

SOUTH WAIRARAPA DISTRICT COUNCIL

12 DECEMBER 2018

AGENDA ITEM D3

CHIEF EXECUTIVE OFFICER REPORT

Purpose of Report

To report to Council on general activities.

Recommendations

Officers recommend that the Council:

1. *Receive the Chief Executive Officer Report.*
2. *To receive the financial statements report for the period ended 31 October 2018.*

1. Executive Summary

The run up to Christmas is always a bit frantic, exacerbated somewhat this year by the completion of the Waiinga Centre.

The announcements from the Government on reviews into the Three Waters (drinking, waste, and storm water), Four Wellbeings, and the Productivity Commission has signalled a further period of close scrutiny of the sector.

Taken together, the three workstreams described above signal a review that is very wide ranging and could result in significant change in the sector.

The release of the Wairarapa Economic Development Strategy and Action Plan is also a milestone in regards to the Wairarapa Councils working together for the betterment of the Wairarapa as a whole. Having Dame Margaret Bazley as chair of the governance group is a real coup for the Wairarapa, and will ensure swift action.

This is the final report before Christmas, and I would like to thank our staff for their dedication and positive attitude during another very busy year.

2. Governance/Leadership/Advocacy

The following table provides the year to date results for KPI's set for the Governance output. This has been updated for the 2017/18 results.

GOVERNANCE, LEADERSHIP AND ADVOCACY MEASURING SERVICE DELIVERY PERFORMANCE					
SERVICE LEVEL	KEY PERFORMANCE INDICATORS	2016/17	2017/18	2017/18	COMMENTS
		ACTUAL	TARGET	ACTUAL	
Opportunities are provided for the community to have its views heard	Ratepayers and residents feel they can contact a Council member to raise an issue or problem	79% (13/14: 73%)	75%	-	The National Research Bureau (NRB) Customer Satisfaction survey was not carried out this year. For the 2015/16 year, in addition to the 79% (2014: 73%) positive response, 13% (2014: 16%) felt they were unable to comment.
	Ratepayers and residents feel that the Mayor and councillors give a fair hearing to their views	63% (13/14: 62%)	75%	-	The National Research Bureau (NRB) Customer Satisfaction survey was not carried out this year. For the 2015/16 year, in addition to the 63% (2014: 62%) positive response, 23% (2014: 21%) felt they were unable to comment.
Council determines what activities it should engage in through consultation and regulatory requirements then sets clear direction	Ratepayers and residents are satisfied with Council's decisions and actions	70% (14/15: 59%)	80%	-	The National Research Bureau (NRB) Customer Satisfaction survey was not carried out this year. For the 2015/16 year, in addition to the 70% (2014: 59%) positive response, 14% (2014: 11%) felt they were unable to comment. The 2014/15 result of 59% was a separate survey with a sample size of 117, and was used to provide an interim indication. The NRB survey size of 300, which is our main survey and has a significantly lower margin of error. The previous NRB survey was in 2013/14. The result for that survey was 76% satisfied with a further 8% unable to comment.
	Ratepayers and residents are satisfied with how Council allocates rates/funds to be spent on the services and facilities provided (target peer group age)	65% (13/14: 64%)	80%	-	The National Research Bureau (NRB) Customer Satisfaction survey was not carried out this year. For the 2015/16 year, in addition to the 65% (2014: 64%) positive response, 14% (2014: 14%) felt they were unable to comment.
Community Boards make decisions that consider local issues	Community Board decision - making reports on local issues	GTN 96% FTN 95% MBA 92%	90%	GTN 90% FTN 94% MBA 93%	This measure reports on the percentage of resolutions made that relate solely to local issues.
	% of ratepayers and residents who know how to contact a community board member	69% (13/14: 65%)	71%	-	The National Research Bureau (NRB) Customer Satisfaction survey was not carried out this year. For the 2015/16 year, in addition to the 69% (2014: 65%) positive response, 0% (2014: 14%) felt they were unable to comment.
Opportunities are available to raise local issues and understand what will happen as a result	Ratepayers and residents satisfied with the way Council involves the public in the decisions it makes	47% (13/14: 49%)	72%	-	The National Research Bureau (NRB) Customer Satisfaction survey was not carried out this year. For the 2015/16 year, in addition to the 47% (2014: 49%) positive response, 31% (2014: 26%) felt they were neither satisfied nor dissatisfied, and 5% (2014: 5%) felt they were unable to comment.
Opportunities are available to raise issues relating to Maori through the Maori Standing Committee	The Maori Standing Committee makes recommendations to Council in relation to policy and plan development and resource management applications	100%	100%	100%	Maori Standing Committee met on 7 occasions. In total 24 resource consent applications were considered. (2017: 7 meetings and 21 resource consent applications).

2.1 Representation Review

Council resolved to retain the status quo, and advertised this as required.

We did not receive any submissions (submissions closed 3 December 2018) accordingly the status quo will be retained.

As part of the main resolution, Council resolved to hold a further representation review in three years' time – this will need to commence in two years' time in order to be effective for the 2022 elections.

2.2 Three Water Review

The Government released their long awaited findings on the "Three Waters" review.

The announcement was not definitive in terms of actions, rather signalled a timeframe for the completion of further work.

Attached as Appendix 1 is a copy of the cabinet minute which succinctly summarises the issues the Government see the delivery of three waters are facing, and a timeframe for completion of policy proposals.

In summary the Government is preparing policy proposals to enable drafting of legislation in the following areas:

- System wide reform of regulation of drinking water.
- Risk management regime for sources of drinking water.
- Targeted reform of environmental regulation of wastewater aimed at lifting environmental performance within the existing RMA framework.

The Minute also indicates policy work to enable drafting of legislation if required, following further analysis, in the following areas:

- Regulatory reform only, with voluntary, sector led reforms to service delivery arrangements
- A three waters fund to support voluntary service delivery improvements
- An aggregated system of dedicated, publicly owned, drinking water and wastewater providers

The above does not preclude investigation of other options.

Assets remain in public ownership, though public ownership is not defined.

2.3 Four Wellbeings Review

The Government has also released material in relation to a review of what we call the four wellbeings.

This review is entitled "Local Governance for Community Wellbeing", and included as Appendix 2 is a copy of the cabinet paper.

The full Cabinet Paper is included as the Cabinet Minute does not adequately summarise all the discussion points.

Paragraph 40 of the Cabinet Paper is part of a chapter entitled "Exploring the future of local governance" and probably summarises the direction of thinking best:

40. I propose to explore a paradigm of local governance that is empowered to develop localised initiatives to tackle areas of concern such as hazard and risk management, social enterprise, young people not participating in trade, work or education, barriers to employment, and homelessness and social housing

My view on reading the Cabinet Paper is that this is a very wide ranging review of Local Government and the roles and responsibilities of local government.

2.4 Productivity Commission Review

The Government has asked the Productivity Commission to undertake an inquiry into local government funding and financing and where shortcomings in the current system are identified, to examine options and approaches for improving the system.

As is usual with initiatives like this, we will rely on our industry bodies (SOLGM and LGNZ) to collate the detailed responses. Small local authorities rely on the policy expertise held by the industry bodies to assist in the analysis where we do not have the time, resource, or expertise to comprehensively respond.

These responses will be reviewed, and if appropriate presented to the February Council meeting for support and endorsement.

If there are particular points we would wish to make these can be made by separate submission.

3. Strategic Planning and Policy Development

3.1 Meetings/Conferences

3.1.1. Chief Executives Forum

One Chief Executives forum was held during the reporting period.

Agenda items included Regional Trails Framework, and Wellington Regional Investment Plan.

3.1.2. Rural & Provincial

This is always a useful forum discussing a wide range of topical matters.

The number of Ministers who present at this forum indicates the value the government see in the gathering and the rural and provincial sector.

The meeting commences with a Mayoral only, and Chief Executive only meeting.

The CE session included a presentation from Local Government New Zealand on initiatives and material for next year's local body elections. There is more of a focus on ensuring candidates are aware of what becoming an elected member really entails.

Water New Zealand provided a useful presentation on health matters in relation to wastewater.

The main rural and provincial agenda included the following:

- An insightful presentation on New Zealand drinking water quality (it isn't all that bad) and an interesting point that the landscape is literally covered in campylobacter and our obsession with this is misplaced. Most outbreaks are due to home hygiene, not drinking water.
- Hon Phil Twyford on Housing and Urban Development (there will be no rent subsidies for tenants of local authority housing units)
- Hon Nania Mahuta on three waters review – this was the final session and ensured a good attendance to the end of the session.

Presentations were also made on Housing New Zealand strategy; Connecting Rural New Zealand; Waste and recycling; Tourism and responsible camping; and climate change and insurance

All in all, a useful, relevant, and interesting agenda.

3.1.3. Featherston Wastewater Application

Deliberations continue with the Regional Council in an effort to advance this application.

Two meetings were held with Regional Council consenting officers to try and advance this application.

The result of these meetings was, among others, to apply for a short term consent to allow us to at least start irrigating.

Our application, if granted, will allow us to commence irrigating early February 2016, and reduce or eliminate discharges during the very lowest flow periods.

One of the key benefits will be that, if granted, the impact of delays caused by any appeals for either our consent, or the Proposed Natural Resources Regional Plan, will be minimised as we can still irrigate to land.

An additional benefit will be that a monitoring regime will allow additional data to be collected to inform the main consent.

3.1.4. Roding Review – S17A

We have been undertaking the statutory review of how Roding services should be governed and managed over the last few months.

Five meetings were attended over the reporting period; these meetings are up to 4 hours and include the three Wairarapa local authorities and NZTA representatives.

While SWDC and CDC have resolved a way forward, we are still in positive discussions with MDC, and await the outcome of the completion of their 17A review.

3.1.5. Wairarapa Regional Economic Development Strategy

Six meetings, including the launch, have been attended in regards to the Wairarapa Regional Economic Development Strategy, during the reporting period.

Following the launch, activity included setting up the governance structure, and commencing work on liaising with those who have, or are about to, make applications.

3.1.6. Wellington Water Limited

Three meetings and a number of discussions have been held with Wellington Water, discussing whether or not to become a shareholding member, and have Wellington Water manage our three waters service delivery (not asset ownership).

This is an excellent opportunity to provide ratepayers with a level of resilience not available to many small local authorities, and in addition a readily available level of expertise that will assist in a high level of service delivery.

Wellington Water have advised that their constitutional matters have been resolved, and following discussions with the shareholding members they have invited us to formally consider membership.

