e.g. a review of how the works are packaged up and whether some tasks could be delivered in-house increasing ownership and institutional knowledge, building succession etc	Ability to fully control the works but would be recruitment and retention risks and the ease of access to expert advice when needed would be reduced. Could technical experts be 'fully utilised'?	Complexities of establishing a CCO. Higher governance and ongoing management costs with minimal service delivery benefits over status quo.	Complexities around management of works and priorities. Would be some loss of ownership with less control over delivery, Little perceived benefit for SDC	Some loss of control Risks associated with non-performance for routine O&M related works
Total score (out of 5)		**3.2**	**3.6**	**2.9**	**2.4**	**1.8**	**2.7**
TOTAL SCORE (%)		**64%**	**72%**	**57%**	**48%**	**35%**	**54%**
Rank		**2**	**1**	**4**	**8**	**10**	**6**
Outcome		**Shortlisted**	**Shortlisted**	**Not recommended**	**Not recommended**	**Not recommended**	**Not recommended**
Overall Commentary		Status quo works well although some current in-house vacancies. With some service optimisation, the current model could improve overall delivery. This model provides access to specialist skills that are needed from time to time.	Status quo works well although some current in-house vacancies. With some service optimisation, the current model could improve overall delivery. This model provides access to specialist skills that are needed from time to time.	Risks related to recruitment and retention and lack of ease of access to specialist expertise make this option less favourable than the hybrid model.	Complex model. No benefits over in-house / hybrid model	No benefits over in-house model. Would be some loss of control if another TLA was to deliver professional services for SDC	Fully outsourced not considered necessary where SDC has an in-house team. Would be a more expensive model and SDC would lose some control.

Service delivery options - Professional Services	Weighting	Governance and funding through Joint Committee or other shared governance arrangement: Delivery by Joint CCO (6)	Delivery by another Local Authority (7)	By shared service agreement with another council(s) (8)	Delivery by another agency / outsourced (9)	Delivery through Alliance (10)
Description of options		Similar to option 3 but with other councils as joint owners.	Delivery of professional services by neighbouring council. Strategic direction set as a collective	Council enters into shared services agreement with neighbouring council/s to manage and provide professional services. Each council provides their own strategy, policy direction but enter into a formal shared services arrangement for professional services, Could be some or all PS	Delivery of professional services outsourced under a shared agreement. Strategic direction set as a collective	PS incorporated into the Alliance contracts.
Financial criteria						
Establishment/procurement cost	5%	1	1	2	1	1
Delivery cost	25%	4	1	4	1	3
Financial score	**30%**	**1.1**	**0.3**	**1.1**	**0.3**	**0.8**
Financial Commentary		Some potential for reduced operational costs but likely to be relatively high set-up and management costs and ongoing governance costs	High establishment costs and ongoing higher governance costs. Likely higher costs over in-house option to deliver the works	High establishment costs and ongoing governance costs with multiple agencies. Potential efficiencies of scale in delivery of the works	High establishment costs and ongoing higher governance costs. Likely higher costs over in-house option to deliver the works	High establishment costs and ongoing higher governance costs. Some costs in recruiting additional staff. Efficiency in delivery may lead to some savings
Non-financial criteria						
Ability to control / influence outcomes and manage risk	20%	2	2	2	3	3
Ease of access to expertise	20%	2	1	3	3	3
Flexibility to respond to changing requirements	15%	3	1	3	1	3
Resourcing risk (internal and external)	10%	3	3	5	3	3
Complexities around implementation	5%	1	1	2	1	1
Non-financial score	**70%**	**1.6**	**1.1**	**2.1**	**1.7**	**2.0**
Non-Financial Commentary		Complexities of establishing a CCO. Higher governance and ongoing management costs with minimal service delivery benefits over status quo. Generally require large scope of services to deliver benefits over status quo	Complexities around management of works and competing priorities. Would be some loss of ownership with less control over delivery, Resourcing risk would lie with TLA but this wouild mean Council has little contol over that resoucring. Little perceived benefit for SDC	May be some benefits as a collective but likely to be more benefit for smaller neighbouring councils with more need / less in-house capability and capacity etc. Could be benefit in sharing some works such as RAMM / GIS / reseals but further work would be required.	Complexities of establishing a joint CCO. Higher governance and ongoing management costs with minimal service delivery benefits over status quo. Generally require large scope of services to justify CCO/CCTO	Would be complexities associated with third party. Limited PS involvement in O&M work, delivered primarily in-house. Little perceived benefit. Benefit would be more 'connected' relationships between the 3 parties
Total score (out of 5)		**2.7**	**1.4**	**3.2**	**2.0**	**2.8**
TOTAL SCORE (%)		**53%**	**28%**	**63%**	**40%**	**56%**
Rank		**7**	**11**	**3**	**9**	**5**
Outcome		**Not recommended**	**Not recommended**	**Shortlisted**	**Not recommended**	**Not recommended**
Overall Commentary		Complex model. Would also unlikely be a preferred option of neighbouring councils. Large set-up costs and complexities	Loss of ownership and control make this option not attractive. May affect quality of delivery when differing priorities across councils	This option has the potential to provide cross-boundary benefits of shared thinking and planning. Could also provide for capability and capacity gaps across participating councils May be some competing priorities to deal with - would need SLA	Potentially a more expensive model and would be some complexities in governance and management	no significant benefits of including professional services in an alliance for routine O&M - more relevant for large scale capital works

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Service delivery options - Physical Works (O&M)		Governance and funding in-house				
		Status quo Alliance / Collaborative model	Enhanced status quo	Delivery all in-house	Alternative outsourcing models	
					O&M physical works delivered under a traditional model	O&M physical works delivered under a single contract
		1a	1b	2	3a	3b
Description of option		Operations and maintenance delivered under 3 separate alliance / collaborative contracts	Current delivery model with improvements implemented	Council purchases plant and equipment and employs staff to provide O&M services.	Alliance disestablished and physical works contracts delivered under a traditional model	All O&M works combined under a single contract (either as a collaborative / alliance approach under a traditional model)
	Weighting					
Financial criteria						
Establishment/procurement cost	5%	5	3		2	2
Delivery cost	35%	3	5		3	3
Financial score	**40%**	**1.3**	**1.9**		**1.2**	**1.2**
Financial Commentary		Status quo.	Potential for a more cost-effective model through implementation of improvements to delivery such as in-house capability and capacity, performance management		Some costs to set up a new model. Changes to delivery costs would likely be minimal	unlikely to be change to overall delivery costs as works delivered to a budget
Non-financial criteria						
Ability to control / influence outcomes and manage risk	20%	3	5		2	2
Flexibility to respond to changing requirements	20%	3	3	Not assessed as not a viable option (LTMA section 25(4))	2	4
Resourcing risk (internal and external)	10%	3	3		2	2
Complexities around set up and ongoing implementation	5%	3	3		2	3
Ease of access to expertise	5%	3	3		3	3
Non-financial score	**60%**	**1.8**	**2.2**		**1.3**	**1.7**
Non-Financial Commentary		Status quo Works well and delivers to requirements but room for improvement to drive cost-effectiveness. Provides for a collaborative approach	Improvements could deliver efficiencies and potential costs savings such as reviewing extent of in-house delivery, performance management.		Terms typically M&V/LS with less flexibility to move activities around to best suit need. Relationship not typically as collaborative as the alliance model. Will be some complexities around procuring a different model	More resourcing risk for larger contract. Would likely have an impact on market. Ability to respond would be higher
Total score (out of 5)		**3.1**	**4.1**		**2.4**	**2.9**
TOTAL SCORE (%)		**62%**	**82%**		**48%**	**57%**
Rank		**2**	**1**		**8**	**4**
Outcome		**Shortlisted**	**Shortlisted**	**Discounted**	**Not recommended**	**Not recommended**
Overall Commentary		Status quo Meets requirements but room for improvement through service optimisation to drive cost-effectiveness	Service optimisation can help deliver efficiencies. Joint planning and programming can best meet Council's requirements whilst ensuring appropriate resources etc.	n/a	Traditional model (M&V / lump sum) does not provide flexibility of current model	Resourcing risk Negative impact on market

Service delivery options - Physical Works (O&M)		Governance and funding in-house		Governance and funding through Joint Committee or other shared governance arrangement				
		Delivery by CCO	Delivery by another Local Authority	Outsourced delivery - joint delivery with another TLA	Delivery by Joint CCO	Delivery by another TLA	Delivery through full Alliance	Delivery through PPP
		4	5	6	7	8	9	10
Description of option		Council forms a CCO or CCTO for the delivery and management of all roading services. Planning and administration would be undertaken by a centralised team within the CCO.	Neighbouring council delivers works on behalf of SDC. SDC sets strategic direction and undertakes planning	Works procured jointly with neighbouring council/s	Council forms a joint CCO or CCTO with neighbouring council(s) for the delivery and management of all roading services. Planning and administration would be undertaken by a centralised team within the CCO.	Physical works delivered by another TLA on behalf of SDC SDC provides strategic and planning input through joint agreement.	Alliance between SDC, O&M Contractor and professional services provider under a true Alliance format	Public Private Partnership
	Weighting							
Financial criteria								
Establishment/procurement cost	5%	1	1	2	1	1	2	1
Delivery cost	35%	3	1	4	4	1	3	3
Financial score	**40%**	**1.1**	**0.4**	**1.5**	**1.5**	**0.4**	**1.2**	**1.1**
Financial Commentary		High establishment costs for a CCO and ongoing higher governance costs. Minimal change to delivery costs - CCO would still have to tender on the open market	Costs likely to increase with another TLA delivering the works. Governance costs likely to increase with complexities and would be a cost to establishing a new model	Efficiencies of scale likely to have minimal savings in delivery costs for SDC There would be costs associated with a significant change in model - set up and costs associated with a more complex governance and management structure	High establishment costs for a joint arrangement and ongoing higher governance costs. Establishment costs in recruiting additional staff. Some efficiencies of scale in terms of delivery costs	High establishment costs. Likely increase in management and governance costs with separation from SDC. Although SDC would not employ staff, likely higher costs, paying another council to deliver the works	Some establishment costs to change alliance Minimal cost savings over current model where Alliance in place between SDC and contractor	High establishment costs and ongoing higher governance costs. Financial drivers may lead to some savings but limited with minimal change to who delivers
Non-financial criteria								
Ability to control / influence outcomes and manage risk	20%	2	2	2	1	1	3	3
Flexibility to respond to changing requirements	20%	2	2	2	1	2	3	2
Resourcing risk (internal and external)	10%	3	4	3	3	3	3	3
Complexities around set up and ongoing implementation	5%	1	2	2	1	1	2	1
Ease of access to expertise	5%	3	3	3	3	3	5	5
Non-financial score	**60%**	**1.3**	**1.5**	**1.4**	**0.9**	**1.1**	**1.9**	**1.6**
Non-Financial Commentary		Complexities of establishing a CCO. Higher governance and ongoing management costs with minimal service delivery benefits over status quo.	Complexities around management of works and priorities. Would be some loss of ownership with less control over delivery	May be some loss of control over the current arrangements if procured together. Would need all roading contracts to align in timeframes (don't currently). Potential complexities in management and governance	Complexities of establishing a joint CCO. Higher governance and ongoing management costs with minimal service delivery benefits over status quo.	Loss of control and local line of sight. Differing priorities. Likely complexities in governance structure where SDC does not actually provide the services	Benefits of including professional services into an O&M alliance are minimal over the status . Som e complexities with third party	Benefits over the status quo unlikely. More complex and formal governance structure Generally a preferred option for much larger scale works and capital works rather than O&M.
Total score (out of 5)		**2.4**	**1.9**	**2.9**	**2.4**	**1.5**	**3.0**	**2.7**
TOTAL SCORE (%)		**48%**	**37%**	**57%**	**47%**	**30%**	**60%**	**54%**
Rank		**7**	**10**	**4**	**9**	**11**	**3**	**6**
Outcome		**Not recommended**	**Not recommended**	**Not recommended**	**Not recommended**	**Not recommended**	**Shortlisted**	**Not recommended**
Overall Commentary		Complex model . Large set-up costs and complexities for minimal benefit.	Complex model that is likely to be more expensive and may conflict with SDC priorities	This model could deliver cost benefits but the likelihood of achieving this is low. Current delivery models are not aligned. Competing priorities	Complex model. Would unlikely be a preferred option of neighbouring councils. Large set-up costs and complexities	Complex model that is likely to be more expensive and may not support SDC priorities	Potential for improved planning and programming of routine works. More benefit in growing in-house team to deliver in this space	No anticipated benefits over status quo. PPP more relevant for large scale capital works. Significantly more formal and complex governance arrangements over status quo

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Service delivery options - Physical Works (Capex)		Governance and funding in-house						
		Status quo Capital works outsourced under multiple traditional contracts	Enhanced status quo	Delivery all in-house	Alternative outsourced arrangements		Delivery by CCO	Delivery by another Local Authority
					Resealing contract (renewals) incorporated into alliance contracts	All physical works (O&M / capex) incorporated into a single contract		
		1a	1b	2	3a	3b	4	5
Description of option		Capital works out-sourced under a number of contracts	Current delivery model with improvements implemented such as increased collaboration across parties, a review of contract models	Council purchases plant and equipment and employs staff to provide O&M services.	Resealing contracts incorporated into alliance contracts	O&M, roadmarkings, possibly streetlights, renewals and capital works delivered as a combined contract. Can still be delivered on a geographic split either as an alliance or a traditional contract	Council forms a CCO or CCTO for the delivery and management of all roading services. Planning and administration would be undertaken by a centralised team within the CCO.	Neighbouring council delivers works on behalf of SDC. SDC sets strategic direction and undertakes planning
	Weighting							
Financial criteria								
Establishment/procurement cost	5%	5	3		3	2	1	1
Delivery cost	35%	3	5		3	3	3	1
Financial score	**40%**	**1.3**	**1.9**		**1.2**	**1.2**	**1.1**	**0.4**
Financial Commentary		Status quo.	Potential for a more cost-effective model through implementation of improvements to delivery such as in-house capability and capacity, performance management		Some cost to incorporating the resealing contracts into the alliance May be some benefits of scale but not liekly to be significant	Some cost and complexity to incorporating capex contracts into the alliance but overall delivery costs likely to be similar.	High establishment costs for a CCO and ongoing higher governance costs. Minimal change to delivery costs - CCO would still have to tender on the open market	Costs likely to increase with another TLA delivering the works. Governance costs likely to increase with complexities and would be a cost to establishing a new model
Non-financial criteria								
Ability to control / influence outcomes and manage risk	20%	3	3		3	3	2	1
Flexibility to respond to changing requirements	20%	3	3	Not assessed as not a viable option (LTMA section 25(4))	3	3	2	2
Complexities around implementation	10%	3	3		2	2	1	2
Resourcing risk (internal and external)	5%	3	3		2	2	3	4
Ease of access to expertise	5%	3	3		3	3	3	3
Non-financial score	**60%**	**1.8**	**1.8**		**1.7**	**1.7**	**1.2**	**1.2**
Non-Financial Commentary		Status quo Works well and delivers to requirements but room for improvement to drive cost-effectiveness. Provides for collaborative partnering	Current model is working well but there is room for further optimisation of the services e.g. improved planning and programming across parties, performance management,scope of contracts.		Resealing contract currently outside the alliance in an attempt to provide an open market environment. Is typically different crews to the routine O&M of a largely unsealed network. May make the contract more attractive. Benefits of reseal repairs and resealing activities being delivered under same contract eg access to resources	Combining O&M and capital works into a joint contract would have complexities. Different contractors for different activities (eg bridge renewals vs unsealed roads capex may) may require high level of sub-contracting	Complexities of establishing a CCO. Higher governance and ongoing management costs with minimal service delivery benefits over status quo.	Complexities around management of works and priorities. Would be some loss of ownership with less control over delivery
Total score (out of 5)		**3.1**	**3.7**		**2.9**	**2.8**	**2.3**	**1.6**
TOTAL SCORE (%)		**62%**	**74%**		**57%**	**56%**	**46%**	**31%**
Rank		**2**	**1**		**4**	**5**	**9**	**11**
Outcome		**Shortlisted**	**Shortlisted**	**Discounted**	**Shortlisted**	**Not recommended**	**Not recommended**	**Not recommended**
Overall Commentary		Status quo Meets requirements but room for improvement through service optimisation to drive cost-effectiveness	An effective collaborative model can support best network outcomes. Joint planning and programming can best meet Council's requirements whilst ensuring appropriate resources etc. Service optimisation can help deliver efficiencies.	n/a	Separation of resealing contract from the alliance better allows for an open market environment for works that are limited in scope with a seasonal element. Limited anticipated cost saving in combining. Larger contract may make it more attractive. Benefits would include easy access to resources already engaged in the District through the O&M NEEDS FURTHER INVESTIGATION	No perceived benefit over the status quo - financial or non-financial. Potential complexities of a single contract delivering O&M and capital works - different contractor capability needed.	Complex model . Large set-up costs and complexities for minimal benefit.	Complex model that is likely to be more expensive and may conflict with SDC priorities

Service delivery options - Physical Works (Capex)	Governance and funding through Joint Committee or other shared governance arrangement					
	Outsourced delivery - joint delivery with another TLA		Delivery by Joint CCO	Delivery by another TLA	Delivery through full Alliance	Delivery through PPP
	for all works	for selected works				
	6a	6b	7	8	9	10
Description of option	All capital works procured jointly with neighbouring council/s	Works procured jointly with neighbouring council/s for selected works eg reseals	Council forms a joint CCO or CCTO with neighbouring council(s) to deliver physical works. Planning and administration would be undertaken by a centralised team within the CCO.	Physical works delivered by another TLA on behalf of SDC. SDC provides strategic and planning input through joint agreement.	Alliance between SDC, O&M Contractor and professional services provider	Public Private Partnership
Financial criteria						
Establishment/procurement cost	1	2	1	1	1	1
Delivery cost	4	4	4	1	3	3
Financial score	**1.5**	**1.5**	**1.5**	**0.4**	**1.1**	**1.1**
Financial Commentary	Efficiencies of scale likely to have some savings in delivery costs. However, would be set up and costs associated with a more complex governance and management structure	Efficiencies of scale likely to have some savings in delivery costs. However, would be costs associated with set up and costs associated with a more complex governance and management structure	High establishment costs for a joint arrangement and ongoing higher governance costs. Establishment costs in recruiting additional staff. Some efficiencies of scale in terms of delivery costs	High establishment costs. Likely increase in management and governance costs with separation from SDC. Although SDC would not employ staff, likely higher costs, paying another council to deliver the works	Establishment costs minimal as Alliance with key parties already in place Minimal cost savings over current model where Alliance in place between SDC and contractor	High establishment costs and ongoing higher governance costs. Financial drivers may lead to some savings but limited with minimal change to who delivers
Non-financial criteria						
Ability to control / influence outcomes and manage risk	2	3	1	1	3	3
Flexibility to respond to changing requirements	2	2	1	2	3	3
Complexities around implementation	2	2	1	2	2	1
Resourcing risk (internal and external)	3	3	3	4	3	3
Ease of access to expertise	3	3	3	3	3	5
Non-financial score	**1.3**	**1.5**	**0.8**	**1.2**	**1.7**	**1.7**
Non-Financial Commentary	May be some loss of control over the current arrangements if procured together. Potential complexities in management and governance. Some efficiency of scale	Could deliver constistency May support market interest Some potential efficiencies of scale Would need to ensure local line of sight . Potential complexities in management and governance	Complexities of establishing a joint CCO. Higher governance and ongoing management costs with minimal service delivery benefits over status quo. Generally require large scope of services to justify CCO/CCTO	Loss of control and local line of sight. Differing priorities. Likely complexities in governance structure where SDC does not actually provide the services	Limited benefit over current and collaborative arrangements. Complexities in setting up. May give some benefits of cost efficiency. Generally a preferred option for much larger scale works.	Benefits over the status quo unlikely. More complex and formal governance structure Generally a preferred option for much larger scale works capital works
Total score (out of 5)	**2.8**	**3.0**	**2.3**	**1.6**	**2.8**	**2.8**
TOTAL SCORE (%)	**55%**	**60%**	**45%**	**31%**	**56%**	**56%**
Rank	**8**	**3**	**10**	**11**	**6**	**6**
Outcome	**Not recommended**	**Shortlisted**	**Not recommended**	**Not recommended**	**Not recommended**	**Not recommended**
Overall Commentary	This model could deliver cost benefits but the likelihood of achieving this is low. Current delivery models are not aligned. Competing priories	This model could deliver cost benefits. Potential competing priorities to be managed / LOS agreed Would need SLA in place	Complex model. Would also unlikely be a preferred option of neighbouring councils. Large set-up costs and complexities	Complex model that is likely to be more expensive and may not support SDC priorities	An alliance that also incorporates PS is more common in larger capital works contracts and unlikely to be of benefit for SDC	A high level of maturity is required across all parties. More common in significant capital works projects Minimal perceived benefit to SDC

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Risk management - June 2025 quarterly update

Record no: R/24/12/74711
Author: Jane Edwards, Risk analyst
Approved by: Anne Robson, Group manager finance and assurance

☐ Decision ☒ Recommendation ☐ Information

Purpose

1 The purpose of this report is to:

a) submit the June 2025 Quarterly Risk Management report for consideration by the Finance and Assurance Committee (the committee)

b) seek recommendation to Council for the adoption of Council's proposed priority strategic risks, to become effective August 2025.

Executive summary

2 A risk management framework (RMF) was adopted by Council in December 2024. This framework supports risk thinking across Council so that risk can be understood, planned for and mitigated across all levels and activities.

3 As part of the RMF process, Council's priority strategic risks were identified and endorsed in June 2024 and these form the basis of the committee's quarterly risk report including the risk register.

4 The executive leadership team (ELT) jointly shares the current nine priority risks for Council and is responsible for maintaining oversight of Council's risks, controls and treatments. The ELT has reviewed the status of the top priority risks for the June 2025 quarter and this report presents the current risks, with their assessment, any current and proposed mitigations, and their residual risk assessment.

5 The risk register for the June 2025 quarter is included as Attachment A.

6 In order that the ongoing risk management process remains relevant and continues to inform consistent and effective decision-making, the ELT is required by the RMF to undertake an annual review of its priority risks.

7 The review process took place over two workshops over the last quarter and confirmed the priority risk areas considered by ELT to have the potential to significantly impact Council's achievement of its current strategic objectives.

8 This report seeks recommendation from the committee that Council adopts the proposed priority strategic risks at its meeting 30 July 2025 with a proposed operational date of 1 August 2025.

9 The proposed priority strategic risks are presented as Attachment B for the committee's consideration.

10 The matrices used to assess the risks are included for information as Attachment C.

Recommendation

That the Finance and Assurance Committee:

a) receives the report titled "Risk management - June 2025 quarterly update ".

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 those risks currently assessed as of greater issue for the June 2025 quarter.

e) recommends to Council the adoption of the proposed priority strategic risk areas as follows, to become effective 1 August 2025:

i. Adverse event – the risk that Council is unable to appropriately respond to the consequences of a natural or human-induced event impacting the District leading to a loss of critical service continuity
ii. Change – the risk that Council has inadequate adaptability to respond to a continuously changing environment impacting its ability to achieve the best outcomes for the District
iii. Climate response – the risk that Council fails to appropriately adapt to, or mitigate the effects of, a changing climate leading to significant financial, economic, and social impacts
iv. Cyber security – the risk that Council's systems do not have the resilience to protect information assets from cyber-attack and/or error
v. Decision making – the risk that suboptimal decision making by Council results in misalignment with community needs and/or expectations, or with statutory obligations
vi. Finance – the risk that Council fails to manage its financial sustainability impacting its ability to fund essential services and projects now and in the future
vii. Health, safety, and wellbeing – the risk that Council is unable to manage the health, safety, and wellbeing of staff, contractors, and the community where reasonably practicable to do so
viii. Social licence – the risk that Council fails to maintain acceptable levels of satisfaction and social licence within the community leading to a loss of mandate to act on its behalf
ix. Strategic relationships – the risk that Council fails to appropriately maintain its local, regional, and national relationships impacting its ability to achieve its objectives

Quarterly risk management update

Background

11 The quarterly risk management report has been developed in line with Council's RMF. This framework supports risk management knowledge across the organisation so that risk management can be understood, planned for, and managed across all levels and activities.

12 As part of the risk management process outlined in the RMF, Council's priority strategic risks were identified and endorsed in June 2024, and these form the basis of the quarterly risk report including the risk register.

13 The ELT undertake a comprehensive review of the status of the risks, and any emerging risks, on a quarterly basis. This review includes evaluation of each risk, including any current or proposed mitigations, and assessment of the residual risk remaining. ELT's review is incorporated into the risk management update report that is presented to the committee for consideration each quarter.

14 All priority risks are considered of equal importance to Council and are outlined in a single tiered risk register. This allows for fluid prioritisation throughout the reporting year with resource allocated where appropriate across the top risks.

15 Governance will continue to have a clear indication of management's risk priorities by the utilisation of the 'status' for the quarter to indicate where focus and resource could be directed. A 'decreased' status highlights where levels of risk may have been positively influenced over the quarter (i.e. a significant action completed); 'stable' indicates that a risk is assessed as remaining static or managed; and 'increased' highlights where a negative influence may result in a greater focus being required to manage the risk.

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

Quarterly overview of Council's priority strategic risks

17 The risk register update for the June 2025 quarter is included as attachment A.

18 There have been no changes to the inherent or residual threshold assessments have any of the strategic risks over the quarter.

19 This quarter, five risks are assessed as required increasing focus. The risk status of four of these remain unchanged from last quarter (change, cyber security, finance, and social licence), and one risk status has changed from stable to increased (health, safety, and wellbeing).

Issues

20 This section of the report is used to provide a summary of each risk for information purposes and to highlight any significant activity over the last quarter.

Adverse event

21 This risk continues to be assessed as stable.

Avian Influenza

22 The highly pathogenic H5N1 strain of Avian Influenza (HPAI) has not yet been detected in New Zealand however it has emerged in both domesticated and wild birds across the northern hemisphere and is anticipated to arrive in New Zealand with the arrival of the wild bird population.

23 When HPAI is detected in New Zealand, the Ministry for Primary Industries (MPI) will be the lead agency and will coordinate any response in partnership with the Department of Conservation, the Ministry of Health and Te Whatu Ora. Council continues to monitor the information released by MPI in preparation for a potential support role to assist lead agencies.

Emergency Management Southland

24 Council continues to ensure it has the internal capacity and expertise to provide staffing if the Emergency Operating Centre were to be stood up. The caveat to this is that, while Council might have internal capacity for a short term event, it is unlikely staff would have the capacity to withstand a prolonged event.

25 There continues to be a need to ensure that clarity of shared service roles and responsibilities is understood to enable the most effective response to an emergency event.

Change

26 This risk continues to be assessed as increased.

27 This assessment continues trending up due to the levels of uncertainty in the external operating environment.

Government legislative agenda

28 Over the quarter, central government has announced changes to the Resource Management Act, and to health and safety legislation.

29 These legislative reforms continue to compound the velocity, variety, and volume of change Council is required to respond to resulting in disruption, the risk that opportunities may be missed, and ongoing pressures on staff capacity and knowledge.

30 To minimise disruption, and position Council to maximise any potential benefit, change management training has been developed and is currently underway to support and upskill People Leaders in support of their teams.

Elections

31 Next quarter will see the start of the local body electioneering period. As with each triennial election, there is risk that Council (a) does not receive enough candidates for the positions available, and (b) that the skill set/values of the incoming elected members significantly impacts Council's strategic direction or momentum.

32 This risk is being managed by the development and implementation of a Vote Murihiku campaign, which is being run alongside a Council engagement/ communications process to reach and inform

potential candidates. A robust and tailored induction programme is also being developed to provide incoming elected members with support and guidance.

Local Waters Done Well (LWDW)

33 Over the quarter, and as part of an extensive consultation process, the community provided feedback on Council's proposed options/models for the delivery of water services, and on 11 June 2025 Council met to deliberate and adopt its preferred option.

34 Having chosen to continue with Council-led water service delivery (an adjusted status quo), Council must now ensure that it has a financially sustainable Water Services Delivery Plan in place by 3 September 2025.

35 Throughout the process, Council has sought to ensure that its decision-making has considered and utilised the best information available to it. Acknowledgement is made, however, that the timeframe involved has meant that decisions have been contingent on assumptions resulting from some incomplete information.

36 While the Department of Internal Affairs has recently provided some further indication regarding what the National Water Standards (Standards) might look like, this remains an unknown trajectory for Council. There is risk that decisions made now may be misaligned with future central government legislation either when there is clarity about the Standards and/or if there is a change in government next year.

Climate response

37 This risk continues to be assessed as stable.

38 Staff continue to participate in cross regional forums to develop and implement the regional climate change strategy and framework for action which is intended to be presented to Council next quarter.

39 Several current risk treatments are paused for the quarter as they are contingent on central government or other stakeholders. Staff continue to monitor and progress where possible.

40 At an internal level, staff are currently developing the methodology to inform climate change risk assessment intended to provide risk information for key assets.

Cyber security

41 This risk remains assessed as increased.

42 This is due to the continued targeted phishing attempts Council has experienced over the quarter.

43 While each event was well managed and did not result in significant impact, staff continue working through further strategies to increase Council's resilience and continuity. Staff report positive uptake of staff engaging in knowledge and awareness building campaigns undertaken over the quarter with a resultant increase in reporting of cyber threats.

44 External and internal resourcing is currently in place as part of the initial network redesign work. This is resulting in increased knowledge of the organisation's equipment, and where gaps might exist. As part of this work, a stocktake of all redundant equipment was carried out over the quarter.

45 Further detail regarding treatments and controls relating to this risk will be made available in a separate public excluded report to the committee from Information Services staff.

Decision-making

46 The status of this risk has changed from increased to stable this quarter.

47 This change in status reflects that the risk has remained stable over the quarter.

48 The Financial Information Management System (FMIS) project is currently underway with the discovery and planning stage expected to be completed this quarter. A progress report was presented to the committee in May 2025 and work continues to undertake a current state assessment and finalise timeframes with the vendors. Finalised costings will be presented to the committee in August/September 2025.

49 There remain ongoing challenges in maintaining public confidence in Council's decision-making processes. Council continues to ensure transparency in decision-making through clear communication and accessible information regarding what Council can control and what it can afford. It also seeks to strengthen public participation by enabling opportunities for the community to contribute to decisions that impact them.

Finance

50 This risk continues to be assessed as increased.

51 This risk continues to be assessed as increased due to the continuing process to ensure clarity of the scope of this risk, its drivers, and impacts. A deep dive into this risk was undertaken with ELT in April 2025 and will be continued next quarter. It is intended that this risk will be workshopped with the committee at its September 2025 meeting.

52 Externally, risks to New Zealand's financial stability have increased due to global trade tensions and economic uncertainty.

53 This could financially impact Council's activities and projects, with higher material costs and potential supply delays directly impacting delivery and ability to fund the planned works. It may also result in further financial constraints being required and/or reduction in levels of service.

54 Internally, increased contractor management and scrutiny of projects continues to minimise cost implications arising from delays, or substandard work requiring replacement.

55 Finance staff are anecdotally reporting an increasing number of ratepayers requesting options for payments. Often, people's inability to pay results in increased tension in their dealings with staff. Staff are experienced in managing this frustration, however there is awareness that there is a growing number of incidents and support is being provided to staff where appropriate.

56 Over the quarter, updates to legislation and funding released from the New Zealand Transport Agency has provided some certainty that will assist Council in defining required budgets and delivering in its work programmes. Council continues to raise awareness and advocate for legislators to understand the financial implications of legislation on small rural communities.

Health, safety, and wellbeing (HSW)

57 The status of this risk has changed from stable to increase this quarter

58 This risk has been assessed as increased due to separate events in Te Anau and Manapouri over the reporting period.

59 These events are currently under investigation and in due course, as it becomes appropriate, the organisation will share what is known, has been learnt, and put in place to prevent a recurrence.

<u>Internal HSW</u>

60 There remains risk that with a major period of delivery ahead of it, the organisation's resilience and wellbeing may be challenged. Driving this risk is the continued change velocity, upcoming elections, continued social licence impacts, potential seasonal health and wellbeing issues which all have the potential to impact staff wellbeing.

61 Further information relating to the HSW risk will be provided in a separate report to the committee from organisational health and safety staff

Social licence

62 The status of this risk remains assessed as increased this quarter.

63 This quarter has seen an increase in dis/misinformation, via social media and other sources. This is considered part of business as usual with an acknowledgement that the district is potentially less impacted than other parts of New Zealand. However, with the upcoming local body elections, accompanied by major and potentially divisive issues requiring consultation, this may have the potential to impact the perception of the community.

64 Council continues to proactively monitor and respond to emerging disinformation that could impact public perception, decision-making, or service delivery. It also maintains a strong presence across digital channels ensuring timely, factual and transparent communication.

65 Over the last two quarters, a significant engagement and consultation process has been undertaken to mitigate the risk of a lack of understanding within the community of the LWDW reforms, and what the delivery of future water services might mean for current and future consumers. This process sought to provide consistent messaging, including understanding the reasons for the decision, and the anticipated benefits for the community.

66 The consultation process received a high level of engagement with favourable feedback from the community.

Strategic relationships

67 The status of this risk has changed from increased to stable this quarter.

68 This change in status reflects that the risk has remained stable over the quarter.

69 Council continues to foster and encourage intentional relationship management with central government, strategic partners, and iwi.

70 Council continues to lobby central government to advocate for equitable access to funding assistance, and to meet regularly with other similarly placed councils to discuss collaborative approaches to working with central government, and areas of shared interest to influence policy and legislative change.

Emergent risks

71 Potential emergent risks have been considered as part of the annual review of Council's priority strategic risks and none have been escalated for the committee's attention.

72 Staff will continue to scan for emerging risks and escalate as appropriate.

In-depth risk analysis

73 As part of the risk management reporting process, the ELT undertakes a regular programme of in-depth analysis into each of the key risks identified by Council.

74 A workshop intended for the June 2025 committee meeting to facilitate discussion of Council's Finance strategic risk has been postponed until the committee meets again in September 2025 due to the size of the agenda.

Annual priority risk review

75 This report seeks the committee's recommendation to Council for the adoption of Council's proposed priority strategic risks, included as Attachment B, to become effective 1 August 2025.

76 Council operates in a complex and uncertain environment in which risks to Council's overall strategic priorities is inherent. As such, Council's strategic risks are regularly reviewed to ensure they are relevant and being managed effectively. As part of this process, two workshops with the ELT have been held over the last quarter.

77 The review objectives were to evaluate Council's current risks against the internal and external landscape to identify the top strategic risks facing Council and to improve the effectiveness of the risk management process by ensuring alignment with strategic objectives.

78 The review process has confirmed the nine priority risk areas currently being monitored continue to be identified as having the potential to significantly impact Council's strategic objectives.

79 Outcomes of the review include the refinement of the risk statements, the development of supporting 'if … then…' risk descriptions, and reassessment of the pre mitigation threshold settings of each proposed strategic risk. Further work to assess the effectiveness of current controls, identification of further treatment options, and post mitigation thresholds will be undertaken over the next quarter and will be presented to the committee as part of the September 2025 quarter reporting.

80 ELT consideration was given to the reporting of the three organisational risks identified in the 2024 review (risks relating to asset management, compliance, and works programme), and it was confirmed that these will continue to be reported against through current internal channels.

Analysis of Options

81 The committee has two options on how it chooses to proceed:

Option 1 – that the committee endorses the proposed priority strategic risks for adoption by Council as outlined in Attachment B

Advantages	*Disadvantages*
• this ensures clarity and focus is given to those risks deemed as most important to Council • governance will have a clear indication of management's risk priorities • the risk register will continue to give clarity to the community of Council's risk priorities	• no known disadvantages

Option 2 – that the committee proposes a different way forward

Advantages	*Disadvantages*
• this will give clarity to the preference of governance • management will have clear indication of the committee's risk priorities	• this approach is not consistent with management's risk priorities

Recommendation

82 Staff recommend option 1 - that the committee endorses the proposed priority strategic risks for adoption by Council as set out in attachment B.

Next steps

83 Following consideration by the committee, staff will present the proposed priority strategic risks to Council at its 30 July 2025 meeting seeking adoption with an operational date of 1 August 2025.

Attachments

A Risk register - Finance and Assurance - Jun 25 quarter
B Annual risk review - proposed strategic risks - 2025/26 FY
C Risk management framework 2025 - risk matrices

Quarterly risk register – June 2025 quarter

Finance and Assurance Committee

STRATEGIC RISK SUMMARY TABLE								
Adverse event	Change	Climate response	Cyber-security	Decision making	Finance	Health, safety, and wellbeing	Social licence	Strategic relationships
PRE TREATMENT (INHERENT) THRESHOLD								
Very high	Very High	Very high	Very high	High	Very high	Very high	Very high	Very high
POST TREATMENT (CURRENT) THRESHOLD								
High	Very high	Very high	Medium	High	Very high	High	High	High
RISK STATUS FOR THE CURRENT QUARTER IS ASSESSED AS:								
Stable	Increased	Stable	Increased	Stable	Increased	Increased	Increased	Stable
RISK LEAD								
Executive Leadership Team								
ACTION OFFICER Climate change lead								
Communications manager Climate change lead Strategic manager transport Strategic manager water & waste Strategic planning & policy manager	Executive leadership team	Strategic planning & policy manager Climate change lead Strategic manager transport Strategic manager water & waste	Manager information services	Executive leadership team	Financial business partnering lead Financial development coordinator Strategic manager transport Strategic manager water & waste Community facilities manager Project delivery manager	Health & safety manager Group manager people and culture Senior people and culture advisor	Community leadership manager Communications manager Governance legal manager Project delivery manager Senior project manager Building coordinator team leader	Communications manager Community leadership manager Governance legal manager

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SOUTHLAND DISTRICT COUNCIL

Strategic risk: ADVERSE EVENT

DESCRIPTION	**The risk that Council is unable to appropriately respond to the consequences of a sudden natural or human-induced event impacting the District**				**STATUS** Stable
Risk management framework **CATEGORY**	Social, cultural & environmental Financial	**Risk register** **LINKS**	Climate response Cyber security	Social licence Strategic relationships	
RISK LEAD	Executive leadership team	**ACTION OFFICER**	Communications manager Climate change lead Strategic planning & policy manager	Strategic manager transport Strategic manager water & waste	
POTENTIAL RISK TRIGGERS	<u>External:</u> • biosecurity outbreak • severe weather event • disaster caused by failure of man-made structure • natural disaster event without warning or build up • global financial crisis • pandemic <u>Internal:</u> • critical asset failure that impacts safety as a result of poor resource allocation/prioritisation e.g. water, energy, telecommunications, financial • insufficient organisational agility and resilience • ineffective clear advice to enable evidence-based quality decisions due to variability and uncertainty • inadequate or ineffective engagement, communication, governance • ineffective or lack of collaboration /partnership • relationship mismanagement • inadequate contingency planning				
PRE TREATMENT THRESHOLD	**Consequence:** Catastrophic		**Likelihood:** Possible		
	Very high				

CURRENT MITIGATIONS	○ emergency management
	    ○ collaboration on emergency management response approach across agencies and the region
	    ○ organisational emergency response plans including internal incident management team
	    ○ community emergency response plans
	○ business continuity planning				

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	- effective communication/roles/governance with documented processes
	- infrastructure resilience
	  - criticality assessment and asset identification ratings and plans to return to BAU
	  - appropriate capacity and competency in place to manage, monitor, operate and maintain critical infrastructure
	  - infrastructure strategy/activity management plans completed and in place
	- financial resilience
	  - adequate borrowing capacity in place through the financial strategy to assist with recovery costs
	  - catastrophe insurance in place
	  - external sources – central government/agencies
	  - ability to reprioritise funding			

POST TREATMENT THRESHOLD	**Consequence:**	Catastrophic	**Likelihood:**	Unlikely
	High			

SOUTHLAND DISTRICT COUNCIL

Strategic risk: CHANGE

DESCRIPTION	**Risk that Council has inadequate adaptability to respond to a continuously changing environment**			**STATUS** Increased
Risk management framework CATEGORY	Strategic	**Risk register LINKS**	Climate response Decision making	Social licence Strategic relationships
RISK LEAD	Chief executive	**ACTION OFFICER**	Executive leadership team	

POTENTIAL RISK TRIGGERS

External

- changes in the political environment
- changes in the regulatory framework
- unknown role of local government
- changes in community/stakeholder service level expectations
- wider economic downturn
- relationships with neighbouring territorial authorities are ineffective or adversarial due to differences of opinion or priorities
- international events, trends or decisions influencing NZ

Internal

- organisational lack of agility and resilience due to:
- political personalities, trust, and relationships, and change of key personnel – both positive and negative
- failure to manage iwi and stakeholder relationships, communication, and engagement tactics, including due to lack of resource or need to balance priorities
- short term focus overshadows long term cost benefit outcomes
- political sovereignty/patch protection leads to lack of alignment or willingness to compromise i.e. boundaryless approach vs localism
- financial strategy misaligned with wider context
- loss of key staff/elected members
- inadequate capacity and capability
- complexity and effectiveness of organisation systems and processes
- siloed culture
- inadequate contingency planning
- not 'change ready'
- lack of strategic direction and/or implementation

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

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THRESHOLD	**Very high**			

CURRENT MITIGATIONS	• monitoring of macro trends/broader environment
	  ○ taking an apolitical approach to continue working effectively with central government
	  ○ continued monitoring and participation where appropriate to influence the direction of new legislation
	  ○ visibility of central government's legislative/statutory changes provided through regular reporting and workshops with Council and/or committee
	• organisational resilience
	  ○ review of current internal structures and practices to ensure they are fit for purpose
	  ○ review and identify process to increase adaptiveness and agility of governance/management/staff
	  ○ detailed succession planning
	  ○ visibility of Council's strategic direction
	• financial resilience
	  ○ ensuring the ability to urgently reprioritise capital spending and/or community levels of service spending
	• effective communication and engagement
	  ○ open and transparent decision making via regular governance briefings
	  ○ regional and national collaboration and knowledge sharing
	  ○ representation review to ensure communities in the District are fairly and effectively represented			

POST TREATMENT	**Consequence:**	Major	**Likelihood:**	Highly likely
THRESHOLD	**Very high**			

SOUTHLAND DISTRICT COUNCIL

Strategic risk: CLIMATE RESPONSE

<table>
<tr><td>DESCRIPTION</td><td colspan="5">The risk that Council fails to appropriately adapt to, or mitigate the effects of, a changing climate</td><td>STATUS
Stable</td></tr>
<tr><td>Risk management framework
CATEGORY</td><td>Health, safety & wellbeing
Regulatory & compliance</td><td colspan="2">Strategic
Social, cultural & environmental</td><td>Risk register
LINKS</td><td>Adverse event
Change</td><td>Social licence</td></tr>
<tr><td>RISK LEAD</td><td colspan="3">Executive leadership team</td><td>ACTION OFFICER</td><td>Climate change lead
Strategic manager transport</td><td>Strategic manager water & waste
Strategic planning & policy manager</td></tr>
<tr><td>POTENTIAL RISK TRIGGERS</td><td colspan="6"><u>External</u>
• ineffective clear advice to enable evidence-based quality decisions due to:
· variability and uncertainty in climate change modelling
· changes in political direction
· continued debate of validity climate change science
• economic, social, and technological shocks resulting from the transition to a lower carbon economy
<u>Internal</u>
• inadequate consideration of climate impacts in:
· strategic decision-making
· fit for purpose activity management
• uncertainty in the climate change modelling on the physical climate change and transition impacts making it hard to estimate impacts on particular Council activities
• lack of necessary funding and financial resilience to manage the speed and scale of mitigation, transition, and adaptation effort
• failure to understand the significance of effects of changing climate
• failure to comply with legislative requirements
• misalignment between Council’s climate change strategies and its operational activities
• misalignment between strategies and national and international recommendations</td></tr>
<tr><td rowspan="2">PRE TREATMENT THRESHOLD</td><td>Consequence:</td><td colspan="2">Catastrophic</td><td>Likelihood:</td><td colspan="2">Likely</td></tr>
<tr><td colspan="6">Very high</td></tr>
<tr><td>CURRENT MITIGATIONS</td><td colspan="6">• deliver asset management and capital projects to make core infrastructure assets resilient to a changing climate
○ infrastructure planning and asset management that takes into account climate change impacts and contributes to adaptation and mitigation pathways</td></tr>
</table>

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	○ ensuring continued compliance with appropriate national and regional plans ○ consideration of climate change impacts in business cases, activity management plans and Council reports • embed climate response thinking, planning and action into all Council activities ○ consideration of climate change in planning decisions, particularly in relation to spatial planning and the District Plan ○ regional climate change strategy in collaboration with regional partners ○ measuring and reducing Council's greenhouse gas emissions ○ increase staff knowledge of climate change issues and how these relate to their work ○ effective internal and external communication of climate change related issues ○ establishment of a staff climate change working group ○ business continuity planning ○ continued advocacy for the region • financial resilience ○ adequate borrowing capacity in place through the financial strategy to assist with recovery costs ○ catastrophe insurance in place ○ central government/agency funding

POST TREATMENT THRESHOLD	**Consequence:**	Catastrophic	**Likelihood:**	Possible
	Very high			

SOUTHLAND DISTRICT COUNCIL

Strategic risk: CYBER SECURITY

DESCRIPTION	**Risk that Council's systems are vulnerable to cyber-attack and/or error**				**STATUS** Increased
Risk management framework **CATEGORY**	Financial Operational	Regulatory & compliance	**Risk register** **LINKS**	Adverse event Decision making	Social licence
RISK LEAD	Executive leadership team		**ACTION OFFICER**	Business solutions manager	

POTENTIAL RISK TRIGGERS	<u>**External**</u>
	• external threat attempts – phishing/malware/ransomware
	• third party supplier breach
	• social engineering
	• complacency regarding international trends and attacks
	<u>**Internal**</u>
	• technical failure to protect IT systems
	  · increasing digitisation without integration with processes
	  · inadequate cyber strategy
	  · underinvestment/lack of maintenance
	• breakdown of internal controls
	  · inadequate IT security awareness/culture/behaviours /competency potentially resulting in malicious or innocent employee activities
	  · remote/flexible working creating less secure connections				

PRE TREATMENT	**Consequence:**	Catastrophic	**Likelihood:**	Possible	
THRESHOLD	Very high				

CURRENT MITIGATIONS	• increased digital protection
	• better life cycle management of IT infrastructure
	• effective governance, strategies, and plans
	  ○ cyber security strategy, SAM for compliance, disaster recovery plan, cyber incident management, collaboration.
	• improved internal controls
	  ○ regular reporting to management and governance
	  ○ phone systems, systems back up, role based controls in place
	• regular staff and governance cyber security awareness training				

POST TREATMENT THRESHOLD	**Consequence:**	Catastrophic	**Likelihood:**	Rare
	Medium			

Strategic risk: DECISION MAKING

DESCRIPTION	**The risk of suboptimal decision-making by Council**				**STATUS** Stable
Risk management framework **CATEGORY**	Financial Operational	Strategic	**Risk register** **LINKS**	Change Cyber security	Social licence Strategic relationships
RISK LEAD	Executive leadership team		**ACTION OFFICER**	–	
POTENTIAL RISK TRIGGERS	Internal • poorly managed maintenance, storage and availability of public and personal information generated and collected by Council • unclear and incomplete understanding of strategic objectives • near-sighted decision making • competing priorities • complex decision-making processes and requirements • ineffective clear advice to enable evidence-based quality decisions • lack of systemic controls and a poor understanding of privacy • reliance on staff to know, understand and act appropriately regarding collection, storage, usage and sharing of data and information				
PRE TREATMENT THRESHOLD	**Consequence:**	Major	**Likelihood:**	Possible	
	High				
CURRENT MITIGATIONS	• effective governance, strategies, and plans o Significance and engagement policy o Long term plan and Annual plan o strategy development workplan to look beyond 10-year LTP cycle o FMIS (Finance Management Information System) project • knowledge building o functional conduit between governance, management, and organisation to ensure strategic vision delivered to the organisation effectively o regular collaborative governance group meetings to progress alignment of strategic direction – Mayoral forum, CEO forum, neighbouring councils plus other external strategic discussions. o regular Council briefings for sharing of information and alignment of thinking o early and ongoing briefing of elected members regarding project timelines and key milestones				

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	◦ use of Taituarā guidance ◦ increasing focus on improving project management and risk management ◦ governance and staff inductions – clear understanding of respective roles in decision-making process ◦ training and support for effective use of tools available - review and improve systems/procedures around data capture, management, and storage ◦ data governance work programme focussing on data management, security and classifications including identifying all data sources and 'unmanaged' data. ◦ review and improve systems/procedures around data capture, management, and storage to improve integrations between current and new systems ◦ contract alignment ◦ implementation of metadata standards and asset management tool (IPS) ◦ established infrastructure design standards - effective communication and engagement ◦ open and transparent decision making via regular governance briefings ◦ part of BAU with operational reporting to community boards			
POST TREATMENT THRESHOLD	**Consequence:**	Major	**Likelihood:**	Possible
	High			

Strategic risk: FINANCE

DESCRIPTION	**The risk that Council fails to manage its financial sustainability impacting its long term ability to fund essential services and projects**				**STATUS** **Increased**
Risk management framework **CATEGORY**	Financial	Social, cultural & environmental	**Risk register** **LINKS**	Adverse event Climate response Change	Decision making Social licence Strategic relationships
RISK LEAD	Executive leadership team		**ACTION OFFICERS**	Strategic manager transport Strategic manager water & waste Community facilities manager	Financial business partnering lead Financial development coordinator Project delivery manager

POTENTIAL RISK TRIGGERS

External

- rapid increases in inflation, insurance premiums, finance sector credit contraction, interest rates, oil prices, debt costs, significant pressure on household rates affordability
- critical infrastructure failure
- major supplier failure
- major government policy changes negatively impact Council's income streams or cost base
- natural or manmade disaster (including deliberate attacks on critical infrastructure or pandemic) has an impact on the economy
- recession (two successive quarters or negative GDP growth)

Internal

- inadequate asset management
- inadequate balance sheet and cashflow management
- inadequate control framework
- lack of effective financial reporting and monitoring
- staff and system knowledge and capability
- financial information that is appropriate, accessible, reliable, accurate and timely
- breakdown in internal controls resulting in internal or external attempts to perpetuate fraud

PRE TREATMENT THRESHOLD	**Consequence:**	Catastrophic	**Likelihood:**	Possible
	Very high			

<table>
<tr><td rowspan="1">CURRENT MITIGATIONS</td><td colspan="4">

effective governance, strategies, and plans

Council's long term strategic planning e.g. Long Term Plan, Annual Plan, Annual report
Financial Strategy and associated policies
Fraud Policy including fraud and corruption awareness training
Procurement Policy and manual implementation
Code of Conduct
Conflict of Interest policy and register

effective internal processes

asset management plans
continued improvement in internal management practices including risk management, broader assurance practices and financial management
internal and external audit programme:

effective external processes

continued advocacy to secure central government/key agency funding for priority projects
monitor and respond to legislative and regulatory obligations
ongoing relationship management, communication, and monitoring to identify early on any significant changes to funding models that may have financial implications

financial resilience

adequate borrowing capacity if required to assist with recovery costs
insurance of Council's assets
externals sources e.g. central government/agencies
ability to reprioritise funding

</td></tr>
<tr><td rowspan="2">POST TREATMENT THRESHOLD</td><td>Consequence:</td><td>Catastrophic</td><td>Likelihood:</td><td>Possible</td></tr>
<tr><td colspan="4">Very high</td></tr>
</table>

Strategic risk: HEALTH, SAFETY AND WELLBEING

DESCRIPTION	**Risk of health, safety and wellbeing harm to staff, contractors, and community**				**STATUS** **Increased**
Risk management framework **CATEGORY**	Health, safety & wellbeing	Operational	**Risk register** **LINKS**	Adverse events Change	Social licence
RISK LEAD	Executive leadership team		**ACTION OFFICER**	Health & safety manager Group manager people & culture	

POTENTIAL RISK TRIGGERS	<u>External</u>
	• complacency leading to greater risks being taken by community
	• failure to properly engage with and listen to the community –failure to act on lessons learned from near misses and incidents (including lessons from other industry experiences) human error/inappropriate behaviours/criminal behaviours or damage at Council assets
	<u>Internal</u>
	• poor health and safety culture and/or behaviours across the organisation leading to:
	  · stressed disengaged staff
	  · increased staff workloads
	  · limited capability and capacity
	  · inadequate governance understanding of role/accountability
	  · staff failure to understand duties and accountability relating to health and safety
	  · critical health and safety risks not identified, assessed, and mitigated adequately
	  · inadequate contractor management frameworks including procurement and assurance practices
	• competing priorities:
	  · deferred maintenance / under resourcing leading to identified risks not being mitigated appropriately.
	  · time pressures and/or complacency leading to acceptance of high levels of risk
	• poor understanding of the health and safety risks within the facilities and services provided and managed by Council
	  · failures in safety-in-design planning for amenities and services provided to the community
	  · failures in asset maintenance
	  · failure in due diligence on assets purchased for use by the community or staff
	  · failure in due diligence on maintenance
	  · internal Business Continuity Plans and Pandemic Plans not adhered to.				

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

SOUTHLAND DISTRICT COUNCIL

<table>
<tr><td>THRESHOLD</td><td colspan="4">Very high</td></tr>
<tr><td>CURRENT MITIGATIONS</td><td colspan="4">effective governance, strategies, and plans
critical risk register and framework
health, safety and wellbeing policy and framework.
health and safety strategic road map
condition assessments for assets
pandemic business continuity plan in place and current
best practice public reporting, safe structures, and signage/warnings
collaborative approach with other southern councils
ongoing training for governance and management on roles and responsibilities
organisational health, safety, and wellbeing culture
ongoing education process with staff about controls in place and continued monitoring of effectiveness
effective health and safety governance structure
wellbeing programme established
ensuring continued compliance with appropriate national and regional plans
comprehensive audit framework
prequalification and safety standards for contractors
monitoring of macro trends/broader environment</td></tr>
<tr><td>POST TREATMENT</td><td>Consequence:</td><td>Catastrophic</td><td>Likelihood:</td><td>Unlikely</td></tr>
<tr><td>THRESHOLD</td><td colspan="4">High</td></tr>
</table>

SOUTHLAND DISTRICT COUNCIL

Strategic risk: SOCIAL LICENCE

DESCRIPTION	**The risk that Council fails to maintain acceptable levels of social licence within the community**				**STATUS** Increased
Risk management framework **CATEGORY**	Social & cultural	Strategic	**Risk register** **LINKS**	Adverse event Change Cyber security	Decision making Health, safety & wellbeing Social licence Strategic relationships
RISK LEAD	Executive leadership team		**ACTION OFFICER**	Community leadership manager Communications manager Governance legal manager	Project delivery manager Senior project manager Building coordinator team leader

POTENTIAL RISK TRIGGERS

<u>External</u>

- changes in the political environment
- changes in the regulatory and statutory framework
- local government delivering central government directives
- societal pressures and/or polarization including misinformation and disinformation
- community indifference/consultation fatigue with local and central government, and other agencies.

<u>Internal</u>

- inconsistent or ineffective approaches to engagement, communication, governance
- lack of transparency and accountability
- narrow, short term/misaligned strategic focus
- ineffective or lack of collaboration/partnership with iwi/stakeholders/community
- poor understanding of and responsiveness to community needs and expectations
- lack of or insufficient resources

PRE TREATMENT THRESHOLD	**Consequence:** Catastrophic	**Likelihood:** Possible	
	Very high		

CURRENT MITIGATIONS

- effective governance, strategies, and plans
  - effective strategic planning - long term plan and annual plan
    - development of a well-informed capital works programme based on known condition and performance of assets
    - allocation of appropriate funding and resources to deliver prioritised work plan
    - procurement optimisation

<table>
<tr><td rowspan="1"></td><td colspan="4">

- · internal and external audit
- · ability to reprioritise work programme

  - adherence to Code of Conduct, Conflict of Interest policy and Council Standing Orders by staff and elected members
  - staff development and training, documented process and procedures, contract management, and succession planning
  - significant and engagement policy
  - protected disclosures policy

- enhanced customer experience
  - facilitate a high quality and quantity of community engagement
  - transparent and proactive disclosure of decision making
  - regular opportunities for the community to give views to Council
  - public consultation on significant issues
  - regular iwi and stakeholder engagement
  - provide accurate information and enables rapid response to misinformation
  - key strategic relationship management
  - Community Boards as conduit between Council and community
- recruiting and retaining skilled resources
  - engaging contractors/consultants for specific and short-term work delivery
  - monitoring organisational climate
  - work closely with industry providers and training institutions

</td></tr>
<tr><td rowspan="2">POST TREATMENT THRESHOLD</td><td>Consequence:</td><td>Major</td><td>Likelihood:</td><td>Possible</td></tr>
<tr><td colspan="4">High</td></tr>
</table>

Strategic risk: STRATEGIC RELATIONSHIPS

DESCRIPTION	**The risk that Council fails to appropriately maintain its local, regional, and national relationships impacting its ability to achieve the best outcomes for the District**				**STATUS** Stable
Risk management framework **CATEGORY**	Social & cultural	Strategic	**Risk register LINKS**	Adverse events Change Decision making	Finance Social licence
RISK LEAD	Chief executive		**ACTION OFFICER**	Executive leadership team	

POTENTIAL RISK TRIGGERS	<u>External</u>
	• political EQ
	• changes in political landscape nationally and locally
	
	<u>Internal</u>
	• inadequate or ineffective engagement, communication, governance
	• narrow, short term/misaligned strategic focus
	    · ineffective or lack of collaboration/partnership with iwi/stakeholders/community
	• lack of shared work programme or agreed objectives
	• dysfunctional internal relationship between governance and staff
	    · dysfunctional organisational culture – job uncertainty/restructures/staff burnout/remote working
	• lack of awareness regarding Treaty obligations and iwi protocol				

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

CURRENT MITIGATIONS	• establish strong networks with other agencies and external stakeholders to share knowledge, learnings, and culture
	    ○ regular engagement with stakeholders at political and executive level
	    ○ collaborative governance group meetings to progress alignment of strategic direction – mayoral forum, TAMI board sessions, Te Roopu Taiao meetings, CEG civil defence forums, neighbouring councils
	    ○ proactive steps taken at the start of each local government triennium to re-establish trust and relationships with community, iwi, and stakeholders
	    ○ relationship management between mayor/elected members, mayor/chief executive, executive leadership team/key staff
	    ○ monitor media and provide information to staff, iwi, stakeholders, and community including managing relationships with media outlets				

	◦ monitoring of macro trends/broader environment • understanding Council's Treaty obligations ◦ regular communications and partnering approach ◦ Charter of Understanding ◦ Partnership Agreement ◦ identify and address gaps in organisational cultural and diversity awareness ◦ grow staff understanding of tikanga, cultural capability and capacity • effective communication and engagement with community ◦ support community boards including greater visibility and connection to Council and community ◦ representation review to ensure communities in the District are fairly and effectively represented • effective organisational relationship management ◦ comprehensive induction programme provided for new elected members which highlights the respective roles of management and governance. ◦ regular Council briefings for sharing of information and alignment of thinking. ◦ regular meetings held between governance, management, and staff to ensure continued constructive communication and internal relationship management.			
POST TREATMENT	**Consequence:**	Major	**Likelihood:**	Possible
THRESHOLD	**High**			

Annual risk review – 2025/26

Finance and assurance committee– 25 Jun 2025

Proposed priority strategic risks FY 2025/26

Adverse event

The risk that Council is unable to appropriately respond to the consequences of a natural or human-induced event impacting the district leading to a loss of critical service continuity

Change

The risk that Council has inadequate adaptability to respond to a continuously changing environment impacting its ability to achieve the best outcomes for the district

Climate response

The risk that Council fails to appropriately adapt to, or mitigate the effects of, a changing climate leading to significant financial, economic, and social impacts

Cyber security

The risk that Council's systems ~~are vulnerable to~~ do not have the resilience to protect information assets from cyber-attack and/or error

Decision making

The risk ~~of~~ that suboptimal decision-making by Council results in misalignment with community needs and/or expectations, or with statutory obligations

Finance

The risk that Council fails to manage its financial sustainability impacting its ~~long term~~ ability to fund essential services and projects now and in the future.

