



# Agenda

## Finance and Assurance Committee

Wednesday, 25 March 2026, 10am  
Council Chamber, Level 2, 20 Don Street, Invercargill



Chairperson

Councillors

Bruce Robertson

Mayor Rob Scott

Jaspreet Boparai

Don Byars

Phil Dobson

Paul Duffy

Sarah Greaney

Julie Keast

Christine Menzies

Tom O'Brien

Brian Somerville

Jon Spraggon

Michael Weusten

Matt Wilson

# What is important to us?

Our strategic framework is a big picture of what Council is planning to achieve for our communities in the next three years.

## Council vision

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

## Council mission

Working together for a better Southland.

## Our focus is

### Strategic priorities



**Connected and resilient communities** - we collaboratively engage with our partners and communities, along with investing in agile and sustainable practices, to support a vibrant and thriving Southland.



**Ease of doing business** - we transform the customer experience through partnership, technology and continuous improvement.



**Providing equity** - we enable all residents to be able to access the same services and tools as part of a fair society.



**Robust infrastructure** - we deliver innovative and sustainable community focused infrastructure and facilities for the future



**Thinking strategically and innovatively** - we look for solutions outside of the norm and are not afraid to do something that we have not done before, and we think long-term about the solutions we are providing, while having the flexibility and agility to change direction as necessary.

## Our goals for the LTP 2024-2034 are

### Outcomes



**Social** - communities that are connected and have an affordable and attractive lifestyle.



**Environmental** - communities committed to the protection of our land and water.



**Cultural** - communities with a sense of belonging for all.



**Economic** - communities with the infrastructure to grow.



Terms of Reference – Finance and Assurance Committee

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

In exercising the delegated powers, the Finance and Assurance committee will operate within:

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

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

**Financial and performance monitoring**

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

**Internal control framework**

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

**Internal reporting**

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

**External reporting and accountability**

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

**Risk management**

- a) reviewing whether Council has in place a current, comprehensive and effective risk management framework and associated procedures for effective identification and management of the Council's significant risks
- b) considering whether appropriate action is being taken to mitigate Council's significant risks.

**Health and safety**

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

**Internal audit**

- a) approve appointment of the internal auditor, internal audit engagement letter and letter of understanding
- b) reviewing and approving the internal audit coverage and annual work plans, ensuring these plans are based on Council's risk profile
- c) reviewing the adequacy of management's implementation of internal audit recommendations

- d) reviewing the internal audit charter to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

#### **External audit**

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

#### **Compliance with legislation, standards and best practice guidelines**

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

#### **Business case review**

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

|                       |  |
|-----------------------|--|
|                       | <p><b>Fraud Policy</b></p> <p>a) receive and consider reports relating to the investigation of suspected fraud</p> <p>b) monitor the implementation of the Fraud Policy.</p> <p><b>Power to recommend</b></p> <p>The Finance and Assurance committee is responsible for considering and making recommendations to Council regarding:</p> <p>a) policies relating to risk management, rating, loans, funding and purchasing</p> <p>b) accounting treatments, changes in generally accepted accounting practice, and new accounting and reporting requirements</p> <p>c) the approval of financial and non-financial performance statements including adoption of the Annual Report, Annual Plans and Long Term Plans.</p> <p>The Finance and Assurance committee is responsible for considering and making recommendations to Council on business cases completed under the 'Power to act' section above.</p>   |
| FINANCIAL DELEGATIONS | <p>Council authorises the following delegated authority of financial powers to Council committees in regard to matters within each committee's jurisdiction.</p> <p><b>Contract acceptance:</b></p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> </ul> <p><b>Budget reallocation.</b></p> <p>The committee is authorised to reallocate funds from one existing budget item to another. Reallocation of this kind must not impact on current or future levels of service and must be:</p> <ul style="list-style-type: none"> <li>• funded by way of savings on existing budget items</li> <li>• within the jurisdiction of the committee</li> <li>• consistent with the Revenue and Financing Policy.</li> </ul> |
| LIMITS TO DELEGATIONS | <p>Matters that must be processed by way of recommendation to Council include:</p> <ul style="list-style-type: none"> <li>• amendment to fees and charges relating to all activities</li> <li>• powers that cannot be delegated to committees as per the Local Government Act 2002 and sections 2.4 and 2.5 of this manual.</li> </ul>   |

|   |  |
|---|--|
|   | <p>Delegated authority is within the financial limits in section 9 of this manual.</p>   |
| <p>RELATIONSHIPS WITH OTHER PARTIES</p> | <p>The committee shall maintain relationships with each of the nine community boards.</p> <p>Professional advisors to the committee shall be invited to attend all meetings of the committee including:</p> <ul style="list-style-type: none"> <li>• external auditor</li> <li>• internal auditor/risk advisor (if appointed)</li> <li>• chief financial officer.</li> </ul> <p>At each meeting, the chairperson will provide the external auditor and the internal auditor/risk advisor (if appointed) with an opportunity to discuss any matters with the committee without management being present. The chairperson shall request the chief executive and staff in attendance to leave the meeting for the duration of the discussion. The chairperson will provide minutes for that part of the meeting.</p> <p>The chief executive and the chief financial officer shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of Council, material breakdown in internal controls and any material event of fraud.</p> <p>The committee shall provide guidance and feedback to Council on financial performance, risk and compliance issues.</p> <p>The committee will report to Council as it deems appropriate but no less than twice a year.</p> |
| <p>CONTACT WITH MEDIA</p>               | <p>The committee chairperson is the authorised spokesperson for the committee in all matters where the committee has authority or a particular interest.</p> <p>Committee members, including the chairperson, do not have delegated authority to speak to the media and/or outside agencies on behalf of Council on matters outside of the committee's delegations.</p> <p>The chief financial officer will manage the formal communications between the committee and its constituents and for the committee in the exercise of its business. Correspondence with central government, other local government agencies or other official agencies will only take place through Council staff and will be undertaken under the name of Southland District Council.</p>  |



---

1 Opening

The chair will open the meeting.

2 Apologies

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

3 Leave of absence

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

4 Conflict of interest

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

5 Additional agenda items

Any additions to the agenda must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

6 Confirmation of minutes

[Minutes](#) of the Finance and Assurance Committee Meeting held on 10 December 2025.  
Confidential Minutes of the Finance and Assurance Committee Meeting held on 10 December 2025.

7 Public participation

Requests to speak should be made by midday of the day before the meeting. Further information is available on [www.southlanddc.govt.nz](http://www.southlanddc.govt.nz) or phoning 0800 732 732.

---

|      | Page   |
|------|--|
| 8    | Reports  |
| 8.1  | Finance and Assurance Committee workplan for the year ended 30 June 2026 17            |
| 8.2  | Deloitte audit engagement letter, proposal letter and planning report for 2025/2026 21 |
| 8.3  | Annual Report 2025/2026 timetable 69   |
| 8.4  | Accounting policies for the year ended 30 June 2026 73                                 |
| 8.5  | Request for Service Internal Audit Report 91   |
| 8.6  | Financial Report for the period ended 31 January 2026 115                              |
| 8.7  | Interim performance report - period two 1 July 2025 to 28 February 2026 133            |
| 8.8  | Forecasted financial position for the year ending 30 June 2026 157                     |
| 8.9  | Quarterly treasury report 179  |
| 8.10 | Capital delivery programme update 213  |
| 8.11 | Quarterly risk management - March 2026 quarter 217                                     |
| 8.12 | Health and safety 259  |
| 8.13 | B2B Project Update 263   |
| 9    | Public excluded reports  |
|      | Exclusion of the public 275  |
| 9.1  | B2B Project Update   |
| 9.2  | Community facilities contracts   |
| 9.3  | Three waters - 17 A review   |
| 9.4  | Cyber security update - December 2025 to February 2026                                 |
| 9.5  | Follow up audit actions points   |
| 9.6  | FMIS Update  |
| 9.7  | People and Culture update  |
| 10   | Closure  |
|      | The chair will close the meeting.  |

Summary of reports

|     | Report Name   | Purpose  | Report Type    | Page |
|-----|---|--|----------------|------|
| 8.1 | Finance and Assurance Committee workplan for the year ended 30 June 2026            | To update the Committee on the status of the work programme discussed and agreed at the 10 December 2025 meeting for the financial year ending 30 June 2026.   | Information    | 17   |
| 8.2 | Deloitte audit engagement letter, proposal letter and planning report for 2025/2026 | <p>For the Committee to receive the audit engagement letter (attachment A) for the 30 June 2026 and the audit proposal letter (attachment B) from Deloitte for the financial years ending 30 June 2026, 2027 and 2028.</p> <p>For the Committee to receive the audit planning report (attachment C) from Deloitte to conduct the audit of Council on behalf of the Auditor-General for the year ended 30 June 2026.</p> <p>To seek approval for the Mayor to sign the Deloitte audit engagement and proposal letters, incorporating the agreed fee being considered by Council and Deloitte for the year ended 30 June 2026.</p> | Decision       | 21   |
| 8.3 | Annual Report 2025/2026 timetable   | The purpose of this report is to provide the Committee with the key dates for the annual report 2025/2026.   | Information    | 69   |
| 8.4 | Accounting policies for the year ended 30 June 2026                                 | To consider and recommend to Council the adoption of the accounting policies to be used to compile Council's Annual Report for the year ended 30 June 2026.  | Recommendation | 73   |

|      | Report Name   | Purpose  | Report Type    | Page |
|------|---|--|----------------|------|
| 8.5  | Request for Service Internal Audit Report                               | To present the Internal Audit report completed on Council's Request for Service systems.   | Information    | 91   |
| 8.6  | Financial Report for the period ended 31 January 2026                   | To provide the Committee with an overview of the financial results for the seven months to 31 January 2026 by Council's seven activity groups and corporate services, as well as the financial position and the statement of cashflows as at 31 January 2026.  | Information    | 115  |
| 8.7  | Interim performance report - period two 1 July 2025 to 28 February 2026 | The purpose of this report is to present the Finance and Assurance Committee (the committee) with the Interim Performance Report for period two, from 1 July 2025 to 28 February 2026.   | Information    | 133  |
| 8.8  | Forecasted financial position for the year ending 30 June 2026          | To inform the Committee of the expected year-end financial result compared to the Annual Plan 2025/2026 and to recommend to Council the resulting forecasted position.<br><br>To seek Committee endorsement for unbudgeted expenditure requests and the deletion and deferral of a number of projects. | Recommendation | 157  |
| 8.9  | Quarterly treasury report   | To inform the committee of Council's treasury position as at 31 January 2026, in accordance with the Investment and Liability Management Policy.<br><br>To seek approval for the updated interest rate risk strategy resulting in Council being within the thresholds by the 31 May 2026.              | Decision       | 179  |
| 8.10 | Capital delivery programme update                                       | The purpose of the report is to provide an update on the capital delivery programme for the 2025/2026 financial year as at 28 February 2026.   | Information    | 213  |

|      | Report Name                                    | Purpose   | Report Type    | Page |
|------|--|---|----------------|------|
| 8.11 | Quarterly risk management - March 2026 quarter | For the Finance and Assurance Committee (the Committee) to consider the March 2026 quarterly risk management report.  | Information    | 217  |
| 8.12 | Health and safety                              | To provide an update on health and safety related events and activity over the last quarter.  | Information    | 259  |
| 8.13 | B2B Project Update                             | The purpose of this report is to provide the Finance and Assurance Committee with an update on the progress of the Henderson House (Back Together Build – B2B) project as the project transitions from procurement into the construction phase. | Recommendation | 263  |



---

# Finance and Assurance Committee workplan for the year ended 30 June 2026

Record no: R/26/3/103456  
Author: Rachael Poole, Committee advisor  
Approved by: Anne Robson, Group manager finance and assurance  
Report type: Information

---

## Purpose

- 1 To update the Committee on the status of the work programme discussed and agreed at the 10 December 2025 meeting for the financial year ending 30 June 2026.

## Staff recommendations

That the Finance and Assurance Committee:

- a) notes the information contained in the report
- b) notes amendments made to the workplan

## Executive summary

- 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 Changes to the workplan from the plan presented on 10 December 2025 for this meeting are:
  - The quarterly treasury report was previously included in the financial report, it is now a stand-alone report.
  - Additional reports have been added to this agenda for Community facilities contracts, 17a three waters and an FMIS update
  - The Finance and Assurance Committee workplan for the year ended June 2027 and the Debenture Trust engagement letter report have been moved from this meeting to the 17 June 2026 meeting to allow for further work on them to be completed.

## Attachments

- A Finance and Assurance Committee Workplan to 30 June 2026 [↓](#)

## Finance and Assurance Committee workplan to 30 June 2026

| Content   | 27 Aug 2025 | 29 Sep 2025 | 10 Dec 2025 | 25 Mar 2026 | 17 Jun 2026 |
|---|-------------|-------------|-------------|-------------|-------------|
| 2026/27 Annual Plan – Timetable                                     |             | X           |             |             |             |
| 2026/27 Annual Plan – accounting policies                           |             | X           |             |             |             |
| 2026/27 Annual Plan – significant forecasting assumptions           |             | X           |             |             |             |
| 2026/27 Annual Plan – workshop (if required)                        |             |             |             |             |             |
| 2026/27 Annual Plan – Recommend draft annual plan to Council        |             |             |             |             |             |
| 2026/27 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           |
| Quarterly treasury report for the period ending 31 January 2026     |             |             |             | X           | X           |
| Follow up on audit action points                                    |             | X           | X           | X           | X           |
| Cyber security update   |             | X           | X           | X           | X           |
| Interim Performance Report  |             | ✘           | X           | X           |             |
| Budget carry forward requests 2024/25 into 2025/26                  |             | ✘           |             |             |             |
| 2024/25 Annual Report – agree report ready for audit                | X           | ✘           |             |             |             |
| 2024/25 Annual Report – management representation letter            |             | X           |             |             |             |
| 2024/25 Annual Report – recommend adoption by Council               |             | X           |             |             |             |
| 2024/25 Annual Report – final audit management report               |             | X           |             |             |             |
| 2025/26 Annual Report – Audit Timetable                             |             |             |             | X           |             |
| 2025/26 Annual Report – accounting policies                         |             |             |             | X           |             |
| 2025/26 Annual Report – Deloitte engagement and fee proposal letter |             |             |             | X           |             |
| 2025/26 Debenture Trust Engagement Letter                           |             |             |             | ✘           | X           |
| Analysis of actual results to forecast for year end 30 June 25      |             | X           |             |             |             |
| Forecast Financial Position   |             |             |             | X           |             |
| Financial Transactional Team Update Report to 30 June 2026          |             | X           |             |             |             |
| Determine Finance & Assurance meeting Content 26/27                 |             |             |             | ✘           | X           |
| Insurance - renewal approval  |             | X           |             |             | X           |

| Content  | 27 Aug 2025 | 29 Sept 2025 | 10 Dec 2025 | 25 Mar 2026 | 17 June 2026 |
|--|-------------|--------------|-------------|-------------|--------------|
| Internal Audit Terms of Reference  |             |              | ✘           |             | X            |
| Internal Audit Final Report  |             |              | ✘           | X           | X            |
| Commercial infrastructure – forestry harvest plan 2026/2027  |             |              |             |             | X            |
| Roading management and maintenance of current contracts renewals for Waimea, Central and Foveaux alliance. |             |              |             |             | X            |
| People and Culture update  |             | X            | X           | X           | X            |
| B2B project update   |             | X            | X           | X           | X            |
| Community facilities – mowing, gardening and cleaning contracts  |             |              | ✘           |             |              |
| Update on 17a review   |             | ✘            | X           |             |              |
| Capital delivery programme update  | X           |              |             | X           | X            |
| Community facilities contract renewal update   | X           |              |             |             |              |
| Manapouri wastewater treatment plant and pipeline business case and unbudgeted expenditure request         | X           |              |             |             |              |
| Update – Te Anau transfer station notifiable incident 2025   |             | X            |             |             |              |
| Edendale Wyndham Wastewater Treatment Plan   |             |              | X           |             |              |
| FMIS update  |             |              |             | X           |              |
| Community facilities contracts   |             |              |             | X           |              |
| 17a three waters contracts   |             |              |             | X           |              |



---

## Deloitte audit engagement letter, proposal letter and planning report for 2025/2026

Record no: R/26/3/103302  
Author: Jo Hooper, Financial Accountant  
Approved by: Anne Robson, Group manager finance and assurance  
Report type: Decision

---

### Purpose

- 1 For the Committee to receive the audit engagement letter (attachment A) for the 30 June 2026 and the audit proposal letter (attachment B) from Deloitte for the financial years ending 30 June 2026, 2027 and 2028.
- 2 For the Committee to receive the audit planning report (attachment C) from Deloitte to conduct the audit of Council on behalf of the Auditor-General for the year ended 30 June 2026.
- 3 To seek approval for the Mayor to sign the Deloitte audit engagement and proposal letters, incorporating the agreed fee being considered by Council and Deloitte for the year ended 30 June 2026.

### Staff recommendations

That the Finance and Assurance Committee:

- a) notes the information contained in the report.
- b) notes that the matter or decision in this report is assessed as administrative based on Council's Significance and Engagement Policy. On this basis, no further engagement is required.
- c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) receives the engagement letter, proposal letter and planning report from Deloitte (attachment A, B and C) to conduct the audit of Council on behalf of the Auditor-General for the 2025/2026 financial year.
- e) seeks agreement to the proposed 4.2% increase in audit fees, making a total of \$201,034 (excl GST) plus disbursements for the year ended 30 June 2026 and delegates authority to the Mayor to sign the final audit proposal letter, incorporating any amendments agreed at this meeting.
- f) delegates to the Mayor, the authority to sign the engagement letter from Deloitte, covering the 30 June 2026, 30 June 2027 and 30 June 2028, incorporating any amendments agreed at the meeting.

---

## Executive summary

- 4 Council have received three letters from Deloitte in regard to the audit of Councils Annual Report
- the audit engagement letter is for the audit of the annual report for the financial years ending 30 June 2026, 2027 and 2028. This sets out the terms of the audit engagement and the respective responsibilities of Deloitte and Council during the process (attachment A). Deloitte are seeking the Committee to acknowledge the terms of engagement.
  - the proposal letter sets out how Deloitte will conduct the audit of Council and its subsidiaries on behalf of the Auditor-General for the year ended 30 June 2026. The Committee is being asked to consider and agree to the proposed increase of 4.2% to the audit fee from \$192,883 (2024/2025) to \$201,034 (attachment B).
  - the audit planning report for the year ended 30 June 2026. This outlines the key aspects of their audit scope and approach, Deloitte's team structure and their planned communication with the Council (attachment C).
- 5 If the committee agrees with what is proposed, the report includes a recommendation for the Mayor to be delegated authority to sign both the engagement letter and proposal letter on behalf of Council.
- 6 A further letter on the audit of Councils debenture trust deed for the 30 June 2026 will be included in the June Committee meeting agenda.
- 7 Due to changes in work responsibilities at Deloitte, Council is also being asked to acknowledge a new audit partner for the next six years, Heidi Rautjoki. Initially Mike Hawken and Heidi Rautjoki were both going to attend the committee meeting next week and do a handover, however due to another commitment, it will now only be Ms Rautjoki in attendance with the audit manager, Kevin Bakker coming in online.
- 8 At this stage, staff are not requesting any unbudgeted expenditure on the basis that disbursement costs are likely to be less than those indicated and therefore will be within Councils current budget.

## Context

- 9 The purpose of this report is to provide an overall summary of the audit engagement letter, audit proposal letter and the planning report for the 30 June 2026 annual report.
- 10 Council is required to develop and adopt an audited annual report within four months of the end of a financial year. To meet this 31 October 2026 deadline the annual report is required to be signed by Council prior to this date, which incorporates the auditor's opinion.

- 
- 11 The purpose of the engagement letter outlines the following:
- scope of the engagement – outlines the extent of the work to be undertaken by Deloitte for this engagement
  - scope of the Council’s and the auditor’s responsibilities
  - inherent limitation – outlines the limitations that may occur
  - independence and quality control – outlines the independence, ethical standards and quality control requirements that Deloitte comply with
- 12 The purpose of the draft proposal letter is to provide information on the following points
- the statutory basis for the audit and how the audit fee is set
  - the entities covered by the proposal
  - the key members of the audit team
  - the hours Deloitte plan to spend on the audit and the reasons for any change in hours
  - the draft proposed fee for the audit of the financial year ending 30 June 2026, and the reasons for any change
  - assumptions relating to the proposed audit fee, including what is expected of Council
  - what the OAG audit standard and quality support charge provides
  - the certification required by the Auditor-General
  - Deloitte’s commitment to conduct the audit in accordance with the Auditor-General’s Auditing Standards.
- 13 The audit planning report (attachment C) outlines the audit scope and approach to be undertaken by Deloitte as well as their planned communications with Council. This is not significantly different to prior years.

## Discussion

### Proposed audit fees

- 14 The audit fee is set by the Auditor General upon recommendation from Deloitte and having regard to section 42 of the Public Audit Act, which requires that the fees are “reasonable” for both the auditors and Council. If a fee cannot be agreed between Deloitte and Council, the Auditor General will, with assistance from the OAG, directly set the fee. The draft proposed fees for the 2025/2026 financial year audit are set out in paragraph 14 below.
- 15 A summary of previous actual, proposed and Council budgets, excluding the debenture trust in relation to the audit fee and disbursements (excl GST) for the year ended 30 June 2025 and 2026 are detailed below:

|   | 2025 Budget | 2025 Actual | 2026 Proposed | 2026 Council Budget |
|---|-------------|-------------|---------------|---------------------|
| Total audit hours   | 900         | 1023        | 900           |                     |
| Deloitte audit fee  | \$175,881   | \$175,000   | \$182,350     | \$195,000           |
| Office of the Auditor General fee                         | \$17,883    | \$17,883    | \$18,684      | -                   |
| Total Audit fee (before disbursements)                    | \$193,764   | \$192,883   | \$201,034     | \$195,000           |
| Increase in total audit fees (excl GST and disbursements) | -           | -           | 4.20%         | -                   |
| Disbursements (excl GST) charged by Deloitte              | \$17,938    | \$12,146    | \$17,500      | \$20,000            |
| Total (excl GST)  | \$211,702   | \$205,029   | \$218,534     | \$215,000           |

- 16 Overall, there is an increase of \$8,151 (4.2%) in the audit fee compared to the 2024/2025 actual audit fee, Deloitte have noted this is to allow for inflation increases.
- 17 As is usual, disbursements (direct costs) are fully recovered. The amount noted above is an estimate only. Actual disbursement costs last year were lower as staff worked remotely for part of the audit, reducing the cost of travel and accommodation. For consistency, the Christchurch team previously used will be undertaking our audit again and will be working remotely as much as they can to continue to minimise costs.
- 18 Council has \$215,000 budgeted for the audit fee in the 2025/2026 financial year compared to the proposed total fee of \$218,534.

### Options

- 19 The following reasonably practicable options have been identified and assessed in this report:
- Option 1 - accept the audit engagement letter, proposal letter and the audit planning report. Authorising the Mayor to sign the relevant letters, subject to any amendments discussed and agreed at the meeting.
- Option 2 - request clarification or significant amendments to the audit engagement letter and audit proposal letter and the planning report.

Recommended option:

- 20 Option 1 – accept the audit engagement letter, proposal letter and the audit planning report. Authorising the Mayor to sign the relevant letters, subject to any amendments discussed and agreed at the meeting.

Option 1 – accept the audit engagement letter, proposal letter and the audit planning report. Authorising the Mayor to sign the relevant letters, subject to any amendments discussed and agreed at the meeting.

| Advantages  | Disadvantages   |
|---|---|
| <ul style="list-style-type: none"> <li>allows the Annual Report process to continue as proposed.</li> </ul> | <ul style="list-style-type: none"> <li>none, unless Council requires clarification and this is not sought before signing both the engagement and proposal letters and approving the planning report.</li> </ul> |

Option 2 – request clarification or significant amendments to the audit engagement letter and audit proposal letter and the planning report.

| Advantages  | Disadvantages   |
|---|---|
| <ul style="list-style-type: none"> <li>Council is able to seek the clarification it requires or significantly amend the three documents.</li> </ul> | <ul style="list-style-type: none"> <li>could delay the audit process if Council does not accept the three documents.</li> </ul> |

Legal considerations

- 21 Section 98(1) of the Local Government Act 2002 requires Council to prepare and adopt an Annual Report each financial year. Section 99(1) requires the Annual Report to include an auditor’s report.
- 22 In accordance with Section 14(1) of the Public Audit Act 2001, Council’s Annual Report must be audited by the Office of the Auditor-General. Deloitte is the authorised audit service provider on behalf of the Auditor-General.
- 23 In accordance with Section 98(3) Each annual report must be completed and adopted, by resolution, within 4 months after the end of the financial year to which it relates.

Strategic alignment

**Strategic direction**

- 24 As well as the audit being a legal requirement, an audit helps support the organisation’s strategic priorities by strengthening financial transparency, improving processes, and enabling confident decision-making. Through independent assurance, the audit builds trust with the community and contributes to resilience, while also identifying opportunities to streamline systems and enhance the ease of doing business.
- 25 By reviewing how resources are allocated and ensuring compliance with policies, the audit promotes fairness and supports equitable service delivery.

**Policy and plan consistency**

26 We have not identified any inconsistencies with the Council’s policies or plans.

Significance assessment

27 The assessment of significance needs to be carried out in accordance with Council’s Significance and Engagement Policy. The Significance and Engagement Policy requires consideration of the impact on social, economic or cultural wellbeing of the region and consequences for people who are likely to be particularly affected or interested. Community views have been considered throughout this process thus the proposed decision is not considered significant.

28 The decision being made in this report is whether Council accepts the audit engagement letter, proposal letter including draft proposed fees, along with the planning document presented by Deloitte. Given the administrative nature of this matter, consultation on this is not required.

| Level                             | Likelihood of engagement   |
|-----------------------------------|--|
| Some importance or administrative | Council is not likely to carry out any engagement.   |
| Moderate importance               | Council may choose whether it carries out engagement, which may be targeted to directly affected individuals or groups.  |
| Significant                       | Council will engage with directly affected individuals and groups and wider community engagement is likely, unless there are reasons under policy not to.        |
| Critical                          | Council will engage with directly affected individuals and groups and wider community engagement is highly likely, unless there are reasons under policy not to. |

Community views

29 The community rely on the audit of the Annual Report to provide assurance that the financial and performance reporting is accurate.

30 The community will expect Council to ensure that the audit fees agreed are fair, reasonable and provide value for money.

Climate change considerations

31 There are no climate change considerations relevant to this matter or decision.

Risk and mitigations

32 There are no significant risks in relation to this matter or decision.

### Next steps

- 33 If Council approves the resolutions, staff will arrange for the Mayor to sign both letters in due course and return them to Deloitte.

### Attachments

- A Audit Engagement Letter 2026-2028 [↓](#)
- B Audit Proposal Letter 2026 - 2028 [↓](#)
- C Deloitte Planning Report for Southland District Council 2026 [↓](#)



Deloitte  
Otago House  
481 Moray Place  
Dunedin 9016

PO Box 1245  
Dunedin 9054  
New Zealand

Tel: +64 3 474 8630  
Fax: +64 3 474 8650  
[www.deloitte.co.nz](http://www.deloitte.co.nz)

25 March 2026

The Mayor  
Southland District Council  
PO Box 903  
Invercargill 9840

Dear Mayor

#### AUDIT ENGAGEMENT LETTER

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Southland District Council, under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Heidi Rautjoki, using the staff and resources of Deloitte Limited, under section 32 and 33 of the Act, to carry out the annual audits of the Southland District Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2026 to 30 June 2028.

This letter outlines:

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

The objectives of the annual audit are:

- to provide an independent opinion on the Council’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit. Typically, those matters will relate to issues of financial management and accountability.

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

#### Your responsibilities

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for:

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more. Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

CONFIDENTIAL



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

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

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

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Annex 1. The Auditor-General and Deloitte Limited take seriously their responsibilities under the Health and Safety at Work Act 2015, and we expect you to provide a safe and healthy working environment for our audit staff when they are working at your premises. Specific health and safety responsibilities are set out in Annex 1. We expect members of the Council to be familiar with all of the responsibilities set out in Annex 1 and, where necessary, have obtained advice about them.

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

#### **Our responsibilities**

##### ***Carrying out the audit***

We are responsible for forming an independent opinion on whether the financial statements of Southland District Council:

- present fairly, in all material respects:
  - its financial position as at 30 June 2026, 30 June 2027 and 30 June 2028; and
  - its financial performance and cash flows for the year then ended;
- comply with generally accepted accounting practice in New Zealand in accordance with the Public Sector generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

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

- presents fairly, in all material respects, the performance for the years ended 30 June 2026, 30 June 2027 and 30 June 2028, including:
  - its performance achievements as compared with forecasts included in the statement of performance expectations for the financial year; and
  - its actual revenue and expenses as compared with the forecasts included in the statement of performance expectations for the financial year.
- complies with generally accepted accounting practice in New Zealand.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

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



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

During the audit, the audit team will:

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

#### **Overseas audit staff**

In the delivery of services we may engage other Deloitte Network Firms to assist with certain aspects of this engagement. We will at all times remain responsible for the work undertaken in the delivery of those services to you.

#### **Audit Tools**

You agree that, for the purpose of providing the services covered by this letter, we may use third parties, wherever located, to store and process information received from you or your agents; provided that such third parties are bound by confidentiality obligations similar to those contained in the Terms. For example, Deloitte uses a cloud services platform (currently Microsoft Azure), to host an integrated suite of audit tools which may be used as part of our engagement with you.

#### **Our independence**

It is essential that the audit team and Deloitte Limited remain both economically and attitudinally independent of Southland District Council (the Council); including being independent of management personnel and members of the Council. This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and Deloitte Limited.

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

#### **Reporting**

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

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

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

#### **Next steps**

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the enclosed copy of the letter in the space provided and returning it to me. The terms will remain effective until a new Audit Engagement Letter is issued. If you have any questions about the audit generally or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.



25 March 2026  
Southland District Council  
Page 4

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

Yours faithfully/sincerely

.....  
**Heidi Rautjoki**  
**for Deloitte Limited**  
**On behalf of the Auditor-General**  
Dunedin, New Zealand

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

Signature:

Name: .....

Title: ..... Date: .....



**Annex 1 – Respective specific responsibilities of the Council and the Appointed Auditor**

| <b>Responsibilities for the financial statements and performance information</b>  |  |
|---|--|
| <i>Responsibilities of the Council</i>  | <i>Responsibilities of the Appointed Auditor</i>   |
| <p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p> | <p>We are responsible for carrying out an annual audit on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> <li>• present fairly, in all material respects:                             <ul style="list-style-type: none"> <li>- the financial position as at 30 June 2026, 30 June 2027 and 30 June 2028; and</li> <li>- the financial performance and cash flows for the year then ended;</li> </ul> </li> <li>• comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.</li> </ul> <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> <li>• presents fairly, in all material respects, the performance for the years ended 30 June 2026, 30 June 2027 and 30 June 2028, including:                             <ul style="list-style-type: none"> <li>- the performance achievements as compared with forecasts included in the statement of performance expectations for the financial year; and</li> <li>- the actual revenue and expenses as compared with the forecasts included in the statement of performance expectations for the financial year.</li> </ul> </li> <li>• complies with generally accepted accounting practice in New Zealand.</li> </ul> <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p> <p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee’s overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> |



|  |   |
|--|---|
|  | <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> <li>• the appropriateness of accounting policies used and whether they have been consistently applied;</li> <li>• the reasonableness of the significant accounting estimates and judgements made by those charged with governance;</li> <li>• the appropriateness of the content and measures in any performance information;</li> <li>• the adequacy of the disclosures in the financial statements and performance information; and</li> <li>• the overall presentation of the financial statements and performance information.</li> </ul> <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> <li>• the adoption of the going concern basis of accounting is appropriate;</li> <li>• all material transactions have been recorded and are reflected in the financial statements and performance information;</li> <li>• all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and</li> <li>• uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information.</li> </ul> <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p> |
|--|---|

| <b>Responsibilities for the accounting records</b>   |   |
|--|---|
| <i>Responsibilities of the Council</i>   | <i>Responsibilities of the Appointed Auditor</i>  |
| <p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> <li>• correctly record and explain the transactions of the public entity;</li> <li>• enable you to monitor the resources, activities, and entities under your control;</li> <li>• enable the public entity's financial position to be determined with reasonable accuracy at any time;</li> <li>• enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and</li> <li>• are in keeping with the requirements of the Commissioner of Inland Revenue.</li> </ul> | <p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p> |



| Responsibilities for accounting and internal control systems  |  |
|---|--|
| <i>Responsibilities of the Council</i>  | <i>Responsibilities of the Appointed Auditor</i>   |
| <p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the public entity), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and - where applicable - performance information reporting.</p> | <p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p> |

| Responsibilities for preventing and detecting fraud and error  |   |
|--|---|
| <i>Responsibilities of the Council</i>   | <i>Responsibilities of the Appointed Auditor</i>  |
| <p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of the public entity) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the Southland District Council with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p> | <p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> <li>• obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and</li> <li>• report to you any significant weaknesses in internal control that come to our notice.</li> </ul> <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p> |

| Responsibilities for compliance with laws and regulations   |  |
|---|--|
| <i>Responsibilities of the Council</i>  | <i>Responsibilities of the Appointed Auditor</i>   |
| <p>You are responsible for ensuring that the public entity has systems, policies, and procedures (appropriate to the size of the public entity) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the public entity are complied with. Such systems, policies, and procedures should be documented.</p> | <p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> <li>• the relevance of the law or regulation to the audit;</li> <li>• our assessment of the risk of non-compliance;</li> </ul> |



|  |  |
|--|--|
|  | <ul style="list-style-type: none"> <li>the impact of non-compliance for the addressee of the audit report.</li> </ul> <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p> |
|--|--|

| <b>Responsibilities to establish and maintain appropriate standards of conduct and personal integrity</b>  |  |
|--|--|
| <p><i>Responsibilities of the Council</i></p> <p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p> | <p><i>Responsibilities of the Appointed Auditor</i></p> <p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of the public entity may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p> <p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p> |



| <b>Responsibilities for conflicts of interest and related parties</b>  |   |
|--|---|
| <i>Responsibilities of the Council</i>   | <i>Responsibilities of the Appointed Auditor</i>  |
| <p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p> | <p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p> |

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

| <b>Responsibilities under the Health and Safety at Work Act 2015</b>  |  |
|---|--|
| <i>Responsibilities of the Council</i>  | <i>Responsibilities of the Appointed Auditor</i>   |
| <p>We expect you to work with us to ensure the health and safety of our audit staff.</p> <p>You must ensure, so far as is reasonably practicable, the health and safety of our audit staff while they are on your premises, or otherwise engaging with you on their audit work. We expect you to provide a safe and healthy work environment, which includes, but is not limited to, providing:</p> <ul style="list-style-type: none"> <li>• information, training, instruction, and supervision to protect them from work related health and safety risks, including inductions on workplace emergency evacuation procedures;</li> <li>• suitably designed workstations that support and maintain an ergonomically correct body posture, including adequate lighting and ventilation;</li> <li>• adequate welfare facilities, such as appropriate bathroom and washing amenities, suitable drinking water, and rest facilities;</li> <li>• appropriately labelled and equipped first-aid kits;</li> <li>• personal protective equipment (PPE) when all other control measures can't adequately eliminate or minimise risks to a worker's health and safety; and</li> <li>• protection from offensive conduct such as aggressive slurs and/or behaviours, physical assaults or threats, intimidation, ridicule or mockery, insults, or put-downs.</li> </ul> <p>We expect you to work with us to resolve any health and safety concerns related to our audit staff.</p> | <p>The Auditor-General and Deloitte Limited take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, as a person conducting a business or undertaking (PCBU) we will make arrangements with you to keep our audit staff safe while they are working at your premises or otherwise engaging with you on their audit work.</p> <p>We will obtain an understanding of health &amp; safety systems, policies, and procedures put in place for the purpose of ensuring compliance with legislative and regulatory requirements.</p> <p>We will take reasonable care of our own health and safety, and we will take reasonable care that what we do or don't do does not adversely affect the health and safety of other people.</p> <p>We will cooperate with the workplace health and safety policies and procedures of the Southland District Council and comply with any reasonable instructions given.</p> <p>We will monitor the health and safety of our audit staff (in particular, to ensure you are providing the things listed under your responsibilities to ensure a safe and healthy work environment for our audit staff when they are on your premises), and we may advise someone at your premises (such as a Chief Financial Officer and/or a health and safety representative) if we have a health and safety concern related to our audit staff. We will work with you to resolve any health and safety concerns related to our audit staff.</p> |



Deloitte  
Otago House  
481 Moray Place  
Dunedin 9016

PO Box 1245  
Dunedin 9054  
New Zealand

Tel: +64 3 474 8630  
Fax: +64 3 474 8650  
[www.deloitte.co.nz](http://www.deloitte.co.nz)

25 March 2026

Rob Scott  
Mayor  
Southland District Council  
PO Box 903  
Invercargill 9840

Copy: Manager Auditor Appointments  
Office of the Auditor-General  
PO Box 3928  
Wellington

Dear Rob,

**Proposal to conduct the audit of Southland District Council and subsidiaries on behalf of the Auditor-General for the 2026, 2027 and 2028 financial years.**

**1 Introduction**

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next 3 years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the financial years ending 30 June 2026, 30 June 2027 and 30 June 2028. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial year ending 30 June 2026 and reasons for any change. A fee proposal for the audit of the financial years ending 30 June 2027 and 30 June 2028 will be proposed ahead of the respective audits;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organisation"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more. Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

CONFIDENTIAL



**2 Statutory basis for the audit and how audit fees are set**

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001, which states that “the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, your Finance and Assurance Committee and I have the opportunity to reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

**3 Entities covered by this proposal**

This proposal covers the audits of the following entities:

- Southland District Council

**4 Key members of the audit team**

|                          |                |
|--------------------------|----------------|
| Appointed Auditor        | Heidi Rautjoki |
| Quality Control Reviewer | Pam Thompson   |
| Audit Manager            | Kevin Bakker   |

**5 Estimated audit hours**

We estimate that the following hours will be required to carry out the audits (compared to budgeted and actual data from the previous financial year):

| <b>Audit team member</b> | <b>2025 budget</b> | <b>2025 actual (*)</b> | <b>2026 budget (**)</b> |
|--------------------------|--------------------|------------------------|-------------------------|
| Appointed Auditor        | 70                 | 51                     | 70                      |
| Review Partner           | 15                 | 9                      | 15                      |
| Audit Manager            | 120                | 95                     | 120                     |
| Other CA qualified staff | 265                | 227                    | 265                     |
| Non CA qualified staff   | 350                | 568                    | 350                     |
| Other specialists        | 0                  | 0                      | 0                       |
| IT specialists           | 80                 | 86                     | 80                      |
| <b>Total audit hours</b> | <b>900</b>         | <b>1,036</b>           | <b>900</b>              |

(\*) NOTE – We have benchmarked these hours with our Deloitte portfolio of other Council audits to ensure these hours are reasonable and consistent.

(\*\*) NOTE - This assessment does not include any additional hours associated with water service reforms. If there are significant changes the hours and fee may require to be re-visited.



## 6 Proposed audit fees

Our proposed fees for the next audit (compared to budgeted and actual data from the previous financial year) are:

| Structure of audit fees  | 2025 budget fees | 2025 actual fees charged | 2026           |
|--|------------------|--------------------------|----------------|
|  | \$               | \$                       | \$             |
| Net audit fee (excluding OAG Audit Standards and Quality Support charge and disbursements) | 175,000          | 175,000                  | 182,350        |
| OAG Audit Standards and Quality Support charge   | 17,883           | 17,883                   | 18,684         |
| <b>Total audit fee (excluding disbursements)</b>   | <b>192,883</b>   | <b>192,883</b>           | <b>201,034</b> |
| Estimated Disbursements including technology disbursement charge (3%)                      | 17,000           | 12,146                   | 17,500*        |
| <b>Total billable audit fees and charges</b>   | <b>209,883</b>   | <b>205,029</b>           | <b>218,534</b> |
| GST  | 32,178           | 31,450                   | 32,660         |
| <b>Total (including GST)</b>   | <b>242,061</b>   | <b>236,479</b>           | <b>251,194</b> |

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support charge.

\*Estimate.

The technology fee is a charge that is 3% of the net audit fee for costs relating to delivering the audits in a virtual and digital environment. These costs pertain to the processes, controls and systems for the secure handling of data and other technology related items such as data changes, hardware and software costs and licensing fees.

We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

### 6.1 Reasons for changes in audit fees

The increase in audit fee is due to the inflation increase of 4.2%.

| Reasons for increased or decreased audit fees compared to previous period <u>budgeted</u> fees. | 2026         |
|---|--------------|
| Predicted staff salary cost movements inflation 4.2%  | 7,350        |
| <b>Total increase (decrease) in audit fees</b>  | <b>7,350</b> |



## 7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- You will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit.
- Your staff will provide us with an appropriate level of assistance.
- Your organisation's annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit.
- Your organisation's financial statements will include all relevant disclosures.
- We will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website).
- There are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us).
- There are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work.
- There are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above.
- There are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, timing of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, we will discuss the issues and any implications for our audit costs and your audit fees with you and the OAG at the time.

## 8 What the OAG Audit Standards and Quality Support charge provides

Parliament has indicated that it expects the full cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support charge) to be funded by public entities.

The OAG Audit Standards and Quality Support charge partially funds a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and



- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support charge portion of the audit fee, to the OAG.

#### 9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

#### 10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely

Heidi Rautjoki  
Partner  
For Deloitte Limited

---

I accept the audit fees for the audit of the 2026 financial year as stated above.

Full name: \_\_\_\_\_ Position: \_\_\_\_\_

Authorised signature: \_\_\_\_\_ Date: \_\_\_\_\_

Entity name: \_\_\_\_\_

**Deloitte.**



## Southland District Council

Planning report to the Finance and Assurance Committee  
for the year ending 30 June 2026

March 2026



### **Purpose of report**

*This report has been prepared for Southland District Council's Finance and Assurance Committee and is part of our ongoing discussions as auditor in accordance with our engagement letter dated 25 March 2026 and as required by Auditor-General auditing standards.*

*This plan is intended for the the Committee and other Councilors and should not be distributed further. We do not accept any responsibility for reliance that a third party might place on this report should they obtain a copy without our consent.*

*This report includes only those matters that have come to our attention as a result of performing our audit procedures to date and which we believe are appropriate to communicate to the Committee Members. The ultimate responsibility for the preparation of the financial statements rests with the Councillors.*

© 2026. Deloitte Limited

### **Responsibility statement**

*We are responsible for conducting an audit Southland District Council and its subsidiaries (the 'Council') for the year ended 30 June 2026 in accordance with Auditor-General auditing standards issued by the Auditor General. Our audit is performed pursuant to the requirements of the Local Government Act 2002 with the objective of forming and expressing an opinion on the consolidated financial statements, non-financial performance information, and other information required by Schedule 10 of the Local Government Act 2002, and summary financial statements that have been prepared by management with the oversight of the Councilors. The audit is also completed under the terms of our contract with the OAG. In accordance with the Local Government annual audit brief, issued by the OAG, we are also required to focus on additional areas which are outlined in the Areas of Focus section of this report. The audit of the financial statements does not relieve management or the Councilors of their responsibilities.*

*Our audit is not designed to provide assurance as to the overall effectiveness of the Council's controls, but we will provide you with any recommendations on controls that we may identify during the course of our audit work.*

| CONFIDENTIAL

2



# Contents

## Section 1 – Planning report

|  |        |
|--|--------|
| Introduction   | 5      |
| Executive summary                                      | 6      |
| Areas of audit focus                                   | 7 - 11 |
| An elevated focus on the Council’s control environment | 12     |
| A focus on your IT control environment                 | 13     |
| A focus on your internal control activities            | 14     |
| A focus on your IT control activities                  | 15     |

## Section 2 – Technical update

|  |    |
|--|----|
| Support for better performance reporting | 17 |
|--|----|

## Appendices

|  |         |
|--|---------|
| Our audit explained                    | 19      |
| Materiality                            | 20      |
| Other compliance matters               | 21      |
| Other information in the annual report | 22      |
| Independence and fees                  | 23 - 24 |
| Continuous communication and reporting | 25      |
| Your client service team               | 26      |



# Planning report

© 2026. Deloitte Limited

Southland District Council | Planning Report to the Finance and Assurance Committee | CONFIDENTIAL

4



## Introduction

Dear Finance and Assurance Committee,

We are pleased to provide you with our planning report for the audit of Southland District Council for the year ending 30 June 2026. We understand our responsibility to you, and we have developed a tailored audit plan that summarises the key aspects of our audit scope and approach, our planned communications with you, and our team structure.

This report is designed to outline our respective responsibilities in relation to the audit, to present our audit plan and to facilitate a two-way discussion on the plan presented. This plan is therefore intended for the Committee Members and should not be distributed further.

We appreciate the opportunity to serve the Council. We hope the accompanying information will be useful to you, and we look forward to answering your questions about our plan.

A handwritten signature in blue ink, appearing to read 'H Rautjoki', located below the main text.

**Heidi Rautjoki, Partner  
for Deloitte Limited**  
On behalf of the Auditor-General  
Dunedin | 25 March 2026



## Executive summary

This executive summary details the key drivers of our audit strategy and how that leads to our areas of audit focus. We also summarise other key matters that may be of interest as detailed later in this audit plan.

| Key areas of audit focus |   | Status |
|--------------------------|---|--------|
| 1                        | Rates   |        |
| 2                        | Management Override of Controls                         |        |
| 3                        | Valuation of Property, Plant and Equipment and Forestry |        |
| 4                        | Statement of Service Performance                        |        |
| 5                        | Local Government Funding Agency                         |        |
| 6                        | Landfill aftercare provision                            |        |
| 7                        | Matters raised by the OAG                               |        |

★ New area of focus      Continuing area of focus

| Matters of interest   |
|---|
| <p><b>Local Water Done Well</b></p> <p>Local Water Done Well is New Zealand’s current water services reform framework, replacing the former Three Waters program and came into effect from 3 September 2024. It is governed by the Local Government (<i>Water Services Preliminary Arrangements</i>) Act 2025 and related legislation, which aim to ensure water services are financially sustainable, safe, and locally controlled while meeting national standards.</p> <p>The Council has submitted their Water Services Delivery Plan on 14 August 2025, and acceptance was obtained 12 November 2025. The Council elected to adopt the Adjusted Status Quo model option for ongoing in-house service delivery. The new water service delivery model will take effect on 1 July 2027.</p>   |
| <p><b>Proposed Government rates cap</b></p> <p>The Government recently announced its plan to introduce a rates cap by 2029 (with transition commencing on 1 January 2027).</p> <p>The announcement noted analysis suggests a target range of 2% - 4% per year, which would mean annual increases are limited to a maximum of 4%. The cap will apply to all sources of rates, with some exclusions. Permission will be required from an appointed regulator to increase rates beyond the upper end of the range (only intended for extreme circumstances).</p> <p>While there is still uncertainty about the final form of this legislation, it is expected that proposed legislation will be enacted during 2026 and be law from 1 January 2027. A transitional period is expected to commence from 1 January 2027 with full effect by 2029. If enacted long term planning processes will need to integrate the impact of the rates cap. The Department of Internal Affairs (DIA) will develop the regulatory framework, monitor progress and provide guidance.</p> |



## Areas of audit focus

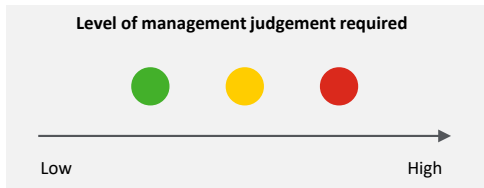
### Financial statements dashboard

| Area of audit focus                                     | Significant risk | Fraud risk | Control testing planned | Level of management judgement | Management paper expected | Page # |
|---|------------------|------------|-------------------------|-------------------------------|---------------------------|--------|
| Revenue recognition - Rates                             | ✘                | ✘          | D                       | ●                             | ✘                         | 8      |
| Management Override of Controls                         | ✓                | ✓          | D                       | N/A                           | ✘                         | 8      |
| Valuation of Property, Plant and Equipment and Forestry | ✓                | ✘          | D                       | ●                             | ✘                         | 9      |
| Statement of Service Performance                        | ✘                | ✘          | D                       | ●                             | ✘                         | 9      |
| Local Government Funding Agency                         | ✘                | ✘          | N/A                     | ●                             | ✘                         | 10     |
| Landfill aftercare provision                            | ✘                | ✘          | N/A                     | ●                             | ✘                         | 10     |
| Matters raised by the OAG                               | ✘                | ✘          | N/A                     | ●                             | ✘                         | 11     |

**Control testing planned**

D: Evaluate whether control design manages risk appropriately

OE: Planning to test if controls were operating effectively and can be relied upon





## Areas of audit focus

| Area of audit focus   | Our approach  |
|---|---|
| <p><b>Revenue recognition - Rates</b></p> <p>Over the past decade, there have been a number of issues within the Local Government sector with regards to rates not being set in accordance with the Local Government (Rating) Act 2002 (LGRA). Compliance with the detail of the LGRA is vital: if the rate is not within the range of options and restrictions provided for in that Act, it may not be valid.</p> <p>Management and Council need to continue to ensure that the requirements of the LGRA are adhered to and that there is consistency between the rates resolution, the Funding Impact Statement for that year, and the Revenue and Financing Policy.</p> <p>For the audit we plan to rebut the presumed significant fraud risk associated with a material misstatement in the financial statements as a whole due to fraud in rates. This approach is consistent within the sector.</p> | <p>We plan to:</p> <ul style="list-style-type: none"> <li>Understand and evaluate the rating process and controls over rates revenue recognised in the financial statements.</li> <li>Complete a 'rates questionnaire' compiled by the OAG, (similar to that completed in the prior year), to assess whether rates have been set correctly at Council.</li> <li>Review the meeting minutes recording the adoption of the rates resolution, considering whether the rates are in accordance with the Revenue and Financing Policy as well as reviewing any other information available with regard to rates.</li> <li>Reconciles the rates to the general ledger.</li> <li>Reconcile the QV data to the rates strike and compare the rates per the rates resolution to a sample of individual rate payer's calculations.</li> </ul>  |
| <p><b>Management override of controls</b></p> <p>We are required to design and perform audit procedures to respond to the risk of management's override of controls.</p>  | <p>We plan to:</p> <ul style="list-style-type: none"> <li>Understand and evaluate the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements.</li> <li>Test the appropriateness of a sample of journal entries and adjustments and make enquiries about inappropriate or unusual activities relating to the processing of journal entries and other adjustments.</li> <li>Review accounting estimates for biases that could result in material misstatement due to fraud, including assessing whether the judgements and decisions made, even if individually reasonable, indicate a possible bias on the part of management.</li> <li>Perform a retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements.</li> <li>Obtain an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of the entity and its environment.</li> </ul> |



## Areas of audit focus

| Area of audit focus  | Our approach  |
|--|---|
| <p><b>Valuation of Property, Plant and Equipment and Forestry</b></p> <p>The Council completes an annual revaluation of its infrastructure and forestry assets. The fair value is assessed by external valuers. The revaluation assumptions are key judgements, and the infrastructure assets represent a major component of the balance sheet of the Council.</p>   | <p>We plan to:</p> <ul style="list-style-type: none"> <li>• Challenge the assessment completed by the relevant valuers, including an assessment of the assumptions used.</li> <li>• Hold discussions with the valuers and management.</li> <li>• Reconcile the fixed asset register to the general ledger, and agree the opening balances at 1 July 2025 (which are used as inputs to the valuation).</li> <li>• Confirm that the external valuers are independent and have the necessary skills and expertise to perform the valuation.</li> <li>• Review the fixed asset register movements and test samples of additions, disposals and depreciation.</li> <li>• Ensure the valuation movements have been correctly accounted for as well as verify the relevant financial statement disclosures.</li> </ul> |
| <p><b>Statement of Service Performance</b></p> <p>The Council’s annual report is required to include an audited Statement of Service Performance (SSP) which reports against the performance framework included in the annual plan.</p> <p>The SSP is an important part of Council’s annual performance reporting, and it is important it adequately “tells the performance story” for each group of activities.</p> <p>Our audit opinion considers whether the service performance information:</p> <ul style="list-style-type: none"> <li>• Is based on appropriately identified elements (outcomes, impacts, outputs), performance measures, targets/results; and</li> <li>• Fairly reflects actual service performance for the year (i.e. not just reports against forecast).</li> </ul> | <p>We plan to:</p> <ul style="list-style-type: none"> <li>• Review Council’s SSP against legislative requirements and good practice. This will include checking consistency with the performance framework included in the 2024-2034 LTP and 2025/2026 LTP year 2.</li> <li>• Audit a sample of the reported performance measures, with a focus on the more significant groups of activities.</li> <li>• Review the narrative commentary and explanatory information provided in the annual report to ensure that this provides sufficient information to the readers i.e. “tells the performance story”.</li> </ul>  |



## Areas of audit focus

| Area of audit focus   | Our approach  |
|---|---|
| <p><b>Local Government Funding Agency</b></p> <p>The Council voted to become a guarantor member of the LGFA in the 2022 fiscal year in order to obtain the favourable borrowing rates available. At June 2025 Council's total borrowings from the LGFA was \$91.6 million.</p>  | <p>We plan to:</p> <ul style="list-style-type: none"> <li>Review the funding documentation and assess whether the accounting treatment of the debt is appropriate and in line with guidance provided to the Local Government sector.</li> <li>Obtain confirmation from the LGFA of the security stock issued at 30 June 2026.</li> <li>Review the disclosure relating to any borrowings at 30 June 2026.</li> <li>Review the debenture trust reporting as part of the separate Debenture Trust reporting engagement.</li> </ul>   |
| <p><b>Landfill aftercare provision</b></p> <p>While the Council always had obligations under its Resource Consent for the landfills and had disclosed these as such as contingent liabilities in the financial statements, it was not until 2020/2021 when Environment Southland completed additional investigative work on the Councils landfills and recommended that 19 out of 56 landfills required additional information that follow up work was undertaken. A risk assessment report was completed in 2021, and it was deemed 5 of these landfills were high risk and required remedial action. Prior to this the Council had no view of which sites were high risk, and or would require remedial action.</p> <p>The landfill risk assessment report was completed in September 2022 and identified that out of the 56 council landfill sites that 5 required remedial action. A management report was then undertaken on the 5 at risk landfill sites and completed in June 2023. This report provided recommendations and estimates on the work required.</p> <p>Landfill after care provision balance as of June 2025 amounted to \$9,495,953 (2024: \$8,186,181).</p> <p>The movement compared to last year is mainly explained through the updated landfill aftercare provision calculation. The calculation was updated to include discount and inflation rates from The Treasury website, for each year of the expected costs to complete the scheduled works, as opposed to previously applying a single flat rate across the life of the projects.</p> | <p>We plan to:</p> <ul style="list-style-type: none"> <li>Challenge the assessment completed by the engineers, including an assessment of the assumptions used, significant changes in assumptions and inputs used from the prior year.</li> <li>Reconcile the provision calculation received from management against the ending balance in the general ledger as at 30 June 2026.</li> <li>Perform a recalculation to verify the accuracy of the provision balance in the general ledger.</li> <li>Ensure the provision movements have been correctly accounted for as well as verify the relevant financial statement disclosures.</li> </ul> |



## Areas of audit focus

### Matters raised by the OAG

| Area of audit focus  | Our approach  |
|--|---|
| <p><b>Effectiveness, efficiency, waste and probity:</b> Good practice involves the establishment of policies and controls to ensure that expenses have a justifiable business purpose; preserve impartiality; have been made with integrity; are moderate and conservative; have regard to the circumstances; have been made transparently; and are appropriate in all respects.</p> | <p>We plan to:</p> <p>We are required to remain alert for issues of effectiveness and efficiency, waste, and a lack of probity or financial prudence throughout the audit. We also plan to:</p> <ul style="list-style-type: none"> <li>Assess policies and procedures in place for expenses and procurement processes; and</li> <li>Test a sample of expenses for appropriateness against good practice and other guidance issued as relevant for Council. Our tests will focus primarily on sensitive expenditure such as board and senior management pay, travel and expenses; large contract tenders; related party transactions; and payments to offshore locations.</li> </ul> |
| <p><b>New Zealand Mutual Liability Risk pool scheme:</b> Although Risk pool is in wind down, member councils have an ongoing obligation to contribute to it should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme.</p>  | <p>We plan to:</p> <ul style="list-style-type: none"> <li>Update our understanding of Council’s involvement in the New Zealand Mutual Liability Riskpool Scheme and if any call for funding has been made to date; and</li> <li>Review any disclosures in the financial statements relating to this matter for consistency and completeness.</li> </ul>   |



## An elevated focus on the Council’s control environment

We continue to increase our focus on internal controls as a core element of our audit as a strong control environment is core to both reliable financial reporting and business resilience.