This will be commenced at the February meeting whereby a paper will be presented to ascertain whether SWDC undertakes the requisite public consultation.

3.1.7. Wairarapa Water Limited

The second WWL, Wairarapa Water Limited, continues their analysis of water storage options for the Wairarapa. The options being considered include incorporating urban supply (for MDC and CDC at this stage), and the

meeting attended reviewed the work to date and agreed further work streams.

It is important we continue to move this matter forward; the climate change predictions are compelling in that they support the need for water storage.

Minister Jones has made it quite clear that the current Government are only interested in small scale schemes, of which the current Black Creek/Wakamoekau scheme is.

While South Wairarapa does not benefit directly in this stage, for the future prosperity of the Wairarapa we do need to continue to support this scheme.

There may well be options where South Wairarapa can benefit, for example river recharge, from this scheme.

The three Wairarapa Councils, and the Regional Council, have agreed an additional workstream bringing together those aspects of the work as they relate to regional prosperity and urban supply.

The Water project is a key plank of the Wairarapa Economic Development Strategy.

3.1.8. Other Meetings

We have had a couple of meetings with the Orchards retirement village to continue to address issues as early as possible. Russell O'Leary is leading our response under the "One Stop Shop" initiative we have and this is working very well. The last meeting was attended by 20 SWDC and Orchards development staff and advisors – highlighting the complexity of this type of project.

Discussions continue with Fab Feathy coordinators to ensure the best outcomes are achieved, in terms of projects and interactions with the Featherston Community Board and Council.

Saturday the 10th November was a busy and productive day. Mayor Napier and I met with Mayor Smith (Palmerston North City) to discuss their approach to Spatial Planning and had an informative working lunch. The afternoon was capped off attending the unveiling of the Featherston Camp Memorial Sculpture, what a stunning sculpture and achievement, an outstanding effort by the Trust members.

Discussions have continued on the office refurbishment, with options being considered.

Mayor Napier and I met with Greytown Districts Trustlands Trust to continue discussions with regards to the sports hub in Greytown, possibly to be developed in conjunction with Kuranui College.

Finally, progress has been made on the landswap with regards to the Tilsons Road land we currently occupy. We are hopeful of a hearing in the Maori Land Court April next year to seek a determination – which will follow

a meeting of owners which will need to occur sometime prior to the Maori Land Court Hearing.

4. Corporate

4.1 Financial Statements

The Financial Statements and Financial Report as at 31 October 2018 are presented at this meeting for adoption (Appendix 3).

The majority of the variances described are due to seasonal variations.

Our review processes have not highlighted any matters that may materially impact the full year result, at this relatively early stage.

4.2 Occupational Health and Safety

We continue to make good progress on health and safety matters.

In particular we are focusing on working with volunteers. This has proven somewhat more complex than first thought. We will have working guidance available in due course.

A health and safety report is included in Appendix 4.

4.3 Waihinga Centre/Martinborough Town Hall

The Waihinga Centre and Town Hall strengthening project will have been opened by the time this report is considered.

A separate report provides a summary of this project.

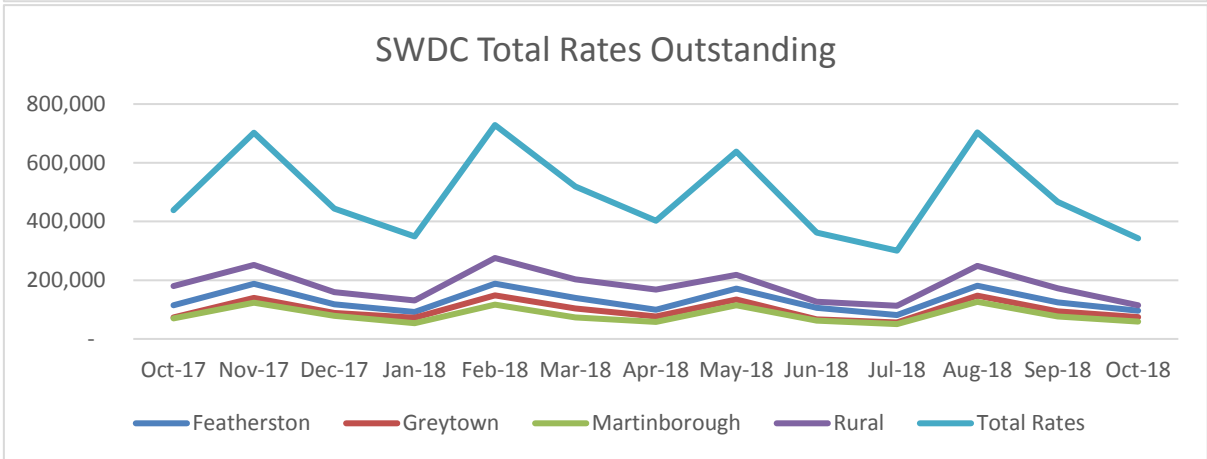
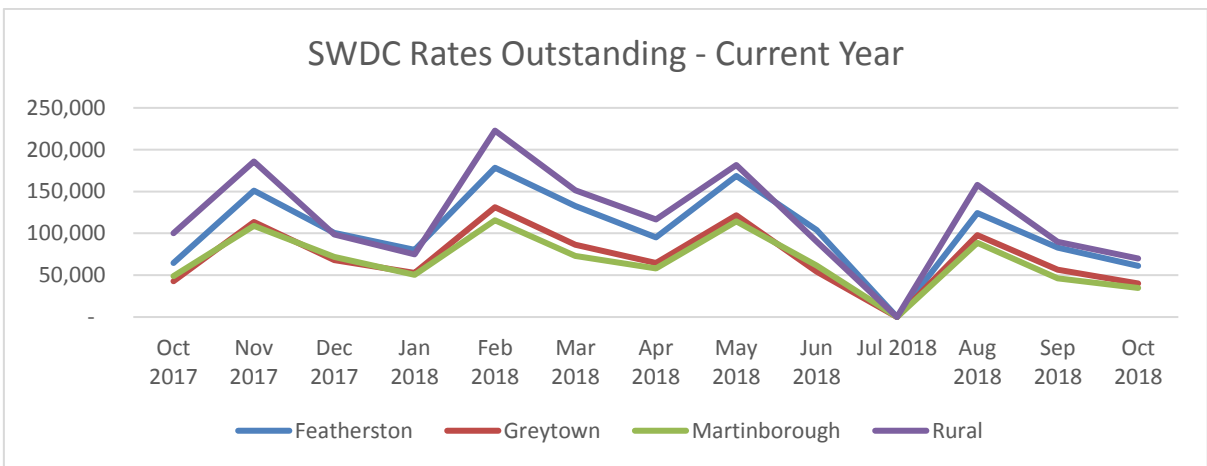
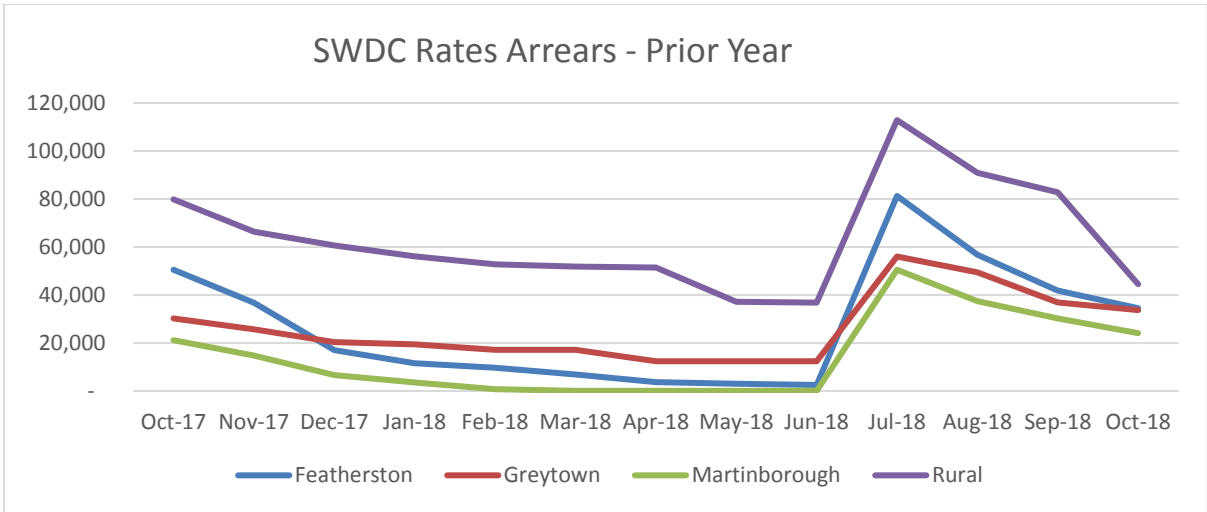
4.4 Action Items

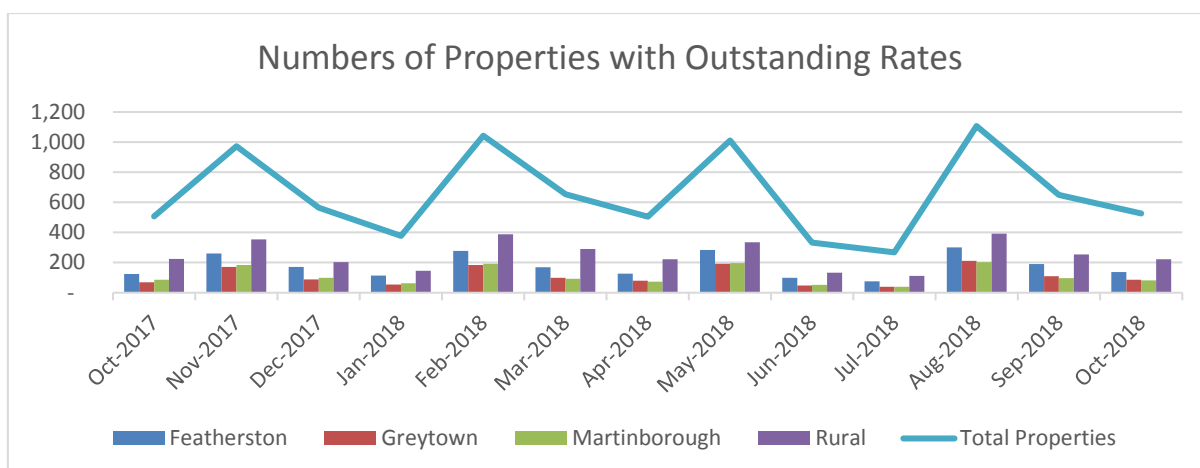
A brief report will be tabled.