Health, safety and wellbeing

~~Risk of health, safety and wellbeing harm to staff, contractors and community~~

The risk that Council is unable to manage the health, safety, and wellbeing of staff, contractors and the community where reasonably practicable to do so

Social licence

The risk that Council fails to maintain acceptable levels of satisfaction and social licence within the community leading to a loss of mandate to act on its behalf

Strategic relationships

The risk that Council fails to appropriately maintain its local, regional and national relationships impacting its ability to achieve its objectives

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SOUTHLAND DISTRICT COUNCIL

Impact, likelihood, and risk matrix tables

Risk Management Framework 2025

Impact assessment table

IMPACT	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
Strategic	No significant adverse public comment No impact on achievement of LTP objectives Key stakeholder relationships unaffected	Adverse comment in local or social media Letters to CEO, complaints to elected members May slow achievement of LTP objectives Minor impact on key stakeholder relationships	National media coverage Will impact achievement of one or more LTP objectives Negative impact on key stakeholder relationships	National media coverage 2-3 days Will significantly impact the achievement of multiple LTP objectives Significant impact on multiple key stakeholder relationships	Coverage in national media 3+ days Commission of Inquiry/ Parliamentary questions Stakeholder relations irreparably damaged Cannot deliver on most LTP objectives
Operational	No loss of operational capability Minimal change to service levels Minimal loss of internal capacity	Loss of operational capability in some areas Some disruption to service levels Internal capacity lost for up to 1 week	Serious loss of operational capability for over 6 weeks and/or Disruption to service levels for 4-6 weeks Loss of internal capacity 1-3 weeks	Serious loss of operational capability for over 8 weeks and major disruption to service levels and/or Loss of internal capacity 4-6 weeks	Serious loss of operational capability for 3-4 months and serious disruption to service levels and Loss of internal capacity for more than 6 weeks
Financial	No impact on financial targets	Up to 1% impact on financial targets	Up to 5% impact on financial targets	Up to 10% impact on financial targets	More than 10% impact on financial targets

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IMPACT	INSIGNIFICANT	MINOR	MODERATE	MAJOR	CATASTROPHIC
Health, Safety & Wellbeing	No medical treatment required Issue noted, no action required	Minimal personal injury and/or sickness AND Less than 2 weeks incapacitation H&S issue noted by Worksafe	Personal injury and/or sickness with up to 3mths incapacitation OR H&S issue to court	Significant public health impact OR Personal injury and/or sickness with 3+ months incapacitation or long term disability OR H&S issue to court and fine imposed	Permanent severe disability or loss of life OR H&S issue taken to court resulting in imprisonment OR Widespread community sickness
Social, Cultural, Environmental	No significant community impact Localised short-term reversible environmental, economic, or social impact	Single community affected Localised short-term reversible environmental, economic, or social damage	Multiple communities affected Localised medium term (1 month +) reversible damage or disruption (environmental, economic, social, or cultural)	Many communities affected Localised or widespread long term (3-6m) reversible damage or disruption (environmental, economic, social, or cultural)	Most or all communities affected OR Extensive or irreversible damage or disruption (environmental, economic, social, or cultural)
Regulatory & Compliance	Fine/ liability less than $10K	Fine/ liability $10-100K	Fine/ liability $100-250K	Fine/liability $250K - $1M	Fine/ liability $1M+

SOUTHLAND DISTRICT COUNCIL

Likelihood assessment table

LIKELIHOOD	PROBABILITY (PER ANNUM)	TIME BASED DESCRIPTOR
Rare	<10%	Unlikely to occur within a 10 year period, or in exceptional circumstances
Unlikely	10% - 40%	May occur within a 10 year period
Possible	40% - 70%	Likely to occur within a 5 year period
Likely	70% - 90%	Likely to occur within a 1 year timeframe
Highly likely	>90%	Likely to occur immediately or within a short period of time.

Risk matrix

LIKELIHOOD	CONSEQUENCE				
	Insignificant	**Minor**	**Moderate**	**Major**	**Catastrophic**
Highly likely	Low	Medium	High	Very High	Very High
Likely	Low	Medium	High	Very High	Very High
Possible	Low	Low	Medium	High	Very High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Medium	High

Annual Plan 2025/2026 recommended adoption

Record No: R/25/5/24739
Author: Nicole Taylor, Finance development co-ordinator
Approved by: Anne Robson, Group manager finance and assurance

☐ Decision ☒ Recommendation ☐ Information

Purpose

1 The purpose of the report is for the Finance and Assurance committee (the committee) to review the final draft of the Annual Plan 2025/2026 and recommend its adoption to Council.

2 The report also requests that the committee endorse and recommend that Council approve unbudgeted expenditure in 2025/2026 for new levies to fund the water services regulation activities by the Water Services Authority – Taumata Arowai.

Executive summary

3 Council is required to adopt an annual plan by 30 June for each financial year that a Long Term Plan (LTP) is not prepared. The Annual Plan 2025/2026 sets the budget and rates needed. Once adopted, the rates can be set (refer separate report) and the plan becomes the delivery and financial plan for the year.

4 The annual plan identifies the variations from the financial statements and funding impact statement included in year two of Council's LTP (2025/2026). Council must consult on the annual plan if there are *"significant or material differences from the content of the long-term plan for the financial year to which the proposed annual plan relates"* (s92(2)(a)).

5 Reports on the draft annual plan were presented to the committee on 19 February 2025 and Council on 5 March 2025. These reports noted that the proposed Annual Plan 2025/2026 was generally consistent with the strategic and policy direction of the LTP. Discussion at the meeting noted that Council has focused on making efficiencies and finding cost savings meaning that inflationary pressures have largely been absorbed and as a result the total rates increase was forecast to be 7.23% ($5.2 million), lower than the 7.9% ($5.7 million) forecast in the LTP.

6 Subsequently, Council passed a resolution on 5 March 2025 agreeing that no formal consultation on the annual plan be undertaken due to no significant or material differences from year two of the LTP. Instead of formal consultation, Council sought to update and inform the community about the plan by providing information via a number of communication channels and via the online rates prediction search to show what changes in rates would be for individual properties.

7 Since then, Council approved changes to a number 2024/2025 projects including deferral and deletions of projects which were loan funded as part of forecasting on 2 April 2025. These changes have lowered budgeted loan repayment costs ($0.1 million) for 2025/2026 which has further reduced the total rate increase to 7.02% ($5.1 million). This is below the 11% limit set in the LTP.

	AP 24/25 ($000)	**LTP 25/26 ($000)**	**AP 25/26 ($000)**
Rates revenue	72,089	77,786	77,151
Rates increase %	13.18%	7.90%	7.02%
Rates increase limit	*14.00%*	*11.00%*	*11.00%*

8 **The key changes making up the $5.1 million increase in rates from 2024/2025 include:**

- **roading ($2.7 million)** as a result of Council's decision to continue to collect the level of roading rates indicted in the LTP, in anticipation of being able to secure additional funding from NZ Transport Agency (NZTA) for an increased programme. If additional funding is not able to be obtained, the additional rates funding will be used to repay roading debt
- **stormwater, wastewater and water ($1.7 million)** due to increased costs for depreciation funding, loan interest and principal repayments, maintenance, insurance and electricity
- **waste services ($0.1 million)** due to higher waste disposal and contract costs
- **community facilities ($0.2 million)** due to higher operating and maintenance costs for halls and open spaces
- **general rate ($0.4 million)** due principally to inflationary adjustments for employee costs.

9 The plan forecasts an operating deficit of $7.9 million, $6.0 million more than projected in the LTP due to lower revenue and higher operating expenditure.

	LTP 25/26 ($000)	AP 25/26 ($000)	Variance ($000)
Income	$125,951	$121,600	($4,351)
Operating expenditure	$127,817	$129,488	$1,671
Surplus/(deficit) before tax	($1,866)	($7,888)	($6,022)

10 **Overall revenue has reduced by $4.4 million from a planned $126 million to $121.6 million.** This is mainly due to a change in the way investment revenue is shown ($1.65 million). In addition, forestry income is down with harvesting at Ohai being completed early in 2024/2025 ($1.0 million). Council is also receiving less net grant and subsidy funding ($0.85 million) and lower environmental services income ($1.4 million).

11 **Operating expenditure has increased by $1.7 million from a planned $127.8 million to $129.5 million.** This is primarily due to increased depreciation costs ($2.6 million), mainly for roading as well as additional employee expenses ($0.76 million). These increases are partially offset by a $0.5 million reduction in other expenses and $1.2 million reduction in finance costs due to lower interest rates and fewer loans being required in 2024/2025.

12 **Capital expenditure** is $69.3 million which is a $1.5 million lower than what was forecast in the LTP ($70.8 million), predominately due to changes in the timing of water, wastewater and roading projects.

13 The plan also includes the full list of fees and charges for 2025/2026 which Council confirmed on 28 May 2025 following a period of public consultation.

14 A full copy of the Annual Plan 2025/2026 is included as attachment A. While this document is largely complete, staff are still completing a final review of wording which may result in minor amendments.

15 Council has recently been advised that the Water Services Authority – Taumata Arowai – will be funded through a combination of Crown funding and levies payable by councils or council-controlled organisations (CCOs). These new levies, which will support water services regulation, will take effect from 1 July 2025. Council's annual levy cost will be $131,699 (excluding GST) for a period of three years, with the amount to be recovered through water, wastewater, and stormwater rates.

16 As the levy was still under consultation and the calculation methodology had not been finalised during the preparation of the Annual Plan 2025/2026, no allowance was included at that time. Staff now propose to fund the levy for 2025/2026 using interest earnt on water and wastewater development contribution reserves. Accordingly, this report seeks the committee's endorsement

and recommendation for Council to approve unbudgeted expenditure to fund the levy in the 2025/2026 financial year.

17 The levy funding for future years will be dealt with as part of the annual plan processes.

Recommendation

That the Finance and Assurance Committee:

a) receives the report titled "Annual Plan 2025/2026 recommended adoption".

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 that Council confirmed the fees and charges for inclusion in the Annual Plan 2025/2026 at its meeting on 28 May 2025.

e) notes that Council received the financial information for the Annual Plan 2025/2026 at its 5 March 2025 meeting, and resolved not to consult, as the plan does not contain significant or material changes from year two of the Long Term Plan2024–2034.

f) notes that the Annual Plan 2025/2026 (Attachment A) remains materially unchanged from the version considered on 5 March 2025.

g) notes after considering the matters outlined in Section 100 of the Local Government Act 2002, that the Annual Plan 2025/2026 projects operating revenues that are insufficient to fully meet operating expenses to achieve a balanced operating budget and acknowledges that this in in line with Council's Long Term Plan 2024–2034 and previous policy decisions regarding the partial funding of depreciation recognising that Council remains committed to returning to a balanced budget by 2031/2032.

h) recommends to Council the adoption of the Annual Plan 2025/2026 (Attachment A).

i) endorses and recommends that Council approve unbudgeted expenditure for the Water Services Authority – Taumata Arowai, levies of $131,699 (excl GST) to be funded by the interest earnt on the water and wastewater development contributions.

Background

18 The annual plan sets out Council's budget and work programme for the year. It builds on year two of the LTP 2024–2034, with adjustments made to reflect changes in projects and budgets due to

evolving economic conditions, legislative requirements, financial factors, and updates to assumptions, priorities, workplan costs, and funding.

19 Section 95 of the Local Government Act 2002 (LGA) requires Council to adopt an annual plan by 30 June for each financial year that a Long Term Plan (LTP) is not prepared. As 2025/2026 is not an LTP year, Council must adopt the Annual Plan 2025/2026 by 30 June 2025. Following adoption of the annual plan, Council can set the rates for 2025/2026.

20 The purpose of the annual plan is to:

- contain the proposed annual budget and funding impact statements for the year to which the annual plan relates; and
- identify any variation from the financial statements and funding impact statement included in the local authority's long-term plan in respect of the year; and
- provide integrated decision making and co-ordination of the resources of the local authority; and
- contribute to the accountability of the local authority to the community.

21 Once adopted, it becomes the delivery and financial plan for the year and is used to calculate the rates required.

22 The review and development of the plan has been carried out collaboratively by community boards, councillors, and staff between October 2024 and March 2025. This process has included efforts to identify savings and managing rising cost pressures within existing funding allocations. Without these adjustments, the proposed rates increase would have been significantly higher.

23 The key financial aspects of the plan were discussed with the Finance and Assurance Committee on 19 February 2025 and Council on 5 March 2025 with the proposed Annual Plan 2025/2026 attached being generally consistent with the strategic and policy direction of the LTP. Discussion at the meetings noted that Council has focused on making efficiencies and finding cost savings meaning that inflationary pressures have largely been absorbed and as a result the total rates increase was forecast to be 7.23% ($5.2 million), lower than the 7.9% ($5.7 million) forecast in the LTP.

24 Subsequently, Council passed a resolution on 5 March 2025 agreeing that no formal consultation on the annual plan be undertaken due to no significant or material differences from year two of the LTP.

25 Since then, Council approved changes to a number of 2024/2025 projects including deferral and deletion of projects which were loan funded as part of forecasting on 2 April 2025. These changes have lowered budgeted loan repayment costs ($0.1 million) for 2025/2026 which has further reduced the total rate increase to 7.02% ($5.1 million). This is below the 11% rate increase limit set in the LTP.

26 The annual plan document (attachment A) has been prepared using this information.

Issues

27 The key changes to the annual plan were outlined in the reports that were presented to the committee on 19 February 2025 and Council on 5 March 2025. Additional and updated items to note are summarised below.

29 Roading

28 Reduced funding from NZTA for roading compared to the LTP means that the annual plan programme has been scaled back from $48.9 million to $46.4 million ($1.5 million in capital; $1 million in operating). However, the annual plan continues to maintain the rating requirement from year two of the LTP in case additional NZTA funding becomes available. In the interim, the $2.5

million road rating surplus in this plan will be used to repay roading debt. Please note that the programme of $46.4 million is $4 million higher than what was previously reported to the committee in February 2025 due to the movement of the bridge renewal projects from 2024/2025 to 2025/2026.

30 Change to investment returns and finance cost disclosures

29 Changes have been made to how investment returns from balanced funds are recorded. These returns are no longer shown as income in the financial statements until the investment units are sold. Until then, any gains are recorded as unrealised gains/losses in the statement of equity which is below the net surplus/deficit.

30 Additionally, with the move to bulk borrowing through the Local Government Funding Agency (LGFA), interest costs are now spread across activities using internal charges. This means finance costs may appear lower in the activity funding impact statements, but interest is now included in internal charges and overheads instead. External interest from LGFA borrowings is still shown under finance costs in the consolidated funding impact statement. To help explain this change, extra tables have been added to the financial sections of the activity statements in section four of the plan.

Projects

31 The table below outlines the quantum of projects planned for 2025/2026 compared to year two of the LTP with these, $1.4 million lower than forecast in the LTP.

32 It also shows the projects programmed for 2024/2025 in the LTP (24/25 LTP budget) and the revised approved budget for 24/25 reflecting changes approved through Councils forecasting approved in March 2025, including those requested by community boards, carry forwards and unbudgeted expenditure.

33 Overall, $5.8 million of projects have been moved out of 2024/2025. In addition, the A3 summary report presented to Council earlier this month also estimates around $9.9 million in additional likely carry-forwards to 2025/2026, mainly from three waters ($6.7 million) and community resources ($1.6 million). If moved to 2025/2026, the total capital programme for that year would exceed $80 million (the annual limit set in the LTP financial strategy), however this will only be due to timing of projects already planned. Staff are currently assessing the feasibility of delivering this programme and will report back to Council with options in the future.

Changes to budgeted projects by activity	24/25 LTP Budget ($000)	24/25 Approved* Budget ($000)	25/26 LTP (Y2) Forecast ($000)	25/26 AP Budget ($000)	Variance LTP Y2 to AP 25/26
Community Resources:	**8,117**	**12,307**	**10,544**	**12,283**	**1,740**
Offices & Buildings	20	3,671	5,250	6,779	1,529
Toilets	1,481	1,973	1,363	1,769	406
Parks & Reserves	3,791	3,309	2,012	2,636	624
Others^	2,826	3,353	1,919	1,100	(820)
Corporate Services	**983**	**1,437**	**755**	**755**	**-**
Three Waters and Waste	**26,956**	**25,591**	**26,062**	**23,575**	**(2,487)**
Transport:	**34,309**	**25,259**	**34,570**	**33,896**	**(673)**
Airport	1,297	920	-		-
Footpath	1,416	515	1,166	1,384	218
Roading	29,336	22,288	32,312	30,753	(1,559)
Others+	2,260	1,536	1,091	1,759	668

Changes to budgeted projects by activity	24/25 LTP Budget ($000)	24/25 Approved* Budget ($000)	25/26 LTP (Y2) Forecast ($000)	25/26 AP Budget ($000)	Variance LTP Y2 to AP 25/26
Total	**70,365**	**64,593**	**71,930**	**70,509**	**(1,420)**

** Approved budget includes LTP, carry forwards, unbudgeted expenditure and forecasted changes*
^ "Others" under Community resources includes Cemeteries, Community Housing, Halls, Library Services, Other Property, SIESA
+"Others" under Transport includes Boat Ramps, Cycle Trails, Harbour, and Stewart Island Jetties

34 A detailed listing of the 2025/2026 projects is included in section four of the annual plan (attachment A), with a summary of the major projects in the relevant activity statements. These statements also include an explanation of the financial variances for each activity group.

35 Please note that the 2024/2025 approved budget shown in the table above is $3.2 million lower than indicated in the 5 March 2025 Council report as a result of the additional resolutions passed at the meeting to move projects from 2024/2025 to 2025/2026.

Risks

36 The Annual Plan 2025/2026 reflects a further deterioration in the operating deficit. This decline is primarily attributed to the decision not fully fund depreciation for three waters assets until the 2031/2032. The situation is further exacerbated by a change in the accounting treatment of investment returns. Under the new approach, earnings from the balanced fund are only recognised upon the sale of investment units, meaning they no longer contribute to the Council's reported investment income

37 There remains ongoing risk associated with government reforms, particularly in the areas of three waters, resource management and building consents.

38 Following the Local Water Done Well consultation, Council opted to retain in-house delivery of water services under the adjusted status quo model. While this approach assumes costs can be managed within existing structures, it does not account for potential future compliance requirements. Council is now required to develop a Water Services Delivery Plan by September 2025, demonstrating how services will meet new standards, remain financially sustainable, and deliver the expected levels of service. This work may have implications for the annual plan and future budgets.

39 Once such implication, is the recent advice from the government that the Water Services Authority – Taumata Arowai will be funded by a mix of crown funding and levies payable by councils or council-controlled organisations (CCOs). The new levies will come into effect on 1 July 2025 and will be used to fund water services regulation.

40 Council was advised of the final decision from Taumata Arowai on the 23 May 2025 following the final decision by cabinet on 19 May 2025.

41 The draft annual plan 2025/2026 does not include an allowance for the new levy because at the time of preparation this was the subject of consultation, and the government had not confirmed how the levy would be calculated for each council.

42 After considering feedback from the sector, cabinet made no changes to the levies' proposed design features. Accordingly, the levies will:

- apply to councils or, where applicable, their water organisations

- be set for three years with a funding review after the first two years
- not apply to private or community drinking water supplies or Crown supplies during the first (three-year) levy period
- comprise separate components for drinking water, wastewater and stormwater
- be apportioned on a population basis for each relevant council or CCO; this is because some suppliers currently do not have an accurate view of how many connections they have.

43 The levy cost to Council will be $131,699 excl GST per annum as shown below.

	Annual share of levy costs 2025/2026 to 2027/2028			
Population	**Drinking Water**	**Wastewater**	**Stormwater**	**Total Levy**
31,833	$98,774	$27,657	$5,268	**$131,699**

44 Staff are proposing to use interest earnt from water and wastewater development contribution reserves to fund the levy in 2025/2026. The reserve currently holds $332,885 in interest. After the levy is paid, $206,712 will remain, which will be used to fund water and wastewater projects in 2024/2025. In previous years, development contributions themselves have been used to fund water and wastewater projects which means only the interest earnt on these contributions remains available for use.

45 The levy funding for future years will be dealt with as part of the annual plan process for 2026/2027. If this cost was treated in the same manner as other costs for the delivery of water services then the additional levy cost would be funded from the targeted rate for each of the water services. Based on the draft annual plan 2025/2026 this would result in an increase as follows:

Targeted rate – full charge	Drinking Water	Wastewater	Stormwater
2025/2026 targeted rate (incl GST)	$901.36	$928.89	$125.61
Additional cost for levy	**$13.12**	**$3.01**	**$0.54**
Targeted rate including the levy	$914.48	$931.90	$126.15
Percentage increase	1.46%	0.32%	0.43%

Key financial information

46 The table below summarises the key financial changes from the LTP. This information is summarised from Council's full financial statements in section of four of the annual plan (attachment A).

	LTP Year 2 (25/26)	Movement	AP 25/26	Variance
Total rates required	$77.8m	↓	$77.2m	($0.6m)
Rates increase	7.9%	↓	7.02%	(0.07%)
Surplus/(deficit)	($1.9m)	↓	($7.9m)	($6m)
Total revenue	$126.0m	↓	$121.6m	($4.4m)
Grants and subsidies	$29.3m	↓	$28.5m	($0.8m)
Operating expenditure	$127.8m	↑	$129.5m	$1.7m
Capital expenditure	$70.8m	↓	$69.3m	($1.5m)
External borrowings @ 30 June	$138.5m	↓	$124.2m	($14.3m)
Internal loans @ 30 June	$124m	↓	$118m	($6m)
Finance costs	$6.1m	↓	$4.8m	($1.3m)
Net debt	$97.5m	↓	$85.3	($12.2m)
Depreciation	$43.3m	↑	$45.9m	$2.6m
Equity	$2,350m	↓	$2,335m	($15.3m)

Financial results – Annual Plan 2025/2026 compared to LTP Year 2 (2025/2026)

47 The plan forecasts an operating deficit of $7.9 million, $6.0 million more than projected in the LTP due to lower revenue and higher operating expenditure.

	32	LTP 25/26	35	AP 25/26	38	Variance
	33	($000)	36	($000)	39	($000)
Income	41	$125,951	43	$121,600	45	$4,351
Operating expenditure	47	$127,817	49	$129,488	51	$1,671
Surplus/(deficit) before tax	53	($1,866)	55	($7,888)	57	($6,022)

48 **Overall revenue has reduced by $4.4 million from a planned $126 million to $121.6 million.** This is mainly due to a change in the way investment revenue is shown ($1.65 million) as noted above. In addition, forestry income is down with harvesting at Ohai being completed early in 2024/2025 ($1.0 million). Council is also receiving less net grant and subsidy funding ($0.85 million) and lower environmental services income ($1.4 million).

49 **Operating expenditure has increased by $1.7 million from a planned $127.8 million to $129.5 million.** This is primarily due to increased depreciation costs ($2.6 million), mainly for roading as well as additional employee expenses ($0.76 million). These increases are partially offset by a $0.5 million reduction in other expenses and $1.2 million reduction in finance costs due to lower interest rates and fewer loans being required in 2024/2025.

50 **Capital expenditure has reduced by $1.5 million from a planned $70.8 million to $69.3 million.** This is largely due to changes in the timing of projects as explained in paragraph 33.

51 **Internal loans** are forecast to decrease due to changes in project timing and the decision to use funds from the district operations reserve to repay 42 internal loans. Total internal loans are now budgeted at $118 million, $6 million less than the LTP forecast.

52 **External borrowings** are also projected to be lower, with total borrowing expected to be $124.2 million at 30 June 2026, $14.3 million less than the $138.5 million forecast in the LTP.

53 **Overall rate revenue has reduced by $0.6 million from a planned $77.8 million in the LTP to $77.2 million.** The decrease is largely due to reduced loan repayment costs due to lower interest rates and a reduction in loan drawdowns for projects in 2024/2025 that have been moved to 2025/2026.

Rate increase from 2024/2025 to 2025/2026

54 The information below relates to the proposed rates for 2025/2026 compared to the prior year (2024/2025). This varies from the financial information shown above which compares the proposed rates for 2025/2026 against what was forecast for year two 2025/2026 in the LTP.

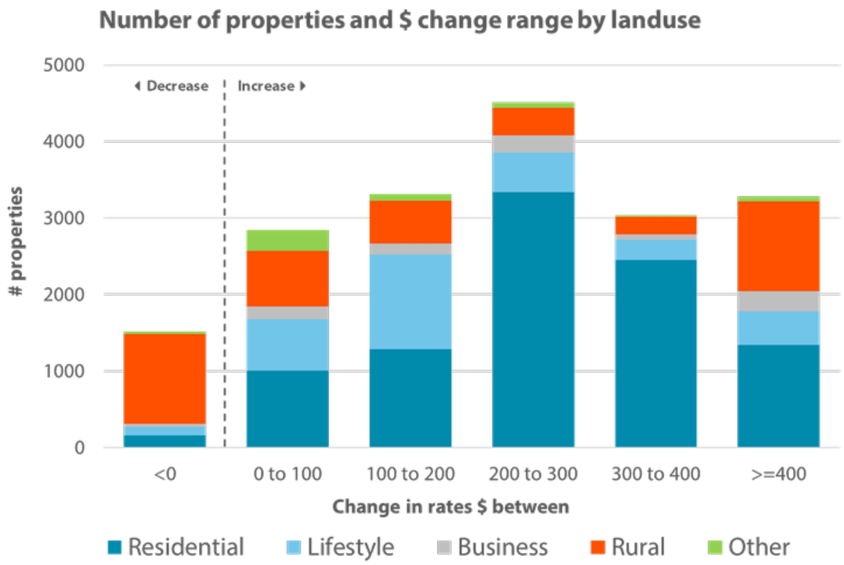
55 **Total rate revenue is budgeted to rise by 7.02% ($5.1 million) from 2024/2025**. The key reasons for the increases are related to the following:

- **roading ($2.7 million)** as a result of Council's decision in the LTP to increase rates for roading in anticipation of being able secure additional funding from NZ Transport Agency (NZTA) for an increased programme. If additional funding is not able to be obtained, the additional rates funding will be used to repay roading debt
- **stormwater, wastewater and water ($1.7 million)** due to increased costs for depreciation funding, loan interest and principal repayments, maintenance, insurance and electricity
- **waste services ($0.1 million)** due to higher waste disposal and contract costs
- **community facilities ($0.2 million)** due to higher operating and maintenance costs for halls and open spaces
- **general rate ($0.4 million)** due principally to inflationary adjustments for employee costs.

56 While the overall rate increase is 7.02%, the impact on individual properties will vary depending on factors such as property type, location, the services it receives, capital value, and how its recent revaluation compares to the district average.

57 The average increase for a residential property across the district will be around $330 (8%), or $6 per week. By township the proposed average rate increase varies from $90, or 4%, in Thornbury, to around $460 or 11%, in Te Anau. By land use sector the proposed average rate increase varies. The average increase for a farm is around $180 (3%), $945 (6%) for a dairy farm, $350 (4%) for a forestry property, $240 (10%) for lifestyle, $680 (8%) for commercial, $485 (9%) for industrial, $150 (1%) for mining and $780 (16%) for other properties. These rates figures reflect the proposed rates at 9 June 2025 and exclude increases due to outliers like new houses being built or one-off changes to the way a property is rated due changes to the property.

58 A summary of the proposed increase in bands by land use and the number of properties to which it will apply is presented in the graph below.



59 The sample properties information in section four of the plan provides additional examples of specific property rate changes.

Benchmarks

60 Under the Local Government (Financial Reporting and Prudence) Regulations 2014 and section 100 of the LGA 2002 Council is required to report against a set of benchmarks around three key elements of financial prudence – affordability, sustainability and predictability. As shown in the table below, Council is meeting all benchmarks except the balanced budget benchmark.

Benchmark	Quantified Limit	Planned as per LTP 25/26	Met for LTP 25/26	Planned as per the AP 25/26	Met for AP 25/26
Rates Affordability Benchmark					
- Income	70.0%	61.8%	Yes	63.4%	Yes
- Increases	8.0%	7.90%	Yes	7.02%	Yes
Debt Affordability Benchmark - Net Debt	175%	77.4%	Yes	70.2%	Yes
Balanced Budget Benchmark	100%	98.5%	No	93.9%	No
Essential Services Benchmark	100%	152.7%	Yes	135.6%	Yes
Debt Servicing Benchmark	10%	4.81%	Yes	3.95%	Yes

61 The balanced budget benchmark requires Council to ensure that projected operating revenues are set at a level that is sufficient to meet projected operating expenditure. Council forecast in the LTP that it would not meet the balanced budget benchmark in 2025/2026 and this has not changed.

62 Council does not meet the balanced budget benchmark as a result of the phasing in of depreciation funding on the majority of key district assets. Council is expecting to be fully funding depreciation on these assets by 2031/2032 which will also result in Council moving to an operational surplus.

63 The deterioration in the balanced budget benchmark between the LTP and the annual plan is primarily due to higher than expected depreciation costs for roading. Additionally, investment returns are no longer included in Council's reported investment income, as earnings from the balanced fund are only recognised when the investment units are sold.

Factors to consider

Legal and statutory requirements

64 Section 95 of the Local Government Act 2002 requires local authorities to adopt an annual plan for each financial year (other than an LTP year). Section 95 also sets out that Council must consult the community on the annual plan unless there are no significant or material variations from the LTP to the annual plan. Council has already resolved that there are no significant or material variations and that consultation was not required.

65 Council is required under section 100 of the Local Government Act 2002 to ensure that projected operating revenues are set at a level that is sufficient to meet projected operating expenditure. As noted above, projected annual income is less than operating expenditure and this means Council is not meeting this benchmark in the Annual Plan 2025/2026. This is consistent with the LTP forecast for year two (2025/2026).

Community views

66 There has been no specific community engagement or consultation on the annual plan. There was consultation on the LTP, and the annual plan remains largely consistent with the strategic, policy direction of the LTP and the forecast budgets for year two of the plan.

67 Instead of formal consultation, Council sought to update and inform the community about the plan by providing information via a number of communication channels and via the online rates prediction search to show what changes in rates would be for individual properties.

68 Information about the plan and proposed rates increase were highlighted in a media release with information shared on Council's website and distributed via social media. An overview of the plan and rates increases were included in the First Edition publication distributed to households in April 2025. Although inflation rates and interest rates are slowly coming down, the community is still experiencing challenging times financially. This was evident in the feedback received on social media expressed with people expressing concerns about proposed rate increases as well as the impact of recent property valuations. Over the period just over 400 visitors accessed the Council's predicted rate search with 300 viewing the webpage about the annual plan.

Costs and funding

69 The specific financial implications of the annual plan are noted in the issues section above. More information about the financial statements and the reasons for any variances are included in the annual plan.

Policy implications

70 Given there are no significant or material differences for the Annual Plan 2025/2026 from year two of the LTP, it is considered to be consistent with Councils current financial and infrastructure strategies and Revenue and Financing Policy.

71 The annual plan includes capital and operating budgets to support and implement a number of policies and plans.

Analysis

Options considered

72 Option 1: recommend that Council adopt the Annual Plan 2025/2026, with any minor amendments as agreed at this meeting.

73 Option 2: do not recommend that Council adopt the Annual Plan 2025/2026.

Analysis of Options

Option 1 – recommend that Council adopt the Annual Plan 2025/2026, with any minor amendments as agreed at this meeting.

Advantages	*Disadvantages*
• meets statutory requirements and timeframes • will enable rates for the 2025/2026 year to be set and collected in a timely manner • is consistent with the overall direction set through the LTP • enables staff to commence implementing the work programme in the annual plan.	• no further changes can be made

Option 2 – do not recommend that Council adopt the Annual Plan 2025/2026.

Advantages	*Disadvantages*
• allows for further changes to be incorporated into the document before it is adopted.	• Council would be at risk of not meeting statutory requirements and timeframes • creates a risk that the first instalment of rates would not be collected in a timely manner • creates uncertainty in terms of setting budgets and implementing the work programme for the 2025/2026 year • creates uncertainly for ratepayers

Assessment of significance

74 Adoption of the Annual Plan 2025/2026 is considered to be of some significance/importance in relation to Council's Significance and Engagement Policy. Given that the plan is generally consistent with year two of the LTP with no significant or material changes, Council decided in March 2025 that formal consultation was not required.

75 There have been very few material changes to the budgets or programmes since this assessment was made in March, with the main change resulting in the movement of projects from 2024/2025 to 2025/2026. As such none of these changes have been assessed as being material to the wider community.

76 While the rate increase is likely to be of community interest, the changes to the annual plan have reduced rates from what was proposed and consulted on as part of the LTP. As such staff consider that recommendation that Council adopt the Annual Plan 2025/2026 for not require further consultation.

Recommended option

77 The recommended option is option 1 - recommend that Council adopt the Annual Plan 2025/2026, with any minor amendments as agreed at this meeting.

Next steps

78 Following this meeting, staff will be seeking the adoption of the LTP at the Council meeting. Once adopted, staff will finalise the document, publish it on Council's website and make copies available at Council's offices and libraries.

Attachments

A Annual Plan 2025/2026 for adoption

ANNUAL PLAN

SOUTHLAND DISTRICT COUNCIL

2025/2026

Contents

Welcome

to Southland District Council's Annual Plan 2025/2026

Council's major planning document is the Long Term Plan 2024-2034, titled These are challenging times, Southland Murihiku.

The plan sets out Council's planned priorities and spending for 10 years from 2024, with more detail for the first three years.

A long term plan (LTP) is produced every three years and in between an annual plan provides an update to the LTP.

This annual plan highlights changes to the work programme for year two of the Long Term Plan 2024/2034 (LTP34), the reasons for the changes and the impact on rates.

The Local Government Act (2002) requires Council to prepare an annual plan every year to clearly show its budget and how much it will cost ratepayers, and to highlight any major differences from what had been planned for that year in the LTP and why the changes are necessary.

To fully understand this annual plan, you may find it helpful to read it alongside the Long Term Plan 2024-2034, which contains a detailed explanation of Council's work programme.

All other activities, policies and levels of service detailed in the LTP are proposed to be delivered as stated in that plan.

Copies of the LTP can be viewed at Council's office at 15 Forth Street, Invercargill, at any of our public libraries, our area offices or on our website: **www.southlanddc.govt.nz**

Southland District Council's vision

Together, with our people, for our future. It's our Southland.

This drives us to work together with our communities for the future of Southland. That's our goal.

We work towards this through our plans, strategies and policies and through the activities outlined in our LTP.

The purpose of Council is:

- to enable democratic local decision-making and action by and on behalf of communities
- to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future

Council consists of a mayor, 12 councillors and members of nine community boards who are elected by Southland District residents/ratepayers every three years.

We believe our democratic election process ensures the organisation is able to operate in the best interests of the District.

For further details of Council's role, governance systems and committee structure, please go to our website:
www.southlanddc.govt.nz

Kia ora

This plan is about continuing to get the important work done that we'd signalled in our Long Term Plan 2024-2034 (LTP).

2025/2026 is year two of the LTP, and as there were no significant variations from what we'd planned we did not consult on this annual plan. Rather, we made information about the draft document available through a range of platforms.

A message from Mayor Rob Scott and chief executive Cameron McIntosh

This decision reflects that we are largely on track with the course of action that we outlined in the Long Term Plan (LTP).

Overall rates for 2025/2026 are budgeted to increase by an average of 7.02%, which is less than the 7.9% projected in our LTP. We have worked hard to find as many savings as we can while continuing our strong focus on delivering our core services to you well.

Frustratingly, the NZ Transport Agency has not come to the party with our requested roading programme, and we are continuing to advocate strongly for our fair share so that we aren't putting our ratepayers or our important roading network under stress. We have had a number of meetings with ministers highlighting key facts, such as that a Wellingtonian is responsible for only 1.6 metres of road whereas a Southlander is responsible for 151 metres, and that Wellington receives twice the amount of funding their road user charges generate while Southland receives only half.

Keeping on top of our $2.3 billion worth of infrastructure and balancing the costs of today with the needs of tomorrow, while being conscious of not burdening our future generations with heavy debt, is forefront in our minds as we continue to make important decisions on your behalf.

We have continued to take our Council meetings out into the community and we really value the input from our nine community boards in driving localised decision-making for all of our wonderful communities. We are continuing to develop the community board model and looking for ways for community boards to have more decision-making powers.

You can read more about our roading challenges on pages 10 and 11 of this Annual Plan.

The rising costs of the waters services we provide to our residential ratepayers are an ongoing concern. New government legislation requires us to submit a final water services delivery plan, including the model for service delivery, to the Department of Internal Affairs by 3 September 2025.

Following extensive community consultation, Council decided on 11 June to adopt an in-house business unit model for three waters delivery. Public feedback was overwhelmingly in favour of this option, which means Council will continue to deliver water services, with some changes to meet legislative requirements.

We are pleased that our building team continue to make huge strides in managing consent processing. Early in 2025 the team passed their IANZ audit with flying colours, receiving two best practice notes, a very rare accolade. This is just reward for the huge amount of work that has been carried out in recent years to lift our performance as a building consent authority (BCA).

We now consistently meet our statutory timeframe of 20 working days to process building consent applications at a very high rate, achieving results around the high 90% mark, month on month. Our rigorous in-house training programme is also building capacity and competency within the team.

Rob Scott
MAYOR

Cameron McIntosh
CHIEF EXECUTIVE

Our ratepayers have a dedicated team of 69 elected members governing an equally dedicated team of staff who are all committed to ensuring that Southland District Council leads us well into the future and delivers on the services that are required to ensure that our wonderful district of many communities continues to thrive.

Together with our people, for our future, it's our Southland!

Key ISSUES

In the LTP we talked about the need to invest in our roads and bridges to ensure our levels of service are meeting safety and performance standards that Southlanders expect and deserve.

We are working hard to continue on that path of investing in our critical infrastructure despite the challenges of increasing costs and supply demands. There are some minor changes to our LTP workplan this year and these are listed on the following pages.

Our roading CHALLENGES

Roads make up the biggest share of Southland District Council's spending every year.

With 5,000km of roads, nearly 2,000km of them sealed, Council is responsible for the second largest roading network in the country, behind Auckland, with a ratepayer base of just over 21,000 to help pay for it.

In 2023/2024, 29% of all Council rates collected – nearly $19 million – was spent on our roads.

Despite as a region contributing 13% to national pastoral exports with only 2% of the population, it is Council's position that we are not receiving a fair return of government investment in our roads. In 10 years, Southland road users have paid $1 billion in road user charges and fuel excise duty but received only $551 million back by way of government roading investment.

Led by Mayor Rob Scott, Southland District Council has made a number of representations to government ministers and the prime minister himself, asking them to return higher level of funding investment to Southland. More of these discussions are planned.

The NZ Transport Agency (NZTA) contributes 55% by way of a funding assistance rate (FAR) to Southland District Council's three-yearly roading programme, with Council having to fund the other 45%. It is Council's stance that we do not carry out unsubsidised roading work, as it would be unaffordable long term.

As the Long Term Plan 2024-2034 (LTP) was being developed we applied for a three-year co-funded programme of around $147 million. However, NZTA agreed only to fund around $125 million, a shortfall of $22 million. Specifically, this means we have had our funding reduced and we've had to adjust our levels of service for low-cost, low-risk improvements such as cleaning signs and repainting road edge markings, as well as road safety promotions.

To meet our share of any additional funding opportunities we are maintaining our roading rates at the level budgeted for year two of the LTP, which will create a surplus of $7 million over the three years. We continue to actively seek other government funding opportunities to undertake the work currently not funded by NZTA. Should these opportunities arise, Council will use the $7 million to contribute towards our 45% share of the funding. Should, the $7 million not be fully utilised, Council has decided to use any surplus to pay off roading debt and hold the remainder in reserves ringfenced for roading.

As a result of this, for the 2025/2026 year our projected roading programme has been decreased from $48.9 million to $42.4 million, meaning we have been forced to reduce levels of service even further in some areas. This includes taking some sections of low-use sealed roads back to gravel.

Most of our sealed roads were built after the war. With a lifespan of 60 to 70 years they are all coming due for renewal, which we call rehabilitation, over the next 10 to 20 years. They can take only so many reseals and repairs before the surface becomes shiny, offering less grip texture for vehicle tyres and increasing the risk of crashes.

We should be rehabilitating 28km of sealed roads every year. At current funding levels, on a good year we can afford to renew only 10km.

A change in the NZTA funding rate for Lower Hollyford Road last year has put additional pressure on our roading budget.

It is in a Department of Conservation national park and 80km away from the nearest Southland District road. Although technically a Southland District Council road, it is used primarily by people accessing the Hollyford Track and other Fiordland walking tracks. No Southland residents live on the road, but residents of Martins Bay use it to access their properties.

On 1 July 2024 NZTA ceased fully funding the road's maintenance, reverting to the standard funding assistance rate (FAR) of 55% from NZTA and 45% funding from Council. The road is notoriously prone to flooding. After flooding in 2020 caused major damage the repairs cost more than $2 million, fully funded by the government. If the same thing happened again tomorrow we would have to pay either 25%, 45% or the full amount depending on the event and its size, and how much of our roading programme was already fully committed.

Although enhanced funding assistance is available from NZTA for road repairs in the event of an emergency, there is a high cost threshold before Council can access it, of around $4 million.

Local Water DONE WELL

Responsibility for the three waters services currently sits with 67 councils throughout New Zealand. In the district, properties in the specific water service areas pay for these through their rates.

These services include:

1. Drinking water: water that flows from our taps, from water sources and council supply networks
2. Wastewater: water that has been used for cooking, bathing, washing or flushing our toilets
3. Stormwater: rainwater that is collected in pipes, drains, green infrastructure or overland flow paths to manage flooding and pollution of streams, rivers and coastal waters.

In early September 2024, the Local Government (Water Services Preliminary Arrangements) Act 2024 established the Local Water Done Well (LWDW) framework that sets out the broad arrangements for the new water services system.

The Local Government (Water Services) Bill establishes the settings for the new water services system. Councils are required to submit their final water services delivery plan, including the model for service delivery, to the Department of Internal Affairs by 3 September 2025.

This delivery plan needs to include details on how the services will be operated, their physical structures, how much money the services make and spend, along with how Council plans to finance and deliver our preferred delivery model in a financially sustainable manner.

A large part of the costs of maintaining and managing water services depend on the regulations set at a national level by the Water Services Authority Taumata Arowai. We are waiting on legislation to be confirmed on the proposed national water standards. These are expected to be finalised later in 2025. They will significantly impact compliance obligations and associated costs for us and our communities.

Following extensive community consultation in April and May, Southland District Council decided to deliver its future water services through an in-house business unit.

During the district-wide consultation period 200 submissions were received, with 97.5% of submitters favouring the adjusted status quo (in-house business unit) model, with changes to meet legislative requirements.

Project DELIVERY

We're going into the year with a projected programme of $70 million of projects on our books.

We are aiming high. While there are many external factors beyond our control we are constantly working to meet the challenges and get the best outcomes for our communities. There are many exciting projects planned for the coming year, and we're making steady progress.

- The full project list aligns with what was planned for year two of the Long Term Plan 2024-2034 (LTP), along with any additional projects identified.

After roading, delivering our water services makes up the next biggest component of project funding each year. This includes ensuring we are able to provide clean, safe drinking water that meets stringent quality criteria, as well as providing effective networks for treatment and disposal of wastewater as well as stormwater.

The main wastewater project programmed for the year is upgrading Manapouri wastewater treatment and connecting the network to the existing sub-surface irrigation scheme that currently services Te Anau.

In water we are upgrading water treatment in Riverton and beginning construction works at Eastern Bush to upgrade the supply to meet drinking water standards. We will be replacing old pipes in Te Anau, Otautau and Riverton.

We are also extending the piped stormwater reticulation network in Winton and Wyndham, and improving the collection and treatment of stormwater in parts of Te Anau.

We support many community-led projects, often in conjunction with our nine community boards, either through funding or by providing technical assistance or advice.

An example is the Tuatapere Railway and Heritage Charitable Trust, which is refurbishing and redeveloping the historic railways station building into an information centre. Once it has been restored there will be potential for a commercial lease, which will contribute to its ongoing financial viability. This exciting project has been made possible by government Better Off Funding.

Council and the Tuatapere Te Waewae Community Board are supporting the Orepuki Community Promotions Charitable Trust with funding to paint the town's historic railway water tower.

Otautau's iconic war memorial is also getting a spruce-up this year, with its leaning pillars being straightened, and a general recondition.

In Nightcaps, McGregor Park is in line for a new toilet and pump track.

Preparing master plans and developing the district's open spaces, parks and reserves is a massive ongoing body of work for our community facilities team. One of the bigger projects currently is implementing the master plan for development of the Te Anau basin.

District-wide projects include the refurbishment or renewal of public toilet facilities. Since 2024/2025 our project delivery team have been packaging these into a two-yearly parcel of work. In the first year, preparations are made, including consultation with the community and iwi, and filing consents, and in the second year the toilets are constructed or refurbished.

In 2025 we have worked closely with our community boards to identify local contractors and make sure they are aware of local projects to submit tenders for.

A challenge for us is that builders and painters are often committed to work 12 months in advance, so there can be limited capacity in the market by the time we go to tender.

The ongoing challenge for us is to be in a position to get to market sooner when we are procuring services and works.

Local government REORGANISATION

In 2024 Southland District Council decided to progress a suggestion made by Mayor Rob Scott about potential changes to the way local government is structured in the region.

He proposed reducing the four current Southland councils – Southland District Council, Gore District Council, Invercargill City Council, and Southland Regional Council (Environment Southland) – into two unitary authorities.

One unitary authority would be district-based, made up of the Southland and Gore districts, along with the regional council functions for that area, while the other would be urban-based, including Invercargill City Council and regional council functions for the city. This could see 20 fewer councillors, two fewer chief executives, two fewer mayors/chair, and two fewer long-term plans.

A formal reorganisation investigation proposal was lodged with the Local Government Commission, which agreed that it was a valid initiative. The commission consulted with affected local authorities on the factors it must consider when deciding whether to investigate the initiative, and engaged with Te Ao Mārama Incorporated, representing the four rūnanga o Ngāi Tahu ki Murihiku, being Te Rūnaka o Awarua, Hokonui Rūnanga, Ōraka Aparima Rūnaka, and Waihōpai Rūnaka.

From there, the commission will decide whether to investigate the reorganisation initiative.

Spatial PLANNING

With central government funding secured to develop 11 township spatial plans over the next two to three years, Council agreed the order and timing of these plans at its meeting on 5 March. In doing so, Council acknowledged the importance of strong community engagement to ensure well-informed, quality plans.

Essentially, a spatial plan is a visual blueprint that will help determine what our district looks like in 30-plus years. It outlines how a town wants to develop and grow geographically. It considers where growth should occur, how and when infrastructure will be provided to support growth, where natural environment protection or enhancement is needed, and provide for economic activity.

The timing for the development of each of our spatial plans will be heavily influenced by the availability of data considered to be significant when creating a plan 30 or more years into the future. Coastal hazards are an example.

Given Southland has the longest coastline of any region in New Zealand, spanning approximately 3,400km, we know that coastal hazards will impact the future development of our coastal townships and we believe that existing mapping data together with local knowledge will give us sufficient initial guidance.

However, we do have some significant data gaps including:

- hydrological mapping, planned to be completed over the next few years, which will more accurately define flood boundaries, and
- a review of the National Policy Statement for Highly Productuve land, which protects high-value food-producing land from urban encroachment.

We plan to start with Oban township on Stewart Island/Rakiura later in 2025. The reason for this choice is that the coastal hazards there are largely known and there are currently no known flood or highly productive land constraints.

Oban will be followed by Riverton-Colac Bay and Te Anau-Manapouri.

Spatial plans sit across all other plans and provide the overall direction guiding us where we want to go and how we are going to get there, and through them we'll know what we need to do to ensure Southland continues to be a great place to live, work, and play.

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Fees and CHARGES

Council offers many services and functions to the community, each with associated costs. To help fund these services we charge fees. Some examples are building and resource consent fees, food licence fees, and fees for using community facilities such as halls and jetties, as well as other assets like road reserves.

A number of fees are being increased to cover higher operating costs and ensure services are not subsidised further by rates. This is due to inflation and increases in contracts costs, processing/staff costs, and new legal requirements. Around half of the fees will remain at the 2024/2025 levels where we are already meeting cost recovery targets. Most of the increases are between 1% and 6%.

Council consulted on the proposed fee changes in April. The majority of the submissions received supported Council's approach to increase fees as proposed, rather than funding the extra costs from rates. Council made two changes as a result of the feedback with the addition of a new hire fee for the Winton Memorial Hall supper room and a correction to the fee for resource management pre-application meetings.

A copy of the full list of fees has been included in section four of the plan.

Financial OVERVIEW

The purpose of the financial overview is to provide a summary of Council finances. It informs readers where Council receives funding from and how it is used.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

Overall, this plan forecasts an increase in the operating deficit to $7.9 million which is $6.0 million more than indicated in year two of the LTP. The higher deficit is due to a combination of lower income and higher operating expenditure as follows:

- income is $4.4 million lower than forecast in the LTP ($121.6 million versus $126.0 million). The main reason for this is a change to the way Council's investment revenue is shown in the financial statements which has been moved to revaluation of investments rather than interest income ($1.7 million).

  In addition, government grant funding has reduced slightly ($0.5 million) and forestry sales is expected to be lower ($1 million) with trees at Council's Ohai forestry block being harvested early in 2024/2025.

- operating expenditure is up by $1.7 million from the planned $127.8 million to $129.5 million largely due to higher depreciation costs ($2.6 million) which have resulted from increases in the value of infrastructure assets offset by lower loan finance/interest costs ($1.2 million) due to a drop in interest rates.

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WHAT'S HAPPENING TO RATES

Overall total rates are budgeted to increase by $5.1 million, or 7.02% over the previous year.

The increase is less than the 7.90% projected increase for year two in our LTP.

Further details on the specific rate types are included in the funding impact statement (rates section) on page 80-101 and sample properties on page 102.

What you get for your rates

Every $1 of your rates goes towards:

Transport - 0.33c

Community resources - 0.20c

Community leadership - 0.13c

Environmental services - 0.08c

Sewerage - 0.12c

Water supply - 0.12c

Stormwater - 0.02c

These figures are indicative only.

Rates for individual properties will vary depending on the location, the local projects being funded and the services received.

Several factors have contributed to the $5.1 million rate increase from the previous year.

The biggest portion is $2.7 million of additional rates for roading. This follows Council's decision as part of the LTP to increase rates for roading in anticipation that we may be able to secure additional funding from NZ Transport Agency (NZTA) in order to maintain our current roading levels of service.

A further $1.7 million is due to increased costs for stormwater, wastewater and drinking water depreciation, loan interest and principal repayments, maintenance, insurance and electricity.

There are small increases in wheelie bin collection costs ($0.13 million) due to higher waste disposal and recycling costs.

Local rates have also increased slightly ($0.16 million) due to higher operating and maintenance costs for a range of community facilities like halls and open spaces and an increase in loan interest costs.

Because sewerage, water and rubbish are mainly provided in townships, these cost increases will affect residential households the most.

The average change for a residential property across the district will be around $330 (8%), or $6 per week.

The proposed rate change for individual properties will vary depending on the type of property, its location and the services it pays for, as well as its capital value and changes to the value of your property resulting from the recent revaluations. By township the proposed average rate increase varies from $90, or 4%, in Thornbury, to around $460 or 11%, in Te Anau.

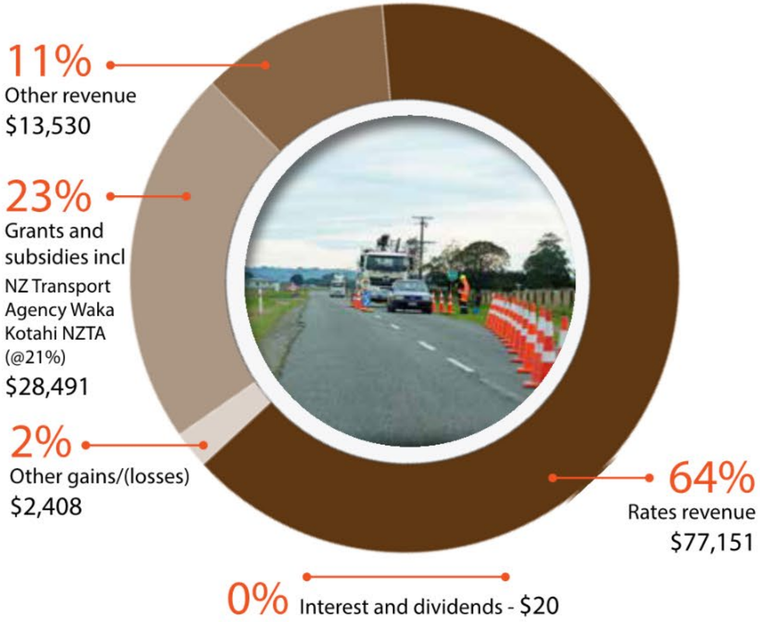
By land use sector the proposed average rate increase varies. The average increase for a farm is around $180 (3%), $945 (6%) for a dairy farm, $350 (4%) for a forestry property, $240 (10%) for lifestyle, $680 (8%) for commercial, $485 (9%) for industrial, $150 (1%) for mining and $780 (16%) for other properties.

Income and EXPENSES

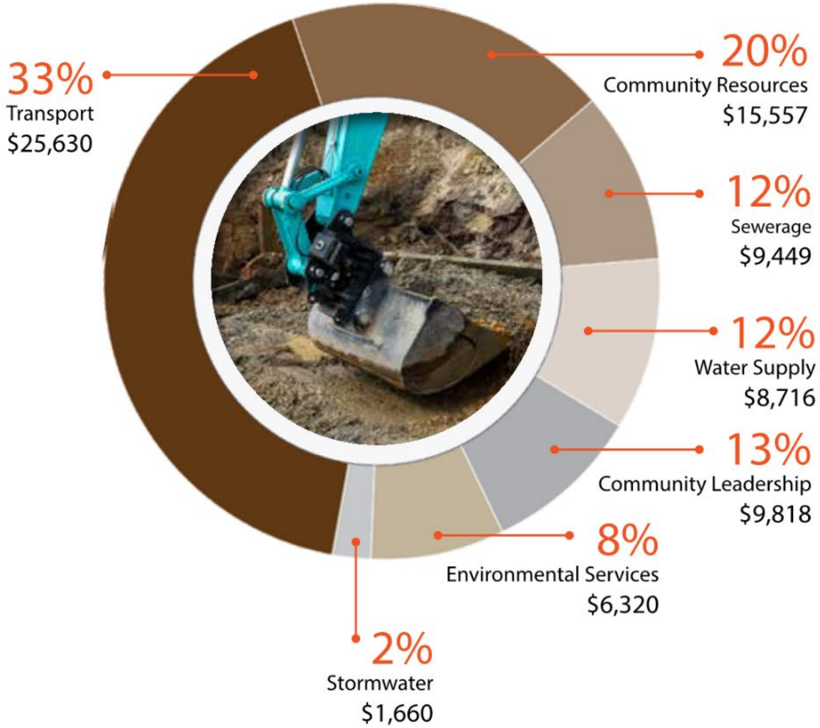
Where we get our funding and how we plan to spend it.

The graphs show that the majority of Council's expenditure and rates fund key infrastructure such as roads, footpaths, water supply, wastewater and stormwater. These activities make up 62% of our operating expenses, 84% of capital expenses and 59% of our rates.

Income sources ($000)



Rates by activity ($000)



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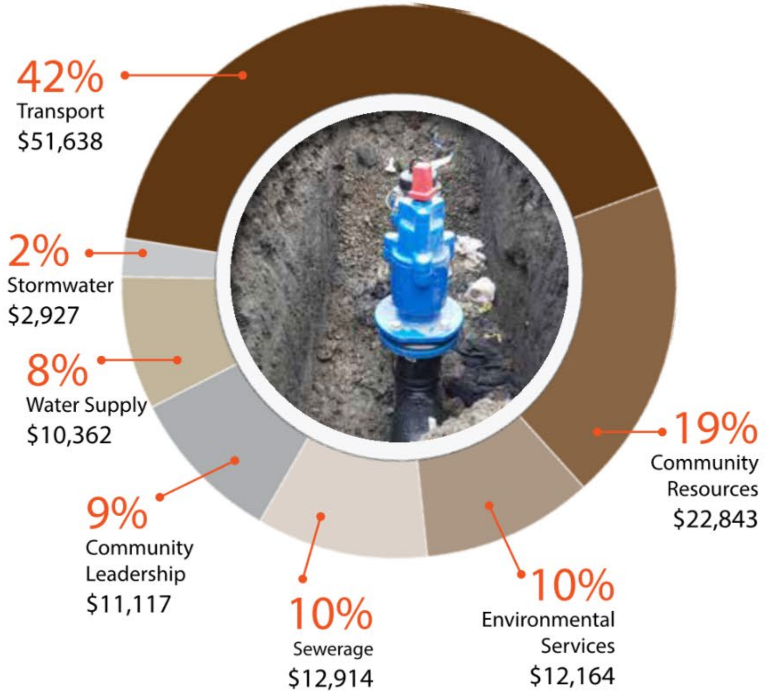
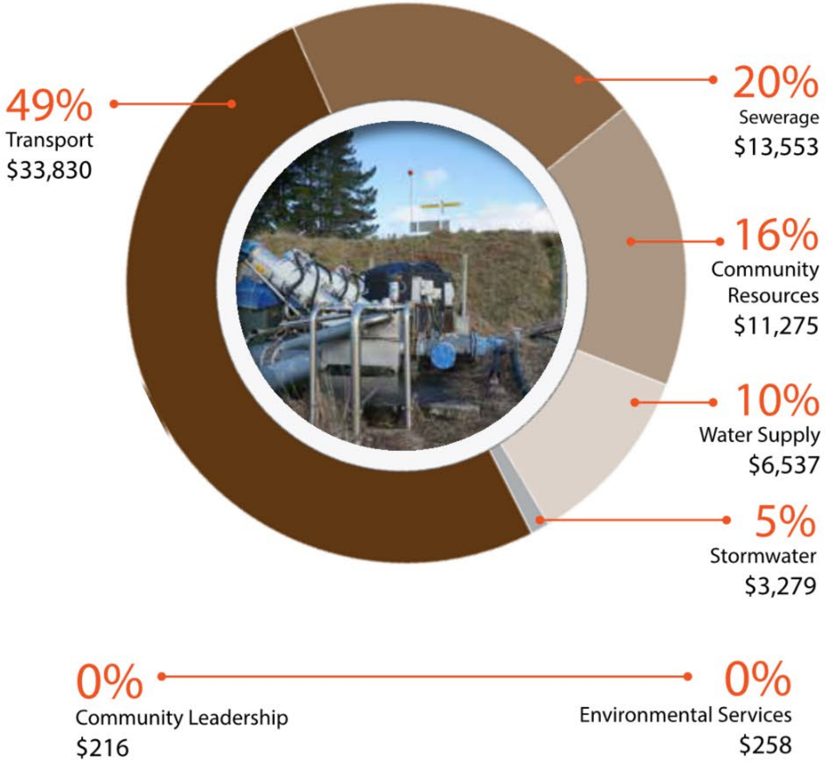
Operating expenditure by activity ($000)



Capital expenditure by activity ($000)



Council also has various corporate services, which have operating spend of $5.5 million (total $129.5 million) and capital spend of $0.3 million (total $69.2 million). These corporate services are funded through internal charges which are spread over the seven activities.

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Annual Plan DISCLOSURE STATEMENT

The purpose of this statement is to disclose Council's financial performance in relation to various benchmarks to enable the assessment of whether Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

Council is required to include this statement in its annual plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Further commentary on the balanced budget can be found on page 104.

Benchmark	Quantified Limit	Planned as per LTP 2025/2026	Met for LTP 2025/2026	Planned as Annual Plan 2025/2026	Met for Annual Plan 2025/2026
Rates affordability benchmark					
- Income	70%	61.8%	**Yes**	63.4%	**Yes**
- Increases	8.00%	7.90%	**Yes**	7.02%	**Yes**
Debt affordability benchmark - net debt	175%	77.4%	**Yes**	70.2%	**Yes**
Balanced budget benchmark	100%	98.5%	**No**	93.9%	**No**
Essential services benchmark	100%	152.7%	**Yes**	135.6%	**Yes**
Debt servicing benchmark	10%	4.81%	**Yes**	3.95%	**Yes**

Council forecast in the LTP that it would not meet the balanced budget benchmark in 2025/2026 and this has not changed.

Council does not meet the balanced budget benchmark as a result of the phasing in of depreciation funding on the majority of key district assets. Council is expecting to be fully funding depreciation on these assets by 2031/2032 which will also result in Council moving to an operational surplus.

The deterioration in the balanced budget benchmark between the LTP and the annual plan is primarily due to higher than expected depreciation costs for roading. Additionally, investment returns are no longer included in Council's reported investment income, as earnings from the balanced fund are only recognised when the investment units are sold.

Rates affordability benchmark

For this benchmark, the limit for Council's planned rates income is 70% of its total revenue.

Rates increases are limited to 8%.

Council meets the rates affordability benchmark if:

1. its planned rates income equals or is less than each quantified limit on rates; and
2. its planned rates increase for the year equals or is less than each quantified limit on rates increases.