The economic environment is challenging. Increasing operational, regulatory and financial complexity, renders businesses more exposed than ever to fraud and error. In addition, reflecting macroeconomic volatility - management teams are having to identify and respond to new risks more frequently than ever before.

As a result, stakeholders globally, not just the financial markets and regulators but also government and wider society, are expecting higher standards of corporate and financial governance.

In today’s economic climate, it is critical for a council to be able to effectively identify and then respond to risks and challenges on a timely basis. Strong governance and control are essential in this regard.

Robust processes and controls are fundamental to financial resilience, with internal controls being the foundation that enables council to protect itself and build stakeholder trust and confidence.

When designed and implemented appropriately, a robust internal control environment:

-  **Reduces risk** through fraud and error prevention and detection, safeguarding of council assets and ensuring compliance with laws and regulations;
-  **Increases financial resilience** by enabling transparency, accountability, viability and increased reliability and integrity of financial information; and
-  **Optimises returns** by establishing a foundation to support growth, including easier access to markets and funding.



We have elevated the transparency of our evaluation of your control environment and thematic observations on where strengthening would support business resilience and financial reporting reliability.

An effective, robust control environment is particularly important in times of uncertainty, where risks arise, and the council needs to identify them quickly and respond confidently.

Key information and data that is reliable and accurate is integral for decision-makers for analysis and evaluation in real-time, allowing companies to achieve its commercial objectives with a grounded understanding of the risks associated with its decisions.



## A focus on your IT control environment

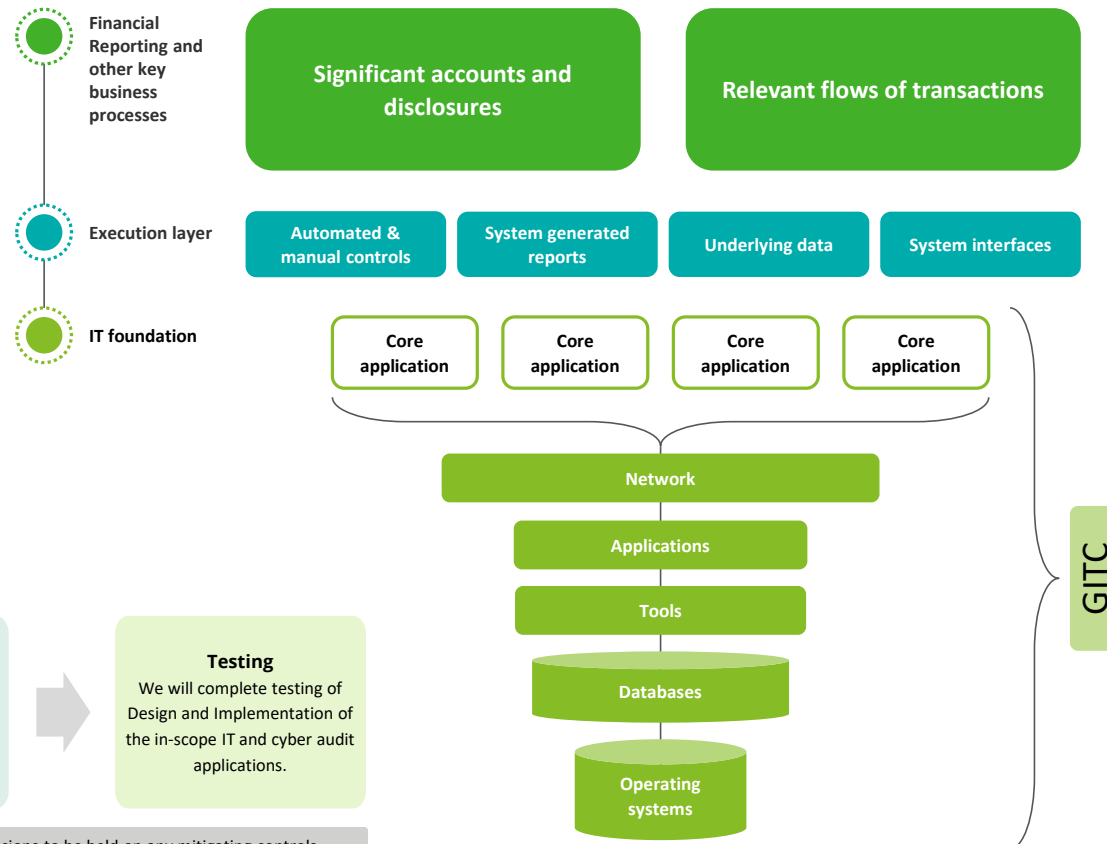
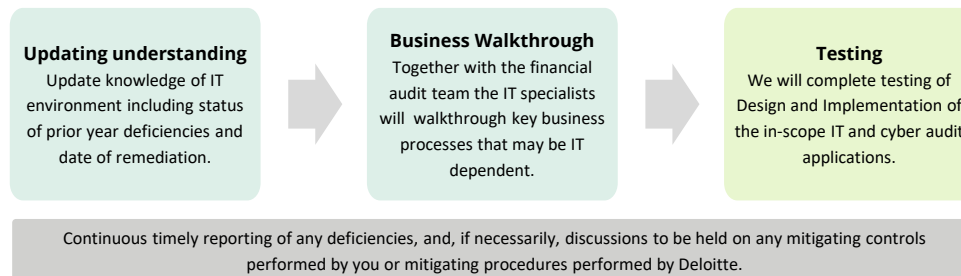
### Our planned approach to the IT environment which underpins financial reporting

#### A specific focus on foundational technology controls

Technology plays a substantial and important role in the overall system of internal controls. Manual controls in the form of approvals, reviews and reconciliations typically rely on information produced by IT systems, or are enforced through the systems. A myriad of automated controls are also baked into modern systems to enhance the integrity of information, protect data and assets and create internal efficiencies. All of these depend, in turn, on effective general IT controls (GITCs) to ensure that access to information is protected, that people are able to fulfil their responsibilities but not bypass any of the controls, and that IT systems continue to operate effectively and evolve to meet ever-changing business needs and the ever-changing risk landscape.

Where you have invested in technology-based internal controls it ultimately allows Committee Members greater confidence in the accuracy of financial reporting and an opportunity for us to leverage your systems in our audit approach. This starts with identification of the most relevant automated and partially automated controls, as well as the underlying and pervasive general IT controls on which they depend. Where effective, reliance on these IT controls provides tremendous benefits in the efficiency and effectiveness of our audit, and allows us to provide feedback, insights and opportunities for improvement in critical business risk areas such as cyber risk and technology change.

Our approach for the year will include:





## A focus on your internal control activities

### Dashboard of our planned internal controls approach to key processes

We outline below our planned approach for testing controls over key process. The results of this testing may influence the scope of our substantive testing.

| Key process                      | Planned Approach |
|----------------------------------|------------------|
| Revenue                          | M D              |
| Financial Reporting              | M D              |
| Expenditure & Payroll            | M D              |
| Fixed Assets                     | M D              |
| Statement of Service Performance | M D              |

#### Types of controls tested

- M Manual controls
- A Automated controls

#### Controls approach planned

- D Evaluate whether relevant control is designed and implemented to address risk appropriately
- O Planning to test if controls were operating effectively and can be relied upon
- S IT specialists testing automated controls



## A focus on your IT control activities

We outline below our planned approach for testing controls over key systems. Our IT specialist team will be involved with this part of the work unless indicated otherwise (\*). The results of this testing may influence the scope of our substantive testing.

| Key process         | Key system due to IT dependent control | Planned Approach |
|---------------------|--|------------------|
| Revenue             | JDE OneWorld                           | G I D            |
| Deferred revenue    | JDE OneWorld                           | G I D            |
| Financial reporting | JDE OneWorld                           | G I D            |

| Key system(s) | Supporting tools | Planned Approach |
|---------------|------------------|------------------|
| JDE OneWorld  | N/A              | G D              |

**Types of controls tested**

- G General IT controls (or a portion thereof)
- A Automated controls
- I Information produced by system

**Controls approach planned**

- D Evaluate whether relevant control is designed and implemented to address risk appropriately
- O Planning to test if controls were operating effectively and can be relied upon



# Technical update

© 2026. Deloitte Limited

Southland District Council | Planning Report to the Finance and Assurance Committee | CONFIDENTIAL

16



# Support for better performance reporting

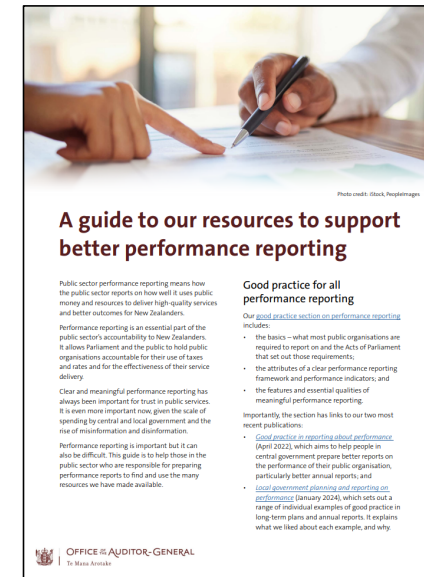
## Observations from the OAG

Public sector performance reporting means how the public sector reports on how well it uses public money and resources to deliver high-quality services and better outcomes for New Zealanders. Clear and meaningful performance reporting has always been important for trust in public services. It is even more important now, given the scale of spending by central and local government and the rise of misinformation and disinformation.

Performance reporting is important, but it can also be difficult. In June 2024, the OAG issued this guide to help those in the public sector who are responsible for preparing performance reports to find and use the many resources that are available.

The report available [here](#), covers resources available for:

- All organisations with performance reporting;
- Central government or Crown entities;
- Councils;
- Tertiary education institutions;
- Health sector entities; or
- Reporting on performance across a sector.



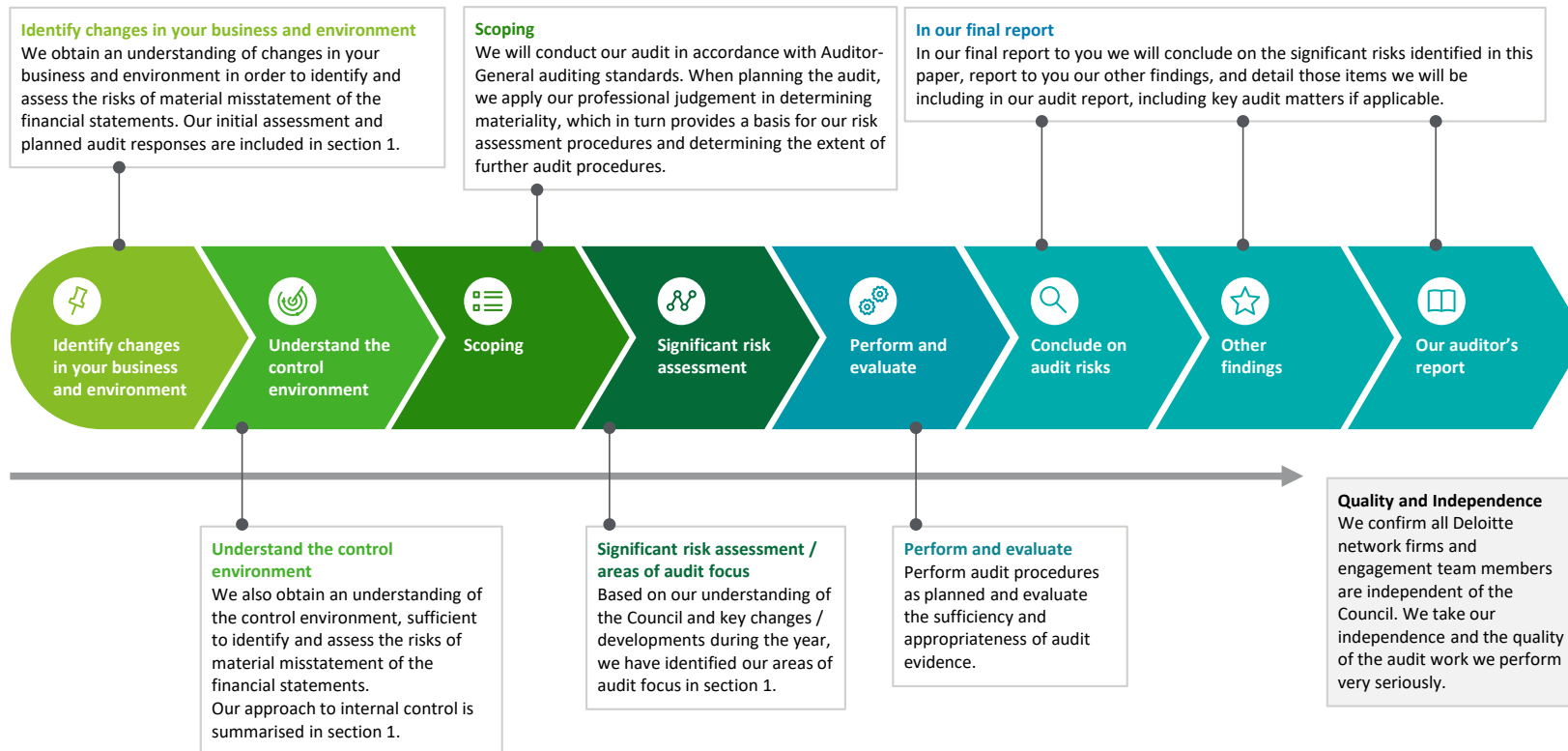


# Appendices



## Our audit explained

We tailor our audit to the council and its strategy





# Materiality

## Our approach to materiality

### Establishing an appropriate materiality level

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We expect that our materiality will be similar to last year (approx. \$3.6m for Council) and will be based off expenses as it has been previously. We do not expect that the extent of our work will change significantly from previous years given discussions we've had with management on current year forecasts.



## Other compliance matters

There are a range of matters we are required to report to you as part of our communications to management and the Committee Members and other Councillors.

### Related Party Transaction Disclosures

- The Council is required to identify, account and disclose related party relationships and transactions in accordance with the applicable financial reporting framework.
- We will perform procedures to obtain an understanding of the controls, if any, that the Council has established around identifying, accounting for, and disclosing related party relationships and transactions in accordance with the applicable financial reporting framework; as well as the authorisations and approvals process for significant transactions and arrangements with related parties or those outside the normal course of business.
- We will also identify and assess the risks of material misstatement associated with related party relationships and transactions, including determining whether any of those risks are fraud or significant risks, and design and perform further audit procedures to obtain sufficient appropriate audit evidence.

### Compliance with Laws and Regulations

- The Council is also required to ensure that its operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements.
- We are required to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to understand its nature, and evaluate the effect on the financial statements.

### Fraud Characteristics

- In relation to fraud, the primary responsibility for the prevention and detection of fraud rests with management and the Councillors, including establishing and maintaining internal controls over the reliability of financial reporting.
- We will obtain an understanding of how the Committee Members exercise oversight of the Council's processes for identifying and responding to the risks of fraud and the internal controls that have been established to mitigate these risks, as well as making enquiries of management and the Committee Members to determine whether you have knowledge of any actual, suspected or alleged fraud affecting the Council.

### Written Representations

We will request a number of written representations in a representation letter, relating to each of these areas, including that appropriate disclosure of all matters has been made to the auditor.



## Other information in your annual report

### Our work on other information is limited

We have a responsibility to read other information, whether financial or non-financial, that is included in your annual report. We have to assess the other information for consistency with the information and understanding we obtain during our audit of the financial statements and service performance information, however we are not required to audit the disclosures or metrics presented. Our work is therefore limited, and no assurance is provided on the other information.

As a reminder, there are key elements of the annual report where we have further reporting responsibilities. We have held discussions with management regarding new disclosures and key metrics as follows:

| Area                                       | Work we do | Deloitte comment   |
|--|------------|--|
| Chief Executive's Report                   | ●          | We evaluate whether the report is in line with our understanding and our audit procedures.                           |
| Governance Report                          | ●          | We evaluate whether the report is in line with our understanding and our audit procedures.                           |
| Statement of Compliance and Responsibility | ●          | We have evaluated the statement of compliance and responsibility and whether this is compliant with the regulations. |

#### Work required by ISA (NZ):

- Assess other information for consistency with the financial statements and information obtained in the course of the audit

#### Work beyond ISA (NZ) requirements:

- Tested as part of a separate engagement



## Independence and fees

### Relationships / non-assurance services

We are aware of the following relationships (including provision of non-audit services) between us and the Council that, in our professional judgement, may reasonably be thought to bear on our objectivity and independence. The following relationships represent matters that have arisen in the current financial year.

| Relationship / Service provided | Entity service provided to | Fees (\$) | Threats to auditor independence | Safeguards in place * |
|---------------------------------|----------------------------|-----------|---------------------------------|-----------------------|
| Extended assurance              | Southland District Council | 70,600    | Familiarity                     | (1)                   |

\* Where non-assurance services have been provided, we have identified the particular safeguards applied in order to protect our objectivity and independence:

(1) The extended assurance engagement was provided by individuals not involved with the engagement. The engagement has been approved by the OAG.



## Independence and fees (cont.)

### Fees

We summarise below our proposed audit fees as discussed with management including details of any scope changes.

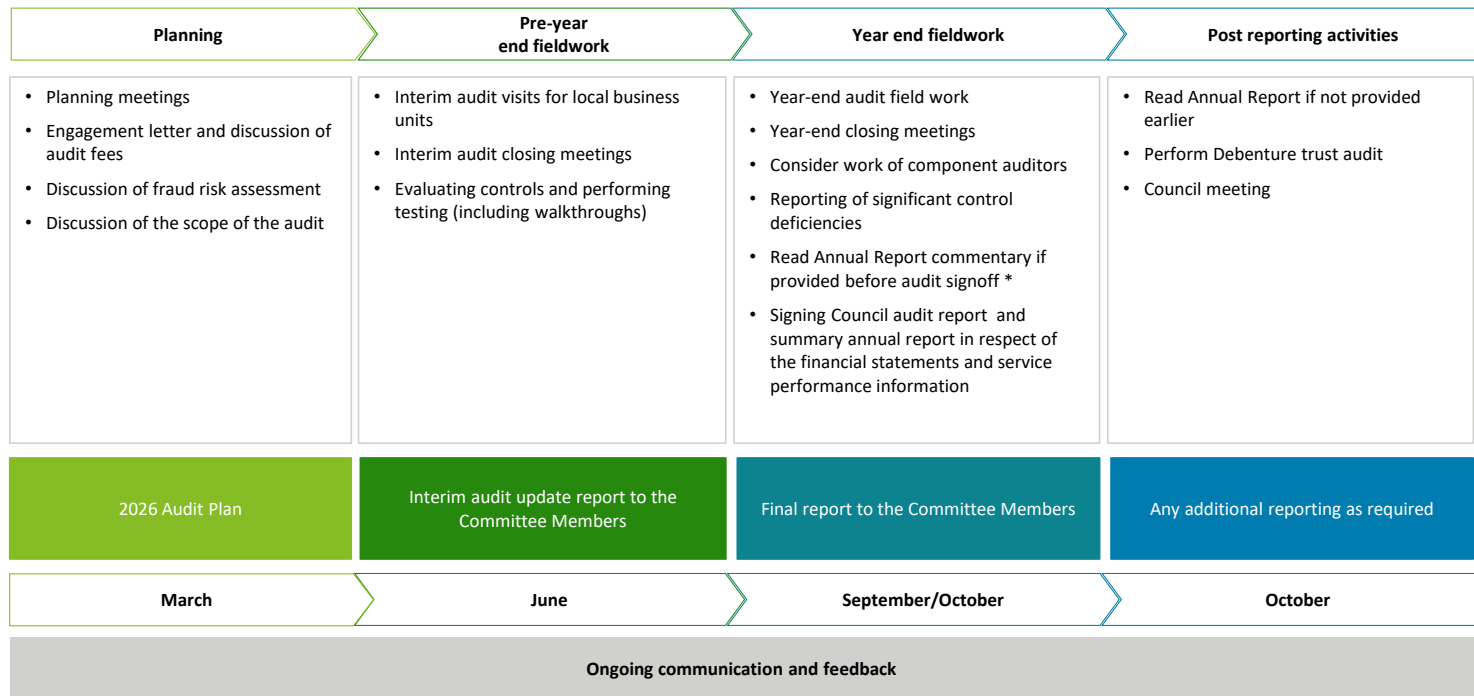
|  | CY             | PY             |
|--|----------------|----------------|
| Fees payable for the audit of the Council’s financial statements | 182,350        | 175,000        |
| <b>Total audit fees for the financial statements</b>             | <b>182,350</b> | <b>175,000</b> |
| Fees for the Debenture trust audit                               | 4,830          | 4,635          |
| <b>Total audit related and other assurance fees</b>              | <b>187,180</b> | <b>179,635</b> |
| Extended assurance services as outlined on the previous slide    | 70,600         | 4,600          |
| <b>Total Extended assurance fees</b>                             | <b>70,600</b>  | <b>4,600</b>   |
| <b>Total fees incurred for services provided</b>                 | <b>257,780</b> | <b>184,235</b> |



## Continuous communication and reporting

### Planned timing of the audit



As the audit plan is executed throughout the year, the results will be analysed continuously, and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



\* We are required to read the other information to consider if there are any material inconsistencies which we are obliged to report on. We will need sufficient time to perform the review.



## Your client service team

| Team member  | Role   |
|--|--|
|  <p><b>Heidi Rautjoki</b><br/> <b>Audit Engagement Partner</b><br/>                     +64 21 202 4989<br/> <a href="mailto:hrautjoki@deloitte.co.nz">hrautjoki@deloitte.co.nz</a></p> | <p>Our audit will be led by Heidi Rautjoki as Audit Partner.<br/>                     Heidi Rautjoki will oversee the co-ordination of the audit and has primary responsibility for working with your management team.</p> |
|  <p><b>Kevin Bakker</b><br/> <b>Audit Associate Director</b><br/>                     +64 22 077 1847<br/> <a href="mailto:Kevbakker@deloitte.co.nz">Kevbakker@deloitte.co.nz</a></p>   | <p>Kevin Bakker will be the primary point of contact for the finance team and will oversee the day-to-day execution of the audit.</p>  |



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

Deloitte provides leading professional services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets and enable clients to transform and thrive. Building on its 180-year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 460,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

Deloitte New Zealand brings together more than 1900 specialist professionals providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Tauranga, Hamilton, Rotorua, Wellington, Christchurch, Queenstown and Dunedin, serving clients that range from New Zealand’s largest companies and public sector organisations to smaller businesses with ambition to grow. For more information about Deloitte in New Zealand, look to our website [www.deloitte.co.nz](http://www.deloitte.co.nz).

© 2026. Deloitte Limited.

---

## Annual Report 2025/2026 timetable

Record no: R/26/3/104005  
Author: Jo Hooper, Financial Accountant  
Approved by: Anne Robson, Group manager finance and assurance  
Report type: Information

---

### Purpose

- 1 The purpose of this report is to provide the Committee with the key dates for the annual report 2025/2026.

### Staff recommendations

That the Finance and Assurance Committee:

- a) receives the report titled “Annual Report 2025/2026 timetable” and note the information included.

### Executive summary

- 2 Council is legislatively required to adopt an annual report by the 31 October 2026. This year the adoption is scheduled for the 21 October to enable enough time to release it to the public, on the Council’s website, by the 31 October.
- 3 In summary, the draft annual report will be presented to the Committee, at its meeting on the 9 September for review and release to Deloitte (Councils auditors) to audit from the 14 September to 9 October.
- 4 The Committee will receive the final draft of the annual report on the 14 October incorporating any changes from audit, in order for the Committee to recommend its adoption by Council on the 21 October.
- 5 Attached is a schedule of the key dates in relation to the audit. A more detailed timeline for staff is being completed and will be circulated in due course to ensure all the critical dates are met.

### Context

- 6 Under the Local Government Act 2002, Council must prepare and adopt an Annual Report each year to demonstrate accountability to the community and report on performance against the benchmarks/key performance indicators of the Long Term Plan and the financial budgets set in the 2025/2026 Annual Plan.
- 7 The Annual Report is prepared through a structured process that includes the preparation of the draft unaudited report, the external audit undertaken by Deloitte, incorporation of audit findings, and final adoption by Council.
- 8 The timetable included in attachment A includes key milestones that relate to this process, such as the release of the draft unaudited Annual Report to the Finance and Assurance Committee, the scheduled audit fieldwork period, and the delivery of the final draft report incorporating audit adjustments.

- 9 Supporting this summary timetable is a detailed internal task schedule outlining individual responsibilities and deadlines for staff involved in preparing information for the report.

Next steps

- 10 The critical dates for the wider organisation will be circulated in due course

Attachments

- A Critical dates for 2025/2026 annual report [↓](#)

| <b>Key Tasks</b>  | <b>Department leading</b>       | <b>Due Date (2026)</b>   |
|---|---------------------------------|--|
| Endorsement of timetable by Finance and Assurance committee   | Finance                         | Wednesday 25 March   |
| Approval of timetable by Council  | Finance                         | Wednesday 28 May   |
| Interim audit by Deloitte   | Finance/Leadership Team         | Monday 20 April to Friday 25 April<br>Monday 22 June to Friday 26 June |
| Finance and Assurance Committee meeting to review draft unaudited Annual Report (word version) and approve release of the draft to Deloitte | Finance and Assurance committee | Wednesday 9 September  |
| Final audit by Deloitte   | Finance                         | Monday 14 September to Friday 9 October                                |
| Recommend the final annual report for adoption by Council   | Finance and Assurance committee | Wednesday 14 October   |
| Deloitte attending meeting to discuss audit opinion   | Finance and Assurance committee | Wednesday 14 October   |
| Adoption of full annual report, summary report and audit opinion  | Council                         | Wednesday 21 October   |
| Public notice of full and summary document availability   | Communications                  | Tuesday 27 October   |
| Annual report and summary document online version on website  | Communications                  | Friday 30 October  |



---

## Accounting policies for the year ended 30 June 2026

Record no: R/26/2/100141  
Author: Jo Hooper, Financial Accountant  
Approved by: Anne Robson, Group manager finance and assurance  
Report type: Recommendation

---

### Purpose

- 1 To consider and recommend to Council the adoption of the accounting policies to be used to compile Council's Annual Report for the year ended 30 June 2026.

### Staff recommendations

That the Finance and Assurance Committee:

- a) notes the information contained in the report.
- b) notes that the matter or decision in this report is assessed as administrative based on Council's Significance and Engagement Policy. On this basis, Council is not likely to carry out any engagement associated with the accounting policies.
- 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 the adoption of the accounting policies as outlined in attachment A, including any amendments agreed at this meeting, for use in the preparation of Council's Annual Report for the year ended 30 June 2026.

### Executive summary

- 2 The accounting policies (the policies) set out in attachment A are proposed to be used to form the basis for the preparation of the financial information to be included in Council's Annual Report. These are based on those adopted as part of the 2025 Annual Report, with no known changes identified at this time.
- 3 Staff are however reviewing the accounting treatment of borrower's notes, highlighted in yellow in attachment A. Further amendments might also be necessary to the policies as the annual report is completed.
- 4 Any amendments to these policies will be included in the draft and final Annual Report brought to this committee for consideration prior to adoption by Council.

## Context

- 5 Councils are required by legislation to adopt an Annual Report every year. The Annual Report informs the reader about how Council did against Annual Plan 2025/2026.
- 6 In arriving at the policies proposed, council staff have used the 2024/2025 Annual Report accounting policies as the base. These are typically then updated for any changes in accounting standards set by the External reporting Board (XRB). At this stage none have been identified that will affect Councils financial reporting.
- 7 Changes may need to be made as staff clarify Councils position and further develop the financial statements. Any amendments will be included in the draft Annual Report to be brought to this committee for consideration prior to adoption by Council.

## Discussion

- 8 At this time, no changes to the accounting policies set as part of adopting the 2024/2025 Annual Report have been identified, however staff are reviewing the specific policy around borrowing notes to clarify how they are valued. This note is highlighted in yellow in attachment A.

## Options

- 9 The following reasonably practicable options have been identified and assessed in this report:  
Option 1 - recommends to Council the use of the accounting policies included in attachment A, including any amendments agreed at this meeting, for use in the preparation of Council's 2025/2026 Annual Report  
Option 2 - do not recommend accounting policies as presented

### Recommended option:

- 10 Option 1 - recommends to Council the use of the accounting policies included in attachment A, including any amendments agreed at this meeting, for use in the preparation of Council's 2025/2026 Annual Report.

Option 1, recommends to Council the use of the accounting policies included in attachment A, including any amendments agreed at this meeting, for use in the **preparation of Council's 2025/2026 Annual Report**

| Advantages   | Disadvantages  |
|--|--|
| <ul style="list-style-type: none"><li>• the Annual Report can continue to be prepared in line with the timetable.</li><li>• Compliant with generally accepted accounting standards</li></ul> | <ul style="list-style-type: none"><li>• None identified.</li></ul> |

Option 2, do not recommend accounting policies as presented

| Advantages   | Disadvantages  |
|--|--|
| <ul style="list-style-type: none"> <li>Allows committee feedback to be incorporated into the accounting policies early, with time for review before applied in the annual report process.</li> </ul> | <ul style="list-style-type: none"> <li>the preparation of the Annual Report process may be held up depending on the time needed to provide the necessary information.</li> </ul> |

Legal considerations

- 11 Section 98 of the Local Government Act 2002 requires Council to prepare and adopt an Annual Report.
- 12 Section 111 of the Local Government Act states that any information prepared must be in accordance with general accounting practice where the information is of a form or nature for which generally accepted accounting practice has developed standards.

Strategic alignment

**Policy and plan consistency**

- 13 Generally, the accounting policies included in this report are in line with those used in the adoption of Councils Long Term Plan and Annual plans relevant to the year ended 30 June 2026.

Financial considerations

- 14 The accounting policies determine how Council’s financial information is presented. As these are consistent with the prior year, there are no additional financial implications to the financial statements.
- 15 There is no direct financial cost of adopting these accounting policies.

Significance assessment

- 16 The accounting policies included in the annual report are largely administrative. Separate consultation on the policies is not required.

|                                   |  |
|-----------------------------------|--|
| Level                             | Likelihood of engagement   |
| Some importance or administrative | Council is not likely to carry out any engagement.   |
| Moderate importance               | Council may choose whether it carries out engagement, which may be targeted to directly affected individuals or groups.  |
| Significant                       | Council will engage with directly affected individuals and groups and wider community engagement is likely, unless there are reasons under policy not to.        |
| Critical                          | Council will engage with directly affected individuals and groups and wider community engagement is highly likely, unless there are reasons under policy not to. |

---

### Community views

- 17 The community will expect that Council prepares its financial information in line with relevant legislative requirements to ensure that is a true and fair view of its financial position and performance.

### Climate change considerations

- 18 There are no climate change considerations to this matter or decision.

### Risk and mitigations

- 19 There are no significant risks in relation to this matter or decision.

### Next steps

- 20 Staff will continue to review the accounting policies and disclosures until the report is adopted.
- 21 The accounting policies (incorporating any changes agreed at this meeting) will be reviewed by Deloitte as part of their audit of the Annual Report.
- 22 The accounting policies will be presented to Council as a component of the full Annual Report document for adoption in due course.

### Attachments

- A Accounting Policies for the year ended 30 June 2026 [↓](#)

## 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 financial statements of SDC are for the year ended 30 June 2026. The financial statements were authorised for issue by Council on XXX(insert date).

### Basis of preparation

The 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 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 financial statements have been prepared in accordance with Tier 1 PBE accounting standards and comply with PBE standards.

### Measurement base

The 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 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 financial statements represent the results of Council’s seven significant activity groups (detailed on pages XX -XX) 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 group financial statements represent the results of the ultimate parent, Southland District Council, and its controlled entity, Milford Community Trust.

Control is achieved when Council is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity. Specifically, Council controls another entity if and only if Council has:

- power over the other entity
- exposure, or rights, to variable benefits from its involvement with the other entity
- the ability to use its power over the other entity to affect the nature and amount of the benefits from its involvement with the other entity.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when Council has less than a majority of the voting or similar rights of another entity, Council considers all relevant facts and circumstances in assessing whether it has power over another entity.

Consolidation of a controlled entity begins when Council obtains control over the controlled entity and ceases when Council loses control of the entity. Assets, liabilities, revenue and expenses of a controlled entity acquired or disposed of

during the year are included in the financial statements from the date Council gains control until the date Council ceases to control the controlled entity.

Surplus or deficit and each component of other comprehensive revenue and expense are attributed to the owners of the controlling entity and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of controlled entities to bring their accounting policies into line with Council's accounting policies. All intra-economic entity assets and liabilities, net assets/equity, revenue, expenses and cash flows relating to transactions between entities of the economic entity are eliminated in full on consolidation.

A change in the ownership interest of a controlled entity that does not result in a loss of control, is accounted for as an equity transaction.

If Council loses control over a controlled entity, it derecognises the assets (including goodwill) and liabilities, any non-controlling interests and other components of net assets/equity, while resulting gain or loss is recognised in surplus or deficit. Any investment retained in the former controlled entity is recognised at fair value.

#### **New accounting standards applied**

There are no new standards applicable in the current financial year.

#### **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 the 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 (e.g. 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 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 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.

Restricted 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 include 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 surplus or deficit in the year 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 other comprehensive revenue and expense (FVTOCRE)
- fair value through 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 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 that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD.

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 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 other comprehensive revenue and expense, except expected credit losses (ECL) and foreign exchange gains and losses are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to 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 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 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 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 LGFA borrower 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.

**k) 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.

**l) Goods and services tax (GST)**

The 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.

**m) 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 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 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   |
| <b>Operational assets</b>     |         |                 |          |
| Improvements                  | 4-25    | 4.00% - 25.00%  | 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       |
| 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       |
| <b>Infrastructural Assets</b> |         |                 |          |
| 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                     | 20-60   | 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   | 4.00%-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 is 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 of 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 (i.e. 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 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 other comprehensive revenue and expense but is recognised in the surplus or deficit.

Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

**n) 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.

**o) 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 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 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 (i.e. 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 financial statements. They are not amortised but are tested for impairment annually.

Emissions Trading Units are revalued annually on 30 June.

The difference between initial value or the previous revaluation, and disposal or revaluation value of the units, is recognised in other comprehensive revenue and expense.

**p) 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 surplus or deficit.

The costs to maintain the forestry assets are recognised in the surplus or deficit when incurred.

**q) 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 surplus or deficit.

The reversal of an impairment loss is recognised in the 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.

**r) 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 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.

**s) Payables and deferred revenue**

Short term payables are recorded at the amount payable.

**t) 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.

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.

**u) Internal borrowings**

Internal borrowings are eliminated on consolidation of activities in the Council's financial statements.

**v) External borrowings**

Borrowings on normal commercial terms are initially recognised at the amount borrowed.

Borrowings are classified as current and non-current liabilities.

**w) Borrower notes**

Borrower notes are subordinated convertible debt instruments that the Council subscribes for an amount equal to between 2.5% and 5% of the 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.

**x) 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 (refer note XX):

- **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 financial statements under the appropriate headings. Details of the joint operation are set out in [note 25](#).

*Joint ventures*

Interests in joint ventures are accounted for using the equity method (see (y) below), after initially being recognised at cost in the consolidated balance sheet.

**y) Investments in associates and joint ventures**

Council determined that the investment in the following entities meets the definition of "associate" and should be accounted for using the equity method (refer note XX):

- 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 surplus, or deficit is recognised in the statement of financial performance. Any change in the associate or joint venture's other comprehensive revenue and expense is presented as part of Council's 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 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 surplus after tax and non-controlling interests in the controlled entities of the associates and joint ventures.

The 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 surplus or deficit.

## **z) Critical accounting estimates and assumptions**

In preparing these 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 underestimating the annual depreciation charge recognised as an expense in the 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.

*Closed landfill sites*

This provision involves significant judgement in estimating the likelihood, timing, and amount of future outflows. Due to inherent uncertainties, actual outcomes may differ from those estimated. The provision is reviewed annually and updated as needed. For landfill provision please reference accounting policy (t).

**aa) 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 2026:

*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.

**bb) 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.

**cc) Rounding**

Some rounding variances may occur in the financial statements due to the use of decimal places in the underlying financial data.

**dd) Budget figures**

The budget figures are those approved by SDC in its 2025/2026 long term plan. The budget figures have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and are consistent with the accounting policies adopted by SDC for the preparation of financial statements.

**ee) Standards issued and not yet effective that have not been early adopted**

Standards and amendments, issued but not yet effective that have not been early adopted are:

*PBE IFRS 17 Insurance Contracts*

PBE IFRS 17 Insurance contracts was issued on 22 June 2023. The standard establishes principle for the recognition, measurement, presentation and disclosure of insurance contracts. It is effective for reporting periods beginning on or after 1 January 2026 with early adoption permitted. The group is assessing the effect of the standard which is an insurance disclosure note that requires information to be included around the insurance policies and insured values, which will be adopted in the 2026/2027 financial year.



---

## Request for Service Internal Audit Report

Record no: R/26/3/103978  
Author: Anne Robson, Group manager finance and assurance  
Approved by: Cameron McIntosh, Chief executive  
Report type: Information

---

### Purpose

- 1 To present the Internal Audit report completed on Councils Request for Service systems.

### Staff recommendations

That the Finance and Assurance Committee:

- a) notes the information contained in the report.
- b) Acknowledges the responses by management provided against each of the action items
- c) Notes that the recommendations noted in the Deloitte report will be included in the Audit Action Points report presented to the Committee in June 2026, including the staff member(s) actioning and the expected due date for completion

### Executive summary

- 2 Council engaged Deloitte as part of its internal audit programme to complete a review of Councils Request for Service (RFS) systems. The work to be completed and that out of scope were agreed and are outlined in the attached report received from Deloitte.
- 3 Overall, the internal audit report has five findings, three of which are classed as moderate (with Deloitte noting the ease of fix being “simple” for all three) and two low (with one being “simple” to fix and the other assessed as “medium”). A total of nine recommendations has been made in relation to these findings.

### Context

- 4 Council has two systems that record Requests for Service (RFS), these are the computer systems IPS for water queries and Pathways for all others. Within these systems there are 154 different types of request classes.
- 5 As part of the audit, Deloitte sampled 25 requests over the financial year 1 July 2024 to 30 June 2025 (attachment A - appendix B), reviewed seven key documents (attachment A - appendix C), and spoke to 15 requestors (attachment A - appendix D)
- 6 In the audit report, Deloitte have noted in their overall conclusion, that “Councils focus on delivering quality support and service for the Southland community became evident through the generally positive feedback we received when contacting requestors during our sample testing”. Alongside this, they also noted that a number of RFS requestors also provided valuable constructive feedback and along with feedback from staff, this has formed a part of the opportunities they have identified in the report for Council to consider.

- 7 Overall, the improvement opportunities are focussed on
- Completeness and accuracy of RFS information
  - Communication and documentation of RFS outcomes
  - Effectiveness of KPI reporting
  - System integration and other operational inefficiencies.
- 8 Deloitte have outlined five findings in their report, three are assessed as moderate and two as low. Under each finding in the report, Deloitte have outlined its risk rating, their assessment of ease of fix, their observations, identified risks and recommendations. The risk rating scale is outlined in attachment A - appendix A of the report.

The moderate findings were

- 3.1 Expectations around using the RFS systems are not consistently met and/or understood, resulting in requests not being consistently entered in the systems leading to incomplete records
- 3.2 Inconsistent communication regarding response to RFS. It was noted that responses to requestors were not always consistent around notifying of outcomes
- 3.3 Limitations in existing KPI reporting metrics. Current success is generally measured on quantitative measures around completion rates and times with limited qualitative feedback outside independently raised feedback or comments.

The low findings were

- 3.4 A lack of integration between the two requests for service systems leading to frustration as a manual transfer of requests was required when the wrong system was used
- 3.5 There can be inconsistent triaging of requests between water and waste and transport, especially around stormwater requests

- 9 There is a total of nine recommendations under the five findings for consideration and implementation.
- 10 Management have reviewed the findings and recommendations and have provided commentary to each as outlined in the report.
- 11 Over the next couple of months, staff plan to work with all relevant staff to review the recommendations, assign actions and progress options and undertake work to complete. The outcomes will be accumulated in the regular Audit Actions report that will be presented to the committee at its June meeting.

Next steps

- 12 The management team will assign and work with staff to implement the recommendations made
- 13 The recommendations and progress will be reported on as part of the June 2026 audit action points report presented to the Finance & Assurance Committee.

Attachments

- A Final Request for Service Internal Audit Report (Deloitte March 2026) [↓](#)



## Southland District Council **Request for Service System Review**

March 2026

# Contents

|                                     |    |
|-------------------------------------|----|
| Executive Summary                   | 2  |
| Approach and Work Performed         | 4  |
| Detailed Findings                   | 5  |
| Appendix A – Risk Rating Scale      | 14 |
| Appendix B – List of Samples        | 15 |
| Appendix C – Key Documents Assessed | 16 |
| Appendix D – Summary of Feedback    | 17 |
| Statement of Responsibility         | 19 |

# 1. Executive Summary

## 1.1 Background and Introduction

Southland District Council ('SDC' or 'the Council') has requested Deloitte to undertake an independent review of their request for service ('RFS') systems and processes as per our engagement letter dated 18 July 2025 ('Engagement Letter'). Our review period focused on RFSs between 1 July 2024 – 31 June 2025 and fieldwork was performed between September – October 2025.

SDC currently has two RFS systems in place, 'Pathway UX' and 'IPS' (collectively the 'RFS Systems'). Each system has unique features suited to the particular areas of SDC they are responsible for servicing.

This review has been identified as a priority area by the Council as part of its ongoing focus on delivering quality support and service for the Southland community. For this reason, the decision was also made to include direct contact for feedback with requestors as part of the scope of this review, to gain first-hand perspectives of their satisfaction with the process for raising requests and the response they received.

SDC has also previously undergone a s17A Environmental Services team delivery of services review under the Local Government Act 2002, as required by regulation, in March 2023. This review (conducted by Morrison Low) identified some areas for improvement in relation to the Council's current RFS system and processes. Specifically, these areas included:

- Completeness of RFS information entered into the systems;
- KPIs and reporting; and
- Guidance for requestors on SDC's website.

As the Morrison Low review was not focused directly on RFS organisation wide, SDC has requested a dedicated review of its current RFS system and processes. The previous recommendations from the Morrison Low report have been factored into the scope of our review for consideration.

## 1.2 Overall conclusion

SDC's focus on delivering quality support and service for the Southland community became evident through the generally positive feedback we received when contacting individual requestors during our sample testing.

Requestors we spoke to consistently described the process for raising requests as "simple" and "straightforward" (even in instances where they may not have been satisfied with the outcome of the request). We also received positive feedback in relation to how SDC actioned individual requests. Some requestors described SDC's response as "perfect" and "even better than expectations", with multiple requestors also highlighting positive interactions with front desk and call centre staff who took the requests.

Although we primarily received positive feedback, a number of requestors did indicate areas for improvement, with some describing their experiences as negative. Whilst we acknowledge that customer service is an inherently difficult area to perfect, these requestors provided valuable constructive feedback that SDC may wish to consider when actioning change in this area. We have used this feedback, together with insights from our conversations with SDC staff and review of supporting documentation, to identify opportunities for SDC to further enhance its RFS systems and processes.

Our improvement opportunities are focused on the following areas:

- Completeness and accuracy of RFS information;
- Communication and documentation of RFS outcomes;
- Effectiveness of KPI reporting; and
- System integration and other operational inefficiencies.

We note that given the wide range of types of requests for service available (132 in Pathway and 22 in IPS), our recommendations are focused on the overall system and process for managing RFS's organisation wide. Notwithstanding this, our detailed findings in Section 3 have made reference to specific request types where applicable.

### 1.3 Summary of Detailed Findings and Recommendations

A summary of our findings in respect of all elements of our scope of work is set out below:

| Findings and Risk Rating | Very High | High | Moderate | Low | Process Improvements |
|--------------------------|-----------|------|----------|-----|----------------------|
| Number of Findings       | -         | -    | 3        | 2   | -                    |

*\*The Risk Rating Scale (along with the associated ease of fix scale is outlined in Appendix A).*

Three **Moderate** rated findings were noted:

**Finding 3.1: Moderate Priority - Expectations around using the RFS Systems are not consistently met and/or understood**

We were advised that requests are not consistently entered in the RFS systems, particularly in relation to requests managed through Pathway. This has led to incomplete RFS records and reduced visibility over the history of requests. Additionally, we identified that the documentation of request responses through system notes often lack sufficient detail, making it difficult to verify actions taken and/or or ensure proper follow-up.

**Finding 3.2: Moderate Priority - Inconsistent communication regarding response to RFS**

A common area for improvement highlighted by contacted requestors related to communication around RFS response actions. While many requestors found the communication satisfactory, a number of highlighted shortcomings in this area, particularly when it came to notifying requestors of the final outcome and ‘closing the loop’. While there is an expectation to communicate request outcomes in most cases, this is not consistently applied to all RFS types.

**Finding 3.3: Moderate Priority – Limitations in existing KPI reporting metrics**

Existing key success measures rely heavily on quantitative indicators, primarily completion rates and completion times. While these metrics provide valuable insights, their effectiveness may be reduced by system-level limitations, such as inconsistent due date parameters and the ability for staff to adjust these due dates without providing supporting rationale. While there are some other qualitative KPI measures in place, there is little consideration of requestor feedback outside of independently raised feedback or complaints, which therefore only capture limited perspectives.

Two **Low** rated findings were also noted.

The detailed findings, risks and recommendations are set out in Section 3 of this report.

### 1.4 Use of Report

We have prepared this report solely for the use of Southland District Council. The report contains constructive suggestions to improve some practices, which we identified in the course of our review procedures. These procedures are designed to identify control weaknesses but cannot be relied upon to identify all weaknesses. We would be pleased to discuss any items mentioned in this report and to review the corrective action implemented by management.

Our assessments are based on observations from our review and collaboration of information and evidence received in the time allocated. Assessments made by our team are matched against our expectations and best practice guidelines. This includes comparison with other similar processes we have assessed. This report offers recommendations for improvements and has taken into account the views of management, with whom these matters have been discussed.

We accept or assume no duty, responsibility or liability to any party, other than Southland District Council, in connection with the report or this engagement, including without limitation, liability for negligence in relation to the opinions expressed or implied in this report.

### 1.5 Acknowledgement

We are grateful to SDC staff who have provided assistance during the course of our work. Thank you for the opportunity to support you with this review.

## 2. Approach and Work Performed

### 2.1 Scope of Review

As per the Engagement Letter, the scope of our review included the following:

- Assessing the existing RFS Systems infrastructure, and the extent to which they integrate with other systems within the Council.
- Assessing the operational efficiency of the RFS Systems, identifying any bottlenecks, and recognising areas where the efficiency can be enhanced.
- Reviewing the completeness and accuracy of RFS information and determining whether all queries are being entered into the RFS Systems and responded to in a timely manner. This is to include assessing whether requests made through the different systems are centralised.
- Understanding the nature and extent of the feedback cycle for requestors to identify how request responses are being communicated and whether this is effective.
- Reviewing feedback from requestors on the process for submitting requests and the level of satisfaction with SDC's response.
- Determining whether SDC's policies in relation to RFSs are being adhered to.
- Assessing the extent and appropriateness of the review process in place for RFSs.
- Assessing the accuracy, completeness and appropriateness of reporting available in relation to RFSs.

### 2.2 Out of Scope

As per the Engagement Letter, the following areas were outside the scope of this review:

- Implementing any recommendations or assumption of management responsibility.
- Providing any legal or HR/employment-related input or advice.
- Updating or re-writing any Policy, procedural or related documentation if applicable.

### 2.3 Approach

As per the Engagement Letter, we performed the following work steps:

- Reviewed the findings of the Morrison Low s17A delivery of services review to understand the nature of the issues raised;
- Reviewed policy and procedure documentation relating to RFS;
- Reviewed any legislation or guidance material relating to RFS;
- Interviewed relevant SDC staff with responsibility for RFS (both from a delivery and management perspective); and
- Tested a sample of 25 requests for service (in accordance with Deloitte's sampling methodology) to ascertain the extent to which they are being processed in line with policy.