4.5 Rates Arrears (Incl. GST) as at 31 October 2018

The continued good work on the rates debt front shows in the trends. As previously discussed, these trends are very sensitive and can change, however our consistent approach appears to be paying dividends.

Total rates outstanding are at a slightly lower level to the same period last year, continuing the downward trend.





4.6 LGOIMA Requests

Date Received	Subject	Working Days to respond
16 October 2018	Pool Fencing	4
16 October 2018	Rates allocation	22
5 November 2018	Lists of consents issued for swimming pools in district.	14
14 November 2018	Bullying statistics.	9
19 November 2018	Monies paid to Ratepayer and Residence Associations.	5
20 November 2018	Monies paid to) chambers of commerce (2) Property Council branches (3) industry groups (4) other lobby groups	
20 November 2018	Koro Club Membership and details of holders.	1
21 November 2018	Cost of "Hold Music".	3
22 November 2018	Expenditure on staff at Christmas.	
23 November 2018	Staff paid over 200K.	1
23 November 2018	The total spent on electricity and the number of kilowatts used.	
23 November 2018	Koha Payments.	1
23 November 2018	The total amount spent on A4 printer/copier paper and the number of reams (of 500 pages).	
23 November 2018	The numbers of vehicles in the Council fleet per FTE staff and the mean and median purchase value of vehicles in the fleet.	
27 November 2018	Featherston Wastewater Plant.	
28 November 2018	Papers relating to building consent application for a steel framed habitable farm shed.	

We continue to charge for those requests that require more than 1 hour and 20 pages of material. This charging regime is standard and used by central government.

5. Appendices

Appendix 1 – Three Waters Cabinet Minute

Appendix 2 – Four Wellbeings Cabinet Paper

Appendix 3 – Financial Statements for the period ended 31 October 2018

Appendix 4 – Health and Safety Report

Contact Officer: Paul Crimp, Chief Executive Officer

Appendix 1 – Three Waters Cabinet Minute



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Future State of the Three Waters System: Regulation and Service Delivery

Portfolios **Health / Local Government**

On 5 November 2018, Cabinet; following reference from the Cabinet Economic Development Committee (DEV):

Background

- 1 **noted** that on 9 April 2018, Cabinet invited the Ministers of Health and Local Government to report back to DEV on the options for the future regulation and service delivery of the three waters, including the government response to the Havelock North Drinking Water Inquiry [CAB-18-MIN-0145 and CAB-18-MIN-0147];
- 2 **noted** that Cabinet directed that oversight of this work be provided by a group of Ministers with portfolio interests in water infrastructure, comprising the Ministers of Finance, Environment, Health, Infrastructure, Climate Change, Commerce and Consumer Affairs, Civil Defence, Housing and Urban Development, Transport, and Conservation (with the Minister for Rural Communities subsequently joining this group);

Challenges facing the three waters

- 3 **noted** that the best evidence available indicates there are system-wide challenges facing the three waters, and that the response will require a whole-of-system approach, from source to tap and back again;
- 4 **noted** that while the challenges vary across communities and for each of the three waters services, a number of themes have emerged that, taken collectively, mean the status quo is not sustainable in the long term:
 - 4.1 funding to upgrade infrastructure is unaffordable for many communities, with councils struggling to fund plant and pipe infrastructure to the level required to meet standards and community aspirations, keep pace with population growth, or ensure resilience to climate change and other natural hazards such as earthquakes;
 - 4.2 capability is a challenge for many councils, particularly in rural and provincial areas, which can struggle to find and retain staff with specialist skills to design, procure, deliver, and manage three waters services;
 - 4.3 across many areas, the challenges increase as population size decreases, and for many small towns and sparsely populated regions there is no clear way forward;

- 4.4 regulation of three waters is weak across the system, with drinking water and environmental regulation not properly providing assurance that good outcomes are always being reached, and no real system of economic regulation to ensure that the long-term interests of consumers are being protected or that services are value for money;

Road map for future decisions on three waters reform – timetable and scope

- 5 **agreed** that the government embark on a process of three waters reform over the next 18 months, seeking detailed policy decisions in tranches in 2019, with a view to introducing legislation in 2020;
- 6 **agreed** that the overall three waters reform process be led by the Minister of Local Government, with shared accountability with the Minister of Health (drinking water regulation), Minister for the Environment (environmental regulation), and Minister of Commerce and Consumer Affairs (economic regulation);
- 7 **agreed** that oversight will be provided by a group of Ministers with portfolio interests in water infrastructure, comprising the Ministers of Finance, Environment, Infrastructure, Climate Change, Commerce and Consumer Affairs, Civil Defence, Housing and Urban Development, Transport, Conservation, and Rural Communities;
- 8 **agreed** that the outcomes for reforms will be as follows:
- 8.1 existing three waters assets and services must remain in public ownership, and the system will incorporate safeguards to protect public ownership of this essential infrastructure, both now and in the future;
- 8.2 a sustainable three waters system that operates in the long-term interests of consumers, communities, tangata whenua, and New Zealand generally;
- 8.3 drinking water that is safe, acceptable and reliable;
- 8.4 environmental performance of wastewater and stormwater realises the aspirations of communities in which they are situated, including tangata whenua, and New Zealand generally;
- 8.5 three waters services are delivered in a way that is efficient, effective, resilient and accountable, with transparent information about performance, and prices consumers can afford;
- 8.6 regulatory stewardship of the three waters system is fit for purpose, and provides assurance that these outcomes are being achieved and safeguarded;
- 9 **invited** the Ministers of Local Government, Health, and Environment to report back to DEV in June 2019 with detailed policy proposals for drinking water and environmental regulation of the three waters, to enable drafting of legislation to commence in the following areas:
- 9.1 system-wide reform of regulation of drinking water;
- 9.2 a new risk management regime for sources of drinking water;
- 9.3 targeted reform of environmental regulation of wastewater, aimed at lifting its environmental performance within the existing framework of the Resource Management Act 1991;

- 9.4 measures to give greater transparency around the operation of wastewater and stormwater systems, and to promote better practice;
- 9.5 the institutional arrangements, and oversight and stewardship needed to give effect to these reforms;
- 10 **invited** the Minister of Local Government to report back to DEV in late 2019 with detailed policy proposals for service delivery arrangements, to enable drafting of legislation if required, following further analysis and engagement on the following high-level options:
- 10.1 regulatory reforms only, with voluntary, sector-led reforms to service delivery arrangements;
- 10.2 a three waters fund to support voluntary service delivery improvements;
- 10.3 an aggregated system of dedicated, publicly-owned, drinking water and wastewater providers;
- 11 **agreed** that the identification of the three high-level options referred to in paragraph 10 above does not preclude or constrain the investigation or the development of other options that could be effective in responding to the challenges identified, and deliver a long-term, sustainable three waters system;
- 12 **invited** the Minister of Local Government and the Minister of Commerce and Consumer Affairs to report back to DEV in late 2019 with policy proposals for the economic regulation of three waters services, to enable drafting of legislation to commence, if appropriate;
- 13 **invited** the Ministers of Local Government, Health, Environment, and Commerce and Consumer Affairs to report back to DEV in late 2019 with proposals to improve oversight and stewardship across the three waters system (taking account of decisions on service delivery arrangements and economic regulation, as well as previous decisions on oversight and stewardship to support drinking water and environmental regulation);

Engagement

- 14 **agreed** that there will be ongoing engagement with stakeholders as part of the development of policy options for the future state of three waters, which will be led by the Minister of Local Government;
- 15 **agreed** that ongoing engagement with iwi and Māori, which is important from a Crown/Māori relationship and Treaty of Waitangi perspective, will also be led by the Minister of Local Government;

Financial implications

16

s9(2)(f)(iv)



Martin Bell
for Secretary of the Cabinet

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Minister of Health
Minister of Local Government

Proactively released by the
Minister of Local Government

Appendix 2 – Four Wellbeings Cabinet Paper

Office of the Minister of Local Government

Chair
Cabinet

Local governance for community wellbeing

Proposal

1. This paper invites Cabinet to agree to consider the future role of local governance in New Zealand in delivering intergenerational wellbeing for all New Zealanders, delivering regional growth objectives, strengthening local democracy and instilling greater trust and confidence in local governance. This paper also seeks agreement for funding to escalate a programme of local government sector-related work through to 30 June 2019.

Executive summary

2. The local government landscape is changing. Local government is facing increasingly complex challenges, expectations from their communities are increasing and at the same time local government is facing growing financing and debt constraints. In practice, communities depend on local government to provide them with a broad range of services and quality of life, all of which contribute to people's sense of wellbeing. Communities and central government also depend on local government to manage the risks of natural hazards, and lead the response and recovery to local emergencies.
3. The Government is committed to a broad agenda of wellbeing reflected in the focus on wellbeing in Budget 2019. The wellbeing agenda has been reinforced by the Government's steps to reinstate in legislation the requirement on local government to promote the social, economic, environmental and cultural wellbeing of communities. Intergenerational wellbeing and regional prosperity will require a joint commitment and undertaking between central and local government.
4. Current funding and debt constraints are creating a barrier to local government delivering optimal services and achieving good outcomes in communities. Current and forecast rates are becoming increasingly unaffordable. Rates, as a proportion of the cost of living, are forecast to continue to rise at a faster rate than inflation, with the greatest part of this increase is forecast to occur in the next three years.
5. This Government has responded to funding issues raised by local government by instructing the Productivity Commission to review why New Zealand councils' costs are so high and what can be done to raise revenue a decade after the Shand Inquiry of 2007. The Government has also initiated a Three Waters review of our critical water systems and is reviewing current infrastructure funding and financing models available to local government.
6. At the Central and Local Government Forum 2018 central and local government leaders agreed to work together effectively for the social, economic, environmental and cultural benefit of citizens and communities. Leaders from both levels of government committed to a set of four priority areas being regional growth, housing and urban development, community resilience and water infrastructure.

IN CONFIDENCE

7. While difficult to make a direct comparison due to different models of local government, New Zealand's current system of local government is an outlier compared to other OECD countries. Unlike many other countries, local authorities in New Zealand play a more significant role in infrastructure provision than other countries.
8. I wish to consider how our two levels of government may work together to deliver intergenerational wellbeing.
9. I intend to share some initial thinking with key relevant Ministers in December 2018 and report back in April 2019 with a set of guiding principles anchored in the goal of intergenerational wellbeing. This will inform the basis of my engagement with the local government sector.
10. My local government work programme cuts across multiple portfolios and is growing in terms of scale and breadth of impact. A system wide approach will be required to solve many of the issues playing out in the Local Government arena and to support the programme of work I wish to advance. In this paper I also seek funding through to 30 June 2019 to escalate this important work.