Debt affordability benchmark

For this benchmark, Council's planned borrowings are compared with 175% of total revenue on borrowing contained in the financial strategy included in Council's Long Term Plan.

Council meets the debt affordability benchmark if its planned borrowings are within the quantified limit on borrowing.

Essential services benchmark

For this benchmark, Council's capital expenditure on network services is presented as a proportion of depreciation on the network services.

Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

Balanced budget benchmark

For this benchmark, Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant, or equipment) is presented as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

Council meets this benchmark if its revenue equals or is greater than its operating expenses.

Debt servicing benchmark

For this benchmark, Council's planned borrowing costs are presented as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property plant or equipment).

Council meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.

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OUR
ACTIVITIES

Community leadership

What's included in the activity?

- community leadership (community development, engagement and planning)
- regional development
- community assistance (grants and donations)
- representation and advocacy

What do we do and how do we contribute to community outcomes?

This activity encourages collaboration, partnerships and strong relationships so communities can achieve more, but also strengthens community connections, local leadership, understanding and self-reliance. This in turn helps embed intergenerational wellbeing and local democracy. The community leadership activity is a critical factor in connecting communities with Council, community boards and Council activities, in order to develop the social, cultural, economic and environmental wellbeing of the communities across the District.

Community leadership fosters strong partnerships with local organisations and supports community-driven development. It also connects with key national and regional stakeholders to support the district's communities, enhance residents' quality of life and provide a welcoming environment for visitors.

Council invests in regional development initiatives through Great South whose role it is to focus on the economic development of the district, attracting business, and providing and promoting quality visitor experiences. In addition, Council provides support, community connection, voices and insights, and feedback into the development of, the regional long-term plan - Beyond 2025.

Through its community assistance activity, Council supports local groups through funding that enhances community wellbeing and local connections. This includes community board partnership funding for local initiatives, district initiatives funding for projects benefiting multiple communities, district heritage funding for museums and heritage projects and Stewart Island Rakiura visitor levy funding for initiatives that manage visitor impact and improve island visitor facilities.

Representation and advocacy supports decision-making at both district and local levels through Council, community boards, and committees. It also encourages input from young people and works with groups like the Milford Community Trust, Whakamana Te Waituna Charitable Trust, and Predator Free Rakiura. Council also actively advocates for Southland's interests by making submissions, lobbying government, and ensuring southern and rural voices are heard in national discussions.

Key aspects of the activity include providing meeting support, delivering three-yearly local government elections and six-yearly representation reviews to determine the representation structure.

What's planned for the year?

Representation and advocacy activities for the year include:

- delivering the 2025 local government elections and inaugural governance requirements. This will include putting in place appropriate provisions for the election period, delivering inaugural meeting requirements, and implementing essential governance documents, Council's governance structure and elected member positions
- continuing to advocate for the district on a range of issues, including receiving appropriate funding for roads, the appropriate delivery of water services, and supporting the Stewart Island Rakiura energy project
- providing support in relation to the Mayor's proposal to merge Southland's four existing councils into two new unitary authorities which is awaiting a response from the Local Government Commission who are in the early stages of gathering feedback about the proposal.

Community leadership activities for the year include:

- reviewing and updating community board plans, including community engagement to ensure plans reflect local priorities
- implementing actions from community board plans, ensuring projects align with each board's desired outcomes
- building community leadership and capability through workshops and engagement with local stakeholders
- supporting the delivery of 'Better Off' funding projects across all nine community board areas
- adopting and implementing the Southland District Newcomers Welcome Plan to support community inclusion and belonging
- supporting the Mayor's Taskforce for Jobs Programme, in partnership with Great South
- partnering with the Southland Business Chamber to deliver the Southland District Leadership Academy, fostering future local leaders.

Community assistance activities for the year include:

- providing guidance to communities on available Council and external funding opportunities, and manage the application and selection process for Council-administered grants
- implementing and managing the full-year cycle of SmartyGrants, Council's online grants management system
- facilitating the delivery of the SDC Holiday Programme, in partnership with Active Southland
- supporting the delivery of a water treatment training course for operators of community pools across the district
- coordinating the community service awards which enable community boards to recognise individuals and groups who have made outstanding contributions through leadership, volunteering, or service.

Regional development activities

Guided by the Beyond 2025 Southland long-term strategy, Great South is advancing key opportunities that will shape Murihiku Southland's future, with a continued focus on regional development leadership, regional promotion, business support and diversification and Net Zero Southland that supports the region and local businesses with their decarbonisation journeys.

Great South will remain focused on providing updated data through DISH (Data and Insights Southland Hub), progressing housing implementation, delivering agreed actions through the aquaculture strategy while advocating for the region. Ongoing work to support infrastructure development and renewable energy strengthens our economic and environmental foundations.

The transformative potential of tourism will remain to be a key area of focus for the foreseeable future, ensuring Murihiku Southland is promoted nationally and internationally. Great South will also support events and endeavour to bring business events to the region while also progressing key initiatives from the Murihiku Southland Destination Strategy.

Furthermore, Great South will continue to support local businesses with capability development including through decarbonisation workshops and outreach programmes. There will be an added focus to develop an Agriculture Plan and Changing Land Use and Impacts of Carbon Forestry that will shape how we approach our primary industries.

Other innovative initiatives, including Space Operations New Zealand Ltd (Space Ops NZ) and the Data and Insights Southland Hub (DISH), continue to position the region as a leader in technology and connectivity. These projects are creating high-value jobs, attracting investment, and showcasing Southland as a hub for cutting-edge innovation.

Community leadership – funding impact statement	2024/2025 Annual Plan Budget ($000)	2025/2026 Long Term Plan Forecast ($000)	2025/2026 Annual Plan Budget ($000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	8,335	8,596	8,477
Targeted rates	1,269	1,290	1,340
Subsidies and grants for operating purposes	302	116	138
Fees and charges	-	-	-
Internal charges and overheads applied[1]	479	476	480
Local authorities fuel tax, fines, infringement fees, and other receipts	401	540	554
Total operating funding	**10,786**	**11,017**	**10,990**
Applications of operating funding			
Payments to staff and suppliers	4,037	4,159	4,123
Finance costs[3]	2	1	-
Internal charges and overheads applied[2]	3,542	3,426	3,656
Other operating funding applications	3,673	3,702	3,764
Total applications of operating funding	**11,253**	**11,288**	**11,544**
Surplus (deficit) of operating funding	**(468)**	**(271)**	**(553)**
Sources of capital funding	-	-	-
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(12)	(13)	-
Gross proceeds from sale of assets	25	87	87
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**13**	**74**	**87**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	2	2	2
- to replace existing assets	50	214	214
Increase (decrease) in reserves	(266)	(172)	(442)
Increase (decrease) in investments	(240)	(240)	(240)
Total applications of capital funding	**(455)**	**(197)**	**(467)**
Surplus (deficit) of capital funding	**468**	**271**	**553**
Funding balance	**-**	**-**	**-**

Internal charges and overheads breakdown showing interest/finance costs	2024/2025 Annual Plan Budget ($000)	2025/2026 Long Term Plan Forecast ($000)	2025/2026 Annual Plan Budget ($000)
Sources of operating funding - Internal charges and overheads applied[1], made up of:	**479**	**476**	**480**
Internal interest earned on reserves	150	150	150
Other internal income	329	326	330
Applications of operating funding - Internal charges and overheads applied and Finance costs, made up of:	**3,544**	**3,427**	**3,656**
Interest costs on loans (note - costs for 2024/2025 and LTP 2025/2026 are shown separately under finance costs[3])	2	1	-
Other internal charges[2]	3,542	3,426	3,656

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Key differences from what was forecast in the LTP for 2025/2026 to the Annual Plan budget for 2025/2026

Additional funding is being used to support community groups through grants this year, increasing other operating expenses. Additionally, internal charges and overheads expenditure has risen primarily as a result of the movement of funding contributions for the Edendale/Wyndham multi-use track project which has been deferred from 2024/2025 to 2025/2026 along with the related reserve funding leading to a larger draw on reserves.

Community resources

What's included in the activity?

- community services (including cemeteries, community housing, library services and heritage and culture)
- community facilities (including toilets, halls, Council library/office buildings)
- open spaces (including parks, reserves, sportsfields)
- waste services (including wheelie bin collections, transfer stations, recycling centres, greenwaste sites, waste minimisation/education via WasteNet Southland)
- electricity services for Stewart Island Rakiura through the Stewart Island Electrical Supply Authority (SIESA)

What we do and why we do it

Community resources encompasses a wide range of services and facilities that enable people to participate in recreational, educational, sporting, commercial, social and cultural activities throughout the district. These include community services such as cemeteries, community housing and library facilities, a variety of community facilities including halls, public toilets, council offices and buildings, open spaces as well as essential waste management and electricity supply for Stewart Island/Stewart. Together, these activities foster social connection and active lifestyles and form the foundation of a healthy, inclusive, and liveable community.

What is planned for the year?

The majority of expenditure on physical structures will be directed toward ongoing maintenance and upgrades. A number of Council-owned halls, community housing and other buildings across the district will undergo improvements, including the installation of LED lighting, window replacements, toilet upgrades, and repainting. The public toilet refurbishment and replacement programme will also continue, with new facilities planned for Garston and Tokanui and preparing for the future upgrade of at Howells Point (Riverton) toilet, Ivon Wilson Park (Te Anau), Golden Bay (Stewart Island Rakiura), Wallacetown, Thornbury, and Otautau. Planning and community engagement will also continue to advance the shelter area development at Monkey Island.

A key priority for the year will be preparing to consolidate the Council's Invercargill-based operations into a single location at Henderson House. The move, targeted for December 2026, follows nearly five years of operating from three separate buildings after part of the original Forth Street premises were deemed earthquake-prone.

A major focus over the coming months will be preparing new contracts for mowing, gardening, and public toilet cleaning which will determine who will deliver these services. These contracts are set to begin on 1 July 2026 and will be in place for at least four years. As part of this process, the Council will be working to determine how services can best meet the needs of each community. To help shape these decisions, we have sought input from community boards about the appropriate levels of service in their areas.

In the meantime a variety of projects are planned for the district's open spaces including the installation of active recreation equipment at Te Aka reserve in Manapouri, Winton Centennial Park, Tokanui, Wyndham and Otautau. Efforts will also focus on updating reserve management plans for all Council reserves. These plans will guide the future use, development, and maintenance of these spaces and will help to ensure that reserves are managed in a way that reflects community needs, protects natural values, and supports recreational and cultural uses. A masterplan has also been developed for Golden Bay on Stewart Island Rakiura, aiming to upgrade and better integrate infrastructure to support both residents and visitors. The plan outlines a long-term vision to guide development over the next 5 to 10 years, as funding becomes available. As part of this, the annual plan includes funding in 2025/2026 for preparatory work on a new walking link from Oban and improvements to car parking facilities. Work will continue on initiatives that support the Te Anau basin masterplan development, looking at improvements along the lakefront, installing cycle stands and upgrading the rubbish bins.

For waste services, the focus for the year is on continuing to implement the Southland Waste Management and Minimisation Plan 2020–2026, while awaiting further direction from the government following its 2025 consultation on proposed changes to the Waste Minimisation Act 2008 and related regulations. These reforms aim to modernise New Zealand's waste system and improve environmental outcomes. Key proposals include establishing a framework for extended producer responsibility—making producers accountable for the full lifecycle of products such as packaging, electronics, and tyres—revising how the waste levy is distributed to councils and what it can be used for, clarifying the roles of central and local government and the private sector, and strengthening compliance, enforcement, and litter control tools. Council will also begin reviewing contracts for waste and recycling services to determine future providers with a new contract required to be in place by 1 July 2027. As part of this process, we will assess whether any changes to the services are needed and consider upcoming government requirements—such as potential changes to glass collection.

In addition, transfer station fees and charges have increased slightly to reflect higher contract costs and a $5 per tonne rise in the government's waste disposal levy. A new $40 fee has been introduced to cover the cost of certified technicians degassing whiteware, while the charge for disposing of car tyres has been removed as Council prepares to join the Tyrewise product stewardship scheme to support tyre recycling.

Council has identified that there are multiple community housing units that need to be refurbished, however the current rental income is not sufficient to support the maintenance work needed to keep the units up to appropriate standards. Council has increased the rents this year to address a portion of the shortfall, however the current level of fee income will not be enough to cover all the operational and refurbishment costs. Further work on this activity will be undertaken with Council over the year.

Key projects: Community Resources	Budget ($000)
Community Services	
Parks & Reserves	
Te Anau masterplan implementation	455
Stewart Island Rakiura - car park and walking link development	102
Tuatapere - historic railway station refurbishment	117
Woodlands - reconstruction of the track to Kingswood Bush	51
Edendale and Wyndham - creation of multi-use track	600
Nightcaps - McGregor Park development (including pump track)	102
Community facilities	
Toilets	
District wide toilets - renewal preparation/construction	1,261
Monkey Island - shelter area development (stage two)	300
Offices & Buildings	
Invercargill building - replacement	6,779
SIESA	
Stewart Island Rakiura SIESA - capital renewal programme	288

Refer to section four for the full list of projects.

Community resources – funding impact statement	2024/2025 Annual Plan Budget ($000)	2025/2026 Long Term Plan Forecast ($000)	2025/2026 Annual Plan Budget ($000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	8,582	8,849	8,503
Targeted rates	6,827	7,172	7,054
Subsidies and grants for operating purposes	718	509	658
Fees and charges	2,329	2,377	2,459
Internal charges and overheads applied[1]	3,279	3,263	3,619
Local authorities fuel tax, fines, infringement fees, and other receipts	1,044	1,082	1,030
Total operating funding	**22,779**	**23,252**	**23,324**
Applications of operating funding			
Payments to staff and suppliers	16,908	15,775	16,045
Finance costs[3]	626	1,117	-
Internal charges and overheads applied[2]	6,058	5,970	7,071
Other operating funding applications	151	153	146
Total applications of operating funding	**23,743**	**23,016**	**23,262**
Surplus (deficit) of operating funding	**(964)**	**237**	**62**
Sources of capital funding			
Subsidies and grants for capital purposes	909	268	605
Development and financial contributions	35	-	-
Increase (decrease) in debt	3,416	7,436	8,871
Gross proceeds from sale of assets	908	931	901
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**5,267**	**8,635**	**10,377**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	226	-	-
- to improve the level of service	2,551	1,369	1,647
- to replace existing assets	3,194	8,207	9,629
Increase (decrease) in reserves	(1,422)	(485)	(597)
Increase (decrease) in investments	(247)	(217)	(240)
Total applications of capital funding	**4,303**	**8,874**	**10,439**
Surplus (deficit) of capital funding	**964**	**(238)**	**(62)**
Funding balance	**-**	**(2)**	**-**

Internal charges and overheads breakdown showing interest/finance costs	2024/2025 Annual Plan Budget ($000)	2025/2026 Long Term Plan Forecast ($000)	2025/2026 Annual Plan Budget ($000)
Sources of operating funding - Internal charges and overheads applied[1], made up of:	**3,279**	**3,263**	**3,619**
Internal interest earned on reserves	150	150	150
Other internal income	3,129	3,113	3,469
Applications of operating funding - Internal charges and overheads applied and Finance costs, made up of:	**6,684**	**7,087**	**7,071**
Interest costs on loans (note - costs for 2024/2025 and LTP 2025/2026 are shown separately under finance costs[3])	626	1,117	742
Other internal charges[2]	6,058	5,970	6,329

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Key differences from what was forecast in the LTP for 2025/2026 to the Annual Plan budget for 2025/2026

Payments to staff and suppliers are higher than projected in the LTP, primarily due to increased costs for waste disposal as well as toilet maintenance and electricity. Additionally, the rescheduling of the Edendale–Wyndham Hall interior repaint project to 2025/2026 has contributed to the higher expenditure this year. As a result, fees and charges income is slightly higher due to an increase in waste disposal fees and electricity charges for SIESA to reflect the higher operational costs.

While finance costs appear reduced, this reflects a change in accounting treatment. Council now uses internal interest charges to allocate borrowing costs across activities, following the shift to bulk borrowing through the Local Government Funding Agency (LGFA). External interest related to Council's borrowing is now reported under finance costs in the consolidated funding impact statement. Overall, interest costs (included as part of internal charges and overheads) are around $376,000 lower than projected in the LTP, due to both a drop in interest rates (from 5.67% to 4.91%) as well as a lower level of borrowing for capital projects in 2024/2025. This reduction is offset by an increase in other internal charges, driven by higher rates and a shift in how maintenance work on various buildings and community facilities is delivered. Previously contracted services, recorded under payments to staff and suppliers, are now being carried out by an internal staff team moving the costs to internal charges and overheads applied. This change means that the related revenue is also included in internal income.

Subsidies and grants for capital purposes have also increased due to the movement of government better off funding projects from 2024/2025 to 2025/2026. These include improvements at Ellerslie Square in Wallacetown to enhance recreational opportunities, the Tuatapere Historic Railway Station project to restore and revitalise the historic railway precinct in Tuatapere and the Garston Village Green project to install a community barbeque.

Capital expenditure to improve levels of service is also higher than anticipated due to the partial deferral of several projects from 2024/2025 to 2025/2026. These include the Monkey Island shelter area development, implementation of the Te Anau Masterplan and the Edendale–Wyndham multi-use track project. Similarly, capital expenditure for asset renewals has increased, primarily due to the deferral of better off funding projects noted above as well as the project to consolidate Council's offices in Invercargill – which is also related to the increase in debt. Additionally, the Otautau Centennial Park playground equipment renewal has been brought forward from 2026/2027 to 2025/2026, further contributing to the increase.

The larger reduction in reserves is mainly attributed to the rescheduling of the Te Anau Master Plan implementation and the Edendale–Wyndham multi-use track projects.

Environmental Services

What's included in the activity?

- building solutions
- resource management
- environmental health (including for health, alcohol, food and monitoring/compliance)
- animal services
- emergency management

What we do and why we do it

Environmental Services is responsible for delivering Council's key regulatory functions under legislation such as the Resource Management Act 1991, Building Act 2004, Health Act 1956, Dog Control Act 1996, Sale and Supply of Alcohol Act 2012, Freedom Camping Act 2011, Food Act 2014, and other related laws. The team works closely with Te Ao Mārama, the agency representing Ngāi Tahu ki Murihiku, to ensure iwi input into Council processes under the Resource Management Act and Local Government Act. Environmental Services also includes Council's relationship with Emergency Management Southland (EMS), the regional body responsible for preparing for, responding to, and recovering from emergencies. This includes developing community and agency response plans, building communication networks, providing public education and training and supporting EMS with trained Council staff during emergencies.

The core focus of these activities is to protect public health, maintain a safe and pleasant environment, and safeguard the district's natural and built environments for future generations. They play a key kaitiakitanga (guardianship) role in meeting both legal obligations and community expectations in relation to the natural and built environment. Emergency management activities aim to keep people safe and connected during emergencies, reduce potential damage through planning and awareness, and support fast, effective recovery.

What is planned for the year?

Overall legislative reform remains a key focus, with the government undertaking significant changes to both the Resource Management Act (RMA) and the Building Act. These reforms aim to streamline development, support infrastructure delivery and address housing and environmental challenges. By 2026, the government plans to fully replace the RMA with two new laws focused on strengthening property rights, accelerating infrastructure development, and simplifying planning processes. Insufficient detail is available to determine the impact of the proposed changes on resource management planning and consenting for Council.

Phase 2 of these reforms, proposes new National Policy Statements (NPS)—one for infrastructure and another for natural hazards. Additionally, a new National Environmental Standard (NES) and amendments to the Building Act will make it easier to construct small standalone buildings up to $70m^2$, such as granny flats and papakāinga housing. These structures will be exempt from building consent (subject to specific conditions), and one granny flat per property will be permitted without the need for resource consent.

These changes are expected to impact Council in several ways, including reduced workloads for building and resource consents and a corresponding loss of associated revenue. However, Council will still be responsible for monitoring compliance with the National Environmental Standards (NES) and the Building Code, which may require new systems and/or staff training to manage notifications and post-construction checks. The reforms also have the potential to increase demand on core services such as water supply, wastewater, roading, and waste management.

Significant changes are proposed to several national planning documents, including the National Policy Statements (NPS) on Electricity Transmission, Renewable Electricity Generation, and Highly Productive Land, as well as the NES for Electricity Transmission, Natural Hazards, Indigenous Biodiversity, and Commercial Forestry. Updates are also planned for the New Zealand Coastal Policy Statement and national freshwater regulations.

These changes will increase the workload for both resource management planning and consent processing, as the new requirements must be reflected in the District Plan and considered in consent assessments. The proposed changes to the NPS on Highly Productive Land may support progress on the district spatial plan. However, the changes to the NES on Commercial Forestry are unlikely to address Council's concerns about the rapid growth of forestry in Southland and its impact on local communities.

Building solutions

In addition to responding to the government reforms, a number of initiatives are planned for the year including focussing on training junior staff to ensure they reach the required competency to work independently and ensure Council has the right capability in place to manage the workload effectively. There will also be a focus on identifying and implementing more efficient ways of working to improve both budget performance and staff productivity. Engagement and communication efforts with the building community will continue, with a review of past activities and a renewed focus on expanding our impact in this area. Council is also closely monitoring updates from the Ministry for Business, Innovation and Employment (MBIE) regarding changes to the building sector, particularly those related to the Building Consent Authority (BCA) Reform. We remain actively involved in the feedback process, providing submissions on proposed changes. The Southland Building Cluster Group also continues to collaborate regularly, with BCA reform updates as a standing agenda item to ensure a coordinated regional response.

Key initiatives for the year include:

- changeover of the consenting operating system with the phasing out of the existing system
- increased use of remote inspections
- investigation of AI building compliance products
- pay as you go invoicing for the consenting process

Resource management/planning

In addition to responding to the government reforms, a key focus for strategy/planning related to resource management will be on the preparation of spatial plans for 23 townships across the district. A spatial plan is a long-term, strategic document that visually maps out how an area should grow and develop over time. They are used to guide land use, support infrastructure planning, identify areas that should be preserved or enhanced, manage risks of natural hazards like flooding or coastal erosion, and support economic growth by providing areas for business and industry. These plans will help communities make informed decisions about the future, ensuring growth is sustainable, resilient, and aligned with local values. It also helps Council coordinate with central government, developers, and residents. The Stewart Island/Rakiura Spatial Plan is underway followed by Riverton–Colac Bay and Te Anau–Manapouri.

Council is also committed to ensuring that resource consents are processed within the required statutory timeframes. Significant improvements have been made to internal processes, systems, and staffing to boost compliance rates and reduce reliance on external contractors. Key initiatives include the development of an updated set of standard subdivision conditions and advice notes, designed to promote consistency and clarity in decision-making. The focus moving forward will be on consolidating these improvements while continuing to identify opportunities for further enhancement, particularly in refining invoicing procedures to improve efficiency and transparency.

Key initiatives for the year include:

- the resource management planning team will be focused on finishing existing District Plan changes. An additional plan change is also under consideration to meet the requirements of the National Planning Standard and consequential changes. While considerable preliminary work has been completed during 2023/2024 for the landscapes plan change project, this work has been paused whilst resource management reform is occurring
- the focus of our climate change work for 2025/2026 is developing a better understanding of potential impacts of climate change on Council's assets and operations. We will assess organisational climate change risks to support our ordinary risk management and identify opportunities to build climate resilience
- we will continue to participate in the Regional Climate Change Working Group. A key activity in the short term is regional modelling of climate impacts and hazards
- the resource management planning team continues to provide expert support to Council in the preparation of submissions and advice on resource management issues including commercial forestry
- the resource consents team will continue to implement plan changes and incorporate additional natural hazard information as this becomes available from Environment Southland and other sources as required by the recent changes to LGOIMA regulation.

Environmental health (including for health, alcohol, food) and Monitoring/compliance

As part of the rollout of the Trading in Public Places Bylaw, Southland District Council's Environmental Health team has been working closely with local community boards to identify suitable locations for public trading. Following this collaborative process, a number of sites have been approved and will be featured on an official map showing where trading is permitted across the district. This initiative aims to provide greater clarity and consistency for both traders and the wider community, ensuring everyone knows where trading activities can take place. The Council will continue to work with community boards to monitor these sites and update the map as community needs and preferences evolve.

In addition, Council has introduced online services for alcohol, food, and health licensing. Customers are encouraged to register as online users, enabling them to submit and manage applications, track real-time progress, make payments, and check account balances—all while reducing the need for paper-based processes.

In terms of alcohol licensing, work is underway to enhance the information available on Council's website, including clearer guidance on the Local Alcohol Compliance Certificate (LACC) process. In addition, the Local Alcohol Policy (LAP) will be reviewed which will set standard guidelines and rules for the operation of licensed premises.

Other environmental health initiatives include:

- facilitating the smooth introduction of Ministry for Primary Industry's (MPI) new food business levy into the processes for registering new and existing food businesses. As the registration authority, Council must collect this levy on behalf of MPI from 1 July 2025
- working towards strengthening relations with customers with improved communication to keep them informed of about legislative updates and other changes as these are received.
- in terms of monitoring and compliance, the focus for the year is to continue work to complete overdue consent monitoring. Many of these consents have not been reviewed for several years. This work aims to ensure a consistent approach to compliance and to reinforce the importance of consent holders adhering to the District Plan and the conditions of their consents.

Animal services

The review of the Dog Control Bylaw is currently being consulted on with the submission period closing mid July 2025. Amongst the changes are adjustments to dog access rules to decrease restrictions in Te Anau, increase restrictions in Curio Bay and decrease the size of the dog exercise area in Wyndham. As a flow on from this, work has also started on developing an improved online mapping system to clearly show where dogs are permitted and prohibited across the district. Discounts for dog owners have also been reviewed and updated to ensure that responsible owners are not subsidising those who do not meet all legal obligations under the Dog Control Act 1996. While the number of available discounts remains unchanged, the eligibility criteria have been revised to reflect the Act.

Other animal services initiatives include:

- working towards having all known dogs registered
- visiting all owners of menacing and dangerous dogs to ensure compliance with the classification conditions
- collaboration between the compliance and resource management teams to standardise consent conditions so that they are manageable/measurable and enforceable if required
- automating documents within Council's software system (Infor Pathway) to enhance efficiency and reliability.
- continue to charge consent holders for monitoring activities to ensure they are held accountable for meeting their obligations

Emergency management

Emergency Management Southland remains committed to enhancing the safety and preparedness of Southland's communities. Our ongoing efforts focus on increasing hazard awareness, strengthening response capabilities, and fostering community resilience across the region.

In parallel, the Civil Defence Emergency Management Act (CDEM Act) is undergoing a comprehensive review aimed at reinforcing New Zealand's emergency management framework. This legislative reform is expected to culminate in the introduction of a new Emergency Management Bill in 2026.

Council's building team also continue to support Emergency Management Southland (EMS) by training Council's building staff as Rapid Building Assessors, ensuring Council has sufficient qualified personnel available to carry out emergency building assessments when needed.

Key emergency management initiatives for the year include:

- strengthening Community-Led Responses – Empowering local communities with training, resources, and development of response plans
- enhancing Training & Capability – Developing response staff skills and ensuring operational readiness
- improving Iwi & Māori Coordination – Collaborating with Ngāi Tahu and local Rūnaka to integrate cultural perspectives in emergency management
- strengthening Welfare Support – Expanding welfare services, provider capacity, household goods & services, and emergency shelter & accommodation planning
- ensuring Lifeline & Infrastructure Resilience – Assessing critical infrastructure vulnerabilities and enhancing business continuity planning
- enhancing Information Sharing & Coordination – Improving warning systems, intelligence sharing, response coordination, and Public Information Management.

Environmental services – funding impact statement	**2024/2025 Annual Plan Budget ($000)**	**2025/2026 Long Term Plan Forecast ($000)**	**2025/2026 Annual Plan Budget ($000)**
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	6,117	6,427	6,320
Targeted rates	-	-	-
Subsidies and grants for operating purposes	610	214	610
Fees and charges	4,864	5,064	4,739
Internal charges and overheads applied[1]	610	621	622
Local authorities fuel tax, fines, infringement fees, and other receipts	302	315	323
Total operating funding	**12,503**	**12,641**	**12,614**
Applications of operating funding			
Payments to staff and suppliers	8,090	7,304	7,456
Finance costs[3]	14	20	-
Internal charges and overheads applied[2]	4,422	4,657	4,679
Other operating funding applications	473	496	496
Total applications of operating funding	**12,999**	**12,477**	**12,632**
Surplus (deficit) of operating funding	**(496)**	**164**	**(17)**
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	99	(122)	(95)
Gross proceeds from sale of assets	25	128	128
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**124**	**5**	**33**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	53	258	258
Increase (decrease) in reserves	(185)	152	(2)
Increase (decrease) in investments	(240)	(240)	(240)
Total applications of capital funding	**(372)**	**169**	**15**
Surplus (deficit) of capital funding	**496**	**(164)**	**17**
Funding balance	**-**	**-**	**-**

Internal charges and overheads breakdown showing interest/finance costs	**2024/2025 Annual Plan Budget ($000)**	**2025/2026 Long Term Plan Forecast ($000)**	**2025/2026 Annual Plan Budget ($000)**
Sources of operating funding - Internal charges and overheads applied[1], made up of:	**610**	**621**	**622**
Internal interest earned on reserves	150	150	150
Other internal income	460	471	472
Applications of operating funding - Internal charges and overheads applied and Finance costs, made up of:	**4,436**	**4,677**	**4,679**
Interest costs on loans (note - costs for 2024/2025 and LTP 2025/2026 are shown separately under finance costs[3])	14	20	12
Other internal charges[2]	4,422	4,657	4,667

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Key differences from what was forecast in the LTP for 2025/2026 to the Annual Plan budget for 2025/2026

Fees and charges revenue has reduced following an expected decline in building consent volumes as well as a general lowering of the value of building work being undertaken caused by a combination of factors including a slowing economy, high construction costs, and challenging financing conditions.

Subsidies and grant income is higher due to the change in timing for the Township Futures Plan project (funded from government better off grant funds) which has been deferred from 2024/2025 to 2025/2026 to enable the project scope to be finalised and resources to be secured to complete the work. This change in project timing is also the main reason that operating costs related to payments to staff and suppliers have increased which have been partially offset by a reduction in building activity costs for staff and suppliers with the expected lower volumes of consents to be processed.

As a result of these factors, there has been a corresponding reduction in the level of general rates needed to fund the balance of the activity under operating income.

With the reduction in building consent volumes and values reducing fee income, Council is also no longer expecting to re-pay reserves and instead will make a small transfer from reserves to help fund the activity in 2025/2026.

Transport

What's included in the activity?

- roads and footpaths (including signs, bridges, streetlights) and road safety
- cycle trails
- Te Anau Airport Manapōuri
- water facilities

What we do and why we do it

Transport delivers services and manages assets to enable safe and efficient transportation of people and vehicles across the district, excluding State Highways. Services range from routine maintenance, such as clearing debris and grading gravel roads, to major capital projects like bridge replacements and road renewals. In addition to roads, streets, streetlights, bridges, and culverts, the activity also oversees the Around the Mountains Cycle Trail, Te Anau Airport Manapōuri, and various water facilities such as boat ramps, wharfs/jetties and navigation aids enabling both recreational and commercial access to waterways.

This activity supports people's ability to live, work and travel safely throughout Southland and contributes to environmental protection and public safety through the use of stopbanks and marine walls, which help prevent flooding and support safe navigation.

What is planned for the year?

The main focus for the year is on maintaining transport infrastructure to ensure it remains safe, reliable, and sustainable for the future. In terms of roading, Council is aiming to replace around 25 bridges over the next 24 months. With the lower level of co-investment from NZTA Waka Kotahi than requested, sealed road pavement rehabilitations and resurfacing will remain similar to previous years. If funding continues to be limited, difficult decisions will need to be made about how to prioritise the funding and what sealed roads to invest in and what roads to return to gravel.

A major focus this year is the procurement of new road maintenance contracts, which will determine who will carry out the regular maintenance work on Southland's roads for the contract period. These contracts are a significant investment, with a combined valued of around $100 million. As part of this process, we are reviewing whether there are better ways to deliver these services and whether our current approach to road maintenance and renewals is still fit for purpose.

At the Te Anau Manapōuri airport, the project to resurface the airport runway is expected to be completed in 2025. Stage two of the airport business case, being progressed by Great South, will also come back to Council for consideration. This work is expected to guide future decisions on infrastructure upgrades, governance and operational models and potential commercial and tourism partnerships with the aim of addressing funding shortfalls and ensuring the airport can operate sustainably into the future.

With the Around the Mountains Cycle Trail, Council is waiting for the outcomes of a feasibility study to investigate creating a dedicated offroad cycle path on farmland to replace the existing gravel road section of the cycle trail between Mavora Lakes and Centre Hill. If this is found to be a viable option, planning and obtaining funding for construction of the new route will become the key focus for the year along with normal maintenance work on the trail required to retain the Great Ride status.

Three major projects are scheduled for the year for water facilities, with the primary focus on the anticipated replacement of the Ulva Island wharf. This project has been under consideration for several years, with the Council and the Stewart Island/Rakiura Community Board working collaboratively to determine the most suitable design and location for the new wharf. Consultation has occurred and will continue with key stakeholders, including landowners, the Department of Conservation, Environment Southland, and local commercial boat operators. With a preferred option now nearing final agreement, the project is expected to progress into the consenting and construction phases subject to Council approval.

In addition, a masterplan has been developed for Golden Bay, Stewart Island/Rakiura, with the goal of upgrading and better integrating infrastructure to serve both residents and visitors. The plan sets out a long-term vision for the area, guiding development over the next 5 to 10 years as funding becomes available. A central feature of the masterplan is the redevelopment of the Golden Bay Wharf, with funding allocated in the Annual Plan 2025/2026 for the project scope, design and construction which is dependent on obtaining grant funding for the projects.

The plan also includes funding to allow for the demolition and construction of a new structure at Riverton Harbour to support commercial operators with cargo loading and unloading. The exact details of what will be done is still to be finalised with the local harbour committee with a programme for the construction work to follow.

Key projects: Transport	Budget ($000)
Roading, Footpaths and Airport	
Roading	
District Wide - Bridge programme	9,000
District Wide - Unsealed road renewal programme	2,767
District Wide - Resurfacing programme	8,135
District Wide - Drainage renewal programme	2,000
District Wide - Pavement rehabilitation programme	6,000
District Wide - Structure component renewal programme	643
District Wide - Traffic services programme	1,287
District Wide Roading - Resilience programme	922
Footpaths	
Winton - Footpath renewal programme	106
Tuatapere - Footpath renewal programme	101
Edendale - Wyndham - Footpath renewal programme	376
Otautau - Footpath renewal programme	264
Water Facility	
Stewart Island Jetties	
Stewart Island Rakiura Ulva Island Wharf - Replacement	290
Stewart Island Rakiura Golden Bay Wharf - Renewal preparation/construction	505
Harbour	
Riverton T Wharf Replacement - Demolition and construction	814

Refer to section four for the full list of projects.

Transport – funding impact statement	2024/2025 Annual Plan Budget ($000)	2025/2026 Long Term Plan Forecast ($000)	2025/2026 Annual Plan Budget ($000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	1,355	1,391	1,389
Targeted rates	21,623	24,504	24,242
Subsidies and grants for operating purposes	9,645	9,403	8,818
Fees and charges	59	67	67
Internal charges and overheads applied[1]	421	410	424
Local authorities fuel tax, fines, infringement fees, and other receipts	1,403	1,437	1,131
Total operating funding	**34,506**	**37,213**	**36,070**
Applications of operating funding			
Payments to staff and suppliers	19,006	18,513	17,401
Finance costs[3]	614	801	-
Internal charges and overheads applied[2]	2,795	2,895	3,393
Other operating funding applications	141	144	144
Total applications of operating funding	**22,556**	**22,354**	**20,938**
Surplus (deficit) of operating funding	**11,950**	**14,859**	**15,132**
Sources of capital funding			
Subsidies and grants for capital purposes	17,838	18,563	17,601
Development and financial contributions	-	-	-
Increase (decrease) in debt	3,303	891	(881)
Gross proceeds from sale of assets	25	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**21,166**	**19,454**	**16,720**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	842	2,534	527
- to replace existing assets	33,369	32,035	33,303
Increase (decrease) in reserves	(1,018)	(179)	(1,906)
Increase (decrease) in investments	(78)	(77)	(72)
Total applications of capital funding	**33,116**	**34,313**	**31,852**
Surplus (deficit) of capital funding	**(11,950)**	**(14,860)**	**(15,132)**
Funding balance	**-**	**(1)**	**-**

Internal charges and overheads breakdown showing interest/finance costs	2024/2025 Annual Plan Budget ($000)	2025/2026 Long Term Plan Forecast ($000)	2025/2026 Annual Plan Budget ($000)
Sources of operating funding - Internal charges and overheads applied[1], made up of:	**421**	**410**	**424**
Internal interest earned on reserves	150	150	150
Other internal income	271	260	274
Applications of operating funding - Internal charges and overheads applied and Finance costs, made up of:	**3,409**	**3,697**	**3,393**
Interest costs on loans (note - costs for 2024/2025 and LTP 2025/2026 are shown separately under finance costs[3])	614	801	483
Other internal charges[2]	2,795	2,895	2,910

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Key differences from what was forecast in the LTP for 2025/2026 to the Annual Plan budget for 2025/2026

The primary reason for the variances is that New Zealand Transport Agency (NZTA) confirmed a lower level of funding for Council's three-year programme than what was anticipated in the Long Term Plan (LTP), following its adoption. As a result, the annual plan has been adjusted to reflect the final approved programme, leading to reduced income and expenditure in line with the scaled-back scope of work due to the funding shortfall.

On the expenditure side, capital expenditure for service level improvements has decreased along with payments to staff and suppliers. This reduction is partially offset by increased costs associated with stage two of the Te Anau-Manapouri airport review. While renewal related capital expenditure for roading has also reduced, this has been offset by a $4 million increase in the bridge replacement programme, carried over from 2024/2025 due to delays in obtaining site specific approvals as well as deferral of expenditure for the replacement of the jetty at Ulva Island ($250,000).

Overall, operating costs are lower, primarily due to a reduction in interest costs ($318,000). This is due to both a drop in interest rates (from 5.67% to 4.91%) and a lower level of borrowing for capital projects in 2024/2025. Interest charges are now included as part of internal charges and overheads rather than separately as finance costs. This reflects a change in accounting treatment. Council is using internal interest charges to allocate borrowing costs across activities, following the shift to bulk borrowing through the Local Government Funding Agency (LGFA). External interest related to Council's borrowing is now reported under finance costs in the consolidated funding impact statement.

On the income side, subsidies and grants and other receipts reflects the reduced NZTA funding. As Council has chosen to maintain the level of rates funding for the roading programme in line with the Long Term Plan (LTP), and continues to advocate to NZTA and the Government for additional support, the reduction in targeted rates reflects a reduction in road safety promotion. Debt and reserves are also decreasing as a result of the lower capital expenditure and the use of excess rate funding being used to repay debt early.

Stormwater

What's included in the activity?

- stormwater pipes, culverts, drains, sumps, soak holes, ditches, swales

What we do and why we do it

The stormwater activity is focussed on providing reliable network infrastructure to deal with rainfall and the disposal of surface water with adequate capacity to protect people and property from flooding and to ensure that the roading network is managed in as safe and efficient manner as possible ensuring that the impact of discharges on the receiving environment is minimised. Council provides a variety of stormwater services to 26 townships throughout the district from extensive reticulated infrastructure provided in larger communities to partial services focussed on road drainage or natural water source management in smaller communities.

The activity helps to protect people's property, improves road safety, and mitigate accessibility/safety issues which may otherwise be caused during flooding events. The collection, treatment and disposal of stormwater also helps to protect public health and controls the level of pollutants in stormwater discharged to waterways.

What is planned for the year?

Council will continue to make gradual improvements to stormwater networks across the district with projects to extend the piped reticulation network in Winton and Wyndham as well as improve the collection and treatment of stormwater in Te Anau along the lakefront and in Puketahi Drive to improve stormwater management in Sandy Brown Road.

In addition, following Council's decision to retain delivery of water services in house following the local water done well consultation, Council must also now develop a water services delivery plan by September 2025 that shows how the services will be operated to comply with the new standards, be financially sustainable and provide the required levels of service. The plan must also detail governance oversight and reporting arrangements to meet regulations.

Key projects: Stormwater	Budget ($000)
Edendale/Wyndham stormwater - main/manhole renewal and subsoils	1,200
Nightcaps - stormwater investigations and renewals	111
Ohai stormwater - investigations and renewals	228
Te Anau stormwater - discharge improvements to surface water at lakefront	228
Winton - investigation and replacement of storm main	513
Te Anau stormwater - Sandy Brown Road stormwater upgrade	1,000

Refer to section four for the full list of projects.

Stormwater – funding impact statement	2024/2025 Annual Plan Budget ($000)	2025/2026 Long Term Plan Forecast ($000)	2025/2026 Annual Plan Budget ($000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	431	449	458
Targeted rates	1,068	1,308	1,203
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads applied[1]	41	41	42
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
Total operating funding	**1,539**	**1,797**	**1,702**
Applications of operating funding			
Payments to staff and suppliers	533	510	472
Finance costs[3]	158	338	-
Internal charges and overheads applied[2]	847	902	1,183
Other operating funding applications	-	-	-
Total applications of operating funding	**1,538**	**1,750**	**1,655**
Surplus (deficit) of operating funding	**2**	**47**	**48**
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	3,164	2,183	3,183
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**3,164**	**2,183**	**3,183**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	1,463	228	1,228
- to replace existing assets	1,751	2,051	2,051
Increase (decrease) in reserves	-	-	-
Increase (decrease) in investments	(48)	(48)	(48)
Total applications of capital funding	**3,166**	**2,231**	**3,231**
Surplus (deficit) of capital funding	**(2)**	**(47)**	**(48)**
Funding balance	**-**	**-**	**-**

Internal charges and overheads breakdown showing interest/finance costs	2024/2025 Annual Plan Budget ($000)	2025/2026 Long Term Plan Forecast ($000)	2025/2026 Annual Plan Budget ($000)
Sources of operating funding - Internal charges and overheads applied[1], made up of:	**41**	**41**	**42**
Internal interest earned on reserves	30	30	30
Other internal income	11	11	12
Applications of operating funding - Internal charges and overheads applied and Finance costs, made up of:	**1,005**	**1,240**	**1,183**
Interest costs on loans (note - costs for 2024/2025 and LTP 2025/2026 are shown separately under finance costs[3])	158	338	256
Other internal charges[2]	847	902	927

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Key differences from what was forecast in the LTP for 2025/2026 to the Annual Plan budget for 2025/2026

Operating costs are lower, primarily due to a reduction in interest costs ($82,000). This is due to both a drop in interest rates (from 5.67% to 4.91%) and a lower level of borrowing for capital projects in 2024/2025.

While finance costs appear reduced, this reflects a change in accounting treatment. Council now uses internal interest charges to allocate borrowing costs across activities, following the shift to bulk borrowing through the Local Government Funding Agency (LGFA). Interest charges are now included as part of internal charges and overheads rather than separately as finance costs. External interest related to Council's bulk borrowing is now reported under finance costs in the consolidated funding impact statement. This has also resulted in a reduction in the level of targeted rates needed to fund the activity under operating income.

Capital expenditure has increased due to movement of projects between years. The level of service project to upgrade stormwater in infrastructure in Te Anau (Pukatahi, Caswell Road mega pit, Sandy Brown Road industrial area) has been moved from 2024/2025 to 2024/2025 because a new approach was needed following 2023 floods and the Fiordland estate subdivision which resulted in the identification of higher priority improvements. These changes to project timing also mean that there is an increase in debt with loans for the project funding moved to 2025/2026.

Wastewater (sewerage)

What's included in the activity?

- wastewater pipes and treatment plants

What we do and why we do it

The wastewater activity is focused on providing reliable wastewater collection and treatment services that protect public health and the environment. Council provides reticulated wastewater to 20 townships throughout the district and manages this infrastructure to collect, treat and dispose of wastewater from residential properties, businesses, and public facilities. This service also includes the collection, treatment, and disposal of industrial liquid waste (commonly known as trade wastes) from industrial and commercial premises.

The activity helps to maintain public health by preventing the spread of disease and helps protect the environment by treating wastewater prior to discharge to the environment. It also supports the needs of businesses and industry that operate in the district.

What is planned for the year?

With the government's new national standard for discharge to water to be finalised later in 2025, we're taking things a bit slower on projects to upgrade wastewater treatment at Balfour and Edendale/Wyndham until we know what new treatment options might be possible. The new standards will set out what treatment, monitoring and reporting is required for public network wastewater discharged into different types of waterbodies and is expected to provide viable alternatives to costly land disposal for communities with small populations – being the majority of Southland townships including Balfour and Edendale/Wyndham.

The main project to be completed in 2025/2026 is at Manapouri which will involve upgrading wastewater treatment and connecting the network to the existing Kepler sub-surface drip irrigation scheme which currently discharges treated wastewater from Te Anau. The remainder of the year will be focused on keeping the district's network of pumps and pipes operating and monitoring discharges to ensure consent conditions are complied with.

In addition, following Council's decision to retain delivery of water services in house following the local water done well consultation, Council must also now develop a water services delivery plan by September 2025 that shows how the services will be operated to comply with the new standards, be financially sustainable and provide the required levels of service. The plan must also detail governance oversight and reporting arrangements to meet regulations.

Key projects: Wastewater	Budget ($000)
District wide wastewater treatment plant - SCADA replacement	205
Balfour wastewater treatment plant - consent renewal treatment upgrade	800
Edendale/Wyndham wastewater treatment plant - consent renewal treatment upgrade	6,500
Gorge Road wastewater treatment plant - consent renewal preparation	205
Manapouri - wastewater treatment upgrade	4,036
District wide wastewater network – renewals	1,025
Te Anau treatment plant - sludge removal	206
Stewart Island Rakiura wastewater - wetwell chamber replacement	500

Refer to section four for the full list of projects.

Wastewater – funding impact statement	2024/2025 Annual Plan Budget ($000)	2025/2026 Long Term Plan Forecast ($000)	2025/2026 Annual Plan Budget ($000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	935	966	977
Targeted rates	7,672	8,669	8,471
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads applied[1]	269	273	328
Local authorities fuel tax, fines, infringement fees, and other receipts	118	119	309
Total operating funding	**8,995**	**10,026**	**10,086**
Applications of operating funding			
Payments to staff and suppliers	3,760	3,134	3,515
Finance costs[3]	1,402	2,332	-
Internal charges and overheads applied[2]	1,638	1,739	3,705
Other operating funding applications	-	-	-
Total applications of operating funding	**6,800**	**7,204**	**7,220**
Surplus (deficit) of operating funding	**2,194**	**2,822**	**2,866**
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	16,392	14,110	10,592
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**16,392**	**14,110**	**10,592**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	17,306	15,798	11,823
- to replace existing assets	1,376	1,230	1,730
Increase (decrease) in reserves	0	0	1
Increase (decrease) in investments	(96)	(96)	(96)
Total applications of capital funding	**18,586**	**16,932**	**13,458**
Surplus (deficit) of capital funding	**(2,194)**	**(2,822)**	**(2,866)**
Funding balance	**-**	**-**	**-**

Internal charges and overheads breakdown showing interest/finance costs	2024/2025 Annual Plan Budget ($000)	2025/2026 Long Term Plan Forecast ($000)	2025/2026 Annual Plan Budget ($000)
Sources of operating funding - Internal charges and overheads applied[1], made up of:	**269**	**273**	**328**
Internal interest earned on reserves	60	60	60
Other internal income	209	213	268
Applications of operating funding - Internal charges and overheads applied and Finance costs, made up of:	**3,040**	**4,071**	**3,705**
Interest costs on loans (note - costs for 2024/2025 and LTP 2025/2026 are shown separately under finance costs[3])	1,402	2,332	1,897
Other internal charges[2]	1,638	1,739	1,808

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Key differences what was forecast in the LTP for 2025/2026 to the Annual Plan budget for 2025/2026

Operating income related to local authorities fuel tax, fines, infringements fees and other receipts have increased due to extra rental income expected following the purchase of farmland in Winton for the upcoming wastewater upgrade. This has also resulted in a reduction in the level of targeted rates needed to fund the activity.

Operating costs related to payments to staff and suppliers have increased to more closely reflect the actual costs of electricity, insurance and maintenance costs being incurred. This is offset by a reduction in interest costs as part of internal charges and overheads, which are approximately $435,000 lower than projected in the LTP. This is due to both a drop in interest rates (from 5.67% to 4.91%) and a lower level of borrowing for capital projects in 2024/2025.

While finance costs appear reduced, this reflects a change in accounting treatment. Council now uses internal interest charges to allocate borrowing costs across activities, following the shift to bulk borrowing through the Local Government Funding Agency (LGFA). Interest charges are now included as part of internal charges and overheads rather than separately as finance costs. External interest related to Council's bulk borrowing is now reported under finance costs in the consolidated funding impact statement.

Capital expenditure has decreased due to the movement of projects between years. Consent renewal projects for Balfour and Edendale-Wyndham have been delayed awaiting new consent standards to be introduced by the government and a portion of physical works for Edendale-Wyndham to meet the new consent conditions has been moved to 2026/2027. These reductions are partially offset by increased capital costs in bringing forward the replacement of the Stewart Island wetwell chamber from 2028/2029 to address the worsening condition of the chamber. These changes to project timings also mean that there is a reduction in debt with fewer loans needed to fund the reduced capital expenditure.

Water Supply

What's included in the activity?

- drinking water reticulation and treatment
- rural water reticulation and treatment

What we do and why we do it

Water is a valuable resource and we strive to provide a reliable and adequate supply. Council provides 12 drinking water supplies (servicing 10 townships and two treated rural water areas) as well as seven untreated water supplies for rural (stock) consumption. Supplying safe and clean drinking water is a fundamental requirement of life, supporting healthy communities and economic wellbeing. Water is necessary to provide critical public services and enables economic growth. Industries, businesses, hospitals, and schools all require water to function. It also contributes to community safety through the firefighting capability in most urban reticulated areas.

What is planned for the year

The main projects to be completed in 2025/2026 are upgrading water treatment in Riverton to improve the quantity of water able to be supplied to the township as well as the quality/aesthetics of the water for drinking. Construction will also begin on the two year project at Eastern Bush to upgrade the water supply and replace the ageing treatment plant so that it can meet drinking water standards as well as improve the quantity and quality of water being supplied.

Work will continue on fixing known issues in the district's pipe network with the replacement of ageing AC pipes in Te Anau, Otautau and Riverton. Council will also continue to focus on maintaining a reliable and safe supply of water by keeping the district's network of pumps and pipes operating and undertaking regular monitoring.

In addition, following Council's decision to retain delivery of water services in house following the local water done well consultation, Council must also now develop a water services delivery plan by September 2025 that shows how the services will be operated to comply with the new standards, be financially sustainable and provide the required levels of service. The plan must also detail governance oversight and reporting arrangements to meet regulations.

Key projects: Water Supply	Budget ($000)
Drinking Water	
Eastern Bush water supply – upgrade	513
Te Anau water supply – upgrade of contact tanks	205
District water supply – dosing and monitoring instrumentation	115
SCADA to all water schemes	51
District water supply – end of life water pumps and electrical	51
District water supply – replacement of AC pipe at end of life	1,538
District water supply – Acuflo manifolds and check valves	125
Ohai/Nightcaps water treatment plant – design, install and commission a chlorine residual booster system	103
Riverton water treatment plant – upgrade	3,175
Rural Water	
Te Anau rural water supply – scheme audit remediation	559

Refer to section four for the full list of projects.

Water supply – funding impact statement	2024/2025 Annual Plan Budget ($000)	2025/2026 Long Term Plan Forecast ($000)	2025/2026 Annual Plan Budget ($000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	812	844	860
Targeted rates	7,063	7,320	7,856
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	-
Internal charges and overheads applied[1]	127	128	147
Local authorities fuel tax, fines, infringement fees, and other receipts	27	26	26
Total operating funding	**8,029**	**8,318**	**8,888**
Applications of operating funding			
Payments to staff and suppliers	3,387	3,300	3,664
Finance costs[3]	1,078	1,185	-
Internal charges and overheads applied[2]	1,683	1,800	2,956
Other operating funding applications	-	-	-
Total applications of operating funding	**6,148**	**6,285**	**6,619**
Surplus (deficit) of operating funding	**1,881**	**2,033**	**2,269**
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	1,887	4,419	4,172
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	**1,887**	**4,419**	**4,172**
Applications of capital funding			
Capital expenditure			
- to meet additional demand	150	1,538	1,588
- to improve the level of service	1,853	2,711	2,864
- to replace existing assets	1,966	2,300	2,085
Increase (decrease) in reserves	(105)	(0)	(0)
Increase (decrease) in investments	(96)	(96)	(96)
Total applications of capital funding	**3,768**	**6,453**	**6,441**
Surplus (deficit) of capital funding	**(1,881)**	**(2,033)**	**(2,269)**
Funding balance	**-**	**-**	**-**

Internal charges and overheads breakdown showing interest/finance costs	2024/2025 Annual Plan Budget ($000)	2025/2026 Long Term Plan Forecast ($000)	2025/2026 Annual Plan Budget ($000)
Sources of operating funding - Internal charges and overheads applied[1], made up of:	**127**	**128**	**147**
Internal interest earned on reserves	60	60	60
Other internal income	67	68	87
Applications of operating funding - Internal charges and overheads applied and Finance costs, made up of:	**2,761**	**2,985**	**2,956**
Interest costs on loans (note - costs for 2024/2025 and LTP 2025/2026 are shown separately under finance costs[3])	1,078	1,185	1,101
Other internal charges[2]	1,683	1,800	1,855

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Key differences from what was forecast in the LTP for 2025/2026 to the Annual Plan budget for 2025/2026

Operating costs related to payments to staff and suppliers have increased to more closely reflect the actual costs of electricity, insurance and maintenance costs being incurred, requiring an increase in targeted rates revenue to fund the higher costs. This is offset by a reduction in interest costs as part of internal charges and overheads, which are approximately $84,000 lower than projected in the LTP. This is due to both a drop in interest rates (from 5.67% to 4.91%) and a lower level of borrowing for capital projects in 2024/2025.

While finance costs appear reduced, this reflects a change in accounting treatment. Council now uses internal interest charges to allocate borrowing costs across activities, following the shift to bulk borrowing through the Local Government Funding Agency (LGFA). As such, interest charges are now included as part of internal charges and overheads rather than separately as finance costs. External interest related to Council's bulk borrowing is now reported under finance costs in the consolidated funding impact statement.

Capital expenditure has decreased due to the movement of projects between years. The main timing change relates to the project to replace Takitimu Rural Water switchboards and pumps which has been moved out of 2025/2026 to be done earlier in 2024/2025. This is offset by other projects that have been moved into 2025/2026 from other years including part of the Riverton water treatment plant project (from 2024/2025) and the Ohai/Nightcaps water treatment plant project (from 2026/2027). These changes to project timings also mean that there is a reduction in debt with fewer loans needed to fund the reduced capital expenditure.


OTHER
INFORMATION

Council-controlled organisations

A council-controlled organisation (CCO) is a company in which a local authority (or jointly with other local authorities) controls 50% or more of the voting rights, or the rights to appoint 50% or more of the directors/trustees.

Milford Community Trust

Milford Community Trust was established 2007 to provide leadership and governance for the Milford community.The trusts vision is: " The long-term sustainability of Milford Sound Piopiotahi, with a community focus". The current trustees of the Trust are Councillor Sarah Greaney and Rosco Gaudin.The trust contributes to the two community outcomes of kaitiakitanga for future generations and the empowerment of communities with the right tools to deliver the best services

Southland Regional Development Agency Limited (Great South)

Great South is responsible for economic and development and promotion of Southland. Great South receives funding and is jointly owned by Invercargill City Council, Southland District Council, Gore District Council, Environment Southland, Invercargill Licensing Trust, Mataura Licensing Trust, Southland Business Chamber, SIT Te Pūkenga, and member organisation Community Trust South. Great South receives funding from Invercargill City Council, Southland District Council, Gore District Council and Environment Southland.

The Great South board is made up of up to seven independent directors and is responsible for implementing the strategic direction of Greath South and the initiatives it is involved with. The board of directors report to the Great South Joint Shareholders Committee. The board oversees the business undertaken by Great South in accordance with the Local Government Act 2002, Companies Act 1993, the company's constitution and the Statement of Intent. The chief executive of Great South is responsible for the day to day operations, including management of staff and reporting to directors on the performance against set priorities.

Great South wholly owns Space Operations New Zealand Ltd.

The vision of Southland Regional Development Agency Ltd (Great South) is 'Even better lives through sustainable regional development' and Great South has the following four strategic goals:

- Regional development leadership
- Regional promotion
- Business support and diversification
- Net Zero Southland

The Statement of Intent for Great South can be found on Southland District Council's website: www.southlanddc.govt.nz

Space Operations New Zealand Ltd

Space Operations New Zealand Ltd is a 100% subsidiary of Great South and is a council- controlled trading organisation as defined in section 6 of the Local Government Act 2022.

The purpose of Space Operations New Zealand Ltd (Space Ops NZ) is to deliver sustainable innovative services to the global space market. The primary business lines are hosting customer-owned satellite ground stations, leasing its own ground stations to customers, installing and maintaining customer' ground stations and providing technical and logistics support services for these products and services.

The board of directors of Space Ops NZ report to the Great South board and the Great South Joint Shareholders Committee.

The Statement of Intent for Space Ops NZ can be found on Southland District Council's website: www.southlanddc.govt.nz.

About Council

Role of Council

- to enable democratic local decision-making and action by, and on behalf of, communities
- to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

To accomplish this, we have overall responsibility and accountability in a variety of roles, including:

- planning the district's strategic direction alongside local communities as part of developing the long term plan
- facilitating solutions to local issues and needs
- advocacy on behalf of the local community with central government, other local authorities and agencies
- providing prudent stewardship and the efficient and effective use of resources within the district in a sustainable way
- risk management
- management of local infrastructure including network infrastructure (e.g. roads, wastewater disposal, water, stormwater) and community infrastructure (e.g. libraries, reserves and recreational facilities)
- administering various legal and regulatory requirements
- ensuring the integrity of management controls systems
- informing and reporting to communities, ratepayers and residents.

Governance systems

Council

Council consists of a mayor and 12 councillors elected by Southland district residents/ratepayers every three years. Council believes its democratic election ensures it can operate in the best interests of the district. Council is responsible for:

- representing the interest of the district
- developing and approving Council policy
- determining the expenditure and funding requirements of Council through the planning process
- monitoring the performance of Council against its stated objectives and policies
- employing, overseeing, and monitoring the chief executive's performance. under the Local Government Act 2002, the local authority employs the chief executive, who is turn employs all other staff on its behalf.

MAYOR - ROB SCOTT				
Ōreti Ward	**Mararoa Waimea Ward**	**Waiau Apārima Ward**	**Waihōpai Toetoe Ward**	**Stewart Island/Rakiura Ward**
Councillor Christine Menzies (deputy mayor) Councillor Darren Frazer Councillor Margie Ruddenklau	Councillor Matt Wilson Councillor Tom O Brien Councillor Sarah Greaney	Councillor Don Byars Councillor Jaspreet Boparai Councillor Derek Chamberlain	Councillor Paul Duffy Councillor Julie Keast	Councillor Jon Spraggon

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Community boards and council committees

There are nine community boards as part of the representation arrangements for the District. The boards prepare local budgets, recommend local rates, and make decisions on issues specifically delegated by Council. Council has a policy of decentralising responsibilities, where practical, to ensure local input into decision-making and the setting of priorities for issues of local concern.

Committees and subcommittees have been established by Council to assist with conducting the business of Council.

Community Boards	**Council committees and subcommittees**	**Joint committees**
Ardlussa Fiordland Northern Oraka Aparima Oreti Stewart Island/Rakiura Tuatapere Te Waewae Waihopai Toetoe Wallace Takitimu	Finance and Assurance Committee Executive Committee Ohai Railway Fund Committee Riverton Harbour Subcommittee Stewart Island/Rakiura Visitor Levy Subcommittee Five Rivers Water Supply Subcommittee Te Anau Basin Fiordland Water Supply Subcommittee District Licensing Committee	Great South Joint Shareholders Committee Civil Defence Emergency Management Group Southland Regional Heritage Joint Committee Regional Transport Committee WasteNet (Waste Advisory Group) Connected Murihiku Joint Committee

Council operations

Council has appointed a chief executive to oversee its operations and has delegated certain powers of management to that position. The chief executive implements and manages Council's policies and objectives within the budgetary constraints established by Council. The chief executive is responsible for:

- implementing the decision of Council
- providing advice to Council and community boards
- ensure that all responsibilities, duties and powers delegated to the chief executive or to any person employed by the chief executive, or imposed or conferred by any act, regulation or bylaw are properly performed or exercised
- managing the activities of Council effectively and efficiently
- maintaining systems to enable effective planning and accurate reporting of financial and service performance of Council
- providing leadership for Council staff
- employing staff (including negotiation of the terms of employment for the staff).