*\*Refer to 'Appendix B – List of Samples' for a list of selected samples of requests for service.*

*\*\*Refer to 'Appendix C – Work performed' for a list of documentation reviewed and interviews held.*

### 3. Detailed Findings

#### 3.1 Expectations around using the RFS Systems are not consistently met and/or understood

|              |  |
|--------------|--|
| Risk Rating  | Moderate   |
| Ease of Fix  | Simple   |
| Observations | <p><u>Lodging Requests</u></p> <p>We understand from discussions with relevant staff that not all staff who receive RFSs consistently register them in the RFS Systems. We understand this issue to be more prevalent with requests associated with Pathway, as input to IPS is required to outsource requests with the Water and Waste contractor, Downer.</p> <p>Specifically, we were told that some staff opt not to use Pathway and will manage requests they directly receive outside of the RFS Systems (often in instances where they may have a direct relationship with the requestor). Once these requests are fulfilled, these staff will either notify the Contact Centre Team to retrospectively record the RFS, or in some cases they will enter nothing in the RFS Systems at all. Requests responded to outside of the system are therefore not subject to the same quality control checks or information recording standards. It was suggested that this issue is more prevalent with long-serving staff who may be unaccustomed to the latest version of Pathway (UXPathway).</p> <p>We were informed that when requests are not entered into the system this creates frustration for the Contact Centre Team, as whenever they receive subsequent requests on a related matter, there is insufficient information available on how the initial request was addressed.</p> <p><u>Detailing Requests</u></p> <p>When SDC staff and contractors respond to RFSs, they are expected to document the nature of the request and the response actions taken through detailed notes in the RFS Systems. Our sample testing identified several instances where there was insufficient information provided in the RFS notes, particularly in detailing RFS outcomes. Examples of this included:</p> <ul style="list-style-type: none"> <li>• <b>RFS #5:</b> This details of this RFS were redirected to another RFS, however this was not clearly documented and was only identifiable through searching the requestor’s details in Pathway.</li> <li>• <b>RFS #10:</b> The action note of this RFS says it was not attended to, without any rationale for why this was the case. We note that this requestor informed us that they were not satisfied with SDC’s response when we directly contacted them.</li> <li>• <b>RFS #14:</b> The action note of this RFS says “this has been attended to” but does not detail how the request was responded to.</li> <li>• <b>RFS #17:</b> The action note of this RFS says “[Contractor] is going to sort this” and was closed before detailing how the request was responded to.</li> </ul> |

|                              |   |
|------------------------------|---|
|                              | <ul style="list-style-type: none"> <li>• <b>RFS #19:</b> The action note of this RFS says “issued to [Contractor], texted him” but does not detail how the request has responded to.</li> </ul> <p>We acknowledge that SDC has developed guidance documentation which outlines expectations around what information is required to be recorded in the RFS Systems. However, this guidance offers little clarity around the level of detail required from these notes.</p>   |
| <b>Risks</b>                 | <ul style="list-style-type: none"> <li>• RFS’s with incomplete information (either from not being entered into the system and/or holding insufficiently detailed notes) can disrupt workflows and operational continuity, particularly when subsequent requests require historical data for effective management and resolution. When subsequent requests cannot be appropriately addressed this may result in frustration and dissatisfaction from requestors.</li> <li>• Requests fulfilled outside of the formal RFS systems bypass standard quality control measures, creating vulnerabilities in compliance, transparency and accountability. This can also reduce the effectiveness of RFS data when monitoring trends, measuring performance or identifying opportunities for process improvements.</li> </ul> |
| <b>Recommendations</b>       | <ol style="list-style-type: none"> <li>1. Update RFS guidance to clearly outline expectations regarding the level of detail required for all RFS notes. Include examples of well-written notes that demonstrate good practice and ensure it is clear that these expectations apply to all RFS types.</li> <li>2. Develop and enhance awareness of expectations around inputting requests in the RFS Systems and providing detailed notes. Communicate to staff the reason why it is important that this information is recorded and available in RFS Systems. Make it clear that managing requests through the RFS Systems is not optional and is a requirement for all staff. Ensure that both new and existing staff understand these expectations and refresh these communications on an ongoing basis.</li> </ol> |
| <b>Management’s Response</b> | Noted and agreed.   |

3.2 Inconsistent communication regarding response to RFS

|                 |   |
|-----------------|---|
| Risk Rating     | Moderate  |
| Ease of Fix     | Simple  |
| Observations    | <p>Our review involved contacting 25 sampled requestors to obtain their feedback on the process for raising RFSs as well as their satisfaction with SDC’s response (a full summary of this feedback is provided in <b>Appendix D</b>).</p> <p>While we received generally positive feedback from contacted requestors, we identified a common theme for any criticism was around the degree of communication requestors received from SDC when it came to ‘closing the loop’ and notifying them of outcomes. Examples of this included:</p> <ul style="list-style-type: none"> <li>• <b>RFS #10:</b> This requestor was unsure whether their request was attended to and was ultimately dissatisfied to SDC’s response. We note that the action note of this RFS says it was not attended to.</li> <li>• <b>RFS #12:</b> This requestor was dissatisfied with the extent of communication from SDC which ultimately led them to leave a complaint. It was said by the requestor that the communication around this complaint was also unsatisfactory.</li> <li>• <b>RFS #13:</b> This requestor could only assume their request had been addressed as they had not received any follow up communication. They described the process as “disappointing”.</li> <li>• <b>RFS #21:</b> This requestor had overall positive feedback on SDC’s response, however, did note communication as a possible area for improvement.</li> <li>• <b>RFS #22:</b> This requestor expressed strong dissatisfaction with SDC’s response and communication to their request, describing the process as “far from satisfactory”.</li> </ul> <p>We understand from review of RFS guidance and discussions with staff , that staff and contractors are not always required to communicate the outcome of a request to requestors depending on the request type (although it is expected in most cases).</p> |
| Risks           | <ul style="list-style-type: none"> <li>• Insufficient communication with requestors regarding the outcomes of their RFSs may lead to confusion and/or dissatisfaction with SDC’s response leading to a loss of trust in SDC’s ability to deliver services.</li> <li>• Ineffective communication may hinder SDC’s ability to obtain additional feedback and confirm requestor satisfaction with the response action. Consequently, this could result in operational inefficiencies, as requestors may need to submit repeated follow-up requests which then need to be addressed.</li> </ul>   |
| Recommendations | <ol style="list-style-type: none"> <li>1. Establish a consistent closing communication response for all RFSs where practicable and possible. This may be through an automated system email notifying requestors that their request has been closed and, where appropriate, providing a summary of actions taken.</li> <li>2. Recognising that SDC is about to go to tender for a Water and Waste contractor, ensure that effective communication is established as a</li> </ol>   |

|                                     |  |
|-------------------------------------|--|
|                                     | <p>clear requirement for respondents during the tender process. Also make sure that the subsequent contract outlines clear expectations for contractors to maintain open and consistent communication with SDC and requestors.</p>   |
| <p><b>Management's Response</b></p> | <p>Noted and agreed.</p> <ol style="list-style-type: none"> <li>1) Staff will look at ways to improve systems and processes, reporting back to the committee in due course as to the approach/(s) taken.</li> <li>2) This will be considered as part of the development of any future tender documents.</li> </ol> |

3.3 Limitations in existing KPI reporting metrics

|              |  |
|--------------|--|
| Risk Rating  | Moderate   |
| Ease of Fix  | Simple   |
| Observations | <p>Currently, SDC primarily measures RFS success using key performance indicators (KPIs) focused on completion rates and dates/times. To assess the timeliness of each RFS, both Pathway and IPS use system parameters that define target completion dates/times for various RFS types, as determined by their assigned priority levels. The outcomes are tracked via a dashboard, which provides visibility into the percentage of overdue RFSs and the number of RFSs completed within the established service levels. However, we made multiple observations which indicate that existing KPI metrics may not be fully effective.</p> <p><u>System Parameters</u></p> <p>During sample testing, we identified instances where the system defined timeframes did not appear to be appropriately set for the request type. Two key examples of this included:</p> <ul style="list-style-type: none"> <li> <p><b>RFS #6 (Dog Bite):</b> This RFS had a system defined response time of 4-hours. While in this specific instance, the dog involved was immediately restrained and the risk of further harm was mitigated within this timeframe, the request was tagged as delivered outside of service level. This was because, following the incident, a formal investigation into the incident was required to be completed. However, this could not have realistically been achieved within the system-defined 4-hour response period. Acknowledging the urgency of restraining a potentially dangerous animal, this request type may have needed to be split into two individual requests (e.g. restraint of dog and the investigation), each with appropriately set response times. We understand from the 'Pathway UX Guide' that Pathway is capable of creating 'associated requests' which can link tasks with independent actions and due dates.</p> <p>We note that 43% of dog bite RFSs were delivered outside of service level during our review period, indicating that this observation may apply beyond this one instance. We also note that despite this specific request being tagged as outside of service level, when contacted, the requestor was satisfied with the timeliness of SDC's response.</p> </li> <li> <p><b>RFS #10 (Noise Control):</b> This RFS had a system defined response time of 30 days. However, given the request pertained to a late-night noise complaint from a disruptive neighbour affecting the requester's sleep, it was perceived as requiring a more urgent response from SDC. This meant that the requestor was ultimately dissatisfied with the timeliness of SDC's response, yet according to performance metrics, the request was delivered within service level.</p> </li> </ul> <p><i>We note that Pathway has functionality to assign due dates to specific tasks associated to an individual RFS. However, we understand from communications with IT that these individual tasks are not linked to any forms of KPI reporting.</i></p> |

|                               |  |
|-------------------------------|--|
|                               | <p><u>Editing Due Dates</u></p> <p>We understand that system defined due dates can be manually adjusted where appropriate given the circumstances of the request.</p> <p>During our sample testing, we identified 5 of 25 instances (20%) where an RFS had seemingly had its due date adjusted, yet there was no evidence/rationale provided in the notes as to why this was done. This meant we could not conclude whether the adjustments were appropriate in these instances. This related to the following RFSs:</p> <ul style="list-style-type: none"> <li>• <b>RFS #11</b></li> <li>• <b>RFS #12</b></li> <li>• <b>RFS #14</b></li> <li>• <b>RFS #20</b></li> <li>• <b>RFS #22</b></li> </ul> <p>We note that this specific observation relates to the Pathway system, as there are stricter controls around editing due dates in IPS. Contractors who respond to IPS requests do not have the ability to edit due dates without consulting a member of SDC staff.</p> <p><u>Requestor Feedback KPIs</u></p> <p>While we were provided examples of qualitative KPI measures outside of RFS response times (e.g. internal call centre quality checks and waste and water system complaint counts for IPS), we observed that there is little consideration of requestor feedback outside of independently raised feedback/complaints. We understand feedback received through these channels tends to only captures requestors with strong opinions (i.e. those who are extremely satisfied or extremely dissatisfied) but may not be representative of the wider population.</p> <p>The direct feedback received from requestors as part of this review has highlighted a number of insights that may not have been captured through existing KPI metrics.</p> <p>We also note that the Morrison Low Report recommended SDC implement regular requestor feedback surveys and incorporate this as a KPI.</p> |
| <p><b>Risks</b></p>           | <ul style="list-style-type: none"> <li>• Existing KPI metrics may not clearly represent ratepayer satisfaction, and key stakeholders make ill-informed strategic decisions in relation to SDC’s approach to RFS.</li> <li>• Requests are responded to within the defined service level, however existing parameters may fail to align with requester expectations, ultimately harming trust in SDC’s service delivery.</li> <li>• Metrics outside of timeliness of response are not considered as part of KPI reporting potentially resulting in missed opportunities to identify areas for improvement and enhance service delivery standards.</li> </ul>   |
| <p><b>Recommendations</b></p> | <ol style="list-style-type: none"> <li>1. Review existing system parameters around priority timeframes for appropriateness and adjust accordingly. As part of this review, consider request types with highest and lowest rate of delivery within service level and determine whether this is driven by ineffective parameters.</li> <li>2. As part of recommendations 3.1.1 and 3.1.2, also make clear the expectation that changes to edit dates require clear notes explaining</li> </ol>   |

|                                     |  |
|-------------------------------------|--|
|                                     | <p>the rationale for the shift of due date and whether the requestor is aware of any delays.</p> <p>3. Develop a KPI reporting metric that considers the quality of RFS responses through consideration of requestor feedback. SDC could consider:</p> <ul style="list-style-type: none"> <li>a. Performing routine sample testing where requestors are selected at random and contacted for feedback regarding the quality of service they received during their request; and/or</li> <li>b. As part of recommendation 3.2.1, including an automated link to an online survey form where requestors are invited to provide their feedback and a rating based on the quality of service received.</li> </ul> |
| <p><b>Management's Response</b></p> | <p>Points 1 and 2: Noted and agreed.</p> <p>Point 3: As part of developing the 2027 – 37 LTP, staff will include a qualitative KPI. Staff will also look at system options around an automated online survey and consider performing sample testing.</p>   |

3.4 No system integration between the RFS Systems

|                              |  |
|------------------------------|--|
| <b>Risk Rating</b>           | <b>Low</b>   |
| <b>Ease of Fix</b>           | <b>Medium</b>  |
| <b>Observations</b>          | <p>SDC currently uses two systems to manage its RFSs, Pathway and IPS.</p> <ul style="list-style-type: none"> <li><b>Pathway:</b> is SDC’s corporate system where all contact and property information is stored. The system is used to manage the majority of RFSs (15,675 requests in total across our review period) and has system parameters developed to cover 132 different request types within categories such as ‘Animals’, ‘Community Facilities’, ‘Customer Enquiries’, ‘Feedback (Compliments and Complaints)’, ‘Roads’ and ‘Wheelie Bins’, for example.</li> <li><b>IPS:</b> is solely used to manage RFSs delegated to the Water and Waste Team (1,111 requests total across our review period). We understand the rationale for a dedicated system for Water and Waste is due to IPS’s ability to register SDC’s water assets and connect with SDC’s Water and Waste key contractor, Downer, who also have access to the system.</li> </ul> <p>We understand from discussions with users of each system, as well as the IT Team, that the rationale for using separate systems is due to the unique functionality and capabilities each system offers relative to the request types they manage. There are currently no plans to migrate to a single RFS system, as this was said to be a significant undertaking with little benefit.</p> <p>While we understand that these systems have integration with some core SDC systems (e.g. Pathway is integrated with CM10, SDC’s file storage intranet), Pathway and IPS are not directly integrated with one another.</p> <p>The lack of integration between the RFS Systems was highlighted as a point of frustration by users of each system, as a manual transfer of requests is required when received through the incorrect system. We note that 405 of 1,111 (36%) Water and Waste RFSs during the review period were received through Pathway and therefore required manual transfer to IPS.</p> <p>We understand the IT Team is aware of this and is looking to integrate the RFS systems. However, at this stage, this is still a proposed project and will be further considered when time and resources allow for it.</p> |
| <b>Risks</b>                 | <ul style="list-style-type: none"> <li>Continued reliance on separate systems poses limitations on streamlined operations, requiring additional time and effort for staff to manage RFSs. The manual processes involved in transferring requests increase the risk of human error, which could lead to mismanagement and a poor allocation of resources.</li> </ul>  |
| <b>Recommendations</b>       | <ol style="list-style-type: none"> <li>Recognising that integration between Pathway and IPS is an existing project already under consideration by the Information Systems Team, provide the necessary support and resources to ensure a successful transition.</li> </ol>  |
| <b>Management’s Response</b> | <p>Noted, initial discussions had been undertaken by W&amp;W staff and Customer Services. This will form the basis of discussions moving forward, given a number of new staff.</p>   |

**3.5 Inconsistent triaging of requests between Water and Waste and Transport**

|                              |  |
|------------------------------|--|
| <b>Risk Rating</b>           | <b>Low</b>   |
| <b>Ease of Fix</b>           | <b>Simple</b>  |
| <b>Observations</b>          | <p>We understand from discussions with members of the Water and Waste Team that requests relating to water and waste are often misallocated during the initial triage process.</p> <p>Specifically, we were told that there is often confusion in allocating requests between the Water and Waste Team and the Transport Team. For example, requests relating to stormwater will often be assigned to Water and Waste despite being the responsibility of Transport. As a result, Water and Waste specialist contractors will sometimes be sent to attend to jobs that do not require specialist attention, leading to inefficiencies in resource allocation as they are taken away from requests that may require more urgent attention.</p> <p>It was suggested that there may be an opportunity for SDC to provide additional training and guidance for staff who are responsible for receiving these requests and triaging them to the appropriate team. While members of the Water and Waste Team have previously implemented initiatives to improve this process, we understand maintaining consistency has proven difficult due to the relatively high turnover of staff in the Call Centre Team.</p> |
| <b>Risks</b>                 | <ul style="list-style-type: none"> <li>• Inefficient allocation of specialist resources may generate additional unnecessary operational costs for SDC where specialists are assigned to requests that they did not need to attend to.</li> <li>• Misallocated requests may lead to inefficiencies in resource utilisation, as Water and Waste specialist contractors are diverted away from more urgent and critical tasks, potentially causing delays and creating service backlogs in priority areas. Slower resolution times may reduce public satisfaction and lead to complaints about service delivery. Persistent inefficiencies could also harm SDC’s reputation by creating a perception of ineffective internal processes.</li> </ul>  |
| <b>Recommendations</b>       | <ol style="list-style-type: none"> <li>1. As part of recommendation 3.1.1, develop a flowchart, questionnaire, and/or detailed guidance to assist staff when triaging water related requests between Pathway and IPS.</li> </ol>   |
| <b>Management’s Response</b> | Noted and agreed.  |

## Appendix A – Risk and Ease of Fix Rating Scale

### Risk Rating Scale

Each finding included in the report has been ranked on the basis of the risk we perceive the organisation to be exposed to.

| Rating                     | Description  |
|----------------------------|--|
| <b>Very High</b>           | Issue represents a severe control weakness.<br>This could cause or is causing severe disruption to process/service, or severe adverse effect on the ability to achieve objectives.   |
| <b>High</b>                | Issue represents a significant control weakness.<br>This could cause or is causing significant disruption to process/service, or significant adverse effect on the ability to achieve objectives.                            |
| <b>Moderate</b>            | Issue represents a moderate control weakness.<br>This could cause or is causing some disruption to process/service.<br>There may be a level of short-term tolerance due to compensating controls or remedial plans underway. |
| <b>Low</b>                 | Issue represents a minor control weakness.<br>This could cause or is causing inefficiencies in process or is a lack of formality in documentation or process.  |
| <b>Process Improvement</b> | Observation represents an identified opportunity to improve process/service efficiency.  |

### Ease of Fix Rating Scale

Deloitte's estimation of the effort required to fix the finding raised is based on our previous experiences with resolving similar findings at similar organisations. This is intended as a guide only. You should undertake your own assessment to determine the actual level of effort required.

| Rating         | Description  |
|----------------|--|
| <b>Simple</b>  | There is a simple fix for this finding, which may involve minor system changes that require limited effort to implement or test, minor costs to resolve, or minor changes to system design or business processes. Estimated timeframe for fix to be implemented is within one to three months. |
| <b>Medium</b>  | There is a moderately complex fix for this finding, which may involve some time to develop, implement and test, some cost to resolve, or some changes to system design or business processes. Estimated timeframe for fix to be implemented is within three to 12 months.                      |
| <b>Complex</b> | The solution is complex and may involve substantial time to develop, implement and test, substantial monetary cost to resolve, or substantial changes to system design or business processes. Estimated timeframe for fix to be implemented is more than 12 months.                            |

## Appendix B – List of Samples

The following requests for service were sampled:

| #  | System  | Request Type                                       | Date Received |
|----|---------|--|---------------|
| 1  | Pathway | Animal Complaint                                   | 13/9/2024     |
| 2  | Pathway | Animal Complaint                                   | 2/1/2025      |
| 3  | Pathway | Building - General Enquiries                       | 10/12/2024    |
| 4  | Pathway | Community Facilities General                       | 11/1/2025     |
| 5  | Pathway | Customer Service General Enquiry                   | 26/6/2025     |
| 6  | Pathway | Dog Bite - (people or animals)                     | 17/2/2025     |
| 7  | Pathway | Freedom Camping                                    | 14/5/2025     |
| 8  | Pathway | Gravel Road Faults                                 | 30/9/2024     |
| 9  | Pathway | Hazards  | 24/10/2024    |
| 10 | Pathway | Noise Control (Not Animal Noises)                  | 16/9/2024     |
| 11 | Pathway | Nuisance Complaints (Odour, Vermin, Neighbourhood) | 13/1/2025     |
| 12 | Pathway | Official Information Request                       | 4/1/2025      |
| 13 | Pathway | Online Customer Change of Name/Address/Email       | 15/8/2024     |
| 14 | Pathway | Parks & Reserves - Repairs & Maintenance           | 18/2/2025     |
| 15 | Pathway | Rates/Water Enquiries (incl Abandoned Land)        | 11/7/2024     |
| 16 | Pathway | Resource Management General Enquiries              | 17/3/2025     |
| 17 | Pathway | Signs Repairs (Not Stop/Give Way)                  | 5/8/2024      |
| 18 | Pathway | Streetscape -Vegetation                            | 30/5/2025     |
| 19 | Pathway | Toilets - Cleaning, Repairs and Maintenance        | 12/11/2024    |
| 20 | Pathway | Water & Waste General (Use IPS for WW faults)      | 11/2/2025     |
| 21 | Pathway | Wheelie Bin Collection Complaints                  | 11/1/2025     |
| 22 | Pathway | Customer Complaints - Service Provided by Staff    | 30/6/2025     |
| 23 | IPS     | Repair Water Main                                  | 5/2/2025      |
| 24 | IPS     | Repair Water Connection                            | 13/3/2025     |
| 25 | IPS     | Install New/Replace Water Meter                    | 17/4/2025     |

## Appendix C – Key Documented Assessed

We have reviewed and assessed the following key documentation relating to the respective scope items:

**Table 1 - Key Documents assessed.**

| Document   | Description   |
|--|---|
| Section 17A Environmental Services Summary Report – Final Draft March 2023 (Morrison Low Report) | Review of three teams within Environmental Services (Environmental Management, Building Solutions, Environmental Health/Animal Control) for SDC in accordance with the requirements of Section 17A of the Local Government Act 2002. Part of this review included aspects of RFS. |
| Record R/25/311182: Request for Service overview   | This document provides a high-level overview of the Request Management Service conducted by SDC.  |
| Record R/25/3/8975: Requests for Service - Pathway UX Guide                                      | Process guidance document for how to manually lodge requests for service through the Pathway system.  |
| Record R/25/2/8401: PATHWAY UX Request Type Parameters   | System parameters for Pathway outlining required response times per request type (with differing priority levels).  |
| Record R/25/3/9724: IPS Service Request Guide and Parameters                                     | Process guidance document for how to manually lodge requests for service through the IPS system.  |
| Record R/25/3/10155: IPS - Service Request parameters  | System parameters for IPS outlining required response times per request type (with differing priority levels).  |
| IPS - RFS Population Data for the period 1 July 2024 – 30 June 2025                              | Population data for the review period of all requests for service in IPS.   |
| Pathway - RFS Population Data for the period 1 July 2024 – 30 June 2025                          | Population data for the review period of all requests for service in Pathway.   |

## Appendix D – Summary of Feedback

We received the following feedback from contacted requestors:

| #  | Request Type                                       | Summary of Feedback Received   |
|----|--|--|
| 1  | Animal Complaint                                   | <i>N/A – anonymous requestor (no details available)</i>  |
| 2  | Animal Complaint                                   | <i>N/A – requestor contacted, but no response</i>  |
| 3  | Building - General Enquiries                       | Requestor felt the process for raising the request was straightforward and that communication from SDC was timely and effective.   |
| 4  | Community Facilities General                       | <i>N/A – requestor contacted, but no response</i>  |
| 5  | Customer Service General Enquiry                   | Requestor felt the response was “not bad” but thought that SDC could have provided more information regarding their enquiry than they received.  |
| 6  | Dog Bite - (people or animals)                     | Requestor was very satisfied with SDC’s response. They said that SDC were very sympathetic and understanding and did everything they could do given the circumstances.   |
| 7  | Freedom Camping                                    | Requestor regularly uses Antenna app to raise requests and found this to be an easy process. They were also happy with SDC’s response to this specific request.  |
| 8  | Gravel Road Faults                                 | <i>N/A – requestor contacted, but no response</i>  |
| 9  | Hazards  | Requestor found the Antenna app “simple” to use and said that SDC’s response to their request was “perfect”. They appreciated the follow up phone call from SDC thanking them for raising the request and notifying them of the outcome.   |
| 10 | Noise Control (Not Animal Noises)                  | Requestor found the requirement to follow up noise control requests with another phone call 30 minutes later frustrating (as they said that they had already endured the noise for an extended period of time to reach the point of contacting SDC). They also felt that SDC were not actioning their requests and therefore that they were expected to just endure the noise. |
| 11 | Nuisance Complaints (Odour, Vermin, Neighbourhood) | <i>Requestor wanted their specific feedback to remain anonymous, however the themes from their feedback have been considered in our detailed findings.</i>   |
| 12 | Official Information Request                       | Requestor had made the same request to other South Island local councils and felt that SDC’s response was poor relative to other councils. They questioned SDC’s approach to calculating fees for OIA requests, considering that other councils allegedly did not charge for this same request. The requestor also felt that communication from SDC could have been improved.  |
| 13 | Online Customer Change of Name/Address/Email       | Requestor said that they had tried to raise this request multiple times over the phone, but in the end found the process for raising online easier. They said that they assumed the request has been addressed but they had not received communication to confirm this. Overall, they stated that they found the process “disappointing”.                                      |
| 14 | Parks & Reserves - Repairs & Maintenance           | <i>N/A – requestor contacted, but no response</i>  |

|    |   |  |
|----|---|--|
| 15 | Rates/Water Enquiries (incl Abandoned Land)     | <i>N/A – commercial requestor (no individual to contact).</i>  |
| 16 | Resource Management General Enquiries           | Requestor found the request easy to raise and was overall satisfied with SDC's response.   |
| 17 | Signs Repairs (Not Stop/Give Way)               | <i>N/A – 'casual' request (no contact details were available).</i>   |
| 18 | Streetscape - Vegetation                        | Requestor was satisfied with the process for raising and SDC's response. They described the overall experience as "really good" and "easy as".   |
| 19 | Toilets - Cleaning, Repairs and Maintenance     | <i>N/A – requestor contacted, but no response</i>  |
| 20 | Water & Waste General (Use IPS for WW faults)   | Requestor felt the process to raise the request was straightforward and said that SDC's response was "even better than expectations". They appreciated SDC's positive attitude and timeliness of response.   |
| 21 | Wheelie Bin Collection Complaints               | Requestor said the process to raise the request was easy and said that SDC consistently do a "great job". They did suggest that SDC's communication around responding to requests could be an area for improvement.  |
| 22 | Customer Complaints - Service Provided by Staff | Requestor was very frustrated and dissatisfied with SDC's response to their request. They said that they had raised their request multiple times and were told they would be responded to, but then this never happened. Overall, they stated the process was "far from satisfactory". |
| 23 | Repair Water Main                               | <i>N/A – requestor contacted, but no response</i>  |
| 24 | Repair Water Connection                         | Requestor said the process for raising the request was "really easy" and that SDC's response was efficient and timely.   |
| 25 | Install New/Replace Water Meter                 | <i>N/A – internal request</i>  |

## Statement of Responsibility

The procedures that we performed did not constitute an assurance engagement in accordance with New Zealand Standards for Assurance engagements, nor did it represent any form of audit under New Zealand Standards on Auditing, and consequently, no assurance conclusion or audit opinion is provided. The work was performed subject to the following limitations:

- Our assessments are based on observations from our review and sample testing undertaken in the time allocated. Assessments made by our team are matched against our expectations and best practice guidelines. This includes comparison with other similar processes we have assessed. This report offers recommendations for improvements and has taken into account the views of management, with whom these matters have been discussed.
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in the deliverable are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our deliverable to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

We have prepared this report solely for the use of Southland District Council. The report contains constructive suggestions to improve some practices which we identified in the course of our review procedures. These procedures are designed to identify control weaknesses but cannot be relied upon to identify all weaknesses. We would be pleased to discuss any items mentioned in this report and to review the corrective action implemented by management.



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 457,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

Deloitte New Zealand brings together more than 1800 specialist professionals providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Hamilton, Rotorua, Wellington, Christchurch, Queenstown and Dunedin, serving clients that range from New Zealand’s largest companies and public sector organisations to smaller businesses with ambition to grow. For more information about Deloitte in New Zealand, look to our website [www.deloitte.co.nz](http://www.deloitte.co.nz).

© 2025. Deloitte Limited (as trustee for the Deloitte Trading Trust).



---

## Financial Report for the period ended 31 January 2026

Record no: R/26/2/5617

Author: Joanie Nel, Senior accountant

Approved by: Anne Robson, Group manager finance and assurance

Report type: Information

---

### Purpose

- 1 To provide the Committee with an overview of the financial results for the seven months to 31 January 2026 by Council's seven activity groups and corporate services, as well as the financial position and the statement of cashflows as at 31 January 2026.

### Staff recommendations

That the Finance and Assurance Committee:

- a) notes the information contained in the report.

### Attachments

- A Financial report for January 2026 [↓](#)



# Financial report

January 2026

Southland District Council  
Te Rohe Pōtae o Murihiku

PO Box 903  
15 Forth Street  
Invercargill 9840

☎ 0800 732 732  
@ [sdcsouthlanddc.govt.nz](mailto:sdcsouthlanddc.govt.nz)  
🏠 [southlanddc.govt.nz](http://southlanddc.govt.nz)

## Table of contents

|   |           |
|---|-----------|
| <b>Introduction</b> .....   | <b>3</b>  |
| <b>Council summary</b> .....  | <b>5</b>  |
| <b>Council summary by Activity Group</b> .....                          | <b>9</b>  |
| <b>Statement of comprehensive income</b> .....                          | <b>11</b> |
| <b>Statement of financial position</b> .....                            | <b>12</b> |
| <b>Statement of cash flows</b> .....                                    | <b>13</b> |
| <b>Notes to the financial statements</b> .....                          | <b>14</b> |
| <b>Compliance with Investment and Liability Management Policy</b> ..... | <b>16</b> |

## Introduction

This report summarises Council's financial results for the seven month period to 31 January 2026.

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 (Annual Plan) with adjustments for phasing of budgets, carry forwards and approved unbudgeted expenditure reports
- YTD budget, which is based on Annual Plan 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 Annual Plan budget figures
- FY projection, which is the Annual Plan budget figures plus carry forwards and approved unbudgeted expenditure reports.

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 August 2025 and have been included in the projection column.

The report containing the treasury information will be presented in a standalone report.

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

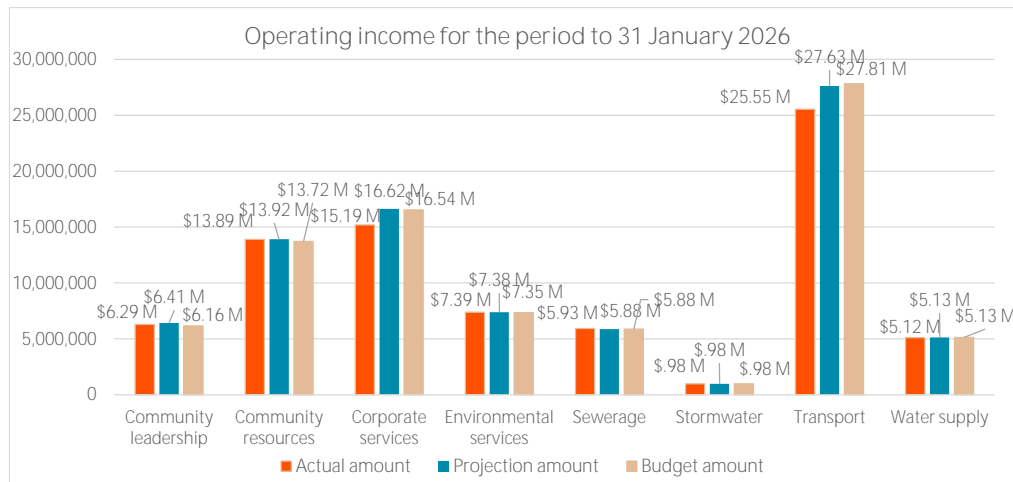
### Abbreviation explanation

| 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 seven month period to 31 January 2026 is \$3.6 million (4%) below projection (\$80.3 million actual vs \$83.9 million projection). The key reasons for the variances are detailed below.

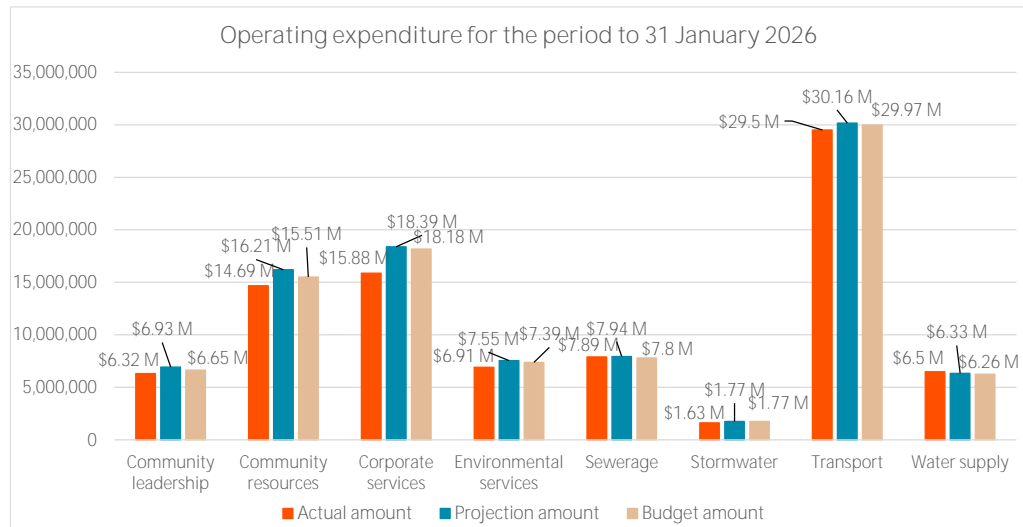


- **corporate services** income is \$1.4 million (9%) under projection mainly due to lower forestry income as harvesting has started later in the year than expected.
- **transport income** is \$2 million (8%) lower than projection mainly due to lower NZTA income. The majority of this is due to the capital work programme, with rehabilitation, bridge projects, drainage and resilience-funded work starting later than anticipated. In addition, metalling and traffic services are all slightly behind phased spend at this time of the year.

Expenditure

Operating expenditure for the seven month period to 31 January 2026 is \$6 million (6.3%) below projection for the period to date (\$89.3 million actual vs \$95.2 million projection). The key reasons for the variances are discussed below.

Financial report – Fiona Dunlop

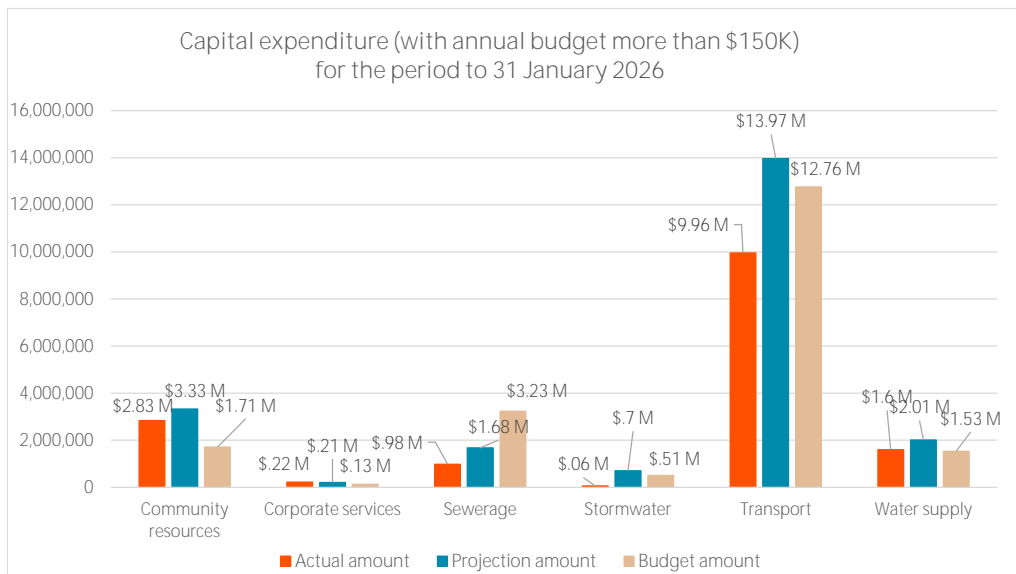
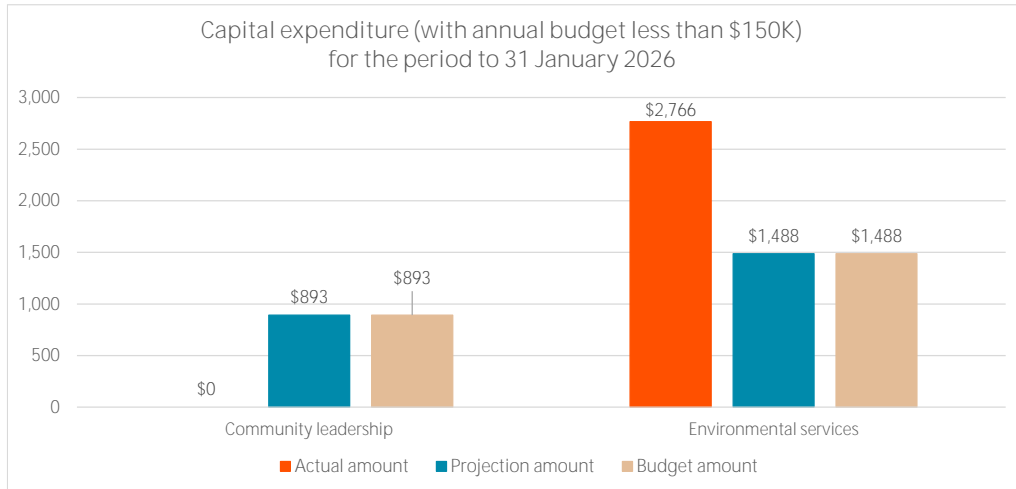


- **community resources** operating expenditure is \$1.5 million (9%) below projection:
  - parks and reserves are under projection by \$530 thousand. This is largely due to underspends in maintenance, tree and hedge and gardening budgets to date. Along with a number of maintenance projects under projection due to the phasing of the budgets including the Woodlands track reconstruction and the Kruger street subdivision.
  - halls operating expenses are underspent by \$149 thousand. This is due to maintenance projects at the Manapouri hall, Winton Memorial hall and the Wyndham hall. The work at the Winton Memorial hall had been completed under projection with the remaining funding to be utilised at the Winton RSA hall. Procurement for the work at Wyndham hall is under way.
  - toilets are currently under projection by \$161 thousand due to the phasing of the district wide refurbishment project.
  - waste services are under projection by \$534 thousand due to a timing difference in maintenance costs as well as the Otatau Closed landfill project being on hold until a response is received from MFE for grant funding for the project.
  - Other property is \$119 thousand under projection due to limited property sales. Cost budgets have been reduced in the forecasting round due to a pending special plan review.
- **corporate services** operating expenditure is \$2.5 million (14%) below projection mainly due to forestry harvesting costs yet to be incurred as well as lower interest charges, investment management fees, staff and training costs. Some of the wind storm damage costs have been coded to the corporate services activity to be re-charged to other business units at a later stage.
- **environmental services** operating expenditure is \$638 thousand (8%) below projection mainly due to lower staff and legal costs to date and the timing of the Better Off Funding Growing Townships spatial planning project.

Page | 6

### Capital expenditure (CAPEX)

Capital expenditure for the period to 31 January 2026 is \$6.2 million (28%) under projection (\$15.6 million actual vs \$21.9 million projection).



Financial report – Fiona Dunlop

- **Community resources** is \$494 thousand (15%) under projection due to the timing of projects including the Te Anau Basin Development Project, Te Anau Playground, the Colac Bay Surfer Statue, the Otautau camping ground and the pump tracks at both McGregor Park and Wallacetown. As well as the toilet projects at Mossburn, Te Anau and Halfmile Road.
- **sewerage** is \$696 thousand (42%) under projection due to the timing of projects, the main variance relates to the inflow and infiltration project in Winton, and the Manapouri waste water treatment plant project, the pipeline started in late February.
- **stormwater** is \$641 thousand (91%) under projection due to the timing of the projects with the main variance being the Edendale/Wyndham project, which started mid February.
- **transport** capital costs are \$4 million (29%) under projection. \$1 million of this relates to rehabilitations that are starting in January which is later than anticipated. \$600 thousand relates to resilience work on Stewart Island with some work completed but costs to be separated out. \$600 thousand relates to bridges with work not starting until late January. \$1 million relates to drainage with contractors expected to complete the work later in the year than was originally planned. In addition, with metalling, traffic services are running slightly behind expectation.
- **water supply** is \$411 thousand (20%) under projection due to the timing of when projects are due to start. The main variance relates to the Eastern Bush water supply upgrade, upgrade of the contact tanks in Te Anau and the switchboard and pump upgrade at the Takitimu rural water supply scheme.

Page | 8

**Council summary by activity group**

| SOUTHLAND DISTRICT COUNCIL FINANCIAL SUMMARY FOR THE PERIOD TO 31 JANUARY 2026 |                    |                     |                    |                    |              |                     |                    |                    |             |
|--|--------------------|---------------------|--------------------|--------------------|--------------|---------------------|--------------------|--------------------|-------------|
| Operating income   |                    |                     |                    |                    |              |                     |                    |                    |             |
|  | YTD                |                     |                    |                    |              | FYB                 |                    |                    |             |
| Activity   | Actual amount      | Projection amount   | Budget amount      | Var \$             | Var %        | Projection amount   | Budget amount      | Var \$             | Var %       |
| Community leadership   | 6,289,865          | 6,411,090           | 6,157,578          | (121,224)          | (2%)         | 11,510,990          | 11,056,949         | (454,041)          | (4%)        |
| Community resources  | 13,894,924         | 13,918,297          | 13,717,854         | (23,373)           | (0%)         | 25,364,022          | 24,829,553         | (534,469)          | (2%)        |
| Corporate services   | 15,186,309         | 16,620,013          | 16,538,209         | (1,433,705)        | (9%)         | 27,641,441          | 27,451,233         | (190,208)          | (1%)        |
| Environmental services   | 7,385,058          | 7,383,688           | 7,348,258          | 1,370              | 0%           | 12,911,520          | 12,741,656         | (169,864)          | (1%)        |
| Sewerage   | 5,931,378          | 5,878,724           | 5,878,724          | 52,654             | 1%           | 10,085,812          | 10,085,833         | 21                 | 0%          |
| Stormwater   | 979,560            | 975,519             | 975,519            | 4,041              | 0%           | 1,702,318           | 1,702,318          | (0)                | (0%)        |
| Transport  | 25,548,613         | 27,626,123          | 27,811,227         | (2,077,510)        | (8%)         | 53,428,516          | 53,620,166         | 191,650            | 0%          |
| Water supply   | 5,116,190          | 5,131,888           | 5,131,888          | (15,698)           | (0%)         | 8,888,272           | 8,888,272          | 0                  | 0%          |
| <b>Total</b>   | <b>80,331,897</b>  | <b>83,945,341</b>   | <b>83,559,256</b>  | <b>(3,613,444)</b> | <b>(4%)</b>  | <b>151,532,891</b>  | <b>150,375,979</b> | <b>(1,156,912)</b> | <b>(1%)</b> |
| OPERATING EXPENDITURE  |                    |                     |                    |                    |              |                     |                    |                    |             |
|  | YTD                |                     |                    |                    |              | FYB                 |                    |                    |             |
| Activity   | Actual amount      | Projection amount   | Budget amount      | Var \$             | Var %        | Projection amount   | Budget amount      | Var \$             | Var %       |
| Community leadership   | 6,315,451          | 6,929,238           | 6,647,416          | (613,788)          | 9%           | 11,837,937          | 11,597,694         | (240,243)          | (2%)        |
| Community resources  | 14,687,177         | 16,212,631          | 15,513,183         | (1,525,454)        | 9%           | 27,830,180          | 26,462,145         | (1,368,035)        | (5%)        |
| Corporate services   | 15,881,023         | 18,391,631          | 18,183,578         | (2,510,608)        | 14%          | 29,165,407          | 28,635,907         | (529,500)          | (2%)        |
| Environmental services   | 6,910,393          | 7,547,983           | 7,388,106          | (637,590)          | 8%           | 13,117,583          | 12,785,892         | (331,691)          | (3%)        |
| Sewerage   | 7,894,404          | 7,937,030           | 7,803,704          | (42,625)           | 1%           | 13,449,826          | 13,242,092         | (207,734)          | (2%)        |
| Stormwater   | 1,628,478          | 1,769,033           | 1,765,082          | (140,555)          | 8%           | 2,974,087           | 2,968,819          | (5,268)            | (0%)        |
| Transport  | 29,503,626         | 30,157,942          | 29,971,857         | (654,317)          | 2%           | 52,667,353          | 52,062,116         | (605,238)          | (1%)        |
| Water supply   | 6,495,976          | 6,331,302           | 6,257,221          | 164,675            | (3%)         | 10,608,083          | 10,509,309         | (98,774)           | (1%)        |
| <b>Total</b>   | <b>89,316,528</b>  | <b>95,276,790</b>   | <b>93,530,146</b>  | <b>(5,960,262)</b> | <b>6.3%</b>  | <b>161,650,456</b>  | <b>158,263,973</b> | <b>(3,386,483)</b> | <b>(2%)</b> |
| <b>Net surplus/deficit</b>   | <b>(8,984,631)</b> | <b>(11,331,448)</b> | <b>(9,970,890)</b> | <b>2,346,817</b>   | <b>(11%)</b> | <b>(10,117,565)</b> | <b>(7,887,994)</b> | <b>2,229,571</b>   | <b>1%</b>   |
| CAPITAL EXPENDITURE  |                    |                     |                    |                    |              |                     |                    |                    |             |
|  | YTD                |                     |                    |                    |              | FYB                 |                    |                    |             |
| Activity   | Actual amount      | Projection amount   | Budget amount      | Var \$             | Var %        | Projection amount   | Budget amount      | Var \$             | Var %       |
| Community leadership   | 0                  | 893                 | 893                | (893)              | (100%)       | 265,730             | 215,730            | (50,000)           | (19%)       |
| Community resources  | 2,834,348          | 3,327,986           | 1,711,260          | (493,638)          | (15%)        | 21,286,275          | 11,275,498         | (10,010,777)       | (47%)       |
| Corporate services   | 217,841            | 206,682             | 130,682            | 11,159             | 5%           | 882,249             | 302,940            | (579,309)          | (66%)       |
| Environmental services   | 2,766              | 1,488               | 1,488              | 1,279              | 86%          | 507,550             | 257,550            | (250,000)          | (49%)       |
| Sewerage   | 978,441            | 1,675,000           | 3,231,878          | (696,559)          | (42%)        | 7,331,900           | 13,553,325         | 6,221,425          | 85%         |
| Stormwater   | 61,286             | 702,500             | 505,229            | (641,214)          | (91%)        | 4,559,018           | 3,278,790          | (1,280,228)        | (28%)       |
| Transport  | 9,959,949          | 13,966,903          | 12,758,451         | (4,006,953)        | (29%)        | 33,985,404          | 33,830,377         | (155,027)          | (0%)        |
| Water supply   | 1,596,047          | 2,007,167           | 1,532,555          | (411,120)          | (20%)        | 5,445,714           | 6,536,807          | 1,091,093          | 20%         |
| <b>Total</b>   | <b>15,650,678</b>  | <b>21,888,618</b>   | <b>19,872,435</b>  | <b>(6,237,940)</b> | <b>(28%)</b> | <b>74,263,839</b>   | <b>69,251,017</b>  | <b>(5,012,822)</b> | <b>(7%)</b> |

| 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   | <p>Community assistance (includes Community Partnership Fund which supports local initiatives and projects, non-Council owned halls along with grants and donations)</p> <p>Regional development (includes investment in Great South)</p> <p>Community futures (includes district development services which includes community leadership, regional development funding and Stewart Island Visitor Levy)</p> <p>Representation and advocacy (includes governance, elected members, elections and chief executive)</p> | <p>Community facilities (includes public toilets, community centres/Council owned halls, office/library/amenity buildings and dump stations)</p> <p>Community services (includes cemeteries, community housing and library services)</p> <p>Open spaces (including parks, reserves, playgrounds and street litterbins)</p> <p>Waste services</p> <p>Stewart Island Electrical Supply Authority (SIESA)</p> | <p>Animal control</p> <p>Building solutions</p> <p>Emergency management</p> <p>Environmental health</p> <p>Resource management</p> | <p>Cycle trails</p> <p>Footpaths</p> <p>Roading</p> <p>Water facilities (includes boat ramps, Riverton Harbour and Stewart Island Jetties)</p> <p>Airport</p> |             |                        |              |
| <p>Corporate services (shared across all activities)<br/>Includes customer and corporate support (such as people and capability, communications, strategy and policy, finance, information management) and forestry.</p> |  |  |  |   |             |                        |              |

## Statement of comprehensive income

| STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES<br>FOR THE PERIOD TO 31 JANUARY 2026 |               |                   |               |                   |               |
|--|---------------|-------------------|---------------|-------------------|---------------|
|  | YTD           |                   |               | FYB               |               |
|  | Actual amount | Projection amount | Budget amount | Projection amount | Budget amount |
| Revenue  |               |                   |               |                   |               |
| Rates revenue  | 44,453,687    | 44,686,677        | 44,680,843    | 77,161,030        | 77,151,005    |
| Other revenue  | 7,594,664     | 8,195,651         | 8,218,700     | 13,490,359        | 13,529,871    |
| Interest and dividends   | 705,352       | 11,667            | 11,667        | 20,000            | 20,000        |
| NZ Transport Agency funding  | 9,704,521     | 12,002,785        | 11,876,258    | 26,327,713        | 26,108,853    |
| Grants and subsidies   | 1,395,615     | 1,374,824         | 1,101,866     | 3,127,493         | 2,382,203     |
| Other gains/losses   | 122,345       | 0                 | 0             | 2,695,707         | 2,408,207     |
| Development and financial contributions  | 38,321        | 161,049           | 0             | 207,857           | 0             |
|  | 64,014,506    | 66,432,652        | 65,889,334    | 123,030,159       | 121,600,139   |
| Expenditure  |               |                   |               |                   |               |
| Employee benefit expense   | 12,660,519    | 13,718,637        | 13,718,637    | 22,120,212        | 22,120,212    |
| Depreciation and amortisation  | 26,656,528    | 26,771,242        | 26,771,242    | 45,893,558        | 45,893,557    |
| Finance costs  | 2,486,027     | 2,804,147         | 2,804,147     | 4,807,109         | 4,807,109     |
| Other Council expenditure  | 31,196,063    | 34,470,075        | 32,566,198    | 60,326,846        | 56,667,254    |
|  | 72,999,137    | 77,764,101        | 75,860,224    | 133,147,725       | 129,488,133   |
|  |               |                   |               |                   |               |
| Total comprehensive income   | (8,984,631)   | (11,331,448)      | (9,970,890)   | (10,117,565)      | (7,887,994)   |

**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 31 January 2026 is detailed below which covers Southland District Council and SIESA financial results.

| STATEMENT OF FINANCIAL POSITION         |      |                      |                       |
|---|------|----------------------|-----------------------|
|   | NOTE | 31-Jan-26<br>Actual  | 30 Jun 2025<br>Actual |
| Equity                                  |      |                      |                       |
| Retained earnings                       |      | 687,264,487          | 696,472,565           |
| Asset revaluation reserves              |      | 1,517,844,160        | 1,517,844,160         |
| Other reserves                          |      | 46,650,246           | 43,650,247            |
| Share revaluation                       |      | 11,403,785           | 9,172,948             |
|   |      | <b>2,263,162,678</b> | <b>2,270,139,920</b>  |
| Represented by:                         |      |                      |                       |
| Current assets                          |      |                      |                       |
| Cash and cash equivalents               | (3)  | 20,205,768           | 23,822,415            |
| Trade and other receivables             |      | 11,937,348           | 8,578,635             |
| Inventories                             |      | 148,905              | 148,905               |
| Other financial assets                  | (7)  | 2,196,798            | 2,196,798             |
|   |      | <b>34,488,819</b>    | <b>37,746,753</b>     |
| Non-current assets                      |      |                      |                       |
| Property, plant and equipment           |      | 2,276,106,493        | 2,287,122,579         |
| Intangible assets                       |      | 6,654,944            | 6,654,944             |
| Forestry assets                         |      | 13,490,000           | 13,490,000            |
| Internal loans                          |      | 77,232,021           | 79,094,173            |
| Investment in associates                |      | 3,027,896            | 3,027,896             |
| Other financial assets                  | (7)  | 43,419,258           | 41,105,968            |
|   |      | <b>2,419,930,613</b> | <b>2,430,495,560</b>  |
| <b>Total assets</b>                     |      | <b>2,454,419,432</b> | <b>2,465,242,313</b>  |
| Current liabilities                     |      |                      |                       |
| Trade and other payables                |      | 7,581,015            | 8,859,741             |
| Deferred revenue                        |      | 1,922,314            | 1,699,364             |
| Contract retentions and deposits        |      | 442,415              | 491,985               |
| Employee benefit liabilities            |      | 1,933,213            | 2,816,022             |
| Development and financial contributions |      | 1,065,439            | 1,060,775             |
| Borrowings                              | (8)  | 9,000,000            | 9,000,000             |
| Provisions                              |      | 1,126,960            | 1,126,960             |
|   |      | <b>23,071,356</b>    | <b>25,054,847</b>     |
| Non-current liabilities                 |      |                      |                       |
| Employment benefit liabilities          |      | 9,271                | 9,271                 |
| Provisions                              |      | 8,369,105            | 8,369,103             |
| Internal loans - liability              |      | 77,232,022           | 79,094,172            |
| Borrowings                              | (8)  | 82,575,000           | 82,575,000            |
|   |      | <b>168,185,398</b>   | <b>170,047,546</b>    |
| <b>Total liabilities</b>                |      | <b>191,256,754</b>   | <b>195,102,393</b>    |
|   |      |                      |                       |
| <b>Net assets</b>                       |      | <b>2,263,162,678</b> | <b>2,270,139,920</b>  |

## Statement of cash flows

Council's unaudited cash flow position as at 31 January 2026 is detailed below which covers Southland District Council and SIESA financial results.

| STATEMENT OF CASHFLOWS FOR THE PERIOD TO 31 JANUARY 2026   |      |                       |                   |
|--|------|-----------------------|-------------------|
|  | NOTE | 2025/26<br>YTD Actual | 2024/25<br>Jun-25 |
| Cash flows from operating activities                       |      |                       |                   |
| Receipts from rates revenue                                |      | 40,944,284            | 72,484,432        |
| Receipts from other revenue (including NZTA)               |      | 16,566,638            | 40,750,885        |
| Cash receipts from interest and dividends                  |      | 697,697               | 990,305           |
| Payments to suppliers and employees                        |      | (46,186,904)          | (78,346,988)      |
| Interest paid  |      | (2,486,027)           | (3,231,909)       |
| GST general ledger (net)                                   |      | 2,581,587             | 315,629           |
| <i>Net cash inflow (outflow) from operating activities</i> |      | 12,117,275            | 32,962,354        |
| Cash flows from investing activities                       |      |                       |                   |
| Receipts from sale of PPE                                  |      | 122,345               | 1,650,562         |
| (Increase)/decrease other financial assets                 |      | (81,609)              | -                 |
| Purchase of property, plant and equipment                  |      | (15,640,441)          | (43,731,404)      |
| Acquisition of investments                                 |      | (134,188)             | (28,002,027)      |
| <i>Net cash inflow (outflow) from investing activities</i> |      | (15,733,894)          | (70,082,869)      |
| Cash Flows from financing activities                       |      |                       |                   |
| Increase in term loans                                     |      | -                     | 66,775,000        |
| Repayment of term loans                                    |      | -                     | (11,000,000)      |
| <i>Net cash inflow (outflow) from financing activities</i> |      | -                     | 55,775,000        |
| Net increase/(decrease) in cash and cash equivalents       |      | (3,616,619)           | 18,654,485        |
| Cash and cash equivalents at the beginning of the year     |      | 23,822,387            | 5,392,026         |
| Cash and cash equivalents at the end of January            | (2)  | 20,205,768            | 23,822,415        |

## Notes to the financial statements

**Cash and cash equivalents**

- On 31 January, Council had \$1,553 cash on hand.
- Funds on call on 31 January 2026:

| FUNDS ON CALL |              |      |                      |
|---------------|--------------|------|----------------------|
|               | AMOUNT       | BANK | ACCOUNT              |
| SDC           | \$8,478,996  | BNZ  | Funds on call        |
|               | \$10,000     | BNZ  | Operating bank acc   |
|               | \$1,376,478  | BNZ  | Restricted funds acc |
| SIESA         | \$338,742    | BNZ  | Funds on call        |
| Total         | \$10,204,216 |      |                      |

- On 31 January 2026, Council had \$10 million invested in one term deposit.

| TERM DEPOSIT INVESTMENTS |              |               |               |               |
|--------------------------|--------------|---------------|---------------|---------------|
| BANK                     | AMOUNT       | INTEREST RATE | DATE INVESTED | MATURITY DATE |
| ANZ                      | \$10,000,000 | 2.40%         | 22-Jan-26     | 18-Feb-26     |
| Total                    | \$10,000,000 |               |               |               |

| Reconciliation to statement of financial position                       | Amount       |
|---|--------------|
| Cash and cash equivalents   |              |
| <i>Current assets</i>   |              |
| SDC Cash on hand (Note 1)   | \$1,553      |
| Term deposit investments (Note 3)                                       | \$10,000,000 |
| Funds on call (Note 2)  | \$10,204,216 |
| Total cash and cash equivalents per the statement of financial position | \$20,205,768 |

**Other financial assets**

- At 31 January 2026, Council held two balanced fund investments.

| Balanced Fund Investment      |                 |              |
|-------------------------------|-----------------|--------------|
| Balanced Funds                | Amount invested | Total value  |
| Milford Balanced Fund         | \$17,500,000    | \$19,772,238 |
| Westpac (BT Funds Management) | \$17,500,000    | \$20,188,161 |
| Total                         | \$35,000,000    | \$39,960,398 |

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 value of the investments.