Wellbeing as a joint aspiration for central and local government

11. The Government's commitment to a broad agenda of wellbeing and specifically the focus on wellbeing in Budget 2019 has been reinforced by the intention to reinstate the requirement on local government to promote the social, economic, environmental and cultural wellbeing of communities, and enable democratic local decision-making by and on behalf of communities. Intergenerational wellbeing requires a joint undertaking between central and local government.
12. There is clear alignment between local government's imperatives to deliver on the four wellbeings (cultural, social, economic, environmental), and the Living Standards Framework's four capitals (natural, social, human, financial) and 12 wellbeing domains. This alignment creates a significant opportunity to harness local government's strengths and proximity to its communities. Local government is also able to take a practical, delivery-oriented approach to the wellbeings. People and place connect at the local level, and this is where 'wellbeing' will be translated into lived experience.
13. The bringing together of intergenerational aspirations held by central government, local government and iwi/Māori will build on and leverage local opportunities to drive investment and growth in the regions, and also in the post-settlement context.

The challenges being felt by local government

14. With the support of my officials I have developed a picture of the local government landscape and a good understanding of how well-known issues (such as growth and climate change) are experienced at the local level. What is clear is that this Government's priorities – housing and urban development, regional development, social issues including child poverty and wellbeing, freshwater quality, drinking water quality and infrastructure, and climate change mitigation and adaptation – are mirrored at a local government level. Our issues and our challenges are the same, and we need local government to be a critical partner in addressing them.


IN CONFIDENCE

15. **Communities are expecting more from local government.** This includes in the areas of: environmental stewardship; regionally driven economic development; employment opportunities; tourism; strategic relationships and partnerships with Maori; moving to a zero-carbon economy (net emissions being reduced to zero); addressing homelessness, and young people not in employment, education or training.
16. Our communities and central government also depend on local government to manage the risks of natural hazards, and lead the response and recovery to local emergencies. Local government plays a fundamental role in community resilience which is a key factor in regional growth and consequently will also play a significant role in the mitigation of, and adaptation to, climate change.
17. There is a growing trend for communities to expect local government to find local solutions to the social issues causing distress in our communities.
18. Adding to these growing expectations are a number of reforms underway that will also impact on local government. Achieving the Government's ambitious targets in relation to homelessness, housing affordability, water quality, resilience and transitioning to a zero carbon economy simply cannot be achieved by central government alone and we are at risk of overloading local government without the necessary support.
19. Cutting across these complex challenges are significant funding and debt constraints. Current and forecast rates are becoming increasingly unaffordable. Over the past 10 years, rates have decoupled from salary and wage growth, household living costs and the Local Government Cost Index (LGCI). While the household living cost price index increased by 15.1% between 2008 and 2018, rates increased by 43.5 % over the same period. Rates, as a proportion of the cost of living, are forecast to continue to rise at a faster rate than inflation according to council LTPs. The greatest part of this increase is forecast to occur in the next three years.
20. This Government has responded to funding issues raised by local government by instructing the Productivity Commission to review why New Zealand councils' costs are so high and what can be done to raise revenue a decade after the Shand Inquiry of 2007. The Government has also initiated a Three Waters review of our critical water systems and is reviewing current infrastructure funding and financing models available to local government.
21. This broader set of challenges and the opportunity that our respective commitment to wellbeing presents, lends itself to consideration about the future of local governance in New Zealand and a different way of working together.

Central and Local Government Forum 2018 – agreement to key priority areas

22. Central and local government's shared challenges were discussed at the annual Central and Local Government Forum 2018, at which representatives from both sectors reframed the relationship to one of 'partnership' and agreed to work together effectively for the social, economic, environmental and cultural benefit of citizens and communities. It was agreed that the relationship between the two levels of government would be guided by the key principles of respect, reciprocity and trust.
23. At the Forum it was agreed that central and local government would work together on the four key shared priority areas of water, climate change, regional development and housing, with a number of next steps and recommended actions identified.

IN CONFIDENCE

24. The Department of Internal Affairs has reframed its approach to the local government sector to providing system stewardship across the central government system and working alongside the local government sector to develop a more collaborative and joined-up way of addressing our respective priorities.
25. In practice, there are multiple points across government where central and local Government objectives intersect and where collaboration and partnership between the two is critical for achieving government's priorities and the wellbeing of our communities. The broader local government work programme I wish to escalate will enable my officials to:
 - 25.1 identify options and possible solutions to challenges with our three waters system so that New Zealanders can have safe, reliable drinking water, resilient well-managed infrastructure and swimmable lakes, rivers and beaches. The Three Waters programme creates the right environment in which to broaden our consideration of local governance for community wellbeing;
 - 25.2 support the Government's Urban Growth Agenda and specifically a new joint spatial planning approach in Hamilton and Queenstown and partnership approach to identifying priority areas in Auckland Council's Development Strategy to deliver better planning outcomes;
 - 25.3 lead a whole of Government approach to building community resilience to natural hazards and climate change to develop more sustainable settings for management of natural hazards, including those exacerbated by climate change. s9(2)(i)(iv)

 - 25.4 work alongside the Treasury to address the barriers and constraints on Infrastructure funding and financing including the development of alternative financing models to address funding and financing constraints in the local government sector;
 - 25.5 lead a cross government process to assist Government's response to the Productivity Commission's Inquiry into Local Government's Costs and Revenues;
 - 25.6 lead a digital partnership across a number of councils to establish a common strategy for participating councils and a cooperative approach to the development of citizen focused digital channels;
 - 25.7 work with agencies to explore how central government can better support the relationship between Maori and local government, including how to ensure Treaty settlement redress is implemented well to protect the durability of the settlement process and give effect to kaitiakitanga rights of mana whenua over resources managed by local government; and
 - 25.8 weave into these initiatives a common objective of enhancing citizen participation in local democracy.

The role local government currently plays in our communities

The current purpose of local government

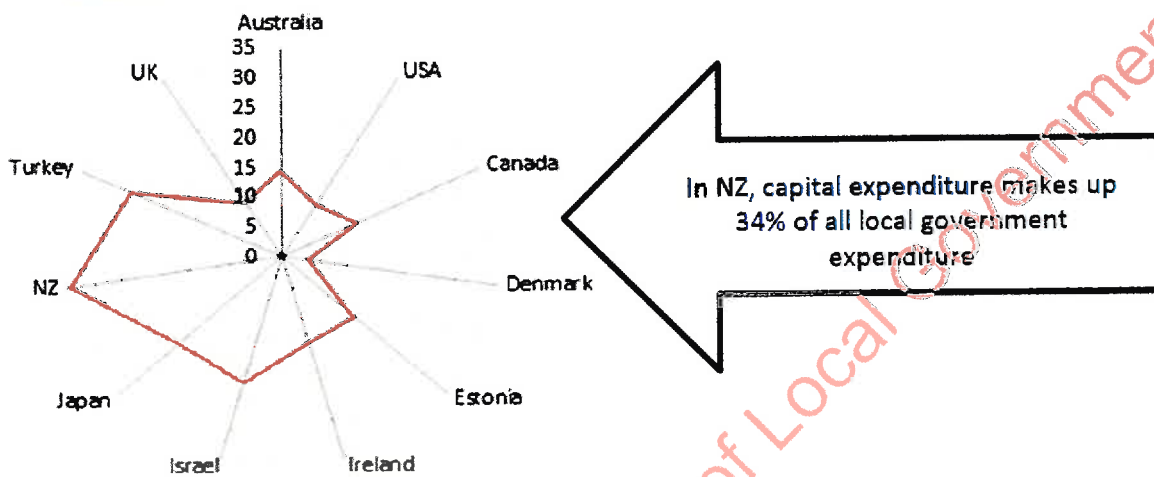
26. The current Local Government Act 2002 states that the purpose of local government is:
 - 26.1 To enable democratic local decision-making and action by, and on behalf of, communities; and
 - 26.2 To meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
27. There are 78 local authorities in New Zealand and hundreds of council controlled organisations. Councils vary widely in area, population, infrastructure assets, community priorities, rating base, and financial resources.
28. Communities depend on local government to provide them with a significant range of services, all of which contribute to people's sense of wellbeing. This includes: safe drinking water and treated waste water; safe towns and cities; catchment management that supports healthy rivers and lakes we can swim and play in; safe and well-maintained roads; good waste management practices; provision and maintenance of parks, reserves, sports fields, swimming pools and libraries; and good, reliable public transport. Communities look to local government to tell and celebrate the stories of their people, history and region.
29. Central and local government operate within different but complementary authorising legislative and regulatory frameworks. We share in common the spirit of public service and goals of improving lives and fostering prosperous regions. Importantly, local government operates at the critical nexus between people and place.
30. Local government contributes 3.8% of New Zealand's GDP. As at June 2016, local government owned over \$112 billion in fixed assets and collected over \$8.9 billion in operational income annually. In comparison, this is double the combined asset base of the three largest portfolios owned by central government – transport, social housing and primary and secondary education. Local government makes a significant contribution to the New Zealand economy as an employer, purchaser of goods and services and in providing the infrastructure that supports business.

Our model of local government is an outlier compared to other OECD countries

31. A key underlying challenge is to find the right balance between local democracy and national policy settings. While direct comparisons are difficult due to different models of local government, New Zealand's system of local government is an outlier compared to other OECD countries. By way of international comparison:
 - 31.1 Local government in New Zealand is responsible for a comparatively low proportion of total government expenditure;
 - 31.2 New Zealand is unusual in the OECD in that local government does not play a significant role in health, education and social welfare. Although local government per se is not directly involved in the provision of these services, many are devolved and locally accountable, with locally-elected boards. This makes local governance in New Zealand a richer and more complex space than in many countries;

31.3 Local authorities in New Zealand play a far more significant role in infrastructure provision compared to other countries, demonstrated by a relatively high (34%) proportion of its expenditure being capital expenditure; and

31.4 While the international data on local government functions indicates New Zealand plays a role in 'economic development', in practice this is essentially limited to the role it plays in transport and advocacy and facilitation.



32. While New Zealand local authorities have a relatively high level of administrative and political decentralisation, the level of fiscal decentralisation¹ is small. In New Zealand central government has an 89 percent share of public expenditure – the OECD average is 44 percent, with Switzerland at the opposite end of the spectrum at 13 percent.