The management of Council is structure under six groups.

CHIEF EXECUTIVE - CAMERON MCINTOSH					
Joanne Davidson **People and Culture**	Sam Marshall **Customer and community wellbeing**	Vibhuti Chopra **Strategy and partnerships**	Fran Mikuliclic **Infrastructure and capital delivery**	Anne Robson **Finance and assurance**	Adrian Humphries **Regulatory services**

FINANCIAL AND RATING INFORMATION

Key assumptions changes

The Long Term Plan 2024-2034 (LTP) included significant forecasting assumptions used to develop the 10-year forecasts. The assumptions contained in the LTP remain unchanged in this Annual Plan, apart from the variations described below. For details of the unchanged assumptions, please see Council's LTP.

Interest rates on borrowing

Since the LTP was adopted there has been a decrease in interest rates and there is a need to decrease the interest rates payable on loans from 5.67% to 4.91% to complete our capital works projects. As a result, the financial assumption from the LTP relating to interest rates on borrowing has been amended to reflect this decrease.

Price level changes/inflation

Inflation is only included where appropriate using either relevant marked indices, or projections prepared by Business and Economic Research Limited (BERL) which are based on October 2023 published values.

Cost estimates

Where a commitment is known, the budget will be based on that commitment including any allowance for the relevant market indices. In all other cases, the budget will be based on an appropriate estimate which may also include an allowance for inflation based on BERL or a relevant market indices.

Infrastructure Asset Revaluation

Council has revalued its significant assets based on the most recent revaluation, including an adjustment for the relevant BERL inflation rate (October 2023).

Accounting policies

Reporting entity

Southland District Council (referred to as "SDC" or "Council") is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operated in New Zealand. The relevant legislation governing Council's operations includes the LGA and the Local Government (Rating) Act 2002. The primary objective of Council is to provide goods or services for the community or social benefit, rather than making a financial profit. Accordingly, SDC has designated itself as a public benefit entity (PBE) for financial reporting purposes. Council provides local infrastructure, local public services and performs regulatory functions for the community. Council does not operate to make a financial return.

The prospective financial statements were authorised for issue by Council on 25 June 2025.

Basis of preparation

The prospective financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently to all periods presented in these financial statements. The prospective financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LGFRP): Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP). These prospective financial statements have been prepared in accordance with Tier 1 PBE accounting standards and comply with PBE standards.

Prospective financial information

Council has complied with PBE FRS 42 in the preparation of these prospective financial statements. In accordance with PBE FRS 42, the following information is provided:

Description of the nature of the entity's current operation and its principle activities
The Council is a territorial local authority, as defined in the Local Government Act 2020. The Councils principle activities are outlined within the Long Term Plan.

Purpose for which the prospective financial statements are prepared
It is a requirement of the Local Government Act 2002 to present prospective financial statements that span 10 years and include them within the Long Term Plan. This provides an opportunity for ratepayers and residents to review the projected financial results and position of the Council. Prospective financial statements are revised annually to reflect updated assumptions and costs.

Bases for assumptions, risks and uncertainties
The prospective financial information has been prepared on the basis of best estimate assumptions as the future events which the Council expects to take place. The Council has considered factors that may lead to a material difference between information in the prospective financial statements and actual results. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect, are outlined within the annual plan and relevant Long Term Plan.

Responsibility for the prospective financial statements
Council is responsible for the prospective financial statement presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Cautionary note
The financial information is prospective. Actual results are likely to vary from the information presented and the variations may be material.

Measurement base

The prospective financial statements have been prepared on a historical cost basis, modified by the revaluation of heritage assets, certain infrastructural assets, and biological assets.

Functional and presentation currency

The prospective financial statements are presented in New Zealand dollars (the functional currency of SDC) and all values are rounded to the nearest thousand dollars ($000). As a result of rounding there may be slight discrepancies in subtotals.

Basis of consolidation

Council prospective financial statements represent the results of Council's seven significant activity groups (detailed on pages 27 to 54), including the Stewart Island Electrical Supply Authority (SIESA), as well as Council's share of its joint ventures and associates (including, WasteNet, Southland Regional Heritage committee, Emergency Management Southland, and Great South). SIESA is a business unit of Council, which generates and reticulates electricity to most of Stewart Island residents and industry.

The prospective financial information reflects the operations of Council. It does not include the consolidated results of Council controlled organisations (being Milford Community Trust).

Changes in accounting policies

All accounting policies have been applied consistently to all periods presented in these prospective financial statements.

Specific accounting policies

a) Revenue

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are:

Rates:

- general rates, targeted rates (excluding water-by-meter) and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. Council considers that the effect of payment of rates instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue
- rates arising from late payment penalties are recognised as revenue when rates become overdue
- revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis
- rates remissions are recognised as a reduction in rates revenue when Council has received an application that satisfies its rates remission policy.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on actual service provided as a percentage of the total services to be provided.

Revenue from electricity charges is recognised on an accrual basis based on usage. Unbilled usage as a result of unread meters at year end is accrued on an average usage basis.

Interest is recognised using the effective interest method.

Subsidies from Waka Kotahi NZ Transport Agency and grants from other government agencies are recognised as revenue upon entitlement, which is typically when conditions pertaining to eligible expenditure have been fulfilled.

Other monetary grants and bequests are recognised when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Fees for disposing of waste at Council's landfill are recognised as waste disposed by users.

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

For assets received for no or nominal consideration, the asset is recognised at its fair value when Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (eg land used as a recreation reserve), Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if Council expects that it will need to return or pass the asset to another party.

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (eg as the funds are spent for a nominate purpose).

Development and financial contributions are recognised at the later of the point when Council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation. Otherwise, development and financial contributions are recognised as liabilities until such time as Council provides, or is able to provide, the service.

Dividends are recognised when the right to receive payment has been established.

b) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

c) Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of SDC's decision.

d) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

e) Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised in the forecast surplus or deficit as a reduction of rental expense over the lease term.

f) Equity

Equity is the community's interest in SDC as measured by total assets less total liabilities. Equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses that Council makes of its accumulated surpluses. The components of equity are:

- accumulated funds
- Council-created reserves (general reserve, separate account balances and rates appropriation balance)
- special reserves (managed by allocation committees)
- asset revaluation reserves
- fair value through forecast other comprehensive revenue and expense reserve.

Reserves represent a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Council created reserves may be altered without reference to any third party or the courts. Transfers to and from these reserves are at the discretion of Council.

Special reserves are subject to specific conditions accepted as binding by Council, which may not be revised by Council without reference to the courts or third party. Transfers from these reserves may be made only for specified purposes or when certain conditions are met.

g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

h) Receivables

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The Council apply the simplified ECL model of recognising lifetime ECL for receivables.

In measuring ECLs, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rates are "written-off":

- when remitted in accordance with the Council's rates remission policy
- in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Other receivables are written-off when there is no reasonable expectation of recovery.

i) Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis, are measured at the lower of cost or current replacement cost.

The write down from cost to current replacement cost is recognised in the forecast surplus or deficit in the period of the write-down.

j) Financial Assets

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost
- fair value through forecast other comprehensive revenue and expense (FVTOCRE)
- fair value through forecast surplus and deficit (FVTSD).

Transaction costs are included in the carrying value of the financial asset at initial recognition, unless it has been designated at FVTSD, in which case it is recognised in forecast surplus or deficit. The classification of a financial asset depends on its cash flow characteristics and the Council's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding, and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets are classified and subsequently measured at FVTSD if they are within a management model who's objective is to sell the financial assets. However, the Council may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Initial recognition of concessionary loans

Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. For loans to community organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in forecast surplus or deficit as a grant expense.

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans, and loans to subsidiaries and associates.

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in forecast other comprehensive revenue and expense, except expected credit losses (ECL) and foreign exchange gains and losses are recognised in forecast surplus or deficit. When sold, the cumulative gain or loss previously recognised in forecast other comprehensive revenue and expense is reclassified to forecast surplus and deficit. The Council do not hold any debt instruments in this category.

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in forecast other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in forecast other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council designate into this category all equity investments that are not included in its investment fund portfolio, and if they are intended to be held for the medium to long-term.

Council's investments in this category include: Civic Assurance (formerly the New Zealand Local Government Insurance Corporation Limited) and Milford Sound Tourism Limited.

Subsequent measurement of financial assets at FVTSD

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in forecast surplus or deficit.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Instruments in this category include the Council's investment fund portfolio (comprising of listed shares, bonds, and units in investment funds) and borrowers notes.

Expected credit loss allowance (ECL)

The Council recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to Council in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council's historical experience and informed credit assessment and including forward looking information.

The Council considers a financial asset to be in default when the financial asset is more than 180 days past due. The Council may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

Impairment of financial assets

At each balance sheet date SDC assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised through the surplus or deficit.

k) Goods and services tax (GST)

The prospective financial statements have been prepared exclusive of GST with the exception of receivables and payables, which are stated inclusive of GST. When GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cashflow in the statement of cashflows.

Commitments and contingencies are disclosed exclusive of GST.

l) Property, Plant and Equipment

Property, plant and equipment consist of:

Infrastructure assets

Infrastructure assets are the fixed utility systems owned by SDC. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

Operational assets

These include land, buildings, improvements, library books, plant and equipment and motor vehicles.

Restricted assets

Restricted assets are parks and reserves owned by the Council, which cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community.

Recognition

Property, plant and equipment is shown at cost for all asset categories other than infrastructure and heritage assets, which are at valuation; less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to SDC and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the forecast surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to SDC and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the forecast surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line (SL) or on a diminishing value (DV) basis. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Estimated economic life			Depreciation	
Asset category	**(Years)**		**Percent**	**Method**
Operational assets				
Improvements	4-25		4.00% - 21.00%	SL or DV
Buildings	10-100		1.00% - 10.00%	SL or DV
Light vehicles	4- 8		14.40% - 21.60%	SL or DV
Heavy vehicles	4-8		12.00% - 21.60%	DV
Other plant	2-25		4.00% - 60.00%	SL or DV
Furniture and fittings	3-13		8.50% - 30.00%	SL
Office equipment	7-8		13.50% - 14.00%	SL

Estimated economic life			Depreciation	
Asset category	**(Years)**		**Percent**	**Method**
Computer equipment	2-7		13.50% - 40.00%	SL
Other equipment	3-14		7.00% - 30.00%	SL or DV
Library books	10		10.00%	SL
Infrastructural Assets				
Electrical generation plant	1-100		4.00% - 60.00%	SL or DV
Sealed roads	5-80		1.25% - 20.00%	SL
Unsealed roads	4-5		20.00% - 25.00%	SL
Bridges	70-100		1.00% - 1.43%	SL
Footpaths	30-60		1.67% - 3.33%	SL
Streetlighting	20-40		2.50% - 5.00%	SL
Cycle trail	10-99		1.01% - 10.00%	SL
Sewerage schemes	5-100		1.00% - 20.00%	SL
Stormwater schemes	80-100		1.00% - 1.25%	SL
Water supply schemes	5-100		1.00% - 20.00%	SL
Marine assets	5-50		2.00% - 20.00%	SL
Transfer stations	10		10.00%	SL
Landfill sites	10-40		10.00%	SL
Resource Consent - Sewerage	25		4.00%	SL
Resource Consent - Water	10-15		6.66-10%	SL

The residual value and useful life of an asset is reviewed and adjusted, if applicable, at each financial year-end.

Revaluations

Roads, bridges, footpaths, cycle trails, streetlights, water treatment systems, sewerage treatment systems and stormwater systems are revalued on an annual basis. Council-owned heritage assets include artworks, war memorials, viaducts and railway memorabilia. Artworks are revalued every three - five years.

All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed each balance date to ensure that those values are not materially different to fair value. The valuation basis for the different asset categories are described in more detail below.

Land and buildings

The deemed cost of land and buildings were established by registered valuers from Quotable Value in accordance with the requirements of the Institute of Chartered Accountants of New Zealand Standards, as at 30 June 1993. Purchases made since 30 June 1993 are recorded at cost.

Endowment lands are vested in Council for specific purposes for the benefit of various communities. These vestings have been made under various pieces of legislation which restrict both the use of any revenue and any possible dispositions.

Other infrastructural assets

All other infrastructural assets (electrical generation plant and marine assets) are valued at their deemed cost, based on a revaluation of assets undertaken by appropriately qualified personnel from Royds Garden Limited in 1993.

Library books

Books have been valued by SDC staff on a depreciated replacement cost basis, using New Zealand Library Association guidelines, as at 30 June 1993 representing deemed cost. Additions to library book stocks since 30 June 1993 are recorded at cost.

Heritage assets

The only assets to be included under this category are art works owned by the Council, which have been recorded at fair value in accordance with NZ IAS 16. Due to the nature of the item, art works are revalued on a three to five-yearly cycle and not depreciated.

Other assets, which would normally be classified under heritage assets, for example war memorials, have been included under "other assets".

Other assets

Other assets (ie plant and vehicles) are shown at historic cost or depreciated replacement cost, less a provision for depreciation. Additions and deletions to other assets since 30 June 1993 are recorded at cost.

Accounting for revaluations

SDC accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to forecast other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset.

Where this results in a debit balance in the asset revaluation reserve, this balance is not recognised in forecast other comprehensive revenue and expense but is recognised in the forecast surplus or deficit.

Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the forecast surplus or deficit will be recognised first in the forecast surplus or deficit up to the amount previously expensed, and then recognised in forecast other comprehensive revenue and expense.

m) Work in progress

Assets under construction are not depreciated. Work in progress is recognised at cost less impairment. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

n) Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs directly associated with the development of software for internal use by Council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the forecast surplus or deficit when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the forecast surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Estimated economic life			**Depreciation**	
Asset category	(Years)		Percent	Method
Computer software	2-10		10.00% - 40.00%	SL

Emissions Trading Scheme

Council has approximately 1,384 hectares of pre-1990 forest land. This land is subject to the provisions of the New Zealand Emissions Trading Scheme ('ETS"). The implication of this for the financial accounts is twofold:

Should the land be deforested (ie the land is changed from forestry to some other purpose), a deforestation penalty will arise.

Given the deforestation restriction, compensation units are being provided from the government.

The deforestation contingency is not recognised as a liability on the statement of financial position as there is no current intention of changing the land use subject to the ETS.

However, the estimated liability that would arise should deforestation occur has been estimated in the notes to the accounts.

Compensation units received are recognised based on the market value at balance date (30 June). They are recognised as income in the prospective financial statements. They are not amortised, but are tested for impairment annually.

Emissions Trading Units are revalued annually at 30 June.

The difference between initial value or the previous revaluation, and disposal or revaluation value of the units, is recognised in forecast other comprehensive income.

o) Forestry assets

Forestry assets are revalued independently annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cashflows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the forecast surplus or deficit.

The costs to maintain the forestry assets are recognised in the forecast surplus or deficit when incurred.

p) Impairment of property, plant and equipment and intangible assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount.

The total impairment loss is recognised in the forecast surplus or deficit.

The reversal of an impairment loss is recognised in the forecast surplus or deficit.

- value in use for non-cash generating assets.

Non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, or a service unit approach. The most appropriate approach used to measure the value in use depends on the nature and impairment and availability of information.

- value in use for cash generating assets.

Cash generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash generating assets and cash generating units is the present value of expected future cashflows.

q) Employee benefits

Short term benefits

Employee benefits that SDC expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months.

Long term benefits

- long service leave and retirement leave

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated by Council staff. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information
- the present value of the estimated future cashflows
- superannuation schemes.

Defined contribution schemes - Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the forecast surplus or deficit when incurred.

Presentation of employee entitlements.

Annual leave and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

r) Payables and deferred revenue

Short term payables are recorded at the amount payable.

s) Provisions

SDC recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

Financial guarantee contracts

A financial guarantee contract is a contract that requires SDC to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received.

When no consideration is received a provision is recognised based on the probability Council will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however, if SDC assesses that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

Landfill post-closure costs

SDC, as an operator, has a legal obligation under its resource consent to provide ongoing maintenance and monitoring services at their landfill sites after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises and can be reliably measured.

The provision is measured based on the present value of future cashflows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to Council.

t) Internal borrowings

Internal borrowings are eliminated on consolidation of activities in the Council's prospective financial statements.

u) External borrowings

Borrowings on normal commercial terms are initially recognised at the amount borrowed.

Borrowings are classified as current and non-current liabilities.

v) Borrower notes

Borrower notes are subordinated convertible debt instruments that the Council subscribes for an amount equal to 5.0% of the total borrowing from LGFA.

LGFA will redeem borrower notes plus interest, when the Council's related borrowings are repaid or no longer owed to LGFA.

The fair value of borrower notes is calculated using the discounted cash flow method. The significant input used in the fair value measurement of borrower notes is the forward interest rate yield.

w) Investments in joint arrangements

Under PBE IPSAS 37 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Council has both joint operations and joint ventures.

Council determined that the investment in the following entity meets the definition of "joint operation" and should be accounted for using the proportionate consolidation method:

- WasteNet (31% share).

Joint operations

Council recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the prospective financial statements under the appropriate headings.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (x) below), after initially being recognised at cost in the consolidated balance sheet.

x) Investments in associates and joint ventures

Council determined that the investments in the following entities meets the definition of "associate" and should be accounted for using the equity method:

- Southland Regional Heritage Committee
- Emergency Management Southland
- Southland Regional Development Agency (trading as Great South).

An associate is an entity over which SDC has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the arrangement. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

SDC's investment in its associates and joint ventures is accounted for using the equity method of accounting in the consolidated financial statements.

Under the equity method, an investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise post-acquisition changes in Council's share of net assets of the associates or joint ventures since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

SDC's share of an associate's or joint venture's forecast surplus or deficit is recognised in the statement of financial performance. Any change in the associate or joint venture's forecast other comprehensive revenue and expense is presented as part of Council's forecast other comprehensive revenue and expense. The cumulative movements are adjusted against the carrying amount of the investment. In addition, when there has been a change recognised directly in the net assets/equity of the associate or joint venture, Council recognises its share of any changes, when applicable, in the statement of changes in net assets/equity. Unrealised gains and losses resulting from transactions between Council and the associate or joint venture are eliminated to the extent of Council's interest in the associate or joint venture.

The aggregate of the SDC's share of forecast surplus or deficit of associates or joint ventures is shown on the face of the statement of financial performance. This is the surplus attributable to equity holders of the associate or joint venture and therefore is forecast surplus after tax and non-controlling interests in the controlled entities of the associates and joint ventures.

The prospective financial statements of the associate or joint venture are prepared for the same reporting period as Council. When necessary, adjustments are made to bring the accounting policies in line with those of Council. After application of the equity method, Council determines whether it is necessary to recognise an impairment loss on Council's investment in its associate or joint venture.

Council determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case Council calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of surplus of an associate and joint venture" in the statement of financial performance.

Goodwill included in the carrying amount of the investment in associate is not tested for impairment separately; rather the entire carrying amount of the investment is tested as a single asset. When Council's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any unsecured long-term receivables and loans, Council does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Upon loss of significant influence over the associate or joint control over the joint venture, Council measures and recognises any remaining investment at its fair value, and accounts for the remaining investments in accordance with PBE IPSAS 29. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in forecast surplus or deficit.

y) Critical accounting estimates and assumptions

In preparing these prospective financial statements SDC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost (DRC) valuations over infrastructural assets. These include:

- the physical deterioration and condition of an asset. For example, Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground
- estimating any obsolescence or surplus capacity of an asset
- estimating the replacement cost of the asset. The replace cost is derived from recent construction contracts
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then SDC could be over or under estimating the annual depreciation charge recognised as an expense in the forecast statement of comprehensive revenue and expense.

To minimise this risk SDC's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience.

Asset inspections, deterioration and condition modelling are also carried out regularly as part of SDC's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform Council's infrastructural asset revaluations.

z) Critical judgements in applying SDC's accounting policies

Management has exercised the following critical judgements in applying SDC's accounting policies for the period ended 30 June 2025:

Classification of property

SDC owns a number of properties that are maintained primarily to provide housing to pensioners. The receipt of rental income from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of SDC's social housing policy and are accounted for as property, plant and equipment rather than as investment property.

aa) Statement of cashflows

Operating activities include cash and cash equivalents (as defined in (g)) received from all SDC's income sources and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt capital structure of SDC.

bb) Rounding

Some rounding variances may occur in the prospective financial statements due to the use of decimal places in the underlying financial data.

Financial statements

Prospective statement of comprehensive revenue and expense	2024/2025 AP ($000)	2025/2026 LTP ($000)	2025/2026 AP ($000)
Income			
Rates revenue	72,089	77,786	77,151
Other revenue	12,910	14,723	13,530
Interest and dividends	1,803	1,669	20
Grants, subsidies and NZTA funding	30,556	29,334	28,491
Other gains/(losses)	2,433	2,439	2,408
Vested assets	-	-	-
Development and financial contributions	35	-	-
	119,826	**125,951**	**121,600**
Expenditure			
Employee benefit expenses	21,041	21,358	22,120
Depreciation and amortisation	41,654	43,281	45,894
Finance costs	4,195	6,057	4,807
Other council expenditure	59,315	57,121	56,667
	126,205	**127,817**	**129,488**
Share of associate's surplus/(deficit)	-	-	-
SURPLUS/(DEFICIT) BEFORE TAX	**(6,379)**	**(1,866)**	**(7,888)**
Income tax benefit	-	-	-
SURPLUS/(DEFICIT) AFTER TAX	**(6,379)**	**(1,866)**	**(7,888)**
Gain/(Loss) on assets revaluations	-	-	1,957
Gain/(Loss) on property, plant and equipment revaluations	64,543	46,304	46,756
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	**58,164**	**44,438**	**38,868**

Prospective statement of changes in equity	2024/2025 AP ($000)	2025/2026 LTP ($000)	2025/2026 AP ($000)
Balance at 1 July	2,247,879	2,306,043	2,296,280
Total comprehensive revenue and expense for the year	58,164	44,438	38,868
Balance at 30 June	**2,306,043**	**2,350,481**	**2,335,148**

Prospective statement of financial position	2024/2025 AP ($000)	2025/2026 LTP ($000)	2025/2026 AP ($000)
Equity			
Retained earnings	702,540	701,775	689,933
Asset revaluation reserves	1,560,269	1,606,573	1,602,617
Fair value reserves	4,526	4,526	8,734
Other reserves	38,708	37,607	33,864
TOTAL EQUITY	**2,306,043**	**2,350,481**	**2,335,148**
Current assets			
Cash and cash equivalents	1,000	1,000	1,000
Trade and other receivables	12,180	13,050	10,801
Inventories	117	117	130
Other financial assets	474	474	667
	13,771	**14,641**	**12,598**
Non-current assets			
Property, plant and equipment	2,361,092	2,434,893	2,409,133
Intangible assets	4,669	4,669	5,728
Forestry assets	15,590	16,850	15,780
Investment in associates	2,083	2,083	2,185
Other financial assets	42,221	42,721	40,534
	2,425,655	**2,501,216**	**2,473,360**
TOTAL ASSETS	**2,439,426**	**2,515,857**	**2,485,957**
Current liabilities			
Trade and other payables	12,203	12,246	11,754
Contract retentions and deposits	2,004	2,190	2,156
Employee benefit liabilities	2,988	3,033	3,301
Development and financial contributions	990	990	1,045
Provisions	-	-	-
Borrowings	4,994	5,535	10,000
	23,179	**23,994**	**28,256**
Non-current liabilities			
Employee benefit liabilities	11	11	11
Provisions	7,985	8,362	8,316
Borrowings	102,208	133,009	114,227
	110,204	**141,382**	**122,553**
TOTAL LIABILITIES	**133,383**	**165,376**	**150,809**
NET ASSETS	**2,306,043**	**2,350,481**	**2,335,148**

Prospective statement of cashflows	2024/2025 AP ($000)	2025/2026 LTP ($000)	2025/2026 AP ($000)
Cash flows from operating activities			
Receipts from rates revenue	72,089	77,786	77,151
Interest and dividends	1,803	1,669	20
Receipts from other revenue & NZ Transport Agency	41,522	43,373	39,074
Payment to suppliers and employees	(81,453)	(78,013)	(80,443)
Interest paid	(4,195)	(6,057)	(4,807)
Net cash inflow/(outflow) from operating activities	**29,766**	**38,758**	**30,995**
Cash flows from investing activities			
Receipts from sale of property, plant and equipment	1,073	1,179	1,148
Receipts from investments^	-	-	1,957
Purchase of property, plant and equipment	(66,667)	(70,778)	(69,251)
Purchase of intangible assets	-	-	-
Acquisition of Investments	2,656	(500)	2,980
Net cash inflow/(outflow) from investing activities	**(62,938)**	**(70,099)**	**(63,166)**
Cash flows from financing activities			
Proceeds from borrowings	33,263	34,867	31,718
Repayment of borrowings	(2,765)	(3,526)	-
Net cash inflow/(outflow) from financing activities	**30,498**	**31,341**	**31,718**
Net increase/(decrease) in cash and cash equivalents	**(2,674)**	**-**	**(453)**
Cash and cash equivalents at the beginning of the year	**3,674**	**1,000**	**1,453**
Cash and cash equivalents at the end of the year	**1,000**	**1,000**	**1,000**

Reconciliation between the operating surplus (from the statement of comprehensive revenue and expense and net cash follow from operating activities (statement of cashflows)	2024/2025 AP ($000)	2025/2026 LTP ($000)	2025/2026 AP ($000)
Operating surplus/(deficit)	**(6,379)**	**(1,866)**	**(7,888)**
Add/(less) non-cash Items			
Depreciation and amortization	41,654	43,281	45,894
Forestry revaluation	(1,360)	(1,260)	(1,260)
Vested assets	-	-	-
Provision for landfill	(248)	378	378
Add/(less) items classified as investing or financing activities			
(Gains)/losses on disposal of property, plant and equipment	(1,073)	(1,179)	(1,148)
Add/(less) movements in working capital items			
Trade and other receivables	(3,547)	(870)	(2,830)
Trade and other payables	719	274	(2,150)
Net cash inflow/(outflow) from operating activities	**29,766**	**38,758**	**30,995**

Reconciliation of surplus/(deficit) of operating funding to net surplus/(deficit) before tax	2024/2025 AP ($000)	2025/2026 LTP ($000)	2025/2026 AP ($000)
Surplus/(deficit) of operating funding from funding impact statement	**13,662**	**20,524**	**17,770**
Depreciation	(41,654)	(43,281)	(45,894)
Subsidies and grants for capital purposes	18,896	18,830	18,206
Development and financial contributions	35	-	-
Gain on sale	1,073	1,179	1,148
Vested assets	-	-	-
Forestry revaluation	1,360	1,260	1,260
Emission trading units	-	-	-
Landfill contingency	248	(378)	(378)
Net surplus/(deficit) before tax in statement of revenue and expense	**(6,379)**	**(1,866)**	**(7,888)**

Depreciation by activity	2024/2025 AP ($000)	2025/2026 LTP ($000)	2025/2026 AP ($000)
Depreciation and amortisation by group of activity			
Community Leadership	75	74	74
Community Resources	2,497	2,823	2,822
Environmental Services	153	154	154
Sewerage	5,594	6,022	6,022
Stormwater	1,259	1,314	1,314
Transport	27,897	28,554	31,175
Water Supply	3,765	3,897	3,890
Total by group of activity	**41,240**	**42,838**	**45,451**
Depreciation and amortisation by other activity			
Corporate Services	414	443	442
Total depreciation and amortisation expense	**41,654**	**43,281**	**45,894**

Funding impact statement for all activities	2024/2025 AP ($000)	2025/2026 LTP ($000)	2025/2026 AP ($000)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	26,568	27,522	26,985
Targeted rates	45,521	50,264	50,166
Subsidies and grants for operating purposes	11,404	10,242	10,224
Fees and charges	7,424	7,683	7,440
Interest and dividends from investments	1,803	1,669	20
Local authorities fuel tax, fines, infringement fees, and other receipts[1]	5,891	7,454	6,303
Total operating funding	**98,610**	**104,834**	**101,138**
Applications of operating funding			
Payments to staff and suppliers	75,736	73,166	73,464
Finance costs [2]	4,195	6,057	4,807
Other operating funding applications	5,016	5,086	5,097
Total applications of operating funding	**84,948**	**84,309**	**83,368**
Surplus (deficit) of operating funding	**13,662**	**20,524**	**17,770**
Sources of capital funding			
Subsidies and grants for capital purposes	18,896	18,830	18,206
Development and financial contributions	35	-	-
Increase (decrease) in debt	30,498	31,341	31,718
Gross proceeds from sale of assets	1,073	1,179	1,148
Total sources of capital funding	**50,502**	**51,350**	**51,072**
Applications of capital funding			
Capital expenditure			
to meet additional demand	376	1,538	1,588
to improve the level of service	24,093	22,643	18,090
to replace existing assets	42,199	46,597	49,573
Increase (decrease) in reserves	(4,074)	(1,101)	(3,854)
Increase (decrease) in investments	1,572	2,198	3,445
Total applications of capital funding	**64,165**	**71,874**	**68,842**
Surplus (deficit) of capital funding	**(13,662)**	**(20,524)**	**(17,770)**
Funding balance	-	-	-

Funding impact statement (rates section)

The following sets out the rates mechanisms that Council will use, including how the different rates will be set and assessed for 2025/2026.

All figures in the funding impact statement (rates section) include GST.

Council's revenue from the uniform annual general charge and certain targeted rates set on a uniform basis is 20%. The maximum allowed until Section 21 of the Local Government (Rating) Act 2002 is 30%.

Key rating definitions

The following definitions relate to the terms used in this funding impact statement tables below.

Separately used or inhabited part (SUIP) - includes any portion inhabited or used by the owner/a person other than the owner, and who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence, or other agreement. For the purposes of this definition, vacant land which is not used or inhabited is not a SUIP.

The following are additional examples of rating units with more than one separately used or inhabited part:

- single dwelling with flat attached
- two or more houses, flats, or apartments on one Certificate of Title (rating unit)
- business premise with flat above
- commercial building leased to multiple tenants
- farm property with more than one dwelling
- council property with more than one lease

Unit of service – the unit of service for the particular activity as set out in the description of the relevant rate. This determined by the Council given the type of service, nature and location of the rating unit etc (including trough, connection, meter, loan, half, bin). This can include part charges for eligible assessments within a water or wastewater scheme area with the ability to connect to the scheme to accommodate the potential future burden of the rating unit on the scheme.

Uniform targeted rate (UTR) – A rate that is set as a fixed-dollar amount irrespective of the value of the rating unit value.

Uniform annual general charge (UAGC) – a fixed charge rate applied to each rateable rating unit.

Utility asset – includes such uses as hydroelectric power stations, networks such as electricity, phone, postal, water and sewerage.

General rates

Background

Local authorities can set general rates either as a uniform or differential rate on property value (land, capital or annual value) and/or a Uniform Annual General Charge (UAGC) as a fixed amount per rating unit or SUIP. Council uses a mix of general rates set on capital value and UAGC. General rates are used to fund those services where there is a high public benefit to the district as a whole or, where Council considers the community as a whole should meet the costs or, where it is not efficient/possible for Council to collect the funds via a targeted rate or other user pays type funding source.

Activities funded

General rates fund the costs associated with providing a range of activities that are not funded by fees and charges, targeted rates, borrowings or any other source of income. General rates contribute towards most Council activities in some way. This includes all costs associated with representation, development and promotions and regional initiatives (which form part of the community leadership activity), library services and cemeteries (which form part of the community services activity), public toilets and Council buildings (which form part of the community facilities activity). The activity also contributes towards a portion of the costs of open spaces as part of the community resources activity (for district parks/ reserves and street litter bins), public good elements of Council's environmental services activity (which includes emergency management, resource management, animal services, environmental health and building solutions) and corporate overhead functions which support all activities (including communications, customer support strategy and policy, people and capabilities). The Revenue and Financing Policy has more details on the activities funded by general rates including the UAGC.

Land liable for rates

All rateable land within the Southland District is liable for the general rates.

How the rates are assessed

The uniform annual general charge is assessed on all rating units in the District on the following basis:

- a fixed amount per rating unit of $ 811.68 (UAGC). The charge will generate $13,875,568 in rates revenue in 2025/2026.

A general rate is assessed on all rating units in the District on the following basis:

- a rate in the dollar on capital value of $0.00064441. The general rate is not set on a differential basis.

The rate will generate $16,958,963 in rates revenue in 2025/2026.

Targeted rates

Targeted rates may be used to fund specific Council activities. Targeted rates are appropriate for services or activities where a specific group of ratepayers benefit from that service or where the revenue collected is targeted towards funding a specific type of expenditure. Lump sums will not be invited in relation to any of the targeted rates.

Targeted district rates

Council has a number or targeted rates which are used to fund services or activities across all properties in the district. These include the roading rate, regional heritage rate and stormwater rate.

Roading targeted rates

Background
Council administers and maintains the district's roading and bridging network (some 5000km of network), excluding state highways and national park roads which are maintained by NZTA (Waka Kotahi) and DOC, respectively. Council also provides footpaths, streetlights, carparks, and noxious plant control.

Activities funded
These targeted rates fund the costs associated with operating and maintenance of Council's roading network (which forms part of the Council's transport activity). This includes the reseal programme, road pavement rehabilitation programme, minor improvements, and bridge maintenance, strengthening and replacement.

Land liable for the rates
All rateable land within the Southland District is liable for the rate.

How the rates are assessed
- a fixed amount of $103.50 per rating unit. The rate will generate $1,767,974 in rates revenue in 2025/2026; and
- a differential rate in the dollar of capital value across all properties as per the table of rates. The rate will generate $25,785,171 in rates revenue in 2025/2026.

Rate differential definitions
The rate in the dollar of capital value is set on a differential basis for different land uses. The differential category is based on the land use of each rating unit. The definition for each rates differential category is listed in the table below:

Differential category	Definition
Commercial	All land that is principally used for commercial purposes. It includes accommodation services, entertainment, rest homes, retail and office-type use, parking buildings, service stations and tourist type attractions.
Dairy	All land used or suitable for all types of dairy farm supply and stud.
Forestry	All land that is used for forestry, including land either in production or currently available for planting and protected forest areas. It does not include forest nurseries or non-commercial protected/indigenous native forests.

Differential category	Definition
Farming non-dairy	All land that is used exclusively, or almost exclusively, for horticultural, forestry nurseries, pastoral and or specialist farming purposes other than dairy farming. It includes land used for cropping, orchards, market gardening or glasshouses, grazing or fattening of livestock, land used for aquaculture, deer farming, horse studs, poultry and pigs.
Industrial	All land that is used exclusively, or almost exclusively, for industrial uses including associated retailing, food processing or storage, light and large-scale manufacturing, tank farms and other noxious or dangerous industrial uses, excluding utility assets.
Lifestyle	Land located in a rural area where the predominant use is for an existing/future residence or in an urban or semi-urban area where the section size is larger than an ordinary residential allotment. The principal use of the land may be non-economic in the traditional farming sense, and the value exceeds the value of comparable farmland.
Mining	All land used for mining and other mineral extraction sites.
Other	Uses not covered by any other category and including utility assets, and non-commercial protected/indigenous native forests (being those not logged or intended to be logged).
Residential	All land that is used exclusively, or almost exclusively, for residential purposes including investment flats and not already included elsewhere. It does not include lifestyle properties.

A table of the rates

Roading rates	Rate in the dollar on capital value 2025/2026 (incl GST)	Revenue for roading rates 20205/2026 (incl GST)
Commercial	0.00153383	$706,419
Dairy	0.00134171	$8,957,163
Farming non-dairy	0.00084934	$8,046,177
Forestry	0.00414513	$1,450,560
Industrial	0.00144707	$750,436
Lifestyle	0.00075852	$1,794,400
Mining	0.02275026	$256,967
Other	0.00022756	$264,912
Residential	0.00075852	$3,558,134

Regional heritage targeted rate

Background
The regional heritage targeted rate is used to fund heritage sites within the Southland region.

Activities funded
This targeted rate funds the costs associated with operating a Regional Heritage Fund, which is administered by the Southland Regional Heritage Committee and is part of Council's community leadership activity, to promote the development of heritage of value to the region as a whole.

Land liable for the rate
All rateable land within the Southland District is liable for the rate.

How the rate is assessed
The targeted rate is assessed as a fixed amount per SUIP of rating unit of $50.37

The rate will generate $842,387 in rates revenue in 2025/2026.

Stormwater targeted rates

Background

Stormwater networks are provided to reduce the impact of flooding due to rainfall. The activity protects people's [property, improves road safety and mitigates against accessibility/safety issues which may otherwise be caused during flooding events.

Activities funded

This targeted rate funds the costs involved in operating stormwater networks throughout the District which forms part of the stormwater activity. This includes reticulation repairs and upgrades as well as undertaking monitoring and compliance with resource consents.

Land liable for the rate

All rateable land within the designated stormwater full charge and quarter charge boundaries. This is a district wide rate. Maps of these areas can be viewed at https://www.southlanddc.govt.nz/home-and-property/southland-maps/

How the rate is assessed

The rate is set on a differential basis based on the location of the rating unit, set as a fixed amount per rating unit.

- rating units in areas that have been defined will pay a fixed full charge.
- rating units outside of these areas will pay a fixed quarter charge (25% of the full charge.)

Rated differential definitions

The rate is set on a differential basis depending on the location of the rating unit. The differential categories reflect Council's assessment of the relative benefit received by those groups from the stormwater activity and therefore the share of costs each group should bear based on the principles outlined in the Revenue and Financing Policy. The definition for each rates differential category is listed in the table below.

Differential category	Definition
Full charge	All rating units in the defined stormwater rating area as shown in the rating boundary maps. These areas have generally been defined in line with the urban and semi-urban township areas used for community board targeted rate where stormwater infrastructure and/or services are provided, operated, and maintained by Council.
Quarter charge	All other rating units located outside of the stormwater areas as detailed above.

A table of the rates

Stormwater rates	Differential factor for targeted rate per rating unit	Targeted rate per rating unit 2025/2026 (incl GST)	Revenue from stormwater rates 2025/2026 (incl GST)	Map of the land liable for rate
Stormwater – full charge	1	$125.61	$1,141,323	Map 10 186,216
Stormwater – quarter charge	0.25	$31.4	$251,062	Map 217

Targeted local community board rates

Council has a number of targeted local rates which are used to fund services or activities from defined areas of benefit/catchments within the community board areas. Each community board consider the rates revenue proposed for the local rate activities in their area. This includes targeted rates for community boards, community facilities, swimming pools, Te Anau Airport Manapōuri and SIESA.

Community board targeted rates

Background
Council has delegated responsibility for the management of a number of local activities, such as the maintenance of parks and reserves and footpaths to community boards. The cost of providing these activities is funded via local targeted community board rates.

Activities funded
These targeted rates fund the costs associated with operating a range of local activities in each community board area. This includes the operation and maintenance of footpaths, streetscapes, streetlights and water facilities (which form part of the transport activity); open spaces like parks, reserves, and playgrounds (which form part of the community resources activity) and community grants (which form part of the community leadership activity).

Land liable for the rate
All rateable land within each specific community board area. Maps of these areas can be viewed at https://www.southlanddc.govt.nz/home-and-property/southland-maps/

How the rates are assessed
The targeted community board rates are set after considering the recommendation of the relevant community board. For each community board (except Stewart Island/Rakiura Community Board) the rate will be set on a differentiated basis, based on location of the rating unit.

- rating units in the urban area will pay a fixed full charge
- rating units in the semi-urban area will pay a half charge (50% of the full charge payable by those rating units in the urban area)
- rating units in the rural area will pay a quarter charge (25% of the full charge payable by those rating units in the urban area).

Rates differential definitions/land liable definitions
Some of the rates are set on a differential basis based on the location of the rating unit. The differential categories reflect Council's assessment of the ability of groups of ratepayers to access the activities funded by each local community board rate and the relative benefit received by those groups and therefore the share of costs each group should bear based on the principles outlined in the revenue and financing policy. The urban definition also applies for the Stewart Island/Rakiura Community Board rate.

The definition for each rate differential category based on the use of land is listed in table below.

Differential category	Definition
Urban	All rating units in the defined community board urban rating area as shown in the rating boundary maps. Urban areas have generally been defined as township area within the community board area where all or a majority of the local services are provided at scale and with large populations. Some consideration has also been given to the District Plan Urban Zone in defining these areas.

Differential category	Definition
Semi-urban	All rating units in the defined community board semi-urban rating area as shown in the rating boundary maps. Semi-urban areas have generally been defined as township areas within the community board area where most of the local services are provided at a smaller scale and with smaller populations. Some consideration has been also given to the District Plan Rural Settlement Areas in defining these areas.
Rural	All other rating units in the defined community board rating area located outside the 'urban' and 'semi-urban' areas as detailed above.

A table of rates

Local rates	Differential factor for targeted rate per rating unit	Targeted rate per rating unit 2025/2026 (incl GST)	Revenue from stormwater rates 2025/2026 (incl GST)	Map of the land liable for rate
Ardlussa Community Board Rural Rate	0.25	$70.24	$38,807	Map 177
Ardlussa Community Board Urban Rate	1.00	$280.98	$140,841	Map 203, 186, 211
Fiordland Community Board Rural Rate	0.25	$65.98	$33,088	Map 178
Fiordland Community Board Semi-Urban Rate	0.50	$131.96	$16,495	Map 220
Fiordland Community Board Urban Rate	1.00	$263.93	$678,036	Map 196, 206
Northern Community Board Rural Rate	0.25	$90.15	$46,134	Map 179
Northern Community Board Semi-Urban Rate	0.50	$180.29	$16,766	Map 185, 192
Northern Community Board Urban Rate	1.00	$360.59	$155,774	Map 195, 198
Oraka Community Board Rural Rate	0.25	$63.57	$31,371	Map 180
Oraka Community Board Semi-Urban Rate	0.50	$127.14	$24,728	Map 188, 207
Oraka Community Board Urban Rate	1.00	$254.27	$337,416	Map 204
Oreti Community Board Rural Rate	0.25	$53.08	$114,035	Map 181
Oreti Community Board Semi-Urban Rate	0.50	$106.17	$12,581	Map 187, 189, 194
Oreti Community Board Urban Rate	1.00	$212.33	$334,685	Map 213, 214
Stewart Island/Rakiura Community Board Urban Rate	1.00	$252.42	$132,268	Map 10
Tuatapere Te Waewae Community Board Rural Rate	0.25	$102.48	$62,307	Map 182
Tuatapere Te Waewae Community Board Semi-Urban Rate	0.50	$204.97	$19,882	Map 197, 201
Tuatapere Te Waewae Community Board Urban Rate	1.00	$409.94	$121,342	Map 209
Waihopai Toetoe Community Board Rural Rate	0.25	$60.52	$129,724	Map 183
Waihopai Toetoe Community Board Semi-Urban Rate	0.50	$121.04	$11,892	Map 193, 215
Waihopai Toetoe Community Board Urban Rate	1.00	$242.08	$150,331	Map 191, 208, 216
Wallace Takitimu Community Board Rural Rate	0.25	$77.48	$52,976	Map 184
Wallace Takitimu Community Board Semi-Urban Rate	0.50	$154.96	$2,497	Map 212
Wallace Takitimu Community Board Urban Rate	1.00	$309.93	$257,319	Map 199, 200, 202

Community facilities targeted rates

Background

Southland District has a wide range of small community facilities across the District. These facilities (community centres and halls) are maintained by Council through the community facilities activity. Maintenance and upkeep of these facilities is provided by the collection of rates for this activity

Activities funded

These targeted rates fund community facilities in different areas throughout the District. The rates (which form part of the community resources activity) funds general operating costs (such as electricity, insurance) and maintenance costs (such as painting, replacement roof, carpeting) of community centres and halls across Southland.

Land liable for the rate

All rateable land within the area of service for each specific hall, community centre or recreational facility is liable for the community facilities targeted rate. Maps of these areas can be viewed at https://www.southlanddc.govt.nz/home-and-property/southland-maps/.

How the rates are assessed

The rates are assessed as a fixed amount per SUIP of a rating unit.

A table of the rates

Community facilities rates	Uniform targeted rate per SUIP of a rating unit 2025/2026 (incl GST)	Revenue from community facilities rates 2025/2026 (incl GST)	Map of land liable for rate
Aparima hall	$41.86	$3,055	Map 43
Athol memorial hall	$135.78	$23,761	Map 174
Balfour hall	$83.25	$25,308	Map 45
Blackmount hall	$49.43	$2,866	Map 46
Browns hall	$48.99	$9,749	Map 171
Brydone hall	$80.00	$5,360	Map 48
Clifden hall	$71.73	$6,599	Map 49
Colac Bay hall	$138.73	$24,693	Map 50
Dacre hall	$43.46	$3,998	Map 51
Dipton hall	$144.67	$30380	Map 52
Eastern Bush hall	$81.61	$2,366	Map 54
Edendale-Wyndham hall	$45.23	$33,424	Map 170
Fiordland community event centre	$44.22	$104,071	Map 94
Five Rivers hall	$217.77	$18,292	Map 56
Glenham hall	$48.98	$3,967	Map 59
Gorge Road hall	$47.87	$12,924	Map 60
Heddon Bush hall	$70.08	$4,485	Map 61

Community facilities rates	Uniform targeted rate per SUIP of a rating unit 2025/2026 (incl GST)	Revenue from community facilities rates 2025/2026 (incl GST)	Map of land liable for rate
Hedgehope-Glencoe hall	$75.77	$7,425	Map 62
Limehills hall	$82.66	$16,449	Map 65
Lochiel hall	$35.35	$5,373	Map 66
Lumsden hall	$88.85	$36,095	Map 68
Mabel Bush hall	$48.88	$3,861	Map 69
Manapouri hall	$139.05	$47,555	Map 71
Mandeville hall	$44.01	$1,980	Map 72
Mimihau hall	$62.08	$3,352	Map 75
Mokoreta-Redan hall	$87.75	$6,318	Map 76
Mossburn hall	$98.33	$28,909	Map 78
Myross Bush hall	$27.70	$2,271	Map 79
Nightcaps hall	$126.14	$29,012	Map 80
Ohai hall	$137.28	$29,240	Map 81
Orawia hall	$123.12	$13,173	Map 82
Orepuki hall	$124.95	$19,242	Map 83
Oreti Plains hall	$127.36	$15,665	Map 84
Otapiri-Lora Gorge hall	$117.72	$9,770	Map 86
Riversdale hall	$74.00	$30,302	Map 89
Ryal Bush hall	$110.39	$15,123	Map 90
Seaward Downs hall	$44.25	$5,310	Map 91
Stewart Island/Rakiura hall	$76.20	$32,499	Map 93
Thornbury hall	$140.35	$14,877	Map 95
Tokanui-Quarry Hills hall	$133.08	$18,464	Map 173
Tuatapere hall	$56.99	$22,625	Map 97
Tussock Creek hall	$24.75	$2,178	Map 98
Tuturau hall	$50.00	$2,800	Map 99
Waianiwa hall	$100.81	$15,524	Map 175
Waihopai Toetoes Hall *	$73.52	$4,999	Map 57
Waikaia Recreation hall	$69.77	$21,558	Map 101
Waikawa community centre	$72.33	$10,762	Map 102
Waimahaka hall	$67.34	$6,936	Map 103
Waimatuku hall	$40.00	$2,200	Map 104

Community facilities rates	Uniform targeted rate per SUIP of a rating unit 2025/2026 (incl GST)	Revenue from community facilities rates 2025/2026 (incl GST)	Map of land liable for rate
Wairio community centre	$55.27	$4,808	Map 105
Wallacetown hall	$69.42	$25,130	Map 106
Winton hall	$31.57	$49,564	Map 107
Wrights Bush hall	$32.28	$1,839	Map 110

*This rate has been renamed from Fortrose hall rate and is based on the same rating boundary.

SIESA targeted rates

Background
The SIESA activity involves generation and transmission of electrical power to Stewart Island consumers. Electricity is produced by diesel generators which are located at a central power house. Electricity is supplied on a 24-hour basis with a level of fault response commensurate with mainland service.

Activities funded
The targeted rate funds the costs involved in managing and operating the electricity supply network on Stewart Island (which forms part of the Council's community resources activity). This includes maintaining, renewing, and upgrading the electricity transmission network and generating plant.

Land liable for the rate
All rateable land within the SIESA targeted rate area of service. A map of this area can be viewed at https://www.southlanddc.govt.nz/home-and-property/southland-maps/ - (map 219).

How the rate is assessed
The targeted rate is assessed as a fixed amount per rating unit of $200.00 within the SIESA network rating boundary. The rate will generate $100,199 in rates revenue in 2025/2026.

Swimming pool targeted rates

Background
These rates are used to fund community swimming pools which are managed by a local swimming pool committee. These pools are all owned by local community groups, with two on Council land.

Activities funded
These targeted rates fund grants to community groups to assist with the operation and maintenance of community swimming pools (which forms part of the Council's community leadership activity). Each community board liaises with groups in their area about the level of financial support to be provided.

Land liable for the rate
All rateable land within each swimming pool targeted rate area of service is liable for the relevant rate. Maps of these areas can be viewed at https://www.southlanddc.govt.nz/home-and-property/southland-maps/.

How the rates are assessed
The swimming pool targeted rate for each area of service is set as a fixed amount per SUIP of a rating unit.

A table of the rates

Pool rates	Uniform targeted rate per SUIP of a rating unit 2025/2026 (incl GST)	Revenue from community facilities rates 2025/2026 (incl GST)	Map of land liable for rate
Fiordland	$14.19	$37,362	Map 38
Northern Community	$23.46	$18,398	Map 224
Otautau	$37.27	$24,039	Map 35
Riverton/Aparima	$26.30	$47,142	Map 36
Takitimu	$28.02	$17,757	Map 37
Tuatapere Ward	$7.38	$5,752	Map 39
Waihopai Toetoe Ward	$11.28	$32,195	Map 218
Winton	$17.13	$26,705	Map 40

Te Anau Airport Manapōuri targeted rate

Background

The Te Anau Airport Manapōuri facility is designed and managed to attract and facilitate access by air to the Te Anau community, its businesses, and the natural environment. The activity also contributes to safe places as the airport provides for air-based emergency access which can act as an alternative to road transport in an emergency.

Activities funded

This targeted rate funds the operating costs and initial capital development costs of the Te Anau Airport Manapōuri facility (which forms part of the Council's transport activity).

Land liable for the rate

All rateable land within the Te Anau Airport Manapōuri targeted rate area of service. A map of this area can be viewed at https://www.southlanddc.govt.nz/home-and-property/southland-maps/ -(map11).

How the rate is assessed

The targeted rate is assessed as a fixed amount per rating unit of $58.62.

The rate will generate $188,023 in rates revenue in 2025/2026.

Targeted service rates

Council has a number of targeted service rates which are used to fund specific services from those who receive or are able to receive the service which are defined by areas of benefit/catchments. These rates consist of targeted rates for rubbish, recycling, Stewart Island waste management, water supply, wastewater and septic tank cleaning.

Rubbish bin collection targeted rate and recycling bin collection targeted rates

Background

Council operates a solid waste and recycling bin collection service for serviced properties across the district. Through this activity it collects recycling and solid waste for disposal. The service is compulsory to all rating units containing a residential dwelling within the designated urban bin boundaries (copies of the boundary maps can be obtained from Council), all other rating units can optionally have this service. Any rating unit that is able to transport their bins to the designated rural bin route for collection can also have this service. To find out more about our services or when your bin would be collected visit www.wastenet.org.nz or download the Antenno app.

Activities funded

These targeted rates fund the costs involved in operating a regular rubbish and recycling wheelie bin collection for households on the defined collection route (which form part of the waste services for the community resources activity). The service collects and disposes of waste, glass, plastics, paper, cardboard, and other recyclables. Please note – separate Stewart Island waste management targeted rate is used to fund the cost of managing solid waste on Stewart Island and the cost of other waste services (such as transfer stations, recycle drop-off centres, and green waste disposal sites) are funded through the general rate

Land liable for the rate

All land within the District which is in the defined service areas for rubbish bin or recycling bin collection that has a residential dwelling is liable for the targeted rates. Other rating units can also opt into the service following agreement with Council. A map of this area can be viewed at https://www.southlanddc.govt.nz/home-and-property/southland-maps/ - (map 176).

How the rates are assessed

The rates are assessed per unit of service. Each rubbish bin and each recycling bin is a unit of service. All rating units within the service area that have a residential dwelling are required to have a minimum of one rubbish bin and one recycling bin.

All rating units receiving the service have the option to receive further bins of each type over and about the minimum service. The rate assess on each rating unit will reflect the number of units of service (for example, a rating unit with two bins of each type will be assessed twice as much as a rating unit with one bin of each type).

- the targeted rubbish bin collection rated is assessed as a fixed amount per unit of service of $223.72. The rubbish bin collection rate will generate $2,431,612 in rates revenue in 2025/2026.
- the targeted recycling bin collection rate is assessed as a fixed amount per unit of service of $223.72. The recycling bin collection rate will generate $2,473448 in rates revenue in 2025/2026.

Stewart Island waste management targeted rates

Background
Stewart Island/Rakiurā is serviced by a weekly kerbside refuse bag, recycling, and food scrap collection. The service is provided to all rating units on Stewart Island/Rakiurā other than vacant land rating units

Activities funded
This targeted rate funds the collection and disposal of refuse and recycling on Stewart Island/Rakuirā (which forms part of waste services for the community resources activity)

Land liable for the rate
All land within the Stewart Island/Rakiurā waste management targeted rate area of service is liable for the rate. A map of this area can be viewed at https://www.southlanddc.govt.nz/home-and-property/southland-maps/ - (map 93).

How the rate is assessed
The targeted rate is assessed as a fixed amount per unit of service of $293.88. A unit of service is weekly kerbside refuse bag, recycling, and food scrap collection.
The rate will generate $121,372 in rates revenue in 2025/2026.

Water supply targeted rates

Background

Council operates 12 drinking water supply networks (10 urban and two rural residential) and seven untreated water supplies for rural (stock) consultation throughout the district. The urban supplies are required to meet drinking water standards while the rural supplies provide non-potable water for rural use.

Activities funded

These targeted rates fund the costs involved in maintaining each of the water supply networks including the costs associated with treating and reticulating water for each community (which forms part of the Council's water supply activity).

Land liable for the rates

These targeted rates apply to all properties that are connected or those capable of connecting with the designated boundary to a Council-owned water supply network. Maps of the scheme areas covered by each water supply can be viewed at https://www.southlanddc.govt.nz/home-and-property/southland-maps/.

How the rates are assessed

The water supply targeted rates are assessed as outlined below.

Te Anau rural water scheme targeted rates

- all rating units pay an annual fixed charge per restricted connection
- rating units pay a fixed amount for each unit made available to the rating unit. One unit is 1,814.4 litres per day
- minimum allocation is one full unit. Half units are only available for rating units receiving at least one full unit. These rates apply to all properties within the Te Anau rural water rating boundary (refer to map 160).

Metered property water supply targeted rates (excludes properties within the Te Anau rural water rating boundaries)

The Council may require metering of a property when:

- a property is estimated to consistently exceed the expected annual usage (365 cubic metres) including high water use
- where observation metering indicates high water use in relation to the expected annual usage
- where non-drinking use of water is evident, e.g. truck wash-down, water for animal consumption is expected to exceed the expected annual usage quantity; or
- the property is classified commercial/industrial

Properties that are rated for metered water will be charged a fixed annual charge per water meter and a rate for actual water consumption per cubic metre, invoiced quarterly.

In instances where the property is no longer exceeding the expected annual usage, the rates will revert to a district water full rate.

Non-metered property water supply targeted rate (excluded properties within the Te Anau rural water rating boundaries)

- these rates apply to all properties not within the Te Anau rural water rating boundaries and that are not provided with a metered water supply
- one unit of service is one standard domestic connection. All rating units without meters that are connected to a water supply scheme or are within the scheme rating boundary but are not connected are charged a fixed amount for each unit of service.

- rating units with water troughs with direct feed from Council's water mains pay a fixed annual amount per trough (note that backflow prevention and annual testing of backflow preventer is required in these cases)
- vacant rating units within the scheme rating boundary are charged a 'half charge' on a per rating unit basis for the provision of the service due to the ability to connect (i.e. they are capable of connection) to the scheme.

A table of the rates

Water and metered water rates	$ per m3 2025/2026 (incl GST)	Targeted rate per unit of service/rating unit 2025/2026 (incl GST)	Revenue from water supply rates 2025/2026 (incl GST)	Map of land liable for rate
District water rate - full charge		$901.36	$7,420,446	
District water rate - half charge		$450.68	$380,373	
District water rate - trough charge		$180.27	$3,244	
			$7,804,064	Maps 138 - 162
District water - meter charge		$225.00	$34,200	
Metered charge for water consumed	$1.60			
Te Anau rural water - annual charge		$1,332.64	$266,528	Map 160
Te Anau rural water - full charge		$888.43	$710,744	Map 160
Te Anau rural water - half charge		$444.21	$21,322	Map 160
			$998,594	

Properties capable of connection are defined as being within 30 metres of a public water supply network to which they are capable of being effectively connected.

Wastewater targeted rates

Background

The wastewater activity involves collecting, treating, and disposing of sewage from residential properties, business properties and public sanitary facilities. The wastewater system also deals with non-domestic liquid wastes (often known as trade wastes). Eighteen towns within the district are reticulated with Council-owned and maintained infrastructure.

Activities funded

This targeted rate funds the costs involved in maintaining wastewater treatment plants, pump stations, reticulation repairs and minor upgrades including renewals of the respective systems - which forms part of the Council' wastewater (sewerage) activity.

Land liable for the rate

The targeted rate applies to all properties that are connected to a Council-owned wastewater scheme or within the defined boundary of one of Council-owned wastewater schemes. Maps of the areas of service for each Council scheme can be viewed at https://www.southlanddc.govt.nz/home-and-property/southland-maps/.

How the rate is assessed

The rate is set on a differential basis. Council has defined its differential categories based on the use of the rating unit. The liability factors used are fixed amounts per rating unit, per SUIP of rating unit or fixed amount for each pan/urinal within the rating unit.

How the rate is calculated

Differential category	Definition	Basis of liability
District wastewater rate full charge	Excluding the category below, all rating units connected to a district wastewater scheme or able to be connected[1] within the defined wastewater scheme rating boundary that are: a) primarily residential/domestic/household in nature (e.g. residential, lifestyle, farming) b) other rating units (e.g. commercial/industrial/other properties)	The rate for these rating units are set as a fixed amount per: a) SUIP b) pan/urinal
District wastewater rate half charge	All rating units within the defined wastewater scheme rating boundaries that are vacant.	The rate for these rating units is set as a fixed amount per rating unit.

1 - Able to be connected means that you are within the scheme boundary or within a distance of 30m from a property boundary to the pipe in the street or a distance of 60m from the house/dwelling to the pipe in the street.

A table of the rates

Wastewater rates	Targeted rate per rating unit/SUIP/Pan 2025/2026 (incl GST)	Revenue from rates 2025/2026 (incl GST	Map of land liable for rate
District wastewater rate - full charge	$928.89	$9,374,590	
District wastewater rate - half charge	$464.45	$440,298	
		$9,814,888	Maps 112-135

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Woodlands septic tank cleaning charge targeted rate

Background
Property owners within the Woodlands area can have their septic tank cleaned by Council on a three yearly cycle. This service was put in place due to the problems that were experienced in the past with the operation of septic tanks within this community.

Activities funded
The targeted rate is used to fund the costs of cleaning septic tanks within the area of service - which forms part of the Council's wastewater (sewerage) activity.

Land liable for the rate
All land within the Woodlands septic tank cleaning charge area of service is liable for the rate. A map of this area can be viewed at https://www.southlanddc.govt.nz/home-and-property/southland-maps/ (map 163).

How the rate is assessed
The targeted rate is assessed as an amount of $152.43 per SUIP of a rating unit.
The rate will generate $9,755 in rates revenue in 2025/2026.

Water supply loan targeted rates

Background

A water supply loan targeted rate is used to fund the capital contributions towards development of the water supply schemes for the Edendale and Wyndham communities. Council has previously offered ratepayers the option of paying the contribution as a lump sum or over a number of years.

Activities funded

These targeted rates fund the initial capital costs of developing the relevant water supply scheme (which forms part of the Council's water supply activity).