- At 31 January 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   | 2.20%         | 4-Dec-25      | 7-Jan-26      |
| BNZ                               | \$300,000   | 2.20%         | 16-Jan-26     | 16-Feb-26     |
| BNZ                               | \$250,000   | 3.90%         | 11-Aug-25     | 11-Feb-26     |
| BNZ                               | \$250,000   | 3.65%         | 7-Oct-25      | 7-Apr-26      |
| Total                             | \$1,170,000 |               |               |               |

6. At 31 January 2026, Council had \$3.8 million of LGFA borrowers notes as follows:

| LGFA BONDS |             |                        |                    |               |
|------------|-------------|------------------------|--------------------|---------------|
|            | AMOUNT      | INTEREST RATE RECEIVED | ESTABLISHMENT DATE | MATURITY DATE |
| LGFA       | \$210,000   | 3.10%                  | 20-Dec-21          | 15-May-35     |
| LGFA       | \$210,000   | 3.14%                  | 15-Dec-21          | 15-Apr-36     |
| LGFA       | \$100,000   | varies                 | 19-Apr-24          | 15-Apr-26     |
| LGFA       | \$125,000   | 5.06%                  | 06-May-24          | 15-May-28     |
| LGFA       | \$125,000   | 5.09%                  | 06-May-24          | 20-Apr-29     |
| LGFA       | \$250,000   | 5.13%                  | 08-Jul-24          | 15-Apr-26     |
| LGFA       | \$500,000   | 4.95%                  | 08-Jul-24          | 15-Apr-27     |
| LGFA       | \$250,000   | 4.91%                  | 08-Jul-24          | 20-Apr-29     |
| LGFA       | \$250,000   | 4.91%                  | 08-Jul-24          | 15-May-28     |
| LGFA       | \$500,000   | 4.25%                  | 14-Aug-24          | 15-May-28     |
| LGFA       | \$500,000   | 4.14%                  | 14-Aug-24          | 15-Apr-27     |
| LGFA       | \$250,000   | 4.19%                  | 17-Feb-25          | 17-Feb-29     |
| LGFA       | \$250,000   | 4.22%                  | 15-Apr-25          | 15-Apr-30     |
| LGFA       | \$288,750   | 4.15%                  | 12-May-25          | 15-May-30     |
| Total      | \$3,808,750 |                        |                    |               |

| RECONCILIATION TO STATEMENT OF FINANCIAL POSITION                          | AMOUNT       |
|--|--------------|
| Other financial assets   |              |
| <i>Current assets</i>  |              |
| SDC Term Investments   | -            |
| SIESA Investments (Note 6)   | \$1,170,000  |
| Civic Assurance shares*  | \$12,793     |
| Milford Sound Tourism shares*  | \$601,488    |
| LGFA bonds (Note 7)  | \$350,000    |
| Milford Sound Tourism current account                                      | \$62,517     |
| Total current financial assets per the statement of financial position     | \$2,196,798  |
| <i>Non - Current assets</i>  |              |
| SDC Balanced Funds Investments (Note 4)*                                   | \$39,960,398 |
| LGFA bonds (Note 7)  | \$3,458,750  |
| Trustee settlor contributions  | \$110        |
| Total non-current financial assets per the statement of financial position | \$43,419,258 |

\*These balances are subject to change due to revaluation processes at month end or year end.

7. As at 31 December 2025, the external borrowings of \$91.6 million is made up of:

| SDC BORROWINGS |              |                    |            |               |          |             |
|----------------|--------------|--------------------|------------|---------------|----------|-------------|
| LENDER         | AMOUNT       | INTEREST RATE PAID | DATE DRAWN | MATURITY DATE | TYPE     | CLASS       |
| LGFA           | \$4,000,000  | varies             | 19-Apr-24  | 15-Apr-26     | Floating | Current     |
| LGFA           | \$5,000,000  | 5.58%              | 8-Jul-24   | 15-Apr-26     | Fixed    | Current     |
| LGFA           | \$5,000,000  | 5.36%              | 8-Jul-24   | 15-May-28     | Fixed    | Non-Current |
| LGFA           | \$10,000,000 | 5.40%              | 8-Jul-24   | 15-Apr-27     | Fixed    | Non-Current |
| LGFA           | \$5,000,000  | 5.46%              | 6-May-24   | 15-May-28     | 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           | \$8,400,000  | 3.45%              | 20-Dec-21  | 15-May-35     | Fixed    | Non-Current |
| LGFA           | \$8,400,000  | 3.49%              | 15-Dec-21  | 15-Apr-36     | Fixed    | Non-Current |
| LGFA           | \$10,000,000 | 4.59%              | 14-Aug-24  | 15-Apr-27     | 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  | 4.67%              | 15-Apr-25  | 15-Apr-30     | Fixed    | Non-Current |
| LGFA           | \$5,775,000  | 4.60%              | 12-May-25  | 15-May -30    | Fixed    | Non-Current |
| Total          | \$91,575,000 |                    |            |               |          |             |

Financial report – Fiona Dunlop

| RECONCILIATION TO STATEMENT OF FINANCIAL POSITION        | AMOUNT       |
|--|--------------|
| Borrowings   |              |
| LGFA current   | \$9,000,000  |
| LGFA non-current   | \$82,575,000 |
| Total borrowings per the statement of financial position | \$91,575,000 |

Page | 16



---

## Interim performance report - period two 1 July 2025 to 28 February 2026

Record no: R/26/3/103690  
Author: Nicole Taylor, Finance development co-ordinator  
Approved by: Anne Robson, Group manager finance and assurance  
Report type: Information

---

### Purpose

- 1 The purpose of this report is to present the Finance and Assurance Committee (the committee) with the Interim Performance Report for period two, from 1 July 2025 to 28 February 2026.

### Staff recommendations

That the Finance and Assurance Committee:

- a) notes the information contained in the report.

### Executive summary

- 2 The Interim Performance Report (IPR) provides a 'snapshot in time' record of the status of Council's key performance indicators (KPIs) and is reported to the committee every four months as a cumulative record throughout the financial year (1 July 2025 to 30 June 2026).
- 3 The final performance report results, due at the end of June 2026, will be presented as part of the Annual Report 2025/2026. The annual report is audited by Deloitte to ensure that the results are correct and the methodologies for monitoring the KPIs are recorded, reviewed and robust.
- 4 The targets in the report have been updated to match what was included in year two of the Long Term Plan (LTP) 2024-2034, noting that KPIs for water vary from the LTP to match the Department of Internal Affairs Non-Financial Measure Rules (2024).
- 5 The results to date show that for the 70 KPIs, 69% (48) are on target, 11% (8) are near target, 11% (8) are off target and 9% (6) are yet to be measured. This is an improvement on the same period last year (65% on target, 28% off target, 7% yet to be measured).
- 6 Of the eight KPIs that are off target, two of these are related to water supply fault response times which were not responded to within specified times. A further two water targets were not met with the first of these related to protozoal testing at Lumsden this quarter and Ohai and Tuatapere the previous quarter. At Lumsden, a technical non-compliance occurred in November 2025 due to scheduled servicing of chlorine and UVT meters which interrupted water test data being uploaded into the relevant Council and Taumata Arowai systems. The prior quarter issues related to a protozoal test being missed at the Ohai water treatment plant and an older filter housing at Tuatapere which has now been upgraded and will be fully compliant from January 2026. The second was also a prior quarter technical non-compliance because scheduled e-coli and total coliform samples were not able to be collected due to the high wind weather event that caused widespread power outages across several drinking water schemes.

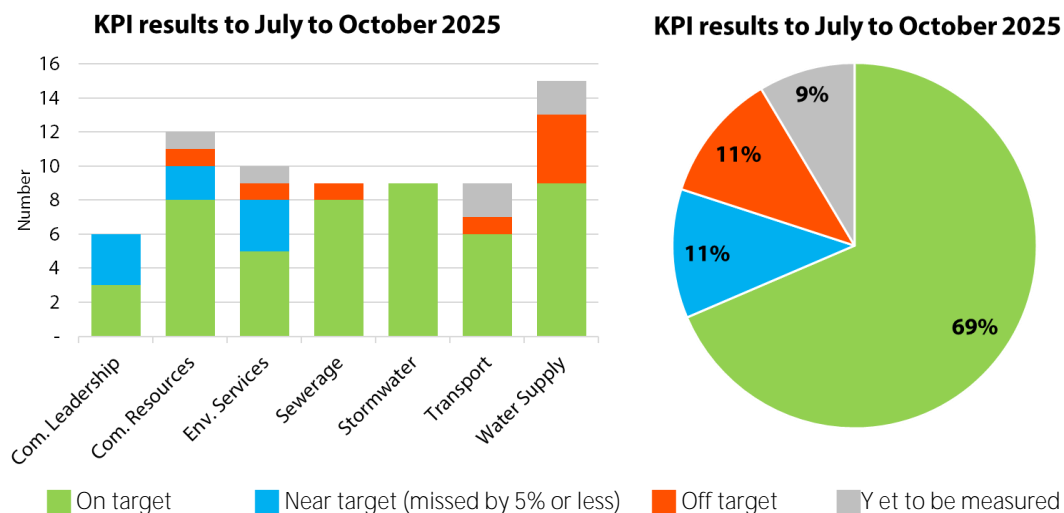
- 7 The remaining four off-track KPIs relate to the quantity of sealing able to be completed within the revised NZTA approved budget, the number of EMS community response plans being reviewed, unplanned interruptions to Stewart Island electricity supply caused by the October wind storm event and generator faults and several sewerage monitoring tests not meeting the resource consent conditions for a variety of reasons highlighted in the report.
- 8 The commentary against each KPI in the report provides more information with staff continuing to work towards improving results over the remainder of the year.

Context

- 9 The Corporate Performance Framework (CPF) aligns Council’s high-level direction to its activities and outcomes, and its purpose is to streamline Council planning and reporting functions.
- 10 As part of the framework, Council produces interim performance reports for the periods - July to October, July to February and July to June, with the third being produced to inform the annual report at year end.
- 11 The intended role of the Interim Performance Report (IPR) is to provide a touch point throughout the financial year for elected members and staff to monitor progress against targets. Interim reporting is a useful element of any performance monitoring framework, keeping high level performance goals relevant to daily operations and enabling early identification of potential issues.
- 12 Council has 70 KPI’s across seven groups and thirteen activities with the majority of the KPI’s set in the Long Term Plan 2024-2034 with adjustments made to water KPI’s as a result of changes to DIA rules for water service reporting. Of the 70 KPIs, a total of 29 are required to be measured by the Department of Internal Affairs (DIA) along with four KPI’s that are regulatory measures for the specific service provided by Council such as the building consent requirements. Council’s overall KPI performance measures and results are included in attachment A.

Results and analysis

- 13 Overall, 69% (48) of Councils KPIs are on target, 11% (8) near target (missed by 5% or less), 11% (8) are off target and 9% (6) are yet to be measured.



- 14 **Stormwater and Sewerage** have nine KPI's each and all KPI's are on target except for sewerage resource consent monitoring which is off target due to 8% of resource consent monitoring tests not meeting conditions for a variety of reasons highlighted in the report. The results relate to Browns, Curio Bay, Monowai, Riverton Rocks and Winton wastewater plants. The approach to each varies with the scheme, with some being addressed with the replacement of filtering equipment, others will be corrected with future plant upgrades etc. A number relate to the conditions present at the time of testing, such as bank erosion or very wet conditions. These tests are part of an ongoing trend analysis rather than as a one-off event. Where trends develop that were not dealt with, Council would likely receive abatement, infringement or enforcement orders from the regional council. Council has not received any of these.
- 15 **Water supply** has fifteen KPI's. Nine are on target, four off target and two yet to be measured. Two fault resolution times are outside targets. The median urgent fault attendance time was one hour 23 minutes (versus target of one hour), and fault resolution times were 44 hours and 45 minutes (versus the target of six hours or less).
- 16 A further two water targets related to drinking water standards were not met. The first relates to protozoal testing where the upload of water test data at Lumsden was interrupted by scheduled maintenance and a test was missed at the Ohai water treatment plant and an older filter housing at Tuatapere did not meet technical requirements during the period before the filter was upgraded in December 2025. The second was because of a technical non-compliance because scheduled e-coli and total coliform samples were not able to be collected due to the high wind weather event that caused widespread power outages across several drinking water schemes.
- 17 **Community leadership** has six KPI's with three on target and a further three very near target including the number of reports with the appropriate public excluded resolution (79% versus 80% target), number of reports on open agenda (88% versus 90% target) and percentage of community board meetings where residents and ratepayers are in attendance to address the board (45% versus 50% target).
- 18 **Community resources** has 12 KPIs, with ten on target or near target, one off target and one yet to be measured. The one off target result relates to unplanned interruptions to Stewart Island electricity supply caused by the October wind storm event and generator faults. The near target results relate to the percentage of waste diverted from landfill with a result of 38% compared to a target of 40%, up 4% on the previous quarter and two instances from the prior quarter where burial preparation notification times were not met. The three yearly report on the percentage of Council playgrounds that meet NZ standards has been carried out and will be reported on in the end of year report.
- 19 **Transport** has nine KPIs, six are on target and two are yet to be measured with condition surveys for roads and footpaths yet to be undertaken. The road condition survey work is being carried out over February/March 2026. Staff are currently considering whether to carry out a full footpath condition survey or simply validate existing data, given reduced funding, with work expected to occur in April 2026.
- 20 In addition, the target for the proportion of the sealed local road network that is resurfaced (target 6.7%) is currently off track with around 3% completed. Given the reduction in NZTA funding, the total that can be achieved this year is more likely to be around 6.1%.

- 
- 21 **Environmental services** has ten KPIs with eight on or near target, one off target and one yet to be measured. The off target KPI is one managed externally by Emergency Management Southland (EMS) relating to review of the 26 community board plans. It has been identified that there is currently a difference of expectation around the number of plans be reviewed. Council's LTP had a target of eight for the district, however EMS have a target of completing four reviews for the region. To date EMS have completed two plan reviews with work on two others underway. Given the difference in plan completion numbers, the target of eight is not likely to be achieved at year end.
- 22 The near target results for environmental services relate to the percentage of building and code of compliance certificates processed within statutory timeframes with 97% of consents meeting the target (up from 94% in the prior year) and 95% of certificates meeting requirements (down slightly from 96% in the prior year). It only takes one application in the year for Council not to meet this standard. The percentage on non-working dogs subject to the responsible owner category is sitting at 88% compared to the 90% target.

#### Attachments

- A Interim Performance Report for period two - 1 July 2025 to 28 February 2026 [↓](#)



# Interim Performance Report 2025/2026

Reporting Period Two – 1 July 2025 to 28 February 2026

## Contents

|                             |    |
|-----------------------------|----|
| Community leadership.....   | 2  |
| Community resources .....   | 4  |
| Environmental services..... | 7  |
| Sewerage .....              | 9  |
| Stormwater .....            | 11 |
| Transport .....             | 13 |
| Water supply .....          | 15 |

### Community leadership

| Performance measure   | Target | Result | Status             |
|---|--------|--------|--------------------|
| <b>Community Leadership - Level of Service 1: Make decisions in an open, transparent manner and support collaborative partnerships with the community and key agencies/stakeholders in the district and region</b>  |        |        |                    |
| <b>1.0.1 – All agendas are out on time</b>  | 100%   | 100%   | <b>On track</b>    |
| <i>This KPI demonstrates transparency by getting the agendas out in the appropriate statutory time allowing giving opportunity to be read ahead of the meeting</i>  |        |        |                    |
| All 54 agendas were prepared on time.   |        |        |                    |
| <b>1.0.2 – A recommendation is included in each report being withheld from the public about what (if anything) will be released to the public and when.</b>   | >=80%  | 79%    | <b>Near target</b> |
| <i>This KPI demonstrates transparency by giving timeframes around the release of (where appropriate) sensitive information contained in report</i>  |        |        |                    |
| Of the 43 reports in public excluded so far this year, only 9 were missing the required resolution. This quarter all 14 reports had the required resolution. A resolution now automatically populates when staff select a confidential report - this has helped improve performance.  |        |        |                    |
| <b>1.0.3 – Proportion of agenda items held in an open meeting</b>   | >=90%  | 88%    | <b>Near target</b> |
| <i>This KPI demonstrates transparency by showing the number of public-excluded items on an agenda compared with the number of open items on an agenda</i>   |        |        |                    |
| There were 348 reports presented from July 2025 to January 2026, and 305 of these were on an open agenda. Upon review, there seemed to be appropriate grounds to withhold the reports from the public. Generally, these reports were about property matters, procurement/commercial matters, community service awards, or the reports contained legal advice/discussed cybersecurity matters.   |        |        |                    |
| <b>1.1.1 – Percentage of the community partnership fund and district initiatives fund granted are utilised for the approved purpose</b>   | 100%   | 100%   | <b>On target</b>   |
| <i>This KPI measures the use of the funding grants within the community</i>   |        |        |                    |
| Recipients are required to provide accountability reports within 12 months of receiving their grant, outlining how the funds were used in relation to the approved purpose. As accountability reports are achieved throughout the year, data is updated on a rolling basis. Of the 88 District Initiatives Fund and Community Partnership Fund grants given out in the 2024/25 budget year, 39 have returned accountability (44%). Of those that have returned accountability, 100% have used the funds for the purpose stated in their original application. All submitted reports confirmed that the funds were used in accordance with the original applications. It is not expected that all recipients will have completed their accountability at this stage, as many projects are still underway or yet to commence. |        |        |                    |
| <b>1.1.2 – Percentage of the community partnership fund and district initiatives fund granted to organisations to achieve the outcomes proposed in the funding application</b>  | >=95%  | 0%     | <b>On target</b>   |

| Performance measure  | Target          | Result     | Status             |
|--|-----------------|------------|--------------------|
| <i>This KPI measures the impact of the grants have on community wellbeing</i>  |                 |            |                    |
| Accountability reports from the March 2025 funding round are starting to be submitted. Six accountability reports have been received so far (of 32 grants allocated) and 100% of these have achieved the outcomes listed in their original application. Accountability is due 12 months from receiving payment, so most are not due until June 2026.   |                 |            |                    |
| <b>1.1.3 – Percentage of Community Board meetings where residents and ratepayers are in attendance to address the Board</b>  | <b>&gt;=50%</b> | <b>45%</b> | <b>Near target</b> |
| <i>This KPI relates to developing supporting collaborative relationships as the community board develops effective relationships with their local and district community, key stakeholders and local, regional and national organisations</i>  |                 |            |                    |
| There were positive numbers of public participation at the beginning of this period with consistent 50% and above figures. However, the December round of meetings had a low participation rate of 33% which drew the overall total down. Regular attendees providing updates at the earlier meetings were not present for the December meetings, but it is expected that they will return during the year. Matters being discussed included the request for a review of the District Heritage Fund at the Wallace Takitimu Community Board meeting. Other items discussed at community board meetings included business proposals and native planting donations to communities. NB: Nine meetings held in November were not included in the overall calculations as these were inaugural community board meetings following elections and there was no opportunity for the public to participate due to the nature of these meetings. |                 |            |                    |

**Community resources**

| Performance measure   | Target                                | Result | Status      |
|---|---------------------------------------|--------|-------------|
| <b>Community Facilities - Level of service 2: Council provides facilities and venues for community activities and events</b>  |                                       |        |             |
| <b>2.1 – Council owned halls are fit for purpose. Scale of 1-5. fit for purpose =3 and above (1 no, 2 maybe, 3 yes ok, 4 yes good, 5 yes great). Ease of booking, cleanliness of kitchen and toilets, would book again</b>  | 100%<br>Baseline +20%<br>(24/25 100%) | 100%   | On target   |
| <i>This KPI measuring Council owned halls are fit for the purposes required by the public, Council is looking to collect data on the usage of halls including feedback from those who booked</i>  |                                       |        |             |
| <b>Community Services - Level of Service 3: Facilities are fit for purpose, to enable healthy grieving and memorialisation for the community</b>  |                                       |        |             |
| <b>3.1 – To meet family expectations that the burial plots are prepared by the time required</b>  | 100%                                  | 97%    | Near target |
| <i>This KPI measures the timeliness of the service to ensure family expectations are met, the expectation is that contractors confirm the plot is ready no less than 2 hours before it is required</i>  |                                       |        |             |
| 59 of the 61 interments to the end of February were notified in time, with the two exceptions occurring in July. These were the result of a misread notification time and a human error of forgetting the notification time requirement. In both cases these were picked up and there were not any issues for the families.   |                                       |        |             |
| <b>Community Services - Level of Service 4: Facilities are fit for purpose, in the appropriate locations and cater for future needs</b>   |                                       |        |             |
| <b>4.1 – Community housing occupancy rate</b>   | >=87%                                 | 90%    | On target   |
| <i>This KPI measures the occupancy rate. A high occupancy rates shows that housing is being used effectively in accordance with the Community Housing policy</i>  |                                       |        |             |
| A small number of tenants have needed to be temporarily relocated so repairs on their flats can be done. This has delayed the opportunity for more new tenants for the initially vacant flats. Once repairs are done, and tenants move back into their original flats, new tenants are sourced for the newly vacated flats. There are still three flats in the portfolio that are subject to long-term repairs which are yet to be completed and are unlikely to be ready for tenants until the 2026/2027 financial year. |                                       |        |             |
| <b>4.2 – Percentage of people who meet priority criteria</b>  | >=85%                                 | 95%    | On target   |
| <i>The KPI relates to community housing being fit for purpose. The current community housing policy states that persons that are 60 years of age and older and who are in need of community housing will be considered for vacancies</i>  |                                       |        |             |
| The waiting list reflects the majority of people being local in need of housing and aged over 60 years old. Reaching this KPI is related to the ability to house those on the waiting list who fit the criteria. There have not been long term vacancies requiring a tenancy to be made by other means than by the policy directive.  |                                       |        |             |
| <b>Library Services - Level of Service 5: Council provides a library service for the district including a mobile service</b>  |                                       |        |             |

| Performance measure   | Target   | Result | Status             |
|---|--|--------|--------------------|
| <b>5.1 – The library network will increase the digital proportion of lending year on year</b>   | 12.6%<br>Baseline + 5%<br>(24/25, 12%)               | 13%    | On target          |
| <i>This KPI monitors the level of digital lending with a focus on reaching a wider audience, providing increased diversity of lending material and the possibility of reducing the purchase of physical lending materials</i> |  |        |                    |
| This represents an 18% increase from the same period in 2024, when e-book lending comprised 11% of total lending.   |  |        |                    |
| <b>5.2 – The library and service network will increase programme participation numbers year on year (baseline then + 5% each yr)</b>  | 8,153<br>Baseline + 5%<br>(24/25 7,765 participants) | 4,946  | On target          |
| <i>This KPI is measuring the increase in community connectedness by seeing the libraries as a place to socialise and participate in ongoing learning</i>  |  |        |                    |
| This is an annual target. The result to date represents a 36% increase from the same period in 2024/2025, when there were 3,630 programme attendees.  |  |        |                    |
| <b>Open Spaces - Level of Service 6: The Council provides safe, well maintained open spaces for the community to enjoy sports and leisure activities</b>  |  |        |                    |
| <b>6.1 – percentage of SDC playgrounds that meet NZ standards over the next 3 years</b>   | >=85%  | 0%     | Yet to be measured |
| <i>This KPI measures the maintenance and standard of the playgrounds in the southland district with a focus on all playground meeting the NZ standards over the next 3 years</i>  |  |        |                    |
| The three yearly report has been carried out and will be reported to the committee in June.   |  |        |                    |
| <b>6.2 – Open spaces requests for services are completed within specified timeframes</b>  | 95%  | 97%    | On target          |
| <i>This KPI measures the maintenance of the service by monitoring whether requests for service are completed within the specified timeframe (dependent on the type or RFS 2,5 or 10 days)</i>                                 |  |        |                    |
| There were a total of 271 requests for service received with 261 actioned within the specified timeframe.   |  |        |                    |
| <b>6.3 – Council collaborated in partnerships with a minimum of three community groups in the biodiversity/ecological or environmental space</b>  | 3  | 3      | On target          |
| <i>This KPI measures council engagement with community groups with a focus on empowering our communities</i>  |  |        |                    |
| As per the comment for quarter one. Since then, we have been working with a garden group in Riverton who maintain the planter boxes on the main street of Riverton.   |  |        |                    |
| <b>SIESA - Level of Service 7: Council provides a reliable, sustainable electricity supply to Stewart Island that meets current and future needs</b>  |  |        |                    |
| <b>7.1 – Number of unplanned point of consumer supply interruptions to Stewart Island electricity supply</b>  | <=6  | 11     | Off target         |
| <i>This KPI measures the reliability of the network. Any unplanned consumer supply interruptions can indicate issues with the network</i>   |  |        |                    |

| Performance measure  | Target                    | Result                             | Status             |
|--|---------------------------|------------------------------------|--------------------|
| The October windstorm event resulted in an outage for 2 hours for a small number of customers. The majority of the remaining outages are related to generator faults. The total outage year to date is approximately 4 hours.  |                           |                                    |                    |
| <b>Waste Services - Level of Service 8: Provide convenient and reliable rubbish and recycling services that minimise the amount of waste going to landfill</b>   |                           |                                    |                    |
| <b>8.1 – The amount of waste diverted from landfill (tonnes) as a percentage of total waste</b>  | <b>&gt;=40%</b>           | <b>38.10%</b>                      | <b>Near target</b> |
| <i>The KPI measures waste minimisation. The more waste diverted from landfill and recycled the better</i>  |                           |                                    |                    |
| While the amount of waste diverted is less than the target it is an increase on the prior year.  |                           |                                    |                    |
| <b>8.2 – The maximum amount of waste per property disposed of to landfill (kilograms)</b>  | <b>&lt;=650 kilograms</b> | <b>350.9kg per bin to landfill</b> | <b>On target</b>   |
| <i>The KPI measures waste minimisation. The least amount of waste going to landfill the better</i>   |                           |                                    |                    |
| Please note – in relation to diversion volumes, the greenwaste data was not available for reporting at the time of preparing the KPI report. As such, a 12-month average has been used for greenwaste volumes for the month of January 2026. This data will be updated once the actual data is obtained. |                           |                                    |                    |

## Environmental services

| Performance measure   | Target          | Result      | Status             |
|---|-----------------|-------------|--------------------|
| <b>Environmental services – Level of Service 9: Enhance the health, safety and wellbeing of the community and environment, through the effective implementation of a range of legislation</b>   |                 |             |                    |
| <b>9.1 – Percentage of non-notified resource consents processed within statutory timeframes</b>   | <b>100%</b>     | <b>100%</b> | <b>On target</b>   |
| <p><i>The KPI measures processing efficiency. The statutory timeframe is twenty working days but there are some circumstances where extensions are granted. If consents are out of timeframe, then a discount must be given to the applicant. The Resource Management Act (RMA) requires that non notified resource consents are processed within statutory timeframes which is 20 working days. Council can extend these statutory timeframes under specific circumstances. However, if Council goes over the statutory working days it must provide a discount to the costs of processing the resource consent decisions which is 1% deduction per day it is late up to a maximum of 50%</i></p> <p>Statutory timeframe compliance for Q2 is currently sitting at 100% for non-notified consents.</p> |                 |             |                    |
| <b>9.2 – Percentage of building consent applications processed within statutory timeframes</b>  | <b>100%</b>     | <b>97%</b>  | <b>Near target</b> |
| <p><i>The KPI measures processing efficiency. The statutory timeframe is twenty working days</i></p> <p>Application processing continued to improve, reaching a 97% average over the period and achieving 100% in December, with the team averaging 12 days per application. A total of 504 applications have been processed with six exceeding the 20 day timeframe – each by just a few days due to complexity or newer staff. This has since been addressed through targeted training and recruitment, which will further strengthen capabilities going forward.</p>   |                 |             |                    |
| <b>9.3 – Percentage of code compliance certificate (CCC) applications processed within statutory timeframes</b>   | <b>100%</b>     | <b>95%</b>  | <b>Near target</b> |
| <p><i>The KPI measures processing efficiency. The statutory timeframe is twenty working days including a final inspection visit (a code of compliance is a formal statement issued under section 95 of the Building Act 2004, that building work carried out under a building consent complies with that building consent)</i></p> <p>Certificate processing performance remains steady at 95%, with further improvement expected as the team reaches full staffing. The introduction of new software will also support continued progress by giving the team better visibility and tracking across all applications.</p>   |                 |             |                    |
| <b>9.4 – Number of serious injuries to the public from dog attacks</b>  | <b>0</b>        | <b>0</b>    | <b>On target</b>   |
| <p><i>This KPI measures the number of dog attacks to protect the public from harm. It excludes incidents within the home environment</i></p> <p>Nil serious injury attacks on people this quarter.</p>  |                 |             |                    |
| <b>9.5 – Percentage of non-working dogs subject to the responsible owner category (annual average)</b>  | <b>&gt;=90%</b> | <b>88%</b>  | <b>Near target</b> |
| <p><i>This KPI aims to encourage owners to be responsible dog owners by providing discounts to registration fees and monitoring of the number of non-working dogs</i></p> <p>The issuing of a dog infringement removes responsible owner status for a period of two years. Given the number of infringements issued for non-registration this year, we can expect this to impact results over the next two year</p>   |                 |             |                    |

| Performance measure  | Target          | Result     | Status                    |
|--|-----------------|------------|---------------------------|
| <b>9.6 – Percentage of new food and alcohol applications processed and issued within 30 working days</b>   | <b>70%</b>      | <b>80%</b> | <b>On target</b>          |
| <i>This KPI measures Council's service – processing new food and alcohol applications within the 30-day period</i>   |                 |            |                           |
| Applications for food and alcohol are above the percentage for this quarter.   |                 |            |                           |
| <b>9.7 – On site Building Warrant of Fitness audits completed in the community.</b>  | <b>&gt;-20%</b> | <b>18%</b> | <b>On target</b>          |
| <i>This KPI monitors public safety by completing regular audits. A building warrant of fitness (BWofF) is a building owner's annual statement confirming the specified systems in the compliance schedule for their building have been maintained and checked for the previous 12 months, in accordance with the compliance schedule. It is displayed to show people who are using the building know that all the systems are functional and working without any risk to their health and safety</i> |                 |            |                           |
| This is an annual target and is a strong result given some staffing shortages and a large volume of training. With 785 buildings in this section the 142 audits completed represent 18%, given the team racked up the highest number in December (44) they are on track for a strong result end of year.   |                 |            |                           |
| <b>9.8 – Number of incidents of foodborne illness believed to be caused by food sold at a Council-verified business</b>  | <b>0</b>        | <b>0</b>   | <b>On target</b>          |
| <i>This KPI monitors the effectiveness of processes to reduce any harm to public health through foodborne illness at businesses</i>  |                 |            |                           |
| There are no incidents of foodbourne incidents during this quarter.  |                 |            |                           |
| <b>Emergency Management – Level of service 10: Build community resilience to emergency events</b>  |                 |            |                           |
| <b>10.1 – There are 26 community plans, eight of those will be enhanced and reviewed on an annual basis</b>  | <b>&gt;=8</b>   | <b>2</b>   | <b>Off target</b>         |
| <i>This KPI measures the resilience, readiness and preparation of communities to response to any events</i>  |                 |            |                           |
| This is an annual Council target. This target will not be met again this year as EMS are working to deliver four plans a year. With staff changes there is a lack of clarity on the process followed for agreeing Council KPIs with EMS. To date EMS have completed two plans and work on two others is underway.  |                 |            |                           |
| <b>10.2 – Percentage of surveyed households that have an emergency plan (written or verbal) from 55%-60%</b>   | <b>&gt;=60%</b> | <b>0%</b>  | <b>Yet to be measured</b> |
| <i>This KPI measures the resilience, readiness and preparation of communities to response to any events</i>  |                 |            |                           |
| Survey is done once a year around the end of the financial year.   |                 |            |                           |

## Sewerage

| Performance measure  | Target                 | Result      | Status           |
|--|------------------------|-------------|------------------|
| <b>Wastewater (sewerage) – Level of service 14: Provide reliable wastewater (sewerage) collection and treatment services that protects public health and the environment</b>   |                        |             |                  |
| <b>14.1* – System and adequacy - The number of dry weather wastewater (sewerage) overflows from the territorial authority's wastewater (sewerage) system, expressed per 1000 wastewater (sewerage) connections to that wastewater (sewerage) system</b>  | <b>&lt;=1</b>          | <b>0</b>    | <b>On target</b> |
| <i>This KPI measures the effectiveness of the system in providing the appropriate level of service and how well it is being managed to minimise harm to the community. Dry Weather'' is defined as a period of 24 hours prior to an event of no catchment rainfall. An overflow means sewage that escapes a territorial authority's sewerage system and enters the environment. It includes blockages and chokes</i> |                        |             |                  |
| During the reporting period, there were no overflow service requests identified as dry weather overflows. The calculation for the number of dry weather overflows per 1,000 connections is as follows: $(2/10,092) * 1,000 = 0.2$ . Therefore, when rounded to the nearest whole number, there were zero dry weather wastewater overflows during this reporting period.  |                        |             |                  |
| <b>14.2a* – Response to wastewater (sewerage) system faults - Where the Council attends to wastewater (sewerage) overflows resulting from a blockage or other fault in the Council's wastewater (sewerage) system, the following median response times measured: (a) Attendance time: from the time of notification to the time when service personnel reach the site</b>  | <b>&lt;=1 hour</b>     | <b>0.24</b> | <b>On target</b> |
| <i>14.2 a and b - These KPI's measures the responsiveness to issues. Measuring the response time is a way of gauging whether Council is listening to its customers and providing solutions</i>   |                        |             |                  |
| There was a total of three service requests for the reporting period. The median resolution time for notifications during this period was 16 minutes, which is within the expected resolution time of one hour.  |                        |             |                  |
| <b>14.2b* – Response to wastewater (sewerage) system faults - Where the Council attends to wastewater (sewerage) overflows resulting from a blockage or other fault in the Council's wastewater (sewerage) system, the following median response times measured: (b) Resolution time: from the time of notification to the time that service personal confirm resolution of the blockage or other fault</b>          | <b>&lt;= 6 hours</b>   | <b>0.8</b>  | <b>On target</b> |
| <i>14.2 a and b - These KPI's measures the responsiveness to issues. Measuring the response time is a way of gauging whether Council is listening to its customers and providing solutions</i>   |                        |             |                  |
| There is a total of three service requests for the reporting period. The median resolution time for notifications during this period is 48 minutes, which is within the expected resolution time of six hours.   |                        |             |                  |
| <b>14.3* – Customer satisfaction - The total number of wastewater-sewerage system complaints about odour, system faults, system blockages and the Council's response to issues with its wastewater (sewerage) system, expressed per 1000 connections to the Council wastewater (sewerage) system.</b>  | <b>&lt;=8 per 1000</b> | <b>3</b>    | <b>On target</b> |

| Performance measure   | Target      | Result | Status     |
|---|-------------|--------|------------|
|   | connections |        |            |
| <i>This KPI measures customer service satisfaction. It measures how satisfied customers are with the way in which Council responds to requests to fix problems</i>  |             |        |            |
| There was a total of 26 service requests for the reporting period. To calculate the total number of sewerage system complaints, we use the following formula: $(26/10,092) * 1000 = 2.58$ . Therefore, when rounded to the nearest whole number, the total number of sewerage system complaints for the reporting period is 3.  |             |        |            |
| <b>14.4a* – Discharge compliance - Compliance with resource consents for wastewater (sewerage) discharges, measured by the total number of: Abatement notices</b>   | 0           | 0      | On target  |
| <i>14.4 a to d – These KPI's measures discharge compliance in order to monitor the extent that resource requirements are being met to prevent harm to the environment. (the environmental impacts of the system). Non-compliance with consent conditions may indicate that Council is not managing its processes adequately or that the infrastructure is inadequate</i>  |             |        |            |
| There have been no abatement notices in this quarter.   |             |        |            |
| <b>14.4b* – Discharge compliance - Compliance with resource consents for wastewater (sewerage) discharges, measured by the total number of: infringement notices</b>  | 0           | 0      | On target  |
| There have been no infringement notices in this quarter.  |             |        |            |
| <b>14.4c* – Discharge compliance - Compliance with resource consents for wastewater (sewerage) discharges, measured by the total number of: enforcement orders</b>  | 0           | 0      | On target  |
| There have been no enforcement orders in this quarter.  |             |        |            |
| <b>14.4d* – Discharge compliance - Compliance with resource consents for wastewater (sewerage) discharges, measured by the total number of: convictions received in relation to the resource consents</b>   | 0           | 0      | On target  |
| There have been no convictions in this quarter.   |             |        |            |
| <b>14.5 – Percentage of monitoring results that show compliance with resource consent conditions</b>  | 100%        | 92%    | Off target |
| <i>This KPI monitors resource consent conditions are being met. This is important to prevent environmental harm and is a legislative requirement of being issued with the consent</i>   |             |        |            |
| Qtr 2: Browns (clarity) maybe due to bank collapse. Curio Bay (E-coli) due to damaged filter. Monowai (cBOD5 & faecal coliforms) because it is basically a septic tank that is sampled at the discharge. Riverton Rocks (enterococci) cause unknown. Winton (ammonia nitrogen, E-coli and dissolved oxygen) likely caused by high rainfall. Qtr 1: Edendale-Wyndham BOD and TSS because of no bark chips. Nightcaps because of high faecal coliforms in the discharge. Stewart Island because of high nitrates. Tuatapere because of low pH in the Waiau River. |             |        |            |

## Stormwater

| Performance measure   | Target        | Result   | Status           |
|---|---------------|----------|------------------|
| <b>Stormwater - Level of Service 11: Provide a reliable stormwater system that protects public health and the environment</b>   |               |          |                  |
| <b>11.1a* – System adequacy - Overflows resulting from the stormwater system that result in the flooding of a habitable floor - The number of flooding events that occur within the district</b>  | <b>&lt;=5</b> | <b>0</b> | <b>On target</b> |
| <i>11.1 a and b - These KPI's are designed to measure system adequacy - how effective a stormwater system is in providing an appropriate level of protection and how well it is being managed. A stormwater system means the pipes and infrastructure (excluding roads) that collect and manage rainwater run-off from the point of connection to the point of discharge. A habitable floor refers to a floor of a building (including a basement) but does not include ancillary structures such as stand-alone garden sheds or garages. A flooding event means an overflow of stormwater from a territorial authority's stormwater system that enters a habitable floor</i> |               |          |                  |
| There were no flooding events that resulted in flooding of habitable floors in the reporting period.  |               |          |                  |
| <b>11.1b* – System adequacy - Overflows resulting from the stormwater system that result in the flooding of a habitable floor - For each flooding event, the number of habitable floors affected (expressed per 1000 properties connected to the council stormwater system)</b>   | <b>&lt;=1</b> | <b>0</b> | <b>On target</b> |
| There were no flooding events that resulted in flooding of habitable floors in the reporting period, so 0 properties per 1,000 storm water network connections were flooded.  |               |          |                  |
| <b>11.2a* – Discharge compliance - Compliance with the resource consents for discharge from the stormwater system, measured by the number of: abatement notices</b>   | <b>0</b>      | <b>0</b> | <b>On target</b> |
| <i>11.2 a to d – These KPI's measures discharge compliance in order to monitor the extent that resource requirements are being met to prevent harm to the environment. (the environmental impacts of its stormwater system). Non-compliance with consent conditions may indicate that SDC is not managing its processes adequately or that the infrastructure is no longer adequate</i>   |               |          |                  |
| <b>11.2b* – Discharge compliance - Compliance with the resource consents for discharge from the stormwater system, measured by the number of: infringement notices</b>  | <b>0</b>      | <b>0</b> | <b>On target</b> |
| <b>11.2c* – Discharge compliance - Compliance with the resource consents for discharge from the stormwater system, measured by the number of: enforcement orders</b>  | <b>0</b>      | <b>0</b> | <b>On target</b> |
| <b>11.2d* – Discharge compliance - Compliance with the resource consents for discharge from the stormwater system, measured by the number of: successful prosecutions, received in relation to those resource consents</b>  | <b>0</b>      | <b>0</b> | <b>On target</b> |

| Performance measure   | Target                              | Result      | Status           |
|---|-------------------------------------|-------------|------------------|
| <b>11.3* – Response to stormwater issues - The median response time between the time of notification and the time when service personnel reach the site when “habitable floors” are affected by flooding resulting from faults in the stormwater system</b>   | <b>&lt;=2 hours</b>                 | <b>0</b>    | <b>On target</b> |
| <i>This KPI measures the response to stormwater issues. It is designed to measure responses to situations where water from a stormwater system gets into buildings</i>  |                                     |             |                  |
| There were no flooding events that resulted in flooding of habitable floors in the reporting period.  |                                     |             |                  |
| <b>11.4* – Customer satisfaction - The number of complaints received about the performance of the Council's stormwater system, expressed per 1000 properties connected to the stormwater system</b>   | <b>&lt;=15 per 1000 connections</b> | <b>1.46</b> | <b>On target</b> |
| <i>This KPI measures customer service to determine the quality and responsiveness of the service. It provides information on issues with a stormwater system and on how satisfied customers are with the way in which a territorial authority responds to requests to fix problems</i>  |                                     |             |                  |
| Of the 41 Requests for Service (RFS) coded as THUSW (Transport Hazard Urban Storm Water) for the period, our investigation has revealed that a significant portion of these were related to routine road maintenance issues. Specifically, only up to 14 of the 41 requests appear to be genuine stormwater network infrastructure-related concerns. The majority of the RFS investigated were found to be associated with either general operational and maintenance matters, issues concerning private property, or locations where no existing stormwater infrastructure was present. In summary, only 14 of the 41 RFS received indicated a failure of Council's stormwater infrastructure. |                                     |             |                  |
| <b>11.5 – Percentage of monitoring results that show compliance with resource consent conditions</b>  | <b>100%</b>                         | <b>100%</b> | <b>On target</b> |
| <i>This KPI monitors resource consent conditions are being met. This is important to prevent environmental harm and is a legislative requirement of being issued with the consent</i>   |                                     |             |                  |

## Transport

| Performance measure  | Target           | Result     | Status                    |
|--|------------------|------------|---------------------------|
| <b>Transport – Provision of roading and footpaths (including cycle trails, airport, water facilities and bridges) – Level of Service 12: Our transport network provides for safe, comfortable and efficient travel</b>   |                  |            |                           |
| <b>12.1* – Condition of the sealed road network - the average quality of ride on a sealed local road network measured by smooth travel exposure</b>  | <b>&gt;=98%</b>  | <b>0%</b>  | <b>Yet to be measured</b> |
| <i>This KPI monitors the condition of the sealed road network because this can impact on both the safety and comfort of road users as well as on vehicle operating and maintenance costs. It is a check of whether the level of service to road users is being maintained</i>  |                  |            |                           |
| This survey is yet to be carried out and is programmed for February/March 2026.  |                  |            |                           |
| <b>12.2 – Percentage of gravel road tests where road roughness meets acceptable standards</b>  | <b>&gt;=85%</b>  | <b>87%</b> | <b>On target</b>          |
| <i>This KPI measures how well maintained the unsealed road network is</i>  |                  |            |                           |
| The 2025/2026 annual roadroid audit was completed in November with a result of 86.8% Good or OK. This result is down slightly from the previous year (89%) but still exceeds the target of 85%. Staff are looking into the reasons the results are trending down, but the recent weather event/timing with audit may have been a contributing factor.  |                  |            |                           |
| <b>12.3* – Maintenance of a sealed local road network - the percentage of sealed local road network that is resurfaced</b>   | <b>&gt;=6.7%</b> | <b>3%</b>  | <b>Off target</b>         |
| <i>This KPI measures how well maintained the sealed road network is compared to the renewal target set in the asset management plan</i>  |                  |            |                           |
| The 2025/2026 sealing season has progressed more slowly than planned due to weather conditions. Persistent rain and high winds, both unsuitable for sealing, have limited available workdays. As at the end of January 2026, a total of 376,298 m <sup>2</sup> of sealing had been completed, representing approximately 50% of the programme. The contractor is forecasting that the revised programme will still be delivered by the end of March. Bitumen indices have been favourable for Council so far this season, and discussions are underway regarding the possibility of adding additional sites to the programme, provided the contractor can complete them within the available timeframe. The existing programme size, based on current budget, represents 5.5% of the total sealed network. Therefore, even if the programme is fully delivered, and potentially expanded due to favourable pricing, the result will remain below the KPI target of 6.7% (with the achievable total expected to be around 6.1% based on the reduced programme originally approved by NZTA for funding). |                  |            |                           |
| <b>12.4* – Response to service requests - the percentage of customer service requests relating to roads and footpaths to which the Council responds within the required timeframes</b>   | <b>&gt;=94%</b>  | <b>95%</b> | <b>On target</b>          |
| <i>This KPI measures responsiveness to requests from the public</i>  |                  |            |                           |
| Year to date at the end of January 2026; 94.71% requests have been responded to within timeframes.   |                  |            |                           |

| Performance measure  | Target   | Result     | Status                    |
|--|--|------------|---------------------------|
| <b>12.5* – Road Safety - The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number</b>   | <b>15</b><br>Reduction of 1 from prior year (24/25 = 16) | <b>9</b>   | <b>On target</b>          |
| <i>This KPI focuses on road safety and is intended to provide information for members of the public on trends in road safety in their area. Improvements for this KPI include road safety education and initiatives relating to reducing the contributing factors of crashes such as alcohol, fatigue and speed</i>  |  |            |                           |
| As at the end of January 2026, there are nine serious injury crashes in the CAS database. Whilst this is currently on track, there is a risk it will exceed the target by end of financial year. Three of these nine crashes were attributed to ice/snow conditions.   |  |            |                           |
| <b>12.6* – Footpath condition - The percentage of footpaths within a territorial authority district that fall within the level of service or service standard for the condition of footpaths that is set out in the territorial authority's relevant document (e.g. annual plan, activity management plan, asset management plan, annual works program or long term plan)</b>  | <b>&gt;=90%</b>  | <b>0%</b>  | <b>Yet to be measured</b> |
| The footpath survey is yet to be carried out and conversations are being held around the value of carrying out an extensive footpath condition survey given the small works programme (footpath funding reductions). Either a full survey or validation of existing data is likely to occur during April 2026.   |  |            |                           |
| <b>12.7 – Around the Mountains cycle trail has “Great ride” status</b>   | <b>Retain accreditation</b>                              | <b>Yes</b> | <b>On target</b>          |
| <i>This KPI monitors any steps taken to continue to maintain the great ride status. The Great Rides of the New Zealand Cycle Trail network are predominantly off-road trails. They showcase the best of New Zealand's landscapes, environment, culture and heritage. The trails are located around the country from Northland to Southland</i>   |  |            |                           |
| <b>12.8 – The Civil Aviation Authority (CAA) compliance requirements for Part 139 certification is maintained</b>  | <b>Retain compliance</b>                                 | <b>Yes</b> | <b>On target</b>          |
| <i>This KPI monitors any steps taken to continue to maintain the certification. A part 139 certification is a requirement for an aerodrome operators' certificate. The certification is important because it allows an aerodrome serving an aeroplane having a certificated seating capacity of more than 30 passengers that is engaged in regular (more than 4 flights per month) air transport operations for the carriage of passengers</i> |  |            |                           |
| <b>Water facilities – Level of Service 13: Council provides safe/ well-maintained water facilities to enable public enjoyment and access to the district's rivers, lakes and sea</b>   |  |            |                           |
| <b>13.1 – Water facilities requests for services are completed within specified timeframes</b>   | <b>&gt;=80%</b>  | <b>83%</b> | <b>On target</b>          |
| <i>This KPI measuring requests for service (RFS) within timeframes demonstrate that the level of service is being met</i>  |  |            |                           |
| There was a total of 23 requests for service received, 19 were actioned within the specified timeframe. This was mainly due to timeframes around maintenance that were impacted by weather conditions.   |  |            |                           |

**Water supply**

| Performance measure   | Target     | Result | Status     |
|---|------------|--------|------------|
| <b>Water supply - Level of Service 15: Our water supply network provides safe, reliable and adequate supply of water</b>  |            |        |            |
| 15.1a* – Fault response times - Where Council attends a call out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times are measured: (a) attendance for urgent call-outs <sup>1</sup> : from the time Council receives notification to the time that service personnel reach the site                            | <= 1 hour  | 1.38   | Off target |
| <i>15.1a to 15.1d - These KPI's measures the responsiveness to issues. Measuring the response time is a way of gauging whether Council is listening to its customers and providing solutions</i>  |            |        |            |
| The fault response time for urgent callouts during the reporting period is 1 hour and 23 minutes. This response time exceeded the KPI target of 1 hour.   |            |        |            |
| 15.1b* – Fault response times - Where Council attends a call out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times are measured: resolution of urgent call-outs: (b) from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption     | <=6 hours  | 44.75  | Off target |
| The response time to resolve urgent callouts is 44 hours and 45 minutes for this reporting period. This response time exceeded the KPI target of 6 hours.   |            |        |            |
| 15.1c* – Fault response times - Where Council attends a call out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times are measured: (c) attendance for non-urgent call-outs: from the time that Council receives notification to the time that service personnel reach the site                                 | <=4 hours  | 2.19   | On target  |
| The response time for non-urgent callouts is 2.19 hours, equivalent to 2 hours and 11 minutes during the reporting period. This response is within the KPI target of 4 hours.   |            |        |            |
| 15.1d* – Fault response times - Where Council attends a call out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times are measured: (d) resolution of non-urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption | <=24 hours | 23.79  | On target  |
| The response time for resolving non-urgent callouts is 23.79 hours, which is equivalent to 23 hours and 47 minutes for the reporting period. This response exceeded the KPI target of 24 hours.   |            |        |            |
| 15.3(c) 4.7.1 T2 Treatment Monitoring Rules   | 100%       | 100%   | On target  |
| <i>T2.1 Water leaving a treatment plant must be monitored at least every month for the following:<br/>(a) E. coli</i>   |            |        |            |

| Performance measure  | Target      | Result      | Status                    |
|--|-------------|-------------|---------------------------|
| <p><i>(b) total coliforms</i><br/> <i>(c) any chemical used in the treatment process</i><br/>                     Water leaving the treatment plant must be monitored at least 8 times per month for the following:<br/> <i>(a) turbidity</i><br/> <i>(b) FAC (not required for self-supplied buildings)</i><br/> <i>(c) pH (not required for self-supplied buildings)</i><br/> <i>(d) fluoride (only if added to the water)</i></p>   |             |             |                           |
| <p>Ten e. coli and total coliforms samples were collected in July 2025 - January 2026 (1 sample per month). At least eight samples of turbidity, FAC, and pH per month were collected at the plant. Total coliform was detected on 17 September 2025 (sample date) in Eastern Bush water treatment plant and as a result three consecutive days of re-sampling were carried out from 19 to 21 September 2025. All re-sampled results were clear for e. coli and total coliforms. Note: total coliform detection is <b>not</b> a non-compliance. To reduce any potential risk, the Otahu Flat/Eastern Bush scheme is on a continuous boil water notice.</p> |             |             |                           |
| <b>15.3(d) 4.7.2 T2 Filtration Rules;</b>  | <b>100%</b> | <b>0%</b>   | <b>Yet to be measured</b> |
| <p>The Eastern Bush/Otahu Flat is non-compliant because of the turbidity in the water. There is only basic chlorination at the scheme currently which means when the river gets dirty during storms, chlorination isn't as effective. A new plant is expected to be installed in the near future (2026/2027).</p>  |             |             |                           |
| <b>15.3(e) 4.7.3 T2 UV Rules;</b>  | <b>100%</b> | <b>0%</b>   | <b>Yet to be measured</b> |
| <p>The Eastern Bush/Otahu Flat is non-compliant because of the turbidity in the water. There is only basic chlorination at the scheme currently which means when the river gets dirty during storms, chlorination isn't as effective. A new plant is expected to be installed in the near future (2026/2027).</p>  |             |             |                           |
| <b>15.3(f) 4.7.4 T2 Chlorine Rules;</b>  | <b>100%</b> | <b>100%</b> | <b>On target</b>          |
| <p>T2.18 (FAC of water leaving the TP must be monitored)<br/>                     T2.19 (FAC at least 0.5mg/L)<br/>                     T2.20 (pH of water leaving the TP must be monitored)<br/>                     T2.21 (pH between 6.5-8)</p>   |             |             |                           |
| <p>1 out of 1 WTP - Eastern Bush WTP is following Level 2 DWQAR rules. Although Eastern Bush is meeting the Level 2 Drinking Water Quality Assurance Rules, it is on a continuous boil water notice to reduce any potential risk.</p>  |             |             |                           |
| <b>15.3(g) 4.8 D2.1 Distribution System Rule;</b>  | <b>100%</b> | <b>100%</b> | <b>On target</b>          |
| <p><i>Eastern Bush, Otahu Flat, Manapouri, and Mosburn distribution zones Rule replaced on 29 November 2024</i><br/>                     D2.1 - Water in each distribution zone must be monitored at least every month for the following:</p>  |             |             |                           |

| Performance measure   | Target      | Result      | Status            |
|---|-------------|-------------|-------------------|
| <p>(a) <i>E. coli</i><br/>                     (b) total coliforms<br/>                     D2.2 - Water in each distribution zone must be monitored at least 8 times every month for FAC</p>   |             |             |                   |
| <p>4 out of 4 distribution zones. Seven e. coli and total coliform samples were collected from July 2025 to January 2026 on each scheme. And at least eight samples of turbidity, FAC, and pH per month were collected in the Eastern Bush, Otahu Flat, Manapouri and, Mossburn distribution zones. Annual plumbosolvent metals were collected in January 2026. Again, although Otahu Flat/Eastern Bush meets the standards, it is on a continuous boil water notice to reduce any potential risk.</p>  |             |             |                   |
| <b>15.3(h) 4.10.1 T3 Bacterial Rules;</b>   | <b>100%</b> | <b>100%</b> | <b>On target</b>  |
| <p>T3. Bacterial Rules (Edendale, Lumsden, Manapouri, Mossburn, Otautau, Riverton, Te Anau, Tuatapere, Winton)<br/>                     T3.15 (All water passing through the treatment plant must pass through the UV reactor(s) and be within the reactor's certified flow range)<br/>                     T3.16 (A reduction equivalent dose (RED) of not less than 40 mJ/cm2 (or equivalent) must be achieved for not less than 95 % of each day)<br/>                     T3.17 (The RED UV dose must be not less than 40 mJ/cm2 for any consecutive 15-minute period)<br/>                     T3.18 (Turbidity must not exceed 5.0 NTU for the duration of any consecutive 15-minute period)<br/>                     Ohai/Nightcaps WTP<br/>                     T3.2 (Treated water must achieve a chlorine C.t value of at least 15 min.mg/L for at least 95 % of each day)<br/>                     T3.3 (Treated water must have a FACE of no less than 0.2 mg/L)<br/>                     T3.4 (T10 contact time of at least 5 minutes must be demonstrated)<br/>                     T3.5 (Turbidity of water leaving the treatment plant must be less than 1.0 NTU for at least 95% of each day)<br/>                     T3.6 (Turbidity must not exceed 2.0 NTU for the duration of any consecutive 15-minute period)</p> |             |             |                   |
| <p>10 out of 10 WTPs - Following Level 3 DWQAR rules. All drinking water schemes met the bacterial compliance for the KPI period July 2025 to January 2026.</p>   |             |             |                   |
| <b>15.3(i) 4.10.2 T3 Protozoal Rules; and</b>   | <b>100%</b> | <b>70%</b>  | <b>Off target</b> |
| <p>T3 Protozoal Rules (Edendale, Lumsden, Manapouri, Mossburn, Otautau, Riverton, Te Anau, Tuatapere, Winton UV disinfection Compliance)<br/>                     T3.85 - % of the day flow rate within validated range<br/>                     T3.86 - % of day UV dose met log credit requirement<br/>                     T3.87 - # consecutive 15 min periods where UV dose &lt; log credit requirement<br/>                     T3.88 - # consecutive 15 min periods where NTU exceeded 5.0<br/>                     T3.89 - % of day where UVT is ≥ 95% of lowest UVT validated<br/>                     T3.90 - # consecutive 15 min periods where UVT &lt; 80% of lowest validated UVT<br/>                     Ohai/Nightcaps WTP Membrane Filtration Compliance</p>  |             |             |                   |

| Performance measure   | Target                   | Result      | Status            |
|---|--------------------------|-------------|-------------------|
| <p>T3.74 - Number of direct integrity tests performed<br/>                     T3.75 - Number of minutes the filter was in service after a failed direct integrity test<br/>                     T3.76 - # consecutive 15 min periods where filtrate turbidity &gt; feed turbidity<br/>                     T3.77 - % of day where filtrate turbidity was &lt; 1.0 NTU<br/>                     Riverton WTP Filtration Compliance<br/>                     T3.39 - % of day where turbidity was &lt; 0.3 NTU<br/>                     T3.40 - # consecutive 15 min periods where turbidity was &gt; 0.5 NTU<br/>                     T3.43 - % of day where turbidity was &lt; 0.3 NTU<br/>                     T3.44 - # consecutive 15 min periods where turbidity was &gt; 0.5 NTU<br/>                     T3.47 - % of day where turbidity was &lt; 0.3 NTU<br/>                     T3.48 - # consecutive 15 min periods where turbidity was &gt; 0.5 NTU</p>  |                          |             |                   |
| <p>7 out of 10 WTP - Following Level 3 DWQAR rules.<br/>                     1) Lumsden Water Treatment Plant - On 11 November 2025, chlorine and UVT meters underwent scheduled servicing. This is a technical non-compliance due to loading data between WaterOutlook and Hinekorako. We will work to resolve this reporting issue in the future.<br/>                     2) Ohai Water Treatment Plant - The scheduled integrity test was not performed on the 17 August 2025 because the setting for this function was accidentally turned off after a manual test on 16 August. There were no SCADA alerts to show it was off, so the issue wasn't noticed.<br/>                     3) Tuatapere Water Treatment Plant - Before December 2025, the plant did not meet the required protozoa treatment standards. This was mainly due to an old cartridge filter system that was no longer approved, even though it still provided some treatment benefit. The UV system also provided only 3-log credits, while 4-log credits were required. In December 2025, a new 5-micron filter and two Trojan UV units were installed at the Tuatapere Water Treatment Plant, and these were fully commissioned on 16 December 2025. From that date, the plant met the required 4-log credit standard. From January 2026 onward, the plant is fully compliant and continues to meet protozoa treatment requirements.</p> |                          |             |                   |
| <b>15.3(j) 4.11.5 D3.29 Microbiological Monitoring Rule.</b>  | <b>100%</b>              | <b>58%</b>  | <b>Off target</b> |
| <p>D3.29 (<i>E. coli</i> and total coliforms must be monitored in each zone of the distribution system - one sample per week)</p>   |                          |             |                   |
| <p>7 out of 12 distribution zones - Following Level 3 DWQAR rules.<br/>                     1) Balfour, Nightcaps, Ohai, Tuatapere, and Wairio - On 24 October 2025, no E. coli and total coliform sample was collected due to a severe high wind weather event that occurred on 23 October 2025 and caused widespread power outages across several drinking water schemes. Insufficient water was available for sampling and fallen trees blocking roads prevented the operator from accessing some sites. This is a technical non-compliance.</p>   |                          |             |                   |
| <b>15.2* – Customer satisfaction - The total number of complaints received by Council about any of the following: drinking water clarity, taste, odour, pressure or flow, continuity of supply or the way Council responds to these issues, expressed per 1000 connections to Council's networked reticulation system.</b>  | <b>&lt;= 10 per 1000</b> | <b>8.95</b> | <b>On target</b>  |

| Performance measure   | Target                  | Result            | Status           |
|---|-------------------------|-------------------|------------------|
| <i>This KPI measures customer service satisfaction. It measures how satisfied customers are with the way in which Council responds to requests to fix problems</i>  |                         |                   |                  |
| During the reporting period, there were 75 total service requests. The calculation for the total number of water system complaints is $(75/8,384) * 1000 = 8.95$ . Therefore, there are 8.95 drinking water complaints per 1,000 connections for the reporting period.  |                         |                   |                  |
| <b>15.4* – Maintenance of the reticulated network - The percentage of water lost from the Council's networked reticulation system</b>   | <b>&lt;= 25%</b>        | <b>23.89%</b>     | <b>On target</b> |
| <i>The KPI measures the maintenance of the reticulated network. It provides information on the state and operation of Council's water reticulation network infrastructure. High levels may indicate the network is in poor condition or is being operated inefficiently. The water loss calculation is the weighted averaged percentage loss reduction per urban drinking water supply. Currently there is a lack of district wide metering with only 4% metered. The water schemes associated with this KPI have is 464.9 kilometres of main with 96% of connections not metered</i> |                         |                   |                  |
| In strictest reporting terms 15.2% could be reported because Edendale Wyndham and Manapouri are reporting negative losses (which effectively means they are making water). When these schemes are effectively "zeroed" a more believable KPI would be 23.89% which has been quoted.   |                         |                   |                  |
| <b>15.5* – Demand management - The average consumption of drinking water per day, per resident within the territorial authority district</b>  | <b>&lt;= 850 litres</b> | <b>707 litres</b> | <b>On target</b> |
| <i>The KPI measures demand management. It provides information on whether the water supply system is being managed to ensure demand does not outstrip capacity. The calculation is based on the total treated water network water supplied from all plants and sources in litres per year and the normal population serviced. The small population within the district can skew the results</i>   |                         |                   |                  |
| As per the DIA requirements the calculation is based on 11 "Urban Drinking Water Schemes" and Statistics NZ Census Populations. As such the consumption figures exclude Lumsden-Balfour, Eastern Bush Otahu Flat and Orawia schemes as these include supply of water for stock.   |                         |                   |                  |



## Forecasted financial position for the year ending 30 June 2026

Record no: R/26/2/101168  
 Author: Joanie Nel, Senior accountant  
 Approved by: Anne Robson, Group manager finance and assurance  
 Report type: Recommendation

### Purpose

- 1 To inform the Committee of the expected year-end financial result compared to the Annual Plan 2025/2026 and to recommend to Council the resulting forecasted position.
- 2 To seek Committee endorsement for unbudgeted expenditure requests and the deletion and deferral of a number of projects.

