Audit, Risk & Finance Committee

AGENDA

Notice of Meeting:

A meeting of the Audit, Risk & Finance Committee will be held on:

Date:	**Thursday 19 March 2020**
Time:	**1.30pm**
Venue:	**Council Chamber** **137 Havelock Street, Ashburton**

Membership

Chairperson	Leen Braam
Deputy Chairperson	John Falloon
Members	Carolyn Cameron Liz McMillan Stuart Wilson Murray Harrington (external appointee) Mayor Neil Brown (ex-officio)

Audit, Risk & Finance Committee

Timetable	
1.30pm	Meeting commences
1.45pm	EMC representatives (Quarterly report) - James Urquhart and Bruce Moffat

ORDER OF BUSINESS

1 Apologies

2 Extraordinary Business

3 Declarations of Interest

Minutes

Reports

Cont'd

Business transacted with the public excluded

4. Audit Risk & Finance Committee minutes

Minutes of the Audit, Risk & Finance Committee meeting held on Tuesday 4 February 2020, commencing at 1.30pm, in the Council Chamber, 137 Havelock Street, Ashburton.

Present

His Worship the Mayor, Neil Brown; Councillors Leen Braam (Chair), John Falloon, Carolyn Cameron, Liz McMillan and Stuart Wilson; Murray Harrington (external appointee).

Also present:

Councillors Angus McKay and Diane Rawlinson.

In attendance

Hamish Riach (Chief Executive), Paul Brake (GM Business Support), Jane Donaldson (GM Environmental Services), Sarah Mosley (Manager People & Capability), Rachel Sparks (Finance Manager), Michael Wong (Building Services Manager), Ruben Garcia (Communications Manager) and Phillipa Clark (Governance Team Leader).

1 Apologies

Nil.

2 Extraordinary Business

Nil.

3 Declarations of Interest

Nil.

4 Confirmation of Minutes 4/12/19

That the minutes of the Audit, Risk & Finance Committee meeting held on 4 December 2019, be taken as read and confirmed.

Wilson/Falloon Carried

5 Bancorp Treasury Report

That the December 2019 report be received for discussion.

Falloon/Harrington Carried

5 Financial Variance Report – December 2019

The Finance Manager outlined the year to date report and an explanation was provided on the variances.

Officers will provide an update on RDR bridge contract to the Infrastructure Services Committee. It was noted that the upgrade work delay is due to the race shutdown and the decision to combine three bridges into one contract. The Infrastructure Services Committee will also look at whether budget provision for the EA Networks Centre pool extension will be expended, or allocated to an IS project.

Officers were asked to report back on the reason for the delay with the Lake Clearwater survey of titles.

The Finance Manager acknowledged the request for future finance reports to provide more detail on year to year comparisons.

Business transacted with the public excluded – 1.49 pm

That the public be excluded from the following parts of the proceedings of this meeting, namely – 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:

<table>
<tr><th>Item No</th><th>General subject of each matter to be considered:</th><th colspan="2">In accordance with Section 48(1) of the Act, the reason for passing this resolution in relation to each matter:</th></tr>
<tr><td>7</td><td>Minutes 4/12/19</td><td>Sections 7(2)(h) & 7(2)(a)</td><td>Commercial activities
Protection of privacy of natural persons</td></tr>
<tr><td>8</td><td>Electricity Ashburton Shareholder Committee 6 month report</td><td>Section 7(2)(h)</td><td>Commercial activities</td></tr>
<tr><td>9</td><td>Building Consent</td><td>Section 7(2)(h)</td><td>Commercial activities</td></tr>
<tr><td>10</td><td>PWC Annual Tax Summary</td><td>Section 7(2)(h)</td><td>Commercial activities</td></tr>
<tr><td>11</td><td>Health & Safety Report</td><td>Section 7(2)(a)</td><td>Protection of privacy of natural persons</td></tr>
</table>

Falloon/McMillan Carried

The Committee resumed in open meeting at 2.54pm.

5. *Airport Authority Subcommittee minutes*

Minutes of the Ashburton Airport Authority Subcommittee meeting held on Thursday 5 March 2020, commencing at 10.30am, in the Mayor's Reception Room, 5 Baring Square West, Ashburton.

Present

Councillors Leen Braam (Chair), Rodger Letham and Lynette Lovett.

Also present: Cr John Falloon

In attendance

Colin Windleborn (Commercial Manager), and Phillipa Clark (minutes).

1 Apologies

Nil.

2 Conflict of Interest

Nil.

3 Notification of Extraordinary Business

- **Drones**

With the agreement of the Chair, the Commercial Manager tabled a map for members' information showing the 4km radius around the Ashburton aerodrome where drones are not permitted to fly.

4 Granting of Owners' Consent for Refueling Station

Appendix 1

The Commercial Manager reported that BP will be removing the underground fuel tanks as they have reached the end of their useful life. BP will relinquish their lease and discontinue the supply of fuel.

The Subcommittee heard that a new lease will be entered into with RD Petroleum who have agreed to supply and install a 20,000l AV gas tank (current fuel) in addition to a 20,000l tank of Jet A1 (new fuel). This is currently the subject of an application for resource consent. Once consent is approved, construction will start. Council will supply the concrete for the apron and some landscaping.

Mr Windleborn advised that a new site was identified for installing the tanks which will give tankers access without needing to go to the operational area. Security fencing and cameras will be installed along with traffic signage and landscaping.

The Subcommittee noted that the user group members of the Airport have unanimously supported the proposal which will see an increase in activity at the airport for refueling, and an increase in landing fees.

The Commercial Manager has given owner's consent on behalf of Council as an affected party.

That the Airport Authority Subcommittee receives the report.

Letham/Lovett Carried

Extraordinary Business – Drones

The map of the drone boundary has been extracted from www.airshare.co.nz . AirShare is the UAV and drone hub for New Zealand.

The Subcommittee asked for more information on where drones can and can't be flown. The Commercial Manager will report further to the Audit, Risk & Finance Committee on the district's drone restrictions and the effect of this boundary on the airport and the Ashburton hospital helipad.

Business transacted with the public excluded – 10.50am

That the public be excluded from the following parts of the proceedings of this meeting, namely – 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:

Item No	General subject of each matter to be considered:	In accordance with Section 48(1) of the Act, the reason for passing this resolution in relation to each matter:	
5	Airport Users Health & Safety Committee	Sections 7(2)(h) & 7(2)(a)	Commercial activities Protection of privacy of natural persons
6	Ashburton Airport Lease Management	Section 7(2)(h)	Commercial activities

Letham/Lovett Carried

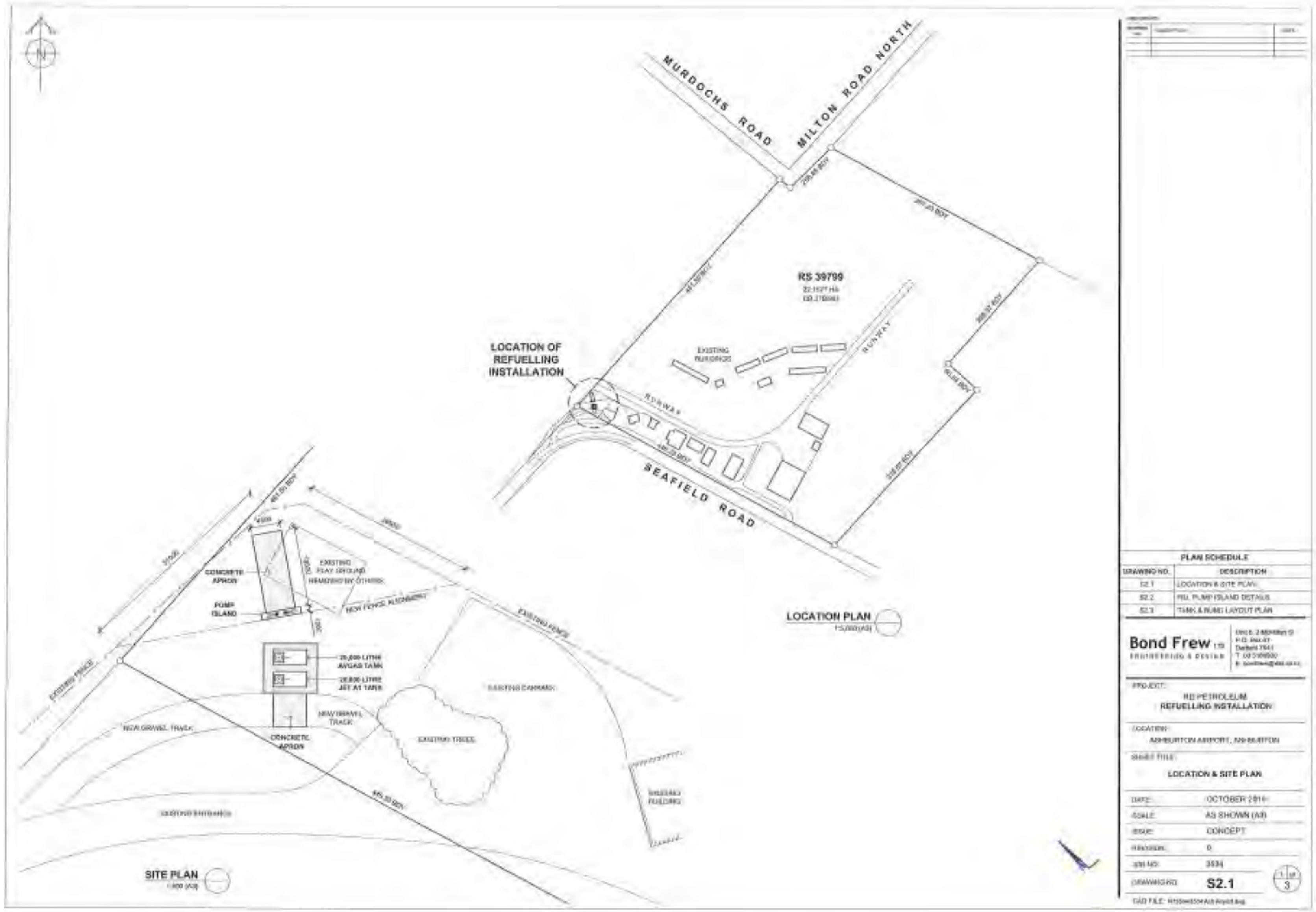
Terms of Reference

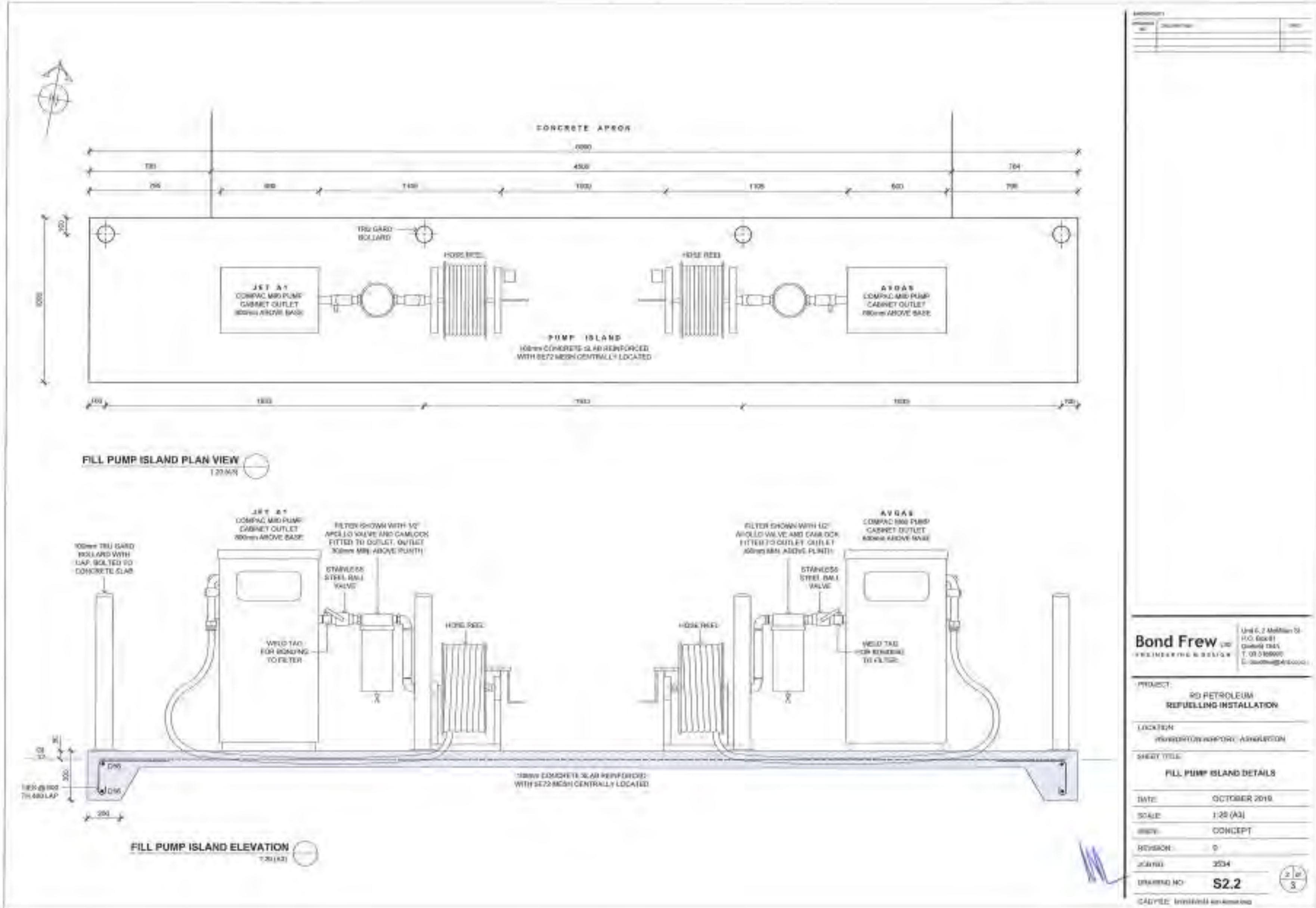
At the conclusion of the meeting the Subcommittee agreed that its terms of reference, amended only to reflect the change of names in the current term of Council, will be recommended for adoption. **Appendix 2**

The Committee resumed in open meeting at 11.20am.

APPENDIX 1

Ashburton Aerodrome Site Location Plan
Write a description for your map.
Legend
Ashburton Airport
Ashburton Aviation Museum Society Inc.
Google Earth
800 m


MURDOCHS ROAD
MILTON ROAD NORTH
RS 39799
LOCATION OF
REFUELLING
INSTALLATION
EXISTING
BUILDINGS
RUNWAY
SEAFIELD ROAD
LOCATION PLAN
CONCRETE
APRON
PUMP
ISLAND
NEW FENCE ALIGNMENT
EXISTING FENCE
EXISTING CARPARK
EXISTING TREES
NEW GRAVEL TRACK
CONCRETE
APRON
SITE PLAN
PLAN SCHEDULE
DRAWING NO.
DESCRIPTION
LOCATION & SITE PLAN
TANK & BUND LAYOUT PLAN
Bond Frew
REFUELLING INSTALLATION
LOCATION & SITE PLAN
OCTOBER 2016
AS SHOWN (A3)
CONCEPT
S2.1


CONCRETE APRON
TRU GARD BOLLARD
HOSE REEL
HOSE REEL
JET A1
COMPAC M80 PUMP
CABINET OUTLET
AVGAS
COMPAC M80 PUMP
CABINET OUTLET
PUMP ISLAND
FILL PUMP ISLAND PLAN VIEW
STAINLESS STEEL BALL VALVE
STAINLESS STEEL BALL VALVE
WELD TAG FOR BONDING TO FILTER
WELD TAG FOR BONDING TO FILTER
FILL PUMP ISLAND ELEVATION
Bond Frew LTD
ENGINEERING & DESIGN
PROJECT:
RD PETROLEUM
REFUELLING INSTALLATION
LOCATION:
SHEET TITLE:
FILL PUMP ISLAND DETAILS
DATE:
OCTOBER 2019
SCALE:
1:20 (A3)
CONCEPT
REVISION:
0
3534
DRAWING NO:
S2.2

Ashburton Airport Authority Subcommittee

Terms of Reference

Purpose and Scope

To be a reference group for Council to share information, provide feedback, comment and suggestions on forward programmes, budget and other relevant information related to Ashburton Airport.

Membership

Membership of the Subcommittee comprises:

- Cr Leen Braam (Chair)
- Cr Rodger Letham
- Cr Lynette Lovett
- Mayor Neil Brown (ex officio)

The quorum is two members.

External Representatives

The Subcommittee may request representatives from other organisations to attend meetings, as required, to provide information. These representatives may not participate in voting on any matter requiring a vote at the meeting(s) they attend.

Stakeholders from the Ashburton Airport User Group will meet with the Airport Authority Subcommittee as required, but at a minimum tri-annually.

Meeting Frequency

The Subcommittee will meet as required but at a minimum, tri-annually.

Subcommittee members shall be given not less than 5 working days' notice of meetings.