Land liable for the rate

The properties liable for each targeted rate are within the area of service for each scheme and have previously indicated the period over which they wish to pay the initial capital cost. Units were determined at the establishment of each individual scheme. Maps of the areas of service for each Council scheme can be viewed at https://www.southlanddc.govt.nz/home-and-property/southland-maps/.

How the rates are assessed

The rates are assessed against each rating unit per unit of service based on the option that the ratepayer has previously chosen to either pay a one-off capital contribution for a new scheme or pay it over a selected period.

A table of the rates

Water loan rates	Targeted rate per unit of service 2025/2026 (incl GST)	Revenue from water loan rates 2025/2026 (incl GST)	Map of land liable for rate
Edendale water loan - 25 years	$148.60	$13,225	Map 161
Wyndham water loan - 25 years	$142.90	$15,861	Map 162

Sewerage loan targeted rates

Background
Sewerage loan targeted rates are used to fund the capital contributions towards development of the wastewater schemes for the Edendale, Wyndham, Tuatapere and Wallacetown sewerage schemes. Council has previously offered ratepayers the option of paying the contribution as a lump sum or over a number of years.

Activities funded
These targeted rates fund the initial capital costs of developing the relevant wastewater scheme (which forms part of the Council's sewerage activity).

Land liable for the rate
The properties liable for each targeted rate are within the area of service for each scheme and have previously indicated the period over which they wish to pay the initial capital cost. Units were determined at the establishment of each individual scheme. Maps of the areas of service for each Council scheme can be viewed at https://www.southlanddc.govt.nz/home-and-property/southland-maps/.

How the rates are assessed
The rates are assessed against each rating unit per unit of service based on the option that the ratepayer has previously chosen to pay a one-off capital contribution for a new scheme or to pay it over a selected period.

A table of rates

Sewerage loan rates	Targeted rate per unit of service 2025/2026 (incl GST)	Revenue from water loan rates 2025/2026 (incl GST)	Map of land liable for rate
Edendale sewerage rate - 25 years (incl. connection cost)	$626.29	$43,214	Map 115
Edendale sewerage rate - 25 years (excl. connection cost)	$518.33	$45,613	Map 115
Tuatapere sewerage loan charge - 25 Years	$358.89	$33,735	Map 132
Wallacetown sewerage loan charge - 25 Years	$328.88	$20,061	Map 133
Wyndham sewerage loan charge - 25 Years (incl. connection cost)	$571.50	$56,578	Map 135
Wyndham sewerage loan charge - 25 Years (excl. connection cost)	$464.37	$9,287	Map 135

Rating base information

Schedule 10 clause 20A of the Local Government Act 2002 requires Council to disclose the following projected rating base information within the district at the end of the preceding financial year (2024/2025)

	30 June 2025
Number of rating units with Southland District Council	21,278
Total rate able capital value within Southland District	$26,283,322
Total rate able land value within Southland District	$17,066,858

Rating boundaries

Council are not proposing any boundary changes in 2025/2026.

Sample properties

The following table calculated the impact of Council's rating policy on properties in 2025/2026:

- in different locations within the district
- with different land uses (residential, dairy, commercial, etc) and
- with different land values.

The property values presented in the table are representative of the values in that location and for that land use.

For the reasons above the information should be treated as indicative.

Indicative rates are inclusive of GST.

District rates are those rated charged to all properties that are dependent on the rating unit's location in respect of rating boundaries. This includes roading, regional heritage and the general rates.

Local rates are those rates charged to properties that are dependent on the rating unit's location in respect of rating boundaries. This includes hall rates, pool rates, community board rates and community development area rates.

Service rates are those rates charged to properties based on the services that they do or can receive. This includes water supply, sewerage, and wheelie bin rates.

			TOTAL RATES				DISTRICT RATES				LOCAL RATES				SERVICE RATES			
	Land	Capital	2024/25	2025/26	Change		2024/25	2025/26	Change		2024/25	2025/26	Change		2024/25	2025/26	Change	
Sector	Value	Value			$	%			$	%			$	%			$	%
Residential (Winton)	150,000	510,000	$3,675	$4,345	$670	18%	$1,598	$1,807	$209	13%	$258	$261	$3	1%	$1,820	$2,278	$458	25%
Residential (Manapouri)	560,000	1,040,000	$4,520	$5,290	$769	17%	$2,246	$2,550	$304	14%	$454	$462	$7	2%	$1,820	$2,278	$458	25%
Residential (Balfour)	105,000	390,000	$2,189	$2,450	$261	12%	$1,426	$1,638	$212	15%	$306	$364	$58	19%	$456	$447	($9)	(2%)
Residential (Ohai)	60,000	275,000	$3,553	$4,230	$677	19%	$1,298	$1,477	$179	14%	$436	$475	$39	9%	$1,820	$2,278	$458	25%
Residential (Te Anau)	250,000	760,000	$4,032	$4,816	$784	19%	$1,781	$2,157	$376	21%	$432	$381	($51)	(12%)	$1,820	$2,278	$458	25%
Residential (Otautau)	80,000	445,000	$3,655	$4,340	$685	19%	$1,481	$1,715	$234	16%	$355	$347	($7)	(2%)	$1,820	$2,278	$458	25%
Residential (Tuatapere)	70,000	290,000	$3,520	$4,250	$730	21%	$1,310	$1,498	$188	14%	$391	$474	$84	21%	$1,820	$2,278	$458	25%
Lifestyle (Athol)	520,000	855,000	$2,077	$2,422	$345	17%	$1,882	$2,196	$314	17%	$195	$226	$31	16%	$0	$0	$0	0%
Lifestyle (Manapouri)	380,000	900,000	$3,188	$3,872	$684	21%	$1,803	$2,260	$457	25%	$266	$264	($2)	(1%)	$1,119	$1,349	$229	20%
Lifestyle (Wyndham)	250,000	900,000	$2,415	$2,824	$409	17%	$1,864	$2,260	$396	21%	$95	$117	$22	23%	$456	$447	($9)	(2%)
Lifestyle (Riverton/Aparima)	1,100,000	2,100,000	$2,569	$3,470	$901	35%	$2,092	$2,997	$905	43%	$21	$26	$5	25%	$456	$447	($9)	(2%)
Farming (Non-Dairy)	4,510,000	5,260,000	$8,208	$9,066	$858	10%	$8,026	$8,854	$828	10%	$182	$212	$30	16%	$0	$0	$0	0%
Farming (Non-Dairy)	6,950,000	8,150,000	$11,282	$13,349	$2,067	18%	$11,202	$13,272	$2,070	18%	$81	$77	($3)	(4%)	$0	$0	$0	0%
Farming (Non-Dairy)	5,300,000	6,500,000	$8,778	$11,090	$2,313	26%	$8,596	$10,757	$2,161	25%	$182	$334	$152	83%	$0	$0	$0	0%
Farming (Non-Dairy)	2,020,000	2,180,000	$3,775	$4,267	$491	13%	$3,720	$4,203	$483	13%	$55	$64	$8	15%	$0	$0	$0	0%
Mining	2,850,000	4,320,000	$84,888	$102,164	$17,275	20%	$84,791	$102,062	$17,271	20%	$98	$102	$4	4%	$0	$0	$0	0%
Industrial	270,000	530,000	$3,534	$4,291	$757	21%	$1,913	$2,200	$286	15%	$258	$261	$3	1%	$1,363	$1,830	$467	34%
Industrial	380,000	890,000	$6,001	$7,332	$1,330	22%	$2,596	$2,953	$357	14%	$260	$299	$38	15%	$3,145	$4,080	$935	30%
Commercial	235,000	950,000	$4,840	$5,737	$897	19%	$2,760	$3,160	$401	15%	$260	$299	$38	15%	$1,820	$2,278	$458	25%
Commercial	1,300,000	7,150,000	$12,708	$16,754	$4,047	32%	$12,465	$16,571	$4,106	33%	$243	$183	($60)	(25%)	$0	$0	$0	0%
Dairy	13,500,000	16,100,000	$22,854	$33,702	$10,848	47%	$22,399	$33,125	$10,726	48%	$455	$577	$122	27%	$0	$0	$0	0%
Dairy	9,100,000	10,910,000	$18,619	$23,101	$4,481	24%	$18,324	$22,766	$4,442	24%	$295	$334	$39	13%	$0	$0	$0	0%
Dairy	13,700,000	17,500,000	$29,532	$36,400	$6,867	23%	$29,206	$36,006	$6,800	23%	$327	$394	$67	21%	$0	$0	$0	0%
Dairy	19,800,000	24,400,000	$44,289	$54,139	$9,851	22%	$39,872	$49,811	$9,939	25%	$308	$302	($7)	(2%)	$4,108	$4,027	($81)	(2%)
Forestry	1,260,000	1,300,000	$6,897	$7,234	$337	5%	$6,842	$7,173	$331	5%	$55	$61	$6	10%	$0	$0	$0	0%
Other	88,000	100,000	$1,059	$1,124	$65	6%	$968	$1,034	$66	7%	$91	$90	($1)	(1%)	$0	$0	$0	0%

Please note: Southland District was subject to a property revaluation in 2024 and the values stated are the new values as at July 2024, which are the basis for calculating the 2025/2026 rates. Therefore the change in the proposed rates are 2024/2025 to 2025/2026 is in part, a result of the change in valuation of each property.

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Balancing the budget

Section 100 of the Local Government Act 2002 requires Council to ensure that for every year its projected operating revenues are set at a level that is sufficient to meet its projected operating expenditure. Council may set projected operating revenues at a different level from that required, if Council resolves that it is financially prudent to do so.

Council is projecting an operational deficit of $7,888 million. Refer to page 19 for commentary on the changes in costs contributing to the increased deficit from the LTP.

	AP 2024/2026 ($000)	LTP 2025/2026 ($000)	AP 2025/2026 ($000)
Surplus/ (Deficit)	(6,379)	(1,866)	(7,888)

The areas contributing to Council not having a balanced budget are:

- the continued phasing in of the funding of depreciation for water and wastewater assets
- Council's decision not to fund depreciation on local assets and some buildings (mainly halls given we are not sure if they will be replaced or what they will be replaced by.)
- Council's partial use of depreciation reserves to fund interest and principal repayments on loans borrowed to fund water and wastewater capital expenditure. Council is planning to stop using these funds to pay interest costs for related capital expenditure borrowings from 2026/2027 onwards
- due to Council investing in balanced fund units, investment returns are no longer included in Council's reported investment income, as earnings from the balanced fund are only recognised when the investment units are sold.

If the impact of these was to be removed, Council would have a balanced budget.

Refer to page 114 of Council's Long Term Plan 2024-2034 for further explanation.

Overall
As such, in considering intergenerational equity, council policies and ongoing consideration of affordability for its communities, it is considered financially prudent that Council operates a financial deficit in 2025/2026, which is in line with the Long Term Plan 20024-2034.

Fees and charges

The table below shoes the fees and charges for 2025/2026. Additional information can be found in Council's Schedule of Fees and Charges. All fees are GST inclusive unless stated otherwise.

Schedule of fees and charges by activity		2025/26
Airport - Te Anau Manapouri		
Landing fees		
Weight category [1] - MCTOW in kg		
< or = 2,000		$17.00
2,001 - 4,000		$34.00
4,001 - 5,700		$57.00
5,701 - 10,000		$115.00
10,001 - 20,000		$230.00
>20,000		$322.00
Helicopters		$17.00
Honesty box landing fees - MCTOW in kg		
< or = 2,000 (no GST)		$17.00
2,001 - 4,000 (no GST)		$34.00
4,001 - 5,700 (no GST)		$57.00
Helicopters (no GST)		$17.00
Overnight fee - MCTOW in kg		
< or = 2,000		No charge
2,001 - 4,000		No charge
4,001 - 5,700		No charge
5,701 - 10,000		$57.00
10,001 - 20,000		$115.00
>20,000		$172.00
Helicopters		No charge
Ground handling fees		
The ground handling fees include runway inspection, marshalling, toilet servicing as required and security cones		
• with baggage		$322.00
• without baggage		$241.00
• with baggage (two persons assist)		$339.00
Additional person		$80.00
Ground power unit assistance (minimum one hour)		$172.00
After hours call out fees (per hour)		$80.00
Security charge (per hour)		$80.00

Schedule of fees and charges by activity		2025/26
Refuelling fees		
Standard refuelling		$57.00
Additional person		$80.00
Function centre fees		
Residential/local ratepayer full day		$300.00
Residential/local ratepayer half day		$200.00
Non-rate payer		$500.00
Corporate hire half day		$400.00
Corporate hire full day		$600.00
Cancellation fee		$50.00
Wet weather ceremony hire		$100.00
Bond (refundable no GST)		$500.00
Optional contract clean		$250.00
Alcohol - sale and supply of alcohol and gambling		
Gambling venues		
Application for Class 4 Gambling Venue Certificate		$816.50
Alcohol control bylaw		
Application to grant a dispensation under the Alcohol Control Bylaw		$211.00
The mechanism for alcohol licensing fees is set by the Sale and Supply of Alcohol (fees) Regulations 2013. These fees are subject to any operative Southland District Council Alcohol Licensing Fee-Setting Bylaw, which may vary the fees below.		
Application for premises		
Cost/risk rating category - very low		$368.00
Cost/risk rating category - low		$609.50
Cost/risk rating category - medium		$816.50
Cost/risk rating category - high		$1,023.50
Cost/risk rating category - very high		$1,207.50
Annual fee for premises		
Cost/risk rating category - very low		$161.00
Cost/risk rating category - low		$391.00
Cost/risk rating category - medium		$632.50
Cost/risk rating category - high		$1,035.00
Cost/risk rating category - very high		$1,437.50
Special licence		
Class 1		$575.00
Class 2		$207.00
Class 3		$63.25
Late application fee		$80.00

Schedule of fees and charges by activity		2025/26
Other fees payable		
Managers certificates (application and renewals)		$316.25
Temporary authorities		$296.70
Temporary licence		$296.70
Permanent club charters		$632.50
Extract from register		$57.50
Public notice fee		$93.00
Pre-application lodgment meeting	30 minutes capped	Free
Administration fee	Per hour	$160.00
Application hard copy scanning		$50.00
Charge out rate for vehicles	Per kilometre	$1.04
District Licensing Committee costs including hearings		Actual costs
Building and resource management assessments for alcohol applications (refer s100(f) Sale and Supply of Alcohol Act)		Refer to separate fee *'Sale of alcohol assessments'* listing in Building Solutions/ Resource Management
Alfresco dining		
Administration/application fee (new)	One-off charge	$338.00
Renewal fee		$136.00
Animal control		
A new dog must be registered on or before three months of age. The fee for new dog registrations where the dog is less than three months old on or after 2 August or the dog is imported into New Zealand for the first time on or after 2 August is calculated by dividing the registration fee payable for a full year by 12 and multiplying that amount by the number of complete months remaining in the registration year. This is called 'pro-rata'.		
Working dogs		
Working dogs have three categories. It is important to advise Council which category your working dog fits into. Working dogs and service dogs require current paperwork certifying their abilities. Breeds not typically seen as stock dogs may require a site inspection that demonstrates how your dog performs its job: • Stock dogs – kept principally for the purposes of herding or droving stock • Working dogs – government dogs (e.g. Police, Customs, MPI, DOC), dogs owned by a licensed property (e.g. completes guard work under legislation), and pest dogs (operating under Biosecurity Act 1993) Service dogs – disability assist dogs (e.g. hearing, K9 medical detection, mobility assistance)		
New dog registration – working dogs and stock dogs	Flat fee Pro-rata for part year	$40.00
Renewal of dog registration – working dogs and stock dogs	Flat fee	$40.00
Renewal of dog registration – service dogs with current papers	Free	Free
New dog registration – service dogs with current papers	Free	Free

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Schedule of fees and charges by activity		2025/26
Late payment fee - registration paid after 1 August	Percentage of applicable fee	+50%
Pet dogs		
Registration discounts		
Dog registration fees are discounted as follows when evidence of each activity has been submitted to Council and verified. All evidence must be provided prior to 1 May for discounted fees to be applied. When you register your new dog, you will be asked which of these discounts you will supply evidence for at the applicable time.		
(a) desexed - the dog is spayed or neutered		-$30.00
(b) the dog has a responsible owner (according to Council's criteria for owner responsibilities detailed online at www.southlanddc.govt.nz)		-$30.00
Registration new		
New dog registration - up to 3 months old before 1 July	Flat fee	Pro-rata
Registration new/renewal		
Renew dog registration (older than 3 months on 1 July) – fee paid 'on time' by 1 August (all evidence must be provided prior to 1 May for discounted fees to be applied)		
No discounts applied	Flat fee	$110.00
Dog is spayed or neutered	Discounted fee	$80.00
Dog has a responsible owner	Discounted fee	$80.00
Dog is spayed or neutered and has a responsible owner	Discounted fee	$50.00
Late payment fee - registration paid after 1 August	Percentage of applicable fee	+50%
Dog control		
Property inspections to verify discount / dog class etc.		$50.00
Dog hearing lodgement fee		$100.00
Replacement tag - first		$6.50
Replacement tag – second and subsequent tags		$13.00
After hours collection fee		$180.00
Charge out rate for vehicles	Per kilometre	$1.04
Multiple dog licence application fee		$50.00
Sale of collars		$10.00
Sale of leads		$12.00
Microchipping		
Microchipping of a dog registered with SDC		No charge
Commercial breeders that require more than four pups to be microchipped per registration year	Per dog for the fifth and subsequent dog	$30.00
Impounding		
Impounding of dog		$150.00
Impounding of dog - second and subsequent impoundments (and infringement fees)		$200.00
Long term stays (greater than one month) monthly fee Where a dog is impounded and is awaiting the outcome of a Court hearing or similar, a monthly fee will be applied, and monthly invoices will be issued to the owner		$300.00

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Schedule of fees and charges by activity		2025/26
After hours release (minimum of one-hour staff time) only by prior arrangement and all outstanding fees and infringements must be paid		$180.00
Surrendering of dog for rehoming		$120.00
Sustenance of impounded dog	Per day or part thereof	$25.00
Euthanasia		Actual cost
Rehoming		
A dog impounded by SDC released to SDC authorised rehoming provider for either fostering or rehoming (initial registration only)		Free
A dog received by SDC authorised rehoming provider for the purpose of rehoming, that is either from the Southland District, or to be rehomed in the Southland District (initial registration only)		Free
Impounding Act		
Stock wandering		
Horses, donkeys, asses, mules, cattle, deer	Per head	$60.00
Sheep, goats, pigs, and other stock	Per head	$30.00
Council animal control officer callout	Per hour	120.00
Contractor callout		Actual cost
Sustenance		Actual cost
Hire of transportation or trailers		Actual cost
Moving stock on district roads		
Council animal control officer callout (does not apply to state highways)	Per hour	$120.00
Contractor callout		Actual cost
Building solutions		
Note: All fees stipulated in the below table are a 'minimum cost' which has been set as an indicative average cost. Additional work, typically related to more complex applications which may include processing, inspections or external professional advice required for any application will be charged in addition to these minimum fees 'at cost'. • any work performed by Council which is not stipulated in the below table will be charged 'at cost'. This will be applied as hourly rate, quantity of inspections or external work 'as invoiced' to Council • indicative building consent fees do not include MBIE/BRANZ/Accreditation levies for building work • where there is history of poor payment, the fees are to be paid at the time of lodging • infringements issued are as specified in the Building (Infringement Offences, Fees, and Forms) Regulations 2007 - https://www.legislation.govt.nz/regulation/public/2007/0403/latest/whole.html#DLM6340507 • costs associated with review of a PS1 will be invoiced as an additional charge. Complex projects may require calculations and/or a PS2 in support of a PS1. A PS2 design review statement will be required for projects exceeding $2.5 million fees and charges outstanding at submission of Form 6 "Application for Code Compliance Certificate" will prevent issuing of the Code Compliance Certificate		
Processing time charge-out rates		

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Schedule of fees and charges by activity		2025/26
Pre-application meeting (discuss questions, process etc.)	30 minutes capped	Free
Administration	Per hour	$160.00
Building control/compliance officer	Per hour	$247.00
Additional Inspection charge-out rate		
Includes re-inspection (after a failed inspection) and also cancelled inspections (if not cancelled by 2pm the day prior to the inspection booking).	Per inspection	$385.00
• indicative building consent fees are 15% GST inclusive.		
Minimum building consent fees		
Building work		
Freestanding fireplace (Residential only - includes new and second-hand as well as warranty replacement installations and wetback heaters). Includes code compliance certificate application fee and no electronic submission fee will be applied.		$645.00
Inbuilt fireplace (Residential only - includes new and second-hand as well as warranty replacement installations and wetback heaters). Includes code compliance certificate application fee and no electronic submission fee will be applied.		$870.00
$0 - $5,000		$1,190.00
$5,001 - $10,000		$1,540.00
$10,001 - $20,000		$2,270.00
$20,001 - $50,000		$3,050.00
$50,001 - $100,000		$3,900.00
$100,001 - $250,000		$5,145.00
$250,001 - $500,000		$6,700.00
$500,001 - $900,000		$8,200.00
$900,000 +		$10,700.00
*Unlined shed/accessory building - $20,001-$500,000		$2,500.00
*Unlined shed/accessory building - $500,001-$900,000		$4,240.00
*Unlined shed/accessory building - $900,000 +		$5,100.00
Residential re-roof/re-clad only (includes addition of insulation)		$1,630.00
All value of building work above is including GST		
The estimated value of your building work must be calculated as the value of the completed build (excluding land value). This includes labour and materials and cannot be less than $2,500 per m2 for a new residential build. The estimate of your project's value must include: materials, including salvaged materials; design work; building; plumbing and other contractor charges such as labour at normal contractor charge out rates. This method of calculation is also required where an "owner builder" is completing the work. All commercial building applications are lodged using the above minimum fee which will have actual and reasonable costs charged in addition to the lodgement amount. *The above specified shed fees relate ONLY to stand-alone/detached unlined sheds and/or accessory building that: have been engineer designed, with a Producer Statement 1 (PS1) provided to Council, contain no plumbing/drainage (other than stormwater), contain no specified systems/safety systems, and have no lined occupied spaces.		

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Schedule of fees and charges by activity		2025/26
Other fees and charges applied to a building consent (where relevant)		
MBIE levy (formerly DBH Levy)	$1.75 per $1,000.00 or part of (for project values more than $64,999.00)	$1.75/ $1,000.00
BRANZ levy	$1.00 per $1,000.00 (for project values equal to or more than $20,000.00)	$1.00/ $1,000.00
Accreditation levy	$1.00 per $1,000.00 (for project values equal to or more than $20,000.00)	$1.00/ $1,000.00
Site service assessment		$405.00
Compliance schedule/statement	Per Compliance Schedule Issued	$247.00
Application for minor variation		$235.00 + hourly rate for processing time spent and inspections required.
Amendment to building consent (includes durability modification applications)	Cost is per hour. Amendments relate ONLY to amending works within the scope the original application. Additional works that expand the scope are required to be applied for as a new building consent	$247.00 + hourly rate for processing time spent and inspections required.
Rejection of building consent		hourly rate charged for processing time spent and system fees incurred
Extension of time for building consent		$105.00
Building Act certificate - Section 37 (Resource Consent Required)		$160.00
Building Act certificate - Section 71-74 (Natural Hazard)		$247.00
Building Act certificate - Section 75-83 (Building over allotments)		$247.00
Code compliance certificate application		$141.00
Connect drain to kerb and channel		See road reserve and service fees
Connect piped utilities including water, stormwater and wastewater		
Alteration to existing rural water service connection		
Other applications received by Council		
Service required	**Fee/ charges comprises**	
PIM	Project information memorandum (PIM only application)	$485.00
PIM – commercial/industrial	Project information memorandum (PIM only application)	$667.00
LIM – Residential - 10 working days (Non-refundable)	Land information memorandum (includes single title search)	$420.00
LIM - Commercial, Industrial, Rural (over one hectare) - 10 working days (Non-refundable)	Land information memorandum (includes single title search)	$500.00
Council may charge additional fees (including the set fee) for complex or extensive LIM applications	Per hour	$110.00

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Schedule of fees and charges by activity		2025/26
Additional certificate of title search fee		$9.00
Tent/marquee (> 100 m^2)		$645.00
Amusement device permit		$11.50
Certificate for public use Note: cost of subsequent CPU application = previous charge x 2	First application	$415.00
Certificate of acceptance – urgent works	Applies to emergency work only	$1,320.00
Certificate of acceptance – all other work	Applies to work completed without a consent outside of emergency situations	Building consent x2
Exemption to building consent application - Schedule 1	Acceptance of paperwork	$272.00
Exemption to building consent application - Schedule 1 (2)		$577.00
Other fees for activities/services performed by Council		
Service required	**Fee/charges comprises**	
Building warrant of fitness (BWOF) onsite inspection	1-3 system types	$385.00
Building warrant of fitness (BWOF) onsite inspection	4-5 system types	$580.00
Building warrant of fitness (BWOF) onsite inspection	6+ system types	$675.00
Annual BWOF renewal	Per Hour – Minimum 1 hour	$160.00
Relocatable building report		$535.00
Earthquake prone building	Engineer report review and decision	$370.00
Replacement Earthquake Prone Building Notice (after 2 issued)		$157.00
Exemption from undertaking seismic strengthening	Application fee	$470.00
Compliance schedule – amendments	Per hour – minimum 1 hour	$270.00
Change of use (S115) – if no building consent lodged or building work required to be undertaken		$405.00
Swimming pool inspection (includes spa pools and pool safety barrier)		$237.00
Swimming pool re-inspection		$180.00
Swimming pool report	Receipt of independent qualified pool inspector review	$56.00
Alternative solution or waiver (formal request to add to Council's register)	Assessment of other than minor alternatives (paid on lodging)	$1,365.00
Sale of alcohol and resource consent assessments in relation to the Building Act and Building Code	Per hour – minimum 1 hour	$157.00
Notice to fix – Not supplying a building warrant of fitness (BWOF)		$270.00
Notice to fix – Issued for all reasons excluding not supplying building warrant of fitness. Includes issuing Dangerous / Insanitary Notice for circumstances that are not incidental e.g. fire and not displaying earthquake prone building notice.		$525.00
Data report	Per report	$35.00
Administration service providers charges		
Electronic submission fee - value of work equal to or less than $124,999	Building consent applications amendments	$92.00
Electronic submission fee - value of work greater than $125,000 and less than $2.5 million	Building consent applications amendments	Value of work x $0.0008625

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Schedule of fees and charges by activity		2025/26
Electronic submission fee - equal to and over 2.5 million - $1,875 flat fee (excl GST)	Building consent applications amendments	$2,156.25
COA Electronic submission fee - value of work equal to or less than $124,999		$92.00
COA Electronic submission fee - fixed fee value of work greater than $125,000		$402.50
CPU Electronic submission fee		$92.00
Search fee of certificate of title and appellation details.	Each	$36.00
Hard copy application scanning	Per consent	$70.00
Digitised property file – 3-5 working days (Non-refundable)	Per residential	$25.00
Digitised property file – 3-5 working days (Non-refundable)	Per commercial, industrial, rural	$45.00
Council may charge additional fees (including the set fee) for complex or extensive property file requests	Per hour	$110.00
Service providers charges		
Contractors/consultants		At cost + disbursements
Engineer review		At cost + disbursements
Consultants		At cost + disbursements
Legal/other advice		At cost + disbursements
Courier fees		At cost +15%
Public service vehicle charge per/km		$1.04
Community housing rents		
Location (number of units)		**2025/26**
Edendale - Pioneer Place (10)	Per week	$155.00
Edendale - Seaward Road (1 two bedroom)	Per week	$175.00
Lumsden - 4 Tauna Street (4)	Per week	$155.00
Nightcaps - 12 Annan Street (6)	Per week	$155.00
Ohai - 100 Birchwood Road (5)	Per week	$155.00
Otautau - 1 Rochdale Street (1)	Per week	$175.00
Otautau - 50 King Street (4)	Per week	$155.00
Riversdale - 48 York Road (2)	Per week	$155.00
Riverton/Aparima - 125 Havelock Street (Trotters Court) (8 single flats)	Per week	$155.00
Riverton/Aparima - 111 Havelock Street (Jacobs Court) (4 double flats)	Per week	$175.00
Tuatapere - 26 Orawia Road (8)	Per week	$155.00
Winton - 3 Queen Street (6)	Per week	$155.00
Wyndham - Menzies Court (10)	Per week	$155.00
Non-priority tenant rents any location	per week	$186.00 to $210.00
Note • applies to new and reviewed tenancies. • existing double tenancies will be reviewed at the single rate due to the basis of their fees and charges and contracts of the time of the commencement of the tenancy.		
Early payment of specified rates – liability schedule		

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Schedule of fees and charges by activity		2025/26
This schedule below outlines the liability outstanding for each of the following separate rates. Please refer to the Early Payment of Rates Policy for further details.		
Edendale sewerage loan - 25 years (incl connection cost)		$4,123.00
Edendale sewerage loan - 25 years (excl connection cost)		$3,412.00
Edendale water loan charge - 25 years		$978.00
Tuatapere sewerage loan charge - 25 years		$2,115.00
Wallacetown sewerage loan charge - 25 years		$1,700.00
Wyndham sewerage loan - 25 years (incl connection cost)		$4,137.00
Wyndham sewerage loan - 25 years (excl connection cost)		$3,362.00
Wyndham water loan charge - 25 years		$1,034.00
Environmental health – other fees		
Nuisances		
Hourly rate to investigate, visit, research or attend to correspondence/ administration; a situation where it has been established that a property is causing a nuisance and the owner has failed to abate the nuisance		$168.00
E-coli water sampling fee		
Each sampling visit of a camping ground that has a private water supply		$54.50
The keeping of animals, poultry and bees bylaw		
Hourly rate to investigate, visit, research or attend to correspondence/ administration where it has been established that a permit was required plus actual travel costs and disbursements	Per hour	$168.00
General hourly rate		
All other activities undertaken by environmental health staff, shall be charged at the actual cost calculated at	Per hour	$168.00
All hourly rates in relation to environmental health are calculated in 15-minute blocks or part thereof		
Charge out rate for vehicles	Per kilometre	$1.04
Litter		
Litter fine		$400.00
Food		
Food businesses operating under the Food Act 2014		
With food control plans or national programmes		
Application fees		
Establishment and registration of a new single or multi-site template food control plan or national programme		$422.00
MPI food business levy fee (flat rate payable annually per site on new and renewal applications) including Council collection fee		$78.78
For each additional site	For a multi-site business	$142.00
Renewal of registration of a single or multi-site template food control plan or national programme	Per site	$136.00
Voluntary suspension (per notification plus hourly rate after first hour)		$88.00
Significant amendment to registration (plus hourly rate after first hour)		$205.00
Minor amendment to registration (plus hourly rate after first hour)		$78.00

Schedule of fees and charges by activity		2025/26
Verification fees		
Base fee	Fixed fee includes preparation, data entry and invoicing	$251.00
Hourly rate for the verification	Verifier time on-site for the verification and verification report preparation time	$168.00
Hourly rate for corrective actions	Relating to all activities including correspondence, preparation, travel, on-site and report	$168.00
Cancellation of verification	Not including within 24 hours of making the appointment	$168.00
Unscheduled verification (per hour)		$168.00
Copies of Food Control Plan folder and documents		Actual cost
Technical expert for verification or unscheduled verification		Actual cost
Interpreter services		Actual cost
Compliance under the Food Act 2014		
Investigation and enforcement activity related to registration or complaint (hourly rate)		$168.00
Technical expert review (advice or verification) associated with an investigation		Actual cost
Hourly rate for food safety officer (relating to all activities including correspondence, preparation, travel, on-site and reports)		$168.00
Halls, community centres and Council property		
Athol hall		
Hall hire	Per hour	$10.00
School and special interest groups		50% discount
Funerals		100% discount
Cleaning (if required)	Per hour	$50.00
Browns hall		
Hall hire	Per hour (minimum booking 4 hours for casual users, no minimum for verified users)	$12.50
	Per day	$100.00
Not for profit/community group		50% discount
Bond (refundable) (may be imposed at discretion of the custodian and advised at time of booking)	No GST	$250.00
Clifden hall		
Hall hire	Per hour (note minimum 4 hour booking for casual user)	$11.50
Bond	No GST	$250.00
Colac Bay hall		
Funerals		$100.00
Cabaret, socials, weddings		$300.00

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Schedule of fees and charges by activity		2025/26
Bowls - night		$40.00
Bowls - afternoon and night		$60.00
Main hall hire	Per hour	$20.00
Bond (refundable) (may be imposed at discretion of the custodian and advised at time of booking)	No GST	$300.00
Dipton hall		
Hall hire		$35.00 - $80.00
Hall night rates		$250.00 - $350.00
Play group/RSA		$35.00 - $50.00
Five Rivers hall		
Hall hire		$50.00
Chairs	Per day	$20.00
Bond	No GST	$200.00
Limehills hall		
Hall hire	Per hour (minimum 4 hour booking for casual users, no minimum for verified users)	$12.50
	Per day	$100.00
Not for profit/community group		50% discount
Bond (refundable) (may be imposed at discretion of the custodian and advised at time of booking)	No GST	$250.00
Lumsden hall		
Hall hire	Per hour (minimum 4 hour booking for casual users, no minimum for verified users)	$20.00
Not for profits and special interest groups		50% discount
Funerals		100% discount
Cleaning (if required)	Per hour	$50.00
Lumsden sports ground pavilion		
Hire	Per day (8 hours)	$100.00
	All day and night hire	$150.00
School and special interest groups		50% discount
Cleaning (if required)	Per hour	$50.00
Manapouri hall		
Hall hire	Per day	$160.00
	Per hour	$20.00
Ratepayers / registered charities (listed on the national register)		50% discount
Local regular groups		40% discount
Commercial hire		300% surcharge
Meeting room hire	Per day	$16.00

Schedule of fees and charges by activity		2025/26
	Per hour	$8.00
Ratepayers / registered charities (listed on the national register)		50% discount
Local regular groups		40% discount
Commercial hire		300% surcharge
Library hire	Per day	$16.00
	Per hour	$8.00
	Per year	$200.00
Ratepayers / registered charities (listed on the national register)		50% discount
Local regular groups		40% discount
Commercial hire		300% surcharge
Toilets or kitchen only hire	Per day	$16.00
	Per hour	$8.00
Ratepayers / registered charities (listed on the national register)		50% discount
Local regular groups		40% discount
Commercial hire		300% surcharge
Folding tables hire	Each per day	$15.00
	Each per week	$100.00
Ratepayers / registered charities (listed on the national register)	Each per day	$10.00
	Each per week	$10.00
Commercial hire		300% surcharge
Chair hire	Each per day	$5.00
	Each per week	$30.00
	One off charge (per chair x20)	$100.00
Ratepayers / registered charities (listed on the national register)	Each per day	$5.00
	Each per week	$5.00
Commercial hire		300% surcharge
Bond (refundable) (may be imposed at discretion of the custodian and advised at time of booking)	No GST	$200.00
Nightcaps hall		
Funerals		$0.00 (100% discount from $100)
Cabaret, socials, weddings		$0.00 (100% discount from $125)
Rifle club	Full season	$0.00 (100% discount from $200)
Netball and rugby club	Per hour	$0.00 (100% discount from $15)
Meeting room hire	Per hour	$0.00 (100% discount from $15)

Schedule of fees and charges by activity		2025/26
Hire of kitchen, supper room and meeting room for function	Flat fee	$0.00 (100% discount from $80)
Funerals for RSA members and spouses		$0.00 (100% discount from $100)
Bond	No GST	$125.00
Ohai hall		
Wedding dance/cabarets		$0.00 (100% discount from $115)
Wedding reception only/banquets		$0.00 (100% discount from $100)
Group hire	Hourly	$0.00 (100% discount from $15)
Non-profit organisation hire	Per hour	$0.00 (100% discount from $10)
Bond	No GST	$125.00
Orawia hall		
Hall hire	Per hour (note minimum 4 hour booking for casual user)	$15.00
	Per day (8 hours)	$115.00
	Additional night charge	$175.00
Not for profit/community group	Per hour	$11.50
Bond (at the discretion of the custodian)	No GST	$250.00
Oreti Plains hall		
Hall hire	Per day (8 hours)	$200.00
	Per hour	$30.00
	Per weekend	$250.00
	Per week	$875.00
Chairs	Each	$0.50
Tables	Each	$5.00
Bond		$500.00
Orepuki hall		
Main hall hire	Per hour (note minimum 4 hour booking for casual user)	$15.00
	Per day (8 hours)	$115.00
Not for profit/community group	Per hour	$11.50
Lounge	Per hour (note minimum 4 hour booking for casual user)	$10.00
	Per day (8 hours)	$64.00
	Additional night charge	$175.00

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Schedule of fees and charges by activity		2025/26
Not for profit/community group	Per hour	$5.00
Bond	No GST	$250.00
Ryal Bush hall		
Hall hire	Per hour (note minimum 4 hour booking for casual user)	$12.50
	Per day	$100.00
Not for profit/community group		50% discount
Bond (refundable) (may be imposed at discretion of the custodian and advised at time of booking)	No GST	$250.00
Stewart Island trail park pavilion		
Hire		$50.00
Te Anau – Lions Park public shower		
Shower base fee	Per 8 mins	$7.50
Thornbury hall		
Funerals		$100.00
Cabaret, socials, weddings		$300.00
Hire of any room	Per hour	$20.00
Bond (refundable) (may be imposed at discretion of the custodian and advised at time of booking)	No GST	$300.00
Tokanui hall		
Hall hire	Per hour (minimum booking 4 hours for casual users, no minimum for verified users)	$10.00
	Per day	$80.00
	Night charge per night (after 5pm)	$120.00
Bond (refundable) (may be imposed at discretion of the custodian and advised at time of booking)	No GST	$400.00
Tuatapere hall		
Hall hire	Per hour (minimum booking 4 hours for casual users)	$15.00
	Per day (8 hours)	$115.00
	Additional night charge	$175.00
Not for profit/community group	Per hour	$11.50
Tussock Creek hall		
Hall hire	Per hour	$12.50
	Per day	$100.00
Not for profit/community group or at discretion of hall committee		Up to 100% discount
Bond – Regular users (12 month duration for bond, reviewed and renewed every 12 months)	No GST. These are discretionary and to be advised at time of booking	$250.00
Waikawa hall		
Hall hire	Full day	$200.00

Schedule of fees and charges by activity		2025/26
	Half day (no more than 4 hours)	$50.00
Meetings		$25.00
Funerals and elections		$150.00
Social functions	5pm to 1am	$120.00
Lounge/supper room	All day	$80.00
	Part day	$60.00
Damage/breakages	Repair/replacement	At cost
Cleaning (if required)		$100.00
Heaters	Per 20 minutes	$1.00
Bond	No GST	$50.00
Winton Memorial hall		
Hall hire	Per hour (minimum booking 4 hours for casual users, no minimum for verified users)	$50.00
	Per day	$400.00
Supper room hire	Per hour (minimum booking 2 hours for casual users, no minimum for verified users). Availability of the supper room is dependent on bookings for the main hall hire.	$30.00
Not for profit/community group		50% discount
Bond - Regular Users (12 month duration for bond, reviewed and renewed every 12 months)	No GST. These are discretionary and to be advised at time of booking	$200.00
Bond - casual/one-off users	No GST. These are discretionary and to be advised at time of booking	$500.00
Winton RSA hall		
Hall hire	Per hour (minimum booking 4 hours for casual users, no minimum for verified users)	$12.50
	Per day	$100.00
Not for profit/community group		50% discount
Bond - regular users (12 month duration for bond, reviewed and renewed every 12 months)	No GST. These are discretionary and to be advised at time of booking	$100.00
Bond - casual/one-off users	No GST. These are discretionary and to be advised at time of booking	$200.00
Wyndham hall		
Hall hire	Per hour (minimum 4 hour booking for casual users, no minimum for verified users)	$10.00
	Per day	$80.00

Schedule of fees and charges by activity		2025/26
Hall hire - night charge*	Per night (after 5pm)	$120.00
Diesel heating	Per litre used	At cost
Breakages/Damage	Repair/replacement	At cost
Bond (refundable) (may be imposed at discretion of the custodian and advised at time of booking)	No GST	$1,000.00
Cleaning	Per hour	$35.00
*If excessive staining on the floor and commercial cleaning is required the cost of such will be charged to the hirer		
Wyndham camping ground		
Powered site (2 adults, 2 children)	Per day (maximum 6 people per site)	$38.00
Non powered vehicle site	Per day (maximum 6 people per site)	$38.00
Non powered tent site	Per day (maximum 6 people per site)	$25.00
Cabin site	Per day	$65.00
Additional persons per site	Adult per day	$10.00
	Child (up to 15 years) per day	$5.00
Shower base fee	Per use	$4.00
Washing machine/dryer	Per use	$6.00
Dump station	Per use	$5.00
Council property – room hire		
Otautau - chambers	Per hour	$17.25
Otautau – interview room	Per hour	$12.50
Te Anau – meeting room	Half day	$10.00
Information management		
Production of maps (excluding requests for property maps from ratepayers for their individual properties)*. A standard property map (one that shows the property boundary information layer over the aerial photography image) requested by the owner or occupier of the property does not incur this fee.	Per hour – minimum 1 hour	$75.00**
* this fee applies to external customers where there is a commercial gain to be made by the requestor and/or there is a request for 'value added' work. Value added work is where the customer has requested additional information to be shown on a standard property map. Examples include the defining of fence lines and calculation of paddock sizes.		
** the fee is standard per property requested, regardless of the size of the printed map or the size of the property.		
Interment fees for cemeteries		
Standard interment five years old and over		
Calcium (Isla Bank)		$2,460.00
Centre Hill		$2,460.00
Dipton		$2,460.00
Edendale		$2,460.00
Halfmoon Bay		$2,460.00
Lumsden		$2,460.00

Schedule of fees and charges by activity		2025/26
Lynwood		$2,460.00
Otautau		$2,460.00
Otautau RSA (less $300)		$2,160.00
Riverton		$2,460.00
Riverton RSA (less $200)		$2,260.00
Nightcaps (Wairio)		$2,460.00
Wallacetown		$2,460.00
Winton		$2,460.00
Woodlands		$2,460.00
Wreys Bush		$2,460.00
Wyndham		$2,460.00
Other cemetery fees		
Interment one year old and up to five years old		$1,230.00
Interment stillborn and up to one year old		$615.00
Purchase of exclusive right to burial - standard or ashes plot		$165.00
Cremated ashes into existing ashes or standard plot - Council to prepare:		
• grass surface		$754.00
• hard surface, ie concrete (fee plus actual contractor costs based on a time and material basis)		$165.00
Cremated ashes into existing ashes or standard plot - family or funeral director to prepare and finish site		$165.00
Memorial wall - placement of plaque		$165.00
Probes		$273.00
Out of standard hours burial		$742.00
Library and office charges		
Interloans (New Zealand-wide for reciprocal libraries)	Per item	$15.00
Interloans (non reciprocal libraries)	Per item	At cost
Subject information over 30 minutes	Per search	$25.00
Replacement of lost/damaged item	Per item	At cost + $5.00
Photocopying/printing A4	Per side	$0.20
Photocopying/printing colour A4	Per side	$1.00
Photocopying/printing A3	Per side	$0.50
Photocopying/printing colour A3	Per side	$3.00
Photocopying/printing A2/A1	Per sheet	$5.00
3D printing charge (only available in Winton)	Per gram of filament	$0.40
Laminating A4	Per item	$4.00
Laminating A3	Per item	$5.00
Binging – binding spine only	Per 20 pages	$4.00
Binding covers	Each	$0.50
Scan & email	Per 10 pages	$2.00

Schedule of fees and charges by activity		2025/26
Faxing	Per 10 pages	$1.00
Local government official information and meeting requests		
Official information request		
First hour		Free
Additional time	Per half hour	$38.00
Photocopying charges		
First 50 pages		Free
Additional pages	Per page	$0.20
Other charges that include:		
Producing a document by computer or other like equipment		At cost
Reproducing a photograph, film, video, or audio recording		At cost
Arranging for the requestor to hear or view an audio or visual recording		At cost
Providing a copy of any maps, plans, etc.		At cost
Note These rates are as outlined in the Ministry of Justice guidelines and this policy will be amended to reflect any changes in the ministry guidelines. The requestor will be notified of the estimated cost of their request before Council starts to work on the request. The requestor then has the option of proceeding, withdrawing, or refining their request.		
Miscellaneous charges		
Rate postponement fee - one-off charge upon approval of postponement of rates and annual interest charged on balance of postponed rates	Per property	$200.00
	Per property	4.91%
Rates refund		$15.00
Credit card fees		Actual cost
Research of Council's archives and/or filing search fees	Per hour (first 30 minutes free)	$110.00
Registered premises (non-food)		
This includes licencing for camping grounds, offensive trades, hairdressers, sale yards and funeral directors.		
Other registered premises – annual fees		
Camping grounds		$390.00
Offensive trades		$390.00
Hairdressers		$305.00
Sale yards		$220.00
Funeral directors		$220.00
Hourly rate for re-inspections	Inspector time for travel, onsite inspections, and report	$168.00
Other fees		
Certificate of exemption from Camping-Grounds Regulations 1985		$273.00
Any other certificate or amendment	Per hour	$168.00

Schedule of fees and charges by activity		2025/26
Refuse, transfer stations and recycling		
Refuse and recycling		
Car loads	Refuse	$34.00
	Green waste	$10.00
Ute type loads and small trailers	Refuse	$50.00
	Commercial recycling & green waste	$28.00
Tandem trailers or high side trailers	Refuse	$92.00
	Commercial recycling & green waste	$44.00
Trucks per 1,000 kg gross weight		$100.00
Cars (Te Anau), single trailer/ute (Te Anau), tandem trailer (Te Anau) /tonne	Refuse	$310.00
Cars (Te Anau), single trailer/ute (Te Anau), tandem trailer (Te Anau)/tonne	Recycling and green waste	$82.00
Trucks per tonne confirmed by weight docket		$310.00
Unstripped car body surcharge		$160.00
Stripped car body		$56.00
Scrap cars (Stewart Island/Rakiura only)		$56.00
Whiteware – desgassing	Each	$40.00
Gas bottles		$20.00
Recycling and reuse only available at Stewart Island/Rakiura		
TV/computer monitor		$20.00
Car batteries		$15.00
Whiteware		$21.00
Greenwaste/cleanfill – Braggs Bay		
Small trailer/ute		$30.00
Tandem trailers or high side trailers		$45.00
Truck		$65.00
Car boot		$10.00
Other Items available to purchase only at Stewart Island/Rakiura		
Black bags	Commercial each	$7.00
Paint/oil	Per 20 litres	$12.00
Rubbish bags	SDC bag of 52	$215.00
Recycling bin		$25.00
Food bucket		$20.00
Burn bin - commercial	Per trailer/ute	$33.00
Burn bin - household	Per trailer/ute	$25.00
All loads over 8 tonnes gross weight for compacting transfer stations (Winton and Te Anau) or 3 tonnes gross weight at non-compacting transfer stations (all others) will NOT BE accepted unless prior written approval has been granted by the group manager infrastructure and capital delivery or their agent.		

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Schedule of fees and charges by activity		2025/26
Stewart Island transfer station does not accept any truckloads of general waste. Building and commercial waste may **not** always be accepted. We encourage contractors to allow to supply their own commercial skip bin directly to and from the mainland for individual construction activity. Hazardous waste from the same individual or organisation in excess of 10 kilograms or 10 litres will be subject to special charge by negotiation with the engineer or his delegated representative on a case by case basis. **Recycling and reuse include:** • greenwaste - separated clean greenwaste (where accepted). Excludes soils, flaxes, branches over 150mm diameter and tree stumps • scrap metal - separated clean scrap metal (where accepted) reuse/recyclables - domestic household recyclables, including cardboard, glass, plastics, aluminium, and tin cans (all recyclables and reuse items have to be clean from contamination).		
Resource management		
Note: Any work performed by Council under the Resource Management Act (RMA), Fast-track Approvals Act and Local Government Act which is not stipulated in the below tables will be charged 'at cost'. This will be applied as an hourly rate for the relevant role(s) required to undertake the work, or as work undertaken on Councils behalf as an external resource and will be charged 'as invoiced' to Council. Inspections will incur the additional vehicle fee per kilometre in addition to the staff member's hourly rate. Any contravention of the RMA, including non-compliance with Abatement Notices issued are subject to infringement fees according to the Resource Management (Infringement Offences) Regulations 1999. Infringements issued are as specified by this regulation. More information can be found at the following location: https://www.legislation.govt.nz/regulation/public/1999/0359/16.0/whole.html#DLM300060		
Staff charge out rates for any input into Resource Management Act, Fast-track Approvals Act and Local Government Act matters		
Planning manager/team leader	Per hour	$235.00
Senior planner	Per hour	$190.00
Graduate/planner	Per hour	$170.00
Planning administration	Per hour	$170.00
Monitoring and enforcement officer	Per hour	$240.00
Development engineer	Per hour	$200.00
Ecologist	Per hour	$210.00
Roading asset manager or transport manager	Per hour	$241.50
Building control staff	Per hour	$247.00
All other internal staff	Per hour	$170.00
Search fee of certificate of title and appellation details	Each	$40.00
External charge out rates for any input into Resource Management Act, Fast-track Approvals Act and Local Government Act matters		
Legal consultant (where Council refers matters to its resource management legal consultant for legal advice, and/or attendance by the legal consultant at hearings)		Actual cost plus disbursements

Schedule of fees and charges by activity		2025/26
External resource management consultants and specialists, and hearings commissioners		Actual cost plus disbursements
Resource consents		
Lodging a planning application via any other means except the online lodgement portal.	Fee is in addition to standard costs as set out below	$100.00
Subdivision non-notified	Deposit lodgement fee plus actual cost and disbursements	$1,200.00
Land Use non-notified	Deposit lodgement fee plus actual cost and disbursements	$1,200.00
Combined Subdivision and Land Use non-notified	Deposit lodgement fee plus actual cost and disbursements	$2,400.00
For applications requiring limited notification (limited notified)	Deposit lodgement fee plus actual cost and disbursements	$5,000.00
For applications requiring public notification (public notified)	Deposit lodgement fee plus actual cost and disbursements, which includes advertising costs and preliminary costs in notification process	$10,000.00
Change or cancellation of consent conditions (S.127 Resource Management Act)	Deposit lodgement fee plus actual cost and disbursements	$1,100.00
Section 357 review (S.357 and 357A Resource Management Act)	Deposit lodgement fee plus actual cost and disbursements	$800.00
Notice to surrender consent (S.138 Resource Management Act)	Flat fee	$240.00
Policy planning and district plan		
Private Plan change request	Actual cost plus disbursements which includes advertising costs and preliminary costs in notification process, Deposit lodgement fee	$15,000.00
Removal of designation (S.182 Resource Management Act)	Deposit lodgement fee plus actual cost and disbursements	$1,100.00
Alteration of designation (S.183 Resource Management Act)	Deposit lodgement fee plus actual cost and disbursements	$1,500.00
Requirements and heritage orders (per application)	Deposit lodgement fee plus actual cost and disbursements	$1,200.00
Notice of requirement	Deposit lodgement fee plus actual cost and disbursements	$10,000.00
Monitoring charges		
Bond administration fee	Lodging a bond for incomplete work, deposit lodgement fee plus actual cost and disbursements	$1,000.00

Schedule of fees and charges by activity		2025/26
Solicitors fee	For multi-party dealings	Actual cost plus disbursement
Charge applied to issuing an abatement notice		$300.00
Resource consent breaches - where it has been established that a breach of a resource consent has occurred, the time taken for the compliance officer to investigate, visit, research, or attend to correspondence/administration, shall be charged at the actual cost.		
Other functions relating to subdivision activity including easements		
Certification of plans (S.226 Resource Management Act)	Deposit lodgement fee plus actual cost and disbursements (per plan)	$1,100.00
Right of way approval (S.348 Local Government Act 1974)	Deposit lodgement fee plus actual cost and disbursements	$800.00
Cancellation of building line restriction (S.327A Local Government Act 1974)	Deposit lodgement fee plus actual cost and disbursements	$800.00
Cancellation or variation of easements (S.221, 241, 348)	Deposit lodgement fee plus actual cost and disbursements	$1,100.00
Removal of Interests on titles	Deposit lodgement fee plus actual cost and disbursements	$800.00
Section 223 certification only	Flat fee	$350.00
Section 224(c) certification only	Flat fee	$350.00
Sections 223 and 224(c) certification fee	Flat fee	$700.00
Right of way approval certification of documents (S.348 Local Government Act 1974)	Flat fee	$250.00
Other Resource Management Act approvals (non-subdivision)		
Request for s133A Minor Correction where the minor mistake or defect has not been caused by the Council	Deposit lodgement fee plus actual cost and disbursements (each)	$250.00
Certificates of compliance (S.139 Resource Management Act)	Deposit lodgement fee plus actual cost and disbursements (each)	$1,100.00
Existing use right certificate (S.139A Resource Management Act)	Deposit lodgement fee plus actual cost and disbursements	$1,100.00
Permitted boundary activities (S. 87BB Resource Management Act)	Deposit lodgement fee plus actual cost and disbursements	$600.00
Waivers for a marginal or temporary breach	Deposit lodgement fee plus actual cost and disbursements	$600.00
Outline plan approval (S.176A Resource Management Act)	Deposit lodgement fee plus actual cost and disbursements	$1,000.00
Waiver of an outline plan	Deposit lodgement fee plus actual cost and disbursements	$500.00
Extension of time (S.125 Resource Management Act)	Deposit lodgement fee plus actual cost and disbursements	$1,100.00
Transfer of consent (S.134 Resource Management Act)	Deposit lodgement fee plus actual cost and disbursements	$600.00

Schedule of fees and charges by activity		2025/26
National environmental standards for plantation forestry		
Afforestation	Base Fee Plus actual cost and disbursements	$800.00
Harvesting	Base Fee Plus actual cost and disbursements	$800.00
Other matters		
Overseas investment certificates	Deposit lodgement fee plus actual cost and disbursements	$800.00
Sale of alcohol assessments in relation to the District Plan and RMA requirements	Per hour - minimum 1 hour	$170.00
Where pre-application meetings are sought for large projects including but not limited to consultation requested under the Fast-track Approvals Act, or where there are multiple meetings for other proposals or matters which extend beyond 30 minutes then Council can charge the officers' time to the potential applicant	Base fee plus actual costs and disbursements	$500.00
Charge out rate for vehicles	Per kilometre	$1.04
Note Where a deposit lodgement fee is required, this must be paid at the beginning by the applicant in order for the application to be considered complete and start the processing time clock under the RMA. However, if there is additional time required to process the application then the actual cost will be charged resulting in a further invoice.		
Contributions – reserves and roading		
Reserves and roading contributions may be required through the resource consent process. If contributions are required, then they will be taken in accordance with the methodology prescribed in the "financial contributions" section of the Operative Southland District Plan 2018.		
Riverton Harbour licensing fees		
Wharf fee	Per metre	$39.61
Transfer fee (cost of transferring license fee)		$179.68
Road reserve and service fees		
All application includes 1 inspection		
Additional work, typically related to more complex applications which may include processing, inspections or external professional advice required for any application will be charged in addition to these minimum fees 'at cost'		
Additional inspection fee (all services)		
Roading asset manager or transport manager	Per hour	$241.50
Roading contract manager or roading engineer	Per hour	$173.25
Corridor management		
Corridor access request and corridor management activities		
Corridor access request (non invasive)	Fee	$100.00
Small invasive (up to 3 lineal metres in any direction)	Fee	$165.00
Medium invasive (3 to 20 lineal metres in any direction)	Fee	$250.00
Large invasive (over 20 lineal metres in any direction)	Fee	$330.00

Schedule of fees and charges by activity		2025/26
Global invasive	Fee	$350.00
Global non invasive	Fee	$100.00
Temporary closure of roads for public events (treat as road opening)	Fee	$165.00
Temporary closure of roads	Fee	$250.00
Corridor manager additional activities		
Standard revisions (including incomplete applications)	Fee	$82.50
Detailed revisions (including incomplete applications). Includes up to 1 hour	Fee	$165.00
Desktop audit/inspections. Includes up to 30 minutes	Fee	$82.50
Walk-out/site audit, includes up to 1 hour	Fee	$245.00
Follow up on overdue start/end worksite notification to Council	Fee	$82.50
Light investigations. Includes up to 1 hour in relation to the work, discussion from the corridor manager required with the public and/or contractor	Fee	$165.00
Declined investigation (health and safety breach, breach of code/work access permit/traffic management plan). Includes up to 2 hours.	Fee	$330.00
Other costs – including loss of warrant on new surface	Fee	At cost
Traffic management plans (TMP)		
Traffic management plan (TMP) applications		
Standard traffic management plan	Fee	$165.00
Traffic Management Plan Priority Processing Fee – where approval is required in less than that the statutory timeframe (i.e. start date is less than 5 days from submission date)	Fee	$310.00
Generic traffic management plan. Includes 2 hours of work, additional time required will be charged at rate of $160.00	Fee	$330.00
Processing of a traffic management plan that fails to meet the preliminary check - inadequate documentation or information to process traffic management plan from outset.	Fee	$82.50
Traffic management plan amendment fee - resubmission	Fee	$100.00
Traffic management plan amendment fee – date extension	Fee	$50.00
Road controlling authority inspections		
Inspection of unapproved work (activities undertaken without an approved traffic management plan). minimum charge.	Fee	$640.00
Inspection of non -approved traffic management methodology (methodology deployed substantially outside traffic management plan approval) minimum charge.	Fee	$640.00
Inspection of non-conformance - worksite deployed not in accordance with traffic management plan - minimum charge. Additional time required will be charged at a rate of $160.00 per hour.	Fee	$320.00
Stock management		
Stock crossing at grade - no annual charge + $10.00 replacement tag fee + $50.00 extra site visit	Bond (no GST)	$1,575.00
	Fee	$190.00
Stock races	Bond (no GST)	$250.00
	Fee	$190.00
Stock droving	Bond (no GST)	No charge

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Schedule of fees and charges by activity		2025/26
	Fee	$82.50
Drainage		
Lower a road culvert	Bond (no GST)	$500.00
	Fee	$190.00
Drainage on roadsides (new drainage)	Bond (no GST)	$500.00
	Fee	$190.00
Stormwater connection to kerb and channel	Bond (no GST)	$250.00
	Fee	$82.50
Crossings/vehicular accessways		
Urban – unsealed	Bond (no GST)	$2,000.00
	Fee	$165.00
Urban – sealed	Bond (no GST)	$5,000.00
	Fee	$165.00
Commercial urban/rural (includes dairy tanker access)	Bond (no GST)	$20,000.00
	Fee	$250.00
Rural – private	Bond (no GST)	$2,000.00
	Fee	$165.00
Carriageway		
Public/private utilities and services on roadsides (treat as a road opening)	Bond (no GST)	$1,000.00
	Fee	$190.00
Stock underpasses (+ deed of grant at $100.00)	Bond (no GST)	$5,000.00
	Fee	$190.00
Dust suppression	Bond (no GST)	No charge
Application of 150m of semi-permanent dust suppressant where carried out by Council	Fee	Price on application
Application fee where dust suppressant carried out by applicant	Fee	$165.00
Requests to physically form roads	Bond (no GST)	No charge
	Fee ($120.00/hr plus disbursements and/or $267.50/hr for special Council meeting and $534.00/hr thereafter for special Council meeting, plus disbursements)	$460.00
Stopping of roads	Bond (no GST)	No charge
	Fee ($120.00/hr plus disbursements and/or $267.50/hr for special Council meeting and $534.00/hr thereafter for special Council meeting, plus disbursements)	$460.00
Road margin		
Application for permit on road margin, not specified below	Bond (no GST)	No charge

Schedule of fees and charges by activity		2025/26
	Fee	$82.50
Signs on roads	Bond (no GST)	No charge
	Fee (resource consents)	$82.50
Road margin planting	Bond (no GST)	No charge
	Fee	$82.50
Cultivation of road margin	Bond (no GST)	No charge
	Fee	$82.50
Storage on the road margin (type 3 roads only)	Bond (no GST)	No charge
	Fee	$82.50
Whitebait huts on the road margin	Bond (no GST)	No charge
	Fee	$165.00
Permanent fencing in the road margin	Bond (no GST)	No charge
	Fee	$190.00
RAPID numbering	Bond (no GST)	No charge
	Fee	$180.00
Water, wastewater and stormwater		
Connect to piped utilities (urban or rural water supply, stormwater, and wastewater)	Fee	$400.00
Alteration to existing rural water service connection (change in unit allocation only)	Fee	$240.00
Note • bonds are established to reflect the costs Council might be exposed to if needed to complete works when another party defaults. However, the bonds reflect the likely minimum cost to undertake simple tasks rather than location specific, and to keep such compliance costs to a minimum • permits shall have a two-year period before expiring bonds shall be released on satisfactory completion of the permitted activity.		
SIESA – electricity charges		
General tariffs and charges for SIESA are to be reviewed each December following an analysis of electricity use on the Island		
Meter reading		
Invoicing is undertaken on a monthly basis. All payments are to be made to: Stewart Island Electrical Supply Authority, PO Box 903, Invercargill, or Council's office in Ayr Street, Stewart Island.		
Connections		
Standard rate per unit		$0.85
Fixed monthly charge		$105.06
New connections		
Application fee for a new electricity connection (including supply of new meter)		$531.30
Application fee for a distributed electricity generation connection (including supply of new meter)		$646.30
Fee for certifying meter installation		Price on application

Schedule of fees and charges by activity		2025/26
Fee for extending/upgrading network for a new electricity connection or distributed electricity generation connection		Price on application
Capital development charge		$1,762.95
Connection bond (no GST)		$150.00
• all new connections (or load extensions that increase the base load by 2 kW or more) require an application for supply form to evaluate potential load and voltage problems a capital development charge is payable for all new power connections. The charge will be payable by the owner/ applicant at the time an application for a new power connection is made (a small number of properties have paid this fee at the time of subdivision and will not be required to pay the capital development charge at the time of connection).		
Note • all costs of connection within the consumer boundary are the responsibility of the consumer • the cost of extensions or upgrades to the network as a result of an application for supply will be the responsibility of the applicant. This work must be approved by SIESA before commencing and can only be done by a SIESA approved contractor.		
Existing connections		
Disconnection fee	No monthly charge	$94.02
Reconnection fee	New consumer applicant	$141.04
Connection bond	New consumer, if applicable (no GST)	$150.00
• vacating consumers must advise the Southland District Council Office, Ayr Street, Stewart Island (telephone 03 219 1049) or (0800 732 732) or email siesa@southlanddc.govt.nz to arrange a final meter reading and to advise of the consumer name change. Four working days' notice is required • all installations disconnected for six months or more requires a re-inspection by an electrical inspector before re-livening. The consumer is responsible for all costs associated with the re-inspection plus the reconnection fee a refundable connection bond will be required for connections where the consumer/applicant is not the property owner, refer to the SIESA terms and conditions - bonds for details. The bond must be paid prior to connection. If the power is already connected it will be disconnected if the bond remains unpaid after one month of power consumption.		
Other chargeable fees		
Consumer overload fault	$569.00	
Meter testing	$99.90	
Disconnection/re-connection due to non-payment of account	$99.90	
Electrical Engineer assessment	$180.00	
Connection bond (no GST)	$150.00	
The fee for a not metered or special connection is an annual fee (1 July - 30 June) payable in advance. • Payments are due on the 20th of each month. A late payment fee will be charged if payment is not received before the 20th of the month after the due date (i.e. one full month after the original due date).		
Note • tariffs for commercial connections will apply only to economic installations		

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Schedule of fees and charges by activity		2025/26
• metered connections cannot be shared across property boundaries • individual dwelling on the same property must each have its own meter.		
Stewart Island/Rakiura jetties		
Wharf and jetty annual user licence fee for commercial operators and Department of Conservation (DOC) using Council's marine facilities for longer than 8 weeks per year	Per annum per vessel	$3,000.00
Wharf and jetty casual daily user fee for commercial operators using Council's marine facilities for up to 8 weeks per year	Per day per vessel	$50.00
Ulva Island wharf inbound per passenger fee via commercial operators/vessels (excludes travel by adjoining landowners)	Per person	$2.00
Ulva Island wharf outbound per passenger fee via commercial operators/vessels (excludes travel by adjoining landowners)	Per person	$2.00
Boat park fee		$1,150.00
Commercial operators refer to owners, operators or lessees of vessels transporting goods and/or passengers for hire or reward or undertaking other activities for hire or reward		
Stewart Island/Rakiura visitor levy	**1 October 2023**	**1 October 2025**
Inbound levy fee from passengers of approved operators	$5.00	$7.50
Outbound levy fee from passengers of approved operators	$5.00	$7.50
Levy fee for freedom travellers	$10.00	$15.00
Replacement fee for lost, stolen, or damaged Stewart Island/Rakiura visitor levy photo identification cards	$10.00	$15.00
Trading in public places		
Licence under the trading in public places bylaw:		
Annual fee for trading at sites, or any mobile trader		$136.00
Trade waste		
Discharge charges for trade waste premises (non-domestic) will be assessed as follows: 1. For all properties that have occupiers who are not required to have a conditional trade waste consent the charge will be based on the accessed number of units of demand (UoD) for the property multiplied by the uniform annual charge (UAC) for the local sewerage rate. The UoD will be assessed in accordance with Council's Development Contribution Policy contained within the 10 Year Plan. 2. For all properties that have occupiers who are required to have a conditional trade waste consent the charge will be based on the accessed number of equivalent units of demand (EUoD) for the property multiplied by the uniform annual charge (UAC) for the local sewerage rate. The EUoD will be assessed based on a specific assessment of loadings form the consent holder. The EUoD assessment will be made by summation weighting of the specific loading characteristics as follows: • volume (V) 40%, biological oxygen demand (BOD) 30% suspended solids (SS) 30% when compared to a 1x UoD characteristic of V = 920 litres/day, BOD = 260 grams/day, SS = 320 grams day For any consent holders who exceed the consent limits, a multiplier of two will be applied to the reassessed EUoD (following the non-compliance) for the remaining consent period. This is in addition to any other remedies for consequential cost recovery.		