### Staff recommendations

That the Finance and Assurance Committee:

- a) notes the information contained in the report.
- b) notes that the matter or decision in this report is assessed as based on Council's Significance and Engagement Policy . On this basis [summarise engagement approach].
- c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) Notes the forecasted changes to Council's year-end financial performance and position as detailed in attachment A and B.
- e) Endorses and recommends to Council the following retrospective unbudgeted expenditure and associated funding source (attachment C)

| Business Unit                | Expense   | Amount  | Funding source  |
|------------------------------|---|---------|---|
| Rec Reserves Oreti           | Miscellaneous grant to Lochiel Hall Society for floor repairs | \$1,783 | Reserves  |
| Community Housing Collective | FHOUS014 (Community Housing – internal paint two units)       | \$9,418 | Loan met from loans not now required on projects P-11494 (Community Housing - replace roof) and P-11490 (Community Housing - exterior repaint 25 units) |

| Business Unit          | Expense  | Amount    | Funding source                                     |
|------------------------|--|-----------|--|
| Water supply Tuatapere | Ultra violet system replacement needed to maintain levels of service and meet ongoing compliance standards | \$115,155 | Loan met from loans not required on other projects |

f) **Endorses and recommends to Council the following unbudgeted expenditure and associated funding source (attachment C)**

| Business Unit                   | Expense  | Amount    | Funding source                 |
|---------------------------------|--|-----------|--------------------------------|
| Dog and Animal Control          | Legal costs on prosecutions                                    | \$44,900  | Additional infringement income |
| Southland Joint Mayoral Fund    | Miscellaneous grant – wind event                               | \$94,536  | Grant income                   |
| Information services            | Software licence fees  | \$75,000  | Reserves                       |
| Community facilities            | Consultants  | \$100,000 | Reserves                       |
| District water                  | Maintenance as a result of storm costs                         | \$130,000 | Loan                           |
| Resource consent processing     | Peer reviews on technical reports                              | \$198,000 | General recoveries             |
| Resource consent processing     | Hearing commissioner charges                                   | \$22,560  | General recoveries             |
| Roading – district wide         | Routine drainage charges                                       | \$300,000 | NZTA/reserves                  |
| Roading – district wide         | Seal Rd resurface renewal                                      | \$300,000 | NZTA/reserves                  |
| Roading – district wide         | Structure component renewal                                    | \$200,000 | NZTA/reserves                  |
| District sewerage               | Maintenance as a result of storm costs                         | \$130,000 | Additional Rental Income       |
| Wheelie bins                    | Waste disposal volume costs                                    | \$120,000 | Reserves                       |
| Parks & Reserves Stewart Island | Interpretation panels  | \$9,330   | Grant income                   |
| Septic Tank cleaning Woodlands  | Septic tank cleaning   | \$1,000   | Reserves                       |
| Community Housing Collective    | FHOUS028 (Community Housing – 6 Pioneer Place refurbishment)   | \$45,000  | Loan                           |
| Community Housing Collective    | FHOUS029 (Community Housing – 10 Pioneer Place refurbishment)  | \$50,903  | Loan                           |
| Community Housing Collective    | P-11470 (Edendale Community Housing – 56 Seaward Road repairs) | \$25,962  | Loan                           |
| Information Management          | Consultants  | \$67,500  | Loan                           |

| Business Unit          | Expense   | Amount    | Funding source |
|------------------------|---|-----------|----------------|
| District Sewerage      | District wide wastewater strategy planning - WEPS           | \$200,000 | Loan           |
| District Sewerage      | <b>Stewart Island -Wastewater Oxidation Pond Desludging</b> | \$260,000 | Loan           |
| Sewerage scheme Winton | <b>Winton Wastewater - Aerator renewal</b>                  | \$120,000 | Loan           |
| District Stormwater    | <b>District Wide stormwater improvements</b>                | \$227,550 | Loan           |

g) **Endorses and recommends to Council the deferral of the following items to future years as indicated (attachment D)**

| Business unit                  | Project/Item   | Amount    | Year deferred to | Funding Source |
|--------------------------------|--|-----------|------------------|----------------|
| Cemetery Riverton              | Purchase land to increase Riverton cemetery                            | \$205,836 | 2026/2027        | Reserves       |
| Water supply Eastern Bush      | Eastern Bush water supply upgrade stage 1                              | \$100,000 | 2026/2027        | Loan           |
| Hall Colac Bay                 | Colac Bay Hall - Pile fasteners, ramps and paths                       | \$12,240  | 2026/2027        | Reserves       |
| Harbour                        | Riverton T Wharf replacement - demolition & construction               | \$50,000  | 2026/2027        | Loan           |
| Parks & Reserves – Colac Bay   | Colac Bay Surfer statue refurbishment                                  | \$90,000  | 2026/2027        | Loan           |
| Parks & Reserves – Te Anau     | Te Anau Basin Development Project                                      | \$377,837 | 2026/2027        | Loan           |
| Parks & Reserves – Wallacetown | Wallacetown Recreational Project                                       | \$70,000  | 2026/2027        | Grants         |
| Parks & Reserves - Winton      | Winton Great North Road Development                                    | \$20,000  | 2026/2027        | Reserves       |
| Water supply Takitimu          | Te Anau Rural Water Takitimu Scheme - Switchboard & pumps & new bore   | \$150,000 | 2026/2027        | Loan           |
| Sewerage Scheme Balfour        | Balfour wastewater Consent renewal and replacements multi-year project | \$46,266  | 2026/2027        | Loan           |
| Sewerage Scheme Gorge Road     | Gorge Road wastewater consent renewal                                  | \$95,000  | 2026/2027        | Loan           |
| Sewerage Scheme Monowai        | Monowai Wastewater resource consent renewal & investment               | \$60,000  | 2026/2027        | Loan           |
| Sewerage Scheme Nightcaps      | Nightcaps Wastewater treatment upgrade multi-year project              | \$50,000  | 2026/2027        | Loan           |

| Business unit               | Project/Item   | Amount      | Year deferred to | Funding Source |
|-----------------------------|--|-------------|------------------|----------------|
| Sewerage Scheme Te Anau     | Te Anau wastewater removal of sludge from geobags onsite at WWTP           | \$25,000    | 2026/2027        | Loan           |
| Sewerage Edendale/Wyndham   | Edendale/Wyndham Waste water treatment plant - consent renewal preparation | \$50,000    | 2026/2027        | Loan           |
| Stewart Island Jetties      | Stewart Island Rakiura Golden Bay Wharf renewal                            | \$29,000    | 2026/2027        | Loans, grants  |
| Stewart Island Jetties      | Rebuild Ulva Island Jetty  | \$60,000    | 2026/2027        | Loans, grants  |
| Stormwater Drainage Te Anau | Te Anau Stormwater Lakefront discharge improvements multi-year project     | \$150,000   | 2027/2028        | Loan           |
| Stormwater Drainage Te Anau | Te Anau Stormwater upgrade   | \$250,000   | 2026/2027        | Loan           |
| Public conveniences         | District wide toilets renewal preparation                                  | \$101,600   | 2027/2028        | Loan           |
| Public conveniences         | District wide toilets renewal preparation                                  | \$37,596    | 2026/2027        | Loan           |
| District refuse sites       | Solid Waste - Otautau closed landfill protection works                     | \$1,000,000 | 2026/2027        | Loan           |
| Information Centre          | Lumsden information centre exterior & interior repaint and various repairs | \$30,000    | 2026/2027        | Loan           |

h) **Recommend to Council to approve the bringing forward of the following project budgets from future financial years (attachment E)**

| Business unit                  | Project  | Amount    | Funding source |
|--------------------------------|--|-----------|----------------|
| Community housing              | <b>FHOUS003A now called "Community housing units refurbishment" from "Internal repaint community housing" for the refurbishment of unit at 50A King Street Otautau</b> | \$60,000  | Loan           |
| Sewerage scheme Stewart island | Wastewater consent renewal   | \$25,000  | Loan           |
| Stewart Island Jetties         | Millers Beach refurbishment  | \$11,774  | Loan           |
| District Sewerage              | Purchase of additional SCADA for Te Anau to take advantage of pricing  | \$100,000 | Loan           |

- i) Recommend to Council the budget reduction of the following project budgets for the 2025/2026 financial year (attachment F)

| Business unit                  | Project/ comments   | Account                    | Funding source | Forecasting variance |
|--------------------------------|---|----------------------------|----------------|----------------------|
| Streetworks Waikaia            | FFOOT100 – Otta Seal Upper Newburn Road   | Improvements               | Loan           | \$55,000             |
| Property Sales                 | Budget reduced due to spatial plan review   | Commission and Levies      | Reserves       | \$108,583            |
| Property Sales                 | Budget reduced due to spatial plan review   | Legal Costs                | Reserves       | \$15,992             |
| Property Sales                 | Budget reduced due to spatial plan review   | Survey expenses            | Reserves       | \$10,744             |
| Water Supply Mount York        | Mt York Rural water consent renewal preparation-multi year                          | Water acquisition          | Loan           | \$25,000             |
| Water Supply Takitimu          | Te Anau Rural – Takitimu consent renewal  | Water acquisition          | Loan           | \$25,000             |
| Community Housing Collective   | Exterior repaint 25 units   | Maintenance Project        | Loan           | \$72,166             |
| Community Housing Collective   | Roof replacement  | Buildings – Renewal        | Loan           | \$59,117             |
| Information management         | District wide digitisation projects   | Consultants                | Loan           | \$67,500             |
| District Water                 | Multi-year project for water plant dosing & monitoring instrumentation              | Water – Renewal            | Loan           | \$115,155            |
| District Sewerage              | District wide waste water main reticulation network renewals multi year project     | Sewerage – Renewals        | Loan           | \$100,000            |
| Sewerage Scheme Balfour        | Balfour waste water consent renewal & replacements                                  | Sewerage - Acquisition LOS | Loan           | \$100,000            |
| Sewerage Scheme Stewart Island | Stewart island waste water- replacement of deteriorating wet wells or refurbishment | Sewerage – Renewals        | Loan           | \$380,000            |
| Sewerage Edendale/ Wyndham     | Edendale/Wyndham waste water treatment plant consent renewal preparation            | Sewerage - Acquisition LOS | Loan           | \$100,000            |

| Business unit              | Project/ comments                             | Account              | Funding source | Forecasting variance |
|----------------------------|---|----------------------|----------------|----------------------|
| Stormwater Drainage - Ohai | Ohai Stormwater - Investigations and renewals | Stormwater – Renewal | Loan           | \$227,550            |

- j) Notes that approximately \$915,000 of footpaths will be carried forward at year end at which time the towns and related budgets will be known in detail

### Executive summary

- 3 Forecasting the financial position for the year ended 30 June 2026, is intended to provide information about what has changed since the budget was approved on the 25 June 2025, why it has occurred and the expected result at the end of the year. Only major changes have been included in this forecasting round. These changes are based on the best knowledge that the relevant staff have at a point in time and events can overtake this.
- 4 In considering the final position, staff considered the following:
- what was planned to be undertaken in the 2025/2026 Annual Plan
  - the projects carried forward from 2024/2025 that were approved by Council on 27 August 2025
  - unbudgeted expenditure requests approved by Council or committees up to the 5<sup>th</sup> of February 2026
  - the capital delivery programme review as discussed at the Finance and Assurance committee meeting on 10 December 2025
  - the expected year end position as a result of operational decisions and information made in the development of the 2026/2027 Annual Plan
- 5 Overall revenue is forecast to increase by \$1.2 million. This is a combination of carry forwards NZTA and other grant income (\$4.9 million increase), changes due to the review of the capital delivery programme undertaken in December 2025 (\$3.5 million decrease), changes as a result of this process (\$198 thousand decrease). The reduction is mainly as a result of lower funding as projects were moved to future years as well as property sales budgets being put on hold due to the spatial plan review.
- 6 Overall operating expenditure has increased by \$4 million. This is a combination of amounts carried forward from 2024/2025 that was approved by Council in August 2025 (\$4.5 million increase), unbudgeted expenditure and capital delivery changes (\$881 thousand reduction) and further changes as a result of this forecasting process (\$337 thousand increase).
- 7 The majority of the forecast changes relate to capital spend. The carry forwards resulted in an increase of \$17 million, while the unbudgeted expenditure and capital programme delivery review resulted in a decrease of \$12 million. This round of forecasting resulted in a further decrease in capital spend of \$2 million with projects either moved to future years or deleted.
- 8 The effect of the forecast changes on the Statement of Comprehensive Revenue and Expenditure and Statement of Financial Position are shown in attachments A and B. Staff have made no attempt to revisit the infrastructure or forestry revaluations. During the development of this report the availability of fuel is becoming a worldwide issue, this has not been addressed in here and may impact both costs and the year end revaluations.

- 9 As part of the resolutions the Committee is being asked to endorse a number of unbudgeted expenditure requests that have not been considered by Council previously (refer attachment C) including 4 items of retrospective unbudgeted expenditure. Additionally, there are a number of projects that have been identified as needing to be deferred to future years (attachment D) or brought forward from future years (attachment E). Projects budgeted to be reduced are identified in attachment F.
- 10 From the project budgets included in Attachment C some projects have been funded through the reduction of budgets in other projects being \$131,283 for Community housing, \$67,500 for Information management, \$580,000 in District sewerage, \$115,155 in District water and \$227,550 in Stormwater.
- 11 In terms of the capital programme, the majority of works are in progress. However, some level of carry forwards at year end will still occur where projects are still in construction etc.
- 12 The footpath activity has a program for delivery in 2025/2026 of \$1.5 million. This is a combination of footpath renewals and other projects including additional treatment of roads, pedestrian facilities and speed feedback signs. The \$1.2 million footpath renewal programme was discussed with Community Boards during the development of the Annual Plan 2025/2026 and procurement is currently underway. It is expected to award the contract(s) relating to the renewals in late April with construction occurring over winter (this timing is when contractors often prefer to undertake this work). This will result in an estimated \$915,000 being constructed early in the 2026/2027 financial year. With this work being completed in fourteen towns across the district, staff are unable to identify which areas will be completed before 30 June 2026. This detail will only be understood once the contract(s) are awarded and staff understand how many contractors are involved and where they intend to start the programme. With each town having it's own project and funding stream we have been unable to reliably identify which projects to reduce in this forecast and expect there will be a carry forward in relation to the footpath programme of \$915,000 at year end.
- 13 Changes identified in this report that will affect the 2026/2027 financial year will be incorporated into the final 2026/2027 Annual Plan that will be presented to Council in June 2026.

#### Context

- 14 Forecasting enables transparency and informs Council of the anticipated year-end financial result.
- 15 The finance team, budget managers and their general managers have focussed on major changes in this forecasting round, with a particular emphasis on projects.
- 16 Changes due to forecasting have been included in the attachments as follows:
- Attachment A - shows the net effect of the changes to the statement of comprehensive revenue and expenditure for the year ended 30 June 2026 including net surplus/(deficit)
  - Attachment B - shows the effect of changes to the statement of financial position for the year ending 30 June 2026
  - Attachment C – provides details of unbudgeted expenditure to be approved as part of forecasting including retrospective unbudgeted expenditure
  - Attachment D - provides details of the specific projects being deferred to future years
  - Attachment E - provides details of the specific projects being brought forward from future years

- Attachment F – provides details of the specific project budgets being reduced

17 Staff have endeavoured to ensure that Community boards are aware of changes to local budgets.

#### Discussion

- 18 Revenue Overall revenue has increased by \$1.2 million. This is a combination to fund the carry forwards (\$4.9 million increase, NZTA and other grant income mainly) changes due to the review of the project delivery programme undertaken in December 2025 (\$3.5 million decrease), changes as a result of this process (\$198 thousand decrease). The reduction is mainly as a result of lower funding as projects were moved to future years as well as property sales budgets being put on hold due to a pending spatial plan review.
- 19 Operating Costs Overall operating expenditure has increased by \$4 million. This is a combination of amounts carried forward from 2024/2025 (\$4.5 million increase), unbudgeted expenditure and project delivery changes (\$881 thousand reduction) and further changes as a result of this forecasting process (\$337 thousand increase).
- 20 A review of the community housing 2025/2026 projects has been carried out. Some of the planned projects have been amended to ensure funds are available and are directed toward addressing current priority works. In particular, that adequate funds are available for two key priorities, these being the renovation and re-letting of currently vacant housing units and secondly to ensure that there are adequate funds to carry out necessary maintenance works. A key focus for the activity is achieving a break-even financial result in the activity.
- 21 There was no additional budget forecasted for storm damages that occurred at the storm event of 23 October 2025 for the community facilities as the total costs were unknown at the time. Costs are being presented to the insurance brokers as and when they come through and it is expected that part of the costs will be recoverable from insurance. There have been additional budgets forecasted for storm damage in district water and district sewerage related to costs not covered by insurance such as obtaining temporary generators.
- 22 Key explanations of the \$337 thousand of forecasting changes to other council expenditure as a result of this forecasting process are as follows:
- \$44,900 increase in legal costs required for the dog and animal control funded from additional income from infringements
  - \$75,000 increase in software licence fees required due to additional costs from software vendors and the software used, funded from reserves
  - \$94,536 increase in Southland Joint Mayoral fund miscellaneous grant payments in relation to the wind effect to match grants received from Central Government
  - \$100,000 increase in consultants fees to fund community facilities contract renewal processes funded from reserves
  - \$130,000 increase in unplanned maintenance costs for district water due to storm related costs funded from a loan
  - \$198,000 additional consultants costs for resource consent processing due to external peer reviews for technical reports required on more complex consent applications for fast track consents these are on-charged to the applicants
  - \$22,560 increase in hearing commissioner charges as a result of the increased volume of notified consents in the current financial year fully recovered from the applicants

- \$300,000 added to routine drainage maintenance as part of the additional programme approved by the NZTA
  - \$130,000 increase in unplanned maintenance for District sewerage due to storm related costs funded by an increase in rental income
  - \$120,000 increase in waste disposal budget due to higher volumes of waste being disposed, funded from waste reserves
  - \$1,000,000 decrease in landfill remediation costs at Otautau, as the project has been deferred to 2026/2027 to be funded by a loan
- 23 Capital Expenditure Overall capital expenditure has increased by \$2.8 million. The carry forwards resulted in an increase of \$17 million, while the unbudgeted expenditure and capital programme delivery review resulted in a decrease of \$12 million. This round of forecasting resulted in a further decrease in capital spend of \$2 million with projects principally moved to future years.
- 24 Historically there would be a net decrease from the annual plan for the year after forecasting. This year it has not occurred due to \$7.7 million of unbudgeted expenditure for the SIESA renewable energy project approved on 18 July 2025. Roading has also included additional programme from NZTA of \$500,000. If these were excluded from the overall workings there would be a \$5.4 million decrease in capital expenditure.
- 25 During the year NZTA have approved additional funding of \$1,750,000 for component renewals on the Monowai suspension bridge and \$2,000,000 for local pothole prevention. It is expected that some of this work will be started during 2025/2026 with the majority completed in 2026/2027 and included in the Annual Plan. Included in forecasting is unbudgeted expenditure for \$200,000 for design and investigation for the Monowai suspension bridge and \$600,000 for local pothole prevention. Local pothole prevention has been included as \$300,000 for resurfacing and \$300,000 for drainage maintenance. This work will be funded 55% by NZTA and the remainder from the roading rates already collected.
- 26 Water supply projects being deferred to 2026/2027 include the Eastern Bush water supply upgrade, for which design and investigation work continues. The intention is to go to tender in 2026/2027 with the current budget not required in full for this year and \$100,000 being deferred to 2026/2027. Due to the weather conditions, the pump portion (\$150,000) of the Takitimu rural water scheme switchboard and pump project needs to be removed to next summer (following land access approval.) The switchboard portion is to be completed this year.
- 27 Water Supply projects being cancelled include consent renewals for the Takitimu and Mt York rural water schemes of \$25,000 each as the consent renewals are being prepared in-house, which have now been lodged with Environment Southland and the total allowed budget is not required. A repurpose of budget has been requested as the asset management water plant dosing and monitoring instrumentation project is complete for the year with further budgets allowed next year and the years following. The unutilised budget of \$115,005 has been transferred to the Tuatapere UV replacement unit. The Tuatapere UV system replacement units project has been undertaken for compliance requirements, the costs of installation were higher than originally projected.
- 28 Two stormwater projects in Te Anau have been deferred with the multi-year project for the Lakefront discharge improvements being deferred to the LTP (\$150,000), as only \$76,000 is required for the work to be undertaken this year. The stormwater upgrade (Sandy Brown Road) has moved \$250,000 to the 2026/2027 financial year when the physical works will be undertaken. The remaining budget for the current year will fund consulting, design, and land

purchase. The budget in the previous financial year rectified all known drainage issues within Ohai and a large amount in Nightcaps. The LTP budget had funds within the 2025/2026 period for additional works, in which there is no known issues to rectify. We are proposing to repurpose this budget of \$227,500 to complete urgent issues within the district and is being proposed to reallocate to the new project for District Wide Stormwater Improvements.

- 29 The new wastewater discharge standards were initially due in September 2025 but delayed until December in 2025/2026. \$200,000 of the consent renewal budgets for the various projects are proposed to be combined into a new project to develop a Districtwide Wastewater Environmental Performance Standards (WEPS) Strategy with the balance of the budgets (\$301,266) deferred to 2026/2027. The Stewart Island wet well chamber replacement project budget is forecast to be reduced as this will only be in final design in the current year. The reduction in the budget of \$380,000 is proposed to be utilised on two other projects being the desludging on Stewart Island and a replacement aerator for Winton. There is further budget allowed for wet wells in later years. Further budget (\$260,000) is required for the oxidation pond desludging on Stewart Island due to the earthworks involved in the project. The original plan was to use the materials removed at the site, however imported fill is now required onto the site and there has also been delays with weather conditions. The current oxidation pond has experienced treatment issues that relate to odour complaints from elected members and members of public. A new project is proposed to upgrade the current aerator system at Winton (\$120,000). The Stewart Island consent renewal has been issued in the current year with final costs received, during the December capital delivery review it had been forecast to be finalised in the 2026/2027 financial year and \$25,000 had been moved as part of that process, this is being reversed as part of forecasting, with the project in 2026/2027 no longer being required

#### Forecasted financial results

- 30 The 2025/2026 Annual Plan anticipated a deficit of \$7.9 million for the year ended 30 June 2026. As a result of carry forwards, approved unbudgeted expenditure and forecasting changes outlined in this report, the overall total forecast net deficit for the year is projected to be \$10.6 million. Refer to attachment A for detail of the forecasted statement of comprehensive income and expense.
- 31 The net asset position at 30 June 2026 was anticipated to be \$2.27 billion in the 2025/2026 Annual Plan. The forecast position after forecasting, adjusting for the actual 30 June 2025 results and other adjustments (carry forwards and unbudgeted expenditure), is projected to be \$2.34 billion. Refer to attachment B for detail of the forecasted statement of financial position.

#### Benchmarks

- 32 As part of the 2025/2026 Annual Plan, Council budgeted to achieve 153% of its benchmark of capital expenditure to exceed depreciation, on the four network infrastructure services (transport, stormwater, sewerage and water supply) in 2025/2026. The essential services benchmark set by legislation is 100%. After the changes proposed for forecasting, this benchmark is now expected to achieve 80%. The revaluations of these assets at year-end will have an impact on the depreciation, and accordingly this benchmark.

- 33 The summary of the year-end benchmarks based on the revised forecasted results are as follows:

| Benchmark                    | Quantified Limit | Planned as per AP 25/26 | Achieved     | Revised Forecasted Result 25/26 | Achieved     |
|------------------------------|------------------|-------------------------|--------------|---------------------------------|--------------|
| Essential Services Benchmark | 100%             | 152.7%                  | ✓            | 79.6%                           | not achieved |
| Debt Affordability Benchmark | 175%             | 110.0%                  | ✓            | 91.3%                           | ✓            |
| Balanced Budget Benchmark    | 100%             | 98.5%                   | not achieved | 91.9%                           | not achieved |
| Debt Servicing Benchmark     | 10%              | 4.8%                    | ✓            | 3.9%                            | ✓            |

#### ISSUES

- 34 Forecasting is part of the ongoing process to enable Council to understand its year end result. This includes early identification of projects that will not be completed by the end of the current financial year. Forecasting also provides an opportunity to approve anticipated unbudgeted expenditure during the year. This should reduce the number of individual requests needing to be considered by Council. Any works not started or completed by year end will be included as part of the carry forward report presented to Council in August/September 2026
- 35 The forecasting process has identified projects to be deferred and brought forward. Schedules of these projects are included in attachment D and E.
- 36 From the project budgets included in Attachment C some projects have been funded through the reduction of budgets in other projects being \$131,283 for Community housing, \$67,500 for Information management, \$580,000 in District sewerage, \$115,155 in District water and \$227,550 in Stormwater.

- 37 A summary of the movement of projects (both capital and operational) as a result of carry forwards, unbudgeted expenditure requests and forecasting for the 2025/2026 year is as follows, resulting in a revised programme of \$73 million:

| Activities   | 2025/2026 Annual Plan | Carry Forwards | Unbudgeted Expenditure | Other council approved changes | Proposed Forecast | Total Expected Budget |
|--|-----------------------|----------------|------------------------|--------------------------------|-------------------|-----------------------|
| Community Resources:   |                       |                |                        |                                |                   |                       |
| Offices & Buildings  | \$6,778,927           | \$339,400      | -                      | -                              | -                 | \$7,118,327           |
| Toilets  | \$1,769,336           | \$1,295,227    | -                      | (\$943,934)                    | (\$139,196)       | \$1,981,433           |
| Parks & Reserves   | \$2,666,842           | \$1,434,954    | \$308,726              | (\$1,194,584)                  | (\$557,837)       | \$2,658,101           |
| SIESA  | \$288,150             | -              | \$7,750,000            | -                              | -                 | \$8,038,150           |
| Community Housing  | \$316,160             | \$114,038      | -                      | -                              | \$60,000          | \$490,198             |
| Others (*)   | \$495,249             | \$1,967,512    | \$74,021               | (\$126,595)                    | (\$1,248,076)     | \$1,162,111           |
| Corporate Service  | \$754,800             | \$904,123      | -                      | (\$574,360)                    | -                 | \$1,084,563           |
| Three Waters and Waste   |                       |                |                        |                                |                   |                       |
| Water  | \$6,536,807           | \$1,518,718    | \$750,000              | (\$3,359,812)                  | (\$300,000)       | \$5,145,713           |
| Sewerage   | \$13,759,350          | \$2,550,509    | -                      | (\$8,592,857)                  | (\$301,266)       | \$7,415,736           |
| Stormwater   | \$3,278,790           | \$1,475,228    | -                      | (\$195,000)                    | (\$400,000)       | \$4,159,018           |
| Transport:   |                       |                |                        |                                |                   |                       |
| Airport  | -                     | \$818,845      | -                      | -                              | -                 | \$818,845             |
| Footpaths  | \$1,384,159           | \$218,958      | -                      | (\$40,000)                     | (\$55,000)        | \$1,508,117           |
| Roading  | \$30,753,157          | \$5,297,220    | -                      | (\$5,394,987)                  | \$500,000         | \$31,155,390          |
| Others (**)  | \$1,759,091           | \$853,294      | -                      | (\$1,864,304)                  | (\$127,226)       | \$620,855             |
|  | \$70,540,818          | 18,788,025     | \$8,882,747            | (\$22,286,433)                 | (\$2,568,601)     | \$73,356,556          |
| **"Others" - under Community Resources includes activities such as Cemeteries, Halls, Library Services, Other Property and Waster Services |                       |                |                        |                                |                   |                       |
| ***"Others" under Transport includes activities such as Boat Ramps, Cycle Trails, Harbour and Stewart Island Jetties                       |                       |                |                        |                                |                   |                       |

“Other council approved changes” in the above table refer to the capital programme delivery review changes discussed in December 2025 as well the changes approved as part of the Annual Plan discussion to by Council on the 25<sup>th</sup> of February 2026.

- 38 Additional changes identified as part of this forecasting process, will affect the 2026/2027 Annual plan and the quantum of projects to be delivered. This is summarised as below:

| Projects as per the 2026/2027 Annual Plan           | \$         |
|---|------------|
| Projects for the 2026/2027 draft Annual Plan        | 87,777,360 |
| Projects from 2025/2026 to be moved to future years | 3,030,374  |
| Revised Projects 2026/2027                          | 90,807,734 |

### Impact of forecasting on rates

- 39 The changes indicated may impact future years rates requirements depending on how they are funded. Council generally only rate for loan repayments in the year following the loan being established, however in some cases rates may have been collected if it was expected that a loan would be drawn down and it wasn't as a result of resource delays etc. Where rates are collected these are transferred to the relevant rates reserve for use in the future. Additionally, some costs indicated may have flow on effects to future operational costs, where possible the 2026/2027 Annual Plan has incorporated these.
- 40 The changes will not impact the rates for the current 2025/2026 year, as the rates have been struck for this year and three of four instalments have been invoiced. Generally, rates to repay loans used to fund projects are collected in the year following the loan draw down however there may be a few instances where projects are expected to be completed in a year and for some reason they are not. As a result, collection of principal and interest may occur, should this happen the remaining funds are transferred to the relevant rating reserve at year end to be used for costs going forward.
- 41 There is still a risk that the actual result achieved at 30 June 2026 differs from what has been forecasted and therefore this could give rise to over or under rating depending on the circumstances.

### Options

- 42 The options are to endorse or not, in full or in part, the forecasted adjustments to the expenditure for the 2025/2026 Annual Plan.

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

43

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

| Advantages  | Disadvantages  |
|---|--|
| <ul style="list-style-type: none"> <li>• Council and the Committee are informed of anticipated changes from the 2025/2026 Annual Plan</li> <li>• Council has had the opportunity to prioritise expenditure to be incurred in the current financial year</li> <li>• Council staff are able to procure as required to provide services to the community in the most appropriate manner</li> </ul> | <ul style="list-style-type: none"> <li>• Deferral of projects which are going to be completed and/or costing more than previously indicated</li> </ul> |

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

| Advantages   | Disadvantages   |
|--|---|
| <ul style="list-style-type: none"> <li>• Council has more time to consider anticipated changes from the 2025/2026 Annual Plan</li> <li>• Council has the opportunity to prioritise expenditure to be incurred in the current financial year</li> </ul> | <ul style="list-style-type: none"> <li>• Processes may be delayed where further approval needs to be sought from Council before committing to additional expenditure</li> <li>• Impact of the flow on effect of changes may not be incorporated into the 2026/2027 Annual Plan</li> </ul> |

Legal considerations

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

Strategic alignment

**Strategic direction**

- 45 Forecasting support the Council’s strategic direction by ensuring accurate, transparent and reliable financial reporting. This contributes to effective decision making and public trust.

**Policy and plan consistency**

- 46 Council staff must ensure that all expenditure is carried out within approved delegations. The current financial delegations only allow the chief executive to approve district unbudgeted purchases of plant, capital items and goods and services expenditure up to \$10 thousand. Everything else must be approved by Council.

Financial considerations

- 47 The forecasting that has been completed shows that a net deficit after these forecasting changes are approved will be \$10.6 million (attachment A)
- 48 Overall capital expenditure is expected to increase by \$2.8 million in this forecasting round as outlined in attachment B and discussed in this report.
- 49 The funding source for all forecasted changes are identified as part of this process and are predominantly; reserves, loans, external revenue sources (fees, charges, grants etc) and savings in current budgets. The impact on rates is addressed in the issues section of this report.

### Significance assessment

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

| Level                             | Likelihood of engagement   |
|-----------------------------------|--|
| Some importance or administrative | Council is not likely to carry out any engagement.   |
| Moderate importance               | Council may choose whether it carries out engagement, which may be targeted to directly affected individuals or groups.  |
| Significant                       | Council will engage with directly affected individuals and groups and wider community engagement is likely, unless there are reasons under policy not to.        |
| Critical                          | Council will engage with directly affected individuals and groups and wider community engagement is highly likely, unless there are reasons under policy not to. |

### Community views

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

### Climate change considerations

- 52 There are no climate change considerations relevant to this matter or decision.

### Risk and mitigations

- 53 There are no significant risks in relation to this matter or decision.

### Next steps

- 54 If endorsed, a report will be prepared for Council to approve the forecasted budgets and changes as recommended. Following which if Council approves, staff will advise activity managers of the approval of unbudgeted expenditure and/or confirmed project amendments for the 2025/2026 financial year. Additionally, the approved forecasted information will be incorporated into Council financial systems and consequently future reporting, if required.

### Attachments

- A Appendix A - Forecasted Profit and Loss [↓](#)
- B Appendix B - Forecasted Balance sheet [↓](#)
- C Appendix C - Unbudgeted expenditure [↓](#)
- D Appendix D - Items to be deferred to future years [↓](#)
- E Appendix E - Projects budgets brought forward [↓](#)

## ATTACHMENT A

**SOUTHLAND DISTRICT COUNCIL**  
**FORECAST STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE**  
**30-Jun-26**

|   | Annual Plan<br>2025/2026<br>(\$000) | Amounts Carried<br>Forward from<br>2024/2025<br>(\$000) | Approved<br>Unbudgeted<br>Expenditure<br>(\$000) | February<br>2025/2026<br>Forecast<br>adjustments<br>(\$000) | Forecast<br>Result for<br>2025/2026<br>(\$000) |
|---|-------------------------------------|---|--|---|--|
| <b>Revenue</b>  |                                     |   |  |   |  |
| Rates   | 77,151                              | 10  | -  | (208)   | 76,953   |
| Other revenue   | 13,530                              | 0   | (40)   | 512   | 14,002   |
| Interest and Dividends                                    | 20                                  | 0   | -  | 280   | 300  |
| Grants and Subsidies (including NZTA)                     | 28,491                              | 4,599   | (3,634)  | (46)  | 29,409   |
| Other Gains/(Losses)                                      | 2,408                               | 288   | -  | (701)   | 1,995  |
| Vested Assets   | -                                   | 0   | -  | -   | 0  |
| Development and Financial Contributions                   | -                                   | 35  | 173  | (35)  | 173  |
|   | <b>121,600</b>                      | <b>4,931</b>  | <b>(3,501)</b>                                   | <b>(198)</b>  | <b>122,832</b>                                 |
| <b>Expenditure</b>  |                                     |   |  |   |  |
| Employee Benefit Expenses                                 | 22,120                              | -   | -  | -   | 22,120   |
| Depreciation and Amortisation                             | 45,894                              | -   | -  | -   | 45,894   |
| Finance Costs   | 4,807                               | -   | -  | -   | 4,807  |
| Other Council Expenditure                                 | 56,667                              | 4,541   | (881)  | 337   | 60,664   |
|   | <b>129,488</b>                      | <b>4,541</b>  | <b>(881)</b>                                     | <b>337</b>  | <b>133,485</b>                                 |
| <b>OPERATING SURPLUS/(DEFICIT)</b>                        | <b>(7,888)</b>                      | <b>390</b>  | <b>(2,619)</b>                                   | <b>(535)</b>  | <b>(10,653)</b>                                |
| Share of Associate Surplus/(Deficit)                      | -                                   | -   | -  | -   | -  |
| <b>SURPLUS/(DEFICIT) BEFORE TAX</b>                       | <b>(7,888)</b>                      | <b>390</b>  | <b>(2,619)</b>                                   | <b>(535)</b>  | <b>(10,653)</b>                                |
| Income Tax Benefit  | -                                   | -   | -  | -   | -  |
| <b>SURPLUS/(DEFICIT) AFTER TAX</b>                        | <b>(7,888)</b>                      | <b>390</b>  | <b>(2,619)</b>                                   | <b>(535)</b>  | <b>(10,653)</b>                                |
| Share Revaluation   | 1,957                               | -   | -  | (392)   | 1,565  |
| Gain/(Loss) on Property, Plant and Equipment Revaluations | 46,756                              | -   | -  | -   | 46,756   |
| <b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>            | <b>38,868</b>                       | <b>390</b>  | <b>(2,619)</b>                                   | <b>(928)</b>  | <b>37,668</b>                                  |

## ATTACHMENT B

**SOUTHLAND DISTRICT COUNCIL  
FORECAST STATEMENT OF FINANCIAL POSITION  
30-Jun-26**

|   | Actual 30<br>June 2025<br>(\$000) | Movement<br>Annual Plan<br>2025/2026<br>(\$000) | 2024/2025<br>Carried forwards<br>(\$000) | Approved<br>Unbudgeted<br>Expenditure*<br>(\$000) | February<br>2025/2026<br>Forecast<br>adjustments (\$000) | Forecast<br>Result for<br>2025/2026<br>(\$000) | Annual Plan<br>2025/2026<br>(\$000) |
|---|-----------------------------------|---|--|---|--|--|-------------------------------------|
| <b>Equity</b>                           |                                   |   |  |   |  |  |                                     |
| Retained Earnings                       | 696,473                           | (7,888)   | 390                                      | (2,619)   | (535)  | 685,820  | 689,933                             |
| Asset Revaluation Reserves              | 1,517,844                         | 46,756  |  |   |  | 1,564,600                                      | 1,602,617                           |
| Fair Value Reserves                     | 9,173                             | 1,957   |  |   | (392)  | 10,737   | 8,734                               |
| Other Reserves                          | 46,650                            | 3,854   | 5,410                                    | (3,972)   | (11,753)   | 40,188   | 33,864                              |
| <b>TOTAL EQUITY</b>                     | <b>2,270,140</b>                  | <b>44,678</b>                                   | <b>5,799</b>                             | <b>(6,592)</b>                                    | <b>(12,681)</b>  | <b>2,301,345</b>                               | <b>2,335,148</b>                    |
| <b>Current Assets</b>                   |                                   |   |  |   |  |  |                                     |
| Cash and Cash Equivalents               | 23,822                            | 3,401   | 0  |   | (26,223)   | 1,000  | 1,000                               |
| Trade and Other Receivables             | 8,579                             | 2,830   |  | 0   | 0  | 11,409   | 10,801                              |
| Inventories                             | 149                               | 0   |  | 0   | 0  | 149  | 130                                 |
| Work in Progress                        | -                                 | 0   |  | 0   | 0  | 0  | -                                   |
| Other Financial Assets                  | 2,197                             | 0   |  | 0   | (740)  | 1,457  | 667                                 |
|   | <b>34,747</b>                     | <b>6,231</b>                                    | <b>0</b>                                 | <b>0</b>  | <b>(26,963)</b>  | <b>14,016</b>                                  | <b>12,598</b>                       |
| <b>Non Current Assets</b>               |                                   |   |  |   |  |  |                                     |
| Property, Plant and Equipment           | 2,287,123                         | 70,114  | 17,155                                   | (12,216)  | (2,064)  | 2,360,111                                      | 2,409,133                           |
| Intangible Assets                       | 6,655                             | 0   |  | 0   | 0  | 6,655  | 5,728                               |
| Forestry Assets                         | 13,490                            | 1,260   |  | 0   | 0  | 14,750   | 15,780                              |
| Internal Loans                          | 79,094                            | 26,317  | 11,356                                   | (13,375)  | (2,287)  | 101,105  | -                                   |
| Investments in Associates               | 3,028                             | 0   |  | 0   | 0  | 3,028  | 2,185                               |
| Other Financial Assets                  | 41,106                            | (2,980)   |  | 0   | 6,628  | 44,754   | 40,534                              |
|   | <b>2,430,496</b>                  | <b>94,711</b>                                   | <b>28,511</b>                            | <b>(25,591)</b>                                   | <b>2,276</b>   | <b>2,530,403</b>                               | <b>2,473,360</b>                    |
| <b>TOTAL ASSETS</b>                     | <b>2,465,243</b>                  | <b>100,942</b>                                  | <b>28,511</b>                            | <b>(25,591)</b>                                   | <b>(24,687)</b>  | <b>2,544,419</b>                               | <b>2,485,958</b>                    |
| <b>Current Liabilities</b>              |                                   |   |  |   |  |  |                                     |
| Trade and Other Payables                | 8,860                             | (2,293)   |  | 0   | 0  | 6,567  | 11,754                              |
| Deferred Revenue                        | 1,699                             | 0   |  | 0   | 0  | 1,699  |                                     |
| Contract Retentions and Deposits        | 492                               | (116)   |  | 0   | 0  | 376  | 2,156                               |
| Employee Benefit Liabilities            | 2,816                             | 260   |  | 0   | 0  | 3,076  | 3,301                               |
| Development and Financial Contributions | 1,061                             |   |  |   | 0  | 1,061  | 1,045                               |
| Provisions                              | 1,127                             | 378   |  | 0   | (378)  | 1,127  | -                                   |
| Borrowings                              | 9,000                             | 1,000   |  | 0   | 0  | 10,000   | 10,000                              |
|   | <b>25,055</b>                     | <b>(772)</b>                                    | <b>-</b>                                 | <b>-</b>  | <b>(378)</b>   | <b>23,905</b>                                  | <b>28,256</b>                       |
| <b>Non-Current Liabilities</b>          |                                   |   |  |   |  |  |                                     |
| Employee Benefit Liabilities            | 9                                 |   |  | 0   | 0  | 9  | 11                                  |
| Provisions                              | 8,369                             | 0   |  | 0   | 378  | 8,747  | 8,316                               |
| Borrowings                              | 82,575                            | 30,718  | 11,356                                   | (5,625)   | (9,719)  | 109,305  | 114,227                             |
| Internal Loans - Liability              | 79,094                            | 26,317  | 11,356                                   | (13,375)  | (2,287)  | 101,105  |                                     |
|   | <b>170,047</b>                    | <b>57,036</b>                                   | <b>22,711</b>                            | <b>(19,000)</b>                                   | <b>(11,628)</b>  | <b>219,166</b>                                 | <b>122,554</b>                      |
| <b>TOTAL LIABILITIES</b>                | <b>195,102</b>                    | <b>56,264</b>                                   | <b>22,711</b>                            | <b>-</b>  | <b>(12,006)</b>  | <b>243,072</b>                                 | <b>150,810</b>                      |
| <b>NET ASSETS</b>                       | <b>2,270,141</b>                  | <b>44,678</b>                                   | <b>5,799</b>                             | <b>(6,591)</b>                                    | <b>(12,681)</b>  | <b>2,301,347</b>                               | <b>2,335,148</b>                    |

\* Includes the Approved Capital Delivery programme review changes agreed to on 10/12/2025



ATTACHMENT C - Unbudgeted expenditure that requires Council resolution

Retrospective Unbudgeted expenditure

| Business Unit Name             | Project no. | Project name  | Account Name     | Further Comments   | Funded from                    | Total 2025/2026 Amended Budget | Forecasted total 2025/2026 Budget | 2025/2026 February Forecasted variance |
|--------------------------------|-------------|---|------------------|--|--------------------------------|--------------------------------|-----------------------------------|--|
| Bus Reserve - Other            |             |   | Recreation Grant | Don't to the Ladies Hall Society for floor repairs in line with rental agreement   | Local recreation reserve lease | \$0                            | \$1,793                           | \$1,793                                |
| Community Housing Collective C | PHK0514     | Community Housing - Internal paint/finish units         | Main - Project   | Budget under-spent transferred from projects P-1488 (Community Housing - Replace roof) and P-1489 (Community Housing - Exterior repair 25 units) to increase the budget.   | Loan                           | \$15,000                       | \$1,850                           | \$9,410                                |
| Water supply Treatment         | P-1126      | Turksway Water supply - ultra violet system replacement | Water - Renewal  | As replacement units project underflow for compliance requirements, the costs of installation were higher than originally projected, the additional budget is being transferred from another budget for design and monitoring which has been completed for the year. | Loan                           | \$42,479                       | \$17,834                          | \$11,153                               |
|                                |             |   |                  |  |                                | \$57,479                       | \$19,684                          | \$26,263                               |

Other

| Business Unit Name              | Project no. | Project name                                       | Account Name                    | Further Comments  | Funded from  | Total 2025/2026 Amended Budget | Forecasted total 2025/2026 Budget | 2025/2026 February Forecasted variance |
|---------------------------------|-------------|--|---------------------------------|---|--|--------------------------------|-----------------------------------|--|
| Dog and Animal Control          |             |  | Legal Costs                     | Legal costs are higher than normal due to one case which is an unusual occurrence whereby the individual had contravened the dog control act on numerous occasions and was subject to legal action.   | Additional income in business from Management Income | \$1,100                        | \$58,000                          | \$44,900                               |
| Dust and Flycatcher Fund        |             |  | Recreation Grant                | In 2025 the amount of grants received in relation to the above  | Grant income   | \$0                            | \$59,430                          | \$24,430                               |
| Emergency Services              |             |  | Offshore/Licensed Fees          | Additional costs for software due to increase costs from vehicles on a per user basis and the software being used by the registration   | District Operations revenue                          | \$1,514,200                    | \$1,399,000                       | \$115,000                              |
| Community Facilities            |             |  | Construction                    | To fund contract renewal process  | District Operations revenue                          | \$100,000                      | \$100,000                         | \$100,000                              |
| District Water                  |             |  | Main - Unplanned                | Increase in unplanned maintenance due to storm related costs  | Loan   | \$100,000                      | \$100,000                         | \$100,000                              |
| Resource Consent Processing     |             |  | Consultants                     | External peer reviews for technical reports on more complex consent applications for fast track consent and EDC consents which are seeing a higher volume of the cost of which is recovered in full from the applicant or the EPA   | Increase in general revenues                         | \$100,000                      | \$100,000                         | \$100,000                              |
| Resource Consent Processing     |             |  | Rating Commissioner Charge      | Increase in income of notified consents in the current financial year with the additional decision makers for EDC consent applications fully recovered from the applicants  | Increase in general revenues                         | \$22,400                       | \$45,000                          | \$22,600                               |
| Resolving - District Wide       |             |  | Business Development            | Additional expenses approved by NZTA  | NZTA   | \$1,337,200                    | \$1,687,200                       | \$350,000                              |
| Resolving - District Wide       | PHK2020     | Deal 88 Resurfacing - Renewal                      | Deal 88 Resurfacing - Renewal   | Additional programme approved by NZTA   | NZTA   | \$9,024,717                    | \$9,324,717                       | \$300,000                              |
| Resolving - District Wide       | PHK0512     | Structural Components - Renewal                    | Structural Components - Renewal | Additional funding received from NZTA for work replacing the deck at Motoware being bridge, main construction to occur in 2026/2027   | NZTA   | \$0                            | \$100,000                         | \$100,000                              |
| District Sewerage               |             |  | Main - Unplanned                | Increase in unplanned maintenance due to storm related costs  | Grant Income   | \$100,000                      | \$100,000                         | \$100,000                              |
| Waste Services                  |             |  | Waste Disposal                  | Increase waste disposal budget due to higher volumes of waste being disposed. The budget is based on 2023/2024 volumes plus to date trends for 20% increase in volume on 2023/2024.   | Waste levy revenue                                   | \$1,425,000                    | \$1,555,000                       | \$130,000                              |
| Water & Reservoir - Stewart Isl |             |  | Improvements - Aug LID          | Installation panels with macroalgae timber posts v4   | Grant income   | \$0                            | \$9,300                           | \$9,300                                |
| Septic Tank Cleaning Woodlands  |             |  | Septic Tank Cleaning            | Increase budget allowance for cleaning  | Woodlands Septic tank revenue                        | \$7,800                        | \$9,800                           | \$1,000                                |
| Community Housing Collective C  | PHK0528     | Community Housing - 6 Pioneer Place refurb         | Main - Project                  | Budget under-spent transferred from projects P-11494 (Community Housing - Replace roof) and P-11490 (Community Housing - Exterior repair 25 units) to increase the budget.  | Loan   | \$0                            | \$45,000                          | \$45,000                               |
| Community Housing Collective C  | PHK0529     | Community Housing - 10 Pioneer Place refurb        | Main - Project                  | Budget under-spent transferred from projects P-11494 (Community Housing - Replace roof) and P-11490 (Community Housing - Exterior repair 25 units) to increase the budget.  | Loan   | \$0                            | \$58,900                          | \$58,900                               |
| Community Housing Collective C  | P-11810     | Harold Community Housing - 50 Seaward Road Repairs | Main - Project                  | Budget under-spent transferred from projects P-11494 (Community Housing - Replace roof) and P-11490 (Community Housing - Exterior repair 25 units) to increase the budget.  | Loan   | \$154,000                      | \$160,000                         | \$150,000                              |
| Community Housing Collective C  | PHK0525     | Consent  | Consent                         | Project transferred into this one   | Loan   | \$500,000                      | \$677,000                         | \$177,000                              |
| District Sewerage               | P-10492     | Stewart Island Wastewater Oxidation Pond Dredging  | Sewerage - Renewals             | The new wastewater discharge standards were initially due in September 2025, but delayed until December in 2025/2026 a portion of the consent renewal budgets for the various projects have been combined to develop a Districtwide Wastewater MBPT Strategy with the balance of the budgets for consent renewals deferred to 2026/2027 | Loan   | \$205,100                      | \$385,100                         | \$200,000                              |
| Sewerage Scheme Winton          | P-11003     | Winton Waste Water - Ancillary renewal             | Sewerage - Renewals             | The consent renewal period has expired however, issues that have to occur complaints from elected members and members of public. The upgrade of the current system will mitigate the current treatment issues.  | Loan   | \$0                            | \$120,000                         | \$120,000                              |
| District Stormwater             | P-11010     | District Wide stormwater improvements              | Stormwater - Renewal            | The 11FF202 funds within the 2025/2026 period for additional works at Ohau, which then are to be done in 2026/2027. We are repurposing this money to complete urgent issues within the District wide.   | Loan   | \$0                            | \$227,000                         | \$227,000                              |
| <b>TOTAL</b>                    |             |  |                                 |   |  | <b>\$14,961,909</b>            | <b>\$17,374,387</b>               | <b>\$2,722,811</b>                     |