A reinvigorated advocacy for 'localism'

33. My consideration of the future role of local governance in New Zealand in improving intergenerational wellbeing for all New Zealanders is occurring against a backdrop of a reinvigorated advocacy led by Local Government New Zealand around 'localism'.

34. 'Localism' is a concept underpinned by the principle that "public services should be provided by the sphere of government which is as close as possible to the people who use and benefit from the services, unless there are reasons why they should be provided by governments at a regional or national sphere".

35. This is not a new concept, however its reinvigoration reflects concerns in communities about their sense of powerlessness and lack of resources to address serious social issues that are seen and felt at a local level. Underpinning the advocacy of this concept is the sense that 'top down', 'one size fits all' approaches to policy and decision-making have not worked given the complex and multi-faceted challenges facing New Zealand, and that a more devolved model of local government will lead to better services and stronger democracy.

¹ "Fiscal centralisation" means the ratio of taxation controlled and allocated by local government in comparison to that controlled and allocated by central government.

IN CONFIDENCE

36. I am not proposing we endorse a devolutionary-model. The consideration of local governance for community wellbeing will enable the Government to reach our own definition of how best to deliver at a local level and provide greater context for the Government to engage with the sector on the localism agenda.

Exploring the future of local governance

37. Aside from the challenges set out in this report, there are a number of headwinds facing local government. There are some capability and capacity issues throughout the sector, low engagement and voter turnout and questions around how truly representative and reflective of their diverse communities local governors are including of Māori. However I wish to take a strengths-based approach and start with what local government and communities do well.
38. I intend to focus on the opportunity to better leverage the strengths and intergenerational goals of iwi/Māori and recalibrate the relationship between local government and iwi/Māori.
39. I will take a principle-based consideration of the role local leadership could play in delivering intergenerational wellbeing for all New Zealanders, strengthening local democracy, instilling greater trust and confidence in local governance and supporting regional development.
40. I propose to explore a paradigm of local governance that is empowered to develop localised initiatives to tackle areas of concern such as hazard and risk management, social enterprise, young people not participating in trade, work or education, barriers to employment, and homelessness and social housing.
41. There are already examples of local government rising to the challenge and rethinking their role in their communities. These include Hutt City Council working alongside central government on integrated social housing proposals, and the Southern Initiative in South Auckland, which creates, fosters and support innovative social change by identifying local change-makers, encouraging social enterprise, building community capability and amplifying community-driven initiatives.
42. I propose to work with key Ministers to consider how our two levels of governance can work together to deliver intergenerational wellbeing and support regional growth and prosperity, and what evolving role and function local government could play in the future of New Zealand. As part of this conversation I intend to engage with the local government sector on its role and function in the future.
43. I intend to share some initial thinking with key relevant Ministers in December 2018. I propose to report back in April 2019 with a set of guiding principles anchored in the goal of intergenerational wellbeing, which will inform future engagement with the sector and its communities. This broader conversation could take place from May to June 2019.
44. Leading this conversation forward requires an investment of time, resource and effort. The Department has identified the Central Local Government Partnership work as a departmental priority, but has been unable to identify funding beyond December 2018. The Group has been recognised as highly successful in terms of building a collaborative cross-system work programme with the sector. The Partnerships Group are well positioned to support me in this work - with investment.

Budget and delivery of the local government work programme

45. DIA have established the appropriate capability to advance this work, in terms of the Central Local Government Partnerships Group, but have been unable to identify funding beyond December 2018. I seek Cabinet's support to fund this work through to June 2019. Beyond this, I will be seeking resource from Budget 2019 to deliver this significant reform programme.
46. My reform programme seeks to reposition local government with a stronger more wellbeing focussed role within our communities; strengthen the legitimacy of local government and the level of civic participation within our communities; and importantly, to manage the cost pressures faced by local government to make rates more affordable – particularly in terms of the provision of water infrastructure.

s9(2)(f)(iv)

Proactively released by the Minister of Local Government

s9(2)(f)(iv)

Consultation

52. The following departments were consulted on this paper: State Services Commission, The Treasury, Te Puni Kōkiri, Ministry for the Environment, Ministry for Business, Innovation and Employment, Ministry for Culture and Heritage, Ministry of Health, Ministry for Primary Industries, Department of Conservation, Ministry for Social Development, Ministry of Education, Land Information New Zealand, Statistics New Zealand, Ministry of Transport, Ministry of Defence, Ministry of Civil Defence and Emergency Management, Education Review Office and the Ministry for Women. The Department of the Prime Minister and Cabinet and Crown Law Office were informed.

Financial implications

53. To effect the proposal outlined above, an increase in funding over the remainder of 2018/19 to the Policy Advice – Local Government category of the Policy Advice Multi-Category Appropriation in Vote Internal Affairs is proposed to provide for a 6-month Central/Local Government work programme, as set out below. This associated increase in expenses will have a corresponding impact on the operating balance and net core Crown debt, and be a charge against between-Budget contingency established as part of Budget 2018.

IN CONFIDENCE

54. A budget for the Central/Local Government work programme has been prepared by the Department, and the costs are set out in the table below.

Table Two. Funding required for the Central/Local Government work programme

Item	2018/19 Half-year funding (\$million)	2019/20 (\$million)	2020/21 (\$million)	2021/22 (\$million)	2022/23 & Outyears (\$million)
Central Local Government Partnerships	2.000	s9(2)(f)(iv)			
Three Waters Reform Work	0.700				
Total	2.700				

s9(2)(g)(i)

Human rights / gender implications / disability perspective

59. No human rights, gender or disability implications arise as a result of this paper.

Legislative implications

60. This paper has no legislative implications however any proposals and recommendations that come out of this conversation may have legislative implications.

Regulatory impact analysis

61. A regulatory impact analysis is not required for this paper.

IN CONFIDENCE

Publicity

62. Consistent with the partnership approach this government wishes to take in terms of its relationship with local government, I intend to release this Cabinet paper in the context of a broader communications strategy with appropriate redactions.

Next steps

63. Subject to Cabinet agreement to the recommendations in this paper, I will report back in April 2019.

Recommendations

64. The Minister of Local Government recommends that Cabinet:

1. **confirm** this Government's commitment to taking a partnership approach to working with local government;
2. **note** the range and scale of government programmes that depend upon local government and that this provides an opportunity to work in partnership with local government to achieve the Government's goal of intergenerational wellbeing and regional growth;
3. **note** the Government's commitment at the Central and Local Government Forum 2018 that the relationship between the two levels of governance would be guided by the key principles of respect, reciprocity and trust;
4. **agree** to consider the future role of local governance in New Zealand in delivering intergenerational wellbeing for all New Zealanders, strengthening local democracy, instilling greater trust and confidence in local governance and supporting the protection and enhancement of the natural environment and sustainable regional growth;
5. **invite** the Minister of Local Government to share some initial thinking with key relevant Ministers in December 2018;
6. **invite** the Minister of Local Government to report back to the relevant Cabinet Committee in April 2019 with a set of guiding principles anchored in the goal of intergenerational wellbeing, which will inform a future conversation with the sector and its communities;
7. **agree** to increase funding in Vote Internal Affairs in 2018/19 to meet costs associated with the Central/Local Government work programme;
8. **note** that the funding for the Central/Local Government work programme is urgent, cannot be met from Vote Internal Affairs' baselines, and cannot be deferred until Budget 2019;
9. **approve** the following changes to appropriations to meet the first-year costs associated with the Central/Local Government work programme, with a corresponding impact on the operating balance and net core Crown debt:

IN CONFIDENCE

Vote Internal Affairs Minister of Internal Affairs	\$million – increase/(decrease)				
	2018/19	2019/20	2020/21	2021/22	2022/23 & Outyears
Multi-Category Expenses and Capital Expenditure: Policy Advice MCA Departmental Output Expense: Policy Advice – Local Government (funded by revenue Crown)	2.700				

10. **agree** that the proposed change to appropriations for 2018/19 above be included in the 2018/19 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
11. **agree** that the expenses incurred under recommendation 10 above be charged against the between-Budget contingency established as part of Budget 2018;

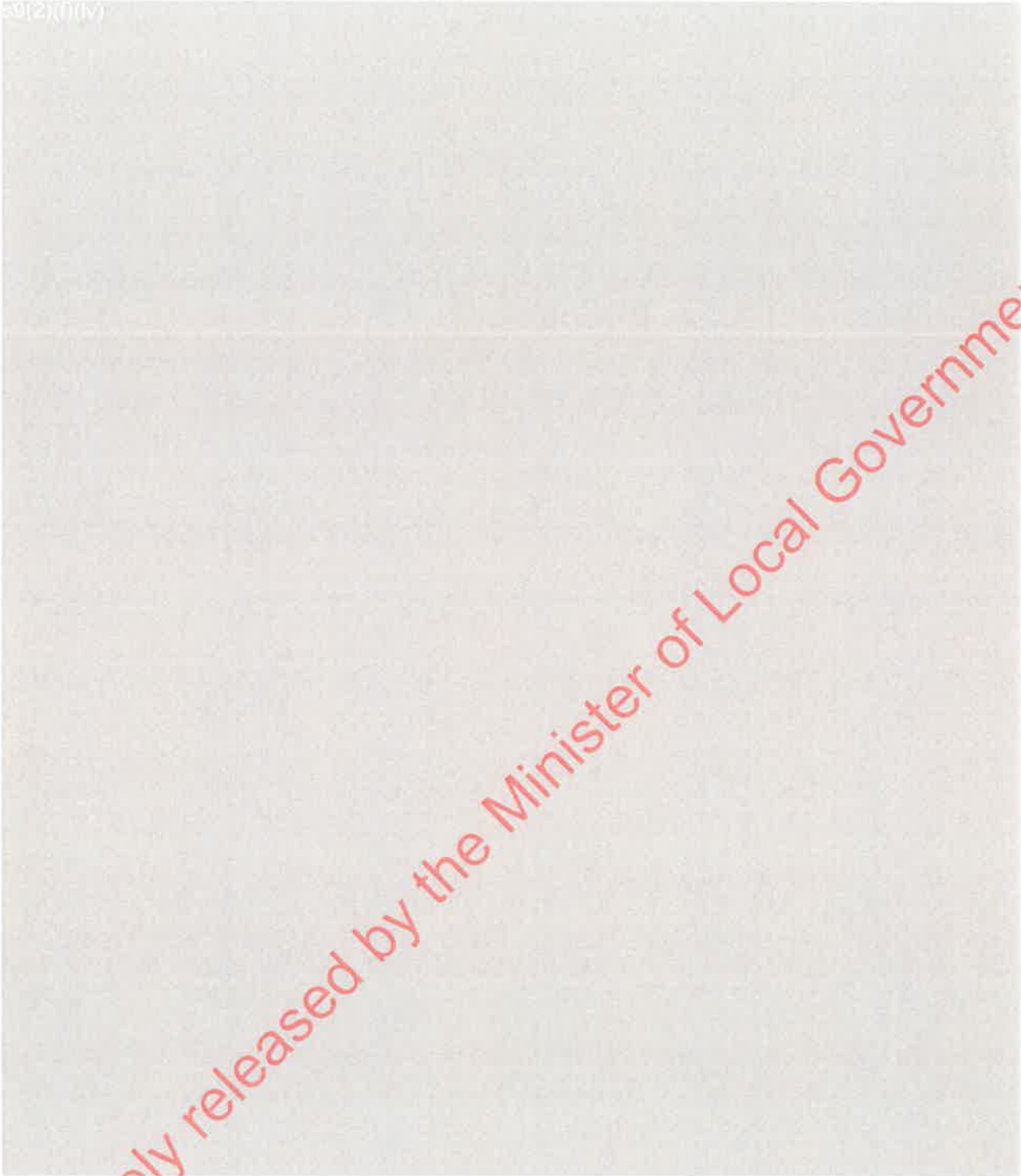
s9(2)(f)(iv)