Responsibilities

The Ashburton Airport Authority Subcommittee has responsibility for the following functions:

- Setting priorities of the work plan
- Approving a detailed work plan to derive expenditure estimates for the Long Term Plan
- Receiving Council officer reports on:
  - work programme progress
  - the level of expenditure against budget
  - health and safety regulation compliance
- Considering and making recommendations on the project plan and timetable.

- Receiving progress reports on projects, where appropriate, and reviewing significant issues and risks arising.
- To make recommendations to the Audit, Risk & Finance Committee on matters which require a formal resolution from Council before they can be enacted.

The Airport Authority Subcommittee has delegated authority to undertake the administration of all statutory functions, powers and duties within its terms of reference, other than those specifically delegated to any other Subcommittee, Committee, or retained by Council.

Reporting

The Ashburton Airport Authority Subcommittee will report to the Audit, Risk & Finance Committee.

Recommendations on items not covered by the Audit, Risk & Finance Committee delegations shall be forwarded to Council meetings.

Date Adopted:

(TBC 9 April 2020)

Quarterly Update – February 2020

Final Audit Opinion:

EMC is still awaiting the final audit opinion from Audit New Zealand, during the initial Audit, Audit New Zealand found that EMC had been paying too much tax and was due to refund. EMC's accountant Croy's worked with the IRD over 12 weeks to obtain a return of the overpaid taxes, which we received late December. Audit New Zealand's tax Manager in Auckland is still investigating to ensure we have received all monies owed. As of 13 February 2020, we are still awaiting sign off by Audit NZ. They have confirmed all other aspects of the EMC Audit are completed.

District Visitor Performance:

MBIE's Monthly Regional Tourism Estimates (MRTE) Visitor Spend Results are run from April – March each financial year.

We have just received the MBIE Visitor Spend data to the end of November, and we are happy to confirm that we are on track to achieve our visitor spend objective in the Statement of Intent 2019 – 2020. As at 10 February EMC's visitor spend contribution to the local GDP is $191m up by $6m from the previous report $185m. Pending the impacts of the Coronavirus outbreak, we should meet the $193m target.

Overall estimated Visitor Spend to November 2019 - $191m

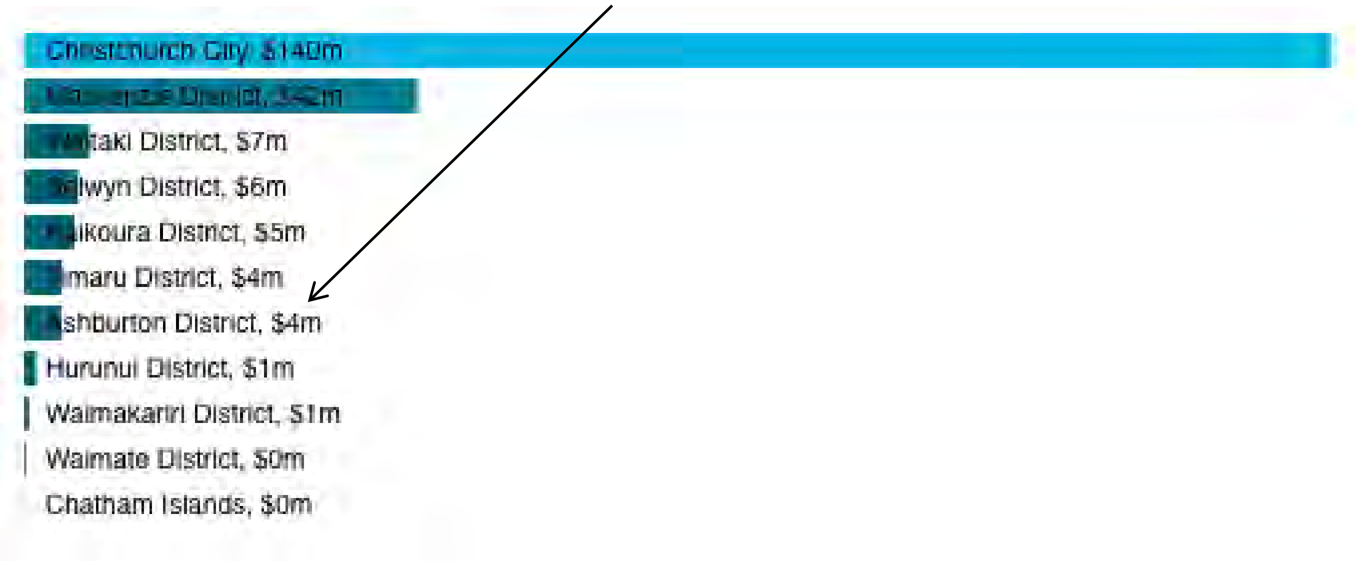
These figures do not include, Airbnb or any booking type made online before visiting the district. This data is from direct transactions at the EFTPOS, ATMs within the community only.

Coronavirus Outbreak:

While it's too early to determine the visitor spend impacts in our district, we expect the Coronavirus will reduce spend from our Chinese and Rest of Asia markets. While the focus is on China, we will see a reduced spend from our Singapore, Malaysia, Indonesia Markets, which is EMC 2nd largest international market by spending.

Our strategic partners such as Christchurch Airport and Tourism New Zealand will likely activate post Coronavirus campaigns with China South Airlines, Singapore Airlines and New Zealand to ensure a swift recovery.

Current spend by Chinese visitors – November 2019 - $4m



Current spend by "Rest of Asia" visitors – November 2019 - $26m

There have been many media stories in recent weeks of other districts across New Zealand who are suffering from significant downturn from the virus, in many ways, this is due to their extensive focus on the Chinese market. Over recent years EMC has used its learning from the SAR's and Christchurch Earthquake situations to ensure we diversify our markets. So while the Coronavirus will have some impact on our overall visitor spend, we hope that the work we are doing in the Australian market will help to recover any loss.

Freedom Camping Performance:

Freedom Camping

Overnight stays in the Ashburton District of travellers using a Geozone website:

	Total Overnight Stays	Ashburton Area	Methven Area	Rakaia Area	South East Area	Other Areas
Jan-19	2931	1847	528	322	264	29
Feb-19	2973	2022	446	268	208	30
Mar-19	2954	1950	502	295	207	0
Apr-19	1791	1290	251	143	107	0
May-19	1860	1246	353	130	112	19
Jun-19	1457	947	248	189	73	0
Jul-19	1741	1114	296	226	87	17
Aug-19	2038	1223	469	224	122	0
Sep-19	1971	1222	453	158	138	0
Oct-19	1907	1182	381	267	76	0
Nov-19	1371	836	260	151	110	14
Dec-19	2032	1361	366	203	102	0
Jan-20	1962	1354	314	235	59	0

Overnight stay by location

The overnight stay data below has been captured by the number of times users of the GeoZones “Campermate” app viewed a Campground profile in the Ashburton District. This data gives a good sense of popularity. Geozone uses this data to determine what freedom campsites in our region are getting the most views and therefore are the most popular.

Total views of Camp Sites in the Ashburton District **(Non-Commercial sites only)**

	Rakaia Huts Reserve	Taylors Stream Closed	Bowyers Stream	Hinds River
Jan-19	2210	467	1838	1526
Feb-19	1887	450	1854	1505
Mar-19	1748	1388	1850	1598
Apr-19	1047	1408	1252	1208
May-19	761	1090	809	749
Jun-19	405	450	415	356
Jul-19	407	180	645	378
Aug-19	542	168	676	429
Sep-19	692	234	870	712
Oct-19	1094	298	959	814
Nov-19	1616	192	1214	1152
Dec-19	2045	2514	1989	2046
Jan-20	2104	1751	1362	1358

Methven i-Site Visitor Information Centre:

Methven i-Site Visitor Information Centre has had the most challenging summer on record, while this is consistent across all i-Site's nationwide, it's made it very difficult for the Methven i-Site team to create a profitable return. Retail sales have been significantly decreased due to the lack of foot traffic into the i-Site. EMC advanced funds in November and December to ensure the I-Site wasn't carrying debit. We are hoping for a stronger revenue outcome as we move into the winter months.

	Jan-20	Dec-19	Nov-19	Oct-19	Sep-19	Aug-19	Jul-19	Jun-19
Income								
Booking Commission Income	173.07	223.12	246.03	30.20	85.87	0.00	0.00	0.00
Gross Booking Sales	1,844.35	2,716.54	2,743.91	1,274.79	4,189.14	8,057.21	7,717.38	5,085.24
Retail Sales	1,781.42	3,004.17	2,067.35	4,397.70	4,450.12	8,116.92	7,878.69	4,658.78
Total Income	**3,798.84**	**5,943.83**	**5,057.29**	**5,702.69**	**8,725.13**	**16,174.13**	**15,596.07**	**9,744.02**
Less Cost of Sales								
Cost of Book Sales	1,708.61	1,993.54	2,091.52	1,910.83	6,703.03	8,457.20	8,841.99	3,831.44
Retail Stock Purchases	934.24	314.25	336.24	(154.17)	2,138.06	7,372.60	3,835.39	2,267.76
Total Cost of Sales	**2,642.85**	**2,307.79**	**2,427.76**	**1,756.66**	**8,841.09**	**15,829.80**	**12,677.38**	**6,099.20**
Gross Profit	**1,155.99**	**3,636.04**	**2,629.53**	**3,946.03**	**(115.96)**	**344.33**	**2,918.69**	**3,644.82**
Total Operating Expenses	**7,090.99**	**5,527.66**	**7,197.76**	**9,302.93**	**12,965.60**	**14,514.64**	**9,034.80**	**7,949.50**
Net Profit	**11,021.89**	**2,456.46**	**3.69**	**(1,008.75)**	**(12,905.52)**	**(12,739.36)**	**28,451.38**	**(3,624.54)**

Ashburton Library Information Centre:

We continue to monitor the brochure stock weekly and answer tourism questions from the Ashburton Library staff. We observed a considerable uptick in information enquires in December as we come into the summer holidays.

Below is the matrix of visitors attending the library from the information centre's inception:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017											23	75
2018	129	99	105	78	79	39	54	63	50	74	62	32
2019	53	62	91	68	60	20	49	35	26	29	41	90
2020	53											

Digital Marketing

We have a couple of local story writers in our district that wrote blogs on things to do in Summer. In Mid-November, we launched a "Summer is on its way" Facebook and Instagram campaign, targeting 18-55 demographic in Sydney, Melbourne, Brisbane, Perth and key domestic cities. We received a good reach of 3,035 users, and 143 clicked through to read the stories.

In early December we launched 2 USA focused Facebook campaign – "American Airlines is coming to Christchurch and Mid Canterbury" with a focus on users in San Diego, Los Angeles, Santa Barbara, San Jose and San Francisco. We launched with the EMC district video. The campaign was not as effective as campaigns launched in Australia, Asia or New Zealand, which is not surprising as it's a new market for our region.

Overall, we had 2115 thru plays (meaning the user watched the entirety of the video) and it cost EMC $0.05c per view. While the target audience was age 25-60, most of the observations were made by 25-44-year old's. This level of detail with help refine our campaigns targeting the USA more effectively.

We ran a new social media campaign targeting residents from the North of the South Island travelling South for their Christmas Holidays to stop, eat and stay in our district and not get caught up in the traffic delays. The post received 1372 views with a reach of 1996, so this was a good outcome. The majority of the users were female aged 18 - 34.

International Marketing:

- In October EMC travelled to Brisbane to promote Mid Canterbury at the Flight Centre World Expo courtesy of Christchurch Airport, this expo was attended by 18,743. EMC distributed 360 official visitor guides while at the show, each of the people receiving these got a thorough understanding of the Ashburton District, how to travel within it and things to see and do. These consumer events have a crucial for our visitor growth from Australia, as we are talking directly to the buyer.
- While in Australia we try to meet with key travel partners to ensure they are up to date with what's taking place in our district, following the Flight Centre Expo in Brisbane we meet with ANZCRO, Snow n Ski and Experience OZ. We expect to see more booking come our way as a result of the training visits.
- In November we trained 100 Australia Travel Agents at the Tourism New Zealand 100% Aussie Specialist training famil in Christchurch. Agents from across all states in Australia attended the ten-session training event to upskill their knowledge.

Governance:

Trustee Service Matrix – 01 July 2019 – 01 June 2020

EMC Trust deed was re-drafted July 2014 to align all trustees to an October expiry date.

2018 / 19	Position	Start	End	Status
James Urquhart	Chair	14 Jul 2014	01 Oct 2020	3 years – Term 2
Anton Wilke	Deputy Chair	03 Dec 2015	29 January 2019	**Resigned**
Gary Lee	Trustee	26 Aug 2016	01 Oct 2019	3 years – Term 1
Bevan Rickerby	Trustee	01 Jul 2018	31 July 2019	**Resigned**
Sarah Jones	Trustee	01 Jul 2018	01 Oct 2021	3 years – Term 1
Gareth Reed	Trustee	01 Jul 2018	01 Oct 2021	3 years – Term 1

Quorum – 4 Trustees

End of report

Funding Proposal – Experience Mid Canterbury Tourism (EMC)
February 2020

At the meeting held on Thursday 31 October, Mayor Neil Brown requested that Experience Mid Canterbury board members and management review their 2019 / 20 budget and provide a full review of further funding required to support tourism growth in the Ashburton District.

We are requesting an increase in our annual funding of $90,000.00 + GST. Plus $36,831.00 for Audit and governance fees. A full funding total of $501,829.00.

The following document outlines the value and activation of the new funding model to support Experience Mid Canterbury's drive to grow visitor spend.

EMC is funded $374,998.00, which equates to 0.2% of the $185m total visitor spend contributed to the local Ashburton District economy. Of which $60,000.00 is provided to Methven i-Site as operational funding and $43,000.00 is attributed to governance, audit and accounting costs, which were added when becoming a Council Controlled Organisation. Thus leaving EMC $271,998.00 for operational expenses and overheads, within this is $155,128.00 employment-related costs. EMC obtains an additional income of $38,946.00 through local business partnerships and joint venture activity.

The total operating cost and overheads are not nearly enough to expand the marketing and promotion of the district to where it needs to be. Our key markets are New Zealand, Australia, Singapore, Malaysia, United States of America and China in the current spend order. The majority of our promotional activity is supported through joint venture activity with Christchurch Airport, Christchurch NZ and NZSKI.com, without these relationships, EMC would not be able to meet its statutory requirements in growing the visitor pie.

Key areas that need additional funding:

Markets identified with Threats /Opportunities	Market Dynamics	Needs/Solutions	EMC Budget needs	Market Value by Spend	% of funding vs tourism spend.
New Zealand	The New Zealand marketing is the largest contributor to the Ashburton District economy. There are very few consumer events that subscribe to domestic New Zealand travel and its not a mandate for Tourism New Zealand.	As part of EMC 2018 – 2015 Strategy page, We need to grow the domestic portfolio by engaging in consumer marketing content. The district needs to highly visual in Auckland and Wellington. The most effective content to use in the major cities is billboards and Cinema activities, capturing thousands of eyes and ears. We propose to run a series of cinema and digital billboards in June and November, highlighting things to do in the Ashburton District.	$45,000.00 **Cinema AKL & WLG** June, November & December 4 week Campaigns $24,750.00 **Billboard** Status display Pitt Street, AKL x 3 months $8250.00 Thorndon Quay Taranaki Street WLG x 3 Months $9000.00	$128m	0.00035%

Experience Mid Canterbury Tourism
East Street, P O Box 482, Ashburton 7740
P:+64 3 308 2669 E: admin@midcanterburynz.com

Markets identified with Threats /Opportunities	**Market Dynamics**	**Needs/Solutions**	**EMC Budget needs**	**Market Value by Spend**	**% of funding vs tourism spend.**
United States of America	In October 2020, American Airlines will launch its tri-weekly service between Los Angeles and Christchurch. A crucial opportunity to obtain more visitor spend from the USA market. The USA traveller enjoys the luxury of backcountry New Zealand and engages in hunting and fishing, luxury backcountry lodgings, ballooning, farm experiences, heliskiing, rafting all of which Mid Canterbury has to offer. So this is a natural market is secure and grow.	The USA market is critical in our 2018 – 2015 Strategy page. We need to grow the broader West Coast of the USA portfolio by engaging in consumer and trade marketing content. We need to activate more Social media content into California and cities such as Seattle. Once we have a significant number of followers from this region, we will expand into more extensive parts of the US market. Christchurch Airport and Tourism New Zealand will be providing a series of trade events around the west coast in the latter part of the financial year to support the services operated by AA. It would be highly beneficial if EMC could attend these events to gain access to more US market. We would also like to create an Agents Famil of Mid Canterbury, so the Travel agents get the first-hand experience of our products	$30,000.00	$4m	0.0075%

Experience Mid Canterbury Tourism
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Markets identified with Threats /Opportunities	**Market Dynamics**	**Needs/Solutions**	**EMC Budget needs**	**Market Value by Spend**	**% of funding vs tourism spend.**
Rest of Asia – Includes Singapore, Malaysia, Indonesia, Philippines and India.	The Rest of Asia market is the Ashburton Districts most significant international contributor to the local GDP. The Southeast Asia market is fascinated by our culture and backcountry experiences. Jetboating, Luxury stays, farm stays, gardens, rafting, Lord of the Rings and Ski and all activities this market likes to play in	Approximately 22% of our social media followers are from the South East Asia region. As part of the 2018 – 2015 extended team strategy, we need to grow this market to $35-$40 million dollars. To achieve this goal we need to be in the market more with the travel trade such as Travel Agents, wholesales and Corporate travel facilitators. The market is very responsive to face to face training programs so EMC would like to schedule training programs in Singapore, Malaysia and Jarkata (Indonesia) to help drive new business. We would also like to create an Agents Famil of Mid Canterbury, so the Travel agents get the first-hand experience of our products.	$15,000.00	$26m	0.000575%

We appreciate your understanding and consideration for the above funding proposal.