\* Refers to the approved Annual plan budget, plus budgeted carry forwards and any unbudgeted expenditure



ATTACHMENT D - Items planned to be deferred to future years

| Business Unit Name             | Project no | Project/Account Name   | Further Comments   | Funded from  | Total 2025/2026 Budget | Year deferred to | 2025/2026 February Forecasting variance |
|--------------------------------|------------|--|--|--|------------------------|------------------|---|
| Cemetery - Riverton            | P-10989    | Purchase land to increase size of Riverton Cemetery                          | \$205,836 moved to 26/27   | Riverton cemetery reserve, Riverton Parks contribution reserve | \$225,836              | 2026/2027        | (\$205,836)                             |
| Water Supply - Eastern Bush    | P-10007    | Eastern Bush Water Supply Upgrade - Stage 1                                  | Design and investigation work continues, intention to go to tender in 2026/2027, current budget allowance not required in full for this year and is deferred to 2026/2027  | Loan   | \$512,500              | 2026/2027        | (\$100,000)                             |
| Hall - Colac Bay               | FHALL046   | Colac Bay Hall - Pile fasteners, ramps and paths                             | Forecast to 2026/2027  | Community centre Colac Bay reserve                             | \$12,240               | 2026/2027        | (\$12,240)                              |
| Harbour                        | P-11225    | Riverton T Wharf replacement - demolition & construction                     | Forecast \$50k to 2026/2027 as per activity manager and project manager due to project progress  | Loan   | \$1,014,000            | 2026/2027        | (\$50,000)                              |
| Parks & Reserves - Colac Bay   | P-11076    | Colac Bay Surfies statue refurbishment                                       | Forecast \$90,000 to 2026/2027 per activity manager and project manager due to project progress  | Loan   | \$90,000               | 2026/2027        | (\$90,000)                              |
| Parks & Reserves - Te Anau     | P-10933    | Te Anau Basin Development Project  | Forecast \$377,837 to 26/27 as per scoping manager and project progress  | Loan   | \$510,463              | 2026/2027        | (\$377,837)                             |
| Parks & Reserves - Wallacetown | P-10829    | Wallacetown Recreational Project   | Forecast out \$70k as per activity manager and project manager due to project progress   | Grants   | \$243,643              | 2026/2027        | (\$70,000)                              |
| Parks & Reserves - Winton      | P-11205    | Winton Great North Road Development  | Forecast \$20,000 to 2026/2027 per activity manager due to project progress  | Winton Property sales reserve, Winton Capital dev reserve      | \$85,000               | 2026/2027        | (\$20,000)                              |
| Water Supply Takitimu          | P-10514    | Te Anau Rural Water Takitimu Scheme - Switchboard & pumps & new bore         | Due to the weather conditions the pump portion needs to be moved to next summer (following land access approval). The switchboard portion is to be completed this year.  | Loan   | \$203,297              | 2026/2027        | (\$150,000)                             |
| Sewerage Scheme Balfour        | P-10453    | Balfour wastewater Consent renewal and replacements multi year project       | The new wastewater discharge standards were initially due in September 2025, but delayed until December in 2025/2026 a portion of the consent renewal budgets for the various projects will be combined to develop a Districtwide Wastewater WEPS Strategy with the balance of the budgets deferred to 2026/2027   | Loan   | \$800,000              | 2026/2027        | (\$46,266)                              |
| Sewerage Scheme Gorge Road     | P-10455    | Gorge Road wastewater consent renewal  | The new wastewater discharge standards were initially due in September 2025, but delayed until December in 2025/2026 a portion of the consent renewal budgets for the various projects will be combined to develop a Districtwide Wastewater WEPS Strategy with the balance of the budgets deferred to 2026/2027   | Loan   | \$205,000              | 2026/2027        | (\$95,000)                              |
| Sewerage Scheme Monowai        | P-10461    | Monowai Wastewater resource consent renewal & investment                     | The new wastewater discharge standards were initially due in September 2025, but delayed until December in 2025/2026 a portion of the consent renewal budgets for the various projects will be combined to develop a Districtwide Wastewater WEPS Strategy with the balance of the budgets deferred to 2026/2027   | Loan   | \$153,750              | 2026/2027        | (\$60,000)                              |
| Sewerage Scheme Nightcaps      | P-10462    | Nightcaps Wastewater treatment upgrade multi year project                    | The new wastewater discharge standards were initially due in September 2025, but delayed until December in 2025/2026 a portion of the consent renewal budgets for the various projects will be combined to develop a Districtwide Wastewater WEPS Strategy with the balance of the budgets deferred to 2026/2027   | Loan   | \$189,824              | 2026/2027        | (\$50,000)                              |
| Sewerage Scheme Te Anau        | P-11331    | Te Anau wastewater removal of sludge from geobags onsite at WWTP             | The current consent for pond sludge has the condition all sludge must be removed from site, estimated 3 - 5 million project. The revised project is to seek a consent condition to leave all pond sludge onsite. This portion of the project relates to the consent renewal which is being prepared inhouse and does not require the full budget allocation, the balance is to be moved to 2026/2027 | Loan   | \$206,025              | 2026/2027        | (\$25,000)                              |
| Sewerage Edendale/Wyndham      | P-10454    | Edendale/Wyndham Waste water treatment plant - consent renewal preparation   | The new wastewater discharge standards were initially due in September 2025, but delayed until December in 2025/2026 a portion of the consent renewal budgets for the various projects will be combined to develop a Districtwide Wastewater WEPS Strategy with the balance of the budgets deferred to 2026/2027   | Loan   | \$6,500,001            | 2026/2027        | (\$49,999)                              |
| Stewart Island Jetties         | P-10670    | Stewart Island Rakiura Golden Bay Wharf renewal                              | Forecast \$29k to 26/27 as per activity manager and project manager and progress on the project  | Loans, grants  | \$55,000               | 2026/2027        | (\$29,000)                              |
| Stewart Island Jetties         | P-10203    | Rebuild Ulva Island Jetty  | Forecast \$60k to 26/27 as per activity manager and project manager and progress on the project  | Loans, grants  | \$265,000              | 2026/2027        | (\$60,000)                              |
| Stormwater Drainage - Te Anau  | P-10443    | Te Anau Stormwater Lakefront discharge improvements multi year project       | For the work to be undertaken this year the budget required is only \$76K, the remainder to be moved to the LTP  | Loan   | \$227,550              | 2027/2028        | (\$150,000)                             |
| Stormwater Drainage - Te Anau  | P-11060    | Te Anau Stormwater upgrade   | Budget required for this year is for the land purchase and consulting, physical works will be in 2026/2027   | Loan   | \$866,792              | 2026/2027        | (\$250,000)                             |
| Public Conveniences            | P-10637    | District wide toilets renewal preparation                                    | Tokanui toilet project (P-10637) of \$101,600 to be moved to LTP   | Loan   | \$101,600              | 2027/2028        | (\$101,600)                             |
| Public Conveniences            | P-10649    | District wide toilets renewal preparation                                    | Thornbury toilet project of \$18,596 moved to LTP and Otautau Arboretum toilet project of \$19,000 moved to 26/27  | Loan   | \$297,780              | 2026/2027        | (\$37,596)                              |
| District Refuse Sites          | P-11158    | Solid Waste - Otautau closed landfill protection works                       | This project is ready to go Tender, waiting on MFE approval for grant before proceeding with the Tender process. Physical works would be deferred until Oct/Nov 2026   | Loan   | \$1,127,117            | 2026/2027        | (\$1,000,000)                           |
| Information - Centre           | FBUILD003A | Lumsden Information Centre - Exterior and interior paint and various repairs | Forecast \$30,000 to 2026/2027 per activity manager and project manager due to project progress  | Loan   | \$81,000               | 2026/2027        | (\$30,000)                              |
| <b>TOTAL</b>                   |            |  |  |  | <b>\$ 13,973,418</b>   |                  | <b>(\$3,060,374)</b>                    |

**ATTACHMENT E - Projects Brought Forward from Future Years**

| Business Unit Name             | Project no | Project Name  | Further Comments   | Financial Year | Funded from | 2025/2026 February Forecasting variance |
|--------------------------------|------------|---|--|----------------|-------------|---|
| Community Housing Collective C | FHOUS003   | Originally called "Internal repaint community housing" now called "Community housing units refurbishment" | Moving portion of FHOUS003A budget from 26/27 and name change of project for 50A King Street Otautau unit  | 2026/27        | Loan        | \$60,000                                |
| Sewerage Scheme Stewart Island | P-10474    | Stewart Island wastewater consent renewal   | The consent has been issued in the current year with final cost budget received (had previously moved final costs to 2026/2027), the project in 2026/2027 will not be required   | 2026/27        | Loan        | \$25,000                                |
| Stewart Island Jetties         | P-10674    | Stewart Island Wharves - Refurbishment Millers Beach  | Forecast \$11,774 back to 25/26 from 26/27 as was needed in 25/26  | 2026/27        | Loan        | \$11,774                                |
| District Sewerage              | P-10446    | Waste water SCADA replacement district multi scheme   | SCADA upgrades have been completed at Stewart Island And Riverton, as part of the bulk purchasing the hardware for Te Anau was purchased at the same time the budget shortfall is being met with a budget swap from the network renewals | 2027/28        | Loan        | \$100,000                               |
| <b>TOTAL</b>                   |            |   |  |                |             | <b>\$196,774</b>                        |

---

## Quarterly treasury report

Record no: R/26/3/103981  
Author: Jo Hooper, Financial Accountant  
Approved by: Anne Robson, Group manager finance and assurance  
Report type: Decision

---

### Purpose

- 1 To inform the committee of Council's treasury position as at 31 January 2026, in accordance with the Investment and Liability Management Policy.
- 2 To seek approval for the updated interest rate risk strategy resulting in Council being within the thresholds by the 31 May 2026.

### Staff recommendations

That the Finance and Assurance Committee:

- a) notes the information contained in the report.
- b) notes that the matter or decision in this report is assessed as being of some importance but not significant based on Council's Significance and Engagement Policy. On this basis, Council is not likely to carry out any engagement associated with the decision approving the updated interest rate risk strategy or the investment in balanced funds.
- c) determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.
- d) receives the attached investment and liability management report as at 31 January 2026.
- e) approves the revised interest rate risk strategy of having additional committed borrowings of \$20 million in April and May 2026, which will be fixed for a minimum of five years
- f) receives the investment and monthly transactional reports from Westpac (BTFM) and Milford Asset Management (attachments B to G).

### Executive summary

- 3 The Investment and Liability Management Policy (ILMP) outlines the thresholds and benchmarks to maintain efficient and effective investment and debt management control.
- 4 Attachment A provides a summary on the income and expenditure associated with the investments and liabilities held by Council and reports against the benchmarks and thresholds (performance measures) on balances held at the 31 January 2026. Of the five performance measures required to be met, one is non-compliant. This is in relation to the interest rate risk, which requires a certain amount of budgeted debt to be fixed over the long term borrowing cycle to limit the impact of interest rate changes. Under the ILMP, if any years are breached, a strategy needs to be developed.

- 5 The strategy discussed between Council staff and Councils investment advisor is to have committed borrowings of \$20 million in April and May 2026, which will be fixed for a minimum of five years resulting in Council becoming compliant. As the strategy being proposed exceeds 90 days, approval is required by the Committee.
- 6 Meeting the interest rate risk thresholds continues to be challenging, even under the new policy. This is largely driven by ongoing fluctuations in both the timing and value of budgeted and actual borrowings, as well as the movement of debt maturity profiles between years. Further discussions will be planned with Council to review this and understand the options available including the process of swaps.

#### Context and discussion

- 7 The Investment and Management Liability Policy provides a framework that allows for investments to be managed effectively and efficiently, along with a prudent debt management framework.
- 8 The policy prescribes benchmarks and thresholds that must be met to ensure compliance. If thresholds are not met, this must be reported to the F&A Committee when the policy is breached.
- 9 Compliance is required to be reported to the F&A Committee quarterly.
- 10 The definitions and current status of the five performance measures reported in attachment A are summarised below:
  - i. Credit risk management (met) – provides limits to the amount Council can invest into treasury assets by spreading the investments across government bonds and banks, reducing any potential losses if any default.
  - ii. Risk management profile on externally managed funds (met) – the policy requires any new externally managed funds to be invested in a balanced fund using a benchmark asset allocation of 50% growth assets (equities and listed property) and 50% income assets (cash, term deposits, and debt securities). Once the funds are active, Council permits the balanced fund to vary their investment between the two categories within a tolerance range of 35% to 65% to accommodate risk management and normal market fluctuations.
  - iii. Borrowing limitations set within the ILMP (met) – the policy establishes limits on borrowing to ensure that Council is able to maintain the debt servicing required and is planning appropriately. As the LGFA and ILMP limitations differ slightly, both values are being reported.
  - iv. Debt maturity profile (funding risk management) (met) – The limits set are designed to minimise significant concentrations of debt being refinanced or raised at the same time which could result in an excessive increase in interest costs if rates were rising substantially.
  - v. Interest rate risk thresholds (met if the Committee agrees to the strategy) – this is used to manage the impact that movements in interest rates may have on Council’s cash flows. It sets the limits of debt that is fixed in any year.

As these limits are based on forecast debt levels in the LTP, the thresholds may not be met if actual debt is not drawn in line with budget. The policy allows for an interest rate risk management strategy to be implemented, where reasonable and approved, to achieve compliance.

- 11 The performance measures identified in paragraph 10 (i to iv) have been met at the 31 January 2026.
- 12 The remaining non-compliant performance measure in paragraph 10 (v) is in relation to the interest rate risk. Under the ILMP, if any years are breached, a strategy needs to be developed and approved by the Committee if the plan takes longer than 90 days to be implemented.
- 13 The strategy developed by Council staff and Councils investment advisor is to have additional committed borrowings of \$20 million in April and May 2026, which will be fixed for a minimum of five years resulting in Council becoming compliant. These funds relate to both budgeted project expenditure and planned borrowing from MBIE for the Stewart Island solar project.
- 14 Meeting the interest rate risk thresholds continues to be challenging, even under the new policy. This is largely driven by ongoing fluctuations in both the timing and value of budgeted and actual borrowings, as well as the movement of debt maturity profiles between years. Further discussions will be planned with Council to review this and understand the options available including the process of swaps.

### Options

- 15 The following reasonably practicable options have been identified and assessed in this report:

Option 1 – Approves the borrowing strategy as indicated above

Option 2 – Do not approve the borrowing strategy and look at other options

Recommended option:

Option 1 – Approves the borrowing strategy as indicated above

Option 1 – Approves the borrowing strategy as indicated above

| Advantages  | Disadvantages  |
|---|--|
| <ul style="list-style-type: none"> <li>• it ensures that the interest rate risk thresholds will comply by the 31 May 2026;</li> <li>• Council will be drawing debt at a similar timeframe as forecasted expenditure.</li> </ul> | <ul style="list-style-type: none"> <li>• None identified.</li> </ul> |

Option 2 – Do not approve the borrowing strategy and look at other options

| Advantages   | Disadvantages  |
|--|--|
| <ul style="list-style-type: none"> <li>• it will possibly give other options to meet the threshold limits including interest rate swaps</li> </ul> | <ul style="list-style-type: none"> <li>• Council will be in breach of the policy.</li> <li>• advice and associated costs will be required to identify other options and carry them out (for example interest rate swaps).</li> </ul> |

Legal considerations

- 16 There are no legal requirements in relation to this report.

Strategic alignment

**Strategic direction**

- 17 The approval of the strategy will align with Council’s strategic direction and long term plan by having a prudent debt position and forecast.

**Policy and plan consistency**

- 18 The ILMP provides guidance on the decision that the Committee will need to consider regarding the approval of the strategy.

- 19 The ILMP requires that the following information be reported to the Committee on a quarterly basis. This includes:

- externally managed funds reports
- the statement of policy compliance (meeting all the thresholds)
- treasury and markets commentary
- treasury performance
- CCO/CCTO loans and guarantees, financial arrangements (Not applicable for Council)
- revaluation of financial instruments (current value of the balanced fund investment)

Financial considerations

- 20 This report is providing information about the level of treasury investment and borrowing. The content of the report is not creating any other costs.

Significance assessment

- 21 The decision regarding the approval of the interest rate risk strategy is of an administrative nature under the Councils significance and engagement policy because the decision to borrow debt has already been determined by Council. The decision around the interest rate risk strategy is around the terms of the debt being sought.

22

| Level                             | Likelihood of engagement   |
|-----------------------------------|--|
| Some importance or administrative | Council is not likely to carry out any engagement.   |
| Moderate importance               | Council may choose whether it carries out engagement, which may be targeted to directly affected individuals or groups.  |
| Significant                       | Council will engage with directly affected individuals and groups and wider community engagement is likely, unless there are reasons under policy not to.        |
| Critical                          | Council will engage with directly affected individuals and groups and wider community engagement is highly likely, unless there are reasons under policy not to. |

---

### Community views

- 23 The community will want Council to make prudent decisions regarding future strategies around debt.

### Climate change considerations

- 24 There are no climate change considerations relevant to these matters or decisions.

### Risk and mitigations

- 25 If Council does not require the level of debt funding planned in the interest rate risk strategy discussed above, Council will not be compliant with its policy.

### Next steps

- 26 Future borrowings will reflect the strategy approved.

### Attachments

- A Investment and Liability Management report - January 2026 [↓](#)
- B Milford Investment Fund Position at 28 February 2026 [↓](#)
- C Milford Investment Fund Transaction statement 31 January 2026 [↓](#)
- D Westpac (BTFM) Balanced fund - December 2025 Quarterly report [↓](#)
- E Westpac (BTFM) Monthly Report January 2026 [↓](#)
- F Extract from Milford Investment Funds 17 March 2026 [↓](#)
- G WBC BTNZ Monthly Report 18 March 2026 [↓](#)



# Investment and liability management report

31 January 2026

Southland District Council  
Te Rohe Pōtae o Murihiku

PO Box 903  
15 Forth Street  
Invercargill 9840

☎ 0800 732 732  
✉ [sdcsouthlanddc.govt.nz](mailto:sdcsouthlanddc.govt.nz)  
🏠 [southlanddc.govt.nz](http://southlanddc.govt.nz)

**Table of contents**

Introduction .....3  
Compliance with the Investment Policy .....5  
Compliance with the Liability Management Policy & LGFA covenants .....6  
Treasury performance.....8

## Introduction

This report outlines Council's treasury position and performance for the period ended 31 January 2026.

It summarises actual performance against the benchmarks and thresholds set out in the Investment and Liability Management Policy (ILMP).

The ILMP also requires the performance of the treasury instruments be reported to the F&A Committee on a quarterly basis and reported in the third section of this report.

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.

### Abbreviation explanation

| <b>ABBREVIATION</b> | <b>DESCRIPTION</b>                                  |
|---------------------|---|
| <b>AP</b>           | Annual Plan   |
| <b>CAPEX</b>        | Capital expenditure                                 |
| <b>FY</b>           | Full year   |
| <b>FYB</b>          | Full year budget                                    |
| <b>DIA</b>          | Department of internal affairs                      |
| <b>GDC</b>          | Gore District Council                               |
| <b>GIS</b>          | Geographic information system                       |
| <b>GMSE</b>         | GeoMedia smart client                               |
| <b>GST</b>          | Goods and Services tax                              |
| <b>ICC</b>          | Invercargill City Council                           |
| <b>ILMP</b>         | Investment and Liability Management Policy (2025)   |
| <b>LED</b>          | Light emitting diode                                |
| <b>LGFA</b>         | Local Government Funding Agency                     |
| <b>LT</b>           | Leadership team                                     |
| <b>LTP</b>          | Long Term Plan                                      |
| <b>ME</b>           | Month end   |
| <b>NZTA</b>         | Waka Kotahi NZ Transport Agency                     |
| <b>NZDWS</b>        | New Zealand Drinking Water Standards                |
| <b>SDC</b>          | Southland District Council                          |
| <b>SIESA</b>        | Stewart Island Electrical Supply Authority          |
| <b>TIF</b>          | Tourism Infrastructure Fund                         |
| <b>YE</b>           | Year end  |
| <b>YTD</b>          | Year to date  |
| <b>YTD Variance</b> | Comparison of actual results compared to YTD budget |
| <b>\$M</b>          | Millions of dollars                                 |
| <b>WWTP</b>         | Wastewater treatment plant                          |

**Compliance with the Investment Policy**

The following two sections outline how Council manages its cash held in bank accounts and managed funds, as well as the composition of Council’s debt portfolio. This reporting demonstrates Council’s compliance with the Investment and Liability Management Policy (2025) (ILMP). The information also outlines Council’s obligations and compliance requirements in relation to the Local Government Funding Agency (LGFA).

**i) Credit risk management**

Term deposits have been spread across the registered banks to ensure compliance with policy requirements.

| REGISTERED BANKS | THRESHOLD      |                | JANUARY 2026 |            |          |
|------------------|----------------|----------------|--------------|------------|----------|
|                  | MINIMUM RATING | MAXIMUM AMOUNT | RATING       | AMOUNT     |          |
| Westpac          | AA-            | \$15 Million   | AA-          | -          | Achieved |
| BNZ              | AA-            | \$15 Million   | AA-          | 10,223,616 | Achieved |
| ANZ              | AA-            | \$15 Million   | AA-          | 10,000,000 | Achieved |

**ii) Risk management profile on externally managed funds**

The risk management profile for growth assets versus income assets on externally managed funds, along with current splits for Councils two managed funds being reported in the table below.

| Allocation    | Milford Investment balanced fund<br>28 February 2026 | Westpac (BTNZ) balanced fund<br>31 December 2025 | Combined balanced fund investment |        |
|---------------|--|--|-----------------------------------|--------|
|               | Actual   | Actual   | Range %                           | Actual |
| Growth assets | 54.5%  | 61.2%  | 35-65%                            | 57.8%  |
| Income assets | 45.5%  | 38.8%  | 35-65%                            | 42.2%  |

At these dates, both investments are within the range required by 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.

### Compliance with the Liability Management Policy & LGFA covenants

Borrowing levels are determined through Council's LTP and Annual Plan processes. Council will manage its borrowing activities prudently to minimise credit risk.

#### iii) Borrowing limitations set within the ILMP and LGFA covenants

The ILMP policy & LGFA have set specific borrowing limits. Total revenue is based on a rolling 12 month period for LGFA covenants. These limits are below:

| ITEM                               | THRESHOLDS     |             | JANUARY 2026 ACTUALS |             |          |
|------------------------------------|----------------|-------------|----------------------|-------------|----------|
|                                    | LGFA COVENANTS | CILM POLICY | LGFA COVENANTS       | CILM POLICY |          |
| Net debt as % of total revenue     | < 175%         | < 175%      | 33.5%                | 28.2%       | Achieved |
| Net interest as % of total revenue | < 20%          | < 10%       | 5.6%                 | 5.6%        | Achieved |
| Net interest as % of rates revenue | < 25%          | < 15%       | 6.8%                 | 6.8%        | Achieved |
| Liquidity ratio                    | > 110%         | > 110%      | 165.7%               | 165.7%      | Achieved |

#### iv) Debt maturity profile (funding risk management)

Council is also operating within the debt maturity profile parameters for the period.

| DEBT MATURITY PROFILE | THRESHOLD |         | JANUARY 2026      |             |          |
|-----------------------|-----------|---------|-------------------|-------------|----------|
|                       | MINIMUM   | MAXIMUM | AMOUNT            | %           |          |
| 0 to 3 years          | 15%       | 60%     | 49,000,000        | 54%         | Achieved |
| 3 to 7 years          | 25%       | 85%     | 25,775,000        | 28%         | Achieved |
| 7 years plus          | 0%        | 60%     | 16,800,000        | 18%         | Achieved |
| <b>Total</b>          |           |         | <b>91,575,000</b> | <b>100%</b> |          |

**v) Interest rate risk thresholds**

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 (AT 31 JANUARY 2026) |         |                               |         |              |          |
|---|---------|-------------------------------|---------|--------------|----------|
| INTEREST RATE EXPOSURE                              |         | FIXED INTEREST RATE THRESHOLD |         | OCTOBER 2025 |          |
| TERM  | MONTH   | MINIMUM                       | MAXIMUM | ACTUAL       |          |
| 2025/2026   | 0-12    | 40%                           | 90%     | 68%          | Achieved |
| 2026/2027   | 12-24   | 35%                           | 85%     | 50%          | Achieved |
| 2027/2028   | 24-36   | 30%                           | 80%     | 30%          | Achieved |
| 2028/2029   | 36-48   | 25%                           | 75%     | 16%          | Review   |
| 2029/2030   | 48-60   | 20%                           | 70%     | 10%          | Review   |
| 2030/2031   | 60-72   | 0%                            | 65%     | 8%           | Achieved |
| 2031/2032   | 72-84   | 0%                            | 60%     | 7%           | Achieved |
| 2032/2033   | 84-96   | 0%                            | 50%     | 7%           | Achieved |
| 2033/2034   | 96-108  | 0%                            | 50%     | 7%           | Achieved |
| 2034/2035   | 108-120 | 0%                            | 50%     | 7%           | 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.

## Treasury performance

The following is the financial performance of Councils treasury instruments at the 31 January 2026, based on the ILMP. This includes:

- interest earned on treasury investments
- dividends earned on direct equity investments
- gains or losses on the externally managed funds
- interest paid on external debt

### Treasury investments

Council invests in various call and term bank deposits through the year, depending on the available cash held. Council uses term deposits for short term investments on operating cash held, usually 30 days or less.

Council also holds borrower notes with the LGFA of \$3.9 million. These notes represent funds retained by LGFA from each loan drawdown, ranging between 2.5% and 5% of the amount borrowed. The interest earned is received when the loans mature.

The client fund accounts are bank accounts that we hold cash on behalf of other entities or 3<sup>rd</sup> parties (e.g. John Beange reserve).

| Interest earned on treasury investments              | Amount           |
|--|------------------|
| Call or term deposits bank accounts                  | \$309,353        |
| Interest on LGFA Borrowers Notes                     | \$54,613         |
| Interest on client fund accounts                     | \$1,195          |
| <b>Total interest earned on treasury investments</b> | <b>\$365,161</b> |

### Direct investment equity

This includes investments held for strategic purposes only rather than returns. Revenue on these are below.

| Revenue earned on direct investment equity              | Amount           |
|---|------------------|
| Civic Financial Services Limited                        | \$-              |
| Milford Sound Tourism Limited – dividend income         | \$100,324        |
| <b>Total revenue earned on direct investment equity</b> | <b>\$100,324</b> |

### Externally managed funds

The following are the gains/(losses) made on the investment funds for the year to date.

| Net revenue of externally managed funds                      | Amount             |
|--|--------------------|
| Realised gains received in relation to the fees              | \$176,702          |
| Unrealised gains / (losses)                                  | \$2,230,839        |
| Fees charged on the externally managed funds                 | (\$94,250)         |
| <b>Net revenue</b>   | <b>\$2,313,290</b> |
| <b>% of the opening balance of externally managed funds*</b> | <b>9.9%</b>        |

\*The gains are based on the value used at the end of the prior financial year. The value of the externally managed funds at the 1 July 2025 was \$37.6 million.

### External Interest paid on debt

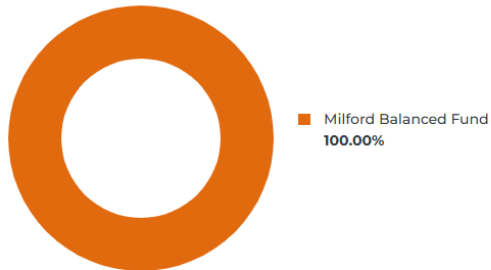
The interest below is the amount that is paid to LGFA for the year to date. The percentage is the average interest across all loans owing to LGFA which total \$91.6 million as reported in the balance sheet.

Investment and liability management report – January 2026

| <b>Interest paid on external debt</b> | <b>Amount</b> |
|---------------------------------------|---------------|
| Interest on external debt with LGFA   | \$2,265,388   |
| Average % on external debt            | 4.97%         |

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

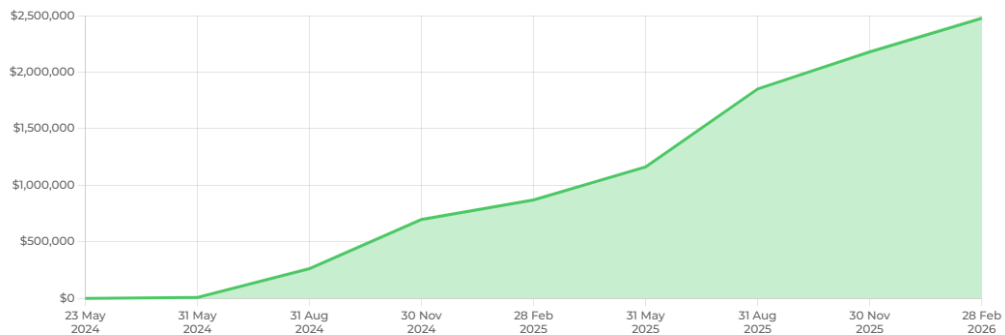


| Price Date           | Fund                  | Units          | Unit Price | Gross Value            |
|----------------------|-----------------------|----------------|------------|------------------------|
| 27 Feb 2026          | Milford Balanced Fund | 5,316,260.9354 | \$3.7577   | \$19,976,913.72        |
| <b>Total (Gross)</b> |                       |                |            | <b>\$19,976,913.72</b> |

### Account Performance

23 May 2024 to 28 February 2026 ⓘ

From Date: 
 End Date:



■ Period Return p.a. <sup>1</sup>  
**9.31%**

| <b>Performance Summary</b>                                    |                        |
|---|------------------------|
| 23 May 2024 - 28 February 2026                                |                        |
| Opening Value   | \$0.00                 |
| Contributions   | \$17,500,000.00        |
| Withdrawals   | \$0.00                 |
| PIE tax (Paid)/Refunded                                       | \$0.00                 |
| Distributions Declared <sup>1</sup>                           | \$0.00                 |
| Distributions Reinvested <sup>1</sup>                         | \$0.00                 |
| Gross Investment Earnings (or Losses) after Fees <sup>1</sup> | \$2,476,913.72         |
| <b>Closing value</b>  | <b>\$19,976,913.72</b> |

**Account Performance by Fund**

23 May 2024 to 12 March 2026

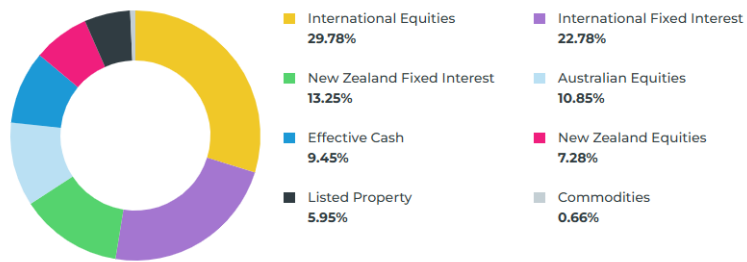
Last Year
Last 3 Years
Last 5 Years
Since Inception
Date Range

| Fund                         | Closing Balance        | % Period Return <sup>1</sup> | Details |
|------------------------------|------------------------|------------------------------|---------|
| <b>Milford Balanced Fund</b> | <b>\$19,295,637.59</b> | 6.64%                        |         |
| <b>Total</b>                 | <b>\$19,295,637.59</b> |                              |         |

Click on [Transactions](#) to view, download and search your detailed transaction history.

### Current Account Valuation by Asset Class

(based on a look-through basis considering each individual fund as at 28 Feb 2026)



| Primary Asset Class          | \$ Value               | % of Account   |                        |
|------------------------------|------------------------|----------------|------------------------|
| International Equities       | \$5,746,240.87         | 29.78%         | <a href="#">Detail</a> |
| International Fixed Interest | \$4,395,546.24         | 22.78%         | <a href="#">Detail</a> |
| New Zealand Fixed Interest   | \$2,556,671.98         | 13.25%         | <a href="#">Detail</a> |
| Australian Equities          | \$2,093,576.68         | 10.85%         | <a href="#">Detail</a> |
| Effective Cash               | \$1,823,437.75         | 9.45%          | <a href="#">Detail</a> |
| New Zealand Equities         | \$1,404,722.42         | 7.28%          | <a href="#">Detail</a> |
| Listed Property              | \$1,148,090.44         | 5.95%          | <a href="#">Detail</a> |
| Commodities                  | \$127,351.21           | 0.66%          | <a href="#">Detail</a> |
| <b>Total</b>                 | <b>\$19,295,637.59</b> | <b>100.00%</b> |                        |

The actual cash held is 11.64%. 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.

**Top Holdings** <sup>1</sup>

(based on a look-through basis considering each individual fund as at 28 February 2026)

| Name  | Country        | % of Portfolio |
|---|----------------|----------------|
| <b>New Zealand (Government Of) 4.5%</b>                     | New Zealand    | <b>2.04%</b>   |
| <b>National Grid PLC</b>                                    | United Kingdom | <b>1.33%</b>   |
| <b>SSE PLC</b>  | United Kingdom | <b>1.30%</b>   |
| <b>Contact Energy Ltd</b>                                   | New Zealand    | <b>1.22%</b>   |
| <b>NatWest Group PLC</b>                                    | United Kingdom | <b>1.11%</b>   |
| <b>Microsoft Corp</b>                                       | United States  | <b>1.03%</b>   |
| <b>Amazon.com Inc</b>                                       | United States  | <b>1.00%</b>   |
| <b>Taiwan Semiconductor Manufacturing Co Ltd ADR</b>        | Taiwan         | <b>0.91%</b>   |
| <b>New Zealand Local Government Funding Agency Ltd 3.5%</b> | New Zealand    | <b>0.90%</b>   |
| <b>Bank of America Corp</b>                                 | United States  | <b>0.86%</b>   |

4 February 2026

Southland District Council  
PO Box 903  
Invercargill 9840



Dear Directors

Account Number: ML180508

### Transaction Statement

Summarised below are the unit holdings and any transactions for your investment with Milford Funds Limited for the period 01 January 2026 to 31 January 2026:

| Milford Balanced Fund |                 | Units          | Price    | Value           |
|-----------------------|-----------------|----------------|----------|-----------------|
| 01/01/2026            | Opening balance | 5,314,588.5947 | \$3.7126 | \$19,730,941.62 |
| 28/01/2026            | Fee Rebate      | 1,672.3407     | \$3.7293 | \$6,236.66      |
| 31/01/2026            | Closing balance | 5,316,260.9354 | \$3.7192 | \$19,772,237.67 |

Thanks for investing with Milford. If you have any queries, please get in touch with the team at [wholesale@milfordasset.com](mailto:wholesale@milfordasset.com) or on 0800 662 975.

Kind regards  
The Milford Wholesale Team

**Milford Asset Management**  
W [milfordasset.com](http://milfordasset.com)

T 0800 662 345  
E [info@milfordasset.com](mailto:info@milfordasset.com)

Level 12, 50 Albert Street  
Auckland 1010, New Zealand

PO Box 960, Shortland Street  
Auckland 1140, New Zealand



## Westpac Active Balanced Trust

Quarterly Report  
31 December 2025

## 2.1 Q4-2025

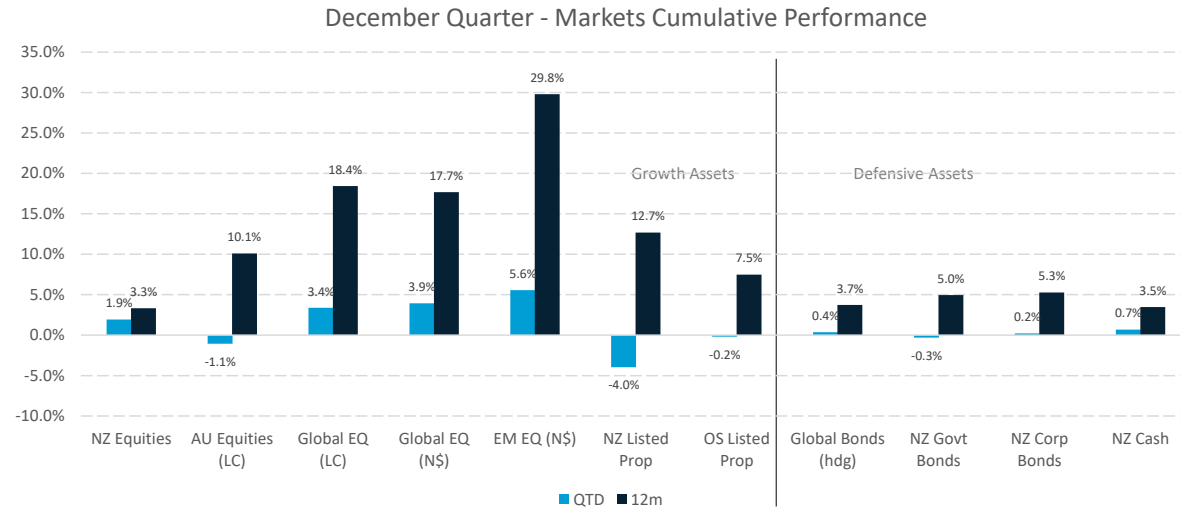
Global growth steadied this quarter, inflation showed signs of moderating which gave support to risk taking sentiment.

We saw cuts from the Federal Reserve and the Bank of England, whilst the Bank of Canada, and the RBA held and the Bank of Japan resumed its hiking cycle. Locally the most notable development came in the form of the easing cycle from the RBNZ coming to what is perceived as its end, with the OCR at 2.25%. Added to this NZ GDP expanded at +1.1% in Q3, a complete turnaround from the -1.0% contraction seen in Q2.

There was strong performance across equity markets to close out the year. Developed markets posted +3.3% gains, whilst emerging markets +5.6%, with the US continuing to lead the way on the back of the AI capex momentum holding up through into year end. Leadership in the tech sector remains narrow with the technology sector, namely the Magnificent 7 companies coming under pressure. Their performance which had been strong most of the year, ended with those big AI tech names underperforming the S&P 500.

The USD broadly held its ground over this period with the NZD coming under pressure as a result, the USDNZD pair depreciated 0.8% across Q4 of 2025, having been down 3% following the RBNZ cut from the start of the quarter.

## Key themes influencing market performance



- Global equities** returned a strong +3.4% in local currency terms and in NZD terms (+3.9%) due to the mild weakness in the NZ dollar. Emerging markets delivered a gain of 5.6%, a slow down from the +16.2% Q3 return, in local currency terms, while the US S&P500 index returned +2.0%. **New Zealand equities** delivered a modest return over the fourth quarter, a slow down in growth from the previous quarter but managed a 1.9% return, taking the annualised rate to 3.3% (S&P/NZX 50 gross index), while Australian equities returned -1.1% (in AUD terms).
- Government bond yields** increased over the course of the quarter as the government shutdown in the US prevented key data point releases. The data that did become available showed a moderating of inflation and as a consequence the Federal Reserve delivered 2 hawkish cuts to end the year. The US government 10-year bond yield traded in a 22bps range, as low as 3.95% at the start of the quarter, peaking at 4.18% in December. The New Zealand 10-year government bond yield traded in a wider range, between 4.06% and 4.60%. **Global bonds** returned +0.4% over the quarter, while **NZ bonds** returned -0.1%. NZ corporate bonds (0.2%) outperformed NZ Government bonds (-0.3%).

2

## Performance

### Performance to 31 December 2025:

|                               | 3 months     | 6 months     | 1 year       | 2 years (p.a.) | 3 years (p.a.) | 5 years (p.a.) |
|-------------------------------|--------------|--------------|--------------|----------------|----------------|----------------|
| Westpac Active Balanced Trust | 2.08%        | 8.11%        | 11.51%       | 12.45%         | 12.21%         | 5.80%          |
| Benchmark                     | 1.76%        | 7.81%        | 11.13%       | 11.97%         | 11.92%         | 5.79%          |
| <i>Relative</i>               | <i>+0.22</i> | <i>+0.30</i> | <i>+0.38</i> | <i>+0.48</i>   | <i>+0.29</i>   | <i>+0.01</i>   |

- Returns are gross of fees and tax.
- Southland District Council inception date 31/05/2024.

### Performance commentary

For the December quarter, the Balanced Fund returned 2.08%. All asset classes except listed property delivered positive absolute performance for the quarter, with international shares the strongest performing asset class. The fund outperformed its benchmark for the quarter, with international shares delivering strong outperformance of its benchmark.

Over the one year period, the Balanced Fund returned 11.13%, with all asset classes delivering positive absolute performance and international shares performing the strongest. The fund outperformed its benchmark over the one year period, with the international shares and international fixed interest asset classes both delivering strong outperformance.

Absolute and benchmark relative returns continue to be strong over all periods.

## Transaction Report

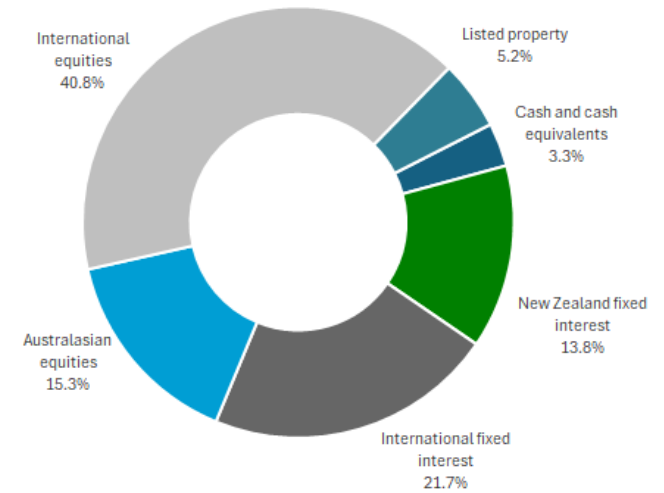
Transactions for the three months to 31 December 2025:

| Date       | Description         | Amount          | Tax    | Total       | Price  | Units        |
|------------|---------------------|-----------------|--------|-------------|--------|--------------|
| 01/10/2025 | Opening balance     | \$19,792,738.80 |        |             | 3.4313 | 5,768,291.55 |
| 06/10/2025 | Fee charge (Sep)    | -\$7,234.30     | \$0.00 | -\$7,234.30 | 3.4551 | -2,093.80    |
| 06/10/2025 | Fee rebate (Sep)    | \$12,860.98     | \$0.00 | \$12,860.98 | 3.4551 | 3,722.31     |
| 06/11/2025 | Fee charge (Oct)    | -\$7,640.66     | \$0.00 | -\$7,640.66 | 3.4828 | -2,193.82    |
| 06/11/2025 | Fee rebate (Oct)    | \$13,583.39     | \$0.00 | \$13,583.39 | 3.4828 | 3,900.13     |
| 05/12/2025 | Fee charge (Nov)    | -\$7,421.33     | \$0.00 | -\$7,421.33 | 3.4811 | 3,881.59     |
| 05/12/2025 | Fee rebate (Nov)    | \$13,193.47     | \$0.00 | \$13,193.47 | 3.4811 | 3,790.02     |
| 31/12/2025 | Investment earnings | \$364,662.37    |        |             |        |              |
| 31/12/2025 | Closing balance     | \$20,174,742.72 |        |             | 3.4945 | 5,773,284.51 |


















## Positioning

| Top 10 holdings                        | Weight |
|--|--------|
| NVIDIA Corporation                     | 2.24%  |
| Fisher & Paykel Healthcare Corporation | 1.70%  |
| Microsoft Corporation                  | 1.65%  |
| Apple Inc                              | 1.59%  |
| 5Y T-Note (CBT) Mar 26                 | 1.29%  |
| Alphabet Inc Class A                   | 1.17%  |
| Infratil Limited                       | 1.04%  |
| eMini S&P 500 (CME) Mar 26             | 1.01%  |
| 2Y T-Note (CBT) Mar 26                 | 0.99%  |
| Auckland International Airport Limited | 0.92%  |

Asset allocation as at 31 December 2025



## 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 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            | Core, value, 30% AU          |
|                               |                     | Salt             | Core, 15% AU                 |
| International Equities        | 40%                 | Schroders        | Systematic, core             |
|                               |                     | T. Rowe Price    | Growth                       |
|                               |                     | Mirova           | Sustainable focused          |
|                               |                     | Ninety One       | Emerging markets             |
|                               |                     | Northern Trust  | Systematic, factor based     |
|                               |                     | LGIM           | Index, 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

## 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:** \$336.5m (31 December 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

BT Funds Management (NZ) Limited ("BT") is the funds management business of Westpac in New Zealand.

This publication is provided for general information purposes only. It has been prepared without taking account of your objectives, financial situation or needs and it does not constitute financial advice. You should contact a Westpac Financial Adviser if you would like further information or any financial advice regarding your particular financial situation. Disclosure Statements under the Financial Advisers Act are available on request and free of charge from Westpac or a Westpac Financial Adviser.

The information contained in this publication is given in good faith. Material contained in this publication is a summary only and is based on information believed to be reliable and received from sources within the market. Every effort has been made to ensure the accuracy of this information, however no warranty is given as to the reliability or accuracy of the information contained in this publication and none of BT, Westpac or their related companies accepts any liability for any loss or damage related to the use of any information contained in this publication.

The information is subject to change without notice and none of BT, Westpac or their related companies is under any obligation to update the information or correct any inaccuracy which may become apparent at a later date. The opinions contained in this publication are and must be construed solely as statements of opinion and not statements of fact or recommendations to purchase, sell or hold any financial products. While every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts. Past performance is not a reliable indicator of future performance.



05 February 2026

Southland District Council  
15 Forth Street  
Invercargill 9810  
New Zealand

Westpac Active Series

Member Number: 3222452

### Transactions from 01/01/2026 to 31/01/2026

#### Summary

|                                       |                 |
|---------------------------------------|-----------------|
| Opening balance at 01/01/2026         | \$20,174,742.72 |
| Contributions                         | \$0.00          |
| Withdrawals                           | \$0.00          |
| Fee Rebate                            | \$13,642.95     |
| Fee Charge                            | -\$7,674.16     |
| Investment earnings during the period | \$7,449.12      |
| Closing balance at 31/01/2026         | \$20,188,160.63 |
| Net balance at 31/01/2026             | \$20,188,160.63 |

**Westpac Active Series Balanced Trust**

| Date       | Description             | Amount          | Tax    | Total       | Price  | Units            |
|------------|-------------------------|-----------------|--------|-------------|--------|------------------|
| 01/01/2026 | Opening balance         | \$20,174,742.72 |        |             | 3.4945 | 5,773,284.510067 |
| 07/01/2026 | Fee Charge for Dec 2025 | -\$7,674.16     | \$0.00 | -\$7,674.16 | 3.5290 | -2,174.599036    |
| 07/01/2026 | Fee Rebate for Dec 2025 | \$13,642.95     | \$0.00 | \$13,642.95 | 3.5290 | 3,865.953527     |
| 31/01/2026 | Investment earnings     | \$7,449.12      |        |             |        |                  |
| 31/01/2026 | Closing balance         | \$20,188,160.63 |        |             | 3.4958 | 5,774,975.864558 |

**We're here to help.**

If you have any questions, call one of our specialists on **0800 808 012** (or **+64 9 375 9977** from outside New Zealand), email us at [investments@westpac.co.nz](mailto:investments@westpac.co.nz) or go to [westpac.co.nz/investment-insights-hub](https://westpac.co.nz/investment-insights-hub) for further information.

BT Funds Management (NZ) Limited is the manager of the Westpac managed funds (Funds). Investments made in the Funds do not represent bank deposits or other liabilities of Westpac Banking Corporation ABN 33 007 457 141, Westpac New Zealand Limited or other members of the Westpac group of companies. They are subject to investment and other risks, including possible delays in payment of withdrawal amounts in some circumstances, and loss of investment value, including principal invested. None of BT Funds Management (NZ) Limited (as manager), any member of the Westpac group of companies, The New Zealand Guardian Trust Company Limited (as supervisor), or any director or nominee of any of those entities, or any other person guarantees the Funds performance, returns or repayment of capital.


Investment Funds - Account Details  
9:42 AM, Thu 19 March

Southland District Council | ML180508

---

**Account Valuation (Net Total)**  
**\$19,373,811.41**  
(NZD Value) 17 March 2026

Current Valuation
Custom Date

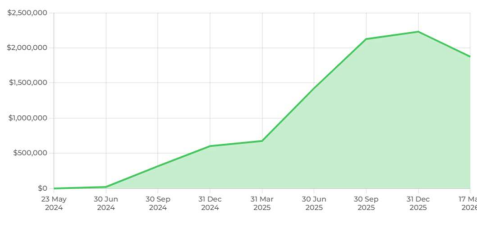


■ Milford Balanced Fund  
100.00%

| Price Date  | Fund                  | Units          | Unit Price | Gross Value     | PIE Tax Accrual <sup>®</sup> | Net Value       |
|-------------|-----------------------|----------------|------------|-----------------|------------------------------|-----------------|
| 17 Mar 2026 | Milford Balanced Fund | 5,317,946.6409 | \$3.6431   | \$19,373,811.41 | \$0.00                       | \$19,373,811.41 |
| Total       |                       |                |            | \$19,373,811.41 | \$0.00                       | \$19,373,811.41 |

**Account Performance**  
23 May 2024 to 17 March 2026 <sup>®</sup>

Last Year
Last 3 Years
Last 5 Years
Since Inception
Date Range



■ Period Return p.a. <sup>®</sup>  
6.86%

**Performance Summary**  
23 May 2024 - 17 March 2026

|   |                        |
|---|------------------------|
| Opening Value   | <b>\$2,500,000.00</b>  |
| Contributions   | <b>\$17,500,000.00</b> |
| Withdrawals   | <b>\$0.00</b>          |
| PIE tax (Paid)/Refunded                                       | <b>\$0.00</b>          |
| Distributions Declared <sup>®</sup>                           | <b>\$0.00</b>          |
| Distributions Reinvested <sup>®</sup>                         | <b>\$0.00</b>          |
| Gross Investment Earnings (or Losses) after Fees <sup>®</sup> | <b>\$1,873,811.41</b>  |
| <b>Closing value</b>  | <b>\$19,373,811.41</b> |

### Account Performance by Fund

23 May 2024 to 17 March 2026

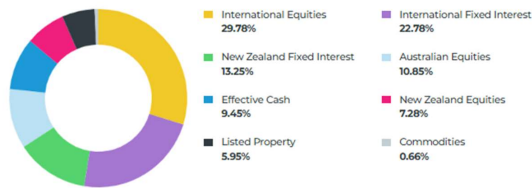
[Last Year](#)
[Last 3 Years](#)
[Last 5 Years](#)
[Since Inception](#)
[Date Range](#)

| Fund                         | Closing Balance        | % Period Return <sup>①</sup> | <a href="#">Details</a> |
|------------------------------|------------------------|------------------------------|-------------------------|
| <b>Milford Balanced Fund</b> | <b>\$19,373,811.41</b> | 6.86%                        |                         |
| <b>Total</b>                 | <b>\$19,373,811.41</b> |                              |                         |

Click on [Transactions](#) to view, download and search your detailed transaction history.

### Current Account Valuation by Asset Class

(based on a look-through basis considering each individual fund as at 28 Feb 2026)



| Primary Asset Class          | \$ Value               | % of Account   | <a href="#">Detail</a> |
|------------------------------|------------------------|----------------|------------------------|
| International Equities       | \$5,769,521.04         | 29.78%         | <a href="#">Detail</a> |
| International Fixed Interest | \$4,413,354.24         | 22.78%         | <a href="#">Detail</a> |
| New Zealand Fixed Interest   | \$2,567,030.01         | 13.25%         | <a href="#">Detail</a> |
| Australian Equities          | \$2,102,058.54         | 10.85%         | <a href="#">Detail</a> |
| Effective Cash               | \$1,830,825.18         | 9.45%          | <a href="#">Detail</a> |
| New Zealand Equities         | \$1,410,413.47         | 7.28%          | <a href="#">Detail</a> |
| Listed Property              | \$1,152,741.78         | 5.95%          | <a href="#">Detail</a> |
| Commodities                  | \$127,867.16           | 0.66%          | <a href="#">Detail</a> |
| <b>Total</b>                 | <b>\$19,373,811.41</b> | <b>100.00%</b> |                        |

The actual cash held is 11.64%. 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.



18 March 2026

Southland District Council  
15 Forth Street  
Invercargill 9810  
New Zealand

Westpac Active Series  
Member Number: 3222452

### Transactions from 01/03/2026 to 18/03/2026

#### Summary

|                                   |                 |
|-----------------------------------|-----------------|
| Opening balance at 01/03/2026     | \$20,494,618.12 |
| Contributions                     | \$0.00          |
| Withdrawals                       | \$0.00          |
| Fee Rebate                        | \$12,447.36     |
| Fee Charge                        | -\$7,001.64     |
| Investment loss during the period | -\$656,873.28   |
| Closing balance at 18/03/2026     | \$19,843,190.56 |
| Net balance at 18/03/2026         | \$19,843,190.56 |

**Westpac Active Series Balanced Trust**

| Date       | Description             | Amount          | Tax    | Total       | Price  | Units            |
|------------|-------------------------|-----------------|--------|-------------|--------|------------------|
| 01/03/2026 | Opening balance         | \$20,494,618.12 |        |             | 3.5478 | 5,776,711.799812 |
| 06/03/2026 | Fee Charge for Feb 2026 | -\$7,001.64     | \$0.00 | -\$7,001.64 | 3.4731 | -2,015.962684    |
| 06/03/2026 | Fee Rebate for Feb 2026 | \$12,447.36     | \$0.00 | \$12,447.36 | 3.4731 | 3,583.933661     |
| 18/03/2026 | Investment loss         | -\$656,873.28   |        |             |        |                  |
| 18/03/2026 | Closing balance         | \$19,843,190.56 |        |             | 3.4341 | 5,778,279.770789 |

**We're here to help.**

If you have any questions, call one of our specialists on **0800 808 012** (or **+64 9 375 9977** from outside New Zealand), email us at [investments@westpac.co.nz](mailto:investments@westpac.co.nz) or go to [westpac.co.nz/investment-insights-hub](https://westpac.co.nz/investment-insights-hub) for further information.