Authorised for lodgement

Hon Nanaia Mahuta

Minister of Local Government

3912(1)(v)



Proactively released by the Minister of Local Government

**Appendix 3 – Financial
Statements and Report for
the period ended 31 October
2018**

MONTHLY FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 OCTOBER 2018

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL POSITION

STATEMENT OF CASHFLOWS

SCHEDULE OF CAPITAL EXPENDITURE

SCHEDULE OF INVESTMENTS

SOUTH WAIRARAPA DISTRICT COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 31 OCTOBER 2018

2017		YTD			2018	
LY Actual		Actual	Budget	Variance	Budget	% of Budget
	<u>OPERATING INCOME</u>					
6,604,974	Rates	7,014,425	7,002,297	12,128	13,993,011	50%
62,419	Rates Penalty	60,080	49,296	10,784	140,000	43%
144,342	Interest	156,112	129,333	26,779	449,099	35%
7,036	Internal Interest Loans	7,036	7,038	(2)	20,880	34%
533,179	Fees & Licences	594,518	501,445	93,073	1,154,450	51%
217,209	User Levies	161,738	185,031	(23,293)	700,315	23%
24,695	Commissions	25,064	23,460	1,604	69,650	36%
681,698	NZ Transport Agency Subsidy	308,657	398,061	(89,404)	2,453,687	13%
29,393	Petrol Tax	31,373	25,341	6,032	82,905	38%
8,499	Grants, Donations & Subsidies	4,612	8,247	(3,635)	15,198	30%
175,507	Rental / Hire	186,273	164,843	21,430	503,938	37%
50,572	Profit on Sale of Assets	-	-	-	-	0%
103,058	Miscellaneous Income	(13,966)	75,380	(89,346)	137,689	-10%
8,642,581	Total Operating Income	8,535,923	8,569,772	(33,849)	19,720,822	
	<u>OPERATING EXPENDITURE</u>					
612,178	Corporate Services	627,402	656,976	29,574	2,017,155	31%
306,917	In-House Professional Services	362,432	334,053	(28,379)	1,034,152	35%
135,858	Governance, Leadership & Advocacy	170,843	152,779	(18,064)	546,556	31%
423,505	Public Protection	438,467	449,178	10,711	1,355,145	32%
187,761	Resource Management	132,517	193,979	61,462	526,493	25%
203,001	Economic, Cultural & Community Development	276,541	252,273	(24,268)	464,229	60%
916,391	Amenities	991,516	1,040,668	49,152	2,735,816	36%
1,988,826	Land Transport	1,371,406	1,460,401	88,995	5,110,234	27%
763,973	Water Supply	868,516	787,576	(80,940)	2,388,643	36%
462,583	Solid Waste Management	447,103	419,207	(27,896)	1,414,226	32%
499,794	Wastewater	548,318	617,095	68,777	1,886,427	29%
78,143	Stormwater Drainage	67,061	81,537	14,476	184,425	36%
8,760	Rate Debtors Remissions	9,421	19,327	9,906	40,000	24%
-	Loss on Sale of Assets	-	-	-	-	0%
6,587,690	Total Operating Expenditure	6,311,327	6,465,049	153,722	19,703,501	
2,054,891	Operating Surplus/(Deficit)	2,224,596	2,104,723	119,874	17,320.56	
	<u>CAPITAL EXPENDITURE INCOME</u>					
39,391	NZ Transport Agency Subsidy	53,975	60,184	(6,209)	-	0%
500,000	Grants, Donations & Subsidies	25,000	-	25,000	-	0%
292,356	Contributions	234,592	204,875	29,717	1,036,888	23%
831,747	Total Capital Expenditure Income	313,567	265,059	48,507	1,036,888	
	<u>OTHER INCOME</u>					
-	Gain on Share Revaluations	-	-	-	-	0%
-	Gain on Asset Revaluations	-	-	-	38,868	0%
-	Total Other Income	-	-	-	38,868	
\$ 2,886,638	TOTAL SURPLUS / (DEFICIT)	\$ 2,538,163	\$ 2,369,782	\$ 168,381	\$ 1,093,077	

Included in the operating expenditure is:

1,495,834	Depreciation	1,482,943	1,610,466	(127,523)	4,892,393	30%
184,972	Interest	197,864	255,160	(57,296)	740,220	27%

SOUTH WAIRARAPA DISTRICT COUNCIL

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2018

	31 OCTOBER 2018	30 JUNE 2018	MOVEMENT
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and Bank	105,550	161,549	(56,000)
Short Term Deposits	1,570,155	4,050,072	2,720,589
Reserve and Loan redemption Term deposits	5,200,507	-	
Investments	6,536,517	9,065,743	(2,529,225)
Prepayments & Receivables	4,970,764	2,757,040	2,213,724
Inventories	25,565	23,647	1,918
Properties Intended For Sale	-	1,500,000	(1,500,000)
Total Current Assets	18,409,056	17,558,050	851,006
<u>Non-Current Assets</u>			
Investments	379,101	375,022	4,079
Term Deposits	-	1,765,421	(1,765,421)
Investment Properties	8,435,000	8,435,000	-
Intangible Assets	109,865	124,513	(14,648)
Properties Intended For Sale	1,500,000	-	1,500,000
Property, Plant & Equipment	439,597,749	438,692,798	904,952
Total Non-Current Assets	450,021,716	449,392,754	628,962
TOTAL ASSETS	\$ 468,430,772	\$ 466,950,804	\$ 1,479,968
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Cash and Bank	-	-	-
Payables and Accruals	3,337,874	4,373,741	(1,035,868)
Employee Entitlements	325,441	347,769	(22,327)
Public Debt - Current Portion	-	4,000,000	(4,000,000)
Provisions - Current Portion	34,043	34,043	-
Total Current Liabilities	3,697,358	8,755,554	(5,058,195)
<u>Non-Current Liabilities</u>			
Public Debt - Non-Current Portion	17,500,000	13,500,000	4,000,000
Provisions - Non-Current Portion	433,901	433,900	-
Total Non-Current Liabilities	17,933,901	13,933,900	4,000,000
<u>EQUITY</u>			
Public Equity	153,621,412	151,083,249	2,538,163
Special Separate & Trust Funds	22,724,914	22,724,914	-
Asset Revaluation Reserve	270,450,885	270,450,885	-
Other Reserves	2,303	2,303	-
Total Equity	446,799,513	444,261,350	2,538,164
TOTAL LIABILITIES & EQUITY	\$ 468,430,772	\$ 466,950,804	\$ 1,479,967

SOUTH WAIRARAPA DISTRICT COUNCIL

STATEMENT OF CASHFLOWS AS AT 31 OCTOBER 2018

	31 OCTOBER 2018	31 OCTOBER 2017	30 JUNE 2018
<u>OPERATING ACTIVITIES</u>			
<u>Cash was provided from:</u>			
Rates	4,623,425	4,102,184	13,320,429
Grants & Subsidies	1,565,656	1,172,982	4,514,636
Petrol Tax	23,582	22,292	95,559
Other Income	1,234,082	1,916,627	4,293,551
Interest on Investments	109,700	83,540	414,296
Total Operating Cash Inflow	7,556,445	7,297,625	22,638,471
<u>Cash was applied to:</u>			
Payments to Suppliers & Employees	6,608,059	5,824,211	12,302,325
Interest Paid	201,117	161,103	570,471
Total Operating Cash Outflow	6,809,176	5,985,314	12,872,796
Net Cashflow from Operating Activities	747,268	1,312,311	9,765,675
<u>INVESTING ACTIVITIES</u>			
<u>Cash was provided from:</u>			
Sale of Property, Plant & Equipment	-	264,522	276,612
Term Investments, Shares & Advances	4,294,646	-	6,510,056
Total Investing Cash Inflow	4,294,646	264,522	6,786,668
<u>Cash was applied to:</u>			
Purchase of Property, Plant & Equipment	2,377,326	1,297,831	7,969,751
Term Investments, Shares & Advances	-	40,000	10,895,165
Total Investing Cash Outflow	2,377,326	1,337,830	18,864,916
Net Cashflow from Investing Activities	1,917,322	(1,073,307)	(12,078,248)
<u>FINANCING ACTIVITIES</u>			
<u>Cash was provided from:</u>			
Public Debt	-	2,500,000	4,000,000
Total Financing Cash Inflow	-	2,500,000	4,000,000
<u>Cash was applied to:</u>			
Repayment of Public Debt	(0)	2,500,000	4,000,000
Total Financing Cash Outflow	(0)	2,500,000	4,000,000
Net Cash Flow from Financing Activities	-	-	-
NET INCREASE / (DECREASE) IN CASH	2,664,591	239,005	(2,312,572)
OPENING CASH BALANCE	1 JULY 2018	6,524,195	6,524,195
CLOSING CASH BALANCE	31 OCTOBER 2018	\$ 6,763,200	\$ 4,211,621
<u>REPRESENTED BY:</u>			
Cash and Cash equivalents	105,550	62,796	161,549
Short Term Deposits	6,770,662	6,700,405	4,050,072
Investments	-	-	-
	\$ 6,876,212	\$ 6,763,201	\$ 4,211,621