Schedule of fees and charges by activity		2025/26
Council may from time to time undertake review assessments of UoD for individual properties. Where the assessed UoD differs from the current local rate then the number of units applied to the property will be modified and the property owner will be notified of this in writing.		
Demand capital charges (for capacity) Demand capital costs required for the provision of demand capacity could be charged for in accordance with Council's Development Contribution Policy contained within the 10 Year Plan where the proposed loadings can be accommodated within the planned capacity of the sewerage system. However, where any application for conditional trade waste consent has the potential to impose a significant additional demand on the sewerage system, beyond its planned capacity, then specific demand capital charges will be a condition of the consent.		
Administrative charges		
Trade waste application fee - base fee with application		$236.80
Extra time over two hours will be charged at:	Per hour plus disbursements	$120.00
Inspection fee - actual cost	Per hour plus disbursements	$120.00
Compliance monitoring - actual cost	Per hour plus analysis plus disbursements (including re-inspection)	$120.00
Annual administration fee for waste consent holder - actual cost	Per hour plus disbursements	$120.00
Tankered waste charge	Per tanker load	$80.00
Except for the application base fee (required at time of application) all other administrative charges are due for payment by 20th of the month following invoice.		
Water tanker charges		
Fees and charges applicable to the extraordinary supply of water from fire hydrants or tanker filling points on Council reticulated supplies		
Standard charge for supply of water per cubic metre (1,000 L)	$2.90	
Wheelie bins		
After the initial interim invoice for wheelie bins, the annual charge from 1 July to 30 June will be included with your rates.		
New/additional wheelie bin administration fee		$25.00
New/additional recycling bin collection fee (per month charge from 1st of the month following request bin to 30 June of the following year)	Monthly equivalent of annual recycling bin collection rate	$18.68
New/additional rubbish bin collection fee (per month charge from 1st of the month following request bin to 30 June of the following year)	Monthly equivalent of annual rubbish bin collection rate	$18.68

Schedule of financial reserves

Reserves Type/Area	Business Unit	Activity	Purpose	Forecast opening balance 1/7/2025 ($000)	Deposits ($000)	Withdrawals ($000)	Forecast closing balance 30/6/2026 ($000)
Restricted							
Restricted District							
Allocation committee	Contributions and levies	Community Leadership	Raised through the District plan to be used to remedy, mitigate or offset adverse effects arising from, and in consequence of, or in association with any development	418	-	-	418
	Contributions and levies -Waihopai Toetoe	Community Leadership	Support community initiatives by way of grants	275	19	(270)	23
	Creative NZ	Community Leadership	Support local communities to create diverse opportunities for accessing and participating in arts activities with their specific geographical area, as well as defined communities of interest	15	0	-	15
	Meridian contribution	Community Leadership	Support northern Southland community initiatives by way of grants	334	14	(10)	339
	Ohai Railway Board	Community Leadership	Support Ohai community initiatives by way of grants	1,936	26	-	1,962
	Sport NZ	Community Leadership	To subsidise travel costs for people 5-19 years of age participating in regular sporting competition	4	0	-	4
	Stewart Island visitor levy	Community Leadership	Stewart Island visitor levy funds	422	6	-	428
Assets and services	Waste minimisation	Waste Services	Waste minimisation reserve	29	582	(580)	31
Environmental services	Dog and animal control	Environment Services	Residual funds from dog and animal control activity	(0)	-	(1)	(1)
Holding	SDC - officers association	Corporate Services	Held on behalf of SDC Officers Association	1	0	-	1
John Beange	John Beange	Community Leadership	Funding available in Edendale and Wyndham area	17	0	(5)	12

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Reserves Type/Area	Business Unit	Activity	Purpose	Forecast opening balance 1/7/2025 ($000)	Deposits ($000)	Withdrawals ($000)	Forecast closing balance 30/6/2026 ($000)
Southland joint mayoral fund	Southland joint mayoral fund	Community Leadership	Residual funds from Southland flood relief	143	6	-	150
Specific	ECNZ - projects	Corporate Services	Funds available for future projects in accordance with ECNZ requirements	23	1	-	24
Restricted District Total				**3,617**	**656**	**(866)**	**3,407**
Restricted Local							
Wallacetown	Cemetery bequest	Community Services	Wallacetown Cemetery	36	1	-	37
Restricted Local Total				**36**	**1**	**-**	**37**
Restricted Total				**3,654**	**657**	**(866)**	**3,444**

General							
General District							
Council	District operations	Corporate Services	General reserve	1,682	250	(832)	1,100
	Global	Corporate Services	General reserve	1,109	25	-	1,134
	Strategic assets reserve	Roading	Offset rates	4,738	-	-	4,738
General District Total				**7,529**	**275**	**(832)**	**6,972**
General Total				**7,529**	**275**	**(832)**	**6,972**

Special							
Special District							
Assets and services	Community housing	Community Services	Operational reserve for community housing	-	2	(2)	-
	Depreciation buildings	Internal Reconciliations	Fund building replacements	445	267	(712)	0

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Reserves Type/Area	Business Unit	Activity	Purpose	Forecast opening balance 1/7/2025 ($000)	Deposits ($000)	Withdrawals ($000)	Forecast closing balance 30/6/2026 ($000)
	Depreciation Cycle Trial	Internal Reconciliations	Fund Cycle Trail replacements	77	168	(90)	155
	Depreciation IT	Internal Reconciliations	Fund IT replacements	86	-	(53)	33
	Depreciation motor vehicle	Corporate Services	Fund motor vehicle fleet replacements	772	740	(571)	941
	Depreciation public conveniences	Internal Reconciliations	Fund public conveniences replacements	(5)	495	(495)	(5)
	Depreciation roading	Internal Reconciliations	Fund roading replacements	(0)	13,305	(13,305)	-
	Depreciation sewerage	Internal Reconciliations	Fund sewerage replacements	0	4,216	(4,216)	0
	Depreciation Te Anau rural water	Internal Reconciliations	Fund Te Anau rural water scheme replacements	(25)	265	(265)	(25)
	Depreciation waste management	Internal Reconciliations	Fund waste management replacements	(0)	94	(63)	31
	Depreciation water	Internal Reconciliations	Fund water replacements	-	2,458	(2,458)	(0)
	Depreciation wheelie bin	Internal Reconciliations	Fund wheelie bin replacements	83	-	(31)	53
	District reserves	Open Spaces	Operation reserve for District reserves	42	-	(1)	41
	Forestry Council reserve	Corporate Services	Residual funds from forestry activities	8,779	457	(1,356)	7,880
	Gravel reserves	Roading	Ensure Council has sufficient funds available for reinstatement of Council's pits	522	-	(51)	470
	Property development	Corporate Services	Balancing fund for sales and operational building expenditure	817	735	(17)	1,536
	Proposed water	Water Supply	Operational account for proposed water	553	-	-	553
	Roading	Roading	Rate smoothing reserve	2,357	960	(2,062)	1,255
	Wheelie Bin Rates	Waste Services	Wheelie Bin Rates	34	-	-	34
Chief exec	Around the Mountains	Roading	Around the Mountains Cycle Trail	183	-	-	183

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Reserves Type/Area	Business Unit	Activity	Purpose	Forecast opening balance 1/7/2025 ($000)	Deposits ($000)	Withdrawals ($000)	Forecast closing balance 30/6/2026 ($000)
	SDC/DOC joint project	Community Leadership	Residual funds from past joint projects for future projects	61	-	-	61
Development and financial	Parks contribution	Open Spaces	Contribution to capital activity - parks and reserves	115	-	-	115
	Roading contribution	Roading	Contribution to capital activity - roading and transport	218	-	-	218
	Wastewater contribution	Sewerage	Contribution to capital activity - wastewater	246	-	-	246
	Water contribution	Water Supply	Contribution to capital activity - water	92	-	-	92
Environment and community	Alcohol licensing	Environment Services	Residual funds from alcohol licensing	2	-	-	2
	Health licensing	Environment Services	Residual funds from health licensing	209	1	2	211
Holding	International relationship	Community Leadership	Residual funds from International activities	57	-	-	57
	Milford flood protect	Corporate Services	Residual funds from Milford Flood protection	46	-	-	46
Policy and community	Community outcomes	Community Leadership	Contribute Southland Regional Development Strategy	108	-	-	108
	Elections	Community Leadership	Fund Council's election costs every three years	196	-	(119)	77
	Waimumu Field Days	Corporate Services	Fund Council's Field Days every two years	10	-	-	10
Specific	Biodiversity initiative	Corporate Services	Funds set aside for future biodiversity initiatives	21	-	-	21
	Disaster recovery	Emergency Management	Funds set aside in case of disaster in accordance with insurance requirements	1,443	-	-	1,443
	North Makarewa rec reserve	Open Spaces	North Makarewa rec reserve	5	1	-	6
	Predator Free Rakiura	Community Leadership	Contribution to the Predator Free Rakiura programme	4	-	-	4
	Rates civil defence/ rural fire	Emergency Management	Fund emergency management	11	-	-	11

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Reserves Type/Area	Business Unit	Activity	Purpose	Forecast opening balance 1/7/2025 ($000)	Deposits ($000)	Withdrawals ($000)	Forecast closing balance 30/6/2026 ($000)
	Tuatapere (Clifden bridge)	Open Spaces	Residual funds from Tuatapere project in 2000, to be used for community projects at Council's discretion	14	-	-	14
Special District Total				**17,579**	**24,164**	**(25,865)**	**15,878**
Special Local							
Ardlussa CB	General	Community Leadership	Ardlussa Community Board	1	10	-	11
Athol	Community centres	Community Facilities	Athol hall	4	-	-	4
	General	Open Spaces	Athol general purpose	4	0	-	4
Browns	Community centres	Community Facilities	Browns hall	(1)	0	(26)	(27)
	General	Roading	Browns general purpose	50	1	(3)	48
Brydone	Community centres	Community Facilities	Brydone hall	(1)	-	-	(1)
Clifden	Community centres	Community Facilities	Clifden hall	17	0	-	17
	Rec reserve Committee	Open Spaces	Clifden reserves	42	5	-	47
Colac Bay	Community centres	Community Facilities	Colac Bay hall	17	0	(12)	4
Dipton	Cemetery	Community Services	Dipton cemetery	12	0	-	12
	Community centres	Community Facilities	Dipton hall	5	-	-	5
	General	Open Spaces	Dipton general purpose	26	0	(14)	12
Drummond	General	Open Spaces	Drummond general purpose	1	0	-	1
	Rec reserve Committee	Open Spaces	Drummond reserves	1	1	-	2
Edendale-Wyndham	Community centre	Community Facilities	Edendale Wyndham hall	56	1	(56)	1

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Reserves Type/Area	Business Unit	Activity	Purpose	Forecast opening balance 1/7/2025 ($000)	Deposits ($000)	Withdrawals ($000)	Forecast closing balance 30/6/2026 ($000)
	Footpaths	Roading	Footpaths	38	-	(37)	1
	General	Open Spaces	General purpose	275	0	(146)	129
Fiordland CB	General	Community Leadership	Fiordland general purpose	117	4	-	121
	Fiordland elderly persons	Community Leadership	Fiordland general purpose	483	-	-	483
Five Rivers	Community centre	Community Facilities	Five Rivers hall	1	0	-	1
Garston	Special projects	Open Spaces	Garston general purpose	11	0	(7)	4
Gorge Road	Gorge Road general	Open Spaces	Gorge Road general purpose	10	0	-	10
Hokonui	Community centre	Community Leadership	Hokonui Hall	97	-	-	97
Limehills	Community centre	Community Facilities	Limehills hall	3	2	-	5
	General	Open Spaces	Limehills general purpose	63	1	(4)	61
Lochiel	Rec Reserve Oreti	Lochiel hall grazing income to be passed onto the Hall society	Lochiel rec res lease	2	1	-	3
Lumsden	Cemetery	Community Services	Lumsden cemetery	1	0	-	1
	Community centre	Community Facilities	Lumsden community centre	1	-	-	1
	General	Open Spaces	Lumsden general purpose	63	1	(27)	37
Manapouri	Frasers Beach	Open Spaces	Frasers Beach reserve	42	1	(30)	13
	General	Open Spaces	Manapouri general purpose	31	0	(17)	14
	Swimming pool area	Open Spaces	Manapouri pool	5	0	-	5
Mataura Island	Community centre	Community Facilities	Mataura Island community centre	6	0	-	7
Menzies Ferry	Community centre	Community Facilities	Menzies Ferry community centre	9	0	-	9
Mossburn	General	Open Spaces	Mossburn general purpose	7	1	(6)	2

Reserves Type/Area	Business Unit	Activity	Purpose	Forecast opening balance 1/7/2025 ($000)	Deposits ($000)	Withdrawals ($000)	Forecast closing balance 30/6/2026 ($000)
Nightcaps	Community centre	Community Facilities	Nightcaps community centre	16	3	-	19
	General	Open Spaces	Nightcaps general purpose	5	0	-	5
Northern CB	General	Community Leadership	Northern CB general purpose	2	0	-	2
Ohai	Community centre	Community Facilities	Ohai community centre	3	0	(2)	1
	General	Open Spaces	Ohai general purpose	214	4	(82)	136
Oraka-Aparima CB	Riverton library endowment	Community Services	Riverton library endowment	22	0	-	22
	General	Community Leadership	Oraka-Aparima CB general purpose	11	0	-	11
Orawia	Community centre	Community Facilities	Orawia community centre	2	0	-	2
			Orawia hall group	23	0	-	24
Orepuki	Community centre	Community Facilities	Orepuki community centre	13	-	(13)	(0)
	General	Open Spaces	Orepuki general purpose	1	-	(1)	0
Oreti	Community centre	Community Facilities	Oreti community centre	0	4	-	4
Oreti CB	General	Community Leadership	Oreti CB general purpose	65	1	-	66
	Hedgehope recreation reserve	Open Spaces	Hedgehope reserve	3	0	-	3
	Winton library endowment reserve	Community Services	Winton library endowment	31	0	-	31
Otapiri/Lora	Community centre	Community Facilities	Otapiri/Lora community centre	76	2	-	77
Otautau	Baths	Community Leadership	Otautau pool	2	-	-	2
	Brightwood Develop Co	Roading	Otautau financial contribution	19	0	(19)	(0)
	Community centre	Community Leadership	Otautau community centre	31	1	-	32
	Forestry	Open Spaces	Holt Park forestry	31	1	-	31

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Reserves Type/Area	Business Unit	Activity	Purpose	Forecast opening balance 1/7/2025 ($000)	Deposits ($000)	Withdrawals ($000)	Forecast closing balance 30/6/2026 ($000)
	General	Open Spaces	Otautau general purpose	273	3	(212)	64
Riverton	Cemetery maintenance	Community Services	Riverton cemeteries	7	-	-	7
	Doc profits lib sale	Community Services	Riverton projects	75	2	-	77
	General	Open Spaces	Riverton general purpose	50	0	(5)	45
	Property sales	Open Spaces	Riverton general purpose	134	2	-	137
	Riverton Harbour general	Water Facility	Riverton Harbour	25	62	-	87
	Taramea Howells Point	Open Spaces	Taramea Howells Point	44	1	-	44
	War memorial	Open Spaces	Riverton war memorial	18	0	-	18
Ryal Bush	Community centre	Community Facilities	Ryal Bush community centre	6	4	-	10
SIESA	Operations	SIESA	SIESA Operations	1,109			1,109
Stewart Island	General	Open Spaces	Stewart Island general purpose	136	1	(102)	36
	Jetties	Water Facility	Stewart Island jetties	47	22	-	69
	Waste management	Waste Services	Stewart Island general purpose	46	1	-	47
	Wharf Ulva Island	Water Facility	Replacement of Ulva Island Bay wharf	63	0	-	63
Te Anau	General	Open Spaces	Te Anau general purpose	468	6	-	474
	Luxmore	Various	Luxmore subdivision	2,903	18	(171)	2,751
	Manapouri airport	Roading	Te Anau Manapouri airports	163	5	-	168
	Te Anau carpark res	Open Spaces	Te Anau general purpose	28	1	-	29
Thornbury	Community centre	Community Facilities	Thornbury community centre	9	0	-	9
Tokanui	General	Open Spaces	Tokanui general purpose	47	0	(47)	0
Tuatapere	Community centre	Community Facilities	Tuatapere community centre	36	0	(23)	13
	General	Open Spaces	Tuatapere general purpose	93	2	(72)	23
	General - OPR	Open Spaces	Tuatapere general purpose	27	1	-	27
	Property	Open Spaces	Tuatapere general purpose	3	0	-	3
	Waiau River collection	Open Spaces	Tuatapere Waiau River	1	0	-	1

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Reserves Type/Area	Business Unit	Activity	Purpose	Forecast opening balance 1/7/2025 ($000)	Deposits ($000)	Withdrawals ($000)	Forecast closing balance 30/6/2026 ($000)
	Water Meridian Contract	Water Supply	Tuatapere general purpose	8	0	-	8
Tuatapere Te Waewae CB	General	Community Leadership	Tuatapere Te Waewae general purpose	98	1	(51)	47
Tussock Creek	Community centre	Community Facilities	Tussock Creek hall	17	-	(3)	14
Waiau/Aparima Ward	Arboretum reserve	Open Spaces	Arboretum reserve	11	0	-	11
	Calcium cemetery	Community Services	Calcium cemetery	11	0	(5)	6
	Cosy Nook	Community Facilities	Cosy Nook general purpose	44	4	-	48
	Hirstfield reserve	Open Spaces	Hirstfield reserve general purpose	31	2	(29)	5
	Takitimu pool reserve	Community Leadership	Takitimu pool	24	0	-	24
	Tuatapere ward pool	Community Leadership	Tuatapere ward pools	32	1	-	32
	Waiau/Aparima Ward	Community Leadership	Waiau/Aparima Ward	230	5	-	235
	Wairio cemetery	Community Services	Wairio cemetery	40	1	-	41
	Wairio reserve	Open Spaces	Wairio reserve	2	0	-	2
	Wairio Town general	Open Spaces	Wairio general purpose	5	0	-	5
Waihopai Toetoe CB	Baths	Open Spaces	Waihopai Toetoe pool	7	0	-	7
	General	Community Leadership	Waihopai-Toetoes general purpose	57	1	(8)	49
Waihopai/Toetoes Ward	Waihopai/Toetoes Ward	Open Spaces	Waihopai/Toetoes Ward	1	-	-	1
Waikaia	Dickson Park	Open Spaces	Waikaia general purpose	10	0	-	10
	Museum donations	Open Spaces	Waikaia Museum	5	2	(2)	5
Waikawa/Niagara	Community centre	Community Facilities	Waikawa/Niagara community centres	2	0	-	2
Waitane Glencoe	Res Reserve Committee	Open Spaces	Waitane Glencoe reserves	2	0	-	2

Reserves Type/Area	Business Unit	Activity	Purpose	Forecast opening balance 1/7/2025 ($000)	Deposits ($000)	Withdrawals ($000)	Forecast closing balance 30/6/2026 ($000)
Wallace Takatimu CB	General	Community Leadership	Wallace Takatimu CB general purpose	47	4	-	52
Wallacetown	General	Open Spaces	Wallacetown general purpose	218	3	(25)	196
Winton	Community centre	Community Facilities	Winton community centres	44	-	-	44
	General	Open Spaces	Winton general purpose	92	-	(92)	0
	Medical centre general	Community Facilities	Winton Medical Centre	171	38	(10)	199
	Property sales	Community Facilities	Winton general purpose	135	2	(31)	106
	Res capital development	Open Spaces	Winton general purpose	102	-	(47)	54
Winton/Wallacetown Ward	Winton/Wallacetown Ward	Community Leadership	Winton/Wallacetown Ward	214	3	(4)	213
Woodlands	General	Open Spaces	Woodlands general purpose	39	0	(39)	0
	Septic tank rates	Sewerage	Woodlands septic tank cleaning	(3)	1	-	(2)
Special Local Total				**8,956**	**436**	**(1,823)**	**7,570**
Special Total				**26,535**	**24,600**	**(27,687)**	**23,448**

Reserves Type/Area	Forecast opening balance 1/7/2025 ($000)	Deposits ($000)	Withdrawals ($000)	Forecast closing balance 30/6/2026 ($000)
Restricted Total	**3,654**	**657**	**(866)**	**3,444**
General Total	**7,529**	**275**	**(832)**	**6,972**
Special Total	**26,535**	**24,600**	**(27,687)**	**23,448**
Total reserve funds	**37,718**	**25,532**	**(29,385)**	**33,864**

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Schedule of projects

Group and activity	Project Code	Description	Funding source	2025/26 Budget
Community Resources				**$12,283,33**
Community Facilities				**$9,029,436**
Halls				**$355,893**
Fiordland	P-10569	Manapouri Hall - LED lighting	Loan	$12,240
Northern	FHALL001	Athol Hall - Exterior repaint	Loan	$22,440
Oraka-Aparima	FHALL046	Colac Bay Hall - Pile fasteners, ramps and paths	Loan & Reserves	$12,240
Oreti	FHALL009	Browns Hall - Toilet upgrade incl paint and flooring	Loan & Reserves	$25,500
	P-10742	Winton Memorial Hall - Internal refurbishment of storage area	Grants	$76,667
Tuatapere-Te Waewae	FHALL058	Orepuki Hall - Handrails, parking and landscaping	Loan & Reserves	$20,000
	P-11143	Tuatapere Hall - LED lighting and heat pump to RSA room	Reserves	$14,280
	P-11444	Tuatapere Hall - Remove chimneys	Reserves	$9,000
Waihopai-Toetoe	FHALL036	Edendale - Wyndham Hall - Upgrade carparking	Reserves, loans & grants	$61,200
	FHALL037	Edendale - Wyndham Hall - Interior repaint	Loan & grants	$62,546
	FHALL073	Tokanui Hall - Window replacement	Loan	$30,600
	P-10591	Edendale Wyndham Hall - Install LED lighting	Reserves & Grant	$9,180
Offices & Buildings				**$6,778,927**
District	P-10710	Invercargill Building - Replacement	Reserves	$6,778,927
Other Property				**$125,280**
Northern	FBUILD001	Garston Playcentre Building - Exterior repaint and carpentry work	Loan	$30,000
	FBUILD003	Lumsden Information Centre - Exterior paint and repairs	Loan	$30,000
	FBUILD004	Lumsden Information Centre - Interior repaint and floor piling	Loan	$51,000
	P-10734	Garston Old Post Office - Upgrade distribution board, install LED lighting and heat pump	Loan	$14,280
Toilets				**$1,769,336**
District	FTOIL002	District Wide Toilets - Refurbishment four toilets	Rates	$127,500
	P-10637	District Wide Toilets - Renewal preparation	Loan & Reserves	$81,600
	P-10642	District Wide Toilets - Renewal preparation	Loan	$106,356
		District Wide Toilets - Renewal construction	Loan	$438,600
	P-10649	District Wide Toilets - Renewal preparation	Loan	$447,780
	P-10842	Monkey Island - Shelter area development (stage two)	Loan	$300,000
	P-11092	District Wide Toilets - Public toilets	Grants	$267,500

Group and activity	Project Code	Description	Funding source	2025/26 Budget
Community Services				**$330,236**
Cemeteries				**$14,076**
District	P-10974	District Wide - Cemetery beams	Rates	$14,076
Community Housing				**$316,160**
District	FHOUS002	Community Housing - Exterior repaint 25 units	Loan	$129,540
	FHOUS014	Community Housing - Internal paint two units	Loan	$12,240
	FHOUS015	Community Housing - Paths	Loan	$15,300
	FHOUS016	Community Housing - Bathroom	Loan	$9,180
	FHOUS017	Community Housing - Replace roof	Loan	$149,900
Open Spaces				**$2,635,517**
Parks & Reserves				**$2,635,517**
District	FPARK028	Te Anau Ivon Wilson Park - Renew management plan	Reserves	$61,200
	FPARK030	Te Anau Lynwood Historic Reserve - Master plan development	Reserves	$40,800
	FPARK042	Dunsdale Picnic Ground - Master plan development	Reserves	$40,800
	FPARK045	Kowhai Reach Reserve - Renew management plan	Reserves	$61,200
	FPLAY027	Riverton Mores Scenic Reserve - Master plan development	Reserves	$40,800
Fiordland	FPARK011	Manapouri Frasers Beach - Reserve management plan renewal	Loan & Reserves	$102,000
	P-10769	Manapouri - Recreational Reserve Playground Equipment renewal	Loan	$42,840
	P-10933	Te Anau masterplan implementation	Loan	$455,000
Northern	P-10952	Garston - Village projects	Reserves & Grant	$56,869
Oraka-Aparima	P-11214	Riverton - Riparian planting	Loan	$5,100
Oreti	P-10829	Wallacetown Recreational Project	Grants	$170,000
	P-10831	Winton Centennial Park Playground - Equipment renewal	Loan	$30,600
Stewart Island/Rakiura	P-11208	Stewart Island/Rakiura - Car park and walking link development	Reserves	$102,000
Tuatapere-Te Waewae	FPARK024	Orepuki Water Tower - Repairs	Loan	$102,000
	P-11091	Tuatapere - Historic Railway Station	Grants	$117,408
Waihopai-Toetoe	FPARK008	Wyndham Recreation Reserve and Wildlife Refuge - Development of the master plan	Rates	$15,300
	FPARK010	Woodlands - Reconstruction of the track to Kingswood Bush	Loan & Reserves	$51,000
	P-10820	Tokanui Rata Park Playground - Equipment Renewal	Loan & Reserves	$51,000
	P-10864	Edendale and Wyndham - Creation of multi-use track	Reserves, loans & grants	$600,000
	P-11098	Edendale - Proposed dog park	Loan & grants	$51,000
	P-11206	Wyndham Playground - Redevelopment	Loan	$76,500
Wallace-Takitimu	P-10786	Otautau Centennial Park Playground - Equipment renewal	Loan & Reserves	$117,300

Group and activity	Project Code	Description	Funding source	2025/26 Budget
	P-11201	Nightcaps - McGregor Park development	Loan & Reserves	$102,000
	P-11202	Otautau - War Memorial replacement	Loan	$81,600
	P-11203	Otautau - Tennis court resurfacing	Loan	$61,200
SIESA				**$288,150**
Stewart Island/Rakiura	P-11207	Stewart Island/Rakiura SIESA - Capital renewal programme	Reserves	$288,150
Sewerage				**$13,759,350**
District	P-10446	District Wide Waste Water Treatment Plant - SCADA replacement	Loan & Reserves	$205,000
	P-10453	Balfour Waste Water Treatment Plant - Consent renewal treatment upgrade	Loan & Reserves	$800,000
	P-10454	Edendale/Wyndham Waste Water Treatment Plant - Consent renewal treatment upgrade	Loan & Reserves	$6,500,000
	P-10455	Gorge Road Waste Water Treatment Plant - Consent renewal preparation	District Funding	$205,000
	P-10459	Manapouri - Wastewater treatment upgrade	Loan & Reserves	$4,036,450
	P-10461	Monowai Waste Water - Consent renewal investment	District Funding	$153,750
	P-10483	Wallacetown Waste Water - Consent contribution to Alliance	District Funding	$128,125
	P-11219	District Wide Wastewater Network - Renewals	Loan & Reserves	$1,025,000
	P-11331	Te Anau Treatment Plant - Sludge removal	District Funding	$206,025
	P-11381	Stewart Island/Rakiura Waste Water - Wetwell chamber replacement	District Funding	$500,000
Stormwater				**$3,278,790**
District	P-10431	Edendale/Wyndham Stormwater - Main/manhole renewal and subsoils	Loan	$1,200,275
	P-10435	Nightcaps - Stormwater investigations and renewals	Loan	$110,915
	P-10436	Ohai Stormwater - Investigations and renewals	Loan & Reserves	$227,550
	P-10443	Te Anau Stormwater - Discharge improvements to surface water at Lakefront	Loan & Reserves	$227,550
	P-10445	Winton - Investigation and replacement of storm main	Loan	$512,500
	P-11060	Te Anau Stormwater - Sandy Brown Road stormwater upgrade	Loan & Reserves	$1,000,000
Transport				**$33,896,407**
Roading				**$32,157,716**
Cycle Trails	FCYCLE001	Around The Mountains Cycle Trail - Continuous improvement programme	Rates & grants	$20,400
Footpaths				**$1,384,159**
Ardlussa	FFOOT001	Riversdale - Footpath renewal programme 2024/2025 to 2026/2027	Waka Kotahi, reserves & loans	$22,898
	FFOOT100	Waikaia - Otta Seal Upper Newburn Road	Loan	$65,000
Northern	FFOOT001	Lumsden - Footpath renewal programme 2024/2025 to 2026/2027	Waka Kotahi, reserves & loans	$36,508

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Group and activity	Project Code	Description	Funding source	2025/26 Budget
		Mossburn - Footpath renewal programme 2024/2025 to 2026/2027	Waka Kotahi, reserves & loans	$53,901
Oraka-Aparima	FFOOT001	Colac Bay - Footpath renewal programme 2024/2025 to 2026/2027	Waka Kotahi, reserves & loans	$20,157
		Riverton - Footpath renewal programme 2024/2025 to 2026/2027	Waka Kotahi, reserves & loans	$23,543
Oreti	FFOOT001	Dipton - Footpath renewal programme 2024/2025 to 2026/2027	Waka Kotahi & Loan	$25,800
		Wallacetown - Footpath renewal programme 2024/2025 to 2026/2027	Waka Kotahi & Reserves	$24,940
		Winton - Footpath renewal programme 2024/2025 - 2026/2027	Waka Kotahi & Loan	$105,566
Tuatapere-Te Waewae	FFOOT001	Orepuki - Footpath renewal programme 2024/2025 to 2026/2027	Reserves	$43,215
		Tuatapere - Footpath renewal programme 2024/2025 to 2026/2027	Loan & Reserves	$101,143
Waihopai-Toetoe	FFOOT001	Edendale - Wyndham - Footpath renewal programme 2024/2025 to 2026/2027	Waka Kotahi, reserves & loans	$376,444
		Woodlands - Footpath renewal programme 2024/2025 to 2026/2027	Loan	$22,274
	FFOOT107	Gorge Road - Speed feedback sign at Gorge Road Invercargill Highway	Loan	$20,000
	FFOOT110	Gorge Road - Speed feedback sign at Tokanui Gorge Road Highway	Loan	$20,000
	FFOOT111	Tokanui - Speed feedback sign at Niagara Tokanui Highway	Loan	$20,000
	FFOOT113	Tokanui - Speed feedback sign at Tokanui Gorge Road Highway	Loan	$20,000
	FFOOT114	Woodlands - Speed feedback sign at Woodland South Road	Loan	$20,000
Wallace-Takitimu	FFOOT001	Ohai - Footpath renewal programme 2024/2025 to 2026/2027	Waka Kotahi, reserves & loans	$98,900
		Otautau - Footpath renewal programme 2024/2025 to 2026/2027	Waka Kotahi, reserves & loans	$263,870
Roading				**$30,753,157**
	FROAD001	District Wide - Bridge programme 2024-2034	Waka Kotahi, rates & loan	$9,000,000
	FROAD002	District Wide - Unsealed road renewal programme 2024-2034	Waka Kotahi & rates	$2,766,675
	FROAD003	District Wide - Resurfacing programme 2024-2034	Waka Kotahi & rates	$8,134,607
	FROAD004	District Wide - Drainage renewal programme 2024-2034	Waka Kotahi & rates	$2,000,006
	FROAD005	District Wide - Pavement rehabilitation programme 2024-2034	Waka Kotahi, rates & loan	$6,000,018
	FROAD006	District Wide - Structure component renewal programme 2024-2034	Waka Kotahi & rates	$643,344
	FROAD007	District Wide - Traffic services programme 2024-2034	Waka Kotahi & rates	$1,286,689
	FROAD009	District Wide Roading - Resilience programme 2024-2034	Waka Kotahi & rates	$921,818

Group and activity	Project Code	Description	Funding source	2025/26 Budget
Water Facility				**$1,738,691**
Stewart Island Jetties				**$894,691**
Stewart Island/Rakiura	P-10203	Stewart Island/Rakiura Ulva Island Wharf - Replacement	Reserves, loans & grants	$289,691
	P-10670	Stewart Island/Rakiura Golden Bay Wharf - Renewal construction	Reserves, loans & grants	$250,000
		Stewart Island/Rakiura Golden Bay Wharf - Renewal preparation	Loan & grants	$255,000
	P-10674	Stewart Island/Rakiura Millars Beach - Wharf Refurbishment	Loan	$100,000
Boat Ramps				**$30,000**
Fiordland	P-11475	Manapouri swimming pontoon	Reserves	$30,000
Harbour				**$814,000**
Oraka-Aparima	P-11225	Riverton T Wharf Replacement - Demolition and construction	Loan	$814,000
Water Supply				**$6,536,807**
Drinking Water				**$5,977,884**
	P-10007	Eastern Bush Water Supply - Upgrade	District Funding	$512,500
	P-10471	Te Anau Water Supply - Upgrade of contact tanks	District Funding	$205,000
	P-10489	District Water Supply - Dosing and monitoring instrumentation	District Funding	$115,005
	P-10490	SCADA to all water schemes	District Funding	$51,250
	P-10492	Riverton Water Treatment Plant - Replacement and upgrade of sand filter	District Funding	-
	P-10495	District Water Supply - End of life water pumps and electrical	Loan & Reserves	$51,250
	P-10509	Riverton Water Supply - Reticulation upgrade	District Funding	-
	P-10517	District Water Supply - Replacement of AC pipe at end of life	Loan & Reserves	$1,537,500
	P-10520	District Water Supply - Acuflo manifolds and check valves	Loan & Reserves	$125,379
	P-11248	Orawia Water Supply - Consent renewal preparation	District Funding	$102,500
	P-11298	Ohai/Nightcaps Water Treatment Plant - Design, install and commission a chlorine residual booster system	District Funding	$102,500
	P-11406	Riverton Water Treatment Plant - Upgrade	Loan & Reserves	$3,175,000
	WAT525	Riverton Water Supply - Replacement of membranes	District Funding	-
Rural Water				**$558,923**
	P-10514	Takitimu Rural Water Supply - Switchboards and pump	Rates & Loan	-
	P-11223	Te Anau Rural Water Supply - scheme audit remediation	Loan & Reserves	$558,923
Corporate Services				**$754,800**
	FINFO002	District Wide - Archives requirements as the result of business case in 2024/2025	Loan	$510,000

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Group and activity	Project Code	Description	Funding source	2025/26 Budget
	FINFO003	District Wide - Ongoing digitisation projects	Loan	$43,860
	FINFO004	District Wide - Equipment renewal	Rates	$147,900
	FINFO006	District Wide - Renewal of other network components	Reserves	$53,040
Grand Total				**$70,509,493**

SOUTHLAND
DISTRICT COUNCIL

A copy of the Annual Plan can be obtained from any Southland District Council office or library, or on our website www.southlanddc.govt.nz

You can also phone Council on 0800 732 732 to request a copy be sent to you.

Financial Report for the period ended 30 April 2025

Record no: R/25/6/28487
Author: Joanie Nel, Senior accountant
Approved by: Anne Robson, Group manager finance and assurance

☐ Decision ☐ Recommendation ☒ Information

Purpose

1 To provide the Finance and Assurance Committee with an overview of the financial results for the ten months to 30 April 2025 by Council's seven activity groups and corporate services, as well as the financial position and the statement of cashflows as at 30 April 2025.

2 To provide Finance and Assurance Committee with a report on our reporting covenants and thresholds at 30 April 2025 as identified in our investment and liability management policy and by the Local Government Funding Agency (LGFA).

3 To provide Finance and Assurance Committee with the most recent reports released to 31 May 2025 and 31 March 2025 from Milford Investments and BTNZ (Westpac).

Recommendation

That the Finance and Assurance Committee:

a) Receives the report titled "Financial Report for the period ended 30 April 2025".

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

c) Acknowledges an inconsistent decision, in that Council is not currently meeting its interest rate exposure thresholds for year four to year five due to the maturity dates of some loans. Future debt funding will be aligned with the thresholds required. Noting that Council has previously agreed to consider this issue and any changes necessary as part of the Investment and Liability Policy review.

Attachments

A Financial Report for the period ended 30 April 2025
B BTNZ balanced fund - Asset allocation update April & May 2025
C BTNZ Balanced Fund - March 2025 Quarterly report
D Milford Investment Monthly institutional report 31/05/2025
E Milford investment report extract 31.5.2025

SOUTHLAND
DISTRICT COUNCIL

Financial report

April 2025

Southland District Council
Te Rohe Pōtae o Murihiku

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Invercargill 9840

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Table of contents

Introduction

This report summarises Council's financial results for the ten month period to 30 April 2025.

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

- year to date (YTD) actuals, which are the actual costs incurred
- YTD projection, which is based on the full year projection (year one of the Long Term Plan (LTP)) with adjustments for phasing of budgets, carry forwards and approved unbudgeted expenditure reports
- YTD budget, which is based on year one of the LTPs budget with some expenditure being phased across the year; and capital and project budgets costs spread evenly across the year
- full year (FY) budget, which is the LTP budget figures
- FY projection, which is the Annual Plan budget figures plus carry forwards and approved unbudgeted expenditure reports as well as forecasting adjustments approved by Council

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

Carry forwards were approved by Council in September 2024 and have been included in the projection column.

The changes to the budgets as per the February Forecasting round was approved by Council on the 2nd of April 2025 and have been included in the projection column.

The final section is reporting on the actual results for Council's benchmarks and thresholds required as specified in the Investment and Liability Management Policy.

Also attached is the most recent market reports from each provided for your consideration; which will be provided quarterly. The most recent reports are for the 31 May 2025.

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

Report contents:

A. Council summary (income, expenditure, capital expenditure and associated commentary)
B. Council summary by Activity Group
C. Statement of comprehensive income
D. Statement of financial position
E. Statement of cash flows
F. Investment and liability management policy benchmarks and commentary

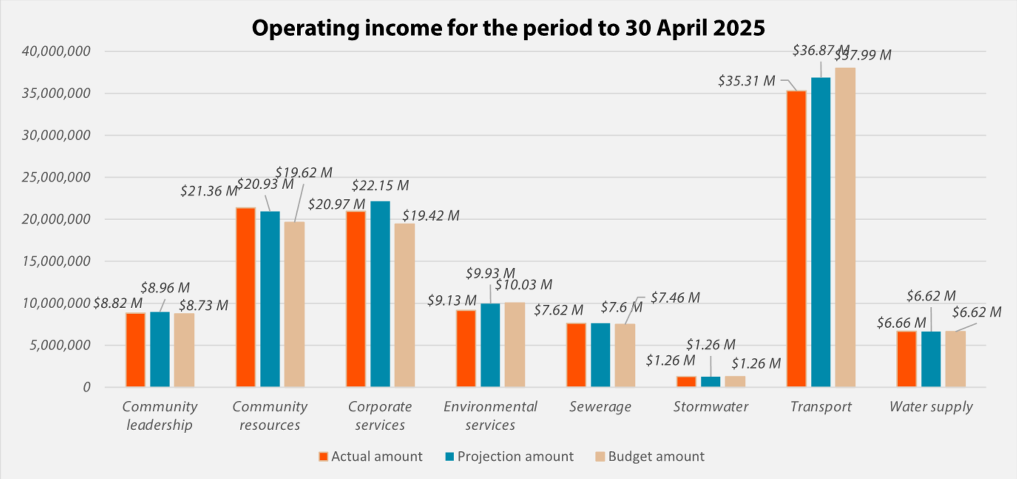
Abbreviation explanation

ABBREVIATION	DESCRIPTION
AP	Annual Plan
CAPEX	Capital expenditure
FY	Full year
FYB	Full year budget
DIA	Department of internal affairs
GDC	Gore District Council
GIS	Geographic information system
GMSE	GeoMedia smart client
GST	Goods and Services tax
ICC	Invercargill City Council
ILMP	Investment and Liability Management Policy (2021)
LED	Light emitting diode
LGFA	Local Government Funding Agency
LT	Leadership team
LTP	Long Term Plan
ME	Month end
NZTA	Waka Kotahi NZ Transport Agency
NZDWS	New Zealand Drinking Water Standards
SDC	Southland District Council
SIESA	Stewart Island Electrical Supply Authority
TIF	Tourism Infrastructure Fund
YE	Year end
YTD	Year to date
YTD Variance	Comparison of actual results compared to YTD budget
$M	Millions of dollars
WWTP	Wastewater treatment plant

Council summary

Income

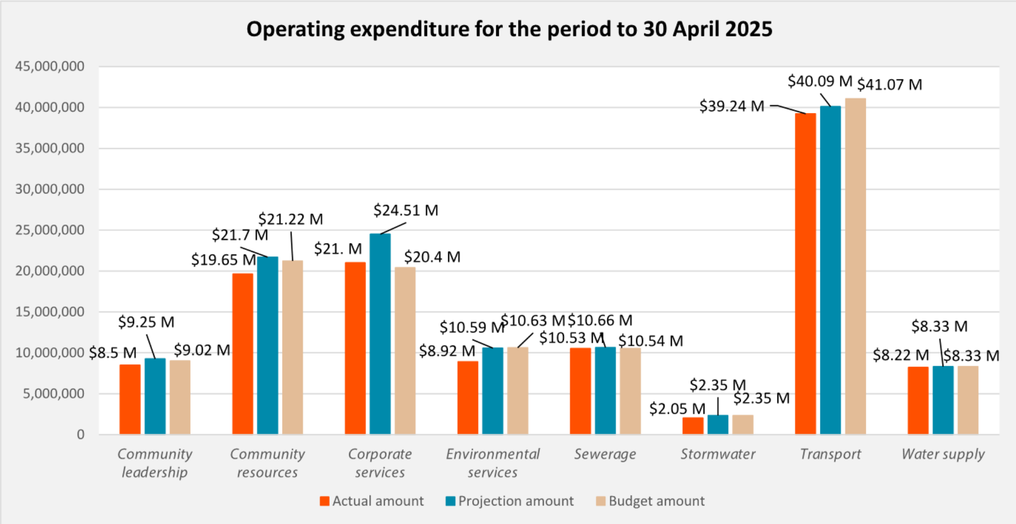
Operating income for the ten month period to 30 April 2025 is $3.2 million (3%) below projection ($111.1 million actual vs $114.3 million projection). The key reasons for the variances are detailed below.



- **corporate services** income is $1.1 million (1%) under projection. This is mainly due to lower internal overheads income versus projection. Because the income for these overhead-type business units is generated via cost recovery against other Council activities, the lower income is largely as a result of lower actual expenditure than projected. (detailed in section two.) Harvesting income is on track with year-to-date projection and harvesting is currently underway.
- **environmental services income** is $800 thousand (8%) lower than projection mainly due to building solutions being $588 thousand under projection. Although the building consents being lodged are consistent in numbers from the prior financial year, the value of the work is lower. This is a trend that is being seen across the country with new builds still being slow to take off. The building reform announced by the government has affected the confidence in buying and construction of homes nationally.
- **transport income** is $1.6 million (4%) lower than projection which is predominantly related to the timing of NZTA funding income for district roading, which is received when the work is complete. The majority relates to rehabilitations, the reasoning for which is explained below. The remainder of the capital work; metalling, drainage and traffic services are all slightly behind expected spend at this time of the year. Some budgeted income is expected to be carried forward to 2025/2026.

Expenditure

Operating expenditure for the ten month period to 30 April 2025 is $9.4 million (7.4%) below projection for the period to date ($118 million actual vs $127.4 million projection). The key reasons for the variances are discussed below.



- **community leadership** operating expenditure is $759 thousand (8%) below projection. The underspend is across a number of business units within community leadership and is caused by timing differences for such as district survey costs not incurred as well as reduced training, councillor salaries, accommodation and meals, general projects and consultant salary costs.

- **community resources** operating expenditure is $2 million (9%) below projection:
  - parks and reserves are under projection by $581 thousand. A portion of this is related to the timing of maintenance projects at Drummond, Edendale/Wyndham as well as tree maintenance work (which has now started with invoices expected over the coming months). The remainder is the result of lower reactive general maintenance across the district
  - halls are under budget by $132 thousand mainly due to the timing of the Manapouri Hall painting project which is expected to be a carry forward to 2025/2026 due to weather constraints.
  - toilets are under projection by $161 thousand mainly due to lower expenditure on the district toilet maintenance project with the remaining budget likely to be carried forward to 2025/2026 to continue this work. To date $40 thousand has been used for various small toilet maintenance projects in Lumsden, Seaward Road, Wyndham, Winton and Taramea Bay
  - waste services are under projection by $442 thousand, mainly due to the timing of the Otautau closed landfill remediation project which is currently in the design and consenting phase. This project will be carried forward at an estimated value of $1.1 million to be completed in 2025/2026.

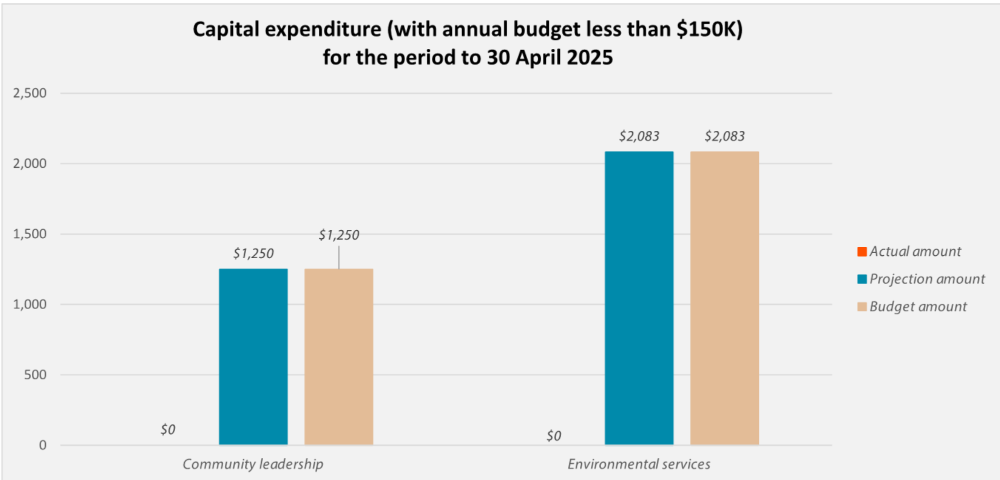
- **corporate services** operating expenditure is $3.5 million (14%) below projection mainly due to lower interest charges, investment management fees, internal interest on reserves, lower staff, training, general projects and consulting costs.

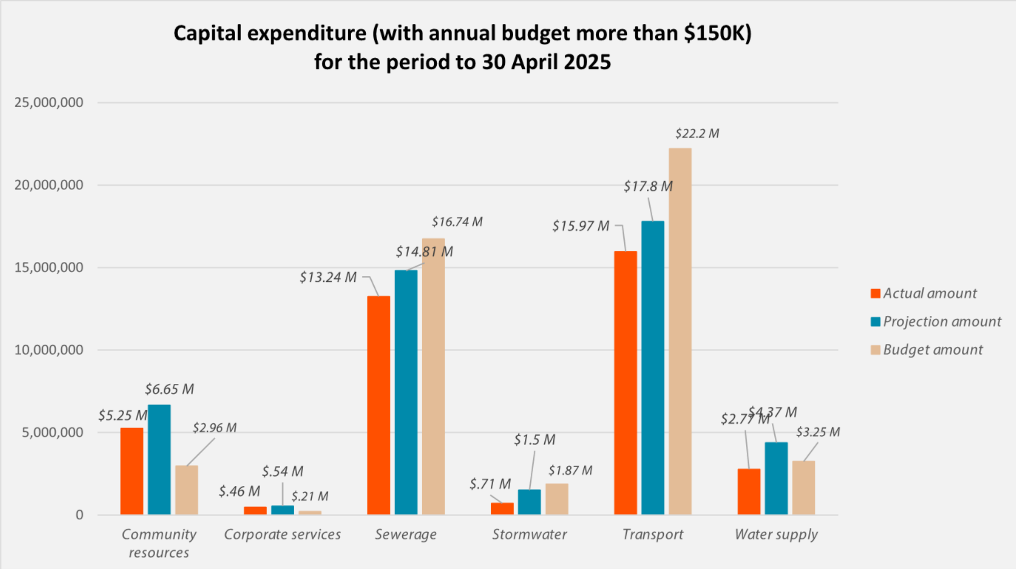
- **environmental services** operating expenditure is $1.7 million (16%) below projection. Building solutions expenditure is $573 thousand lower than projection due to unplanned vacancies, along with lower consultant and legal costs for the period. Resource consenting costs are below projection by $135 thousand due to lower legal costs. Resource planning policy expenditure is $520 thousand below projection due to staff vacancies which are still in the process of being recruited, plan changes and legal fees with further costs expected before the end of June. The underspend in the plan change project will need to be carried forward to next year to complete the project. While the better off funding project for Future townships has started there were no costs recognised in April. Monitoring and compliance costs were lower than projection by $129 thousand mainly due to vacancies.

- **sewerage** operating expenditure is $137 thousand (1%) below projection due to the timing of the maintenance project for desludging the Stewart Island oxidation pond which has been paused for winter with the actual desludging component been put on hold until spring/summer of 2025/2026.
- **stormwater** operating expenditure is $298 thousand (13%) below projection due to timing of a number of small maintenance works which are programmed to be completed by the end of June 2025.
- **transport** operating expenditure is $855 thousand (2%) under projection overall, predominantly due to:
  - footpath expenditure is under projection by $141 thousand, being a timing difference as limited maintenance work has been required to date. The remainder of the underspend is due to lower internal overheads and interest charges with fewer loans drawn down at the end of the previous financial year
  - Roading administration is under projection by $200 thousand and mainly relates to the costs for the asset management data system implementation that is under way. The project is expected to be completed for less than the budget at year end.
  - cycle trail expenditure is under projection by $67 thousand as there has been minimal general maintenance this quarter. There are a couple of projects coming up, including a handrail project on the small bridges/walkways with the current projection being to spend all the maintenance budget by the end of the financial year.
  - Te Anau airport operational expenditure is under projection by $124 thousand with limited maintenance work being required so far this year and no marketing undertaken while awaiting the stage two review underway. These are expected to remain under projection at year end. Consulting costs are currently $70 thousand under budget in relation to the review being undertaken by Great South and these costs are expected to be on budget by year end.

Capital expenditure (CAPEX)

Capital expenditure for the period to 30 April 2025 is $7.3 million (13%) under projection ($38.4 million actual vs $45.7 million projection).





- **community resources** are $1.4 million (21%) under projection mainly due to the phasing of the projects as well as potential carry forwards:
  - halls are $104 thousand under projection with contracts for projects at Colac Bay, Dipton, Ryal Bush and Lumsden now awarded and work is expected to be completed this financial year
  - toilets are $678 thousand under projection largely due to timing of renewal/refurbishment projects at Garston, Mossburn, Tuatapere and Te Anau (Lions Park) with construction on these projects expected to be pushed out to 2025/2026
  - parks and reserves are $465 thousand under projection. Works at Balfour, Colac Bay, McGregor Park (Nightcaps), Otautau and Tuatapere are being prepared for procurement. Te Anau Lions Park playground upgrade is underway but behind the forecasted spend for the period.
- **sewerage** is $1.6 million (11%) under projection due to the timing of a number of projects. The replacement of reticulation pipework in Winton will start in May/June ($600 thousand). Other projects include the Manapouri wastewater treatment plant upgrade which is currently out to tender ($300 thousand) and consent renewal projects for Winton, Balfour and Edendale/Wyndham (on hold pending new consenting standards). It is estimated to carry forward $3.4 million of sewerage projects to 2025/2026.
- **stormwater** is $794 thousand (53%) under projection due to the timing of the project to replace stormwater pipes in Wyndham which is progressing to tender and expected to incur costs by June. Work to be completed by the end of June includes a package in Riverton and work is continuing on options for Lumsden with final design solution by the end of June. It is estimated to carry forward $1.4 million of stormwater projects to 2025/2026.
- **transport** capital costs are $1.8 million (10%) under projection. The majority of the variance is within the district wide roading programme. Rehabilitation work is now back on track for the portion contracted however part of the budget has been used to supplement the reseals programme to allow some sites to be completed with a new solution. Additionally, some work has been held over to next year and some contingency monies allowed for have not been needed. Overall the unspent monies ($2.5 million) will be carried forward to next year. In addition, metalling, drainage renewals and traffic services are all running slightly behind expectation with some of these to be carried into 2025/2026.

The work being completed under crown resilient funding ($910 thousand) will be carried forward to 2025/2026 as NZTA is yet to approve the individual projects. The reseal of Te Anau airport Manapouri is also being carried forward to next season ($750 thousand).

- **water supply** is $1.6 million (37%) under projection. A portion of the underspend is related to the Manapouri water treatment plant upgrade. The full plant changeover occurred late March and the Rising Main portion of the project is also complete, the variance at April was $199 thousand with final costs to be incurred. The AC pipe renewal works has started with Lumsden A/C renewal having commenced in March as has the Eastern Bush Line and are expected to be completed by the end of May. The Te Anau package is currently out to tender. Otautau AC Watermain package may go to tender shortly if we have available budget remaining. The variance at the end of April for the AC pipe renewal is $575K. It is estimated to carry forward $750 thousand of water supply projects to 2025/2026.