BT Funds Management (NZ) Limited is the manager of the Westpac managed funds (Funds). Investments made in the Funds do not represent bank deposits or other liabilities of Westpac Banking Corporation ABN 33 007 457 141, Westpac New Zealand Limited or other members of the Westpac group of companies. They are subject to investment and other risks, including possible delays in payment of withdrawal amounts in some circumstances, and loss of investment value, including principal invested. None of BT Funds Management (NZ) Limited (as manager), any member of the Westpac group of companies, The New Zealand Guardian Trust Company Limited (as supervisor), or any director or nominee of any of those entities, or any other person guarantees the Funds performance, returns or repayment of capital.



## Capital delivery programme update

Record no: R/26/3/105850  
Author: Dave Connell, Programme delivery manager  
Approved by: Hartley Hare, Strategic manager transport/Acting GM Infrastructure and capital delivery  
Report type: Information

### Purpose

- 1 The purpose of the report is to provide an update on the capital delivery programme for the 2025/2026 financial year as at 28 February 2026.

### Staff recommendations

That the Finance and Assurance Committee:

- a) notes the information contained in the report.

### Executive summary

- 2 This report summarises and provides an update of the current position of the capital delivery programme for the 2025/2026 financial year.
- 3 The capital delivery programme included an approved annual plan budget in 2025/2026 of \$70.54 million. The proposed forecast as at 28 February 2026 is \$73.42 million and incorporates (approved and proposed) budget changes made since the commencement of the 2025/2026 year.
- 4 As at 28 February 2026 actual expenditure is \$20.87 million of \$56.68 million in committed works (in physical delivery or completed). The committed works currently represents 77.2% of the overall programme and relies heavily on the delivery of the transport (roading), three waters and B2B build programmes which are \$33.47 million of the remaining \$35.81 million (\$56.68m less \$20.87m) currently committed for delivery from now until year end.
- 5 At present there remains \$16.74 million of uncommitted works representing 22.8% of the overall programme that are at potential risk of delivery in 2025/2026. These uncommitted works are projects that have either not started, fallen off track or been placed on hold, require further scoping definition and consultations, require design and or consenting needs finalised, or the procurement of a delivery contractor has not yet been undertaken or completed.

The uncommitted works is currently spread evenly across Council activities and summarised as follows:

| Activity                           | Value (\$000) | % of Programme |
|------------------------------------|---------------|----------------|
| Community resources                | \$2,254       | 3.1%           |
| Transport other (water facilities) | \$285         | 0.4%           |
| Transport (roading)                | \$3,506       | 4.8%           |
| Three waters                       | \$2,816       | 3.8%           |
| Corporate services, B2B, SIESA**   | \$7,875       | 10.7%          |
| Total                              | \$16,736      | 22.8%          |

\*\* Includes \$7.75 million for the Rakiura Energy Project with procurement underway.

### Feedback

- 6 As this is the first potentially ongoing quarterly update report for Finance and Assurance for capital delivery any feedback would be appreciated for future reporting.

### Context

- 7 Council has an extensive capital delivery programme for the 2025/2026 year summarised below:

|  | Value \$000 |
|--|-------------|
| Annual Plan Budget   | \$70,541    |
| Carry forwards 2024/2025                                     | \$18,788    |
| Unbudgeted Expenditure (incl \$7.75m Rakiura Energy project) | \$8,943     |
| December approved programme adjustments                      | (\$22,065)  |
| Proposed forecast adjustments                                | (\$2,790)   |
| Revised project delivery programme                           | \$73,417    |

- 8 This has culminated in a total project delivery programme of \$73.4 million across 173 projects for the 2025/2026 year.
- 9 As part of the ongoing capital delivery Finance and Assurance has requested quarterly updates and discussion on the status of the programme.

### Next steps

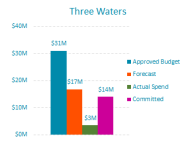
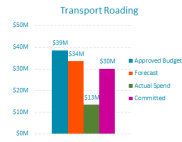
- 10 Incorporated any relevant feedback into the next reporting cycle.

### Attachments

- A Capital programme A3 report update [↓](#)

Capital Delivery Programme Update February 2026

Key Delivery Areas – Budget Vs Actual



The status of projects across the board indicates 78% of the budget is committed with projects in the physical delivery phase, however this has yet to flow through fully into actual spend. The year to date actual spend is \$20.8M of the \$56.7M committed.

Total Number of Projects

| Jul 196 | Aug 196 | Sep 196 | Oct 196 | Nov 196 | Dec 196 | Jan 204 | Feb 204 | Mar | Apr | May | Jun |
|---------|---------|---------|---------|---------|---------|---------|---------|-----|-----|-----|-----|
|---------|---------|---------|---------|---------|---------|---------|---------|-----|-----|-----|-----|

Overall, there is 204 projects in the programme, of these 31 have either been cancelled or pushed out to a future year leaving 173 current projects to deliver. As of the end of February 43 have been completed, 57 are in physical delivery or contracted, with a further 11 in procurement. This leaves 59 that have still in planning comprising 4 not started, 7 off track or on hold, 33 in scoping or consultation and 15 under design or consenting.

2025/2026 Capital Programme Financials

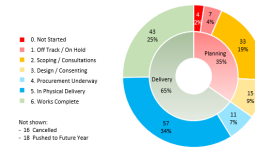
| Activity                      | RFB SESA   | Community Resources | Corporate Services | Three Waters | Transport - Other | Transport - Roading | Totals      |
|-------------------------------|------------|---------------------|--------------------|--------------|-------------------|---------------------|-------------|
| Annual Plan budget            | 7,067,017  | 5,247,587           | 754,800            | 23,574,947   | 1,738,091         | 32,157,716          | 70,540,118  |
| Approved carry forwards       | 319,400    | 3,679,312           | 904,123            | 6,696,873    | 809,613           | 6,378,704           | 18,788,025  |
| Approved unbudgeted           | 7,750,000  | 442,747             | 0                  | 750,000      | 0                 | 0                   | 8,942,747   |
| Adjusted budget               | 15,136,417 | 9,369,645           | 1,658,923          | 31,021,820   | 2,548,304         | 38,536,420          | 98,279,509  |
| Approved December adjustment  | 0          | -2,035,083          | -574,365           | -12,156,471  | -1,864,304        | -5,434,987          | -22,065,205 |
| December proposed CB changes  | 0          | -221,228            | 0                  | 0            | 0                 | 0                   | -221,228    |
| Proposed February forecasting | 0          | -885,109            | 0                  | -2,001,268   | -127,228          | 645,000             | -2,569,605  |
| Proposed revised budget       | 15,136,417 | 6,228,225           | 1,084,558          | 16,864,089   | 556,774           | 33,546,439          | 73,416,556  |
| Actuals to February 2026      | 1,649,171  | 1,692,218           | 875,370            | 3,488,439    | 211,136           | 13,453,876          | 20,867,174  |
| % of budget complete          | 10.89%     | 27.18%              | 79.59%             | 20.63%       | 45.11%            | 39.82%              | 28.42%      |
| % of budget                   | 99.11%     | 72.82%              | 65.41%             | 79.37%       | 62.81%            | 59.66%              | 71.58%      |

The table provides a rolled-up overview of the 2025/2026 budgets, carry forwards, adjustments, and costs to date along with remaining expenditure for projects yet to be completed.

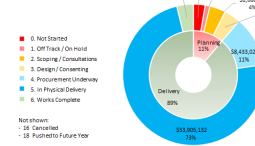
Year to date summary

The programme currently sits at proposed revised delivery budget of \$73.416M across 173 projects following \$18.788M carry forwards, \$6.942M unbudgeted expenditure, (\$22.065M) December 2025 reductions, (\$0.221M) community board adjustments and (\$2.512M) proposed February forecasting. Following this the adjusted value planned for delivery is similar to the previous year. Overall, the capital delivery expenditure to 28 February totals \$20.867M or 28.4% of the proposed revised budget. Although the capital programme sits behind forecast there is a significant number of committed projects, however the bulk of these were scheduled for commencement in early 2026. This compressed timeframe will place pressure on teams across the board internally and externally to deliver on these commitments and is a potential risk area.

Total Programme - # Projects

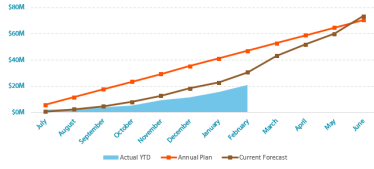


Total Programme - Budget \$S



111 (65%) of projects equating to 89% of the programme financially are in delivery, either being procured, physically underway or completed. 59 (35%) of projects equating to 11% financially remain in planning and potentially at risk of delivery in 2025/2026. Note: For the \$8.4M noted as in procurement, \$7.75M is directly related to the Stewart Island energy project.

Accumulated Spend - Cashflow Vs Actual



The accumulated spend is currently sitting \$9.873M behind current forecast to the end of February 2026.



---

## Quarterly risk management - March 2026 quarter

Record no: R/26/1/2842  
Author: Jane Edwards, Risk analyst  
Approved by: Anne Robson, Group manager finance and assurance  
Report type: Information

---

### Purpose

- 1 For the Finance and Assurance Committee (the Committee) to consider the March 2026 quarterly risk management report.

### Staff recommendations

That the Finance and Assurance Committee:

- a) notes those risks currently assessed as of significant issue for the March 2026 quarter.

### Executive summary

- 2 Council continues to monitor its nine priority strategic risks each quarter under the Risk Management Policy and Framework.
- 3 For the March 2026 quarter:
  - three risks require increased focus: adverse event, change, and financial sustainability.
  - one risk has shifted from decreased to stable: social licence
  - all other risks remain stable with no changes to inherent or residual assessments.
- 4 These shifts reflect ongoing pressures across reform, national policy changes, emergency management capability, global volatility, and financial constraints. The Executive Leadership Team (ELT) has reviewed each risk, including existing and proposed mitigations, and confirmed the current status indicators.
- 5 The updated risk register (Attachment A), risk assessment matrices (Attachment B), and draft risk appetite thresholds (Attachment C) are provided for the Committee's information.
- 6 This report also includes an overview of the World Economic Forum Global Risks Report 2026. This summary is provided for the Committee's information as Attachment D.

### Context

- 7 Council's Risk Management Framework (RMF), adopted in December 2024, provides a consistent approach to identifying, assessing, and managing risk across all activities. Under this framework, Council's nine priority strategic risks form the focus of quarterly reporting to the Committee.
- 8 Each quarter, the ELT undertakes a review of the priority risks. This includes assessing any changes to the risk environment, reviewing current and proposed mitigations, and determining the residual level of risk.

- 9 Risk status is reported using a simple traffic-light indicator to help governance understand where attention is required:
- **Increased** – risk exposure has risen this quarter and requires additional focus
  - **Stable** – risk remains steady or is being effectively managed
  - **Decreased** – risk exposure has reduced due to completed actions or improved conditions.
- 10 All priority risks are considered equally important and are presented in a single risk register, allowing resources to be directed flexibly as conditions change. The consequences, likelihoods, and thresholds used in this assessment reflect the highest-rated aspects of each risk for the current quarter.

### **Quarterly overview of Council's priority strategic risks**

- 11 The risk register update for the March 2026 quarter is included as attachment A.
- 12 The following summarises key themes, shifts, and concerns raised by activity and group managers this quarter across the nine strategic risks.

#### **Adverse event**

- 13 This risk remains assessed as increased.

#### Key themes:

- Emergency Management Southland (EMS) capacity remains constrained affecting confidence in Council's ability to respond to major events via the shared service
- the October 2025 windstorm exposed vulnerabilities in the communications networks which are currently being worked through
- regional coordination issues remain a concern, including inconsistent public messaging during events which could pose reputational and operational risk
- national climate-related events have continued to escalate, reinforcing pressure on local readiness planning
- legislative reform has created uncertainty, with councils likely to be required to meet new obligations despite gaps in operational guidance.

Existing/emerging controls identified for the quarter:

- ongoing liaison with EMS and regular first-response training
- Lifelines group continues quarterly assessments of critical routes
- ongoing monitoring of national adverse events to inform local readiness
- post-event (windstorm) lessons-learned processes underway
- continued engagement with regional partners to improve alignment and communication boundaries
- feedback submitted on the Emergency Management Bill.

**Change**

14 This risk remains assessed as increased.

Key themes:

Reform uncertainty and legislative complexity:

- the reform workload remains high, fast-moving, and fragmented, reducing the organisation's ability to pause, integrate, and sequence change in a strategic way
- new water standards create significant uncertainty for smaller schemes (<50 connections), especially around long-term compliance requirements
- legislative sequencing remains inconsistent, with key regulations (natural hazards and productive land) delayed, heightening uncertainty for planning and implementation
- councils continue to operate in an environment where legislation provides direction but limited implementation detail, leaving local authorities to 'find the gaps' and interpret requirements
- conflicting reform directions are emerging, for example around water asset transfer expectations
- ongoing local government reorganisation is increasing workforce uncertainty, with associated risks of staff attrition.

---

Organisational capacity and workforce impacts:

- the volume and pace of reforms limit Council's ability to absorb change, driving capacity constraints across teams
- the implementation of the Financial Management Information System (FMIS) is competing for already limited organisational capacity during Long Term Plan (LTP) development.
- workforce uncertainty linked to the reform environment increases the risk of losing experienced staff and reduces the organisation's ability to plan effectively.

Interdependencies with major national directions:

- the National Infrastructure Plan (NIP) (February 2026) may create material pressure on financial sustainability, strategic alignment, workforce capacity, and governance expectations
- greater alignment is expected between national direction, spatial planning, and local planning documents, increasing compliance costs and reducing flexibility
- the interaction between reform requirements and local planning cycles (LTP and activity management plans (AMPs)) continues to influence resourcing and sequencing
- central government is releasing supporting NIP policy, guidance, and data gradually, requiring ongoing monitoring by Council.

Existing/emerging controls identified for the quarter:

- direct ministerial engagement regarding reform implications
- feedback submitted on legislative reform proposals
- continued monitoring as central government releases supporting NIP policy, guidance and data and analysis of the implications for the upcoming LTP and AMPs
- tactical planning progressing for local government reorganisation and the Stewart Island energy project
- early modelling underway for anticipated rates-capping impacts
- New Zealand Transport Agency (NZTA) timeframes continue to provide external structure for transport planning
- enhanced transparency in regulatory space to clarify constraints.

---

## Climate response

15 This risk remains assessed as stable.

### Key themes:

- increased expectations outlined in the NIP for climate-resilient infrastructure investment may create pressure on budgets and AMP/LTP sequencing
- national climate-driven events continue to escalate, reinforcing need for adaptation planning within LTP processes
- ambiguity in emerging mandatory climate-related obligations may reduce the incentive for early preparation, reducing organisational readiness once requirements are clarified
- the Earth Sciences NZ climate projection report for Southland has been delayed, limiting Council's ability to complete climate-risk assessments
- updated district hazard summaries show increasing exposure across landslides, slips, coastal erosion, and sea-level rise supported by new historic-event data
- recent natural hazards workshops have highlighted information gaps and regional priorities for future planning
- localised windstorm impacts demonstrated the region's susceptibility to severe weather patterns.

### Existing/emerging controls identified for the quarter:

- updated district hazard summaries currently in progress with input from Environment Southland
- participation in regional natural-hazard knowledge workshops to build coordinated understanding of gaps and priorities
- use of climate-related data, including historic event patterns and updated hazard insights, to inform roading renewals and wider asset-planning processes.

### **Cyber security**

16 This risk remains assessed as stable.

#### Key themes:

- rapid growth in phishing sophistication, voice cloning, and AI-enabled attacks, requiring stronger verification practices
- increased spam volumes requiring tighter filters risk capturing legitimate messages or slowing workflows
- increasing organisational interest in using AI tools to create efficiencies, however concerns remain around reliability, authenticity, accountability, and governance
- broader concerns around future cost and global supply-chain volatility for hardware/software.

#### Existing/emerging controls identified for the quarter:

- a separate AI policy is being developed, and the acceptable use policy is drafted and will be going to ELT shortly for approval to send for wider staff consultation.
  - appropriate cybersecurity monitoring continues to provide baseline protection and detection capability
  - verification-first approach (e.g. double-checking unusual requests) is occurring; further work is required to strengthen its use across the organisation
  - ongoing assessment of cybersecurity requirements to ensure resilience amid global market volatility.
- 17 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**

18 This risk remains assessed as stable.

#### Key themes:

- the NIP will require stronger investment checks and prioritisation frameworks, increasing the requirement for high-quality business cases and evidence-based decision processes
- elected members are seeking greater visibility and influence into AMP development, requiring ongoing integration into standard business-as-usual processes.

Existing/emerging controls identified for the quarter:

- improvements in proactive communication practices and clarification of statutory constraints
- resource consenting workshop to enhance elected member understanding, with plans to extend to staff.

**Finance**

19 This risk remains assessed as increased.

Key themes:

- financial sustainability pressures continue due to constrained revenue diversification, borrowing reliance, and affordability vs sustainability tension
- new water standards impose significantly higher long-term compliance costs without efficiency mechanisms, especially for small schemes
- funding constraints to facilitate the increasing demand for national infrastructure means councils may face reduced co-funding or increased competition resulting in pressure to defer or prioritise projects
- the NIP signals a shift towards greater use of user-pays funding models for network infrastructure, presenting as higher charges for individual services versus general ratepayer funding which may lead to political risks
- NZTA's review of Emergency Funding Policy, including higher thresholds, could reduce future recovery funding, creating uncertainty for long-term roading and resilience planning.
- concern remains that the LTP may become a compliance-driven document rather than a strategic planning tool due to workload and reform uncertainty
- global market volatility for major inputs (fuel, materials, imported goods) and insurance retreat for some private markets continue to pose emerging financial risks
- organisational capacity constraints limit forward-looking planning, with staff "managing through" immediate pressures.

Existing/emerging controls identified for the quarter:

- rates capping modelling work to support reform submissions was undertaken over the quarter to inform service impacts
- price-adjustment mechanisms ( $\pm 25\%$ ) built into contracts to manage cost volatility and scope shift
- monitoring of oil prices, global tariffs/subsidies, and supply-chain risks to anticipate impacts
- LTP early work progressing; AMPs being prepared with staff experience a key stabilising factor
- participation in NZTA funding cycle planning/processes continues, supporting alignment with national direction
- ongoing monitoring of NZTA's Emergency Funding Policy review to understand potential changes to thresholds and access

**Health, safety, and wellbeing (HSW)**

20 This risk remains assessed as stable.

Key themes:

- growing psychosocial risk due to ongoing reform churn and sector uncertainty
- heightened emphasis on strengthening national infrastructure workforce capacity may intensify competition for technical staff, increasing recruitment and retention pressure.

Existing/emerging controls identified for the quarter:

- People-Leader messaging on wellbeing and fatigue awareness
- consultant support and existing team knowledge to address temporary capacity gaps
- TELUS online support available; H&S Rep focus on fatigue/psychosocial risk.

---

## Social licence

21 The status of this risk has changed from decreased to stable this quarter.

### Key themes:

- rising privacy concerns and increased LGOIMA requests continue to affect perceptions of openness
- structural procurement processes perceived as difficult for some local suppliers to navigate, impacting trust and willingness to engage
- significant public confusion around regulatory topics (e.g. granny flats), due to inconsistent national direction.

### Existing/emerging controls identified for the quarter:

- elected member and staff attendance at Southern Field Days as an engagement tool
- review of engagement approaches, including Field Days
- targeted topic-specific messaging for regulatory topics underway
- customer delivery surveys in progress to gather community sentiment
- supplier pipeline briefings to improve visibility and readiness
- procurement streamlining and community inclusion on evaluation panels
- project-level engagement activities (e.g. Manapōuri pipeline drop-ins)
- development of corporate and engagement calendars.

### Strategic relationships

22 This risk remains assessed as stable.

#### Key themes:

- the shifting sector environment continues to have potential to impact the consistency and alignment of regional collaboration and planning
- relationship management currently reliant on individual senior leaders maintaining cross-council connections, creating vulnerability if staffing or responsibilities change
- a stronger national direction via the NIP increases the need for coordinated regional planning and alignment across councils, creating risks if local-regional-central priorities differ.

#### Existing/emerging controls identified for the quarter:

- active monitoring of regional dynamics and political environment
- continued cross-council engagement by senior leaders
- Regional Transport Committee and other cross-council forums re-establishing momentum post-election

#### Emergent risks

23 The following risk is not a new emergent risk however has been expanded for the quarter.

### Geopolitical & global uncertainty

#### Key themes:

- the current global political and economic instability - including political tensions, economic uncertainty, supply-chain disruption, and international crises – increases the risk of disruption of Council's financial position, procurement, and delivery of essential services
- existing business continuity assumptions rely on the ability to maintain service levels during global crises; however, the escalation of the conflict in the Middle East is likely to exceed planning scenarios, affecting staffing, costs, and availability of technology, materials, and specialist expertise.
- while the drivers of this risk are outside Council's control, this emerging risk may impact the financial strategy that Council will need to develop for the 2027-27 LTP.

Existing/emerging controls:

- business continuity planning and crisis management procedures in place to support service delivery during major events
- monitoring of national and global risk indicators (economic, political, supply-chain) to understand potential downstream impacts
- procurement and financial management processes designed to manage volatility where possible (e.g., contractual flexibility, risk-based budgeting).

Annual risk review

- 24 The annual review of Council's priority strategic risks will commence next quarter. To assist in establishing the external context of the review, a summary of the World Economic Forum Global Risk Report 2026 was presented to ELT at its meeting 10 March 2026.
- 25 This summary is included as Attachment D for the Committee's information.
- 26 The summary highlights key areas including:
- top ten short term global risks for 2026
  - top ten short term global risks within the government sector for 2026
  - top five significant risks identified by New Zealand under the Executive Opinion Survey for 2026
  - global risks landscape: Disruptions to Critical Infrastructure (Section 2.5, page 46-52 of the Global Risks Report).
- 27 The full World Economic Forum Global Risks Report 2026 is available via the Hub.

Attachments

- A Risk register - Finance & Assurance Committee - March 2026 quarter [↓](#)
- B Risk matrices - Risk Management Framework 2025 [↓](#)
- C Draft Risk Appetite thresholds [↓](#)
- D Global Risks Report 2026 - overview [↓](#)



## Quarterly risk register – March 2026 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  |
| <b>Pre treatment (inherent) threshold</b>  |                           |  |                              |                           |   |  |   |  |
| Very high  | Very High                 | Very high  | Very high                    | High                      | Very high   | Very high  | Very high   | Very high  |
| <b>Post treatment (current) threshold</b>  |                           |  |                              |                           |   |  |   |  |
| High   | Very high                 | Very high  | Medium                       | High                      | Very high   | High   | High  | High   |
| <b>Draft Risk appetite</b>   |                           |  |                              |                           |   |  |   |  |
| 2.9  | 3.3                       | 3.1  | 2.5                          | 3.5                       | 3.4   | 2.6  | 3.5   | 3.7  |
| Conservative   | Measured                  | Measured   | Conservative                 | Measured                  | Measured  | Conservative   | Measured  | Measured   |
| <b>Risk status for the current quarter is assessed as:</b>   |                           |  |                              |                           |   |  |   |  |
| Increased  | Increased                 | Stable   | Stable                       | Stable                    | Increased   | Stable   | Stable  | Stable   |
| <b>Risk Lead</b>   |                           |  |                              |                           |   |  |   |  |
| Executive Leadership Team  |                           |  |                              |                           |   |  |   |  |
| <b>Action Officer</b>  |                           |  |                              |                           |   |  |   |  |
| Communications manager<br>Climate change lead<br>Strategic manager transport<br>Strategic manager water & waste<br>Strategic planning & policy manager | Executive leadership team | Strategic planning & policy manager<br>Climate change lead<br>Strategic manager transport<br>Strategic manager water & waste | Manager information services | Executive leadership team | Financial business partnering lead<br>Financial development coordinator<br>Strategic manager transport<br>Strategic manager water & waste<br>Community facilities manager<br>Project delivery manager | Health & safety manager<br>Group manager people and culture<br>Senior people and culture advisor | Community leadership manager<br>Communications manager<br>Governance legal manager<br>Project delivery manager<br>Senior project manager<br>Manager resource consent process<br>Kaitakawaenga Kaupapa Māori | Communications manager<br>Community leadership manager<br>Governance legal manager |

Risk register template  
1/06/2019

Southland District Council  
Te Rohe Pōtae o Murihiku

PO Box 903  
15 Forth Street  
Invercargill 9840

0800 732 732  
@ sdc@southlanddc.govt.nz  
southlanddc.govt.nz



**Strategic risk: ADVERSE EVENT**

|   |  |                             |  |  |
|---|--|-----------------------------|--|--|
| <b>RISK STATEMENT</b>                     | <b>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</b>  |                             |  | <b>STATUS</b><br>Increased                                     |
| <b>DESCRIPTION</b>                        | If a lack of preparedness causes Council to be unable to respond effectively and efficiently to adverse events which occur with little or no warning disrupting service delivery (including extreme weather events, natural disasters, malicious actions, failure of critical assets) then critical services may be unavailable for a prolonged period compromising organisational and community resilience.   |                             |  |  |
| <b>Risk management framework CATEGORY</b> | Social, cultural & environmental<br>Financial  | <b>Risk register LINKS</b>  | Climate response<br>Cyber security   | Social licence<br>Strategic relationships                      |
| <b>RISK LEAD</b>                          | Executive leadership team  | <b>ACTION OFFICER</b>       | Communications manager<br>Climate change lead<br>Strategic planning & policy manager | Strategic manager transport<br>Strategic manager water & waste |
| <b>POTENTIAL RISK TRIGGERS</b>            | <p><u>External:</u></p> <ul style="list-style-type: none"> <li>• biosecurity outbreak</li> <li>• severe weather event</li> <li>• disaster caused by failure of man-made structure</li> <li>• natural disaster event without warning or build up</li> <li>• global financial crisis</li> <li>• pandemic</li> </ul> <p><u>Internal:</u></p> <ul style="list-style-type: none"> <li>• critical asset failure that impacts safety as a result of poor resource allocation/prioritisation e.g. water, energy, telecommunications, financial</li> <li>• insufficient organisational agility and resilience</li> <li>• ineffective clear advice to enable evidence-based quality decisions due to variability and uncertainty</li> <li>• inadequate or ineffective engagement, communication, governance</li> <li>• ineffective or lack of collaboration /partnership</li> <li>• relationship mismanagement</li> <li>• inadequate contingency planning</li> </ul> |                             |  |  |
| <b>PRE TREATMENT THRESHOLD</b>            | <b>Consequence:</b> Catastrophic   | <b>Likelihood:</b> Possible | <b>Very high</b>   |  |



|                                 |   |              |                    |          |
|---------------------------------|---|--------------|--------------------|----------|
| <b>CURRENT MITIGATIONS</b>      | <ul style="list-style-type: none"> <li>○ emergency management                             <ul style="list-style-type: none"> <li>○ collaboration on emergency management response approach across agencies and the region</li> <li>○ organisational emergency response plans including internal incident management team</li> <li>○ community emergency response plans</li> </ul> </li> <li>○ business continuity planning                             <ul style="list-style-type: none"> <li>○ effective communication/roles/governance with documented processes</li> </ul> </li> <li>○ infrastructure resilience                             <ul style="list-style-type: none"> <li>○ criticality assessment and asset identification ratings and plans to return to BAU</li> <li>○ appropriate capacity and competency in place to manage, monitor, operate and maintain critical infrastructure</li> <li>○ infrastructure strategy/activity management plans completed and in place</li> </ul> </li> <li>○ financial resilience                             <ul style="list-style-type: none"> <li>○ adequate borrowing capacity in place through the financial strategy to assist with recovery costs</li> <li>○ catastrophe insurance in place</li> <li>○ external sources – central government/agencies</li> <li>○ ability to reprioritise funding</li> </ul> </li> </ul> |              |                    |          |
| <b>POST TREATMENT THRESHOLD</b> | <b>Consequence:</b>   | Catastrophic | <b>Likelihood:</b> | Unlikely |
|                                 |   |              |                    |          |
|                                 |   |              |                    |          |



**Strategic risk: CHANGE**

|   |  |                            |                                     |   |
|---|--|----------------------------|-------------------------------------|---|
| <b>RISK STATEMENT</b>                     | <b>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</b>   |                            |                                     | <b>STATUS</b><br>Increased                |
| <b>DESCRIPTION</b>                        | If Council fails to proactively prepare for and adapt to the uncertainties of the external operating environment <b>then</b> there is potential for significant negative impact to Council’s form, or function, its resourcing and strategic work programme, resulting in economic, environmental, social or cultural wellbeing impacts on the community   |                            |                                     |   |
| <b>Risk management framework CATEGORY</b> | Strategic  | <b>Risk register LINKS</b> | Climate response<br>Decision making | Social licence<br>Strategic relationships |
| <b>RISK LEAD</b>                          | Chief executive  | <b>ACTION OFFICER</b>      | Executive leadership team           |   |
| <b>POTENTIAL RISK TRIGGERS</b>            | <p><u>External</u></p> <ul style="list-style-type: none"> <li>• changes in the political environment</li> <li>• changes in the regulatory framework</li> <li>• unknown role of local government</li> <li>• changes in community/stakeholder service level expectations</li> <li>• wider economic downturn</li> <li>• relationships with neighbouring territorial authorities are ineffective or adversarial due to differences of opinion or priorities</li> <li>• international events, trends or decisions influencing NZ</li> </ul> <p><u>Internal</u></p> <ul style="list-style-type: none"> <li>• organisational lack of agility and resilience due to:                             <ul style="list-style-type: none"> <li>· political personalities, trust, and relationships, and change of key personnel – both positive and negative</li> <li>· failure to manage iwi and stakeholder relationships, communication, and engagement tactics, including due to lack of resource or need to balance priorities</li> <li>· short term focus overshadows long term cost benefit outcomes</li> <li>· political sovereignty/patch protection leads to lack of alignment or willingness to compromise i.e. boundaryless approach vs localism</li> <li>· financial strategy misaligned with wider context</li> <li>· loss of key staff/elected members</li> <li>· inadequate capacity and capability</li> <li>· complexity and effectiveness of organisation systems and processes</li> <li>· siloed culture</li> <li>· inadequate contingency planning</li> </ul> </li> </ul> |                            |                                     |   |



|                                 |   |       |                                  |
|---------------------------------|---|-------|----------------------------------|
|                                 | <ul style="list-style-type: none"> <li>· not 'change ready'</li> <li>· lack of strategic direction and/or implementation</li> </ul>   |       |                                  |
| <b>PRE TREATMENT THRESHOLD</b>  | <b>Consequence:</b>   | Major | <b>Likelihood:</b> Highly likely |
|                                 | <b>Very high</b>  |       |                                  |
| <b>CURRENT MITIGATIONS</b>      | <ul style="list-style-type: none"> <li>• monitoring of macro trends/broader environment                             <ul style="list-style-type: none"> <li>○ taking an apolitical approach to continue working effectively with central government</li> <li>○ continued monitoring and participation where appropriate to influence the direction of new legislation</li> <li>○ visibility of central government's legislative/statutory changes provided through regular reporting and workshops with Council and/or committee</li> </ul> </li> <li>• organisational resilience                             <ul style="list-style-type: none"> <li>○ review of current internal structures and practices to ensure they are fit for purpose</li> <li>○ review and identify process to increase adaptiveness and agility of governance/management/staff</li> <li>○ detailed succession planning</li> <li>○ visibility of Council's strategic direction</li> </ul> </li> <li>• financial resilience                             <ul style="list-style-type: none"> <li>○ ensuring the ability to urgently reprioritise capital spending and/or community levels of service spending</li> </ul> </li> <li>• effective communication and engagement                             <ul style="list-style-type: none"> <li>○ open and transparent decision making via regular governance briefings</li> <li>○ regional and national collaboration and knowledge sharing</li> <li>○ representation review to ensure communities in the District are fairly and effectively represented</li> </ul> </li> </ul> |       |                                  |
| <b>POST TREATMENT THRESHOLD</b> | <b>Consequence:</b>   | Major | <b>Likelihood:</b> Highly likely |
|                                 | <b>Very high</b>  |       |                                  |



**Strategic risk: CLIMATE RESPONSE**

|   |  |   |                            |  |  |
|---|--|---|----------------------------|--|--|
| <b>RISK STATEMENT</b>                     | <b>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</b>  |   |                            |  | <b>STATUS</b><br>Stable  |
| <b>DESCRIPTION</b>                        | If Council's preparedness and risk mitigations are not adequate to effectively respond, absorb and/or reduce the impacts of a changing climate then this may result in significant financial and reputational consequences for Council, and negative economic and social impacts on the community  |   |                            |  |  |
| <b>Risk management framework CATEGORY</b> | Health, safety & wellbeing<br>Regulatory & compliance  | Strategic<br>Social, cultural & environmental | <b>Risk register LINKS</b> | Adverse event<br>Change                            | Social licence   |
| <b>RISK LEAD</b>                          | Executive leadership team  |   | <b>ACTION OFFICER</b>      | Climate change lead<br>Strategic manager transport | Strategic manager water & waste<br>Strategic planning & policy manager |
| <b>POTENTIAL RISK TRIGGERS</b>            | <p><u>External</u></p> <ul style="list-style-type: none"> <li>ineffective clear advice to enable evidence-based quality decisions due to:                             <ul style="list-style-type: none"> <li>variability and uncertainty in climate change modelling</li> <li>changes in political direction</li> <li>continued debate of validity climate change science</li> </ul> </li> <li>economic, social, and technological shocks resulting from the transition to a lower carbon economy</li> </ul> <p><u>Internal</u></p> <ul style="list-style-type: none"> <li>inadequate consideration of climate impacts in:                             <ul style="list-style-type: none"> <li>strategic decision-making</li> <li>fit for purpose activity management</li> </ul> </li> <li>uncertainty in the climate change modelling on the physical climate change and transition impacts making it hard to estimate impacts on particular Council activities</li> <li>lack of necessary funding and financial resilience to manage the speed and scale of mitigation, transition, and adaptation effort</li> <li>failure to understand the significance of effects of changing climate</li> <li>failure to comply with legislative requirements</li> <li>misalignment between Council's climate change strategies and its operational activities</li> <li>misalignment between strategies and national and international recommendations</li> </ul> |   |                            |  |  |
| <b>PRE TREATMENT THRESHOLD</b>            | <b>Consequence:</b><br>Very high   | Catastrophic                                  | <b>Likelihood:</b>         | Likely   |  |



|                                 |   |              |                    |          |
|---------------------------------|---|--------------|--------------------|----------|
| <b>CURRENT MITIGATIONS</b>      | <ul style="list-style-type: none"> <li>• deliver asset management and capital projects to make core infrastructure assets resilient to a changing climate                             <ul style="list-style-type: none"> <li>○ infrastructure planning and asset management that takes into account climate change impacts and contributes to adaptation and mitigation pathways</li> <li>○ ensuring continued compliance with appropriate national and regional plans</li> <li>○ consideration of climate change impacts in business cases, activity management plans and Council reports</li> </ul> </li> <li>• embed climate response thinking, planning and action into all Council activities                             <ul style="list-style-type: none"> <li>○ consideration of climate change in planning decisions, particularly in relation to spatial planning and the District Plan</li> <li>○ regional climate change strategy in collaboration with regional partners</li> <li>○ measuring and reducing Council's greenhouse gas emissions</li> <li>○ increase staff knowledge of climate change issues and how these relate to their work</li> <li>○ effective internal and external communication of climate change related issues</li> <li>○ establishment of a staff climate change working group</li> <li>○ business continuity planning</li> <li>○ continued advocacy for the region</li> </ul> </li> <li>• financial resilience                             <ul style="list-style-type: none"> <li>○ adequate borrowing capacity in place through the financial strategy to assist with recovery costs</li> <li>○ catastrophe insurance in place</li> <li>○ central government/agency funding</li> </ul> </li> </ul> |              |                    |          |
| <b>POST TREATMENT THRESHOLD</b> | <b>Consequence:</b>   | Catastrophic | <b>Likelihood:</b> | Possible |
| <b>Very high</b>                |   |              |                    |          |



**Strategic risk: CYBER SECURITY**

|   |   |                             |  |
|---|---|-----------------------------|--|
| <b>RISK STATEMENT</b>                     | <b>The risk that Council’s systems do not have the resilience to protect information assets from cyber-attack and/or error</b>  |                             | <b>STATUS</b>  |
|   |   |                             | Stable   |
| <b>DESCRIPTION</b>                        | If Council’s information technology assets are compromised (due to actions of staff or external parties including cyber-security attacks, privacy breaches, data loss or corruption, or non-compliance of legislated obligations), then there is risk that confidential information will be lost or misused, and/or Council’s delivery of services will fail resulting in reputational, legal, and financial consequences   |                             |  |
| <b>Risk management framework CATEGORY</b> | Financial<br>Operational  | Regulatory & compliance     | <b>Risk register LINKS</b><br>Adverse event<br>Decision making<br>Social licence |
| <b>RISK LEAD</b>                          | Executive leadership team   | <b>ACTION OFFICER</b>       | Business solutions manager   |
| <b>POTENTIAL RISK TRIGGERS</b>            | <p><u>External</u></p> <ul style="list-style-type: none"> <li>external threat attempts – phishing/malware/ransomware</li> <li>third party supplier breach</li> <li>social engineering</li> <li>complacency regarding international trends and attacks</li> </ul> <p><u>Internal</u></p> <ul style="list-style-type: none"> <li>technical failure to protect IT systems                             <ul style="list-style-type: none"> <li>increasing digitisation without integration with processes</li> <li>inadequate cyber strategy</li> <li>underinvestment/lack of maintenance</li> </ul> </li> <li>breakdown of internal controls                             <ul style="list-style-type: none"> <li>inadequate IT security awareness/culture/behaviours /competency potentially resulting in malicious or innocent employee activities</li> <li>remote/flexible working creating less secure connections</li> </ul> </li> </ul> |                             |  |
| <b>PRE TREATMENT THRESHOLD</b>            | <b>Consequence:</b> Catastrophic  | <b>Likelihood:</b> Possible |  |
| <b>CURRENT MITIGATIONS</b>                | <ul style="list-style-type: none"> <li>increased digital protection</li> <li>better life cycle management of IT infrastructure</li> <li>effective governance, strategies, and plans                             <ul style="list-style-type: none"> <li>cyber security strategy, SAM for compliance, disaster recovery plan, cyber incident management, collaboration.</li> </ul> </li> <li>improved internal controls</li> </ul>  |                             |  |



|                                 |  |               |                         |
|---------------------------------|--|---------------|-------------------------|
|                                 | <ul style="list-style-type: none"> <li>○ regular reporting to management and governance</li> <li>○ phone systems, systems back up, role based controls in place</li> <li>● regular staff and governance cyber security awareness training</li> </ul> |               |                         |
| <b>POST TREATMENT THRESHOLD</b> | <b>Consequence:</b>  | Catastrophic  | <b>Likelihood:</b> Rare |
|                                 |  | <b>Medium</b> |                         |



**Strategic risk: DECISION MAKING**

|   |  |                             |   |
|---|--|-----------------------------|---|
| <b>RISK STATEMENT</b>                     | <b>The risk that suboptimal decision-making by Council results in misalignment with community needs and/or expectations, or with statutory obligations</b>   |                             | <b>STATUS</b>   |
|   |  |                             | Stable  |
| <b>DESCRIPTION</b>                        | If decision making processes are compromised due to inadequate information, misaligned priorities, or insufficient expertise, then Council may experience delayed responses, missed opportunities, or compliance failure resulting in reputational damage, financial loss, and erosion of stakeholder confidence.  |                             |   |
| <b>Risk management framework CATEGORY</b> | Financial<br>Operational   | Strategic                   | <b>Risk register LINKS</b><br>Change<br>Cyber security<br>Social licence<br>Strategic relationships |
| <b>RISK LEAD</b>                          | Executive leadership team  | <b>ACTION OFFICER</b>       | -   |
| <b>POTENTIAL RISK TRIGGERS</b>            | <u>Internal</u> <ul style="list-style-type: none"> <li>poorly managed maintenance, storage and availability of public and personal information generated and collected by Council</li> <li>unclear and incomplete understanding of strategic objectives</li> <li>near-sighted decision making</li> <li>competing priorities</li> <li>complex decision-making processes and requirements</li> <li>ineffective clear advice to enable evidence-based quality decisions</li> <li>lack of systemic controls and a poor understanding of privacy</li> <li>reliance on staff to know, understand and act appropriately regarding collection, storage, usage and sharing of data and information</li> </ul> |                             |   |
| <b>PRE TREATMENT THRESHOLD</b>            | <b>Consequence:</b> Major  | <b>Likelihood:</b> Possible |   |
|   | <b>High</b>  |                             |   |
| <b>CURRENT MITIGATIONS</b>                | <ul style="list-style-type: none"> <li>effective governance, strategies, and plans                             <ul style="list-style-type: none"> <li>Significance and engagement policy</li> <li>Long term plan and Annual plan</li> <li>strategy development workplan to look beyond 10-year LTP cycle</li> <li>FMIS (Finance Management Information System) project</li> </ul> </li> <li>knowledge building                             <ul style="list-style-type: none"> <li>functional conduit between governance, management, and organisation to ensure strategic vision delivered to the organisation effectively</li> </ul> </li> </ul>  |                             |   |



|                                 |  |       |                             |
|---------------------------------|--|-------|-----------------------------|
|                                 | <ul style="list-style-type: none"> <li>○ regular collaborative governance group meetings to progress alignment of strategic direction – Mayoral forum, CEO forum, neighbouring councils plus other external strategic discussions.</li> <li>○ regular Council briefings for sharing of information and alignment of thinking</li> <li>○ early and ongoing briefing of elected members regarding project timelines and key milestones</li> <li>○ use of Taituarā guidance</li> <li>○ increasing focus on improving project management and risk management</li> <li>○ governance and staff inductions – clear understanding of respective roles in decision-making process</li> <li>○ training and support for effective use of tools available</li> <li>● review and improve systems/procedures around data capture, management, and storage                         <ul style="list-style-type: none"> <li>○ data governance work programme focussing on data management, security and classifications including identifying all data sources and ‘unmanaged’ data.</li> <li>○ review and improve systems/procedures around data capture, management, and storage to improve integrations between current and new systems</li> <li>○ contract alignment</li> <li>○ implementation of metadata standards and asset management tool (IPS)</li> <li>○ established infrastructure design standards</li> </ul> </li> <li>● effective communication and engagement                         <ul style="list-style-type: none"> <li>○ open and transparent decision making via regular governance briefings</li> <li>○ part of BAU with operational reporting to community boards</li> </ul> </li> </ul> |       |                             |
| <b>POST TREATMENT THRESHOLD</b> | <b>Consequence:</b>  | Major | <b>Likelihood:</b> Possible |
| <b>High</b>                     |  |       |                             |



**Strategic risk: FINANCE**

|   |   |                                  |                            |  |   |
|---|---|----------------------------------|----------------------------|--|---|
| <b>RISK STATEMENT</b>                     | <b>The risk that Council fails to manage its financial sustainability impacting its ability to fund essential services and projects now and in the future</b>   |                                  |                            |  | <b>STATUS</b><br>Increased  |
| <b>DESCRIPTION</b>                        | <p>If Council does not have effective planning and practices in place to address funding and/or revenue gaps arising from organisational financial management and/or external economic conditions, <b>then</b> it is vulnerable to:</p> <ul style="list-style-type: none"> <li>• decision making that may not represent value for money or be in the longer term interests of the community or the organisation</li> <li>• unplanned adverse events requiring response and recovery</li> <li>• rate levels becoming unaffordable for ratepayers.</li> </ul>   |                                  |                            |  |   |
| <b>Risk management framework CATEGORY</b> | Financial   | Social, cultural & environmental | <b>Risk register LINKS</b> | Adverse event<br>Climate response<br>Change  | Decision making<br>Social licence<br>Strategic relationships  |
| <b>RISK LEAD</b>                          | Executive leadership team   |                                  | <b>ACTION OFFICERS</b>     | Strategic manager transport<br>Strategic manager water & waste<br>Community facilities manager | Financial business partnering lead<br>Financial development coordinator<br>Project delivery manager |
| <b>POTENTIAL RISK TRIGGERS</b>            | <p><u>External</u></p> <ul style="list-style-type: none"> <li>• rapid increases in inflation, insurance premiums, finance sector credit contraction, interest rates, oil prices, debt costs, significant pressure on household rates affordability</li> <li>• critical infrastructure failure</li> <li>• major supplier failure</li> <li>• major government policy changes negatively impact Council’s income streams or cost base</li> <li>• natural or manmade disaster (including deliberate attacks on critical infrastructure or pandemic) has an impact on the economy</li> <li>• recession (two successive quarters or negative GDP growth)</li> </ul> <p><u>Internal</u></p> <ul style="list-style-type: none"> <li>• inadequate asset management</li> <li>• inadequate balance sheet and cashflow management</li> <li>• inadequate control framework</li> <li>• lack of effective financial reporting and monitoring</li> <li>• staff and system knowledge and capability</li> <li>• financial information that is appropriate, accessible, reliable, accurate and timely</li> </ul> |                                  |                            |  |   |



|                                 |  |              |                             |
|---------------------------------|--|--------------|-----------------------------|
|                                 | <ul style="list-style-type: none"> <li>breakdown in internal controls resulting in internal or external attempts to perpetuate fraud</li> </ul>  |              |                             |
| <b>PRE TREATMENT THRESHOLD</b>  | <b>Consequence:</b>  | Catastrophic | <b>Likelihood:</b> Possible |
|                                 | <b>Very high</b>   |              |                             |
| <b>CURRENT MITIGATIONS</b>      | <ul style="list-style-type: none"> <li>effective governance, strategies, and plans                             <ul style="list-style-type: none"> <li>Council's long term strategic planning e.g. Long Term Plan, Annual Plan, Annual report</li> <li>Financial Strategy and associated policies</li> <li>Fraud Policy including fraud and corruption awareness training</li> <li>Procurement Policy and manual implementation</li> <li>Code of Conduct</li> <li>Conflict of Interest policy and register</li> </ul> </li> <li>effective internal processes                             <ul style="list-style-type: none"> <li>asset management plans</li> <li>continued improvement in internal management practices including risk management, broader assurance practices and financial management</li> <li>internal and external audit programme:</li> </ul> </li> <li>effective external processes                             <ul style="list-style-type: none"> <li>continued advocacy to secure central government/key agency funding for priority projects</li> <li>monitor and respond to legislative and regulatory obligations</li> <li>ongoing relationship management, communication, and monitoring to identify early on any significant changes to funding models that may have financial implications</li> </ul> </li> <li>financial resilience                             <ul style="list-style-type: none"> <li>adequate borrowing capacity if required to assist with recovery costs</li> <li>insurance of Council's assets</li> <li>externals sources e.g. central government/agencies</li> <li>ability to reprioritise funding</li> </ul> </li> </ul> |              |                             |
| <b>POST TREATMENT THRESHOLD</b> | <b>Consequence:</b>  | Catastrophic | <b>Likelihood:</b> Possible |
|                                 | <b>Very high</b>   |              |                             |



**Strategic risk: HEALTH, SAFETY AND WELLBEING**

|   |   |                            |   |
|---|---|----------------------------|---|
| <b>RISK STATEMENT</b>                     | <b>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</b>   |                            | <b>STATUS</b>   |
|   |   |                            | Stable  |
| <b>DESCRIPTION</b>                        | If Council's action or inaction fails to keep staff, contractors, and members of the public safe and well for council controlled activities then there is the potential for injuries/fatalities/mental wellbeing impacts with significant financial, legal, and reputational consequences   |                            |   |
| <b>Risk management framework CATEGORY</b> | Health, safety & wellbeing<br>Operational   | <b>Risk register LINKS</b> | Adverse events<br>Change<br>Social licence                |
| <b>RISK LEAD</b>                          | Executive leadership team   | <b>ACTION OFFICER</b>      | Health & safety manager<br>Group manager people & culture |
| <b>POTENTIAL RISK TRIGGERS</b>            | <p><u>External</u></p> <ul style="list-style-type: none"> <li>• complacency leading to greater risks being taken by community</li> <li>• 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</li> </ul> <p><u>Internal</u></p> <ul style="list-style-type: none"> <li>• poor health and safety culture and/or behaviours across the organisation leading to:             <ul style="list-style-type: none"> <li>· stressed disengaged staff</li> <li>· increased staff workloads</li> <li>· limited capability and capacity</li> <li>· inadequate governance understanding of role/accountability</li> <li>· staff failure to understand duties and accountability relating to health and safety</li> <li>· critical health and safety risks not identified, assessed, and mitigated adequately</li> <li>· inadequate contractor management frameworks including procurement and assurance practices</li> </ul> </li> <li>• competing priorities:             <ul style="list-style-type: none"> <li>· deferred maintenance / under resourcing leading to identified risks not being mitigated appropriately.</li> <li>· time pressures and/or complacency leading to acceptance of high levels of risk</li> </ul> </li> <li>• poor understanding of the health and safety risks within the facilities and services provided and managed by Council             <ul style="list-style-type: none"> <li>· failures in safety-in-design planning for amenities and services provided to the community</li> <li>· failures in asset maintenance</li> <li>· failure in due diligence on assets purchased for use by the community or staff</li> <li>· failure in due diligence on maintenance</li> </ul> </li> </ul> |                            |   |



|                                 |  |              |                                  |
|---------------------------------|--|--------------|----------------------------------|
|                                 | internal Business Continuity Plans and Pandemic Plans not adhered to.  |              |                                  |
| <b>PRE TREATMENT THRESHOLD</b>  | <b>Consequence:</b>  | Catastrophic | <b>Likelihood:</b> Highly likely |
|                                 | <b>Very high</b>   |              |                                  |
| <b>CURRENT MITIGATIONS</b>      | <ul style="list-style-type: none"> <li>• effective governance, strategies, and plans                             <ul style="list-style-type: none"> <li>○ critical risk register and framework</li> <li>○ health, safety and wellbeing policy and framework.</li> <li>○ health and safety strategic road map</li> <li>○ condition assessments for assets</li> <li>○ pandemic business continuity plan in place and current</li> <li>○ best practice public reporting, safe structures, and signage/warnings</li> <li>○ collaborative approach with other southern councils</li> <li>○ ongoing training for governance and management on roles and responsibilities</li> </ul> </li> <li>• organisational health, safety, and wellbeing culture                             <ul style="list-style-type: none"> <li>○ ongoing education process with staff about controls in place and continued monitoring of effectiveness</li> <li>○ effective health and safety governance structure</li> <li>○ wellbeing programme established</li> </ul> </li> <li>• ensuring continued compliance with appropriate national and regional plans</li> <li>• comprehensive audit framework</li> <li>• prequalification and safety standards for contractors</li> <li>• monitoring of macro trends/broader environment</li> </ul> |              |                                  |
| <b>POST TREATMENT THRESHOLD</b> | <b>Consequence:</b>  | Catastrophic | <b>Likelihood:</b> Unlikely      |
|                                 | <b>High</b>  |              |                                  |



**Strategic risk: SOCIAL LICENCE**

|   |   |              |                            |  |  |
|---|---|--------------|----------------------------|--|--|
| <b>RISK STATEMENT</b>                     | <b>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</b>  |              |                            |  | <b>STATUS</b><br>Stable  |
| <b>DESCRIPTION</b>                        | If Council does not understand the community’s needs, values, and preferences because it has not proactively engaged with the community, and/or maintained its confidence and trust <b>then</b> there is risk that the community disengages from Council leading to a loss of relevance, reduced participation in democratic processes, and social dissatisfaction resulting in an inability for Council to meet the community’s expectations and/or achieve its strategic objectives.  |              |                            |  |  |
| <b>Risk management framework CATEGORY</b> | Social & cultural   | Strategic    | <b>Risk register LINKS</b> | Adverse event<br>Change<br>Cyber security  | Decision making<br>Health, safety & wellbeing<br>Social licence<br>Strategic relationships |
| <b>RISK LEAD</b>                          | Executive leadership team   |              | <b>ACTION OFFICER</b>      | Community leadership manager<br>Communications manager<br>Governance legal manager | Project delivery manager<br>Senior project manager<br>Building coordinator team leader     |
| <b>POTENTIAL RISK TRIGGERS</b>            | <p><u>External</u></p> <ul style="list-style-type: none"> <li>changes in the political environment</li> <li>changes in the regulatory and statutory framework</li> <li>local government delivering central government directives</li> <li>societal pressures and/or polarization including misinformation and disinformation</li> <li>community indifference/consultation fatigue with local and central government, and other agencies.</li> </ul> <p><u>Internal</u></p> <ul style="list-style-type: none"> <li>inconsistent or ineffective approaches to engagement, communication, governance</li> <li>lack of transparency and accountability</li> <li>narrow, short term/misaligned strategic focus</li> <li>ineffective or lack of collaboration/partnership with iwi/stakeholders/community</li> <li>poor understanding of and responsiveness to community needs and expectations</li> <li>lack of or insufficient resources</li> </ul> |              |                            |  |  |
| <b>PRE TREATMENT THRESHOLD</b>            | <b>Consequence:</b>   | Catastrophic | <b>Likelihood:</b>         | Possible   |  |
| <b>Very high</b>                          |   |              |                            |  |  |



|                                 |  |       |                    |          |
|---------------------------------|--|-------|--------------------|----------|
| <b>CURRENT MITIGATIONS</b>      | <ul style="list-style-type: none"> <li>• effective governance, strategies, and plans                             <ul style="list-style-type: none"> <li>○ effective strategic planning - long term plan and annual plan                                     <ul style="list-style-type: none"> <li>· development of a well-informed capital works programme based on known condition and performance of assets</li> <li>· allocation of appropriate funding and resources to deliver prioritised work plan</li> <li>· procurement optimisation</li> <li>· internal and external audit</li> <li>· ability to reprioritise work programme</li> </ul> </li> <li>○ adherence to Code of Conduct, Conflict of Interest policy and Council Standing Orders by staff and elected members</li> <li>○ staff development and training, documented process and procedures, contract management, and succession planning</li> <li>○ significant and engagement policy</li> <li>○ protected disclosures policy</li> </ul> </li> <li>• enhanced customer experience                             <ul style="list-style-type: none"> <li>○ facilitate a high quality and quantity of community engagement</li> <li>○ transparent and proactive disclosure of decision making</li> <li>○ regular opportunities for the community to give views to Council</li> <li>○ public consultation on significant issues</li> <li>○ regular iwi and stakeholder engagement</li> <li>○ provide accurate information and enables rapid response to misinformation</li> <li>○ key strategic relationship management</li> <li>○ Community Boards as conduit between Council and community</li> </ul> </li> <li>• recruiting and retaining skilled resources                             <ul style="list-style-type: none"> <li>○ engaging contractors/consultants for specific and short-term work delivery</li> <li>○ monitoring organisational climate</li> <li>○ work closely with industry providers and training institutions</li> </ul> </li> </ul> |       |                    |          |
| <b>POST TREATMENT THRESHOLD</b> | <b>Consequence:</b>  | Major | <b>Likelihood:</b> | Possible |
| <b>High</b>                     |  |       |                    |          |



**Strategic risk: STRATEGIC RELATIONSHIPS**

|   |   |                            |  |
|---|---|----------------------------|--|
| <b>RISK STATEMENT</b>                     | <b>The risk that Council fails to appropriately maintain its local, regional and national relationships impacting its ability to achieve its objectives</b>   |                            | <b>STATUS</b>  |
|   |   |                            | Stable   |
| <b>DESCRIPTION</b>                        | If stakeholder relationship management by Council leads to a failure to maintain the trust, confidence, and shared objectives with mana whenua iwi and other key strategic partners (primarily central government) then Council's ability to achieve the best outcomes for the district may be significantly affected by changes in direction and/or derailed strategic programmes of work with long term financial and reputational impacts.   |                            |  |
| <b>Risk management framework CATEGORY</b> | Social & cultural Strategic   | <b>Risk register LINKS</b> | Adverse events Finance<br>Change Social licence<br>Decision making |
| <b>RISK LEAD</b>                          | Chief executive   | <b>ACTION OFFICER</b>      | Executive leadership team  |
| <b>POTENTIAL RISK TRIGGERS</b>            | <p><u>External</u></p> <ul style="list-style-type: none"> <li>political EQ</li> <li>changes in political landscape nationally and locally</li> </ul> <p><u>Internal</u></p> <ul style="list-style-type: none"> <li>inadequate or ineffective engagement, communication, governance</li> <li>narrow, short term/misaligned strategic focus                             <ul style="list-style-type: none"> <li>ineffective or lack of collaboration/partnership with iwi/stakeholders/community</li> </ul> </li> <li>lack of shared work programme or agreed objectives</li> <li>dysfunctional internal relationship between governance and staff                             <ul style="list-style-type: none"> <li>dysfunctional organisational culture – job uncertainty/restructures/staff burnout/remote working</li> </ul> </li> <li>lack of awareness regarding Treaty obligations and iwi protocol</li> </ul> |                            |  |
| <b>PRE TREATMENT THRESHOLD</b>            | <b>Consequence:</b> Major   | <b>Likelihood:</b> Likely  |  |
|   | Very high   |                            |  |
| <b>CURRENT MITIGATIONS</b>                | <ul style="list-style-type: none"> <li>strong networks with other agencies and external stakeholders to share knowledge, learnings, and culture                             <ul style="list-style-type: none"> <li>regular engagement with stakeholders at political and executive level</li> <li>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</li> <li>proactive steps taken at the start of each local government triennium to re-establish trust and relationships with community, iwi, and stakeholders</li> </ul> </li> </ul>   |                            |  |



|                                 |  |                     |          |                    |          |             |  |  |  |
|---------------------------------|--|---------------------|----------|--------------------|----------|-------------|--|--|--|
|                                 | <ul style="list-style-type: none"> <li>○ relationship management between mayor/elected members, mayor/chief executive, executive leadership team/key staff</li> <li>○ monitor media and provide information to staff, iwi, stakeholders, and community including managing relationships with media outlets</li> <li>○ monitoring of macro trends/broader environment</li> <li>● understanding Council's Treaty obligations                         <ul style="list-style-type: none"> <li>○ regular communications and partnering approach</li> <li>○ Charter of Understanding</li> <li>○ Partnership Agreement</li> <li>○ identify and address gaps in organisational cultural and diversity awareness</li> <li>○ grow staff understanding of tikanga, cultural capability and capacity</li> </ul> </li> <li>● effective communication and engagement with community                         <ul style="list-style-type: none"> <li>○ support community boards including greater visibility and connection to Council and community</li> <li>○ representation review to ensure communities in the District are fairly and effectively represented</li> </ul> </li> <li>● effective organisational relationship management                         <ul style="list-style-type: none"> <li>○ comprehensive induction programme provided for new elected members which highlights the respective roles of management and governance.</li> <li>○ regular Council briefings for sharing of information and alignment of thinking.</li> <li>○ regular meetings held between governance, management, and staff to ensure continued constructive communication and internal relationship management.</li> </ul> </li> </ul> |                     |          |                    |          |             |  |  |  |
| <b>POST TREATMENT THRESHOLD</b> | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #0070c0; color: white;"><b>Consequence:</b></td> <td style="text-align: center;">Major</td> <td style="background-color: #0070c0; color: white;"><b>Likelihood:</b></td> <td style="text-align: center;">Possible</td> </tr> <tr> <td colspan="4" style="background-color: #ff0000; color: white; text-align: center;"><b>High</b></td> </tr> </table>  | <b>Consequence:</b> | Major    | <b>Likelihood:</b> | Possible | <b>High</b> |  |  |  |
| <b>Consequence:</b>             | Major  | <b>Likelihood:</b>  | Possible |                    |          |             |  |  |  |
| <b>High</b>                     |  |                     |          |                    |          |             |  |  |  |



## Impact, likelihood, and risk matrix tables

### Risk Management Framework 2025

#### Impact assessment table

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



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



Likelihood assessment table

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

Risk matrix

| LIKELIHOOD           | CONSEQUENCE   |        |          |           |              |
|----------------------|---------------|--------|----------|-----------|--------------|
|                      | Insignificant | Minor  | Moderate | Major     | Catastrophic |
| <b>Highly likely</b> | Low           | Medium | High     | Very High | Very High    |
| <b>Likely</b>        | Low           | Medium | High     | Very High | Very High    |
| <b>Possible</b>      | Low           | Low    | Medium   | High      | Very High    |
| <b>Unlikely</b>      | Low           | Low    | Medium   | Medium    | High         |
| <b>Rare</b>          | Low           | Low    | Low      | Medium    | High         |



## DRAFT Risk appetite thresholds

Finance and Assurance committee – risk appetite workshop – 14 May 2025

| RISK ATTITUDE                     | PHILOSOPHY   | TOLERANCE FOR UNCERTAINTY                              | CHOICE  | TRADE OFF  |
|-----------------------------------|--|--|---|--|
|                                   |  | Willingness to accept uncertain outcomes or variations | Willingness to select an option that puts objectives at risk                              | Willingness to trade off against achievement of other objectives |
| <b>AVERSE</b><br>(Low)            | Avoidance of risk is a key objective   | Extremely low  | Will always select the lowest risk option   | Never  |
| <b>CONSERVATIVE</b><br>(Moderate) | Prefer very safe options with very low level of inherent uncertainty   | Low  | Will accept risk only if essential, and with limited possibility and/or impact of failure | With extreme reluctance  |
| <b>MEASURED</b><br>(High)         | Prefer safe options with low degree of residual risk   | Limited  | Will accept risk if limited and heavily outweighed by potential benefit                   | Prefer to avoid  |
| <b>JUSTIFIED</b><br>(Very high)   | Willing to consider various options and take fully justified risks   | Expect some  | Will choose to put outcomes at risk, but will manage impact                               | Willing under the right conditions                               |
| <b>FLEXIBLE</b><br>(Extreme)      | Willing to take less justified risks based on potentially greater benefits, while recognising higher inherent risk | Fully anticipate                                       | Will choose option(s) with highest return, accepting possibility of failure               | Willing  |

DRAFT risk appetite thresholds  
13/05/2025

Southland District Council  
Te Rohe Pōtae o Murihiku

PO Box 903  
15 Forth Street  
Invercargill 9840

0800 732 732  
@ sdc@southlanddc.govt.nz  
🏠 southlanddc.govt.nz



## Global Risks Report 2026

### World Economic Forum 2026

#### Purpose

The purpose of this information summary is to provide the Finance and Assurance Committee (the Committee) with an overview of the Global Risks Report 2026 published by the World Economic Forum in January 2026.