SOUTH WAIRARAPA DISTRICT COUNCIL

SCHEDULE OF CAPITAL EXPENDITURE FOR THE PERIOD ENDED 31 OCTOBER 2018

<u>DESCRIPTION</u>	Year to Date		Annual	Budget	Total	Full
	Actual	Budget	Budget	Brought Forward from Prev Years	Budget Available	Year Forecast
Baseline CAPEX:						
Amenities	156,629	252,820	758,424	756,116	1,514,540	1,514,539
Water Supply	190,019	267,080	801,248	358,963	1,160,211	1,139,559
Solid Waste Management	-	112,152	336,450	20,000	356,450	356,450
Stormwater Reticulation	-	18,260	54,779	53,600	108,379	85,000
Wastewater	972,491	757,984	2,273,950	3,048,300	5,322,250	4,568,528
Land Transport	132,790	711,312	2,133,934	-	2,133,934	2,135,109
Information Technology	69,054	52,584	157,748	53,753	211,501	211,501
Council Property	3,295	203,776	611,319	32,745	644,064	644,064
Waihinga Centre	741,518	-	-	1,166,089	1,166,089	1,166,089
	<u>\$ 2,265,797</u>	<u>\$ 2,375,968</u>	<u>\$ 7,127,852</u>	<u>\$ 5,489,566</u>	<u>\$ 12,617,418</u>	<u>\$ 11,820,839</u>

SOUTH WAIRARAPA DISTRICT COUNCIL

SCHEDULE OF INVESTMENTS AS AT 31 OCTOBER 2018

ORGANISATION		INTEREST RATE	INVESTED DATE	MATURITY DATE	Term	TOTAL INVESTED
SHORT TERM FUNDS						
Registered Banks	Code					
ASB Call account	99182811	1.25%	20-Jun-17	On Call	On Call	\$225,720.38
ASB Term Deposit - Loan redemption	99182811	3.50%	1-Nov-17	1-Nov-18	365 days	\$225,000.00
ASB Term Deposit - Loan redemption	99182811	3.50%	11-Nov-17	11-Nov-18	365 days	\$375,000.00
ASB Term Deposit	99182811	2.97%	27-Aug-18	20-Nov-18	85 days	\$1,000,000.00
ASB Reserve Fund	99182811	3.58%	13-Jun-18	13-Jun-19	365 days	\$300,000.00
ASB Term Deposit - Loan redemption	99182811	3.68%	23-Jan-18	15-Jul-19	538 days	\$225,000.00
ASB Term Deposit - Loan redemption	99182811	3.58%	25-Jul-18	25-Jul-19	365 days	\$225,000.00
ASB Term Deposit - Loan redemption	99182811	3.76%	27-Apr-18	17-Oct-19	538 days	\$226,000.00
						\$2,801,720.38
ANZ CALL ACCOUNT	99182813	0.70%	0-Jan-00	On Call	On Call	\$71.20
ANZ Term Deposit	99182813	3.11%	27-Aug-18	5-Dec-18	100 days	\$500,000.00
ANZ Term Deposit	99182813	3.13%	27-Aug-18	20-Dec-18	115 days	\$1,000,000.00
ANZ Term Deposit	99182813	3.10%	23-Oct-18	20-Feb-19	120 days	\$500,000.00
ANZ Reserve Fund	99182813	3.54%	22-Jun-18	24-Jun-19	367 days	\$750,000.00
						\$2,750,071.20
BNZ AUTOCALL (-025)	99182812	0.10%	0-Jan-00	On Call	On Call	\$541,074.11
BNZ Term Deposit	99182812	3.25%	27-Aug-18	21-Jan-19	147 days	\$1,000,000.00
BNZ Term Deposit	99182812	3.37%	24-Oct-18	23-Apr-19	181 days	\$350,000.00
BNZ Reserve Fund	99182812	3.66%	24-May-18	24-May-19	365 days	\$1,000,000.00
						\$2,891,074.11
KIWIBANK Term Deposit	99182819	1.75%	0-Jan-00	On call	On call	\$0.00
KIWIBANK Term Deposit	99182819	2.96%	22-May-18	19-Nov-18	181 days	\$500,000.00
KIWIBANK Term Deposit	99182819	3.10%	23-Oct-18	23-Apr-19	182 days	\$500,000.00
KIWIBANK Term Deposit	99182819	3.45%	23-Oct-18	23-Oct-19	365 days	\$500,000.00
						\$1,500,000.00
WBS Call account	99182816	0.50%	0-Jan-00	On Call	On Call	\$1.29
WBS Reserve fund	99182816	3.65%	22-Nov-17	22-Nov-18	365 days	\$183,989.45
WBS Reserve fund	99182816	3.65%	25-Nov-17	25-Nov-18	365 days	\$178,291.89
WBS Reserve fund	99182816	3.65%	5-Dec-17	5-Dec-18	365 days	\$138,757.23
						\$501,039.86
WESTPAC TRUST ONLINE CALL	99182814	0.10%	0-Jan-00	On Call	On Call	\$11.87
WESTPAC Term Deposit	99182814	3.00%	10-Aug-18	13-Nov-18	95 days	\$500,000.00
WESTPAC Term Deposit	99182814	3.02%	27-Aug-18	27-Dec-18	120 days	\$500,000.00
WESTPAC Reserve Fund	99182814	3.45%	22-Jun-18	24-Jun-19	367 days	\$1,314,421.02
WESTPAC Term Deposit - Loan redemption	99182814	3.45%	23-Oct-18	23-Oct-19	365 days	\$500,000.00
						\$2,814,432.89
TOTAL						\$13,258,338.44
INVESTMENTS						
LGFA Borrower Bonds	NZLGFDDG472	3.01%		15-Apr-23		\$28,800.00
LGFA Borrower Bonds	NZLGFDDG472	2.81%		15-May-21		\$91,200.00
LGFA Borrower Bonds		2.65%		15-Mar-19		\$64,000.00
LGFA Borrower Bonds		2.98%		15-Apr-20		\$32,000.00
LGFA Borrower Bonds		2.98%	21-Aug-17	15-May-22		\$40,000.00
LGFA Borrower Bonds		3.08%	19-Feb-18	15-Apr-23		\$24,000.00
						\$280,000.00
FORESTRY						
Plantation - Hurupi Stock	99283827					\$9,305.00
						\$9,305.00
SHARES						
AIRTEL LTD	99283824					\$7,203.00
FARMLANDS	99283825					\$1,159.00
NZ LOC GOVT INS CO	99283823					\$81,434.30
						\$89,796.30
TOTAL INVESTMENTS						\$13,637,439.74
Bank of New Zealand		\$2,891,074.11		ASB		\$2,801,720.38
ANZ		\$0.00		ANZ		\$2,750,071.20
Westpac		\$2,814,432.89				\$5,551,791.58
Wairarapa Building Society		\$501,039.86				
KiwiBank		\$1,500,000.00				
		\$7,706,546.86		SHORT TERMS:		\$13,258,338.44
				SHARES		\$89,796.30
				FORESTRY		\$9,305.00
				BORROWER NOTES		\$280,000.00
						\$13,637,439.74

South Wairarapa District Council

For the four months ending 31 October 2018

Financial Report

1. SUMMARY & HIGHLIGHTS

Purpose

The purpose of this report is to provide Council with a commentary on:

- Year to date budget vs actual.
- Commentary on material variances.
- Full year risks (if any) for each significant activity.

Highlights

- Year to date operating surplus is \$2,225K vs. budget surplus \$2,105K the results are favourable to budget by \$120K
- Total surplus YTD is \$2,538K vs. budget surplus \$2,369K

Operating income has a favourable variance including \$93K for Fees & Licences, of which \$54K is a favourable variance for building consent revenue. Land Transport expenditure is \$89K favourable to budget, we expect this to be on budget for year end. Water supply is unfavourable by \$81K, we expect this to be on budget by year end.

- Council is in sound cash position, Working capital \$14,712K.
- Interest cost 2.82% of rates revenue, SWDC maximum 12%.
- Current Net debt \$17,500K, at 3.26% average borrowing rate. Maximum debt per LTP: \$25,820.
- Budgets have been phased based on last years actual spend. Some variances are due to actual spending patterns being different between years.

2. STATEMENT OF FINANCIAL PERFORMANCE

OPERATING INCOME

Rates

On budget.

Rates Penalty

Favourable \$11K, due mainly to \$6K water penalty not budgeted for.

Interest Revenue

Favourable \$27K due to interest rates being higher than budgeted

Fees & Licences

Favourable \$93K, The number of building consents remains high \$54K over budget, resource consents income also up \$27K over budget, Liquor & Health licences are trending higher then last year so up on budget \$9K.

User Levies

Unfavourable \$23K, due to water fees unfavourable (UF) to budget \$57K partly due to water waivers from previous year. Solid waste management fees favourable (F) \$21K, LIMs \$9K F due to increase in demand.

NZTA Subsidy

Operating Income \$89K unfavourable, Capital Income \$6K unfavourable. The full year programme will be met so actual should align with budget at year end.

Rental / Hire

Favourable \$21K, made up of rental income \$10K F and campgrounds \$6K F.

Miscellaneous Income

Unfavourable \$89K, due to \$22K footpath deposits being repaid to property owners.

OPERATING EXPENDITURE

Corporate Services

Favourable \$30K, mainly savings in salaries and wages YTD.

In-house Professional Services

Unfavourable \$28K, mainly due to valuation costs not budgeted until later in the year.

Governance

Unfavourable \$18K, \$11K relates to the payment of the communications allowance to Councillors. This was budgeted for in January 2019 but paid in September 2018.

Public Protection

Overall Public Protection is Favourable \$11K, there are some variances in the outputs below that offset each other.

Public Protection & Health

Favourable \$6K, expect to be on budget at year end.

Building and Construction

Favourable \$12K.

Animal Control

Unfavourable \$4K.

Emergency Management

Unfavourable \$2K.

Resource Management

Favourable \$61K, Salaries and wages \$29K F due to staff changes and vacant for short time, Legal expenses \$14K F, Consultants expenses \$12K F.

Economic Cultural & Community Development

Economic Development

On budget.

Community Wellbeing

Unfavourable \$24K due to 75% youth grants and Kuranui feasibility study committed in LTP has been expensed, but no prior year expenditure so budget timing not accurate. Will be on track at year end.