Experience Mid Canterbury Tourism
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7. Experience Mid Canterbury – Draft Statement of Intent 2020-21

Author *Paul Brake; Group Manager Business Support*
GM Responsible *Hamish Riach; Chief Executive*

Summary

- The Committee is asked to consider the draft Statement of Intent for Experience Mid Canterbury (EMC) for the 2020-21 year.
- EMC is a council controlled organisation (CCO) and as such, is required to prepare, adopt and deliver to Council a draft statement of intent by 1 March each year. EMC must then consider any comments that are made by Council on the draft within two months (before 30 April 2020). After considering any shareholder comments, the company must deliver a completed SOI to Council on or before 30 June each year.
- The Audit, Risk & Finance Committee will consider the draft Statement of Intent and advise EMC of any suggested changes. Council will approve the draft Statement of Intent, subject to agreed changes (if any), on 9 April 2020.

Recommendation to Council

1. **That** Council receives the Experience Mid Canterbury 2020-21 draft Statement of Intent and make any comments on the draft Statement of Intent to the EMC Board by 30 April 2020.

Attachment **Experience Mid Canterbury draft Statement of Intent 2020-21**

Background

1. EMC's draft Statement of Intent for the 2020-21 year has been received for Council comment.

2. The draft Statement of Intent sets out EMC's strategic direction for 2020-21 by showing the company's activities and intentions for the year and the objectives to which those activities will contribute.

3. The draft EMC Statement of Intent gives Council the opportunity to influence the direction of the company. It also provides a basis for the accountability of the EMC directors to their shareholders for the performance of the organisation.

1. Council, by resolution, can require the EMC Board to amend the SOI by omitting or including any of the following:

    - Objectives
    - Statements of the Board's approach to governance
    - Nature and scope of activities to be undertaken
    - Ratio of shareholder's funds to total assets
    - Accounting policies
    - Performance targets and measures by which the CCO will be judged
    - Estimates of the amount or proportion of accumulated profits or reserves that may be distributed
    - Type of information to be provided to Council, including the content of the six monthly report
    - Procedures to follow for the CCO to purchase shares in any other venture.

4. EMC reports to Council against a range of agreed performance measures and objectives.

2. As part of its performance monitoring requirements EMC is also required to report to Council at a minimum of four times per year that may include a half year report before the end of February each year, an annual report before the end of September each year, and a detailed budget presented to Council annually.

3. EMC report that the key measurements changed in the 2020-21 draft Statement of Intent are:

- *Performance measure 1 – We expect the visitor spend to decease at a rapid rate due to the covet-19 virus. We have adjusted the index target for 2020/21 to $189m down from $193m in 2019 /20*

- *Performance measure 2 – Has been removed as Statistics New Zealand no longer measure this data*

- *Performance measure 3 – We have lower the target for 2020/21 to 65 as a direct result of Covit-19.*

- *Objective 3 – Performance 1 – We have revised the Methven i-Site's sales performance due to the significant downturn over the 2019/20 summer and the NZ motorbikes tours have been reduced to due to the Covit-19 virus.*

Options analysis

Option 1 – receive the draft statement of intent

Council is required to agree to the Statement of Intent, or if it doesn't agree, must take all practical steps to require the Statement of Intent to be modified.

As there is no significant change from the current year it is recommended that the EMC draft Statement of Intent 2020-21 be approved by Council.

Option 2 – Receive the draft statement of intent and propose amendments

If the Audit, Risk and Finance Committee identifies the need to amend the draft Statement of Intent, the proposed changes will be forwarded to the EMC Board for consideration. Any amendments will need to be agreed to by both Council and EMC.

Legal/policy implications

4. The Local Government Act 2002 requires a council controlled organisation to have a statement of intent. Schedule 8 of the Act outlines the content that must be included in the statement of intent including the requirement for performance measures and targets.

   Sections 66-69 of the LGA 2002 set out the company's reporting requirements.

Financial implications

5. There are no future financial implications relating to the content of the Statement of Intent.

Requirement	Explanation
What is the cost?	Council proposed 2020/21 budget shows funding to fund EMC of $381,058.
Is there budget available in LTP / AP?	Yes- from existing budgets
Where is the funding coming from?	Rated – general and targeted rates
Are there any future budget implications?	No
Finance review required?	No

Significance and engagement assessment

6. There are no significant changes to the SOI and it does not require specific engagement or consultation with the wider community.

Requirement	Explanation
Is the matter considered *significant*?	No
Level of significance	Low-
Level of *engagement* selected	1 Inform only
Rationale for selecting level of engagement	The
Reviewed by Strategy & Policy	Toni Durham: Strategy and Policy Manager

Next steps

Date	Action / milestone	Comments
By 30 April 2020	Advise EMC of Council's decision to approve the SOI (with/without) change)	
By 30 June 2020	EMC to provide Council with the Board's adopted Statement of Intent 2020-21	

STATEMENT OF INTENT
EXPERIENCE MID CANTERBURY TRUST
2020 - 2021

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Ashburton, 7740
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Introduction

Experience Mid Canterbury (EMC) is a Council Controlled Organisation (CCO) for the purposes of the Local Government Act 2002. It has no subsidiaries and is a not-for-profit organisation. A Board appointed by the Ashburton District Council (ADC) under the Trust Deed establishing the CCO governs Experience Mid Canterbury.

This Statement of Intent (SOI) sets out Experience Mid Canterbury's Strategic direction for 2020-2021 and is useful for the financial year. It illustrates how EMC will contribute to Ashburton District Council's broader goals while reflecting the expectation of both Ratepayers and Industry. It describes the context within which the organisation operates, explains how EMC will achieve its outcomes through its activities and initiatives and shows how progress towards these outcomes will be measured.

The role of Experience Mid Canterbury is to ensure that the greater Mid Canterbury region[1] is marketed as a visitor destination to maximise the long-term benefits of the Ashburton District economy. Its specific functions are to develop, implement and promote strategies for tourism as a more extensive district.

[1] *Mid Canterbury region is defined geographically by the Ashburton District territorial authority boundaries.*

1) Importance of Tourism – Setting the Scene

- Visitor income and employment opportunities from tourism investment are key direct outcomes of the ADC Council Long Term Plan, contributing to the district's economic and social development goals.
- Tourism in New Zealand is a $107 million per day industry[2]. Tourism delivers around $39 Billion a year
- In 2008, MBIE released monitors providing regional/district stakeholders with total dollar estimates of tourism expenditure based on EFTPOS, ATM and Credit card spend for the district by visitors. In February 2019 the monitor showed tourism spend in the Ashburton district to be a value of **$184 million vs $171 million** for the previous year (Source: Ministry of Business, Innovation and Employment (MBIE) RTE[3].
- Destination & event promotion increases the direct and multiplier-effect economic benefit[4] to districts and assists in reducing seasonality[5] as well as an opportunity for economical & labour diversification.
- Operator industry knowledge improves advertising uptake, service levels, business viability, client satisfaction, and economic sector growth. All of these factors, over time, contribute to the district social development and wellbeing outcomes.

2) Strategic Direction

The strategic direction is derived from and aligned with several key documents:

- Ashburton District Council EMC Letter of Expectation 2014.
- Experience Mid Canterbury Visitor Strategy 2018 – 2025.
- Ashburton District Council LTP.
- Ashburton District Council District Plan, Physical Activity Strategy, and Walking & Cycling Strategy.
- New Zealand Tourism Four-Year Strategy, 2018 - 2022.
- Conference and Incentives New Zealand (CINZ) Strategic Plan to 2022
- Tourism 2025 – TIA Strategy Plan – Released in March 2014.

The Mission, Vision, and Goals of Experience Mid Canterbury Trust

The Mission of the Trust is:

To promote Mid Canterbury, its attractions and visitor assets as a visitor destination.

The Vision of the Trust is:

To increase the contribution of the Visitor Industry to Ashburton District's economic development.

Objectives and Responsibilities of the Trust

The focus of the Trust is to lead, co-ordinate and promote Mid Canterbury's Visitor Industry.
In carrying out the principal objective, the Trust shall also have the following goals and responsibilities:

- Maximise Mid Canterbury's share of regional consumer spending through strategic campaigns promoting the Ashburton Districts visitor assets, events and activities, throughout New Zealand and overseas.

- Promotion of council community investments appropriate to the visitor sector as part of the generic district marketing activity outlined in the organisation's business plan; Along with providing further promotion opportunities to these assets via the organisation's business partnership.

- To serve as the voice of the district's visitor industry while gathering, analysing and distributing relevant information to the tourism sector and broader business interests of the region.

- Lead and co-ordinate joint venture branding and marketing campaigns that increase the leveraging of marketing funds while aligning the 'Experience Mid Canterbury' brand as appropriate to the visitor industry.

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[2] *Mid Canterbury region is defined geographically by the Ashburton District territorial authority boundaries.*
2 based on overall national spend measured by MBIE
[3] The RTEs provide regional stakeholders with absolute dollar estimates of tourism expenditure at a detailed regional level (i.e. by regional council, territorial authority, visitors' country of origin and industry). http://www.med.govt.nz/sectors-industries/tourism/tourism-research-data/regional-tourism-estimates **Important note:** ***During the 2016 FY changes were made with the structure of the RTE results. The previous measurement created significant delays in reporting to the tourism industry. To mitigate the delays MBIE now captures the electronic data for the year ending March and forecasts the earnings per month (MRTE's), as a result Tourism leaders across the nation can obtain relative data up to and including the previous month. e.g. November forecasted results are made available in December.***
[4] *Estimating the Economic Impacts of Tourism; John E Wagner - Annals of Tourism Research - Volume 24, Issue 3, 1997.*
[5] *Marketing the Competitive Destination of the Future; Dr Dimitrios Buhalis - Tourism Management - Volume 21, Issue 1, Feb 2000.*

- Identify areas of potential market growth while encouraging corresponding council, agencies and operator commitment, and product growth in Mid Canterbury;

- Lead and co-ordinate Mid Canterbury's online-based information and encourage the operation and delivery of other visitor information services that provide quality services achieving excellent customer satisfaction;

- Encourage excellence in tourist amenities, quality of service and hospitality in Mid Canterbury through training, accreditation and information supply for the more extensive service industry;

- Enhance the profile of Mid Canterbury tourism businesses, events and conventions that have potential to grow tourism, bring economic benefit to and utilise critical district assets or cost-effectively increase the profile of Mid Canterbury via strategic and marketing alliances and networks;

- Work with and maintain relationships with regional organisations to promote tourism in the Canterbury Region.

- Build and maintain district confidence in EMC (and the annual investment made by council and tourism beneficiaries), being portrayed as providing expertise that delivers quality services and value for money.

- Promote benefits to the district of the organisation to the local visitor sector businesses, ensuring robust sector annual investment in EMC.

- Generally, do all acts, matters and things as are necessary, conducive or incidental to furthering or attaining the other objects of the Trust set out above. And to carry out these acts and do business in a manner that meets the requirements of its structure under the Local Government Act 2002.

3) Governance

Experience Mid Canterbury Trust is a Council Controlled Organisation and reports to the Ashburton District Council.
The Trust is accountable to the Ashburton District Council for the performance of Experience Mid Canterbury. The Board will aim to meet best practice governance standards and legislative requirements. Including those detailed under a CCO structure as defined in the Local Government act 2002. These include, but are not limited to, being a good employer and exhibiting a sense of social and environmental responsibility as defined in section 59 of the act.

Role of the Board

The Trustees are accountable for setting the strategic direction for the Trust and approving the Statement of Intent and development of the organisation's Key Priorities. The Trust is responsible for the delivery of those parts of the Ashburton District Council Long Term Plan (LTP), which fall within its sphere of responsibility.

The Board monitors organisational and financial performance and ensures that the ongoing viability of the organisation is maintained. It seeks to provide a return on investment through the achievement of objectives.

The Board delegates the day-to-day operation of the Trust to the General Manager and the Management Team, who report to the Board in line with set KPIs.

The Board reports to the Ashburton District Council under Sections 66 and 67 of the Local Government Act 2002 as follows:
a) A minimum of 4 council meetings per year that may include the following reporting.
b) A half-year report before the end of February each year with the presentation of the coming years SOI.
c) An Annual report before the end of September each year.
d) A detailed budget presented to the council annually (generally in November/December for a Long-

Term Plan and in February for an Annual Plan).

Section 68 (a) of the Local Government Act states that those reports must contain the information that is necessary to enable an informed assessment of the operations, including;

- A comparison of the performance of the organisation and its subsidiaries with the Statement of Intent;
- An explanation of any material variances between that performance and the Statement of Intent; and

(b) The dividend, if any, authorised to be paid or the maximum bonus proposed to be paid by that organisation for its equity securities (other than fixed interest securities) for the financial year to which the report relates.

The Annual Report must also include:

(a) Audited Consolidated Financial Statements for that financial year for that organisation and its subsidiaries; and
(b) An auditor's report on those financial statements;
(c) Board member meeting attendance.
(d) Activity reports on the distribution of the Community Events Funding Grant.

A generally accepted accounting practice must prepare the audited financial statements.

As part of the ongoing relationship with Ashburton District Council, the EMC Chair James Urquhart, EMC Board and EMC General Manager meets with the Council quarterly. The EMC General Manager meets with other Council Management when appropriate.

The board will ensure that 'related and third parties' are declared and follow responsible business practices.

Board Membership

Trustee Service Matrix – 01 July 2020 – 01 June 2021
EMC Trust deed was rewritten July 2014 to align all trustees to an October expiry date.

2018 / 19	Position	Start	End	Status
James Urquhart	Chair	14 Jul 2014	01 Oct 2020	3 years – Term 2
Anton Wilke	Deputy Chair	03 Dec 2015	29 January 2019	Resigned
Gary Lee	Trustee	26 Aug 2016	01 Oct 2019	3 years – Term 1
Bevan Rickerby	Trustee	01 Jul 2018	31 July 2019	Resigned
Sarah Jones	Trustee	01 Jul 2018	01 Oct 2021	3 years – Term 1
Gareth Reed	Trustee	01 Jul 2018	01 Oct 2021	3 years – Term 1
Graham Russell	Trustee	01 Oct 2019	30 Sep 2022	3 years – Term 1
Chris Gourley	Trustee	01 Oct 2019	30 Sep 2022	3 years – Term 1

Quorum – 4 Trustees

- Board appointments are made under the Trust Deed as defined in section 5 via a council appointments committee.
- The Board will aim to meet best practice governance and legislative standards.
- The Board will meet no less than eight times per year.
- Subcommittees will be established as required.

Legislative Requirements:

1. Experience Mid Canterbury must provide:
   - Audited consolidated financial statements for that fiscal year for Experience Mid Canterbury with a clean audit opinion.
2. The audited financial statements must be prepared in accordance with generally accepted accounting practice. (Requirement – Local Government Act 2002, Section 69)
3. Annual Report
   - Within 3 months after the end of the financial year (by end September) the Board of EMC is required to deliver a report to Council (available for the public) on the

    - organisation's operations during that year. (Requirement - Local Government Act 2002; Section 67)
- Half Yearly Report
    - Within 2 months after the end of the first half of each financial year (by end February), the Board of Experience Mid Canterbury must deliver a report to Council on the organisation's operations during that half-year. (Requirement - Local Government Act 2002, Section 66)
- The delivery of the Audited Financial Statements for the year ending 30 June by the end of September each year.

4) Management Activities

Background and Operating Environment

The Trust is central to the visitor Industry in Mid Canterbury. It is accountable through the ADC to the people of the Ashburton District. Its primary role is in the leadership of the marketing, development and management of the visitor sector and in coordinating and managing the contributions of the private sector, the ADC, and the promotion sector.

The Main Activities of the Trust

Leadership

- Leading Mid Canterbury's visitor industry growth and development innovatively.
- Coordinating the various visitor marketing and tourism development activities of the private sector, local government and promotional sectors.
  Ensuring that operators and stakeholders feel they receive a positive Return on Investment. Creating transparency promotes industry positivity and aids in driving membership.

Marketing

New Zealand Marketing

- Maintaining a targeted domestic marketing program aimed at bringing leisure visitors to Mid Canterbury.
- Working with Christchurch International Airport (CIAL) and ChristchurchNZ to maintain and grow domestic visitation.