This summary report encompasses an overview of the Global Risks Report with an aim to highlight key areas for the attention of the Committee:

- current primary global risks (Fig.1)
- top ten short term global risks (Fig.3)
- top ten short term global risks within the government sector for 2026 (Fig.4)
- top five significant risks identified by New Zealand (Fig.2)
- global risks landscape: Disruptions to Critical Infrastructure.

The full Global Risks Report has been loaded onto the Hub for information.

#### Background

The Global Risks Report 2026 is focused to highlight the most pressing risks that could impact global stability, economies, and societies over the short and long term.

The report leverages the collective intelligence of over 900 global leaders across various sectors, including academia, business, government, international organisations, and civil society.

It further analyses global risks through three time horizons: current (2026), short to mid-term (to 2028), and long term (to 2036). Comparison is made to the findings of the 2025 Global risks report to demonstrate risks trends.

#### Summary

Uncertainty is the key defining feature of the global risks outlook. The report describes 2026 as the age of competition with contest replacing cooperation. 50% of respondents anticipate either a turbulent or stormy outlook over the next two years, deteriorating to 57% over the next 10 years. Only 1% anticipate a calm outlook across each time horizon.

This is further defined by the accelerating scale, interconnectedness, and speed of global risks, with Inequality assessed by respondents as being the most interconnected global risk for the second year running, following closely by Economic Downturn.

Over the five risk categories assessed, the Global Risk Report 2026 identifies the primary global risks as:

- **Geopolitical risks:** Confrontation is complicating collaboration, with Geoeconomic Confrontation identified as the most pressing immediate global risk for 2026 (increasing two positions from last year), followed by State-based Armed Conflict. Global Confrontation in the global risks landscape is not restricted to 2026, with respondents also selecting it as the top risk over the two-year timeframe horizon (up eight positions from last year).



- **Economic risks:** Taken collectively, economic risks show the largest increases in ranking over the next two years. Mounting debt sustainability concerns coupled with possible asset price and/or industrial bubbles – in a context of rising geoeconomic confrontation – could presage a new phase of volatility, potentially further destabilising societies, and economies.
- **Societal risks:** Rising societal and political polarisation is intensifying pressures on traditional governance structures. Misinformation and Disinformation in second position in the two-year timeframe, below Geoeconomic Confrontation, remains an acute global concern. Identified as one of the top risks in all timeframes considered (#5 current, #2 short term, #4 long term), this societal issue can erode public trust, fuel societal polarisation, and complicate governance and policy making.
- **Environmental risks:** While environmental risks have retained their position as the greatest source of long-term concern, environmental concerns are being deprioritised in the short term with respondents prioritising non-environmental risks relative to environmental ones compared to previous years. All environmental risks declined in severity for the two-year time frame compared with last year's findings. Not only do their rankings declined relative to other risk categories, but there has also been an absolute shift away from concerns about the environment.
- **Technological risks:** Technological risks are increasing and remain largely unchecked. While developments and innovation are creating opportunities, they can also lead to new risks across domains, from the labour market to information integrity. Adverse Outcomes of AI is the risk with the largest rise in ranking over time, moving from #30 in the two-year timeframe to #5 on the 10-year outlook.

#### Other key findings:

##### Disruption to Critical Infrastructure

Attention is also drawn to the report's analysis of the impact of failing legacy infrastructure (Section 2.5, page 46-52 of the Global Risk Report) and its role in exacerbating risks - especially as more frequent and intense extreme weather events are likely to overwhelm it.

The Global Risk Report describes the Disruptions to Critical Infrastructure risk as the overload or shutdown of physical and digital infrastructure (including satellites) or services underpinning critical systems, including the internet, telecommunications, public utilities, financial systems, or energy. Stemming from but not limited to cyberattacks; intentional or unintentional physical damage; extreme weather events; and natural disasters.

In the Global Risk Survey 2026, the risk has increased four positions to #22 and two positions to #23 on a two- and ten-year timeframe respectively, reflecting increasing global concerns by respondents compared to last year. It ranks #6 in Oceania, and in the top five reported risks in 13 countries and within the top 10 in 39 countries.

Section 2.5, page 46-52, outlines in summary:



- ageing infrastructure, much of which was built post-war, is becoming more prone to failures or accidents, and the scale of financing needed to modernise the sector may be prohibitive amid a fiscal crunch.
- more frequent and more intense extreme weather events are likely over the coming decade and may overwhelm segments of existing critical infrastructure, contributing to wider social and economic challenges
- talent/labour shortages are likely to slow efforts to modernise critical infrastructure. The retirement of the baby-boomer generation is leading to a significant loss of expertise which relates not only to maintenance and upgrading, but also to future infrastructure building
- geoeconomic confrontation is likely to amplify existing challenges to critical infrastructure and create new ones in the physical, cyber, and cyber-physical realms.



## Current risk landscape – 2026

### Current primary global risks – 2026

The following table shows the top ten risks selected by respondents as being most likely to present a material crisis on a global scale in 2026.

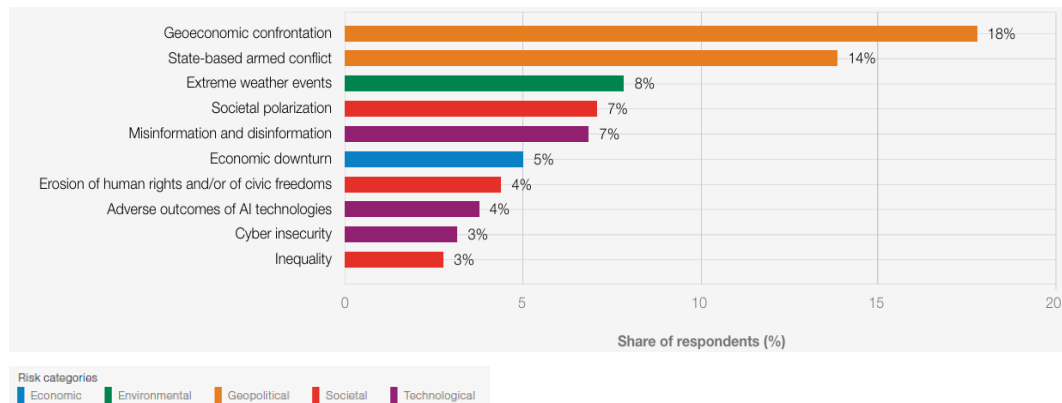


Figure 1: Sourced from Global Risks Report 2026 (page 15) World Economic Forum.

### New Zealand’s current primary risks – 2026

The Global Risks Report 2026 features an Executive Opinion Survey conducted across various countries and highlights the five most critical risks confronting each respective country.

- the key risks and concerns for New Zealanders in 2026 are dominated by economic instability and cost-of-living pressures. While Economic Downturn remains at #1, societal risks have increased with healthcare, unemployment, and insufficient societal protections moving into the top five.
- notably, environmental risks such as Extreme Weather Events (#4 in 2025) are not considered as current key risks.

Under the survey, New Zealand has identified the following current risks as the most significant:

|   | 2026  | 2025                                    |
|---|---|---|
| 1 | Economic downturn   | Economic downturn                       |
| 2 | Lack of economic opportunity or unemployment  | Inflation                               |
| 3 | Decline in health and well-being  | Labour and/or talent shortage           |
| 4 | Insufficient public services & social protections (incl. education, infrastructure, pensions) | Extreme weather events                  |
| 5 | Disruptions to a systematically important supply chain  | Poverty and inequality (wealth, income) |

Figure 2: Sourced from Global Risks Report 2026 (page 87) and Global Risks Report 2025 (page 87), World Economic Forum



**Short term risks ranked by severity over a two year period**

**Global risks - 2026/28**

|    | 2026   | 2025  |
|----|--|---|
| 1  | <b>Geoeconomic confrontation</b>                     | Misinformation and disinformation             |
| 2  | <b>Misinformation and disinformation</b>             | Extreme weather events                        |
| 3  | <b>Societal polarisation</b>                         | State-based armed conflict                    |
| 4  | <b>Extreme weather events</b>                        | Societal polarisation                         |
| 5  | <b>State-based armed conflict</b>                    | Cyber espionage and warfare                   |
| 6  | <b>Cyber insecurity</b>                              | Pollution                                     |
| 7  | <b>Inequality</b>                                    | Inequality                                    |
| 8  | <b>Erosion of human rights and/or civic freedoms</b> | Involuntary migration or displacement         |
| 9  | <b>Pollution</b>                                     | Geoeconomic confrontation                     |
| 10 | <b>Involuntary migration or displacement</b>         | Erosion of human rights and/or civic freedoms |

Figure 3: Sourced from Global Risks Report 2026 (page 16) and Global Risks Report 2025 (page 8), World Economic Forum.

**Government stakeholder sector - 2026/28**

The Global Risks Report 2026 indicates a notable shift in the government sector’s short term risk landscape.

- Misinformation and Disinformation remains a priority at #2 however Geoeconomic Confrontation has emerged as the primary concern for the government stakeholder group rising from #9 last year.
- environmental risks have fallen out of the top five risks for the government sector this year however economic risks are seen as increasingly significant with Economic Downturn rising into the top ten risks for the sector.

|    | 2026   | 2025                                |
|----|--|-------------------------------------|
| 1  | <b>Geoeconomic confrontation</b>                     | Misinformation and disinformation   |
| 2  | <b>Misinformation and disinformation</b>             | Extreme weather events              |
| 3  | <b>Societal polarization</b>                         | Pollution                           |
| 4  | <b>State-based armed conflict</b>                    | State-based armed conflict          |
| 5  | <b>Cyber insecurity</b>                              | Societal polarization               |
| 6  | <b>Inequality</b>                                    | Cyber espionage and warfare         |
| 7  | <b>Extreme weather events</b>                        | Debt                                |
| 8  | <b>Pollution</b>                                     | Crime and illicit economic activity |
| 9  | <b>Economic downturn</b>                             | Geoeconomic confrontation           |
| 10 | <b>Erosion of human rights and/or civic freedoms</b> | Inequality                          |

Figure 4: Sourced from Global Risks Report 2026 (page 17) and Global Risks Report 2025 (page 17), World Economic Forum.



**Long term risks ranked by severity over a ten year period**

**Global risks - 2026/36**

|    | 2026                                     | 2025                                     |
|----|--|--|
| 1  | Extreme weather events                   | Extreme weather events                   |
| 2  | Biodiversity loss and ecosystem collapse | Biodiversity loss and ecosystem collapse |
| 3  | Critical change to Earth systems         | Critical change to Earth systems         |
| 4  | Misinformation and disinformation        | Natural resource shortages               |
| 5  | outcomes of AI technologies              | Misinformation and disinformation        |
| 6  | Natural resource shortages               | Adverse outcomes of AI technologies      |
| 7  | Inequality                               | Inequality                               |
| 8  | Cyber insecurity                         | Societal polarization                    |
| 9  | Societal polarization                    | Cyber espionage and warfare              |
| 10 | Pollution                                | Pollution                                |

Figure 5: Sourced from Global Risks Report 2026 (page 19) and Global Risks Report 2025 (page 8), World Economic Forum.

**Government stakeholder sector - 2026/36**

|    | 2026  | 2025                                     |
|----|---|--|
| 1  | Extreme weather events                                | Extreme weather events                   |
| 2  | Biodiversity loss & ecosystem collapse                | Critical change to Earth systems         |
| 3  | Critical change to Earth systems                      | Biodiversity loss and ecosystem collapse |
| 4  | Adverse outcomes of AI technologies                   | Inequality                               |
| 5  | Misinformation & disinformation                       | Misinformation and disinformation        |
| 6  | Natural resource shortages                            | Natural resource shortages               |
| 7  | Inequality  | Cyber espionage and warfare              |
| 8  | Cyber insecurity                                      | Adverse outcomes of AI technologies      |
| 9  | Societal polarization                                 | Pollution                                |
| 10 | Concentration of strategic resources and technologies | Concentration of strategic resources     |

Figure 6: Sourced from Global Risks Report 2026 (page 21) and Global Risks Report 2025 (page 46), World Economic Forum.

**Global risks landscape - interconnections map (centred on #1 Inequality)**

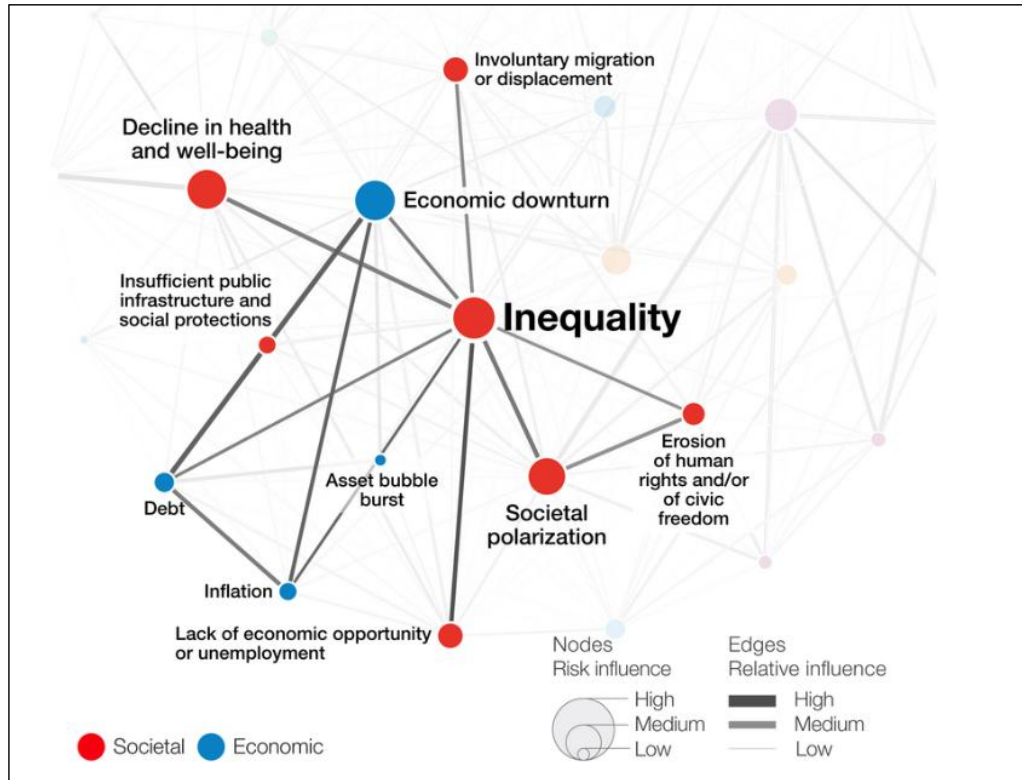


Figure 7: Sourced from Global Risks Report 2026 (page 11), World Economic Forum.



---

## Health and safety

Record no: R/26/3/105391

Author: David McCone, Organisational health and safety manager

Approved by: Hartley Hare, Strategic manager transport/Acting GM Infrastructure and capital delivery

Report type: Information

---

### Purpose

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

### Staff recommendations

That the Finance and Assurance Committee:

- a) notes the information contained in the report.

### Executive summary

- 2 This report seeks to provide the committee with an overview and assurance in respect of risk management across our scope of activities.
- 3 There have been no lost time injuries through the quarter. A notifiable event relating to a contractor employee from May 2025 remains open.
- 4 There has been strong reporting of lead indicators, such as near misses. This is further enhanced by our worker (both staff and contractors) engagement in verification and assurance activities.
- 5 Our capacity to respond to incidents is maintained through equipment, practices, and training.

### Context

- 6 Please find attached the health, safety and wellbeing dashboard update for the period 1 December 2025 – 28 February 2026. This report is on operational (employee) health and safety within Council focused on critical risk and associated controls.
- 7 The event summary provides the measurement of incident reporting to our health and safety system.
- 8 Health and safety training is directed at progressing our staff and contractor capacity.
- 9 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.
- 10 Review of risks is focused according to the likelihood of exposure. Recognising the top three critical risks encountered for the period ensures effective mitigation.

- 
- 11 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>

#### Attachments

- A Health and safety A3 report - February 2026 [↓](#)

Health and Safety Dashboard – 1 December 2025 – 28 February 2026

| EVENT SUMMARY - 2025 |                |     |                  |                      |
|----------------------|----------------|-----|------------------|----------------------|
|                      | Current period | YTD | Currently active | Resolved this period |
| Notifiable events    | 0              | 2   | 1                | 0                    |
| Total injuries       | 0              | 9   | 0                | 3                    |
| Lost time injury     | 0              | 0   | 0                | 0                    |
| Medical treatment    | 0              | 1   | 0                | 1                    |
| First aid            | 1              | 6   | 0                | 1                    |
| No treatment         | 1              | 1   | 0                | 1                    |
| Property damage      | 1              | 5   | 0                | 3                    |
| Environmental        | 0              | 0   | 0                | 0                    |
| Near miss            | 0              | 18  | 0                | 0                    |
| Pain and discomfort  | 1              | 6   | 0                | 1                    |

| EVENT SUMMARY - 2026 |                |     |                  |                      |
|----------------------|----------------|-----|------------------|----------------------|
|                      | Current period | YTD | Currently active | Resolved this period |
| Notifiable events    | 0              | 0   | 1                | 0                    |
| Total Injuries       | 0              | 0   | 0                | 0                    |
| Lost time injury     | 0              | 0   | 0                | 0                    |
| Medical treatment    | 1              | 1   | 1                | 0                    |
| First aid            | 0              | 0   | 0                | 0                    |
| No Treatment         | 1              | 1   | 0                | 1                    |
| Property Damage      | 1              | 1   | 1                | 0                    |
| Environmental        | 0              | 0   | 0                | 0                    |
| Near Miss            | 2              | 2   | 1                | 1                    |
| Pain and discomfort  | 0              | 0   | 0                | 0                    |

| TOP THREE MECHANISM OF INJURY/DAMAGE |                                  |
|--------------------------------------|----------------------------------|
| 1                                    | Fire.                            |
| 2                                    | Slip/trip – Fall.                |
| 3                                    | Reversing – Mobile plant damage. |

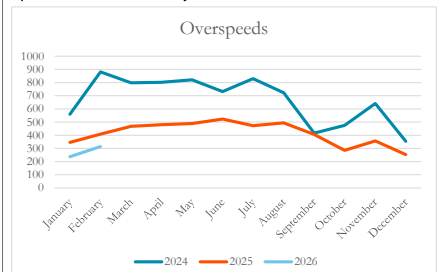
**EMERGENCY PREPAREDNESS**  
 Introduction to our emergency management procedures is delivered by our induction e-learning programme during on boarding. All our workers have completed this at the time of reporting.  
 Our approved evacuation schemes remain current with Fire & Emergency New Zealand.

We have maintained our fire warden capability – this includes workers trained in additional support roles such as the use of evacuation chairs, and use of fire extinguishers.  
 Over 20% of our workforce hold certificates in first aid. Support equipment including AEDs and first aid kits remain current.

**MANAGING RISK**

**Top three risks encountered this period**

**1 Motor vehicles**  
 During this quarter our fleet has travelled 391,500 kms across the Southland network with no incidents reported by our workers.  
 The fleet has previously been reported at Ancap 5, however, a number of vehicles are now moving past the parameters of our renewal policies by age or use. There have also been significant updates to the Ancap rating standard over those vehicle’s lifetimes. The combination of these factors diminishes the original score bringing an emerging risk associated to an aging fleet.  
 Our workers have sustained a performance average of four stars across all users for over a year. Twelve drivers have performed at five star for the whole quarter.  
 While noting there are still anomalies within gazetted speed limits for our area, causing ERoads to over represent overspeeds – it is pleasing to report a continuing decrease of reported overspeed events.  
 Rising operational costs is also evolving as an enterprise risk. Strategically, the status of vehicles, their use and associated operational costs are subject to review.



Our contractor workers have reported an instance of property damage on site from a truck reversing into an excavator.  
 Also seventeen near misses by members of the public in respect of traffic management at worksites. These were violations by drivers such as running red lights or excessive

D McCone 11/03/2026

|   |   |
|---|---|
|   | speed. Consideration to follow as to how we might support our contractors around negative behaviours.   |
| 2 | <p><b>Psychosocial</b></p> <p>Our workers continue to encounter difficult or aggressive people. This has ranged from abusive language to a caller suggesting they had a gun when they didn’t pass a building code of compliance check. These workers were supported regarding their experience – and the threat of a gun reported to police.</p> <p>Our contractor workers were also subject to abuse while working on our network.</p> <p>Reporting from other councils are also indicating a potential for exposure to abuse and aggression will grow.</p> <p>Consideration is being given as to how we might support our contractors and educate the public regarding negative behaviours.</p>   |
| 3 | <p><b>Contractor management</b></p> <p>It is essential we see effective risk management strategies by our contractors to mitigate risks and ensure successful project outcomes. Equally, verification of contractor actions and identifying trends by lead indicators is an important function for us.</p> <p>Through December audits and safety observations identified a mowing provider hadn’t submitted their traffic management plans to all the roading control authorities and from a PCBU perspective, were not applying the controls listed in those plans at work sites. Meetings with contract managers quickly resolved these issues.</p> <p>February saw a series of incidents at the Wyndham stormwater upgrade that landed softly, but held the potential for serious injury. This included a petrol can igniting during refuelling, a truck versus excavator collision, work permit errors, public violating traffic management and unclear information regarding trenching shields. The associated trend was raised with the contractor and workers. This resulted in a series of tool boxes by the contractor which reset work site expectations.</p> |

**VERIFICATION AND ASSURANCE**

| Type – Audit 2025       | Occurred this period | YTD |
|-------------------------|----------------------|-----|
| External                | 90                   | 337 |
| Internal                | 3                    | 13  |
| Playground and reserves | 0                    | 33  |
| Water and waste         | 4                    | 50  |
| Type – Audit 2026       | Occurred this period | YTD |

Health and Safety Dashboard – 1 December 2025 – 28 February 2026

|                         |    |    |
|-------------------------|----|----|
| External                | 40 | 40 |
| Internal                | 5  | 5  |
| Playground and reserves | 0  | 0  |
| Water and waste         | 0  | 0  |

Verification and assurance activities continue.

Risks reviewed in these audits were:

- emergency response plan
- equipment – playground
- failure to wear PPE
- hazardous substances – spraying chemicals
- hygiene – public facilities
- motion – vehicle checklists
- motion – work on the road corridor and driving
- working at height
- working in the road corridor.

Nine actions remain in progress.

| Safety observations 2025 | Occurred this period | YTD |
|--------------------------|----------------------|-----|
| Safe practice            | 4                    | 56  |
| Unsafe conditions        | 1                    | 71  |
| Unsafe practices         | 0                    | 27  |
| Suggestions              | 1                    | 20  |
| Safety observations 2026 | Occurred this period | YTD |
| Safe practice            | 50                   | 50  |
| Unsafe conditions        | 5                    | 5   |
| Unsafe practices         | 9                    | 9   |
| Suggestions              | 7                    | 7   |

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.

Risks reviewed were:

- biological – used syringes
- gravity – working at heights
- hazardous substances – spraying chemicals
- housekeeping of work site
- mechanical – mobile plant and equipment
- motion – working in the road corridor
- overhead services – power lines
- underground services – excavation.

Seven actions have arisen from safety observations. Three of these completed and four underway.

**ENGAGEMENT AND PARTICIPATION**

Ten health and safety representative meetings occurred through 2025. Two have occurred in 2026. Our representatives are prepared to enquire around our policies and procedures – as well as suggest solutions around issues experienced. Leading concerns for this group are:

- provision of adequate facilities within the workplace
- supportive responses to psychosocial risk exposure
- that equipment, such as the vehicle fleet and emergency equipment, is maintained to an equal or better standard year on year.



Figure 1 Truck/trailer on Wymbam site.

D McCone 11/03/2026



Figure 2 - Excavator hit by truck reversing.

|  |  |       |            |
|--|--|-------|------------|
| 29.  | Has the design been recorded in the Temporary Works register (where required)?   |       |            |
| 30.  | Is there the potential for water to collect in the trench / excavation?  |       |            |
| 31.  | If yes, is dewatering equipment in place & working?  |       |            |
| 32.  | Is there a safe way to get in and out of the excavation?   |       |            |
| 33.  | Are workers around the trench / excavation protected from falling in?  |       |            |
| 34.  | Are workers in the trench / excavation protected from things falling onto them? (included suspended loads)   |       |            |
| 35.  | Is there a potential for the trench / excavation to be a restricted access or confined space?  |       |            |
| 36.  | Has a confined space entry permit been issued if required?   |       |            |
| Restricted access – use gas detector in area to monitor atmosphere. STOP and follow confined space entry procedures if it alarms |  |       |            |
| 37.  | If excavation must be left unattended, is it adequately protected to prevent injury or harm to members of the public?  |       |            |
| 38.  | <b>Permit issuer:</b><br>I confirm that everyone involved in the task understands the controls and communication requirements. I believe it is now safe for work to start. |       |            |
|  | Signed: <i>[Signature]</i>   | Date: | 09/02/2026 |

Figure 3 - Incomplete work permit

---

## B2B Project Update

Record no: R/26/3/104171  
Author: Jendi Paterson, Project Director  
Approved by: Cameron McIntosh, Chief executive  
Report type: Recommendation

---

### Purpose

- 1 The purpose of this report is to provide the Finance and Assurance Committee with an update on the progress of the Henderson House (Back Together Build – B2B) project as the project transitions from procurement into the construction phase.

### Staff recommendations

That the Finance and Assurance Committee:

- a) notes the information contained in the report.
- b) notes that the matter or decision in this report is assessed as being of moderate importance but not significant based on Council's Significance and Engagement Policy and therefore due to this having been approved in the 2024-2034 Long Term Plan.
- 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.

### Executive summary

- 2 The Henderson House (Back Together Build – B2B) project continues to progress positively and has now transitioned from procurement into the construction phase.
- 3 Following Council approval in January 2026 to appoint Amalgamated Builders Limited (ABL) as the main contractor, the NZS 3910:2023 construction contract has been executed, and the contractor has mobilised to site.
- 4 Building consent has now been issued and site establishment activities have commenced. Early construction activities are focused on mobilisation, safety planning, and programme confirmation.
- 5 The project remains within the approved total budget of \$15 million, with construction costs consistent with the tender evaluation presented to Council.
- 6 The contractor's detailed construction programme currently indicates an indicative completion date of late January 2027, slightly later than the original December 2026 target established during earlier project planning.

- 7 As project director, it is considered prudent not to confirm a firm occupation date at this early stage of construction. The early phase of the project includes two technically complex elements typical of refurbishment projects:
- structural strengthening within the existing building
  - removal and replacement of the building façade.
- 8 Once these elements are substantially progressed, programme certainty will increase and a more reliable occupation timeframe will be provided to the Committee and Council. The project team remains committed to endeavouring to deliver this calendar year.
- 9 Overall, the project remains well governed through the Project Steering Group structure and is progressing within the approved financial and governance framework.

### Context

- 10 The B2B project forms part of Southland District Council's accommodation strategy to consolidate staff currently operating across multiple buildings into a single refurbished facility.
- 11 Council approved the acquisition of Henderson House in October 2024 and subsequently established a governance structure including a Project Steering Group and delivery team to oversee design, procurement and construction delivery.
- 12 Throughout 2025 the project progressed through:
- detailed design development
  - building consent preparation
  - soft-strip demolition works
  - procurement of the main construction contractor.
- 13 In January 2026 Council approved the appointment of Amalgamated Builders Limited (ABL) as the preferred contractor and authorised the chief executive to execute the construction contract within the approved project budget.
- 14 The project has now entered the construction delivery phase.

### Discussion

#### **Construction contract and mobilisation**

- 15 The construction contract with Amalgamated Builders Limited has been executed using NZS 3910:2023 Conditions of Contract for Building and Civil Engineering Construction.
- 16 The contractor has now commenced site establishment activities including:
- implementation of site safety management plans
  - establishment of the construction compound
  - co-ordination with subcontractors and suppliers
  - confirmation of the baseline construction programme.
- 17 Early co-ordination has also commenced with neighbouring businesses and internal Council teams to manage construction interfaces and operational impacts.

---

### **Programme update**

- 18 When the project budget and programme were originally presented to Council, the anticipated completion date for the redevelopment was December 2026.
- 19 Following contractor procurement and development of the detailed construction programme, the current indicative completion is January 2027.
- 20 This reflects the practical sequencing of works associated with refurbishing an existing building rather than constructing a new facility.
- 21 At this early stage of construction, the programme includes several technically complex elements that are typical risk areas for refurbishment projects, particularly:
- structural strengthening works within the existing building
  - removal and replacement of the building façade.
- 22 These works carry a higher degree of programme uncertainty until site conditions are confirmed.
- 23 Once these elements are substantially progressed, the project team will have greater certainty regarding the construction programme. At that point a firmer occupation date will be provided to Council. The project delivery team is still working to have the building complete and staff moved this calendar year.
- 24 The project team will continue working closely with the contractor to optimise sequencing and efficiencies where possible.

### **Operational readiness**

- 25 As the project progresses through construction there is increasing value in involving operational teams in transition planning.
- 26 Early engagement with facilities and operational staff supports:
- smoother commissioning and building handover
  - improved understanding of building systems
  - stronger long-term asset management outcomes.
- 27 Operational planning will continue through the existing Governance and Delivery Framework attached as Appendix A. Note that this has been updated to signal the move into the next phase.

### Legal considerations

- 28 The construction contract has been entered into under NZS 3910:2023, a standard form construction contract widely used for local authority infrastructure and building projects.
- 29 The procurement process was undertaken in accordance with Council's procurement policy and delegations.

### Strategic alignment

#### **Strategic direction**

- 30 The project supports Council's strategic direction by delivering a fit-for-purpose civic facility that improves organisational efficiency, collaboration and service delivery.
- 31 The consolidation of staff into a modern facility supports improved customer service, operational resilience and long-term asset management.

**Policy and plan consistency**

32 No inconsistencies with Council policies or plans have been identified.

Financial considerations

33 The approved total project budget for the Henderson House project is \$15 million (GST exclusive). The main construction contract value remains within the approved budget envelope and consistent with the contract approval previously reported to Council.

34 Financial governance and contingency management arrangements are addressed in the associated Public Excluded report.

Significance assessment

35 This matter is assessed as moderate importance under Council’s Significance and Engagement Policy as it relates to project delivery within an already approved capital project. No additional community engagement is proposed.

| Level                             | Likelihood of engagement   |
|-----------------------------------|--|
| Some importance or administrative | Council is not likely to carry out any engagement.   |
| Moderate importance               | Council may choose whether it carries out engagement, which may be targeted to directly affected individuals or groups.  |
| Significant                       | Council will engage with directly affected individuals and groups and wider community engagement is likely, unless there are reasons under policy not to.        |
| Critical                          | Council will engage with directly affected individuals and groups and wider community engagement is highly likely, unless there are reasons under policy not to. |

Community views

36 No additional community engagement is required as the project has previously been approved and this report provides an update on project delivery.

Climate change considerations

37 There are no material climate change considerations specific to this update. The project involves refurbishment and reuse of an existing building which reduces embodied carbon compared with new construction.

Risk and mitigations

38 Key risks relate primarily to construction delivery within an existing building environment, including:

- latent building conditions
- structural strengthening works
- integration of new building systems.

39 These risks are typical of refurbishment projects and are actively managed through contract administration, risk monitoring and project governance.

## Next steps

40 Next steps for the project include:

- progressing structural strengthening works
- façade removal and replacement works
- continued programme monitoring
- ongoing operational readiness planning.

## Attachments

- A Phase 5 - Plan on a page [↓](#)  
B Outcomes measurement table [↓](#)





# B2B - BACK TOGETHER BUILD

The journey to bring Invercargill staff all back together into one building.



Outcomes sought

**Phase 5: Construction and operational transition – April-October 2026**

- A fit-for-purpose civic building for Southland that enables elected members to do their jobs efficiently and effectively
- A design and fit-out that fosters team collaboration, a positive culture, and supports a high-performing organisation
- 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

Monitoring, measuring and reporting



**PROJECT STEERING GROUP**

**Purpose:**

- To provide strategic direction, approve budgets, monitor risk, compliance and overall project purpose.
- To ensure a robust communication plan that ensures key stakeholders are kept informed is in place.
- To prepare reports as required but particularly for the Finance and Assurance Committee.

**Membership:**  
Jane Parfitt, Jendi Paterson, Robyn Rout, Susan McNamara – ex officio Cameron McIntosh

**PROJECT DELIVERY GROUP**

**Purpose:**

- To lead the co-ordinated design and delivery by translating strategic objectives into practical outcomes
- To ensure delivery is on time, on budget and fit for purpose

**Membership:**  
Jendi Paterson, project manager, architect, quantity surveyor, structural engineer

**In-and-out membership:**  
Mechanical, electrical, fire and hydraulic engineers, planning and main contractor

Delivering

| Working Groups      | Communications and engagement   | Technology and infrastructure   | Design advisory   | Logistics and execution  |
|---------------------|---|---|---|--|
| <b>Purpose</b>      | To recommend a process to identify an appropriate name for the project<br>To generate a draft communication plan<br>To act as an information conduit between staff and the steering group<br>To assist/support engagement and consultation processes, including reviewing draft materials<br>To monitor the engagement/communication undertaken on the project and provide feedback<br>To provide any other engagement/communication support sought by the steering group | To ensure that the new office has the required internet speed, network setup, and telecommunications infrastructure to prevent any technology related setbacks<br>To ensure that any data systems migration is safely secured with minimum downtime<br>To ensure a good transition of IT systems including servers, workstations, phones, and internet connections occur with no disruption to business operations<br>To ensure staff and councillors have the right technology to enable them to do their work | To act as a sounding board for the project delivery group as it moves through the design phases<br>To provide advice on the requirements for a fit-for-purpose council chamber<br>To monitor progress of design-related outcomes                  | To oversee the appointment of professional movers experienced in office relocations<br>To ensure proper packing and labelling of boxes by department and content<br>To prepare office spaces, including setting up workstations, furniture and safety protocols<br>To hold a one-day orientation to introduce the new office, layout and safety procedures |
| <b>Deliverables</b> | A project name and logo<br>A communications plan<br>Ongoing monitoring and advice   | Fit-for-purpose IT systems that work from day one   | A design that reflects the desired outcomes of B2B  | A seamless transition to the new civic office  |
| <b>Membership</b>   | Robyn Rout (chair)<br>Chris Chilton<br>Megan Cowley<br>Elle Dickson<br>Mayor Rob Scott<br>Nicole Taylor<br>Rachel Willis<br>Ex officio: Cameron McIntosh, Vibhuti Chopra, Joanne Davidson, Adrian Humphries, Sam Marshall, Fran Mikulicic, Anne Robson  | Dave Connell (chair)<br>Ronnie Casteneda<br>Jane Edwards<br>Julian Friend<br>Susan McNamara<br>Craig Small<br>Ex officio: Cameron McIntosh, Vibhuti Chopra, Joanne Davidson, Adrian Humphries, Sam Marshall, Fran Mikulicic, Anne Robson  | Ana Bremer (chair)<br>Matthew Denton<br>Michal Gray<br>Louise Pagan<br>Mayor Rob Scott<br>Kelly Tagg<br>John Twidle<br>Ex officio: Cameron McIntosh, Vibhuti Chopra, Joanne Davidson, Adrian Humphries, Sam Marshall, Fran Mikulicic, Anne Robson | David Connell (chair)<br>Carolyn Davies<br>Paul Bremer<br>Maria Cavanagh<br>Sam Macdonald<br>Ex officio: Cameron McIntosh, Vibhuti Chopra, Joanne Davidson, Adrian Humphries, Sam Marshall, Fran Mikulicic, Anne Robson<br><i>The PSG will add other members as required.</i>  |

Supporting the teams to deliver the outcomes

**OPERATING PRINCIPLES**

- The key role of WG chairs is to ensure cross group alignment and no duplication, take a best for council approach, and make sure everybody in the group has an equal say. They will also have a role in setting the outcomes traffic lights.
- The SG Chair will support WG chairs as required and the Project Director will be the interface between Working Groups and the Project Delivery Group
- Each group will do their own admin. A standard minimalist approach will be taken to agenda setting and note taking. All notes will be available to all WG members and ELT
- All agendas will be provided to all members of ELT and all members of ELT are ex officio all groups.
- WG Chairs will contribute to outcome tracking, including project traffic light status and have a standing invitation to attend all working groups
- All discussions and outputs should align with the endorsed project outcomes and budget envelope
- Working Groups should actively engage with staff feedback and consider operational impacts in all advice and outputs noting that the Chair of the comms working group will be a member of all WGs to support communication strategies

Operating principles





**B2B project outcomes measurement**

Updated: 11 February 2026 - prepared by working group chairs

| Outcome                                      | What this means/key result area  | Key Performance indicator  | Method of measurement  | Progress indicator (traffic light) | Comments   |
|--|--|--|--|------------------------------------|--|
| Fit for purpose civic building for Southland | The building instils a sense of pride in Southlanders <ul style="list-style-type: none"> <li>all members of the public can access and navigate the building easily</li> <li>the building is safe and welcoming</li> <li>people are proud of the building</li> <li>there is a sense of belonging</li> <li>Long term adaptability and scalability</li> </ul> | Emergency exit plan in place   | Plan signed off at appropriate level   |                                    | As part of building consent fire engineer reports have been complete and submitted. These include exit routes, people numbers and alert systems. Compliance and sign off is required to achieve building code of compliance at the end of the build and is then monitored through building warrant of fitness.   |
|  |  | Design incorporates Mobility access  | Design sign off includes Mobility access   |                                    | Accessibility requirements are comprehensively addressed through compliance with the Building Act, but the project goes further to ensure Henderson House is welcoming and inclusive for everyone. In addition to meeting statutory obligations, the design incorporates an access ramp at the main public entry, with equivalent staff access also provided. Additional accessible toilets and shower facilities, along with a parents' room, are being included to support a wide range of needs and make the workplace more accommodating for staff and visitors alike. |
|  |  | Good ventilation clean air and modern environment  | Appropriate ventilation system in place  |                                    | HVAC system has been designed to allow fresh air in and out with consideration to sun strike   |
|  |  | Chambers design reflects district culture, geography, and heritage                       | Design incorporates innovation and infrastructure requirements that consider current and future needs<br>Chambers design incorporates District culture, geography and heritage |                                    | The design layout has been confirmed and the technology will now be designed to meet the operating requirements and configuration.<br>Culture and heritage aspects to be confirmed. Working group chairs are keen to ensure this is a priority.  |
|  |  | Plan in place for restricted access to ensure health and safety of staff and Councillors | Design incorporates restricted access  |                                    | Security and restricted access points noted on draft plans and being reviewed by TIWG  |
|  |  | Spaces that can evolve as the needs of the workforce change over time                    | Building is designed to accommodate new technologies, such as 5G, AI and automation  |                                    | Building design is open plan with structural design focused on columns, internal meeting rooms and offices not weight bearing so allows for future adaption if required.   |
|  |  | Chambers have appropriate formality and flexibility                                      | Design balances formality with flexibility   |                                    | Tables will remain in place and the room can be utilised for other uses outside of formal meetings and gatherings.   |

Outcomes measurement table- as at 4 Dec 2025

11 November 2025

Southland District Council  
Te Rohe Pōtae o Murihiku

PO Box 903  
15 Forth Street  
Invercargill 9840

0800 732 732  
@ sdc@southlanddc.govt.nz  
southlanddc.govt.nz



| Outcome  | What this means/key result area   | Key Performance indicator  | Method of measurement  | Progress indicator (traffic light) | Comments   |
|--|---|--|--|------------------------------------|--|
| Enables elected members to do their jobs efficiently and effectively | There are appropriate infrastructure/services/facilities for elected members  | IT services are best in class  | Pre entry testing confirms networks, devices and other technology are fit for purpose                                    |                                    | Peer review etc, ensuring appropriate for future.  |
|  |   | Flexible committee rooms - at least one near Council chambers  | Design incorporates flexibility<br>Design incorporates a committee room near chambers that can seat approx 18 pax        |                                    | On track   |
|  |   | Office for mayor and mayoral support in an appropriate place<br><br>Elected members have access to: <ul style="list-style-type: none"> <li>• kitchen facilities</li> <li>• bathrooms</li> <li>• CE/Exec</li> </ul> | Mayor and CE sign off design<br><br>Design incorporates elected members accessing kitchen facilities, bathrooms, CE/Exec |                                    | On track, hot desk available for mayoral support, could fit full size desk if need be<br><br>On track  |
| Design and fit-out to foster team collaboration                      | All head office staff are accommodated in the building<br><br>Design/fit-out encourages teams to work together, build relationships and break down silos<br><br>There are appropriate spaces for people and groups to eat together, connect and socialize | Design matches headcount (and allows for growth?)  | A space for all staff  |                                    | <p>All staff will have a dedicated desk, supported by a limited number of hot desks on each floor to provide flexibility for visitors, contractors, or project-based work. The design has been developed with a clear focus on long-term adaptability. Should significant growth occur in the future as local government functions evolve, the building has been deliberately planned to allow expansion to the east and south. This ensures the facility is future-proofed and capable of responding to organisational needs for decades to come.</p> <p>Equally important, the project is not only about the physical move into one office but also about reshaping the way we work together. Co-location offers an opportunity to review our work practices, embrace modern technology, and create efficiencies across teams. Staff feedback has highlighted the importance of balancing collaboration with spaces for focus, improving acoustic performance, access to natural light, and creating an environment that is welcoming and professional. The redevelopment will embed these principles while enabling more effective day-to-day interactions between teams.</p> <p>In short, Henderson House is being designed as both a functional civic building and a workplace that supports a high-performing organisation. It will provide staff with a modern, efficient, and adaptable environment, while ensuring the Council is well placed to meet future demands.</p> |

Outcomes measurement table- as at 4 Dec 2025

11 November 2025

Page 2 of 4



| Outcome  | What this means/key result area  | Key Performance indicator  | Method of measurement   | Progress indicator (traffic light) | Comments   |
|--|--|--|---|------------------------------------|--|
|  |  | Where possible, teams who interact together are placed together or nearby  | Design takes account of how teams interact with each other  |                                    | On track   |
|  |  | Adequate number of "tea/coffee nooks" and one central social heart/hub   | No of nooks<br>Design of social heart/hub   |                                    | On track   |
| Design and fit-out to foster a positive culture              | People's views are heard and considered in the planning process  | Decisions on seating/office allocation/car parking etc are fair/equitable  | Regular reports from Working Groups confirm progress  |                                    | On track   |
|  | Appropriate lighting, noise control, ventilation and temperature   | Appropriate infrastructure, services, facilities, quiet/private spaces incorporated in design  |   |                                    | On track   |
|  | Healthy lifestyle/wellbeing initiatives are incorporated   | Modern tech is available and works well  |   |                                    | On track   |
|  |  | Appropriate number/location of bathrooms/showers/copiers/kitchens/meeting rooms/stairs/lifts etc<br>Consideration given to showers, scooter/bike parks, recreation/play spaces, art, greenery, natural light etc                                     |   |                                    | On track   |
| Design and fit-out to support a high performing organisation | Functional and modern workspaces with <ul style="list-style-type: none"> <li>Confidentiality and private spaces available when required</li> </ul> | Private spaces available for booking that reflect business need (quantity, size, location and confidentiality/soundproof requirements)<br><br>Individual offices with small meeting spaces for GMs, CEO, and Mayor<br>Technology supports operations | No. of meeting rooms<br>Design considers current meeting room provision and staff/working group feedback<br>Provision of IT services/equipment to individuals reflects current practice |                                    | On track<br>On track, following up about current meeting room provisions<br><br>On track, looking at future proofing etc                 |
|  | <ul style="list-style-type: none"> <li>Technology with appropriate back up supports staff</li> </ul>   | Fit-out allows teams to work together and build relationships where appropriate  | Regular reports from Working Groups confirm progress  |                                    | On track   |
|  | <ul style="list-style-type: none"> <li>Space planning incorporating work and social needs</li> </ul>   | Appropriate spaces for people to eat together, connect and socialise   |   |                                    | On track – some consideration still required around confidentiality  |
| Move by Dec 2026   | All staff in HH by 1 Dec 2026  | Logistics plan to co-ordinate the move<br>Minimum disruption to workflows<br>Furniture in place and technology up and running prior to people moving in  | Logistics plan in place by Aug/Sept 2026  |                                    | Initial meeting held to look at items needing to be considered and planned for, these will be formulated into key milestones and timing. |

Outcomes measurement table- as at 4 Dec 2025

11 November 2025

Page 3 of 4



| Outcome       | What this means/key result area  | Key Performance indicator   | Method of measurement                                  | Progress indicator (traffic light) | Comments  |
|---------------|--|---|--|------------------------------------|---|
| Within budget | Includes purchase price, any building extension, stabilising, fit-out and office set up. | Project expense tracked<br>cost forecasts reported<br>approved budget met | Regular reports to Steering Team from Project Director |                                    | Feedback to steering group has indicated this is on track |

| Status key       | Month        | Jul 2025 | Aug 2025 | Sep 2025 | Oct 2025 | Nov 2025 | Dec 2025 | Jan 2026 | Feb 2026 | Mar 2026 | Apr 2026 | May 2026 | Jun 2026 | Jul 2026 | Aug 2026 | Sep 2026 | Oct 2026 | Nov 2026 | Dec 2026 |
|------------------|--------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| On track         |              | 8        | 12       | 15       |          | 17       | 18       |          | 18       | 18       |          |          |          |          |          |          |          |          |          |
| Needs attention  | <b>Total</b> | 3        | 0        | 0        |          | 1        |          |          |          |          |          |          |          |          |          |          |          |          |          |
| Needs escalation |              | 0        | 0        | 0        |          |          |          |          |          |          |          |          |          |          |          |          |          |          |          |

## 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.

- 9.1 B2B Project Update
- 9.2 Community facilities contracts
- 9.3 Three waters - 17 A review
- 9.4 Cyber security update - December 2025 to February 2026
- 9.5 Follow up audit actions points
- 9.6 FMIS Update
- 9.7 People and Culture 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)(h) - the withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.<br><br>s7(2)(h) – to enable the local authority to carry out commercial activities without prejudice or disadvantage.. | 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. |
| Community facilities contracts                  | s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.              | That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. |
| Three waters - 17 A review                      | s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the   | That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the   |

| 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   |
|--|---|--|
|  | <p>information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.</p> <p>Contractor with current contract in place.</p>   | disclosure of information for which good reason for withholding exists.  |
| Cyber security update - December 2025 to February 2026 | <p>s7(2)(e) - the withholding of the information is necessary to avoid prejudice to measures that prevent or mitigate material loss to members of the public.</p> <p>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.</p> <p>s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.</p> <p>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.</p> | That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. |
| Follow up audit actions points                         | s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.  | That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. |
| FMIS Update  | s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.  | That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. |

| 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   |
|---|---|--|
|   |   |  |
| People and Culture update                       | <p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.</p> <p>Report will never be released.</p> <p>s7(2)(f)(ii) - the withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees and persons from improper pressure or harassment.</p> <p>Report will never be released.</p> | That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. |