Amenities

Overall Amenities is Favourable \$49K, there are some variances in the outputs below that offset each other.

Swimming Pools

Favourable \$65K, Contractors \$54K F, work to be completed in November to prepare pools to open for season will use up this favourable variance.

Community Buildings

Unfavourable \$7K, Cleaning \$4K UF, due to ANZAC & Kiwi clean up not budgeted.

Cemeteries

Unfavourable \$9K, Routine maintenance higher than budget by \$6K.

Rental Properties

Unfavourable \$38K, \$19K, due to expenses on properties intended for sale not budgeted. \$11K, due to FTN sport stadium overlay interior walls with ply and lighting not budgeted for.

Toilets

Unfavourable \$30K, will be on track by year end

Land Transport

Expenditure of \$1,371K, is made up of:

- Subsidised \$1,292K
- Non Subsidised \$80K

Favourable \$89K, to budget year to date, expected to be on track at year end.

Water Supply

Unfavourable \$81K, mainly routine maintenance \$47K and depreciation \$30K.

Solid Waste Management

Favourable \$28K, due to less spent on landfill maintenance. Expected to be over budget by year end due to high summer volumes from visitors to the district.

Wastewater

Favourable \$69K, due to routine maintenance and utilities being under budget YTD (\$10K and \$19K respectively).

Stormwater Drainage

Favourable \$14K, mainly less routine maintenance spent.

CAPITAL EXPENDITURE INCOME

NZ Transport Agency

On budget

Grants

\$25K favourable to budget due to Waihinga Centre grant budgeted in previous years.

Contributions

Favourable \$30K.

3. STATEMENT OF FINANCIAL POSITION

Working Capital

Working capital (current assets less current liabilities) stands at \$14,712K. (30 June 2018 \$8,802K).

Prepayments and Receivables

Prepayments and receivables total \$4,971K. Key components are Rates receivables \$3,834K, Water debtors \$93K, Interest receivable \$145K and NZTA subsidies receivable \$112K.

Payables and Accruals

Payables and accruals total \$3,338K. Key items are Sundry creditors \$553K, Rates in advance SWDC \$334K, Rates owing to GWRC \$1,049K, Contract retentions \$282K

Public Debt Current Portion

The comparative column shows a variance between the 30 June amount and that now reported. For the annual report we are required to split out the current and term portions of the public debt. For management reporting we report all public debt as one amount. (Non-current)

Gross Public Debt

Total public debt stands at \$17,500K. This is unchanged from 30 June 2018.

Appendix 4 – Health and Safety Report

South Wairarapa District Council Health and Safety Report 10 October 2018 – 27 November 2018

HEALTH AND SAFETY STRATEGY

We continue to progress well on implementing our health and safety strategy and work plan.

RESOURCING

There are no health and safety resourcing issues. Julie Wallace, working 1 day a week.

HEALTH AND SAFETY – DRIVING CONTINUOUS IMPROVEMENT (lead indicators)

Training

SWDC are continuing to review health and safety training needs of new and existing staff.

Engaging with our people

Health and Safety at Work Team have recently:

- Continued to look at how the team can keep health and safety alive through contributing in team meetings and providing messages to team mates in the health and safety newsletter.
- Continued to contribute to content for health and safety notice boards.
- Contributed to judging our "Let nature in" photo competition.
- Reviewed our Health and safety manual and Emergency procedures manual. A link has been put on desktops for all staff. Health and safety at work team will assist Managers to promote need for staff to familiarise themselves with the manuals.

Working with Volunteers

Guidelines have been developed for Community Boards who enlist the help of volunteer groups with council projects.

Near Miss reports

No near misses reported in the period 11 October – 27 November 2018.

Wellness

Organizations that prioritize wellbeing have better engagement, reduced absenteeism and higher productivity, while people have improved wellbeing, greater morale and higher job satisfaction.

- All staff continue to be offered flu injections.
- All staff offered annual wellness payment of \$200.
- Our health and wellness program has kicked off with a "Let nature in" photo competition. We had a great response to the photo competition with 70 photos entered of staff capturing their outdoor activities.
- Our wellness focus for November is "Sunsmart".

Working with our Contractors

4 Contractor audits undertaken	1 Contractor audits met expectations	0 Did not meet expectations	3 Minor remedial actions taken
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Council continue to implement the contractor management system.

- Council staff continue to evaluate contractor's health and safety systems.
- Council staff who engage contractors continue to engage with contractors through pre-start meetings, inductions and safety audits, promoting Councils health and safety expectations.
- No contractor incidents reported.

HEALTH AND SAFETY ACCIDENT & INCIDENT REPORTING (Lag indicators)

No incidents reported during the period 11 October 2018 to 27 November 2018. All accident and near miss reports are referred to the Health and Safety at Work Team and Management, who review and satisfy themselves appropriate actions have been taken and where necessary, appropriate additional controls are put in place.

RISK MANAGEMENT

Work on hazard registers is ongoing, controls are currently being reviewed by the H&S at Work Team, and staff are encouraged to report new hazards through the monthly newsletter and staff meetings.

We will be providing updates on how we are managing our biggest risks. To give you the assurance that we understand our biggest risks, what controls and reduction measures are required, and actions we are taking.

Here is an update on two key risks we are currently focussing on:

Risk	Description of risk	Controls and reduction measures	Actions
<p>Contractors</p>	<p>Contractors undertake a number of high risk activities for Council. We have little control over Contractors staff and work standards while they are working for Council.</p> <p>We rely on them employing staff who are competent and trained, while observing safe work practices.</p>	<p>Contractors working for Council have robust health and safety systems in place, and understand their obligations. Contractors will be fully briefed, responsibilities assigned, and work will be periodically assessed to ensure agreed controls are being managed.</p>	<p>Contractor management system designed.</p> <p>Contractors asked to provide their H&S systems for checking by Council.</p> <p>Once approved, contractors will be asked to sign a contractor agreement.</p> <p>Contractor pre-start briefings and inductions have been developed and provided to appropriate staff.</p> <p>Site safety audit checklists have been developed and provided to appropriate council staff. Staff who manage contractors have been undertaking safety audits and ensuring remedial actions undertaken where required. Contractor safety audit standards added to the audit checklists to assist managers and staff when undertaking a safety audit.</p> <p>When work is commissioned, a risk assessment is done to inform the frequency and type of safety audits.</p> <p>Contractor post contract safety review developed to assist managers with</p>

			<p>safety conversations with contractors when work is complete.</p> <p>Reviewed all our listed contractors to re-assess the risk associated with the work they are doing for council and to ensure we are getting health and safety information that is appropriate for the level of risk they are managing on council behalf. See attachment one "Contractor engagement and review".</p> <p>Work continues chasing up contractors who have provided insufficient or no information.</p>
<p>Lone / remote workers</p>	<p>It is not always possible for staff to work in teams or even in pairs. Often staff are required to work alone and remotely, where in some cases poor cell phone coverage is an additional factor.</p>	<p>All staff who work remotely or alone will be provided with cell phones. They will be required to sign out before they leave, including their intended location and expected time of return. This will be monitored and action taken in line with an emergency response plan if help is summoned or they fail to return by the expected time. They will be required to sign in when they return. They will be provided with a device to summon assistance which do not require cell phone coverage.</p> <p>Consideration to be given to having vehicles fitted with GPS.</p>	<p>Staff who work remotely or alone to have access to cell phones. Sign out/in systems in place and being used.</p> <p>Garmin InReach remote contact device currently being used by Bylaws team. Device meets legislative requirements by providing two way communication in areas out of cellular range. Device also provides GPS functionality, enabling manager to pinpoint location of staff.</p> <p>A second Garmin device has been purchased for use by the remainder of staff who work in lone/remote situations. Device currently being trialled by Roading team. This will be monitored, with additional devices purchased if required.</p> <p>Monitoring process for sign out/in system developed and implemented by Bylaws and Roading teams.</p> <p>Training in the use of the device, monitoring, and emergency</p>

			<p>procedures rolled out to Managers, Bylaws and Rooding team. Emergency Action Plans developed. Teams have reported monitoring and the Garmin device is working well.</p> <p>Work to be done with remaining teams to look at need for Garmin device and that monitoring is appropriate for the work they are doing.</p>
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Contractor engagement and review

When commissioning work and completing the work order a risk assessment should be undertaken to determine risk profile, which will inform the pre-qualification and review process.

When assessing risk profile consider:

- Type of work and the risk associated with the work
- Frequency of work
- Number PCBUs / workers on site
- Term of contract
- Value of contract?

Low risk

Pre-qual

Proof worker competency
Pre-start meeting - discuss hazards and controls, agree responsibilities

Review

Contractor Induction
Contractor agreement
Annual review

Medium risk

Pre-qual

Contractor questionnaire
Pre-start meeting - discuss hazards and controls, agree responsibilities

Review

Induction
Contractor agreement
Contractor safety checks quarterly
Annual / post contract review

High/Extreme risk

Pre-qual

Tender process
Contractor questionnaire
Site specific safety plans
Pre-start meeting - discuss hazards and controls, agree responsibilities

Review

Induction
Ongoing meetings
Contractor audits 2 - 4 weekly
Post contract review

Low risk contractor	Medium risk contractor	High/extreme risk contractor
Examples of low risk work:	Examples of medium risk work:	Sophisticated safety systems required. Examples of high risk work:
<ul style="list-style-type: none"> • Cleaners • Project managers/consultants • Suppliers of mats, towels, feminine hygiene • Maintenance work requiring use of hand tools • Servicing office equipment such as photocopiers • Working at heights less than 2 metres • Gardening and landscaping requiring use of hand tools. 	<ul style="list-style-type: none"> • 240V electrical work • Plumbing • Pest control (excl toxic chemicals) • Lone work in areas of poor cell coverage • Work dealing with potentially difficult public • Working at height over 2 metres under 3 metres. • Auto door service and maintenance • Drone photography • Gardening / landscaping / lawn mowing (hand mowers and ride-ons) • Cash collection/banking • Fire extinguisher/alarm and sprinkler systems supply and maintenance • Elevated platforms under 5 metres • Work within 5 metres of public occupied spaces. 	<ul style="list-style-type: none"> • Any work requiring WorkSafe notification or permits to work • High voltage electrical work • Confined space • Excavations that are WorkSafe notifiable • Tree felling or pruning • Roading projects • Asbestos removal • Demolition (>1.5m) • Handling hazardous goods/chemical • Lawn mowing using tractors, mowers, heavy machinery • Working at height over 3 metres • Hot works • Work involving self-propelled plant or equipment