Australian Marketing

- Marketing Mid Canterbury as a key New Zealand visitor destination in the Australian market.
- Working with Christchurch International Airport (CIAL), ChristchurchNZ and Tourism New Zealand to maintain and grow trans-Tasman air links between Christchurch and Australia.

International Marketing

- Marketing Mid Canterbury as a visitor destination targeting long haul markets, notably the emerging market of China, Singapore, Malaysia, India, Indonesia, Philippines as well as UK, USA, Europe.
- Ensuring better connectivity in long haul markets by working with domestic Christchurch air links.
- Align with appropriate TNZ, Christchurch NZ, CIAL & CINZ and TECNZ international campaign activity.

Online Internet Presence

- Lead the integration and reduce duplication of all Mid Canterbury online visitor marketing.
- Coordinating the private, promotional and local government input to the District's online visitor website and its linkages and growth.
- Ensure strong relevant content and links representing Mid Canterbury are achieved and maintained on key 3rd party tourism sites. In particular, the Mid Canterbury Brand and products feature strongly on NewZealand.com and its mobile applications.
- Devise and maintain a social media and application strategy that supports the district's promotional brand position.

Convention & Events

- Encourage and enhance the promotion of convention marketing as appropriate, for events and conventions that bring economic benefit to, or utilise key district assets, or cost-effectively increase the profile of Mid Canterbury.
- Marketing Mid Canterbury as a small to medium regional conference and convention destination to the New Zealand markets.

Trade Marketing

- Maintaining existing channels and opening new opportunities from global travel sellers. Particularly crucial for packaged tours & travel agents. Normally achieved via ChristchurchNZ, TNZ, TRENZ, Inbound Tour Operators, Australian based winter travel shows, relationships with wholesalers and hosting trade & media familiarisations.

Winter Marketing

- Coordinate relationships and marketing activities that cost-effectively increase the profile of Mid Canterbury winter promotion via the snow sports industry.

Research

- Ensuring Experience Mid Canterbury's tourism dataset and information base is industry supportive and able to inform market and product development decision-making properly.

Other Activities

- At the board's discretion, it may partake in opportunities that arise that will increase the Mid Canterbury brand and awareness or enhancement of its visitor assets.

Encouraging, Enhancing & Delivering

Product Development

- In liaison with ADC support the development of new and existing tourism attractions.
- In conjunction with ADC, identify gaps in visitor experiences and advocate on business opportunities to close them.
- Maintaining an awareness of and identify strengths and weaknesses in Mid Canterbury's tourism product and infrastructure and initiate action where appropriate.

Partnership/Relationships

- Maintenance of activity within agreed funding levels.
- Maintaining strong relationships with relevant public and private sector interests (most notably Ashburton District Council, Mt Hutt Ski Area, Christchurch International Airport, ChristchurchNZ, Tourism New Zealand, Tourism Industry Aotearoa, Tourism Export Council).
- Develop and co-ordinate Industry networks for marketing and Industry development.

Advocacy on Behalf of the Industry

- Identify issues that may affect the environment within which the district visitor sector operates.
- Advocate changes to practices and policies that may be inhibiting visitor's economic and social benefit to the district.

Council Relationship Principles

The principles governing the relationship with Ashburton District Council as its primary stakeholder will include:

- Operating on a "no surprises" basis with open and full disclosure of information as required.
- Early advice to Ashburton District Council in the event of any situation that may be potentially contentious in nature or involve an unforeseen or significant variation from the Trust's Business Plan.

5) Measuring Performance

The Trust reports to Ashburton District Council against a range of agreed performance measures that reflect its contribution towards the district's desired outcomes, measures of organisational effectiveness and standards of the health and capability of the Trust.

GOAL

To increase the contribution of the visitor Industry to Ashburton District's economic development and in doing so, the overall well-being of residents.

OBJECTIVES

Objective 1: Maximise share of regional consumer spending and tourism contribution to the district's economy[6]

Service Statement – Tourism Contribution to the District Economy

Maximise Mid Canterbury's share of provincial consumer spending through strategic campaigns promoting the Ashburton Districts tourism assets, throughout New Zealand and overseas;

Performance Measure 1

Performance measure	Ashburton District has a higher Regional Tourism Estimates (RTE) rolling average compared to the previous year
Relevance	The RTE data from MBIE is now the industry benchmark and recognises forecasted visitor expenditure overtime at a territorial authority level.
Measure & Explanation	MBIE use eight product categories to measure the total visitor spend • Accommodation services – e.g. Hotel & motels booked locally • Other tourism products – Activities, e.g. Ballooning, Jet boating • Other passenger transport – e.g. Bus, Train, Rental vehicles • Food and beverages serving services – e.g. Cafés, Restaurants, • Retail sales – Alcohol, food and drinks – e.g. Supermarkets • Retail Sales – Other – e.g. Gifts, clothing etc. • Retail sales – fuel and other automotive products • Cultural, recreation and gambling services, e.g. DOC walks,

Targets*	Index Actual YE 2008**	Index Target 2018/19	Index Actual 2018/19	Index Target 2019/20	Index Actual 2019/20[7]	Index Target 2020/21
Index $ Change % Change	$100	$175m	$185m $ 10m 5.40%	$193m $ 8m 4.10%	$191m $ -2m -1.00%	$189 $ -2m -2.00%

During the 2016 FY changes were made with the structure of the RTE. Results. The previous measurement created significant delays in reporting to the tourism industry. To mitigate the delays, MBIE now captures the electronic data for the year ending March and forecasts the earnings per month. As a result, Tourism leader across the nation can obtain relevant data up to and including the previous month. e.g. November predicted results are made available in December.

- Consideration should be made in that pre-reserved online bookings for accommodation, and other tourism services are not accounted for in these transactions such as Airbnb, Farm-stay and camping, accommodation or experiences type.
- Data Source: http://www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data/monthly-regional-tourism-estimates/annual-spend-grouped-by-region-country-of-origin-and-product-category

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[6] The success measured by these KPIs is and always will be dependent on the level of funding ascribed to the Trust and the Trusts ability to partner in joint venture marketing campaigns and attract 'in kind' or contributions from industry partners. EMC is not solely responsible for attracting visitors, their contribution to the district and their experience. However EMC can have a significant role in influencing these results. Other influences include visitor flows, e.g. seasonal snow outcomes, inbound aviation capacity, global economies and exchange rates, global health and natural disaster issues.

[7] The Index Actual 2019/20 was measured in February 10th – Data to November 2019 with the remaining data for December – March yet to be included. EMC should meet this target.

Performance Measure 2

Due to Statistics New Zealand no longer providing accommodation data, we are no longer able to obtain accurate measurements for this performance. All intentions show that this could be for the foreseeable future.

Objective 2: Maximise share of the districts tourisms industry contribution to the organisation and marketing campaigns.

Service Statement – Tourism Industry Contribution to the Shareholder Contribution.

Maximise Experience Mid Canterbury's percentage of district tourism sector partnering with the organisation via membership and join venture contributions.

Performance Measure 1

Performance measure	Increase the number of tourism partners compared to the previous year						
Relevance	Business Partnership uptake measures sector confidence in and financial contribution to the organisation. Indicates the level of connectivity that the districts operators have with the national tourism sector, information supply and standards.						
Targets	Target 2017/18	Actual 2017/18	Target 2018/19	Actual 2018/19	Target 2019/20	Actual 2019/20	Target 2020/21
	70	66	70	47[8]	70	60	65

Performance Measure 2

Performance measure	Increase the industry contribution value by 5% each year.		
Relevance	Measures contribution from the sector in the collective marketing goals of the organisation and its connectivity with the operators of the district. **Year one to measure Joint venture contribution as a baseline and then will be able to set growth targets.*		
Targets	Activity Ratio Monitor:	Actual 2019/20	Target 2019/20
	$ EMC contribution to $ Industry contribution (E.g. $1: $5)	$1.00: $13.18	$1.00: $15.00
	Plus the total amounts Business partner membership EMC Total Contribution Industry Total Contribution Goods in Kind Total Value **Total Investment**	We are unable to provide this data until the end of the current financial year.	

[8] The actual result for 2018/19 decreased significantly due to EMC adjusting the partnership categories, removing the entry level in an effort to drive revenue growth. This initiative failed.

- **EMC Total Contribution** is paid marketing activity that EMC has carried out.
- **Industry Total Contribution** includes paid support from local tourism operators and funding from our strategic partners, Christchurch Airport, ChristchurchNZ, NZSki.com and Tourism New Zealand.
- **Goods in kind** are experiences and accommodation provided to EMC free of charge for the purpose of trade and media familiarisations within the district.

Objective 3: Achieve and maintain a targeted level of sales and information enquiry at the Methven i-Site Visitor Centre.

Service Statement – Methven i-Site is to meet their sales targets

Maintain a high level of customer service and local knowledge for consumer satisfaction.

Performance Measure 1

Performance measure	Methven i-Site Visitor Centre is to meet its sales performance targets through the sale of the retail and commissionable product.						
Relevance	Meeting sales targets ensures staff performance and customer service excellence. Which in turn will provide substantial returns on the Experience Mid Canterbury Trust balance sheet.						
Targets	Target 2018/19	Actual 2018/19	Target 2019/20	Actual 2019/20	Target 2020/21		
	$59,075	$121,833	$140,000		$70,000		

Supporting Financial Information

Trust Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Statements under the New Zealand Equivalents to International Reporting Standard (NZ IFRS) as from June 2008.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represented amounts receivable for goods and services provided in the ordinary course of business, net of discounts and GST.

Contribution from Industry the Trust receives various contributions from industry/sponsorship. Specific contributions do not take the form of cash. They take the form of free or discounted, flights, hotels, advertising and other tourism-related benefits. The Contributions from Industry/sponsorship that do not take the form of cash are recognised at the face value of such contributions provided to Experience Mid Canterbury Trust. These items have been included as income and expenses in the Statement of Financial Performance. The impact on net surplus for the year is nil.

Interest Revenue

Interest revenue is recorded as it is received.

Taxation

As Experience Mid Canterbury Trust is no longer a Charitable Trust, it no longer has its Income Tax Exemption and is required to pay Income Tax.

Goods and Services Tax
Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables that are recognised inclusive of GST. Where GST is not recoverable as an input tax, it is known as part of the related asset or expense.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash on hand and cash in banks.

Foreign Currency
All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the purchase. Foreign currency monetary items at the reporting date are translated at the exchange rate existing at the reporting date.

Property, Plant & Equipment
Cost Property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Price includes expenditure that is directly attributable to the acquisition of the assets. Where an asset is acquired for no cost or a nominal cost, it is recognised at fair value at the date of purchase.

Depreciation
Depreciation is provided on a straight-line basis for all assets, to write off the cost of each asset to its estimated residual value over its estimated useful life.

Expenditure incurred to maintain these assets at full operating capability is charged to the Statement of Financial Performance in the period incurred.

The estimated useful lives of the major asset classes have been estimated as follows:

Rate Method

Furniture and fittings 33% SL

The estimated meaningful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Disposal
An item of property, plant and equipment is derecognised upon disposal or recognised as impaired when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Performance in the period the asset is derecognised.

Employee Benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Trust in respect of services provided by employees up to reporting date.

Statement of Cash Flows
The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Income Statement. The Statement of Cash Flows represents gross amounts of cash flows in most cases.

Definition of terms used in the Statement of Cash Flows:

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

Financing activities are those activities relating to changes in the equity and debt capital structure of the Trust and those activities relating to the cost of servicing the Trust's equity capital.

Comparative Amounts

Comparative information has been reclassified, where necessary, to achieve consistency in disclosure with the current year.

The estimate of any distributions made to Ashburton District Council

There are no anticipated distributions to be made to the Ashburton District Council.

Procedures for buying other organisations

There are no procedures for buying other organisations, as this is not applicable.

An estimate of Commercial Value

There is no estimate of commercial value as this is not applicable.

Activities for which compensation from Council is sought

The Council has approved the following core operational funding grant for the Trust in the 2019/2020 Annual Plan

- 15/16 $386,254 + GST plus $22,024 for CEFG Events (current LTP figure)
- 16/17 $386,244 + GST plus $22,794 for CEFG Events (current LTP figure)
- 17/18 $385,606 + GST plus $22,794 for CEFG Events (current LTP figure)
- 18/19 $384,998 + GST
- 19/20 $374,998 +GST

The Experience Mid Canterbury Trust no longer administers the CEFG fund, as of 01 July 2018. The Ashburton District Council will manage the $20,000 Events fund, as the council has the human resources and skill set required to operate events on council property and roads, such as traffic management, health and safety and direct accessibility to the council-owned property. The Community Relationship Manager agreed to this in 2017.

Experience Mid Canterbury will continue to list community events on their website and will continue to support the events with social media activity. EMC will continue to encourage members of the community to advise us of all future events.

The savings made by closing the Ashburton i-Site Visitor Centre will be funding increased marketing and promotion of the district as a tourism destination, such as increased digital marketing, print advertising and trade training in New Zealand and key international markets.

Significant Obligations/Contingent Liabilities

The Trust has no contingent liabilities.

• New Objective / Responsibility

In carrying out the principal objective, the Trust shall also have the following objectives and responsibilities: which reads

Engage in cost-neutral or revenue-generating collaborative opportunities with other neighboring local authorities and bodies to improve the effectiveness and efficiency with which it achieves its objectives and responsibilities.

Bruce Moffat
General Manager
For the Experience Mid Canterbury Trust
27 February 2020

• Industry Glossary

CAM	Commercial Accommodation Monitor
CEFG	Community Events Funding Grant
ADC	Ashburton District Council
ITOC	Inbound Tour Operators Council
IVA	International Visitor Arrivals
IVS	International Visitor Survey
LGA	Local Government Act
DTO	District Tourism Organisation
RTO	Regional Tourism Organisation
RTONZ	Regional Tourism Organisation of New Zealand
CIAL	Christchurch International Airport Limited
CCT	Christchurch & Canterbury Tourism
RVM	Regional Visitor Monitor
SOI	Statement of Intent
TIANZ	Tourism Industry New Zealand
TNZ	Tourism New Zealand
TECNZ	Tourism Export Council New Zealand
RTI	Regional Tourism Indicator
MRTE	Regional Tourism Estimates
MBIE	Ministry of Business, Innovation and Employment.

8. Ashburton Contracting Limited – Draft Statement of Intent 2020

Author	*Paul Brake, GM Business Support*
Activity Manager	*Paul Brake, GM Business Support*
General Manager responsible	*Hamish Riach, Chief Executive*

Summary

- The Committee is asked to consider the draft Statement of Intent for Ashburton Contracting Limited (ACL) for the 2020-21 year.

- ACL is a council controlled organisation (CCO) and as such, is required to prepare, adopt and deliver to Council a draft statement of intent by 1 March each year. ACL must then consider any comments that are made by Council on the draft within two months (before 30 April 2020). After considering any shareholder comments, the company must deliver a completed SOI to Council on or before 30 June each year.

- The Audit, Risk & Finance Committee will consider the draft Statement of Intent and advise ACL of any suggested changes. Council will approve the draft Statement of Intent, subject to agreed changes (if any), on 9 April 2020.

Recommendation to Council

1. **That** Council receives the Ashburton Contracting Limited 2020-21 draft Statement of Intent and make any comments on the draft Statement of Intent to the ACL Board by 30 April 2020.

Attachment **Ashburton Contracting Ltd draft Statement of Intent 2020-21**

Background

1. ACL's draft Statement of Intent for the 2020-21 year has been received for Council comment.

2. The draft Statement of Intent sets out ACL's strategic direction for 2020-21 by showing the company's activities and intentions for the year and the objectives to which those activities will contribute.

3. The draft ACL Statement of Intent gives Council the opportunity to influence the direction of the company. It also provides a basis for the accountability of the ACL directors to their shareholders for the performance of the organisation.

5. Council, by resolution, can require the ACL Board to amend the SOI by omitting or including any of the following:

    - Objectives
    - Statements of the Board's approach to governance
    - Nature and scope of activities to be undertaken
    - Ratio of shareholder's funds to total assets
    - Accounting policies
    - Performance targets and measures by which the CCO will be judged
    - Estimates of the amount or proportion of accumulated profits or reserves that may be distributed
    - Type of information to be provided to Council, including the content of the six monthly report
    - Procedures to follow for the CCO to purchase shares in any other venture.

6. As part of its performance monitoring requirements ACL is required to report to Council at a minimum of four times per year that includes a half year report before the end of February each year and an annual report before the end of September each year.

7. There are no significant changes proposed in the ACL 2020-21 Statement of Intent.

Options analysis

Option 1 – receive the draft statement of intent

Council is required to agree to the Statement of Intent, or if it doesn't agree, must take all practical steps to require the Statement of Intent to be modified.

As there is no significant change from the current year it is recommended that the EMC draft Statement of Intent 2020-21 be approved by Council.

Option 2 – Receive the draft statement of intent and propose amendments

If the Audit, Risk and Finance Committee identifies the need to amend the draft Statement of Intent, the proposed changes will be forwarded to the ACL Board for consideration. Any amendments will need to be agreed to by both Council and ACL.