Council summary by activity group

SOUTHLAND DISTRICT COUNCIL FINANCIAL SUMMARY
FOR THE PERIOD TO 30 APRIL 2025

Operating income

	YTD					FYB			
Activity	**Actual amount**	**Projection amount**	**Budget amount**	**Var $**	**Var %**	**Projection amount**	**Budget amount**	**Var $**	**Var %**
Community leadership	8,818,867	8,962,033	8,728,732	(143,166)	(2%)	11,231,576	10,790,943	(440,633)	(4%)
Community resources	21,364,528	20,932,690	19,618,277	431,838	2%	26,534,264	24,630,249	(1,904,015)	(7%)
Corporate services	20,965,875	22,150,474	19,418,639	(1,184,599)	(5%)	26,776,281	23,752,543	(3,023,738)	(11%)
Environmental services	9,133,626	9,933,808	10,033,808	(800,183)	(8%)	12,177,570	12,527,570	350,000	3%
Sewerage	7,622,132	7,602,197	7,457,197	19,936	0%	9,139,657	8,994,657	(145,000)	(2%)
Stormwater	1,255,373	1,257,906	1,257,906	(2,533)	(0%)	1,539,487	1,539,487	0	0%
Transport	35,306,002	36,874,988	37,990,026	(1,568,986)	(4%)	46,650,710	52,319,541	5,668,831	12%
Water supply	6,658,983	6,623,306	6,623,363	35,677	1%	8,028,967	8,029,036	69	0%
Total	**111,125,386**	**114,337,402**	**111,127,947**	(3,212,016)	(3%)	**142,078,512**	**142,584,026**	505,514	0%

OPERATING EXPENDITURE

	YTD					FYB			
Activity	**Actual amount**	**Projection amount**	**Budget amount**	**Var $**	**Var %**	**Projection amount**	**Budget amount**	**Var $**	**Var %**
Community leadership	8,495,930	9,254,692	9,024,113	(758,761)	8%	11,591,713	11,308,452	(283,261)	(2%)
Community resources	19,652,420	21,704,821	21,223,649	(2,052,400)	9%	26,908,484	25,991,405	(917,078)	(3%)
Corporate services	21,002,473	24,512,470	20,404,107	(3,509,996)	14%	27,905,670	23,002,715	(4,902,955)	(18%)
Environmental services	8,916,514	10,592,346	10,628,245	(1,675,833)	16%	12,793,165	13,151,641	358,476	3%
Sewerage	10,527,596	10,664,582	10,538,976	(136,986)	1%	12,539,562	12,394,562	(145,000)	(1%)
Stormwater	2,047,170	2,345,585	2,345,585	(298,415)	13%	2,796,692	2,796,692	0	0%
Transport	39,235,046	40,090,583	41,067,702	(855,537)	2%	48,946,031	50,404,240	1,458,209	3%
Water supply	8,215,015	8,327,808	8,326,895	(112,793)	1%	9,913,387	9,913,285	(102)	(0%)
Total	**118,092,165**	**127,492,887**	**123,559,272**	(9,400,722)	7.4%	**153,394,704**	**148,962,992**	(4,431,712)	(3%)

Net surplus/deficit	**(6,966,779)**	**(13,155,485)**	**(12,431,324)**	6,188,706	(10%)	**(11,316,192)**	**(6,378,967)**	4,937,226	3%

CAPITAL EXPENDITURE

	YTD					FYB			
Activity	**Actual amount**	**Projection amount**	**Budget amount**	**Var $**	**Var %**	**Projection amount**	**Budget amount**	**Var $**	**Var %**
Community leadership	0	1,250	1,250	(1,250)	(100%)	101,500	51,500	(50,000)	(49%)
Community resources	5,253,550	6,649,030	2,959,250	(1,395,481)	(21%)	9,787,641	5,971,415	(3,816,226)	(39%)
Corporate services	458,362	539,975	207,666	(81,613)	(15%)	1,153,934	515,000	(638,934)	(55%)
Environmental services	0	2,083	2,083	(2,083)	(100%)	252,500	52,500	(200,000)	(79%)
Sewerage	13,237,056	14,809,175	16,740,873	(1,572,119)	(11%)	16,514,044	18,682,142	2,168,098	13%
Stormwater	705,989	1,500,509	1,874,499	(794,520)	(53%)	2,572,767	3,214,009	641,242	25%
Transport	15,966,069	17,796,020	22,204,944	(1,829,951)	(10%)	25,411,348	34,211,556	8,800,208	35%
Water supply	2,768,209	4,373,651	3,247,066	(1,605,443)	(37%)	5,413,618	3,969,236	(1,444,382)	(27%)
Total	**38,389,235**	**45,671,695**	**47,237,632**	(7,282,460)	(16%)	**61,207,352**	**66,667,358**	5,460,006	9%

ACTIVITY GROUPS AND ACTIVITIES
This table details what is included in the various LTP activities used for this report

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

Statement of comprehensive income

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES FOR THE PERIOD TO 30 APRIL 2025					
	YTD			FYB	
	Actual amount	Projection amount	Budget amount	Projection amount	Budget amount
Revenue					
Rates revenue	*59,753,665*	*59,931,659*	*59,931,659*	*72,089,154*	*72,089,154*
Other revenue	*9,695,396*	*10,146,313*	*9,889,425*	*12,466,342*	*12,909,862*
Interest and dividends	*811,389*	*641,667*	*1,502,088*	*770,000*	*1,802,506*
NZ Transport Agency funding	*14,914,318*	*16,545,721*	*17,499,660*	*21,354,134*	*22,677,822*
Grants and subsidies	*2,173,859*	*2,343,698*	*1,866,796*	*4,437,832*	*7,878,878*
Other gains/losses	*1,795,881*	*1,787,281*	*599,281*	*4,445,501*	*2,433,001*
Vested assets	*0*	*0*	*0*	*0*	*0*
Development and financial contributions	*0*	*28,858*	*28,858*	*34,630*	*34,630*
	89,144,508	**91,425,196**	**91,317,768**	**115,597,593**	**119,825,853**
Expenditure					
Employee benefit expense	*16,338,442*	*18,822,418*	*18,809,111*	*21,055,967*	*21,040,967*
Depreciation and amortisation	*34,566,554*	*34,711,437*	*34,711,437*	*41,653,725*	*41,653,724*
Finance costs	*2,987,616*	*3,495,449*	*3,496,146*	*4,194,539*	*4,195,375*
Other Council expenditure	*42,218,674*	*47,551,377*	*46,732,397*	*60,009,555*	*59,314,754*
	96,111,287	**104,580,681**	**103,749,092**	**126,913,785**	**126,204,820**
Total comprehensive income	**(6,966,779)**	**(13,155,485)**	**(12,431,324)**	**(11,316,192)**	**(6,378,967)**

Note:

The revenue and expenditure in the comprehensive income statement does not reconcile to the total income and total expenditure reported in the Council summary by activity group on page 9 due to the elimination of the internal transactions. However, the net surplus/deficit (as per the Council summary by activity group) matches the total comprehensive income (as per the statement of comprehensive income).

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

Statement of financial position

Council's unaudited financial position as at 30 April 2025 is detailed below which covers Southland District Council and SIESA financial results.

STATEMENT OF FINANCIAL POSITION			
	NOTE	30-Apr-25 Actual	30 Jun 2024 ACTUAL
Equity			
Retained earnings		*697,618,392*	*704,585,171*
Asset revaluation reserves		*1,491,447,706*	*1,491,447,706*
Other reserves		*43,674,729*	*43,678,501*
Share revaluation		*6,853,591*	*5,744,707*
		2,239,594,420	**2,245,456,085**
Represented by:			
Current assets			
Cash and cash equivalents	*(2)*	*9,050,506*	*5,072,738*
Trade and other receivables		*14,885,267*	*15,040,966*
Inventories		*129,552*	*129,552*
Other financial assets	*(7)*	*1,837,113*	*1,962,113*
		25,902,439	**22,205,369**
Non-current assets			
Property, plant and equipment		*2,257,812,367*	*2,252,247,602*
Intangible assets		*5,728,383*	*5,728,383*
Forestry assets		*13,290,000*	*13,290,000*
Internal loans		*64,922,568*	*67,260,523*
Work in progress		*889,897*	*2,644,071*
Investment in associates		*2,185,180*	*2,185,180*
Other financial assets	*(7)*	*39,633,536*	*10,838,881*
		2,384,461,931	**2,354,194,640**
Total assets		**2,410,364,370**	**2,376,400,009**
Current liabilities			
Trade and other payables		*5,666,539*	*13,112,664*
Deferred revenue		*2,661,938*	*2,080,238*
Contract retentions and deposits		*555,124*	*704,585*
Employee benefit liabilities		*1,893,993*	*2,741,052*
Development and financial contributions		*1,069,605*	*1,044,680*
Borrowings		*9,000,000*	*5,000,000*
Provisions		*3,500*	*3,500*
		20,850,700	**24,686,718**
Non-current liabilities			
Employment benefit liabilities		*10,502*	*10,502*
Provisions		*8,186,181*	*8,186,181*
Internal loans - liability		*64,922,567*	*67,260,523*
Borrowings	*(8)*	*76,800,000*	*30,800,000*
		149,919,250	**106,257,205**
Total liabilities		**170,769,950**	**130,943,924**
Net assets		**2,239,594,420**	**2,245,456,085**

Statement of cash flows

Council's unaudited cash flow position as at 30 April 2025 is detailed below which covers Southland District Council and SIESA financial results.

STATEMENT OF CASHFLOWS FOR THE PERIOD TO 30 APRIL 2025	NOTE	2024/25 YTD Actual	2023/24 Jun-24
Cash flows from operating activities			
Receipts from rates revenue		54,945,156	62,988,683
Receipts from other revenue (including NZTA)		29,086,713	36,236,367
Cash receipts from interest and dividends		811,389	702,530
Payments to suppliers and employees		(66,121,453)	(72,716,303)
Interest paid		(2,987,616)	(1,018,280)
GST general ledger (net)		2,389,387	(472,750)
Net cash inflow (outflow) from operating activities		**18,123,576**	**25,720,247**
Cash flows from investing activities			
Receipts from sale of PPE		1,795,881	5,329,442
(Increase)/decrease other financial assets		(27,560,771)	350,000
Purchase of property, plant and equipment		(38,380,918)	(41,487,950)
Acquisition of investments		-	(10,350,000)
Net cash inflow (outflow) from investing activities		**(64,145,808)**	**(46,158,508)**
Cash Flows from financing activities			
Increase in term loans		61,000,000	14,000,000
Repayment of term loans		(11,000,000)	-
Increase/(decrease) finance leases		-	-
Net cash inflow (outflow) from financing activities		**50,000,000**	**14,000,000**
Net increase/(decrease) in cash and cash equivalents		**3,977,769**	**(6,438,261)**
Cash and cash equivalents at the beginning of the year		**5,072,738**	**11,510,998**
Cash and cash equivalents at the end of period	*(2)*	**9,050,506**	**5,072,738**

Notes to the financial statements

Cash and cash equivalents

1. At 30 April, Council had $1,790 cash on hand.
2. Funds on call at 30 April 2025:

FUNDS ON CALL			
	AMOUNT	**BANK**	**ACCOUNT**
SDC	*$7,466,798*	*BNZ*	*Funds on call*
	$10,000	*BNZ*	*Operating bank acc*
	$1,168,857	*BNZ*	*Restricted funds acc*
SIESA	*$403,061*	*BNZ*	*Funds on call*
Total	**$9,048,716**		

Reconciliation to statement of financial position	Amount
Cash and cash equivalents	
Current assets	
SDC Cash on hand (Note 1)	*$1,790*
Funds on call (Note 2)	*$9,048,716*
Total cash and cash equivalents per the statement of financial position	**$9,050,506**

Other financial assets

3. At 30 April 2025, Council had no investments in term deposits.
4. At 30 April 2025, Council held two balanced fund investments.

Balanced Fund Investment		
Balanced Funds	**Amount invested**	**Total value**
Milford Balanced Fund	*$17,537,002*	*$18,294,480*
Westpac (BT Funds Management)	*$17,515,501*	*$17,819,056*
Total	**$35,052,503**	**$36,113,536**

5. The amount invested includes the $35 million approved by Council to date. It also includes rebates received (which offsets the fees charged for the managed funds) and is added to the cost of the investments. The current value of $36.1 million is what the investments are worth at month end.
6. At 30 April 2025, SIESA had $1.17 million invested in four term deposits as follows:

SIESA INVESTMENTS - TERM DEPOSITS				
Bank	**Amount**	**Interest rate**	**Date invested**	**Maturity date**
BNZ	*$370,000*	*6.10%*	*4-Dec-24*	*4-Jun-25*
BNZ	*$300,000*	*4.75%*	*13-Jan-25*	*14-Jul-25*
BNZ	*$250,000*	*4.50%*	*11-Feb-25*	*11-Aug-25*
BNZ	*$250,000*	*4.20%*	*7-Apr-25*	*7-Oct-25*
Total	**$1,170,000**			

7. At 30 April 2025, Council had $3.27 million of LGFA borrowers notes as follows:

LGFA BONDS				
	AMOUNT	**INTEREST RATE RECEIVED**	**ESTABLISHMENT DATE**	**MATURITY DATE**
LGFA	*$100,000*	*5.52%*	*19-Apr-24*	*15-Apr-26*
LGFA	*$250,000*	*5.13%*	*08-Jul-24*	*15-Apr-26*
LGFA	*$500,000*	*4.95%*	*08-Jul-24*	*15-Apr-27*
LGFA	*$500,000*	*4.14%*	*14-Aug-24*	*15-Apr-27*
LGFA	*$125,000*	*5.52%*	*06-May-24*	*15-May-28*
LGFA	*$250,000*	*4.91%*	*08-Jul-24*	*15-May-28*
LGFA	*$500,000*	*4.25%*	*14-Aug-24*	*15-May-28*
LGFA	*$250,000*	*4.19%*	*17-Feb-25*	*17-Feb-29*
LGFA	*$125,000*	*5.09%*	*06-May-24*	*20-Apr-29*
LGFA	*$250,000*	*4.91%*	*08-Jul-24*	*20-Apr-29*
LGFA	*$250,000*	*4.22%*	*15-Apr-25*	*15-Apr-30*
LGFA	*$210,000*	*3.10%*	*15-Dec-21*	*15-May-35*
LGFA	*$210,000*	*3.14%*	*15-Dec-21*	*15-Apr-36*
Total	**$3,520,000**			

RECONCILIATION TO STATEMENT OF FINANCIAL POSITION	AMOUNT
Other financial assets	
Current assets	
SDC Term Investments (Note 3)	-
SIESA Investments (Note 6)	*$1,170,000*
*Civic Assurance shares**	*$12,570*
*Milford Sound Tourism shares**	*$592,027*
Milford Sound Tourism current account	*$62,517*
Total current financial assets per the statement of financial position	**$1,837,113**
Non - Current assets	
*SDC Balanced Funds Investments (Note 4)**	*$36,113,536*
LGFA bonds (Note 7)	*$3,520,000*
Total non-current financial assets per the statement of financial position	**$39,633,536**

*These balances are subject to change due to revaluation processes at month end or year end.

8. As at 30 April 2025, the external borrowings of $80.8 million is made up of:

SDC BORROWINGS						
LENDER	**AMOUNT**	**INTEREST RATE PAID**	**DATE DRAWN**	**MATURITY DATE**	**TYPE**	**CLASS**
LGFA	*$4,000,000*	*5.31%*	*19-Apr-24*	*15-Apr-26*	*Floating*	*Current*
LGFA	*$5,000,000*	*5.58%*	*8-Jul-24*	*15-Apr-26*	*Fixed*	*Current*
LGFA	*$10,000,000*	*5.94%*	*8-Jul-24*	*15-Apr-27*	*Fixed*	*Non-Current*
LGFA	*$10,000,000*	*4.59%*	*14-Aug-24*	*15-Jul-27*	*Fixed*	*Non-Current*
LGFA	*$5,000,000*	*5.46%*	*6-May-24*	*15-May-28*	*Fixed*	*Non-Current*
LGFA	*$5,000,000*	*5.36%*	*8-Jul-24*	*15-May-28*	*Fixed*	*Non-Current*
LGFA	*$10,000,000*	*4.70%*	*14-Aug-24*	*15-May-28*	*Fixed*	*Non-Current*
LGFA	*$5,000,000*	*4.64%*	*17-Feb-25*	*17-Feb-29*	*Fixed*	*Non-Current*
LGFA	*$5,000,000*	*5.49%*	*6-May-24*	*20-Apr-29*	*Fixed*	*Non-Current*
LGFA	*$5,000,000*	*5.36%*	*8-Jul-24*	*20-Apr-29*	*Fixed*	*Non-Current*
LGFA	*$5,000,000*	*4.67%*	*15-Apr-25*	*15-Apr-30*	*Fixed*	*Non-Current*
LGFA	*$8,400,000*	*3.45%*	*15-Dec-21*	*15-May-35*	*Fixed*	*Non-Current*
LGFA	*$8,400,000*	*3.49%*	*15-Dec-21*	*15-Apr-36*	*Fixed*	*Non-Current*
Total	**$85,800,000**					

RECONCILIATION TO STATEMENT OF FINANCIAL POSITION	**AMOUNT**
Borrowings	
Current liabilities	
Borrowings	*$9,000,000*
Non-current liabilities *Borrowings*	*$76,800,000*
Total borrowings per the statement of financial position	**$85,800,000**

Compliance with the Investment and Liability Management Policy & LGFA covenants

The following section provides information to show whether Council is managing its cash in banks and its debt portfolio in line with Councils Investment and Liability Management Policy (2021) (ILMP policy). This also provides information around our obligations with the Local Government Funding Agency (LGFA).

There are several thresholds set in the policy which Council is required to achieve. For the tables below:

- green shading indicates compliance with the policy
- orange indicates instances where Council is operating outside of the policy thresholds requiring further review and be reported to Council.

Term deposits have been spread across the registered banks to ensure compliance with policy requirements.

CREDIT RISK MANAGEMENT	**THRESHOLD**		**MARCH 2025**		
REGISTERED BANKS	**MINIMUM RATING**	**MAXIMUM AMOUNT**	**RATING**	**AMOUNT**	
BNZ	*AA-*	*$10 Million*	*AA-*	*9,048,716*	*Achieved*

Borrowing levels are determined through Council's LTP and Annual Plans. Council will manage its borrowing activities prudently to minimise credit risk. To undertake this, the following thresholds will be considered in conjunction with every transaction undertaken.

The policy has set specific borrowing limits and these have been met for the period. The revenue and expenditure is based on a rolling 12 month period based on LGFA covenants.

	THRESHOLDS		**MARCH 2025 ACTUALS**		
ITEM	**LGFA COVENANTS**	**CILM POLICY**	**LGFA COVENANTS**	**CILM POLICY**	
*Net debt as % of total revenue**	*< 175%*	*< 175%*	*55%*	*48.3%*	*Achieved*
*Net interest as % of total revenue***	*< 20%*	*< 10%*	*2.3%*	*2.3%*	*Achieved*
*Net interest as % of rates revenue***	*< 25%*	*< 7%*	*3.6%*	*3.6%*	*Achieved*
*Liquidity ratio**	*> 110%*	*> 110%*	*110.2%*	*142.1%*	*Achieved*

*LGFA Covenant includes the balanced fund debt as part of the net debt calculation; where is the CILM policy excludes it. The LGFA covenant calculations will be taken into consideration with the review of the CILM policy.

**The table above shows what is in the policy, however, is under review as need to investigate whether these thresholds should be the opposite; the % of total rates should be 10% and the % of total revenue should be 7%.

The cost of funds compared to budget is listed below for the period ending 30 April 2025.

Cost of funds	Actual amount	Budgeted amount*	Variance
Interest on borrowings	*$2,987,616*	*$3,174,765*	*($187,149)*
Interest earned on bonds	*($107,758)*	*-*	*($107,758)*
Total Cost of funds to budget	**$2,879,858**	**$3,174,765**	**($294,907)**

The interest above is based on the external debt held. The budgeted interest is based on the internal loan balances movement for the year. As there has been new debt drawn down in the last 3 months, the interest paid is only for part of the period being report.

Council is also operating within the debt maturity profile parameters for the period.

DEBT MATURITY PROFILE	THRESHOLD		MARCH 2025		
	MINIMUM	MAXIMUM	AMOUNT	%	
1 to 3 years	*15%*	*60%*	*29,000,000*	*34%*	*Achieved*
3 to 7 years	*25%*	*85%*	*40,000,000*	*47%*	*Achieved*
7 years plus	*0%*	*60%*	*16,800,000*	*20%*	*Achieved*
Total			**85,800,000**	**100%**	

The interest rate exposure for Council's debt position is below. The "Fixed Interest Rate Thresholds" in the table below show how much of the forecasted debt should have a fixed interest rate (eg in year 1 between 40-90% of the forecasted debt should have a fixed interest rate applied). "Actual" shows the current proportion of fixed debt and whether this fits within the required threshold for that year.

USING DEBT FORECAST - 2024 LTP					
INTEREST RATE EXPOSURE		**FIXED INTEREST RATE THRESHOLD**		**APRIL 2025**	
TERM	**MONTH**	**MINIMUM**	**MAXIMUM**	**ACTUAL**	
2025/2026	*0-12*	*40%*	*90%*	*67%*	*Achieved*
2026/2027	*12-24*	*35%*	*85%*	*50%*	*Achieved*
2027/2028	*24-36*	*30%*	*80%*	*32%*	*Achieved*
2028/2029	*36-48*	*25%*	*75%*	*17%*	*Review*
2029/2030	*48-60*	*20%*	*70%*	*10%*	*Review*
2030/2031	*60-72*	*0%*	*65%*	*6%*	*Achieved*
2031/2032	*72-84*	*0%*	*60%*	*6%*	*Achieved*
2032/2033	*84-96*	*0%*	*50%*	*6%*	*Achieved*
2033/2034	*96-108*	*0%*	*50%*	*6%*	*Achieved*
2034/2035	*108-120*	*0%*	*50%*	*6%*	*Achieved*

Generally, Council is within the thresholds for the proportion of fixed interest rate borrowing, however it is below the minimum threshold for a two-year period. Council acknowledges that there is an inconsistent decision; At the date that this report is being written, Council is not currently meeting its interest rate exposure thresholds for the periods between 36-60 months. Future debt management will the tailored to align with the thresholds required. Council's investment advisor and staff will work on developing the process for determining future interest structures.

The risk management profile for externally management funds is set in the policy. Council is required to have the balanced fund investments in a mix of capital growth and income asset types. The strategic allocation and tactical ranges set in the policy are:

Allocation	*Benchmark %*	*Range %*
Total growth assets	*50%*	*40-60%*
Total income assets	*50%*	*40-60%*

When the funds were invested into Milford Investment balanced fund and Westpac (BTNZ) balance fund, the strategic asset split used by these funds has been agreed at the date of investment to be at the maximum range allowed (growth assets at 60% and income assets at 40%).

The actuals are based on the most recent reports released; as at the 31 May 2025.

	Milford Investment balanced fund	*Westpac (BTNZ) balanced fund*	*Combined balanced fund investment*	
Allocation	*Actual*	*Actual*	*Range %*	*Actual*
Growth assets	*46.9%*	*59.4%*	*40-60%*	*53.2%*
Income assets	*53.1%*	*40.6%*	*40-60%*	*46.8%*

At the period being reported; both investments asset types are within the range required by the policy. Our combined range is within the balance fund investment mix as required in the policy. It is important to note that there will be a certain amount of fluctuation from the agreed allocations due to the market environment.

To date $35 million has been invested in Westpac and Milford. Staff are waiting for the year end reconciliation to reserves to determine the unrestricted value that will be used to finalise the investment value to be used following the 30 June 2025.

The most recent reports are attached to this report from both investment funds for your information.

A review of the Investment and Liability Management Policy is underway, which includes reviewing the various key indicators and thresholds to make sure the policy is still within the current economic environment while still minimising risk exposure, given the nature of Council’s borrowings and investments.

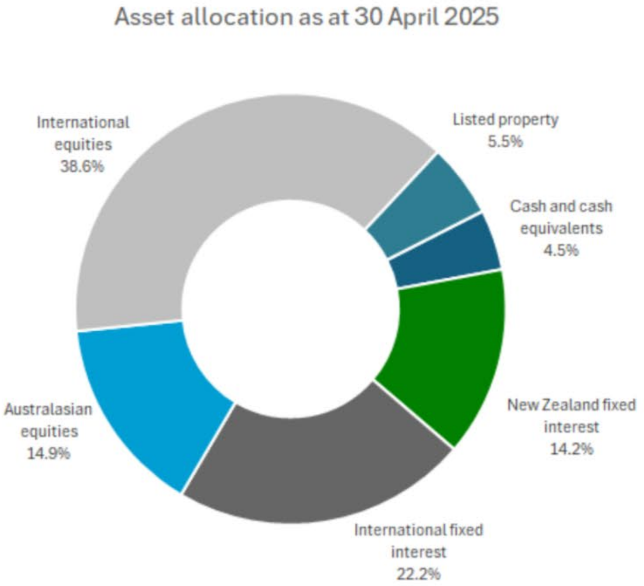
The compliance with ILMP treasury section excludes SIESA investments which are reported in the notes to the financial statements.

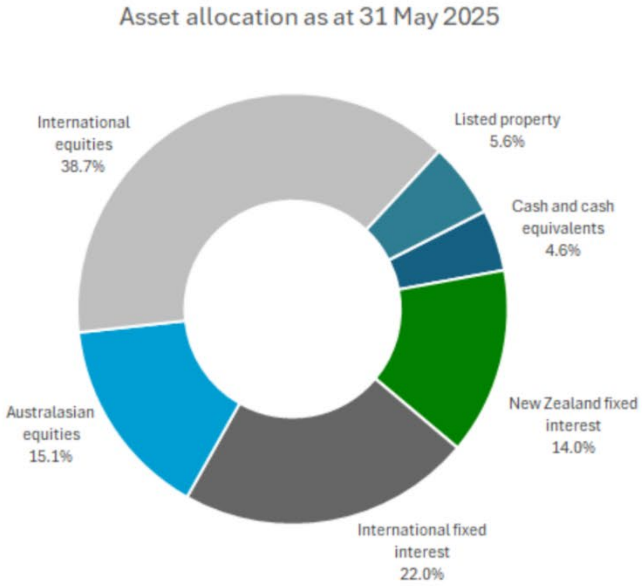
Westpac Active Balanced Trust

Asset allocation

Classification: PROTECTED

Asset allocation update





Classification: PROTECTED

BT Funds Management

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Classification: PROTECTED BT Funds Management

Westpac Active Balanced Trust

Quarterly Report

31 March 2025

Classification: PROTECTED

Q1-2025

Share markets started the quarter with strong momentum, however US shares ended the quarter on a weak note. The weakness was driven largely by growth fears that followed uncertainty around tariffs and the broader Trump 2.0 policy agenda.

Softer economic data, worries over disinflation traction, and cracks in the AI secular growth narrative were also among the catalysts that contributed to the sharp selloff in the back half of the quarter.

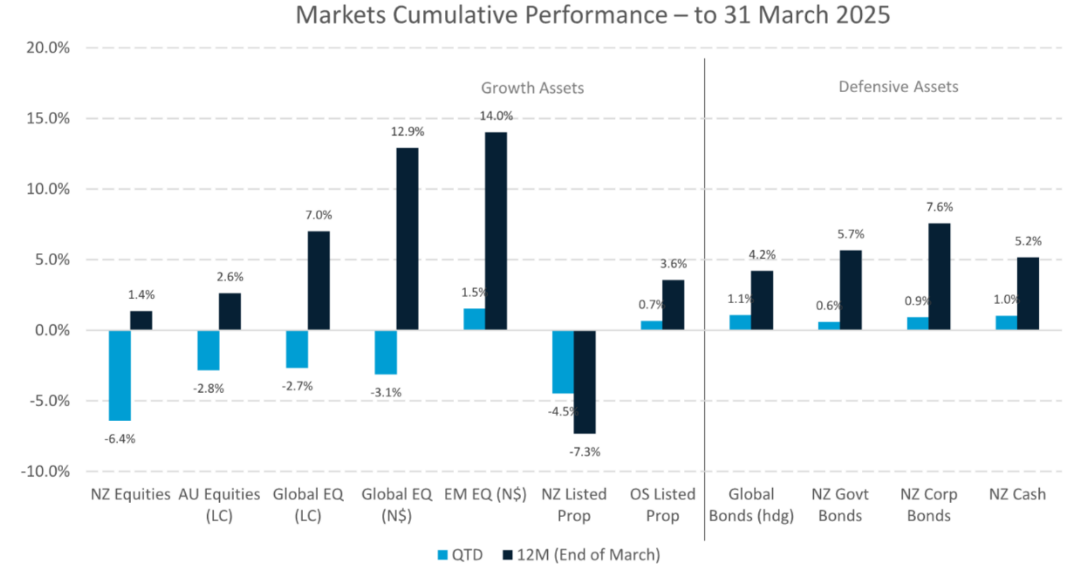
In contrast, European equities had a good quarter as the European Central Bank decisively tilted monetary policy toward supporting growth to counter a sluggish Eurozone economy and the fallout from US trade tensions. Europe's €800bn defence spending plan along with Germany's €500bn infrastructure fund and debt brake reform boosted German business sentiment and consumer confidence.

On the domestic front, New Zealand's Q4 GDP rose 0.7%, rebounding from Q3's -1.1% contraction. This rise was due to a jump in agriculture ad manufacturing, along with spending in retail, recreation and accommodation.

Classification: PROTECTED

BT Funds Management

Key themes influencing market performance



- **Global equities returned** -2.7% (in local currency terms) and -3.1% in NZD terms for the quarter. European equity markets had a strong quarter, up 7.5% (in EUR terms) despite a March dip, outpacing the S&P 500's -4.3% (USD terms), followed by UK equities up over 6% (GBP terms). **New Zealand and Australian equities** underperformed global equities over the quarter, with NZ equities returning -6.4% (S&P/NZX 50 gross index), while Australian equities returned -2.8% (in AUD terms). The US dollar was weaker against most major currencies over the month.

- Yields on US Treasuries fell sharply with the 2-year and the 10-year yields both falling 35 basis points as investors sought these safe haven assets amid increasing market volatility. The NZ Government 10-year bond yield fell by 9 basis points. **Global bonds returned** +1.1% over the quarter, outperforming **domestic bonds** which returned +0.7%. NZ corporate bonds (+0.9%) outperformed NZ Government bonds (+0.6%).

2

Source: Bloomberg L.P, RBNZ, BT Funds Management NZ
Returns are index total returns. LC = Local Currency Return. N$ = NZD Hedged returns

Performance

Performance to 31 March 2025:

	3 months	6 months	1 year	2 years (p.a.)	3 years (p.a.)	5 years (p.a.)
Westpac Active Balanced Trust	-1.55%	0.35%	6.18%	9.27%	5.16%	7.39%
Benchmark	-1.41%	0.96%	6.08%	9.12%	5.11%	7.09%
Relative	*-0.14%*	*-0.61%*	*+0.10%*	*+0.15%*	*+0.05%*	*+0.20%*

- Returns are gross of fees and tax.
- Southland District Council inception date 31/05/2024.

Performance commentary

For the March quarter, the Balanced Fund fell 1.55%. Cash, NZ fixed interest and international fixed interest allocations contributed positively to the fund's performance. Australasian and international shares, as well as listed property were negatively impacted by weaker economic data and growth fears stemming from uncertainty around tariffs and the broader Trump 2.0 policy agenda.

The fund slightly underperformed its benchmark over the quarter, with positioning in the international shares asset class, including an underweight allocation to energy companies and an overweight positioning in IT companies including NVIDIA and Microsoft, the key detractors.

Transaction Report

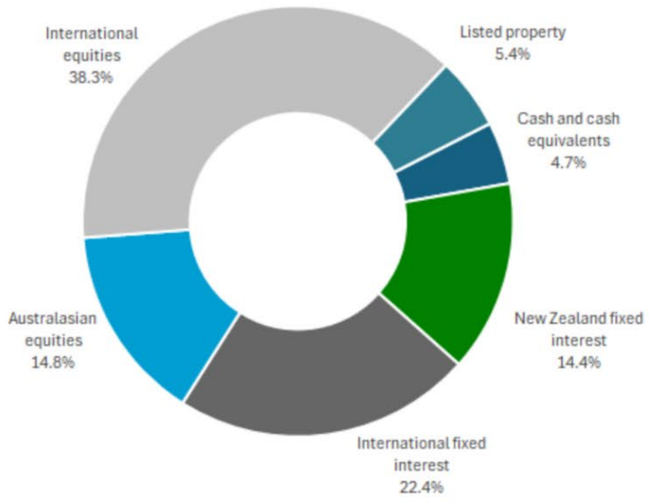
Transactions for the three months to 31 March 2025:

Date	Description	Amount	Tax	Total	Price	Units
01/01/2025	Opening balance	$15,670,818.43			3.1644	4,166,085.45
14/01/2025	Contribution – fee rebate	$8,501.56	$0.00	$8,501.56	3.1352	2,711.65
21/03/2025	Contribution	$2,500,000.00	$0.00	$2,500,000.00	3.1235	800,384.18
31/03/2025	Investment earnings	-$290,058.55				
31/03/2025	Closing balance	$17,889,261.42			3.1083	5,755,320.09

Positioning

Top 10 holdings	Weight
Fisher & Paykel Healthcare Corporation	1.72%
NVIDIA Corporation	1.56%
Microsoft Corporation	1.56%
Apple Inc	1.38%
Auckland International Airport Limited	1.00%
Infratil Limited	0.99%
Contact Energy Limited	0.88%
eMini S&P 500 Future	0.82%
Amazon.com Inc	0.72%
Precinct Properties NZ Limites	0.71%

Asset allocation as at 31 March 2025



Classification: PROTECTED BT Funds Management

Underlying Investment Managers

Asset Class	Strategic weighting	Investment Manager*	Investment Style
Cash	4%	BTNZ	Core
New Zealand Fixed Interest	14%	BTNZ	Core, composite
		BTNZ	Corporate bonds
International Fixed Interest	22%	Colchester	Global sovereign
		Loomis Sayles	Global investment grade credit
		Wellington	Core, global aggregate
NZ Listed Property	2.5%	Salt	Core, value tilt, NZ listed
International Listed Property	2.5%	Principal	Core, global listed
Australasian Equities	15%	Harbour	Growth, 30% AU
		Devon	Value, 30% AU
		Salt	Core, 15% AU
International Equities	40%	Schroders	Core
		T. Rowe Price	Growth
		Mirova	Sustainable focused
		Ninety One	Emerging markets
		Northern Trust	Systematic, factor based
		LGIM	Climate & ESG focused

* All external investment managers manage a segregated account and are appointed under an investment management agreement tailored to meet BT's requirements

Classification: PROTECTED BT Funds Management

About the Trust

- **Investment objective and overview**:
    - Aims to provide medium returns over the medium to long term
    - Has a higher target allocation to growth assets than to income assets
    - Volatility is expected to be higher than the Moderate Trust but lower than the Growth Trust
    - Returns will vary and may be low or negative at times.
- **Recommended minimum investment timeframe:** 7 years
- **Inception Date**: 1 August 1992
- **Trust Size**: $317.9m (31 March 2025)
- **Risk indicator***:

*The risk indicator is calculated based on the volatility of past returns over the five years ended 30 June 2024, which may not be a full investment cycle.

Disclaimer

Important things to know

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BT Funds Management


Monthly
Report
31 MAY 2025
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Market and Economic Overview

It's all about the TACO ("Trump Always Chickens Out")

"Government policy continues to dominate monetary policy in importance for investors

After a volatile April, global share markets continued their climb in May leaving global shares close to all-time highs. Milford's funds delivered solid performance on the back of these moves with many of our holdings posting strong gains last month.

Investors are being whiplashed by US policy announcements. Aggressive tariff policy is announced, only to be paused or rescinded a couple of days later. This has come to be known as the TACO trade, on account of Trump's swift retreat from his own more market unfriendly tariff policy announcements. It also means that investors are increasingly accustomed to these policy announcements, and there is a growing sense of complacency among investors.

Our global stock picks delivered much of the gains last month. European bank stocks continue to show strong returns, with Bank of Ireland (+17.0%), Commerzbank (+17.4%) and NatWest Group (+9.7%) notable performers. Technology stocks have recovered well too, with Amazon (+11.2%), Meta (+17.9%) and Intuit (+20.1%) highlights for us. On the flipside, US payment processor Fiserv disappointed last month (-11.8%), but we maintained our holdings.

Australian and NZ stocks also rallied, including good performance from fuel import terminal Channel Infrastructure (+12.1%) and real estate company Precinct Properties (+9.0%). In Australia, we saw strong performance from our gold stocks such as Genesis Minerals (+22.3%), as well as family tracking app company Life360 (+51.9%).

Bond markets remain volatile as investors try and understand the trajectory of global growth and government spending (that will need to be financed by bonds). Corporate bonds outperformed government bond equivalents, helping our performance as we typically invest in corporate bonds.

Government policy continues to dominate monetary policy in importance for investors. Central banks are either sidelined by the inflation outlook (e.g. the US), or have already reduced interest rates towards neutral. That said, central banks will respond to much weaker growth with further cuts. This means short-term bonds offer some value for diversified portfolios. Meanwhile, governments continue to spend (across the US, Europe & China), reducing the likelihood of economic weakness. This creates a reasonable outlook for investments going forward, once we can move past the policy uncertainty.

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Southland District Council

Client ID: ML180508

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Portfolio Valuation

As at 31 May 2025

Fund	Units	Unit Price	Gross Value	% of Total
Milford Balanced Fund	5,303,089.5577	$3.5190	$18,661,572.15	100.00%
Total			**$18,661,572.15**	**100.00%**

Portfolio Performance

As At 31 May 2025
Net of fees & tax

Fund	1 month	3 month	1 year	3 years	5 years	Since inception
Milford Balanced Fund	2.01%	1.64%	9.04%	N/A	N/A	9.09%
Overall Performance	**2.01%**	**1.64%**	**9.04%**	**N/A**	**N/A**	**9.09%**

Returns for periods over 1 year are annualised and reflect the performance of funds for the time they were open.
Some funds may not have been open for the full period, and partial-period returns are included in the calculations for each respective timeframe.

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Southland District Council

Client ID: ML180508

Account Activity

As at 31 May 2025

	1 month	3 months	1 year	Since inception
Opening Value	**$18,294,480.31**	**$15,870,247.55**	**$2,507,145.52**	**$0.00**
Contributions	$0.00	$2,500,000.00	$15,000,000.00	$17,500,000.00
Withdrawals	$0.00	$0.00	$0.00	$0.00
PIE Tax (Paid)/Refunded	$0.00	$0.00	$0.00	$0.00
Distributions Declared	$0.00	$0.00	$0.00	$0.00
Distributions Reinvested	$0.00	$0.00	$0.00	$0.00
Investment Earnings or (Losses) After Tax and Fees	$367,091.84	$291,324.60	$1,154,426.63	$1,161,572.15
Closing Value	**$18,661,572.15**	**$18,661,572.15**	**$18,661,572.15**	**$18,661,572.15**

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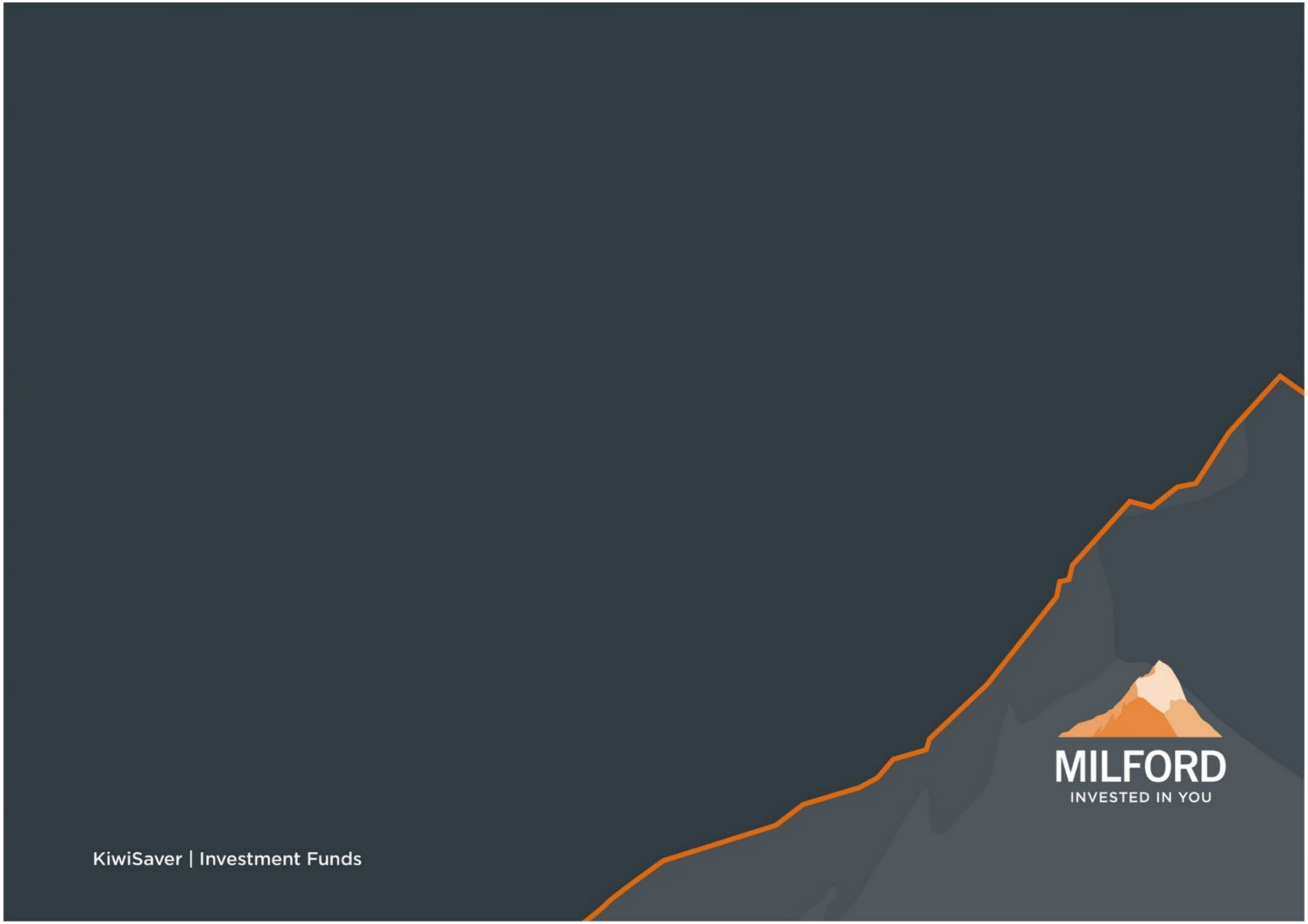
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Extract from Milford Investment Fund

As at 31 May 2025

The following images is an extract from the Milford Investment Fund portal as at the 31 May 2025; showing the performance and position of the fund.

Account Valuation

$18,661,572.15

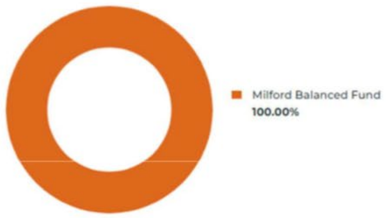
(NZD Value) 30 May 2025

Current Valuation | Custom Date

Please note that if you select a date that falls on a weekend or public holiday the valuation date applied will be the last business day prior to the date selected

Date

31 May 2025 | Go



Price Date	Fund	Units	Unit Price	Gross Value
30 May 2025	Milford Balanced Fund	**5,303,089.5577**	**$3.5190**	**$18,661,572.15**
Total				**$18,661,572.15**

Account Performance by Fund

01 June 2024 to 31 May 2025

Last Year | Last 3 Years | Last 5 Years | Since Inception | Date Range

From Date: 01 Jun 2024 | End Date: 31 May 2025 | Go

Fund	Closing Balance	% Period Return	Details
Milford Balanced Fund	**$18,661,572.15**	9.04%	
Total	**$18,661,572.15**		

Click on Transactions to view, download and search your detailed transaction history.

Milford Investments Fund Extract – 31 May 2025
18/06/2025

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Current Account Valuation by Asset Class

(based on a look-through basis considering each individual fund as at 31 May 2025)

Primary Asset Class	$ Value	% of Account	
International Equities	**$4,766,600.81**	25.32%	Detail
International Fixed Interest	**$4,542,578.10**	24.13%	Detail
Effective Cash	**$3,578,715.69**	19.01%	Detail
New Zealand Fixed Interest	**$1,873,131.04**	9.95%	Detail
Australian Equities	**$1,543,685.88**	8.20%	Detail
New Zealand Equities	**$1,532,390.62**	8.14%	Detail
Listed Property	**$950,684.60**	5.05%	Detail
Other	**$37,650.88**	0.20%	Detail
Total	**$18,825,437.62**	**100.00%**	

The actual cash held is 8.99%. Effective Cash reported above is adjusted to reflect the Fund's notional positions (e.g. derivatives used to increase or reduce market exposure).

Note: The account allocation incorporates the notional exposure value of equity derivatives and credit default swaps where applicable.

Print/download

Top Holdings

(based on a look-through basis considering each individual fund as at 31 May 2025)

Name	Country	% of Portfolio
New Zealand (Government Of) 4.5%	New Zealand	**2.01%**
Contact Energy Ltd	New Zealand	**1.66%**
Microsoft Corp	United States	**1.48%**
NatWest Group PLC	United Kingdom	**1.40%**
Amazon.com Inc	United States	**1.16%**
SSE PLC	United Kingdom	**0.99%**
Bank of America Corp	United States	**0.99%**
New Zealand (Government Of) 3.5%	New Zealand	**0.95%**
Fiserv Inc	United States	**0.93%**
Aena SME SA	Spain	**0.90%**

Milford Investments Fund Extract – 31 May 2025
18/06/2025

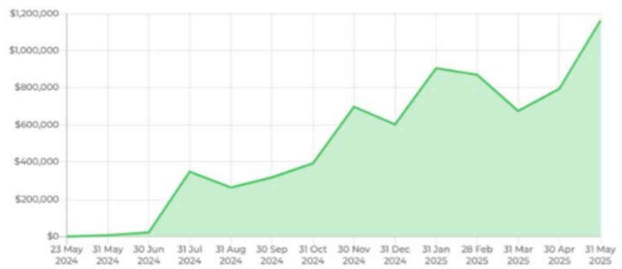
Page | 2

Account Performance

23 May 2024 to 31 May 2025

Last Year | Last 3 Years | Last 5 Years | Since Inception | Date Range

From Date: 23 May 2024
End Date: 31 May 2025
Go



Period Return p.a
9.09%

Performance Summary

23 May 2024 - 31 May 2025

Opening Value	$0.00
Contributions	$17,500,000.00
Withdrawals	$0.00
PIE tax (Paid)/Refunded	$0.00
Distributions Declared	$0.00
Distributions Reinvested	$0.00
Gross Investment Earnings (or Losses) after Fees	$1,161,572.15
Closing value	**$18,661,572.15**

Milford Investments Fund Extract – 31 May 2025
18/06/2025

Draft Insurance Policy

Record No: R/25/5/21741
Author: Joanie Nel, Senior accountant
Approved by: Anne Robson, Group manager finance and assurance

☐ Decision ☒ Recommendation ☐ Information

Purpose

1 The purpose of this report is to review Council's draft Insurance Policy (Attachment A) and recommend to Council its adoption.

Executive Summary

2 The aim of the Insurance policy is to guide Council staff in the insuring of Council's assets into the future. Councils purpose for having insurance is to mitigate its financial risk for any loss or damage of its assets or from particular events that may occur.

3 The Insurance policy was originally adopted by Council in 2019. Generally, staff have found the policy to function well however given it has been six years since it was implemented it is now due for review.

4 In undertaking the review staff have reflected on how it has been working, previous questions raised in relation to the policy and thought about how inflationary changes over the years may affect the monetary tables in the policy.

5 Overall, the key principal within the policy remains unchanged, being the insurance of all assets if possible, for replacement and mitigate any potential risks that may result in significant financial loss.

6 The ability to still ensure non-Council community assets remains in the policy. Council has previously commented that the preference would be for community entities to obtain their own insurance however for some entities closely related to Council, it has been easier to insure through us. It is added administration for Council staff and the higher excess of $5000 is often a disadvantage, however we have left the option in the policy for discussion at the meeting. The preference would be for no new entities to be accepted and to continue to explore other opportunities for those currently with us as time allows.

7 Changes are being proposed to the following areas, based on further work after the workshop with the Committee at its last meeting and the review of the policy.

- further discussion in this report and at the meeting will be sought over the timing of building valuations and other assets insured under the material damage policy with insurance payouts based on replacement cost value but limited by Councils estimation of this.
- it is proposed to change the calculation of council vehicles older than one year from an independent valuation to using depreciated replacement cost. Councils broker does not believe this is unreasonable and reflects what we currently do
- the policy has been changed to allow for the consideration of insurance cover for bridges as and when this is further explored

- updates have been made to the roles and responsibilities to reflect the current staffing structure.

8 It is not proposed to change the existing requirement of the policy to obtain the Committees approval for any requests to insure for less than replacement cost on assets covered by the material damage policy unless the committee would like to consider this.

9 Staff are requesting the committee recommends the draft policy, which is included with the report as Attachment A, for adoption by Council along with any amendments agreed at the meeting. Tracked changes within the report clearly identifies the changes made for the committee's reference.

Recommendation

That the Finance and Audit Committee:

a) Receives the report titled "Draft Insurance Policy".

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 continuing to include in the draft insurance policy the ability to insure existing non-council assets within its annual insurance renewal.

e) Recommends to Council that it adopts the draft Insurance Policy, as attached to this report, including any amendments agreed at this meeting.

Background

10 This Insurance Policy was first approved by Council on 24 July 2019.

11 The aim of the Insurance Policy is to guide Council staff in the insuring of Council's assets into the future.

12 No significant principal changes are proposed. The current policy's key principal, is to fully insure assets where possible for replacement and mitigate any potential risks that may result in significant financial loss. This is, of course, limited by what can be insured and exclusions within policies as well as the administrative cost of seeking cover when dealing with minimal amounts.

13 Overall, the approach is to limit the financial risk to Council from an event occurring.

14 Additionally, this policy attempts to capture decisions on the processes to be followed to insure these assets.

15 A copy of the draft policy is included in Attachment A.

Summary of policy

16 Below is a summary of the key aspects of the Draft Insurance Policy (Attachment A).

Underground assets

17 This insurance policy looks to insure key underground infrastructure, being water, wastewater and stormwater assets. These assets are insured at replacement/reinstatement value and the value is reviewed on an annual basis. Replacement/reinstatement value is established based on the annual asset revaluation provided for the preceding year's Annual Report and encompasses the costs associated with sealing the old pipes with concrete, which remain undisturbed. Consequently, there is no need to insure for demolition costs separately.

18 Given the significant value of Council's underground assets, these assets may be insured using non-traditional insurance policies, such as a cash accumulation mutual pool, whereby members make an annual contribution in return for cover for the cost of restoring infrastructure as a result of a disaster. There is a risk with this approach that the cover available by the mutual pool will not sufficiently cover the total claims, especially when more than one member is affected or there are multiple major events in an insurance year.

19 Please note, roads, footpaths and bridges are not currently insured. The insurance market currently does not provide coverage for roads and footpaths. We have been advised that coverage may be possible for bridges. This will be investigated and discussed with the committee in the future, noting a focus on lifeline bridges.

Material Damage

20 This policy provides coverage for aboveground infrastructure (water and wastewater treatment structures and plant), buildings (including specified non-Council owned buildings), airport runways, jetties/wharves, sea walls, boat ramps, public toilets, associated contents and other specified assets as noted on the property schedule.

21 These assets are insured at replacement/reinstatement value (including demolition costs where appropriate), which is reviewed on an annual basis. The review comprises of either updating the insured value or by undertaking an independent valuation. Where an insurance valuation does not occur, the policy requires a level of inflation to be applied to the prior year's insured value as well as reviewing the assets for any known changes (eg: additions, disposals, significant deterioration etc). Valuations for insurance purposes occur at an interval dependent on the value of the asset. Discussion around the timing of these asset valuations is discussed in more detail below.

22 Where a specific reason exists for an asset to be insured at less than replacement/reinstatement value (ie a specified value or indemnity value), the Committees approval is required. To date, this has been sought for some community halls and jetties. Staff are not proposing to change this but encourage the committee to discuss further if it wishes to change this.

23 Allowance is also made for contract works and capital additions to any of our buildings anywhere in New Zealand during the year. This is capped at $2million each.

Business interruption

24 This policy provides coverage for loss/increased costs as a result of an interruption to the business as a result of damage to property insured by the material damage policy.

25 This risk is insured based on a specified value. The value is determined based on the potential loss of specified revenues being:

- All individual revenue streams over $10,000 per annum plus inflation
- All commercial rentals over $10,000 per annum plus inflation
- All residential revenues plus inflation.

26 The revenues will be calculated based on actual revenue streams plus inflation and the policy provides coverage for up to 18 months post event.

Motor Vehicle

27 All Council owned vehicles covered under this policy are insured at market value, or replacement value for vehicles less than 12 months old. Previously the policy sought independent valuations for vehicles older than one year. It is proposed to change this to using depreciated replacement cost. In speaking to Councils insurance broker, this is not unreasonable. Insurers are made aware of how the values are attained during reinsurance by receiving detailed schedules of Councils assets.

Standing Timber/Forestry

28 Council forestry is insured at market value. Market value is based on the annual revaluation provided for the preceding year's Annual Report, completed by a suitably qualified party. Insured events are fire and hail. Windstorm and earthquake cover are excluded. In the event of a windstorm, it is expected that harvesting will still occur.

Crime/Fidelity Guarantee, Employers Liability, Statutory Liability, Public Liability, Professional Indemnity

29 These risks are all insured for a relevant specified value. The values are reviewed on an annual basis and amended as necessary.

Airport Owners and Operators Liability, Harbourmasters Liability and Wreck Removal

30 These risks are insured based on a specified value. The value is to be reviewed on an annual basis and amended as necessary.

Personal Accident

31 This policy provides coverage for executive management (24 hours a day, worldwide) and all other staff (24 hours a day whilst on Council business).

32 This risk is insured based on a specified value. The value and level of indemnity is to be reviewed on an annual basis and amended as necessary.

Travel

33 This policy provides coverage for disruption to travel, accident, illness, injury or death of a staff member and accompanying family members whilst travelling outside of New Zealand on authorised Council business and associated private travel.

34 This risk is insured based on the anticipated number of relevant overseas travel days. With an adjustment at year end for actual days. The level of indemnity is reviewed on an annual basis and amended as considered necessary.

Issues

Roads, footpaths and bridges

35 This policy excludes the insurance of roads and footpaths but has been amended for the Committee to consider the insurance of bridge assets in the future.

36 There is a limited insurance market for the insurance of bridges. The policy has been changed to allow for the consideration of cover for bridges. The assets covered and the values agreed will be determined at that time.

37 No insurance market exists for roads and footpaths. The reliance is on Government to assist through emergency provisions and increased NZTA funding for emergency events along with Council funding.

Valuation frequency for Council owned buildings

38 Currently buildings are independently valued for insurance purposes. However, this is undertaken on a cycle as indicated below. In the intermediary years, the last valuation is updated for inflation.

Valuation frequency for insurance purposes	Criteria	2019	2025
5 yearly	< $1.0 million	145 buildings	123 buildings
3 yearly	$1.0 million - $2.0 million	26 buildings	22 buildings
Annually	> $2.0 million	12 buildings	26 buildings

39 All other assets insured under the material damage policy are subject to an insurance valuation every five years. This includes jetties/wharves, boat ramps, seawalls, band rotundas, viewing platforms, generators, runway etc.

40 In reviewing the current policy, we have been advised that although we insure for replacement, this is limited to the total sum insured we advise the insurers as part of the information provided to them which is based. Therefore, the committee needs to consider if it wishes to revisit when buildings and other assets under the material damage policy are valued.

41 Staff are currently confirming but have been advised that the valuations we obtain is generally valid for two years as it includes an inflationary component. However, if building costs exceeds the inflationary allowance, then it would only be relevant for one year.

42 Valuations are a mixture of desktop and onsite each costing around $200 to $400. In total we have around 222 assets insured. So, the maximum amount payable would be around $55,500 if they were all to be valued on an average cost of $250.

43 Staff will present some further information at the meeting for discussion as to the approach the committee wants to proceed with.

Insuring non-Council owned assets

44 For some time, Council has insured approximately 34 non-Council owned assets, predominately sports clubs and halls. This was initially done to assist the communities, as Council was able to obtain more competitive premiums given the volume of assets that we insure. However, community groups now have policies with a $5,000 excess which potentially is not suitable to the nature of their activities and risks. It also exposes Council to a level of additional risk that we have no control over, i.e. if there are frequent claims for non-Council owned assets, this will increase our claims history and potentially future premiums. To date claims have been minimal.

45 Staff wish to take this opportunity to seek confirmation from the Committee that they agree to continue to insure the existing non-Council owned assets. The policy has been drafted to continue to do this. Please note, the premium on such assets is invoiced to the relevant community group.

Factors to Consider

Legal and Statutory Requirements

46 Section 101 of the Local Government Act requires Council to manages its finances prudently and provide for current and future interests of the community.

Community Views

47 Council staff have not specifically sought community views; however, staff believe that the public will be in support of the intent of the policy ensuring Council has appropriate insurance in place to mitigate its risk.

Costs and Funding

48 There is no specific cost with the establishment of this policy, however, the final policy will affect Council's approach to insurance and may result in additional premiums and/or insurance valuation costs.

Policy/Risk Implications

49 Council staff have considered this draft policy in conjunction with other Council policies as outlined in section 10 of the draft Insurance Policy.

50 The main risk associated with this policy is that Council's level of insurance may not be sufficient to cover the full amount of any loss/damage. For this reason, Council holds a specified disaster recovery reserve (approximately $1.4 million) as well as the ability to access government funding in the event of a natural disaster.

Analysis

Options Considered

51 Two reasonably practicable options have been identified regarding how the committee could proceed. These are:

- Option 1: that the committee recommends to Council that it adopts the draft Insurance Policy, including any amendments agreed at this meeting
- Option 2: that the committee recommends major changes to the draft insurance policy and this is brought back to the committee at a future date.

Analysis of Options

Option 1 – That the committee recommends to Council that it adopts the draft Insurance Policy, including any amendments agreed at this meeting

Advantages	*Disadvantages*
• the draft policy considers the various Council assets and risks and approach to insurance. It is good practice in the local government sector to have Council's approaches documented in a policy • provides Council staff with guidance on its approach to insuring its assets and business risks.	• none identified.

Option 2 – That the committee recommends major changes to the draft Insurance Policy and this is brought back to the committee at a future date

Advantages	*Disadvantages*
• if the staff approach to the proposed draft policy is incorrect it can be rectified by revisiting the policy.	• none identified.

Assessment of Significance

52 This policy is not considered significant in terms of Council's Significance and Engagement policy. As a consequence, community feedback is not being sought on this policy.

53 However, although consultation is not being undertaken, Council is still required to consider the views and preferences of people likely to be affected by or have an interest in the matter, as required by Local Government Act 2002 section 78(1).

54 As noted above Council staff believe that the public will be in support of the intent of the policy ensuring Council has appropriate insurance in place to mitigate its risk.

Recommended Option

55 It is recommended that the committee recommends to Council that it adopts the draft Insurance Policy, including any amendments agreed at this meeting (Option 1).

Next Steps

56 If the committee proceed with Option 1, staff will make any agreed amendments from this meeting and present the draft Insurance Policy to Council at its meeting on 30 July 2025, for adoption.

57 Additionally, the approaches outlined in this policy, where possible (due to time constraints), will be followed in preparation for the 2025/2026 insurance renewal due on 30 June 2025.

Attachments

A Draft Insurance Policy

Draft Insurance Policy

Group responsible: Financial services

Date approved: 24 July 2019

File no: R/19/3/4902

1. Purpose

Council's approach to insurance is to insure all assets if possible, for replacement and mitigate any potential risks that may result in significant financial loss.

Accordingly, the purpose of this policy is to:

- set guidelines for Council staff to insure Council's assets and business risks
- mitigate Council's exposure to the effects of business risks
- mitigate Council's exposure to potential loss
- outline Council's approach to insurance.

2. Definitions and abbreviations

Term	Meaning
Contents	these are personal possessions, for example, things like furniture, computers, equipment, business tools, carpets, curtains etc.
Council	Southland District Council
Excess	the amount of a claim that you have to pay yourself. For example, a standard excess might be $1,000. So you would pay the first $1,000 of any claim on that policy, and your insurer pays the rest.
Indemnity value	this is an item's current value allowing for its age and condition, immediately before the loss or damage happened.
Insurance broker	a person or company registered as an adviser on matters of insurance and as an arranger of insurance cover with an insurer on behalf of a client.
Insurance premium	this is the amount you pay the insurer to have your property or personal effects insured. Depending on the type of cover you have, your premium can also include Earthquake Commission and Fire Service levies. When you pay your premium, you accept the policy offered by the insurance company.
Market value	the cost of replacing the same asset in the same condition in the current market.

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Term	Meaning
Policy	a policy is a contract between you and your insurance company, setting out the terms, conditions and exclusions of your insurance cover.
Policy schedule	this sets out the individual details of your insurance including the items being insured, your details, and excesses, the premiums due and any exceptions or special terms.
Reinstatement value	the cost of replacing or reinstating on the same site, property of the same kind or type but not superior to or more extensive than the insured property when new.
Replacement value	the actual cost to replace an item or structure at its pre-loss condition.
Total loss	when damage to an asset is so severe that it becomes uneconomical to repair. For a building, this means it needs to be demolished and rebuilt.

3. Scope

This policy applies to Council's assets and business risks, including Stewart Island Electrical Supply Authority. In some instances, Council's policies also provide coverage for other Council related entities (specifically non-Council owned hall committees).

- Assets include:
    - underground infrastructure
    - above ground infrastructure (excluding roads, footpaths and bridges)
    - runways
    - public toilets
    - buildings
    - contents, plant and equipment (including SIESA)
    - jetties, wharves, sea walls and boat ramps
    - motor vehicles
    - standing timber/forestry
- Business risks include:
    - business interruption
    - crime/fidelity
    - employers liability
    - statutory liability
    - public liability/professional indemnity

harbourmaster's liability

- airport owners and operators liability
- personal accident
- travel
- cyber
- other business risks as identified

SOUTHLAND DISTRICT COUNCIL

4. Insurance policy renewal

Council's insurance policies are renewed on an annual basis, typically the 30 June each year.

5. Specified values

A number of Council's policies are insured based on a specified value. The specified value is determined after undertaking discussions with relevant Council staff and giving consideration to the relevant risk and the outcome of recent insurance events.

Guidance on specified values is obtained from Council's insurance broker based on their knowledge and expertise of the insurance market, local government and Council's operations and risks.