Legal/policy implications

8. The Local Government Act 2002 requires a council controlled organisation to have a statement of intent. Schedule 8 of the Act outlines the content that must be included in the statement of intent including the requirement for performance measures and targets.

   Sections 66-69 of the LGA 2002 set out the company's reporting requirements.

Financial implications

4. There are no future financial implications relating to the content of the Statement of Intent.

Requirement	Explanation
What is the cost?	Council receives a dividend return from ACL
Is there budget available in LTP / AP?	Not applicable
Where is the funding coming from?	Not applicable
Are there any future budget implications?	No
Finance review required?	No

Significance and engagement assessment

5. There are no significant changes to the SOI and it does not require specific engagement or consultation with the wider community.

Requirement	Explanation
Is the matter considered *significant*?	No
Level of significance	Low-
Level of *engagement* selected	1 Inform only
Rationale for selecting level of engagement	The SOI is the same as the previous year.
Reviewed by Strategy & Policy	Toni Durham: Strategy and Policy Manager

Next steps

Date	Action / milestone	Comments
By 30 March 2020	Advise ACL of Council's decision to approve the SOI (with/without) change)	
By 30 June 2020	ACL to provide Council with the Board's adopted Statement of Intent 2020-21	

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ASHBURTON CONTRACTING LIMITED

STATEMENT OF INTENT FROM 1 JULY 2020

(28 February 2019)

ACL0006

28 February 2020

ASHBURTON CONTRACTING LIMITED

STATEMENT OF INTENT FROM 1 JULY 2020
(Covering the Financial Year Ended 30 June 2021)

1. **PREAMBLE**

This Statement of Intent (SOI) is required by section 64 of the Local Government Act 2002.

The Board of a Council Controlled Trading Organisation must deliver to the Council a draft Statement of Intent on or before 1 March each year. The Board must;

a) consider any comments on the draft Statement of Intent that are made to it within two months of 1 March by the Council, and

b) deliver the completed Statement of Intent to the shareholders on or before 30 June each year.

2. GOVERNANCE

Role of the Board

The collective responsibility of the Directors is to direct the management of the Company.

The Board carries out its responsibilities by setting the Company's strategic direction, providing leadership to put this into effect, appointing the Chief Executive Officer (CEO), agreeing targets and objectives and monitoring performance. The CEO has been delegated responsibility for the day-to-day management of the Company. He has an executive team to assist him.

Board Composition

The Company's Constitution provides the Board will consist of not more than five directors of whom not more than one shall be a member or employee of any Local Authority. Directors of the Company are appointed by the shareholder by notice in writing to the Company. The term of appointment shall be for a maximum period of three years, but may be for a lesser period as specified by the Council at the time of appointment. Retiring directors are eligible for re-election.

Board Meetings

Each year there are twelve scheduled directors' meetings. The Board is able to meet at other times if there is business to be conducted. Any two directors have the power to summon a meeting of the Board.

Remuneration of Directors

The Shareholder by ordinary resolution from time to time sets a total maximum amount payable for annual directors' fees divided among the directors as they consider appropriate. Director's Fees may be reviewed on an annual basis with a maximum review interval of two years. The Directors shall engage an independent consultant to provide a recommendation to the Shareholder.

Board Interaction with Management

Board policy is to make site visits to view Company operations and to familiarise directors with issues associated with the business. These visits usually involve interaction between directors and management and direct access to employees when their particular area of expertise is required. Most contact is with the CEO whom the Directors hold accountable for the operational performance of the Company.

Directors Obligations

Directors' Interests

A Directors' Interests Register is maintained and records particulars of notices given by Directors in regard to positions and shareholdings held in other companies and entities. The Register is reviewed annually as part of the Company's annual reporting process. All Board Meetings contain an agenda item addressing any changes to Directors Interests or Conflicts of Interest.

Officers Interests

A Register of interests of senior management is maintained.

Directors' and Officers' Insurance and Indemnity

The Company has arranged Directors' and Officers' Liability Insurance which ensure directors and officers will incur no monetary loss as a result of actions undertaken by them as directors and officers. Certain actions are specifically excluded, for example, criminal acts and the incurring of penalties and fines which may be imposed in respect of breaches of law.

Financial Results

Management prepare monthly accounts which are provided to the Directors as part of the Board Report for review.

Unaudited half yearly summary reports are prepared for the Ashburton District Council.

The Company prepares Annual Accounts which are audited by Audit New Zealand. The directors review and sign the Annual Accounts which are incorporated in the Annual Report.

External Auditor

Section 70 of the Local Government Act 2002 requires that the Auditor General is the auditor of Council Controlled Organisations.

3. OBJECTIVES

The principal objectives of Ashburton Contracting Ltd are in accordance with section 59 of the Local Government Act 2002 to:

a) be a successful business; and

b) be a good employer; and

c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and

d) conduct its affairs in accordance with sound business practice.

4. NATURE AND SCOPE OF ACTIVITIES

The nature of the Company's activities are that of a civil and roading contractor. Its activities include excavation, transport, construction, drainage, civil works, pipeline installation and surfacing (chip sealing/hotmix).
The company manufactures hotmix and readymix concrete.
The company has a vehicle repair workshop which services internal and external customers.
The company carries out quarrying and the supply of aggregates and landscaping products.
The company maintains water, sewer and wastewater facilities.
The company is a partner in the Lake Hood Extension Project (LHEP) joint venture.
The company supplies goods, materials, services and equipment for sale or hire.
The company engages in any other relevant activity as determined by the directors in consultation with the Shareholder from time to time.

5. RATIONALE AND OBJECTIVES FOR ASHBURTON DISTRICT COUNCIL OWNERSHIP

The rationale for the ongoing ownership of the Company in terms of contributing to the Ashburton District Council Long Term Plan is:-

a) To ensure local capacity and capability to undertake civil works, particularly focused on infrastructure.

b) To promote competition in the district for civil construction and maintenance activities.

c) To form part of a balanced portfolio of Council investments.

d) To provide a commercial rate of return on the Council's investment.

6. PERFORMANCE MEASURES

a) Budgeted profit before tax for ACL Parent is achieved. ACL Parent excludes LHEP.

b) The annual rate of return on ACL Parent average shareholder's funds will be a *target* of *12%* before tax based on the rolling average of the last 5 years (excluding any subvention payments and the before tax profit or loss relating to the LHEP).

c) The Company will maintain its ISO 9001 certification.

d) The Company will comply with the Resource Management Act.

e) The Company will ensure business management procedures and practices meet with the requirements of the Auditor such that the Company receives an unqualified audit report of its annual Financial Statements.

f) The Company will (a) maintain its ISO 45001 Health and Safety accreditation and (b) strive to reduce its lost time injury frequency rate year upon year.

g) The Company will achieve its annual budgeted external revenue.

h) The Company will achieve ISO 14001 Environmental accreditation.

7. LAKE HOOD EXTENSION PROJECT (LHEP) POLICY

The Company will actively participate in and manage the performance of its investment in the Lake Hood Extension Project and report on its progress in the Notes to the Financial Statements of the Annual Report.

8. FINANCIAL FORECASTS

The budget projection for the year ending 30 June ***2021*** and forecast projections for each of the years ending 30 June ***2022*** and 30 June ***2023*** will be disclosed to the shareholder, on a confidential basis, in a timely manner to enable the Council to incorporate this information in its Annual Plan.

9. RATIO OF EQUITY TO TOTAL ASSETS

a) Equity is defined as the paid up capital, plus any tax paid profits earned and less any dividends distributed to shareholders. They include undistributed profits which have been accumulated in accounts known as either "Revenue Reserves" or "Capital Reserves".

b) Total Assets are defined as the sum of all current assets, investment assets and fixed assets of the Company.

c) The ratio of Equity to Total Assets will be no less than 50%.

10. DIRECTORS' ESTIMATE OF THE COMPANY VALUE

The Directors estimate that the commercial value of the shareholder’s investment in Ashburton Contracting Ltd will be represented by the opening balance of Equity.

11. REPORTING TO SHAREHOLDER

The Company will report to the Shareholder on both a regular basis and as and when necessary. The following information will be available to the shareholder based on an annual balance date of 30 June:

11.1 Draft Statement of Intent

The directors shall deliver to the shareholder a Draft Statement of Intent on or before 1 March each year which fulfils the requirements of section 64 of the Local Government Act 2002.

11.2 **Completed Statement of Intent**

The directors shall deliver to the shareholder a completed Statement of Intent on or before 30 June each year, which fulfils the requirements of section 64 of the Local Government Act 2002.

11.3 **Reporting**

Within two months after the end of the first half and the second half of each financial year, the Directors will meet with the shareholder and deliver to the Shareholder, a report containing the following unaudited information as a minimum in respect of the period year under review:

a) An Income Statement disclosing actual and budgeted revenue and expenditure and comparative figures for the same period in the previous financial year.

b) A Statement of Changes in Equity with comparative figures for the same period in the previous financial year.

c) A Balance Sheet period with comparative figures for the same period in the previous financial year.

d) An abbreviated Statement of Cash Flows with comparative figures for the same period in the previous financial year.

e) A commentary on the results for the period under review. Where the Report is in respect of the first six months, the report will contain an outlook for the second six months with reference to any significant factors that are likely to have an effect on the Company's performance, including an estimate of the financial result for the year based on that outlook.

f) Commentary on the Company's performance with regard to Health and Safety including appropriate graphical information on the Company's performance and KPIs.

11.4 **Quarterly Reports**

In addition, an abbreviated report, content to be agreed between the Board and the Ashburton District Council to maintain an overview on the Company and its operations, be provided at quarterly intervals between the half yearly report and the annual report.

11.5 **Annual Report**

Within three months of the end of each financial year, the Directors shall deliver to the Shareholder, an Annual Report which shall contain audited Financial Statements in respect of the financial year, containing the following information as a minimum:

a) A Directors' Report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend.

b) An Income Statement disclosing actual and budgeted revenue and expenditure with comparative figures from the previous Annual Report.

d) A Statement of Changes in Equity at the end of the year with comparative figures from the previous Annual Report.

e) A Balance Sheet at the end of the year with comparative figures from the previous Annual Report.

f) A Statement of Cash Flows with comparative figures from the previous Annual Report.

g) An auditor's report on the above statements and the measurement of performance in relation to objectives.

12. ACCOUNTING POLICIES

The accounting policies adopted for Ashburton Contracting Limited are documented in Appendix 1. Note: NZIFRS 16 is due for implementation for the 30 June 2020 Annual Accounts.

13. DIVIDEND POLICY

13.1 The Company will, subject to the directors having completed a solvency certificate and discussion with the Council, distribute by way of dividend the expected 50% of the ACL Parent Company's operating surplus after tax.

13.2 The ACL Parent Profit after Tax excludes any realised capital gains/losses, revaluation movements and any after tax profits/losses arising from the LHEP.

14. CHARITABLE GIFTS POLICY

14.1 The Company may make charitable gifts to qualifying entities in terms of the 2007 Income Tax Act. Qualifying entities are those entities which are not carried on for private pecuniary profit and whose funds are wholly applied to charitable, benevolent, philanthropic or cultural purposes within New Zealand. The limit of the gifts is the level of taxable income for the Company. Charitable gifts for less than $20,000 in total in any one financial year will not require prior formal approval of the Ashburton District Council.

14.2 Any charitable gift in excess of $20,000 must have the formal agreement of the Company Directors and the Ashburton District Council regarding the recipient qualifying entity, the project and the amount of the gift.

15. PROCEDURES FOR ACQUISITION OF INTERESTS IN OTHER COMPANIES OR ORGANISATIONS

15.1 As a general policy, any proposed investment by the Company in other companies or organisations will be required to meet the weighted average cost of capital (WACC) of the proposed investment(s).

15.2 If the directors believe that the Company should invest in, or otherwise acquire, an interest in another company or organisation, the directors will obtain prior approval of the shareholder by special resolution.

16. SALES OF GOODS/ SERVICES TO LOCAL AUTHORITIES

16.1 The Company will provide goods and services to the Ashburton District Council as part of its normal business activities. These goods and services shall be charged for on a commercial basis.

16.2 Ashburton Contracting Limited, under any contract with Ashburton District Council, will be required to meet levels of service determined by the Council.

Appendix I

ACCOUNTING POLICIES

Significant Accounting Policies
Ashburton Contracting Limited (the "Company") is a company domiciled in New Zealand.

The Company is a Council Controlled Trading Organisation as defined in Section 6 (1) of the Local Government Act 2002, wholly owned by the Ashburton District Council and is a profit-orientated entity for financial reporting purposes.

The Company's business includes contracting for physical works, both maintenance and construction, offering goods and services for sale and plant and equipment for hire. These activities occur predominantly in the Ashburton district and immediate surrounding areas and may be undertaken in other geographical areas.

Statement of Compliance
The financial statements have been prepared in accordance with the Companies Act 1993, Generally Accepted Accounting Practice in New Zealand (NZ GAAP), the pronouncements of the Chartered Accountants of Australia and New Zealand and they comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

The Company qualifies as a Tier 2 for-profit reporting entity on the basis that it does not have public accountability and is not a large for-profit public sector entity with annual expenditure under $30 million. The Company has elected to report under the reduced disclosure regime. The Company has in some cases chosen to include information within its accounts used for the financial reporting requirements of its parent.

Basis of Preparation
The financial statements are presented in New Zealand dollars, rounded to the nearest thousand. They are prepared on the historical cost basis except for Land and Buildings, Investment Properties, and certain other investments, which are stated at fair value.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except where otherwise stated.

Financial Instruments
Classification and Measurement
Trade receivables and other current financial assets, previously classified as loans and receivables, are classified as subsequently measured at amortised cost as at the date of initial application of NZ IFRS 9 Financial Instruments.

Investments are classified and measured at fair value through profit or loss.

Impairment
Impairment losses for financial assets use the expected credit loss (ECL) approach. NZ IFRS 9 requires the Company to recognise an allowance for ECLs for all financial assets not held at fair value through profit or loss and contract assets.

Property, Plant and Equipment
Owned Assets
Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses, except for Land and Buildings which are valued annually by a registered valuer and are stated at fair value.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent Costs
Further expenditures are added to cost only if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the profit or loss as an expense when incurred.

Depreciation
Depreciation is charged to profit or loss on either straight-line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Lower value assets (cost less than $50,000) are depreciated at the current maximum rates allowed by the Inland Revenue Department as these rates approximate the useful lives and residual values associated with these assets. Land is not depreciated.

The estimated useful lives are as follows:

• Buildings	30- 50	years
• Plant and Equipment	3-38	years
• Office Equipment & Fixtures	3-10	years
• Land Improvements	20	years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Intangible Assets
Intangible assets acquired by the Company are stated at cost less accumulated amortisation and impairment losses. Amortisation of intangible assets with a finite life is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful life of software is three to ten years.

Inventories
Inventories are stated at the lower of cost or net realisable value using weighted average. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer, at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer.

Civil construction and contracting
Civil construction and contracting services include drainage, sealing, asphalt laying, utilities and rural contracting.

Construction services within a contract are deemed to represent a single performance obligation, which is satisfied progressively over the construction period. Performance is measured using an output method, by reference to regular progress claims and assessments by client contract engineers.

Any expected loss on construction contracts is recognised immediately as an expense in profit or loss.

Any variable consideration, such as liquidated damages, included in the Company's revenue contracts is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Payment is due as specified in the payment schedules.

Rendering of services
Contracts for workshop and transport services are comprised of one performance obligation, with revenue being recognised over time. Payment is generally due upon completion and acceptance by the customer. An input method (cost incurred) is used as a measure of progress.

Production and sale of goods
The Company earns revenue from the sale of goods, including ready-mix concrete and aggregates.

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery. Payment is generally due based on standard 30-day trading terms.

Contract assets, contract liabilities and trade receivables

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, the Company presents the contract as a contract asset, unless the Company's rights to that amount of consideration are unconditional, in which case the Company recognises a receivable. Trade receivables are measured at the transaction price determined under NZ IFRS 15.

When an amount of consideration is received from a customer prior to the Company transferring a good or service to the customer, the Company recognises a contract liability.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Company applies the simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Warranties

The Company provides for defects liability periods in accordance with NZ IAS 37.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of less than 3 months. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Investments

Other Investments

Investments in equity securities held by the Company are recorded at fair value through profit or loss.

Advances and other financial assets at amortised cost

The Company has provided an advance to the Lake Hood Extension project (LHEP), which is interest bearing and unsecured.

If there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. If there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the instrument.

Joint Venture

The Joint Venture has been incorporated into the financial statements using the equity method.

Impairment of non-financial assets

The carrying amount of the Company's assets other than inventories are reviewed at each balance date to determine whether there is any objective evidence of the indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in profit or loss. For revalued assets the impairment loss is recognised in other comprehensive income for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in profit or loss.

Reversal of Impairment

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount. For revalued assets the reversal of an impairment loss is recognised in other comprehensive income and credited to the revaluation reserve. However, to the extent that an impairment loss for that asset was previously recognised in profit or loss, a reversal of the impairment loss is also recognised in profit or loss.

Income Tax
Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of any deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates or substantively enacted at the balance date.

Current tax and deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income, in which case the tax is dealt with in other comprehensive income.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Employee Entitlements
The Company has made provision in respect of entitlements for annual leave, long service leave and retirement gratuities. The provision is calculated on an actual entitlement basis at current rates of pay.

The Company recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent the Company anticipates it will be used by staff to cover those future absences.

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in profit or loss when they are due.

Expenses
Operating Lease Payments
Payments made under operating leases are recognised in profit or loss in the period in which they are incurred.

Net Financing Costs
Net financing costs comprise interest payable on borrowings, interest receivable on funds invested and dividend income. Interest income is recognised in profit or loss as it accrues. Dividend income is recognised in profit or loss on the date the Company's right to receive payment is established.

Trade and Other Payables
Trade and Other Payables are stated at amortised cost. Due to their short-term nature, they are not discounted.

Provisions
A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Loans
Subsequent to initial recognition, loans are measured at amortised cost using the effective interest method.

Goods and Services Tax (GST)
All amounts are shown exclusive of GST, except for trade receivables and payables that are stated inclusive of GST.

New Accounting Standards
NZIFRS 16 Leases. This comes into force in relation to the reporting period ending on or after 1 January 2019. This will be applicable to the 30 June 2020 reporting period. The Company has commenced its analysis of the requirements for IFRS 16.

9. *Appointment and Remuneration of Directors of Council Organisations Policy*

Author | *Rachel Thomas; Policy Advisor*
Activity Manager | *Toni Durham; Strategy and Policy Manager*
GM Responsible | *Paul Brake; Group Manger Business Support*
Jane Donaldson; Group Manager Strategy and Compliance

Summary

- The purpose of this report is to review the Appointment and Remuneration of Directors of Council Organisations Policy.
- The amended policy seeks to remedy an inconsistency identified in the process for appointing new board members through the Appointments Committee.
- Officers recommend the definition of the Appointments Committee is amended to ensure an even split between elected members and management. At a minimum this would include one Ashburton District Council elected member (either the Mayor, Deputy Mayor, and/or the Chairperson of a standing committee), and one appointed representative (either the Council Chief Executive, the Council organisation Chief Executive and/or the Board Chair).
- The new policy proposes officers can make a recommendation to Council on the composition of the Appointments Committee for Council's substantive Council organisations (Experience Mid Canterbury and Ashburton Contracting Limited), provided the minimum composition as per the policy is met.
- The amendments proposed reflect current and best practice.

Recommendation to Council

1. **That** Council adopts the revised Appointment and Remuneration of Directors of Council Organisations Policy, with the next review scheduled for 2025.

Appendix 1 **Draft Policy**

Background

Current situation

1. The *Appointment and Remuneration of Directors of Council Organisations Policy* (the policy) was last adopted 18 May 2017. The policy is not due for review until 2022, however officers have identified the need to bring forward this review.

2. The composition of the Appointments Committee is the issue triggering the need for this review.

Previous Council decisions or direction – Appointments Committee

3. In 2019, Ashburton Contracting Limited (ACL) recruited for a director. The recruitment process highlighted the need for a change to the policy to better reflect the practice carried out.

4. In the past when recruiting for an ACL director, the Appointments Committee has comprised of the Mayor, an Executive Committee Member, ADC's Chief Executive and the ACL Board Chair. The policy as it is currently written states the Appointments Committee comprises only of Council's Executive Committee members (the Mayor, Deputy Mayor, and chairs of the standing committees).

5. Council accepted the officer recommendation of 25 July 2019 to seek an interim variation from the policy regarding the composition of the Appointments Committee:

    ***That** Council approves the appointment committee for Ashburton Contracting Limited (ACL) director recruitment process(es) to consist of the Mayor, the Chairperson of ________________________________Standing Committee, ADC Chief Executive and ACL Board Chair; until such time that the Appointment & Remuneration of Directors of Council Organisations Policy is reviewed.*

6. Council also accepted the officer recommendation of 5 September 2019 that sought appointment of an Experience Mid Canterbury (EMC) board member utilising an Appointments Committee consisting of the Mayor, Chair of the Finance & Business Support Committee, Chief Executive and EMC Board chairman. Note - the Appointments Committee for EMC is specified in EMC's Trust Deed, which overrides Council's policy.

7. The **officer recommendation** is to amend the policy to remedy this inconsistency. The new policy states the Appointments Committee consists of (at a minimum) the Mayor, an Executive Committee member, Ashburton District Council's Chief Executive, and the Chair of the board for which the appointment is being made. Officers may recommend additional person(s) are included in the Appointments Committee for ACL and EMC.

8. No further changes are recommended - the policy was only reviewed two years ago.

9. The draft policy is attached (Appendix One) and the changes are highlighted.

What do others do?

10. An analysis of other council policies determined a range of approaches to the composition of appointments committees. However, comparing appointments committees across councils is not ‘apples for apples’ due to individual circumstances detailed within each councils’ policy, or the trust deeds/constitutions of the organisations for which they apply.

11. The analysis of a sample of other councils does, however, show that the Board Chairperson is commonly included on the committee.

12. Membership composition of other councils appointments committees (or similar) include:

    - Auckland Council – CE of council, Mayoral Chief of Staff, chair of relevant Council-Controlled Organisation (CCO) board, governing body members (up to two), and an IMSB member.
    - Christchurch City Council - members of the Panel will be the Mayor and the Deputy Mayor (or their nominees).
    - Selwyn District Council - the Audit and Risk Subcommittee will appoint an interview panel which must include the Chief Executive Officer and Mayor, an independent Chair and a member of the Board of the relevant Council Organisation. The Mayor may elect a representative to fulfil their position on the panel.
    - Western Bay of Plenty District Council – one elected member, existing chair of CCO, one independent person who brings particular knowledge or skills that can add value to the process. The appointment panel will appoint its own chair.

13. Councils who have not included this information in the policy include:

    - Ruapehu District Council
    - Timaru District Council
    - Waimakariri District Council

Interested and affected parties

14. Those interested or affected by this policy include:

    - Council organisations – chairpersons, board members, and chief executives
    - Council officers – Chief Executive, Group Manager Business Support, and the Manager People and Capability
    - Future board member candidates.

15. If the Audit, Risk and Finance Committee support the amendment to this policy, then Council’s organisations will be provided the policy for comment, prior to Council

adoption on 9 April. Officers will report any feedback received which adds new information, or warrants a change to the policy.

Options analysis

Option one – adopt the revised policy (recommended)

16. Under this option, the definition of the Appointments Committee would be updated to ensure consistency with existing practice. This change is required as it ensures the Appointments Committee is diverse which is essential for recruitment.

17. The EMC Trust Deed specifies that the Appointments Committee includes the Finance and Business Support Chair. The revised policy leaves this open by only stating one elected member is required. This could be the Deputy Mayor, or the Chairperson of any of the standing committees. This differs from the previous process where the Deputy Mayor and all standing committee chairpersons were detailed as being included in the Appointments Committee.

18. The recommended makeup of the Appointments Committee is to equally split membership between elected members and appointed position holders. At a minimum this includes:

    - Ashburton District Council elected member(s) (Mayor, Deputy Mayor, and/or chairperson of a standing committee); and
    - Appointed representative(s) (Council Chief Executive, Council organisation Chief Executive, and/or Board Chair).

19. The advantages of this option are: consistency with current practice, ensuring diversity, ensuring an equal split between management and governance positions, and alignment with EMC's existing Trust Deed. The interest and affected parties impacted by this policy are likely to support this option.

20. The disadvantages of this option are minimal, however elected members may wish to retain the sole responsibility of appointing directors and have this detailed in the policy. However, while this is the current policy it has not been followed in practice, and elected members have agreed to operate outside of the policy. Officers must still gain approval from Council on the composition the Appointments Committee, therefore Council retains the responsibility to determine its composition. It is appropriate to do this on a case-by-case basis as different circumstances will warrant different recruitment needs.

Option two – do not adopt the revised policy

21. Under this option, the existing policy would remain. This means the Appointments Committee would consist of:

- Mayor
- Deputy Mayor

- Chairpersons of the standing committees.

22. Council may choose to make further amendments to the policy on issues such as:
    - staff or elected member appointment as directors (not currently permitted under the policy, however this is offered at some councils);
    - removing the ability for staff to recommend the Appointments Committee for ACL and EMC;
    - amending the core competencies required; and/or
    - amending the process for determining the chairperson.

23. There are minimal advantages to this option as the Appointments Committee composition as detailed in the current policy is not being followed, and is superseded by the EMC Trust Deed.

24. The disadvantage of this option is that the Appointments Committee would comprise of limited knowledge of the current board expertise due to the Chairperson and ADC Chief Executive being excluded from the process. This may result in a less than desirable outcome if skill duplication or gaps across the board are not identified as part of the recruitment process. It would also be uncommon practice for the Chairperson to be excluded from recruitment of board members.

Legal/policy implications

Local Government Act 2002

25. Under Section 57, the Local Government Act 2002 requires a local authority to have a policy of this nature which provides an objective and transparent process for appointment of directors to a CO. The Act provides that a local authority can appoint only a person with the appropriate skills, knowledge or experience to contribute effectively to the entity.

Financial implications

Requirement	Explanation
What is the cost?	There is no cost to adopt or implement this policy
Is there budget available in LTP / AP?	Budget is not required
Where is the funding coming from?	Funding is not required
Are there any future budget implications?	No
Finance review required?	No

Significance and engagement assessment

Requirement	Explanation
Is the matter considered *significant*?	No
Level of significance	Low
Level of *engagement* selected	26. Comment – informal two-way communication (targeted consultation). Council organisations will be provided with a copy of this policy and invite to comment.
Rationale for selecting level of engagement	The rationale for selecting the 'comment' level of engagement is that this review will benefit from feedback from Council organisations who are directly impacted by this policy.
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

Next steps

Date	Action / milestone	Comments
9 April	Council approve policy	The policy will be in force from the date of adoption, provided no feedback is received

Draft Policy

APPOINTMENT AND REMUNERATION OF DIRECTORS OF COUNCIL ORGANISATIONS

TEAM:	Strategy and Policy
RESPONSIBILITY:	Group Manager Business Support
ADOPTED:	TBC
REVIEW:	Every five years, or as required
CONSULTATION:	None required
RELATED DOCUMENTS:	Local Government Act 2002, Companies Act 1993, Companies Reregistration Act 1993.

Policy objective

To set criteria and ensure an objective and transparent process is followed for selection, appointment, and setting of remuneration of directors appointed to companies by Council.

Definitions

Appointments Committee is the committee responsible for appointing directors to Council organisations. At a minimum, the Committee will comprise of one Ashburton District Council elected member (either the Mayor, Deputy Mayor, and/or the Chairperson of a standing committee) and one appointed representative (either the Ashburton District Council Chief Executive, the Council organisation Chief Executive, and/or the Board Chair).

~~**Appointments Committee:** The Appointments Committee is the Executive Committee of Council comprising of the Mayor, Deputy Mayor and the Chairs of the Standing Committees.~~

Candidate a person who has submitted a written application for a director's position or has formally agreed to be considered for such a position.

Company has the same meaning as that of the Companies Act 1993 and means a company registered under Part 2 of the Companies Act 1993 or a company reregistered under that Act in accordance with the Companies Reregistration Act 1993. Generally, a company means a body corporate.

Council means Ashburton District Council.

Council organisation (CO) as per section 6 of the Local Government Act 2002, a Council Organisation (CO) is any organisation in which the Council has a voting interest or the right to appoint a director, trustee or manager (however described). This is a wide-ranging definition, covering a large number of bodies, including Council-Controlled Organisations and Council-Controlled Trading Organisations. For the purposes of this policy, the definition of a CO excludes Memorial Halls and Reserve Boards as these are treated as subcommittees of Council.

Council-Controlled Organisation (CCO) is an organisation in which the Council controls, directly or indirectly, 50% or more of the votes or has the right, directly or indirectly, to appoint 50% or more of the directors, trustees or managers. Council's CCOs are set out in Appendix One.

Council Controlled Trading Organisation (CCTO) is an organisation that operates a trading undertaking for the purpose of making a profit (as per s.6 of the Local Government Act 2002). Ashburton District Council's CCTOs are set out in Appendix One.

Directors includes company directors, trustees, managers and office holders of an organisation (s.6(3)(b), Local Government Act 2002).

Policy Statement

1. Introduction

1.1 Current CCTOs, CCOs and COs are listed in Appendix One.
1.2 Council may establish further CCTOs, CCOs and COs during the life of this policy. These will be added to Appendix One.
1.3 This policy does not apply to Memorial Halls or Reserve Boards.

2. Skills required

2.1 The criteria set out below shall apply to all appointments of directors of CCTOs, CCOs and COs unless an exclusion is noted in Appendix One.
2.2 The required skills, knowledge and experience for director appointments are assessed in the first instance by the CCTO, CCO or CO.
2.3 Directors are expected to meet a number of competencies as well as the relevant industry-specific or other technical/specialist skills required for the relevant organisation.
2.4 Core competencies include (but are not exclusive to):
- intellectual ability;
- business experience or other experience, skills or qualifications that are relevant to the activities of the organisation;
- sound judgement;
- high standard of personal integrity;
- no conflict of interest;
- commitment to the principles of good corporate citizenship; and
- understanding of the wider interests of the publicly-accountable shareholder.

2.5 The following additional competencies are required for directors of CCTOs:
- commercial experience; and
- understanding of governance issues.

2.6 The following persons may not be appointed as directors, as determined by the Appointments Committee:
- a bankrupt person who has not obtained a final order of discharge or whose order of discharge has been suspended;
- a person who has been convicted of any offence punishable by a term of imprisonment; and
- a person who has been convicted of any offence involving dishonestly.

2.7 The mix of skills and experience on the CCTO, CCO or CO board will be taken into account. Consideration will be given to complementing and reinforcing existing skills of board members and reducing known weaknesses where necessary.
2.8 It is expected that all appointees to a board will undergo, or already have undergone, formal corporate governance training or have requisite experience in this area.

3. Appointment of directors

3.1 Appointments Committee

3.1.1 Council has varying rights to determine the composition of the Appointments Committee for Council organisations.

3.1.2 For Council's substantive Council organisations (EMC and ACL), Council officers will make a recommendation to Council on the make-up of the Appointments Committee. Officers will consider the skills required for the Appointments Committee to ensure diversity, and a range of skills and experience. The recommendation will state the Appointments Committee include a minimum of:

- One Ashburton District Council elected member (either the Mayor, Deputy Mayor, and/or the Chairperson of a standing committee), and
- One appointed representative (either the Ashburton District Council Chief Executive, the Council organisation Chief Executive, and/or the Board Chair).

3.1.3 Council acknowledges that in some instances the Council organisation will determine their own Appointments Committee (or any similar committee for this purpose) composition through a trust deed, constitution or similar document. These documents override Council policy.

3.1.4 Where a Council organisation has no established process in place, it is expected the minimum Appointments Committee composition as detailed in 3.1.2 will be applied.

3.2 Appointment of new directors

3.2.1 Council has varying rights to appoint directors, depending on the type of organisation and shareholding.
3.2.2 Council's right to appoint directors to CCTOs, CCOs or COs is detailed in Appendix One.
3.2.3 When a vacancy for a new director arises, the Appointments Committee shall be responsible to make a recommendation to Council on the basis of the process set out in this policy.
3.2.4 In selecting a new director, consideration shall be given to ensure that there is an appropriate mix of skills and experience on the board.
3.2.5 The shortlisted candidates will be interviewed by the Appointments Committee to check Curricula Vitae and referees and ensure the candidates meet the criteria specified in 2.4 and 2.5 (if required) and 2.6.
3.2.6 Representative(s) of the Appointments Committee will make a recommendation to Council on the appointment of new directors.
3.2.7 If required, external contractors will be employed to assist with the recruitment process.

3.3 Re-appointing directors

3.3.1 Where a director's term of appointment has expired and they are offering themselves for reappointment, a representative of the Appointments Committee will consult on a confidential basis with the Chairperson of the CCTO, CCO or CO on:

- whether the skills of the incumbent add value to the work of the board

- whether there are other skills which the board needs; and
- succession issues.

3.3.2 The Appointments Committee will consider the information obtained and form a view on the appropriateness of reappointment.

3.3.3 Representative(s) of the Appointments Committee will make a recommendation to Council when re-appointing directors.

3.3.4 Where the Chairperson offers themselves to be reappointed, a representative of the Appointments Committee will liaise with other existing directors.

3.3.5 It is the responsibility of the board of each CCTO, CCO or CO to appoint its own Chairperson.

3.4 Term of appointment

3.4.1 Initial appointments may be made for a period of one or two years at the discretion of the Appointments Committee.

3.4.2 The term of the appointment is set by the entity's constitution document or trust deed. This would not normally exceed three years.

3.4.3 There may be circumstances where a lesser period of appointment is appropriate. These circumstances will be determined by the Appointments Committee.

3.4.4 Final appointment of directors will be made by resolution of Council.

3.5 Elected members and Council officers

3.5.1 In general, elected members and Council officers <u>are not</u> eligible to be appointed to CCTOs or CCOs due to potential conflict of interest situations.