Specified values are approved by the Finance and Audit Committee at the time of the annual renewal.

6. Policy details

6.1 Infrastructure assets

Infrastructure assets insured under this policy:

- underground assets
  - water
  - wastewater
  - stormwater
- aboveground assets (included in the material damage policy)
  - water
  - wastewater

All Council owned infrastructure assets covered under this policy should be insured at replacement/ reinstatement value. This value should be reviewed on an annual basis. Replacement/reinstatement value is established for water, wastewater and stormwater assets based on the annual revaluation provided for the preceding year's Annual Report.

Where relevant, demolition coverage is included for all above ground infrastructure assets.

Given the significant value of Council's underground assets and the limited market options for insurance ~~(in excess of $200 million)~~ these assets may be insured using non-traditional insurance policies, such as a cash accumulation mutual pool, whereby participants make an annual contribution in return for cover for the cost of restoring infrastructure as a result of a disaster. The contribution is set to cover the risk, administration costs, re-insurance premiums and a component for building the self-insurance fund. Claims are met from the investments in the fund and the reinsurance that it has in place.

Roads, footpaths and bridges:

~~Council do not insure road, footpath and bridge infrastructure.~~

Roads and footpaths are not insured.

Council will consider the insurance of bridges, if a market opportunity is available. The assets covered and the values agreed will be determined at that time.

6.2 Property, plant and equipment (material damage coverage)

Property, plant and equipment assets insured under this policy include, but are not limited to:

- residential buildings
- non-residential buildings (including specified non-Council owned buildings)
- airport buildings
- runways
- jetties, wharves, boat ramps
- public toilets
- playgrounds
- water and wastewater treatment structures and plant
- associated contents
- other specified assets as noted on the property schedule.

All Council owned property, plant and equipment covered under this policy is insured at replacement/reinstatement value. This value is reviewed on an annual basis.

Demolition coverage is included in the total sum insured where appropriate.

Where a specific reason exists for a building to be insured at less than replacement/reinstatement value (ie a specified value or indemnity value), this must be approved by the Finance and Audit Committee at the time of the annual renewal.

Replacement/reinstatement value is determined at the frequency outlined below:

- Buildings – revalued for insurance purposes as follows:
  - under $1 million – 5 yearly
  - $1 million - $2 million – 3 yearly
  - over $2 million – annually
- Water, wastewater and stormwater assets – revalued annually, based on the annual revaluation in the preceding year's Annual Report
- Other assets – revalued for insurance purposes every 5 years

In the years where an insurance valuation does not occur, Council staff will apply inflation to the prior

year's insured value and review the assets for any know changes in value (additions, disposals, significant deterioration etc).

Inflation will be determined based on BERL cost indices for capital expenditure for the relevant year, or an equivalent publicly available inflation index.

6.3 Motor vehicles

Motor vehicle assets insured under this policy:

- vehicles
- trailers
- book bus
- rubbish trucks.

All Council owned motor vehicles covered under this policy will be insured at market value (or cost price for vehicles less than 12 months old). Market value is established from the depreciated cost of the vehicles at the 30 June prior to renewal.~~by obtaining an independent valuation by a suitably qualified party.~~ Adjustments to this will be made for any extensive customisation of the vehicle.

6.4 Forestry

Forestry assets insured under this policy:

- standing timber

All Council owned assets covered under this policy will be insured at market value.

Market value is based on the annual revaluation in the preceding year's Annual Report, completed by a suitably qualified party. Adjustments to this will be made for any extensive harvesting/planting that has subsequently occurred.

Insured events are fire and hail. Windstorm and earthquake/volcanic eruption events are excluded.

6.5 Public indemnity, public liability and environmental impairment liability

Types of liability insured under this policy:

- public liability - indemnity for legal liability in connection with the business arising from occurrences resulting in personal injury or property damage
- professional indemnity - indemnity for legal liability in respect of any negligent act, error or omission, including defense costs and expenses
- environmental impairment liability - indemnity for legal liability in connection with the business arising from pollution, including clean-up, bodily injury and/or property damage.

These risks are insured for specified values. The specified values are to be reviewed on an annual basis and amended as considered necessary.

6.6 Business interruption

Types of liability insured under this policy:

Business risk is a loss consequent upon interruption to the business as a result of damage to property insured by the material damage policy, resulting in losses or increased costs.

Business risk is insured based on a specified value. The specified value is determined based on specified revenues being:

- all individual revenue streams over $10,000 per annum plus inflation
- all commercial rentals over $10,000 per annum plus inflation
- all residential revenues over $20,000 per annum plus inflation.

Inflation will be determined based on BERL local government cost index for the relevant year, or equivalent publicly available inflation index.

The indemnity period is 18 months (meaning revenues will be covered for up to 18 months in the event of a claim). The values are to be reviewed by the Finance team on an annual basis and amended as considered necessary.

6.7 Airport owners and operators liability

Types of liability insured under this policy:

Loss arising from the business of Airport Owner or Operator where Council is legally obligated to pay damages for bodily injury of any person (non-employees) and/or for loss or damage to property of others.

Airport owners and operators liability risk is insured based on a specified value. The value is to be reviewed on an annual basis and amended as considered necessary.

6.8 Employers liability

Types of liability insured under this policy:

Loss arising from legal liability to pay damages as a result of an employee sustaining personal injury in the course of their employment, and to pay the costs and expenses in the investigation, defence or settlement of claims, where such injury is not covered by Accident Insurance legislation.

This risk is insured based on a specified value. The value is to be reviewed on an annual basis and amended as considered necessary.

6.9 Statutory liability

Types of liability insured under this policy:

Costs of defense and penalties as a result of an alleged breach of any act of Parliament other than specifically excluded Acts. This policy coverage excludes fines imposed under the Health and Safety in Employment Act.

This risk is insured based on a specified value. The value is to be reviewed on an annual basis and amended as considered necessary.

6.10 Personal accident

Types of liability insured under this policy:

Provides financial assistance in the event a member of staff suffers death, disablement or significant injury. Executive management are covered 24 hours a day, worldwide. All other staff are covered 24 hours a day whilst on Council business.

This risk is insured based on a specified value. The value and level of indemnity is to be reviewed on an annual basis and amended as considered necessary.

6.11 Travel

Types of liability insured under this policy:

Disruption to travel, accident, illness, injury or death of a staff member and accompanying family members whilst travelling outside of New Zealand on authorised Council business and associated private travel.

This risk is insured based on the anticipated number of days of business and associated private overseas travel. The level of indemnity is to be reviewed on an annual basis and amended as considered necessary. The policy is revised retrospectively at the end of the term to adjust to the actual days travelled.

6.12 Crime/ fidelity guarantee

Types of liability insured under this policy:

Loss of money or goods, belonging to Council as a result of an act of dishonesty by an employee or elected member. It includes fraud, third party crime and electronic/computer crime.

This risk is insured based on a specified value. The value is to be reviewed on an annual basis and amended as considered necessary.

6.13 Harbour masters liability and wreck removal costs

Types of liability insured under this policy:

Loss arising from the business of Harbour mastering and wreck removal where Council is legally obligated to pay damages for bodily injury of any person (non-employees) and/or for loss or damage to property of others.

This risk is insured based on a specified value. The value is to be reviewed on an annual basis and amended as considered necessary.

6.14 Cyber

Types of liability insured under this policy:

Loss arising from cyber attacks such as computer hacking, ransomware, data theft and other cyber events.

This risk is insured based on a specified value. The value is to be reviewed on an annual basis and amended as considered necessary.

7. Other risks

As part of the annual insurance review process, Council staff will identify any other potential risks to Council that could be mitigated by insurance. These will be brought to the Finance and Audit Committee in a report for consideration and further action (as required).

8. Insurance broker

Council may engage an insurance broker to provide independent expert guidance and advice and facilitate the placement of the various policies with insurance companies.

9. Role and responsibilities

Party/ parties	Roles and responsibilities
~~Chief financial officer~~General Manager Finance and Assurance ~~(CFO)~~	The GM Finance & Assurance~~chief financial officer~~ is responsible for: • developing and maintaining the governance and strategy aspects of this policy • overall ownership of this policy. ~~The chief financial officer has delegated authority to:~~ • ~~approve the placement of Council's insurance policies, including signing the relevant renewal documentation~~ • ~~approve payment of Council's insurance premiums within the set financial delegations~~ • ~~approve/authorise modification of any Council insurance policies during the policy period~~ • ~~approve write-off of any insurance related debts.~~
Financial Controller	The Financial Controller has delegated authority to: • approve the placement of Council's insurance policies, including signing the relevant renewal documentation • approve payment of Council's insurance premiums within the set financial delegations • approve/authorise modification of any Council insurance policies during the policy period • approve write-off of any insurance related debts.

Party/ parties	Roles and responsibilities
Financial Accountant ~~manager~~	The ~~finance manager~~Financial Accountant is responsible for: • developing, maintaining and implementing this policy • overall administration of this policy • oversight and review of the insurance broker and insurance process.
Activity manager	The activity manager is responsible for: • annual review of the assets to be insured and the associated values. • ensuring independent revaluations for insurance occur in accordance with this policy. The activity manager has delegated authority to: • submit an insurance claim.
Senior Accountant~~Finance officer~~	The Senior Accountant~~finance officer~~ is responsible for: • application of this policy. • compilation of information to support the annual insurance renewal. • oversight of insurance arrangements to ensure they are in compliance with this policy. • maintenance of the various asset registers for insurance purposes and associated records. • liaising with Council's insurance broker. • ensuring Council's insurance records are accurate and up to date. • providing reports on insurance as required. • keeping the finance manager advised of any significant issues with insurance. • communicating established insurance policies and procedures. • following up with claimants, activity mangers and the insurance broker. • submitting an insurance claim. • allocation of insurance premiums. • on-charging of insurance premiums to external parties.

10. Associated documents

Risk management framework

Risk management policy

Corporate risk register

Delegations manual

Financial strategy

Investment and Liability Management Policy review

Record no: R/25/6/28790
Author: Jo Hooper, Financial Accountant
Approved by: Anne Robson, Group manager finance and assurance

☐ Decision ☒ Recommendation ☐ Information

Purpose

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

Executive summary

2 The draft Investment and Liability Management Policy (the policy) outlines how Council will manage its investments, including what Council will invest in, and how investment risk will be assessed and managed. The policy also outlines how Council will manage borrowings to minimise associated risk.

3 Council last adopted this policy in June 2021. Since that date, Council has commenced investment activities in managed funds and initiated external borrowing through LGFA. The proposed amendments principally look to improve the day to day workings of the policy and have been compiled from a review of the processes currently in practice for investments and borrowings (current & future), taking into account instances of non-compliance with the current policy's parameters.

4 Overall, the key changes to the policy include:

- clarifying the policy requirements, including better guidance around investment of reserves, and the borrowing controls and limits, to minimise non-compliance areas.
- Increasing the maximum amount allowed in any one bank including the option of investing in SBS
- update definitions to be consistent with regulations.
- Updating the reporting requirements, roles and responsibilities

5 Council staff, with support from Councils investment advisor, PWC, have reviewed and prepared this draft Investment and Liability policy for the Committees review and recommendation to Council for adoption.

Recommendation

That the Finance and Assurance Committee:

a) receives the report titled "Investment and Liability Management Policy 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) agrees to the inclusion of SBS as a counterparty/issuer with a maximum of $5 million to provide additional banking options for Council compliance with its Investment Policy and to support the local bank.

e) endorses and recommends to Council the draft Investment and Liability Management Policy as included in attachment A

Background

6 Under Section 102 of the Local Government Act 2002 (LGA 2002), Council is required to have both an Investment Policy and a Liability Management Policy. Council has merged these policies into one document (the policy).

7 The Investment Policy is designed to ensure that the financial resources of Council are managed in an efficient and effective way. It sets out why Council hold different types of investments, its strategy towards risk, the mix of investments held and how it will distribute any return on investments.

8 The Liability Management Policy is designed to provide a framework for prudent debt management. It sets out the objectives of any borrowing undertaken, the limits to borrowing, the forms of borrowing, how Council will handle risk using various thresholds and reporting mechanisms to make sure Council is considering risk, and providing some benefit to ratepayers using best practice methodology.

9 This policy was last revised and consulted on in 2021. At that time, PWC worked with the Finance and Assurance Committee and Council to include the ability to invest in managed funds and borrow from the LGFA.

Issues

10 Over the last 12 to 18 months we have started to operationalise these policies as Council has invested in managed funds along with borrowing from the LGFA.

11 As part of the review process staff have identified that the following needs to be undertaken

- clarify the policy requirements, including providing better guidance around investment of reserves, and the borrowing controls and limits, to minimise non-compliance areas.
- Increasing the maximum amount allowed in any one bank including the option of investing in SBS
- update definitions to be consistent with regulations.
- Updating the reporting requirements, roles and responsibilities

Investment policy

12 There have been a number of clarifications and minor amendments to the draft Investment Policy as detailed below

Investment of reserves:

13 The current policy states that only general reserves will be invested in either a treasury investment or externally managed fund. However, there is no clear definition of what a general reserve is.

14 Following a recent workshop with the Committee, staff have recommended four classifications of reserves defined as follows

GENERAL	DESIGNATED	SPECIAL	RESTRICTED
Fully under the control of Council Do not have a specific purpose or any restrictions	Controlled by Council Sourced for a specific purpose Funds are held for a longer period to withstand short term value changes	Held for a specific purpose Minimal flexibility on the use The funds are not being used for a longer period/inter-generational Very low risk required on the value fluctuating	Council has no or very little control over Held on behalf of another person or entity

15 Each of these reserves can be invested as follows, with the relevant policy changes included in attachment A

- special and restricted reserves will be invested in treasury investments - term deposits or client fund accounts
- general and designated reserves (otherwise known as unrestricted reserves) will be invested in the externally managed funds

Externally Managed Funds – Asset allocation:

16 Recently the monthly financial reports have noted that there have been some areas of non-compliance with the managed funds portfolio asset allocation. This is predominantly due to the market experiencing heightened risk and the fund managers responding to this.

17 Currently Council benchmarks its balanced investment funds to a portfolio allocation of 50% growth assets and 50% income assets with the ability to move upto 40%-60%.

18 The balanced funds, Council agreed to invest in, had a benchmark of 60% growth and 40% income and as part of investing into the funds, Council agreed to fluctuations of up to 15% but based on conversations with the fund managers generally it is no more than 5% variance. As such, the recommendation is to change the range to:

- Growth assets: 35% - 65%
- Income assets: 35% - 65%

This will also allow time for the funds to be rebalanced back to the initial 40%-60% across the investment portfolios held by Council.

19 If the current investment portfolios exceed the 35%-65% the policy states that the Committee must be notified, explaining why there is a variance and the relevant market context, along with a proposed action to correct the breach ie: acknowledging an inconsistent decision.

Other amendments:

20 Staff have corrected the name of one of the Direct Equity Investments. The investment we hold is with Civic Financial Services Limited (with 13,715 shares), not Civic Assurance Corporation.

Liability Management Policy

21 The key changes proposed for the Liability Management Policy are listed below.

22 Council in regards to its liabilities has to

- report on and meet the covenants set by the LGFA,
- report within its annual plan, annual report and long-term plan its performance against the benchmarks set within the Local Government (Financial Reporting and Prudence) Regulations 2014
- comply with any standards/bench marks it sets within its own policy.

There are some consistency in the covenants/benchmarks required however what is included or not within the factors making up these varies. This does lead to some confusion, so staff are keen to utilise the Financial Reporting and Prudence benchmark definitions in any Councils policy where they are the same.

Borrowing limits in Council Policy:

23 As well as setting the benchmarks the LGFA and financial and reporting regulations set some limits with the regulations also requiring the Council to set some. Overall these limits are used by Council and the LGFA to monitor its performance. These limits need to ensure financial prudence but also

provide headroom to absorb volatility in interest rates and revenue amounts and allow for changes in debt forecasts overall providing a buffer against potential future non-compliance and to allow for capacity to assist with future unplanned events such as emergencies. Overall, Council has been more restrictive than the LGFA as demonstrated below.

borrowing limits	*LGFA %*	old %	new %
Net debt as a percentage of total revenue	*<175%*	<175%	<175%
Net interest as a percentage of total revenue	***<20%***	**<10%**	**<10%**
Net interest as a percentage of rates revenue	***<25%***	**<7%**	**<15%**
Liquidity	*>110%*	>110%	>110%

24 As part of reviewing the Liability Policy, staff reviewed the calculations of the benchmarks. In doing so it has been identified that the Council benchmark comparing borrowing costs to annual rates income has the potential to be non-compliant with Council policy in 2026/27due to the very low setting of 7%. It will however still be compliant with the LGFA. Staff believe something has occurred at some point in the policy setting process as the benchmark comparing net interest to total revenue is greater at 10% and you would expect it to be the other way around.

25 Staff are recommending changing the limit from 7% to 15%. In discussions with PWC, the updated metric is recommended, as shown in the table above it would still remain conservative but realistic in todays' economic environment and enable Council to remain with its policy over the LTP period. However, Council has the option to leave it as it is and as with any non-compliance of its policies, Council could at the time, acknowledge it in terms of section 80 of the LGA, clearly identify the inconsistent decision, note the reasons and the intention or not to amend the policy in the future.

26 Please note, the LTP 24-34, as adopted meets all the LGFA covenants under the current forecast.

Definitions, formulas and calculation methods:

27 Additionally, as noted above the policy has also been amended to reflect the definitions, formulas, and calculation methods used to derive the results in the Financial Reporting and Prudence Regulations. This is more conservative than the LGFA calculations (mainly due to the timeframes of liquid investments). The most significant change is that the policy treats externally managed funds as separate from treasury investments; therefore, not a liquid asset. Both the financial prudence guidance identified and LGFA's definitions treat this sort of investment part of the liquidity calculations.

Future Considerations:

28 As part of the LTP 27-37, it is expected that Council will need to consider the appropriate limit for the net debt as a percentage of total revenue, currently set at 175%. This will be dependent on the level of borrowings needed to meeting the final regulations of local water done well, along with the construction costs at the time to undertake other capital programme expenditure forecasted in the latter half of the LTP period. To address this, Council will need to look to obtain a credit rating, which will allow Council to borrow up to 280% of its revenue. In doing so Councils limit in its liability policy will need to be reviewed with a maximum limit available to be set of 280%. Staff will continue to undertake a watching brief on Councils borrowings to identify if action wold need to be taken earlier.

Interest rate exposure risk:

29 Staff have also brought to the Committees attention in recent financial reports that it is not meeting its Interest rate exposure policy, leading to a number of inconsistent decisions resolutions over the past 12 months.

30 Council staff have worked with PWC to review the methodology included in the policy. In doing so they are recommending a solution that minimises risk and cost.

31 The amendments in the policy include a statement that if the GM F&A approves a funding and interest rate strategy that will bring Council back into compliance with the policy within the 90 days from the breach, then Council will still be compliant. If the strategy doesn't bring it into compliance within that timeframe; then the Committee must be advised and approval sought or interest rate swaps or similar hedging instruments will be required.

Credit Risk Management:

32 Since the policy was last reviewed, Councils revenue has increased, which results at times with it having excess funds that need to be held in a bank account for creditors in the coming months. These funds are subject to a maximum per bank of $10million at any one time. There have been instances where Council has been close to non-compliance because it has no more "A" rated banks to invest in.

33 The recommendation is to increase the limits with counterparties/issuers to the following and expand the banks to include SBS, who is rated at 'BBB":

COUNTERPARTY/ISSUER	MINIMUM S&P LONG TERM/SHORT TERM CREDIT RATINGS	OLD - TOTAL MAXIMUM ($MILLION)	NEW - TOTAL MAXIMUM ($MILLION)
NZ Government	AA+/A-1+	Unlimited	Unlimited
NZ Local Government Funding Agency	AA/A-1	Unlimited	Unlimited
NZ Registered Bank (per bank)	AA /AA-/A-1	10.0	15.0
NZ Registered Bank (per bank)	A+/A/A-1	5.0	7.5
SBS	BBB	-	5.0

- Best practice recommends having a maximum percentage of annual revenue held at any one time based on the issuers rating(s). For AA/AA-/A-1; it is 20% of annual rates.

34 In recommending SBS, staff are reflecting on conversations with previous Councils who were keen to support the local bank. To mitigate possible risk due to its credit rating, it is recommended that the maximum exposure limit be set at $5.0 million.

35 Additionally, in the policy a provision has been included to allow some flexibility on the maximum threshold with the bank that Council has operating accounts. The timing of rates being paid can cause the threshold to be breached around due dates. This allows time for the breach to be rectified in an efficient and effective manner.

Other changes to the policy

36 As this policy is quite detailed, a contents page has also been added for easier reference to various sections of the policy.

37 A new section has been added to aid the reader when both the monetary transaction potentially impacts both the investment and liability policies. Included in this section is:

- investment or borrowing mechanisms for Council controlled organisations or Council controlled trading organisations
- investment and borrowings from LGFA

38 The reporting section has been revised to provide clearer guidance on the specific information required for reporting. The main change is changing the report from 'treasury report' to 'cash flow forecast' to give more guidance on the information required. The templates for these changes will need to be updated.

39 The benchmarking section has been amended to 'focus areas of the treasury function' to clarify the key parameters that must be reported in order to maintain maximum transparency.

40 The delegations section in this policy will be removed; as this is governed by the delegation policy.

41 Staff wanted to bring the following to Councils attention: on page 16 of the policy. Within internal loan borrowings, Council can resolve to apply a lesser interest rate than the interest rate budgeted, if it agrees that the circumstances are warranted. This remains unchanged.

Factors to consider

Legal and statutory requirements

42 As has been stated above the Local Government Act 2002, requires Council to have both an Investment Policy and a Liability Management Policy. Within section 105, the Council in respect to its Investment policy must state its policies in regards to :

- the mix of investments and
- the acquisition of new investments and
- an outline of the procedures by which investments are managed and reported on to the local authority and
- an outline of how risks associated with investments are assessed and managed.

43 Section 104 on Councils Liability policy states that Council in respect to both borrowing and other liabilities, include :

- interest rate exposure and
- liquidity and
- credit exposure and
- debt repayment.

44 Under Section 102 of the Local Government Act 2002, amendments to the policy can be made by a resolution of Council. There is no legal requirement to consult.

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

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

47 Council is also bound to meet financial covenants set by the Local Government Funding Agency (LGFA) for its borrowings to ensure prudent debt management and long-term financial sustainability.

Community views

48 Included in the policy is the ability to borrow with the Local Government Funding Agency, Council is now externally borrowing its current internal loans used to fund capital programmes.

49 When Council was considering joining the LGFA in 2020, public consultation was sought due to the possibility that if certain circumstances arose LGFA would become a council controlled trading organisation (where borrowers notes were converted to equity). With the 5 submissions received, Council approved its participation in the LGFA as a Guaranteeing Local Authority.

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

Costs and funding

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

52 At the 30 June 2024, Council had $43.7 million in total reserves and $26 million of investment assets, made up of $13.2 million of forestry assets, $10.0 million in balanced fund investments, $1.2 million in term deposits, $0.9 million in borrowers notes, $0.6 million of Milford Sound Tourism shares and $0.01 million of Civic Financial Services shares.

Policy implications

53 Minimal changes have been made to delegations, but where appropriate they will be updated in Councils seperate delegations policy.

Analysis

Options considered

54 The Committee is being asked to consider the adoption of the draft Investment and Liability policy as amended in Attachment A.

Analysis of Options

Option 1 – recommend to Council the adoption of the draft Investment and Liability Management Policy as amended in attachment A including any amendments agreed at this meeting

Advantages	*Disadvantages*
• Provides greater clarity for staff on how to manage its investments and liabilities • Continues to ensure compliance with legislation • meets best practice guidelines • ensures appropriate management and accountability of liability and investment activities.	• None identified

Option 2 – review the policy to clarify or obtain more information before recommending to Council to adopt the draft Investment and Liability Management Policy

Advantages	*Disadvantages*
• further clarifies Council's thinking on investments and borrowings.	• this option may mean the policy is adopted later, however, the current policy still meets its legislative requirements noting that staff will in the future be noting further areas of non-compliance that the committee will need to consider

Assessment of significance

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

Recommended option

56 Option One - recommend to Council the adoption of the draft Investment and Liability Management Policy as amended in attachment A including any amendments agreed at this meeting

Next steps

57 Make any changes identified at the meeting.

58 Prepare and include in the 30th July Council meeting the report incorporating the committees discussions seeking approval.

59 If adopted, circulate the adopted policy to relevant staff and make the necessary changes to the delegations manual. If not, undertake any direction given to staff by the Committee.

60 Update the templates in which we complete the required reporting to match the policy.

Attachments

A Draft Investment and Liability Management Policy
B Investment and Liability Management Policy - tracked changes between current and draft policy

Investment and Liability Management Policy

Group Responsible: Group Manager of Finance and Assurance

Date Approved: **14/4/21**

Date Amended: **xx/06/2025**

File No: **19/4/6521**

1.0 Overview

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

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

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

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

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Te Rohe Pōtae o Murihiku

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2.0 Contents

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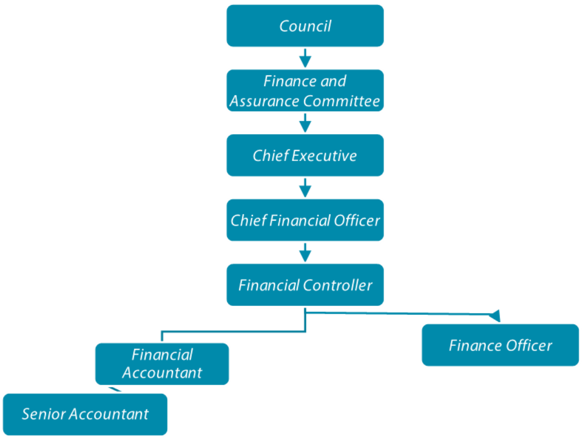
3.0 Structure

Organisational Structure

The organisational chart for the finance activity is as follows:



Responsibilities

The key responsibilities of the above positions are as follows:

Council

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

Finance and Assurance Committee

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

Chief Executive (CE)

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

General Manager of Finance and Assurance

- responsible for recommending investment, borrowing and risk management strategy in conjunction with relevant staff

- recommend to Finance and Assurance Committee the debt, interest rate and external investment management strategy for approval
- review internal audit reports and ensure any recommendations agreed by the Finance and Assurance Committee are made
- approve new treasury investments and externally managed funds over and above the list in the policy, ensuring the proposed investment complies with these policy documents
- receive managed fund reports and annually monitor performance and present the necessary reports to the Finance and Assurance Committee.

Financial Controller

- responsible for confirming adherence to the policies, through internal reviews, to be performed on a monthly basis and present a report on exemptions to the General Manager of Finance and Assurance
- responsible for determining the level of cash available for investment and that held for working capital purposes
- execute the external investment management and interest rate strategy
- ensure compliance with any relevant strategies
- approve amounts to be placed with an external fund manager for investment purposes within that set within the Annual Plan or Long Term plan or by way of separate Council resolution
- negotiate and undertake treasury investment and borrowing/funding transactions
- recommend to Finance and Assurance Committee and Council identifying amendments to the investment, borrowing and risk management strategy amendments to the Policies as required
- responsible for all activities relating to the daily implementation and maintenance of the Policies
- responsible for keeping the GL F&A informed of significant activity and market trends
- responsible for reviewing/approving the weekly cashflow and cash management transaction requirements completed by the Senior Accounts Payable Officer (or equivalent).

Financial Accountant

- present a summarised report of compliance to the Financial Controller and GM F&A
- responsible for recommending to the FC the level of cash available for investment and that held for working capital purposes
- assist in identifying amendments to the investment, borrowing and risk management strategy, which may require amendment of the Policies
- assist in determining the most appropriate sources and terms for borrowing and investing
- assist in all activities relating to the daily implementation and maintenance of the Policies
- responsible for settling treasury transactions.
- prepare and manage Council's cashflow and cash requirements
- check all treasury deal confirmations against the treasury spreadsheet and report any irregularities immediately to the FC and GM F&A.
- responsible for settling treasury transactions.
- report to the Financial Controller on the weekly cashflow position and resulting cash management transactions required.
- responsible for recommending to the FC the level of cash available for investment and that held for working capital purposes

Senior Accountant

- check all treasury deal confirmations against the treasury spreadsheet and report any irregularities immediately to the Financial Accountant
- assist settling treasury transactions.
- Support with the preparation and management of the Council's cashflow and cash requirements

Finance Officer

- prepare the cash position on a daily basis.

4.0 Investment

Introduction

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

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

Council's rationale for retaining investments is:

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

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

Objectives

The key investment policy objectives are to:

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

- maintain professional relationships with the Council's bankers, financial market participants, fund managers, trustees and other stakeholders
- regularly review the performance and creditworthiness of all investments
- maintain procedures and controls and provide timely and accurate financial and management information.

These objectives will be achieved by having regard to:

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

Investment Mix

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

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

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

Acquisition of New Investments

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

The authority to acquire treasury investments is delegated to the General Manager of Finance and Assurance.

Application of Returns from Investments

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

Direct Equity Investments

Nature of Investment

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

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

Rationale for Holding Investment

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

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

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

Disposition of Revenue

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

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

Risk Management

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

Dispositions and acquisitions require Council approval.

Property

Nature of Investment

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

Rationale for Holding Investment

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

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

Disposition of Revenue

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

Risk Management

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

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

Other Property Investments - Community Housing

Nature of Investment

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

Rationale for Holding Investment

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

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

Disposition of Revenue

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

Risk Management

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

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

Dispositions and acquisitions require Council approval.

Forestry

Nature of Investment

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

Rationale for Holding Investment

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

Disposition of Revenue

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

Risk Management

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

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

Dispositions and acquisitions require Council approval.

Loans and Advances for community development purposes

Nature of Investment

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

Rationale for Holding Investment

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

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

Disposition of Revenue

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

Risk Management

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

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

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

Internal Loans

Nature of Investment

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

Rationale for Holding Investment

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

Disposition of Revenue

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

Risk Management

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

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

Treasury Investments

Nature of Investment

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

Approved treasury investments include;

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

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

Rationale for Holding Investment

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

The Council maintains treasury investments to:

- invest surplus cash and working capital funds

- achieve the desired level of returns within acceptable risk parameters
- invest amounts allocated to special or restricted reserves, trust funds and special funds.
    - restricted reserves are the funds that Council have no or very little control over; or hold on behalf of another person or entity
    - a special reserve is when funds are held for a specific purpose, with minimal flexibility on the use and the funds are not being used for a longer purpose/inter-generational.

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

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

Within the above constraints, Council also seeks to:

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

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

Disposition of Revenue

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

Externally Managed Funds

Nature of Investment

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

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

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

- alcohol
- tobacco
- military/weapons
- labour practices.

Rationale for Holding Investment

Council maintains externally managed funds to:

- maintain, protect and increase the real capital value of the principal amount invested including the unrestricted reserve fund value at the end of a financial year. Real capital value is the value that has been adjusted for the effect of inflation
- maintain liquidity and access to cash if needed
- distribute a portion of returns to subsidise rates revenue.
- diversify the investment of Council's unrestricted reserves. Unrestricted reserves are made up of:
  - general reserves being the funds that are fully under the control of Council, and do not have a specific purpose or any restrictions
  - designated reserves are also controlled by Council, and sourced for a specific purpose, but the funds can be hold for a longer period and withstand longer term investments impacts.

Disposition of Revenue

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

Income derived from managed funds, is generally used to offset general rates with any surplus income used to provide a return on reserves. Surplus income is either re-invested in the managed fund(s) or withdrawn.

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

Risk Management

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

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

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

ALLOCATION	BENCHMARK %	RANGES % ON INITIAL INVESTMENT	RANGE % ON ACTIVE INVESTMENT
Total growth assets	50%	40-60%	35%-65%
Total income assets	50%	40-60%	35%-65%

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

The above initial investment range is the maximum allowed when investing into a managed fund.

Following the approval of initial investment fund manager; there could be a 15% fluctuation due to the asset positioning and market value ranges from time to time. This allows small variations on the initial investment range.

If a fund's allocation falls outside the 35% - 65% range at quarter-end, the deviation must be:
- Formally reported to the F&A Committee,
- Supported with an explanation of the variance and relevant market context,
- Accompanied by the proposed corrective action.

Council will report the average investment across the external funds to determine Council's range on a monthly basis.

Investments may be hedged back to NZD.

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

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

5.0 Liability Management

Introduction

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

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

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

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

Objectives

- ensure Council has appropriate working capital funds available to carry out its plans as outlined in its LTP and Annual Plan
- ensure that Council has an on-going ability to meet its debts in an orderly manner as and when they fall due in both the short and long term, through appropriate liquidity and funding risk management
- arrange appropriate funding facilities for Council, ensuring they are at market related margins utilising bank debt facilities and/or capital markets as appropriate

- maintain lender and LGFA relationships and Council general borrowing profile in the local debt and, if applicable, capital markets, so that Council is able to fund its activities appropriately at all times
- control Council's cost of borrowing through the effective management of its interest rate risks, within the interest rate risk management limits established by this policy
- ensure compliance with any financing/borrowing covenants and ratios
- maintain adequate internal controls to mitigate operational risks
- produce accurate and timely reports that can be relied on by senior management and Council for control and exposure monitoring purposes in relation to the debt raising activities of Council.

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

- cost minimisation
- cost stabilisation/risk management.

Specific Borrowing Limits

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

ITEM	BORROWING LIMIT
Net debt as a percentage of total revenue	<175%
Net interest as a percentage of total revenue	<10%
Net interest as a percentage of rates revenue	<15%
Liquidity (external, borrowing +available committed loan facilities + available liquid investments as a percentage of existing external debt)	>110%

- **total revenue** is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets)
- **net debt** is defined under the financial prudence regulations as financial liabilities less financial assets (treasury investments, managed funds). External debt that is specific borrowing for on-lending to a CCO/CCTO is netted with the corresponding loan asset for the LGFA covenant calculation
- **financial liabilities** in relation to net debt include
  - External loans
  - Employee entitlements and benefit liabilities
  - Contract retentions and deposits
  - Development and financial contributions
- **Financial assets** in relation to net debt is
  - Treasury investments
  - Externally managed funds
  - Investments in associates
- **net interest** is defined as the amount equal to all interest and financing costs less interest income for the relevant period
- **annual rates revenue** is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate)

- **liquid investments** are unencumbered assets defined as being:
    - overnight bank cash deposits
    - wholesale/retail bank term deposits no greater than 31 days
    - bank issued registered certificates of deposit less than 181 days
    - managed equity funds accessible within 30 days.
- external debt funding and associated investment activity relating to pre-funding is excluded from the liquidity ratio calculation
- financial covenants are measured on Council only
- disaster recovery requirements are to be met through the liquidity ratio.

Debt Repayment

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

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

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

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

Guarantees/contingent liabilities and other financial arrangements

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

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

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

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

Internal Loans

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

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

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

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

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

Security

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

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

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

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

Interest Rate Exposure

Interest rate risk management refers to managing the impact that movements in interest rates can have on Council's cash flows. This can have both a positive and/or negative impact. For each $10 million of borrowings a 1% increase in interest rates increases Council's borrowings costs by $100,000 (0.78% impact on rates of $78 million).

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

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

FIXED RATE HEDGING PERCENTAGES		
Term (months)	**Minimum Fixed Rate Amount**	**Maximum Fixed Rate Amount**
0 - 12 months	40%	90%
13 - 24 months	40%	90%
25 - 36 months	35%	85%

FIXED RATE HEDGING PERCENTAGES		
37 – 48 months	30%	80%
49 – 60 months	25%	75%
61 – 72 months	20%	70%
75 – 84 months	0%	65%
85 – 96 months	0%	60%
97 – 108 months	0%	50%
108 – 120 months	0%	50%
121 – 132 months	0%	50%
133 – 144 months	0%	25%
145 – 156 months	0%	25%
157 – 168 months	0%	25%
169 – 180 months	0%	25%
181 – 192 months	0%	25%

The fixed interest rate percentage is calculated based on the average amount of fixed rate obligations relative to the average gross external debt for a given period:

This calculation should be conducted on a rolling 12-month basis, reflecting average exposures over time. This approach provides a consistent, forward-looking measure of interest rate risk, aligned with the Council's forecast borrowing requirements.

For interest rate risk measurement and management purposes, the GM F&A can approve a rebased, gross external debt forecast for the interest rate risk management purposes, down to 80% of the approved debt position forecasted in the LTP. This allows for changes to the capital expenditure program that can change over time.

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

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

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

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

A fixed rate maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy.

If the GM F&A has approved a funding and interest rate strategy; that is executed within 90 days of a limit being breached; that will bring the interest rate risk position back into policy compliance then the policy is not in breach. This strategy must provide for other debt funding maturity limits.

If the approved strategy is not achieved under the above criteria then approval is required by the F&A Committee or approved interest rate instruments, such as interest rate swaps (or other hedging instruments) should be used to restore policy compliance.

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

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

Approved interest rate instruments are as follows:

CATEGORY	INSTRUMENT
Interest rate risk management	Forward rate agreements ("FRAs") on: • bank bills Interest rate swaps/collars including: • swap extensions, deferrals and shortenings Interest rate options on: • bank bills (purchased caps and one for one collars) • interest rate swaptions (purchased swaptions and one for one collars only)

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

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

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

Liquidity and Funding Risk Management

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

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

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

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

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

- ensuring that Council's committed debt facilities and term loans mature over a wide time period
- external debt plus available committed debt facilities, plus liquid assets must be maintained at an amount of at least 110% over existing external debt
- through the LGFA and bank lenders, diversify borrowing over a range of wholesale investors and lenders
- ensuring that bank borrowings are only sought from approved strongly rated New Zealand registered banks
- matching expenditure closely to its revenue streams and managing cash flow timing differences
- maintaining its treasury investments in cash/cash equivalent liquid investments
- Council has the ability to pre-fund up to 18 months of the forecast debt requirements including re-financings.

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

PERIOD	MINIMUM %	MAXIMUM %
0 to 36 months	15	60
37 to 84 months	25	85
85 months plus	0	60

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

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

Approved debt and liquidity instruments include;

CATEGORY	INSTRUMENT
Cash management, liquidity and borrowing	Bank overdraft

CATEGORY	INSTRUMENT
	Committed cash advance and bank accepted bill facilities (short term and long-term loan facilities) Floating Rate Note (FRN) Fixed Rate Note (MTN) Commercial paper (CP)/Promissory notes

Credit Risk Management

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

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

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

COUNTERPARTY/ISSUER	MINIMUM S&P LONG TERM/SHORT TERM CREDIT RATING	TOTAL MAXIMUM COMBINED LIMIT PER COUNTERPARTY ($MILLION)*
NZ Government	AA+/A-1+	Unlimited
NZ Local Government Funding Agency	AA/A-1	Unlimited
NZ Registered Bank (per bank)	AA /AA-/A-1	15.0
NZ Registered Bank (per bank)	A+/A/A-1	7.5
SBS	BBB	5.0
* This combined total maximum limit includes exposure to the counterparties including treasury investments and risk management instruments and excludes externally managed fund(s).		

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

- treasury investments (e.g. bank term deposits) – transaction principal amount
- interest rate risk management (e.g. swaps, FRAs) – transaction notional x maturity (years) x 3%
- foreign exchange risk (e.g. forward exchange contract) – transaction face value amount x ((square root of the maturity (years)) x 15%).

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

A maximum combined value that is within $5 million the above limits for the Registered Bank that Council holds the operating bank accounts with, and is self-corrected within 20-days of month end; when rates are being received, therefore is not in breach of this Policy.

Counterparties exceeding limits beyond the operational clause should be reported to Council.

Foreign currency

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

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

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

6.0 Other Treasury Management

Council-controlled organisations and council-controlled trading organisations – Investments and Borrowing mechanisms

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

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

Any lending arrangement to a CCO/CCTO must be approved by Council. In recommending an arrangement for approval the General Manager of Finance and Assurance considers the following:

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

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

Local Government Funding Agency Limited (LGFA)

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

- contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA

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

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

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

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

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

7.0 Procedures for Management and Reporting

Cash Management

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

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

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

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

Cash management activities must be undertaken within the following parameters:

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

Internal Controls

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

Key internal cash management controls are as follows:

- electronic banking signatories - dual signatures are required for all electronic transfers
- authorised personnel - all counterparties are provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations
- reconciliations – a general bank reconciliation is performed daily and a general ledger reconciliation is performed monthly by the Debtors Officer (or equivalent) and reviewed by a senior finance staff member.

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

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

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

Legal risk

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

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

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

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

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

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

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

Reports

The following reports are produced to monitor treasury activity and assist Council to understand how the function is performing:

REPORT NAME	FREQUENCY	PREPARED BY	RECIPIENT
Daily Cash Position (Part of daily reconciliation)	Daily	Finance Officer or equivalent	Senior Finance staff member
Daily Cash flow forecast to reconcile to annually	Weekly	Senior Accountant	Financial Accountant
Weekly cash flow to reconcile to annual budget/projection	Monthly	Financial Accountant	Financial Controller/GM F&A
Treasury Exceptions Report	As required	Finance Officer or equivalent	Senior Finance staff member
Treasury Report Policy limit compliance Borrowing limits Funding and Interest Risk Position Total debt funding facility utilisation New treasury transactions Cost of funds vs budget (interest/borrowing costs vs budget) Liquidity risk position Counterparty credit Debt maturity profile Renewal investment Operating investment Exceptions	Monthly	Financial Accountant	Financial Controller/GM F&A
Treasury Report Include monthly report along with; External managed Funds Report A statement of policy compliance. Treasury and markets commentary Treasury performance	Quarterly	Financial Accountant	GM F&A and Finance and Audit Committee

REPORT NAME	FREQUENCY	PREPARED BY	RECIPIENT
CCO/CCTO loans and guarantees, financial arrangements Revaluation of financial instruments			
Trustee Report	As required by the Trustee	Financial Accountant	Financial Controller/Trustee company
LGFA Report	Annual	Financial Accountant	Financial Controller/LGFA

Key focus areas of treasury management

The following performance measures have been prescribed by Council as the core deliverables.

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

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

Appendix 1 – External Managed Funds - Investment Guidelines

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

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

Cash and Term deposits

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

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

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

New Zealand and International Fixed Interest

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

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

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

Equities

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

New Zealand and International Property Investments

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

SOUTHLAND DISTRICT COUNCIL

Investment and Liability Management Policy

Group Responsible: Group Manager of Finance and Assurance

Date Approved: 14/4/21

Date Amended: xx/06/2025

File No: 19/4/6521

1.0 Overview

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

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

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

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

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2.0 Contents

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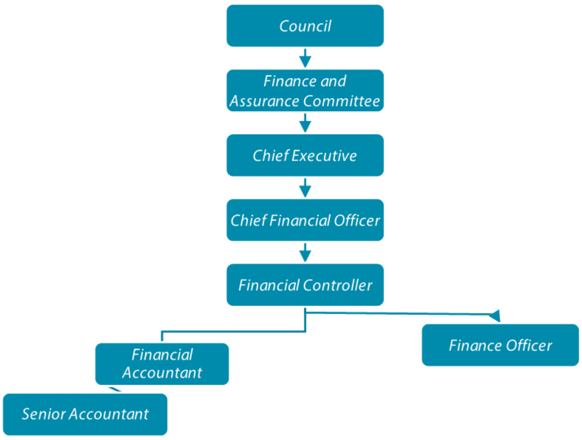
3.0 Structure

Organisational Structure

The organisational chart for the finance activity is as follows:



Responsibilities

The key responsibilities of the above positions are as follows:

Council

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

Finance and Assurance Committee

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

Chief Executive (CE)

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

General Manager of Finance and Assurance

- responsible for recommending investment, borrowing and risk management strategy in conjunction with relevant staff

- recommend to Finance and Assurance Committee the debt, interest rate and external investment management strategy for approval
- review internal audit reports and ensure any recommendations agreed by the Finance and Assurance Committee are made
- approve new treasury investments and externally managed funds over and above the list in the policy, ensuring the proposed investment complies with these policy documents
- receive managed fund reports and annually monitor performance and present the necessary reports to the Finance and Assurance Committee.

Financial Controller

- responsible for confirming adherence to the policies, through internal reviews, to be performed on a monthly basis and present a report on exemptions to the General Manager of Finance and Assurance
- responsible for determining the level of cash available for investment and that held for working capital purposes
- execute the external investment management and interest rate strategy
- ensure compliance with any relevant strategies
- approve amounts to be placed with an external fund manager for investment purposes within that set within the Annual Plan or Long Term plan or by way of separate Council resolution
- negotiate and undertake treasury investment and borrowing/funding transactions
- recommend to Finance and Assurance Committee and Council identifying amendments to the investment, borrowing and risk management strategy amendments to the Policies as required
- responsible for all activities relating to the daily implementation and maintenance of the Policies
- responsible for keeping the GM F&A informed of significant activity and market trends
- responsible for reviewing/approving the weekly cashflow and cash management transaction requirements completed by the Senior Accounts Payable Officer (or equivalent).

Financial Accountant

- present a summarised report of compliance to the Financial Controller and GM F&A
- responsible for recommending to the FC the level of cash available for investment and that held for working capital purposes
- assist in identifying amendments to the investment, borrowing and risk management strategy, which may require amendment of the Policies
- assist in determining the most appropriate sources and terms for borrowing and investing
- assist in all activities relating to the daily implementation and maintenance of the Policies
- responsible for settling treasury transactions.
- prepare and manage Council's cashflow and cash requirements
- check all treasury deal confirmations against the treasury spreadsheet and report any irregularities immediately to the FC and GM F&A.
- responsible for settling treasury transactions.
- report to the Financial Controller on the weekly cashflow position and resulting cash management transactions required.
- responsible for recommending to the FC the level of cash available for investment and that held for working capital purposes

Senior Accountant

- check all treasury deal confirmations against the treasury spreadsheet and report any irregularities immediately to the Financial Accountant
- assist settling treasury transactions.
- Support with the preparation and management of the Council's cashflow and cash requirements

Finance Officer

- prepare the cash position on a daily basis.

4.0 Investment

Introduction

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

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

Council's rationale for retaining investments is:

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

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

Objectives

The key investment policy objectives are to:

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

- maintain professional relationships with the Council's bankers, financial market participants, fund managers, trustees and other stakeholders
- regularly review the performance and creditworthiness of all investments
- maintain procedures and controls and provide timely and accurate financial and management information.

These objectives will be achieved by having regard to:

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

Investment Mix

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

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

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

Acquisition of New Investments

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

The authority to acquire treasury investments is delegated to the General Manager of Finance and Assurance.

Application of Returns from Investments

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

Direct Equity Investments

Nature of Investment

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

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

Rationale for Holding Investment

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

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

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

Disposition of Revenue

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

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

Risk Management

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

Dispositions and acquisitions require Council approval.

Property

Nature of Investment

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

Rationale for Holding Investment

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

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

Disposition of Revenue

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

Risk Management

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

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

Other Property Investments - Community Housing

Nature of Investment

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

Rationale for Holding Investment

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

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

Disposition of Revenue

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

Risk Management

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

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

Dispositions and acquisitions require Council approval.

Forestry

Nature of Investment

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

Rationale for Holding Investment

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

Disposition of Revenue

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

Risk Management

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

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

Dispositions and acquisitions require Council approval.

Loans and Advances for community development purposes

Nature of Investment

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

Rationale for Holding Investment

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

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

Disposition of Revenue

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

Risk Management

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

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

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

Internal Loans

Nature of Investment

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

Rationale for Holding Investment

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

Disposition of Revenue

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

Risk Management

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

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

Treasury Investments

Nature of Investment

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

Approved treasury investments include;

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

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

Rationale for Holding Investment

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

The Council maintains treasury investments to:

- invest surplus cash and working capital funds

- achieve the desired level of returns within acceptable risk parameters
- invest amounts allocated to special or restricted reserves, trust funds and special funds.
    - restricted reserves are the funds that Council have no or very little control over; or hold on behalf of another person or entity
    - a special reserve is when funds are held for a specific purpose, with minimal flexibility on the use and the funds are not being used for a longer purpose/inter-generational.

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

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

Within the above constraints, Council also seeks to:

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

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

Disposition of Revenue

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

Externally Managed Funds

Nature of Investment

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

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

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

- alcohol
- tobacco
- military/weapons
- labour practices.

Rationale for Holding Investment

Council maintains externally managed funds to:

- maintain, protect and increase the real capital value of the principal amount invested including the unrestricted reserve fund value at the end of a financial year. Real capital value is the value that has been adjusted for the effect of inflation
- maintain liquidity and access to cash if needed
- distribute a portion of returns to subsidise rates revenue.
- diversify the investment of Council's unrestricted reserves. Unrestricted reserves are made up of:
    - general reserves being the funds that are fully under the control of Council, and do not have a specific purpose or any restrictions
    - designated reserves are also controlled by Council, and sourced for a specific purpose, but the funds can be hold for a longer period and withstand longer term investments impacts.

Disposition of Revenue

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

Income derived from managed funds, is generally used to offset general rates with any surplus income used to provide a return on reserves. Surplus income is either re-invested in the managed fund(s) or withdrawn.

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

Risk Management

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

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

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

ALLOCATION	BENCHMARK %	RANGES % ON INITIAL INVESTMENT	RANGE % ON ACTIVE INVESTMENT
Total growth assets	50%	40-60%	35%-65%
Total income assets	50%	40-60%	35%-65%

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

The above initial investment range is the maximum allowed when investing into a managed fund.

Following the approval of initial investment fund manager; there could be a 15% fluctuation due to the asset positioning and market value ranges from time to time. This allows small variations on the initial investment range.

If a fund's allocation falls outside the 35% - 65% range at quarter-end, the deviation must be:
- Formally reported to the F&A Committee,
- Supported with an explanation of the variance and relevant market context,
- Accompanied by the proposed corrective action.

Council will report the average investment across the external funds to determine Council's range on a monthly basis.

Investments may be hedged back to NZD.

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

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

5.0 Liability Management

Introduction

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

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

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

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

Objectives

- ensure Council has appropriate working capital funds available to carry out its plans as outlined in its LTP and Annual Plan
- ensure that Council has an on-going ability to meet its debts in an orderly manner as and when they fall due in both the short and long term, through appropriate liquidity and funding risk management
- arrange appropriate funding facilities for Council, ensuring they are at market related margins utilising bank debt facilities and/or capital markets as appropriate

- maintain lender and LGFA relationships and Council general borrowing profile in the local debt and, if applicable, capital markets, so that Council is able to fund its activities appropriately at all times
- control Council's cost of borrowing through the effective management of its interest rate risks, within the interest rate risk management limits established by this policy
- ensure compliance with any financing/borrowing covenants and ratios
- maintain adequate internal controls to mitigate operational risks
- produce accurate and timely reports that can be relied on by senior management and Council for control and exposure monitoring purposes in relation to the debt raising activities of Council.

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

- cost minimisation
- cost stabilisation/risk management.

Specific Borrowing Limits

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

ITEM	BORROWING LIMIT
Net debt as a percentage of total revenue	<175%
Net interest as a percentage of total revenue	<10%
Net interest as a percentage of rates revenue	<15%
Liquidity (external, borrowing +available committed loan facilities + available liquid investments as a percentage of existing external debt)	>110%

- **total revenue** is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets)
- **net debt** is defined under the financial prudence regulations as financial liabilities less financial assets (treasury investments, managed funds). External debt that is specific borrowing for on-lending to a CCO/CCTO is netted with the corresponding loan asset for the LGFA covenant calculation
- **financial liabilities** in relation to net debt include
  - External loans
  - Employee entitlements and benefit liabilities
  - Contract retentions and deposits
  - Development and financial contributions
- **Financial assets** in relation to net debt is
  - Treasury investments
  - Externally managed funds
  - Investments in associates
- **net interest** is defined as the amount equal to all interest and financing costs less interest income for the relevant period
- **annual rates revenue** is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local authorities rate)

- **liquid investments** are unencumbered assets defined as being:
  - overnight bank cash deposits
  - wholesale/retail bank term deposits no greater than 31 days
  - bank issued registered certificates of deposit less than 181 days
  - managed equity funds accessible within 30 days.
- external debt funding and associated investment activity relating to pre-funding is excluded from the liquidity ratio calculation
- financial covenants are measured on Council only
- disaster recovery requirements are to be met through the liquidity ratio.

Debt Repayment

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

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

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

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

Guarantees/contingent liabilities and other financial arrangements

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

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

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

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

Internal Loans

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

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

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

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

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

Security

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

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

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

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

Interest Rate Exposure

Interest rate risk management refers to managing the impact that movements in interest rates can have on Council's cash flows. This can have both a positive and/or negative impact. For each $10 million of borrowings a 1% increase in interest rates increases Council's borrowings costs by $100,000 (0.78% impact on rates of $78 million).

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

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

FIXED RATE HEDGING PERCENTAGES		
Term (months)	**Minimum Fixed Rate Amount**	**Maximum Fixed Rate Amount**
0 - 12 months	40%	90%
13 - 24 months	40%	90%
25 - 36 months	35%	85%

FIXED RATE HEDGING PERCENTAGES		
37 – 48 months	30%	80%
49 – 60 months	25%	75%
61 – 72 months	20%	70%
75 – 84 months	0%	65%
85 – 96 months	0%	60%
97 – 108 months	0%	50%
108 – 120 months	0%	50%
121 – 132 months	0%	50%
133 – 144 months	0%	25%
145 – 156 months	0%	25%
157 – 168 months	0%	25%
169 – 180 months	0%	25%
181 – 192 months	0%	25%

The fixed interest rate percentage is calculated based on the average amount of fixed rate obligations relative to the average gross external debt for a given period:

This calculation should be conducted on a rolling 12-month basis, reflecting average exposures over time. This approach provides a consistent, forward-looking measure of interest rate risk, aligned with the Council's forecast borrowing requirements.

For interest rate risk measurement and management purposes, the GM F&A can approve a rebased, gross external debt forecast for the interest rate risk management purposes, down to 80% of the approved debt position forecasted in the LTP. This allows for changes to the capital expenditure program that can change over time.

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

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

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

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

A fixed rate maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy.

If the GM F&A has approved a funding and interest rate strategy; that is executed within 90 days of a limit being breached; that will bring the interest rate risk position back into policy compliance then the policy is not in breach. This strategy must provide for other debt funding maturity limits.

If the approved strategy is not achieved under the above criteria then approval is required by the F&A Committee or approved interest rate instruments, such as interest rate swaps (or other hedging instruments) should be used to restore policy compliance.

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

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

Approved interest rate instruments are as follows:

CATEGORY	INSTRUMENT
Interest rate risk management	Forward rate agreements ("FRAs") on: • bank bills Interest rate swaps/collars including: • swap extensions, deferrals and shortenings Interest rate options on: • bank bills (purchased caps and one for one collars) • interest rate swaptions (purchased swaptions and one for one collars only)

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

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

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

Liquidity and Funding Risk Management

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

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

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

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

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

- ensuring that Council's committed debt facilities and term loans mature over a wide time period
- external debt plus available committed debt facilities, plus liquid assets must be maintained at an amount of at least 110% over existing external debt
- through the LGFA and bank lenders, diversify borrowing over a range of wholesale investors and lenders
- ensuring that bank borrowings are only sought from approved strongly rated New Zealand registered banks
- matching expenditure closely to its revenue streams and managing cash flow timing differences
- maintaining its treasury investments in cash/cash equivalent liquid investments
- Council has the ability to pre-fund up to 18 months of the forecast debt requirements including re-financings.

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

PERIOD	MINIMUM %	MAXIMUM %
0 to 36 months	15	60
37 to 84 months	25	85
85 months plus	0	60

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

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

Approved debt and liquidity instruments include;

CATEGORY	INSTRUMENT
Cash management, liquidity and borrowing	Bank overdraft

CATEGORY	INSTRUMENT
	Committed cash advance and bank accepted bill facilities (short term and long-term loan facilities) Floating Rate Note (FRN) Fixed Rate Note (MTN) Commercial paper (CP)/Promissory notes

Credit Risk Management

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

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

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

COUNTERPARTY/ISSUER	MINIMUM S&P LONG TERM/SHORT TERM CREDIT RATING	TOTAL MAXIMUM COMBINED LIMIT PER COUNTERPARTY ($MILLION)*
NZ Government	AA+/A-1+	Unlimited
NZ Local Government Funding Agency	AA/A-1	Unlimited
NZ Registered Bank (per bank)	AA /AA-/A-1	15.0
NZ Registered Bank (per bank)	A+/A/A-1	7.5
SBS	BBB	5.0
* This combined total maximum limit includes exposure to the counterparties including treasury investments and risk management instruments and excludes externally managed fund(s).		

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

- treasury investments (e.g. bank term deposits) – transaction principal amount
- interest rate risk management (e.g. swaps, FRAs) – transaction notional x maturity (years) x 3%
- foreign exchange risk (e.g. forward exchange contract) – transaction face value amount x ((square root of the maturity (years)) x 15%).

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

A maximum combined value that is within $5 million the above limits for the Registered Bank that Council holds the operating bank accounts with, and is self-corrected within 20-days of month end; when rates are being received, therefore is not in breach of this Policy.

Counterparties exceeding limits beyond the operational clause should be reported to Council.

Foreign currency

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

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

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

6.0 Other Treasury Management

Council-controlled organisations and council-controlled trading organisations – Investments and Borrowing mechanisms

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

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

Any lending arrangement to a CCO/CCTO must be approved by Council. In recommending an arrangement for approval the General Manager of Finance and Assurance considers the following:

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

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

Local Government Funding Agency Limited (LGFA)

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

- contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA

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

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

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

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

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

7.0 Procedures for Management and Reporting

Cash Management

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

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

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

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

Cash management activities must be undertaken within the following parameters:

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

Internal Controls

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

Key internal cash management controls are as follows:

- electronic banking signatories - dual signatures are required for all electronic transfers
- authorised personnel - all counterparties are provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations
- reconciliations – a general bank reconciliation is performed daily and a general ledger reconciliation is performed monthly by the Debtors Officer (or equivalent) and reviewed by a senior finance staff member.

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

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

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

Legal risk

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

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

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

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

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

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

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

Reports

The following reports are produced to monitor treasury activity and assist Council to understand how the function is performing:

REPORT NAME	FREQUENCY	PREPARED BY	RECIPIENT
Daily Cash Position (Part of daily reconciliation)	Daily	Finance Officer or equivalent	Senior Finance staff member
Daily Cash flow forecast to reconcile to annually	Weekly	Senior Accountant	Financial Accountant
Weekly cash flow to reconcile to annual budget/projection	Monthly	Financial Accountant	Financial Controller/GM F&A
Treasury Exceptions Report	As required	Finance Officer or equivalent	Senior Finance staff member
Treasury Report Policy limit compliance Borrowing limits Funding and Interest Risk Position Total debt funding facility utilisation New treasury transactions Cost of funds vs budget (interest/borrowing costs vs budget) Liquidity risk position Counterparty credit Debt maturity profile Renewal investment Operating investment Exceptions	Monthly	Financial Accountant	Financial Controller/GM F&A
Treasury Report Include monthly report along with; External managed Funds Report A statement of policy compliance. Treasury and markets commentary Treasury performance	Quarterly	Financial Accountant	GM F&A and Finance and Audit Committee

REPORT NAME	FREQUENCY	PREPARED BY	RECIPIENT
CCO/CCTO loans and guarantees, financial arrangements Revaluation of financial instruments			
Trustee Report	As required by the Trustee	Financial Accountant	Financial Controller/Trustee company
LGFA Report	Annual	Financial Accountant	Financial Controller/LGFA

Key focus areas of treasury management

The following performance measures have been prescribed by Council as the core deliverables.

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

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

Appendix 1 – External Managed Funds - Investment Guidelines

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

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

Cash and Term deposits

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

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

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

New Zealand and International Fixed Interest

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

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

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

Equities

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

New Zealand and International Property Investments

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

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

Recommendation

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

C8.1 Annual insurance renewal (for the year 1 July 2025 to 30 June 2026)

C8.2 Cyber security update - March 2025 to June 2025

C8.3 Water services facilities and hygiene audits

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Annual insurance renewal (for the year 1 July 2025 to 30 June 2026)	s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. Annual Insurance Renewal.	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.
Cyber security update - March 2025 to June 2025	s7(2)(e) - the withholding of the information is necessary to avoid prejudice to measures that prevent or mitigate material loss to members of the public. Disclosure of operational security information could lead to data breaches (financial, personal/public commercial information) or destruction of Council information technology systems and/or data.. 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. Disclosure of operational security information could lead to data breaches (financial, personal/public commercial information) or destruction of Council information technology systems and/or data..	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.

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
Water services facilities and hygiene audits	s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. s7(2)(g) - maintain legal professional privilege. s7(2)(h) - the withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.	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.