4. Remuneration

4.1 Where applicable, directors will be paid by the CCTO, CCO or CO.

4.2 Where Council is the sole shareholder, Council will set directors' remuneration either by resolution at the annual general meeting, or will review salaries on an annual basis for organisations that do not have such a meeting.

4.3 In reaching a view on the appropriate level of remuneration for directors of Council organisations, Council will consider the following factors:

- the need to attract and retain appropriately qualified people to be directors of the organisation;
- the levels and movement of salaries in compatible organisations;
- the objectives and financial situation of the organisation; and
- the past performance of the organisation.

4.4 In cases where Council cannot exercise direct control, such as an organisation where it is one shareholder among many, it will conduct its own monitoring of salaries against the above factors and will take whatever action Council considers appropriate to ensure compliance with the above factors.

5. Conflict of interest

5.1 Council expects that Council-appointed directors of any CO will avoid situations where their actions could give rise to a conflict of interest. This includes the acceptance of gifts, discounts, hospitality, travel and entertainment of a personal nature.

5.2 Council expects directors to follow the principles of the Institute of Directors in New Zealand (IoD) Conflicts of Interest, and Best Practice for New Zealand Directors Statements to minimise these situations.

Appendix one – Council organisations

Organisation	Type	Ownership structure	Appointment of directors	Remuneration	Scope of activity	Rationale and objectives for Council ownership
Ashburton Contracting Limited (ACL)	CCTO	Council owns 100% of the company.	Council appoints all Directors	Directors are paid by ACL	To provide general civil contracting work, primarily for New Zealand Transport Agency, local authorities and private customers. ACL has expertise in construction and maintenance of: • Roads • Footpaths • Water • Stormwater • Wastewater • Concrete production • Plant equipment hire.	• To enable local capacity and capability to undertake civil works, particularly focused on infrastructure.
Ashburton Community Water Trust	CCO	Council owns 100% of the shares.	Council has the right to appoint all voting trustees	Voting trustees receive no remuneration	To carry out research and development planning and education with respect to management of water resources.	• To foster a community approach to water in Ashburton District.
Ashburton Stadium Complex Trust	CCO	Registered Charitable Trust. Council is the settlor under the Deed of Trust	Council has the ability to appoint the trustees to this organisation	Voting trustees receive no remuneration	To ensure community participation in decision-making regarding the Electricity Ashburton Networks Centre indoor aquatic centre and sports facility.	• To enable charitable funding to be sought for the project.

Organisation	Type	Ownership structure	Appointment of directors	Remuneration	Scope of activity	Rationale and objectives for Council ownership
Canterbury Economic Development Co. Ltd (CEDCo)	CO	Council owns 10% of CEDCo. The remaining 90% is owned by the other territorial authorities in the Canterbury region.	n/a	n/a	To act as a promoter for transformational economic development projects that will benefit Canterbury and to utilise the Canterbury Regional Economic Development Strategy (CREDS) to co-ordinate strategic economic development initiatives Note: CEDCo is currently dormant	• To act as the regional entity regarding the Regional Strategy Fund (RSF) and Enterprising Partnership Fund • To act as the regional interface with the Ministry of Business, Innovation and Employment and NZ Trade and Enterprise
Eastfield Joint Venture	CO	Council is one of five parties to the agreement	Council, and the other parties to the agreement, appoint the Governance Committee	n/a	To enable a comprehensive co-ordinated development of the Eastfields site.	• To oversee the completion of a long term development on the Eastfields site
Electricity Ashburton (EA) Shareholders Committee	CO	Electricity Ashburton Ltd owns and operates the electricity network in the Ashburton district and carries out the majority of maintenance and capital works on the network. The company is owned by the power consumers in the district.	Council has the right to appoint three members out of seven to the committee	Remuneration of the members of the Shareholders Committee is paid by Electricity Ashburton	To appoint the Directors of the company, receive the annual Statement of Corporate Intent and to report on a regular basis to shareholders on the performance of the company	• To monitor performance of the Shareholders Committee

Organisation	Type	Ownership structure	Appointment of directors	Remuneration	Scope of activity	Rationale and objectives for Council ownership
Experience Mid Canterbury (EMC)	CCO	Council owns 100% of the company	Council has the right to appoint all voting trustees (between five to seven)	Trustees receive remuneration from EMC	To lead, co-ordinate and promote the Mid Canterbury visitor industry	• To work with local and non-local visitor industry suppliers to market the district as a visitor destination, and to be accountable through an effective, public accountability structure
Rangitata Diversion Race (RDR) Management Limited	CO	Council owns 20% of the ordinary shares	Council has the right to appoint one director	Voting trustees receive no remuneration	To deliver water for power generation and irrigation	• To monitor the performance of the RDR
Transwaste Canterbury Limited (TCL)	For the purposes of this policy, TCL is excluded from the definition of CCTO	Council owns 3% of the company. Other shareholders include: Canterbury Waste Services Limited (50%), Christchurch City Council, and Hurunui, Waimakariri District Councils	A Canterbury Regional Landfill Joint Committee ('the Committee') has been constituted and has the power to appoint four directors (i.e. the 50% that represent the interests of the local authorities)	The Committee are responsible for remuneration of Council directors	To own and operate a non-hazardous regional landfill for the disposal of residual solid waste. Associated activities include: • Transport • Farming • Forestry Native forest development	• To provide an environmentally sustainable facility for the disposal of residual solid waste • All residual waste from Ashburton District Council waste collection services is transported to Kate Valley for disposal

10. Drinking water review

Authors	*Rachel Thomas; Policy Advisor*
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Summary

- This report considers policy options for rating of the drinking water service in Ashburton District.
- The purpose is to set the strategic direction to guide the Revenue and Financing Policy (R&FP) and the Long-Term Plan (LTP) 2021-31.
- There are two issues to consider:
  - **(1) Meters** - installing water meters district-wide.
  - **(2) Funding** – assessing how Council charges for the provision of drinking water.

Recommendations to Council

1. **That** Council directs officers to prepare a cost benefit analysis to investigate installing water meters district-wide through the Long-Term Plan 2021-31.

2. **That** Council directs officers to continue to fund drinking water as per the status quo of a fixed charge for connected ordinary properties and a fixed plus volumetric charge for extra-ordinary properties for the Revenue & Financing Policy 2021.

Appendix 1 – Additional data and statistics

Background

Current situation

1. Council provides drinking water to homes and businesses through 12 potable water schemes. To summarise:
   - Council schemes service over 70% of the district's residents (10,538 water supply connections).
   - The breakdown in type of water supply connection is 9,367 ordinary[1] connections, 707 commercial and 464 other extra-ordinary (as of January 2020).
   - There are 115 water meters on Council buildings, community facilities, reserves, parks or public toilets (this includes leased commercial buildings).

2. All properties connected, or able to connect, to a Council water scheme are charged a fixed rate for operating costs.

   Connected properties

3. Each connected property pays the same targeted fixed rate. For the 2019-20 year, connected ordinary properties in Ashburton District pay a connection fee of $450.20 per annum.[2]

   Serviceable but not connected properties

4. These properties pay half the fixed rate as they have the ability to access the service but are not currently receiving the service. The half-rate also reflects benefits, such as firefighting coverage, that are not dependent on a connection to the reticulation. For the 2019-20 year, this is $225.10.

   Extra-ordinary properties

5. Under the current approach, Council is able to meter all extra-ordinary connections. In addition to the targeted water rate, as per the LTP, these properties should incur a charge based on a fixed amount per 1,000 litres of water consumed in excess of 90 cubic metres in the quarterly periods each year. The current charge (2019/20) is 96 cents (GST inc) / 1,000 litres.

   Metering

6. Council installs water meters on industrial, commercial and other extra-ordinary properties that are connected to Council operated water supplies (Table 1, Appendix 1). These meters are installed to measure and charge for water.

[1] Ordinary connections are those that are not defined as 'extra-ordinary' as per the Water Supply Bylaw (see p.9-10 of this report).

[2] The exceptions to this are the Methven/Springfield and Montalto water supplies where the water rates are based on the amount of water used and property size respectively. These schemes are excluded from this review given the different rating structure.

7. In accordance with the LTP 2018-28, meters are also being installed on a number of smaller schemes with high rates of water demand or water loss, and as standard on all new or renewed connections. These meters are *not* used for charging purposes.

Problem definition

8. The key issues are summarised as:

Issue	Explanation
Water demand management	Water consumption can be divided into two broad components: authorised consumption and water losses. Water funding mechanisms can be used to address both components. To reduce authorised consumption (water demand), charging mechanisms can ensure that customers are aware of their consumption and the cost of it, and this can drive more efficient or thoughtful water use.
Water loss management	Unaccounted-for water has still been treated and supplied, and it has a cost both in chemicals and electricity, and wear and tear on treatment facility and reticulation assets. Council's reported percentage of real water loss from the reticulation systems was 51% for 2018/19. This was among the highest of the sample councils considered in analysis (Figure 1, Appendix 1). Identifying actual property use helps refine estimates of public water loss and reduces private water loss through finding leaks more quickly.
Legal and policy obligations	Council has a responsibility to manage consumption in a way that promotes well-being and to consider climate change implications for current and future communities. Council's Climate Change Policy identifies a commitment to ensuring the sustainability of assets and services. This means Council should consider if the provision of the drinking water activity is sustainable.
Source and storage capacity and demand	While only one capacity upgrade is proposed at present, growing water demand will render the current capacity inadequate. Water sources, especially for some of the smaller schemes, have limited capacity to supply, particularly in summer when groundwater levels are lower, and are vulnerable to high demand.
ADC's resource consents to take drinking water	The consents are due for renewal over the 2030s, beginning with Hinds in 2030. When these come up for renewal, it will be necessary to demonstrate good stewardship of the water. If Council request an increased allowance there will be a need to demonstrate a need for the increase, and that this could not be reasonably achieved through reductions in losses. Depending on trends in water consumption, at current rates some of these consents may need to be reviewed prior to their expiry. Consent variation or renewal can be an expensive and time-consuming exercise. This could be avoided through curbing consumption. The Ashburton consent requires Council to actively work to minimise water lost to leaks, and to maintain a demand management programme.
Extra-ordinary use charges	Officers are aware of an inequity in how the extra-ordinary charge is applied to properties in Residential D. Council received submissions through the LTP 2018-28 identifying this concern. These submissions raised concerns regarding the fairity of the charging mechanism.

Previous Council decisions or direction

Water metering

9. In the LTP 2018-28 officers proposed installing water meters on several small schemes for asset management and leak detection purposes, and these projects were approved. Meters are in the process of being installed in Mt Somers; Dromore, Chertsey and Hinds are on the programme. How, or if, to continue the rollout of water meters is a question to be determined.

Extra-ordinary charges

10. Council received a submission (on behalf of Residential D zoned properties located on Tarbottons Road, Tinwald) raising concerns regarding the equity of metered water charges during consultation on the R&FP in 2018. Specifically, that:

- residential properties in the Residential D Zone are being metered and charged for water;
- the threshold at which charges are incurred is too low; and
- the cost of the water calculation is faulty and outdated.

11. Officers prepared a report addressing the submitters concerns and the options were presented to Council on 26 April 2018. Council accepted the officers' recommendations and retained the status quo (Table 2, Appendix 1).

Māori and tangata whenua participation

12. Officers have introduced the potential for water metering to be introduced to the community with Aoraki Environmental Consultancy (AEC). Initial support was indicated, although the discussion was high level. Officers will engage AEC as the project progresses.

Interested and affected parties

13. These are:

- Aoraki Environmental Consultancy (AEC) - mandated to support relationships between Council and Te Rūnanga o Arowhenua. As mana whenua, Arowhenua has a high interest in the management of water resources,
- ACL - contractor for the daily provision of the service,
- Customers - connected to the respective water supply schemes,
- Ministry for the Environment - advising the government on environmental issues,
- ECan - responsible for setting and enforcing consent limits and managing resource allocation,
- Ministry of Health and the Community and Public Health division of the Canterbury District Health Board (CDHB) - charged with the protection of public health, and
- Audit NZ - ensuring that services are provided in a fair and appropriate way.

What do others do?

14. In December 2018, a study was published by the Building Research Association of New Zealand (BRANZ) comparing the water tariffs across 67 local authorities for 2017/18[3]. The key findings of the study are:

- A large proportion of New Zealand residential properties do not have water meters. For those with a meter, a combination of a fixed and volumetric was most common.
- Of all water service providers, only nine (19%) report universal water metering of residential connections. A further six (13%) have over 50% meter coverage and 32 (68%) less than 50% (or zero) coverage.
- Residential metering is slowly expanding – during 2016/17, 12,000 residential water meters were added across the councils included in the study.
- Auckland's Watercare were the only provider reported to use solely volumetric charging.
- Some councils have residential meters but do not always charge on a volumetric basis. For example, Manawatu District Council only charges extra-ordinary users or those who have voluntarily opted in for this. Residential properties with a water meter in Christchurch pay for water use over their water allowance.
- Horowhenua, New Plymouth, Ruapehu and Masterton Districts are among providers who apply an increasing block tariff for volumetric charges. Hauraki and Nelson used a decreasing block tariff structure in 2017/18. Otorohanga District Council implements a higher peak season metered water charge for the Kawhia community from 20 December to 20 February.

Options analysis

Issue one – district-wide meter installation

KEY QUESTION

Is there a desire to investigate district-wide meter installation?

OPTIONS

1. Yes – officers will prepare a subsequent report (officer recommendation)
2. No – work concludes

Option 1 – yes to investigating district-wide meters (recommended)

[3] BRANZ (2018). Residential water tariffs in New Zealand. *Branz.nz.* Available online: https://www.branz.co.nz/cms_show_download.php?id=c3b3665f7ef813f3811f0d1318239206cf112319

15. Under this option, officers will prepare a cost-benefit analysis (CBA) which includes details on the estimated cost for meter installation. Council would have another opportunity to debate and vote on this matter, after considering the CBA.

16. If meters are installed, Council would be able to collect water use data to understand water use patterns and detect leakages. In the future (likely to be through the 2024 LTP) Council could consider introducing volumetric charging should it desire. The water use data collected through the installation of water meters will mean that volumetric charges could be determined fairly and equitably.

17. Council should look to install meters on the remaining Residential D properties to ensure fairity in charging, and in preparation for district-wide installation. Officers recommend this work be prioritised through Annual Plan 2020/21 as discussed as Issue Two in this report.

Option 2 – no to district-wide meters

18. Meters would be installed on some schemes, as this work has already been budgeted for and in some cases meters have already been purchased, however, a district-wide roll-out would not be progressed.[4]

19. Alternative measures to reduce consumption would need to be explored. Metering provides a known method for reducing consumption and changing behaviour, and is a good way to identify private and public leaks. Alternative approaches, such as communications campaigns and acoustic leak detection, are unlikely to have such immediate and long-term notable results.

Advantages and disadvantages of district-wide meter installation

Advantages of district-wide metering	Disadvantages of district-wide metering
Fairity (fairness + equity) • Metering provides the opportunity to consider volumetric charging of water which could incentive a reduction in usage. High users can pay more for their water if volumetric charging is used.	**Capital installation costs** • Metering is a significant capital investment. An initial, very coarse estimate, puts the project at around $5 million (however, the CBA will validate this).
Demand reduction • Meters are likely to slow water demand through knowledge of consumption.	**Operational costs** • On-going operational costs in reading the meters and managing increased data.

[4] Officers may still return to Council on a case-by-case basis as part of future Annual and LTPs if a need arises for meters for asset management or leak detection.

• Slowing in water demand could lead to the deferment of capacity drive capital works, and a reduction in maintenance and operational costs.	• If volumetric charging is introduced, there will be increased resource requirement for billing for water use.
Environmental benefits • Reduction in scale and scope of infrastructure projects and water abstraction. • Reduction in volume of household water discharge to the wastewater system. • Metering would show good stewardship of the water allocated under the consent with ECan. • Supports the objectives under the Climate Change Policy.	**Public concerns** • Public opposition is likely. • Common misunderstandings by members of the public include that metering is a money-making exercise; that other water management tools should take priority, such as water tanks and education programmes; and that low income households would struggle to pay for water.
Network management • Leak detection – reduce demand on network (and therefore cost of maintenance). • Improve forward planning of capital works and operational activities. • Reduce use of consumables such as electricity and treatment chemicals. **Capital project cost savings** • The deferment of capacity driven projects in the future is a significant benefit of reducing water demand. There will still be a need for CAPEX to cater for growth, however this need could potentially be deferred - resulting in savings. ***Education*** • Increased knowledge of water use which encourages attitudinal change to consumption. • Education and promotional activities can be targeted to where the most return will be gained.	**Revenue volatility** • If volumetric charging is introduced, there is a risk of revenue volatility as revenue would be linked to climatic conditions (a wet summer will have lower water consumption and corresponding decrease in revenue). This risk can be mitigated by combining volumetric charging with a fixed rate.

20. Officers recommend Council approve investigation into purchasing meters district-wide. A CBA would provide details on the financial implications, such as additional resource required for meters, and capital installation and renewal costs, and an assessment of the range of benefits likely to arise.

21. If Council support proceeding with this work, and conducting the CBA, there will still be an opportunity to abandon this work. Supporting the recommendation enables officers to provide additional information to guide decision-making.

Issue two – funding

KEY QUESTION

Is the current funding mechanism for the drinking water service the best fit?

OPTIONS

1. Status quo (officer recommendation)
2. Do something else

Option 1 – status quo

22. Under this option, the status quo funding mechanism would remain for the R&FP 2021. This funding mechanism is a mixed system:

- a targeted fixed uniform annual charge applied to all connected properties, and
- a volumetric charge applied to extra-ordinary properties for water used in excess of the daily allocation.

23. If Council support the officer recommendations earlier discussed to (1) pursue investigation into metering, and (2) prioritise Residential D meter installation, then it is advisable to continue with the status quo funding.

Option 2 – do something else

24. The only options available for the LTP 2021-31 relate to charging based on the meters currently installed (or to be installed in Residential D). This means that the options for change are limited to amending the volumetric charge applied to extra-ordinary properties or how properties with meters are charged.

25. Alternative tariff structures include:

- **No charge** –this is possible but not feasible as the drinking water service would be run at a loss.

- **Fixed charge only (removing volumetric charging from all extra-ordinary connections)** – this option is possible but would require an increase to the fixed charge for all connected properties, to account for the loss of revenue from removing volumetric charging (particularly in regards to the larger commercial users).
- **Volumetric charging to all wholly-metered schemes only** (i.e. Mayfield, and in the near future this will include Mt Somers, Dromore, Hinds and Chertsey) – this option would see the extension of volumetric charging to schemes where meters are installed on all properties.

  A variation of this option would be giving customers a choice to either pay the fixed rate, or opt for volumetric charging. This could help incentivise behaviour change, i.e. reducing consumption. Without needing to alter the actual charging model, it is also possible to carry out the data analysis and even to generate 'dummy' invoices for education purposes as part of a dry run for volumetric charging.

  If the desire is to investigate district-wide metering, extending volumetric charging to these areas would be a logical step. However, this option is not recommended as:

    - Supplies are grouped for rating purposes which ensures administrative simplicity and fairity. Volumetric charging to all wholly-metered schemes only would be difficult to implement.
    - It may be regarded as unfair for customers on different schemes within the group to find themselves paying different amounts.
    - The cost recovery calculation is likely to be difficult, given the variation in rates paid within schemes.
    - There is the potential to erode the perception of a single unified group.
- **Increasing the volumetric charging threshold for extra-ordinary properties**

  See Table 2, Appendix 1 section of this report for a discussion on this matter which has already been considered by Council. Officers do not recommend pursuing this option given the risk of a decrease in revenue, likely increase in consumption, and the impact on our ability to meet targets for reductions in overall per capita consumption.

Advantages and disadvantages

	Option 1 – status quo (recommended)	Option 2 – doing something else
Advantages	• The fixed rate is set at an appropriate amount to provide the drinking water service. • Ratepayers on the whole appear comfortable with the current charging mechanism, given the low number of submissions or complaints received on this matter. • The fixed rate may be more affordable for larger families than moving to an alternative such as volumetric charging. • The status quo funding is predictable for officers preparing budgets, forecasting,	• If Council were to extend volumetric charging to all metered schemes, this could lead to a reduction in consumption (although it is important to note that the majority of consumption (70%) is in Ashburton, where volumetric charging would not apply). • Extending volumetric charging to all metered schemes could act as a 'test run' for district-wide volumetric charging, enabling systems to be established on a smaller scale first. • There have been concerns expressed by some ratepayers that the current system

	and in the development of the Infrastructure Strategy. • It could be argued that there are too many information and data gaps to develop an alternative funding model.	is not fair – these ratepayers are likely to support 'doing something else'.
Disadvantages	• High ordinary users are subsidised by low users. • No incentive to reduce consumption for properties that are not metered. • There will be a negative environmental impact if consumption and percentage of real water loss remain high. • It could be argued that it is inequitable to meter and volumetrically charge some properties over others – the solution could be to meter all properties, or meter no properties. • Water restrictions are required every summer to manage peak demand. • Increased temperatures as a result of climate change are likely to increase the demand for water, leading to greater consumption.	• There is a reduced benefit in terms of reducing consumption or reducing pressure on infrastructure unless district-wide volumetric charging is implemented. • Ratepayers may be confused if the funding mechanism is changed (particularly if it is then changed again if volumetric charging is introduced in at a later stage).

Legal/policy implications

26. The **Health Act 1956** requires councils to improve, promote, and protect public health within their districts.

27. The **Local Government Act 2002** has many applicable sections:
    - S.10 details the purpose of local government is to promote social, economic, environmental and cultural well-being for current and future communities.
    - S.17A requires councils to consider the cost effectiveness of arrangements in meeting community needs in terms of good-quality local infrastructure, local public services, and performance of regulatory functions.
    - S.14(1)(g) requires council to ensure prudent stewardship and the efficient and effective use of its resources by planning effectively for the future management of assets.
    - S.101(1) requires councils act prudently in financial management.

28. The delivery of drinking water infrastructure by councils to specific standards is controlled under a framework created mainly by the **Health (Drinking Water) Amendment Act 2007**, which amended the Health Act 1956. The Act creates duties for councils by including a requirement to report on drinking water quality within their districts. The Act also creates an obligation on water suppliers and water carriers (including councils) to monitor drinking water and take all practicable steps to comply with standards.

Council bylaws policies, plans, strategies

29. The **Water Supply Bylaw 2016** (which is based on the NZS 9201.7 Model General Bylaws - Water Supply) designates a number of categories of property that are deemed extra-ordinary and therefore can be subject to metering, (including peri-urban or lifestyle). Peri-urban or lifestyle lots pose a risk that a greater amount of water could be used for irrigation.
30. The **Climate Change Policy 2019** states Council's commitment to *ensuring '…the sustainability of Council assets and services for the present and future resilience and well-being of the Ashburton District'*. The principles of the policy are: kaitiakitanga/stewardship, anticipatory governance, equity/justice, informed decision-making, work as one, and resilience.

    Water shortages are acknowledged as a likely impact of climate change with the future likelihood of greater drought and smaller snowmelt. The policy also acknowledges the challenge of finding the finding the best future use of water resources for long-term well-being.

    From the perspective of Ashburton District, the greatest risk is related to drought and the increased severity of extreme weather events.
31. The **LTP 2018-28** states that Council responses to climate change will include:

    > *'monitoring and planning for the provision of drinking water to address reduced water availability from groundwater and variable river flows'.*

Financial implications

Issue one – district-wide meter installation

Requirement	Explanation
What is the cost?	The recommendation is to pursue investigation into district-wide meter installation through a cost benefit analysis. There will not be additional cost for producing the CBA as this work will be carried out in-house.
Is there budget available in LTP / AP?	Yes – existing staff resource will be utilised
Where is the funding coming from?	Met from within existing budgets
Are there any future budget implications?	Yes – if Council decide to install meters in the future there will be budget implications. These will be presented to Council at a later date.
Reviewed by Finance	Rachel Sparks, Finance Manager

Issue two – funding mechanism for drinking water service

Requirement	Explanation
What is the cost?	The recommendation is to maintain the status quo funding. The decision to do so has no direct financial implications, however the financial implications of issue two should be considered,
Is there budget available in LTP / AP?	Not required
Where is the funding coming from?	No additional funding required
Are there any future budget implications?	No
Reviewed by Finance	Rachel Sparks, Finance Manager

Significance and engagement assessment

Issue one – district-wide metering

Requirement	Explanation
Is the matter considered significant?	Yes
Level of significance	High
Level of engagement selected	Consult with the community
Rationale for selecting level of engagement	If Council support the officer recommendation to further investigate district-wide metering the community will be informed of this. If, following this work, Council decides to proceed with district-wide metering, the decision on whether or not to purchase meters for district-wide installation will be consulted on through the LTP 2021-31. Legally, given the significance of the project a minimum level of engagement is required using the Special Consultative Procedure (s.83, Local Government Act 2002).
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

Issue two – funding

Requirement	Explanation
Is the matter considered significant?	Yes

Level of significance	Medium significance
Level of engagement selected	Consult
Rationale for selecting level of engagement	The issue of funding the activity is a part of the wider work of reviewing the Revenue and Finance Policy. Officers will utilise the Special Consultative Procedure (s.83, Local Government Act 2002) for consultation on the Revenue & Finance Policy.
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

Next steps

32. The next steps detailed below assume the officer recommendations are accepted.

Date	Action / milestone	Comments
9 April	Council debate the recommendations in this report from the Audit, Risk and Finance (ARF) Committee	
7 May	Discuss Cost Benefit Analysis (CBA)	Officers will present the CBA during a Council workshop
11 June	Draft R&FP recommended for adoption by ARF Committee	
25 June	Draft R&FP adopted by Council	
26 June – 26 July	Consultation	
TBC early August	Hearings and deliberations	
3 September	Final R&FP recommended for adoption by ARF Committee	
24 September	Final R&FP adopted by Council	
2021	Consult on purchasing meters district-wide	Through the LTP, officers recommend consultation on the purchase of meters
2024	Consult on charging options	Through the R&FP, Council could consider introducing volumetric charging as a funding mechanism

Appendix 1 – Additional data and statistics

Table 1 - Meters and consumption by scheme (figures relate to the 2018-19 financial year)

Scheme	Meters installed?	Number of connections	Total annual consumption (m^3)
Ashburton (including Tinwald and Lake Hood)	No	8,284	4,297,083
Chertsey	2020-21	88	39,146
Dromore	2019-20	36	60,163.
Fairton	No	76	34,587
Hakatere	No	59	11,468
Hinds	2019-20	139	101,241
Mayfield	Yes	65	20,925
Methven	No	1002	541,249
Methven/Springfield*	No	75	466,580
Montalto*	No	29	292,629
Mt Somers	2019-20	110	46,903
Rakaia	No	575	226,382
All schemes		**10,538**	**6,138,356**

*excluded from review.

Figure 1 - Drinking water consumption by a sample of councils (2018-19)

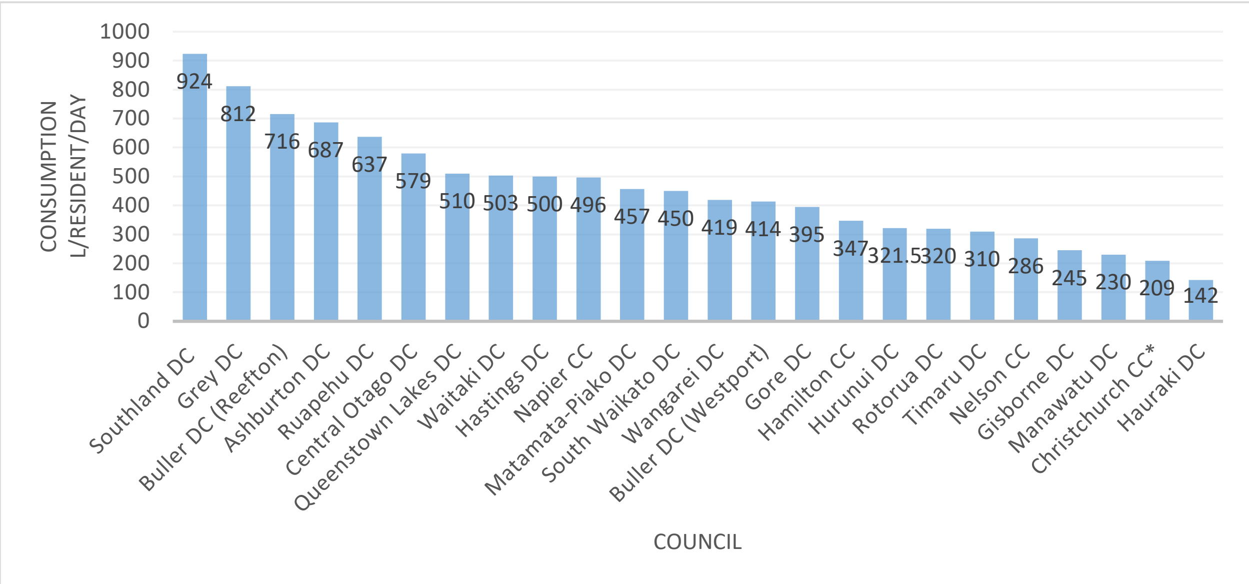

Table 2 – Previous concerns raised by submitters and officers responses (as reported to Council 26 April 2018)

Concern	Officer's Comments (as reported to Council 26 April 2018)
1. Residential D Zone Water Meter Charging Concerns have been raised that properties in the residential D zone are being metered. The concern is that these properties are for the most part residential and are paying more for the water service than other purely residential properties in the neighbouring residential zones.	Water connections in this zone are the exception rather than the rule, as many properties are still reliant on existing well supplies. However, there has been more interest in recent times from developers & land owners in exploring water servicing of these areas. Officers support servicing these areas where feasible but consider these to be extra-ordinary connections due to the size of the property. Note-: The minimum lot size for Residential D is 4,000m^2 compared with a minimum lot size in residential C of 360m^2. The water supply bylaw (which is based on the NZS 9201.7 Model General Bylaws - Water Supply) designates a number of categories of property that are deemed extra-ordinary and therefore can be subject to metering, (including peri-urban or lifestyle. Peri-urban or lifestyle lots pose a risk that a greater amount of water could be used for irrigation. Using metering data from the 2nd quarter of 2017/18, income being received from Residential D zoned properties is relatively modest (<$2,000 / qtr) however, it should be recognised that it requires proportionally more infrastructure to service lifestyle blocks compared with servicing the same number of residential C zoned properties. So if there is a small premium being paid by these properties it might be considered appropriate.
2. Water charging threshold Concerns have been raised that the threshold at which water charges apply is too low and unfairly penalises larger families (on lifestyle blocks). The submitter proposes that a fair threshold should be 250 m^3 per quarter which equates to an average of ~2.8 m^3 (~2,800 litres) per day. It is understood that this was based on a targeted average per person (700 litres) multiplied by 4 (people per household).	The current threshold is set at 90 m^3 per quarter which equates to an <u>average</u> of 1 m^3 (1,000 litres) per day. The submitter's proposal would reduce the level of revenue received by metering. Using metering data from the 2nd quarter of 2017/18, the income was ~$75,000. Raising the threshold to 250m^3/qtr as proposed by the submitter, the total income drops to ~$54,000, equivalent to a reduction in income of around 28%. The additional risk with raising of the threshold, is that it conflicts with our messaging around water conservation and sustainability.
3. Cost of Water Calculation The submitter raised concerns that the method to establish the cost of water was based on faulty figures and is outdated. To support their position, a calculation was carried out using the 16/17 figures to determine a much lower figure than is being proposed for 2018/19.	The calculation method which has been in place for a number of years <u>is a simplified approach</u>. The primary variance between what the submitter has calculated and the current approach is: • The calculated cost is averaged over the last five years for each scheme; • The final figure is then an average of the three largest schemes (Ashburton, Methven, and Rakaia); • The final volumetric charge is used for all schemes where metering is utilised.

	The reason for using averages, is that it reduces the variability caused by large swings in consumption from year to year. This has the benefit of the charge remaining relatively stable. The current approach was discussed with the then Council at the time of its introduction. This proposal would reduce the level of revenue received by metering. Using data from the 2nd quarter of 2017/18, the total income was ~$75,000. Using the single year Ashburton figure as proposed by the submitter, the total income drops to ~$58,000, equivalent to a reduction in income of around 22%. Officers are intending to make some changes to the format of operating budgets during the next planning cycle. These changes will not affect overall budgeted amounts but are intended to provide a greater degree of clarity around true operating cost vs maintenance cost. Once complete, officers will be in position develop a more comprehensive approach to calculating the cost of water production.

11. Drinking water review – Residential D metering

Authors: *Rachel Thomas; Policy Adviser*
Chris Stanley; 3 Waters Engineer

Activity managers: *Toni Durham; Strategy and Policy Manager*
Andrew Guthrie; Assets Manager

Group managers: *Jane Donaldson; GM Strategy and Compliance*
Neil McCann; GM Infrastructure Services

Summary

- This report is consequential to the consideration of policy options for the rating of the drinking water service in Ashburton District.
- The purpose of this report is to consider **Residential D meter installation**, specifically, the installation of meters for the properties in Residential D which do not have meters installed and are not being volumetrically charged for water provision, and to seek a budget to undertake this work.

Recommendation to Council

1. **That** Council approves a budget of $120,000 to install the remaining water meters on Residential D properties, and this be funded from the Ashburton water reserve account.

Background

Current situation

1. Council installs water meters on industrial, commercial, and other extra-ordinary properties that are connected to Council operated water supplies. These meters are installed to measure and charge for water.

2. Under the current approach, the Council is able to meter all extra-ordinary connections. In addition to the targeted water rate, as per the LTP, these properties should incur a charge based on a fixed amount per 1,000 litres of water consumed in excess of 90 cubic metres in the quarterly periods each year. The current charge (2019/20) is 96 cents (GST inc) / 1,000 litres.

3. In accordance with the LTP 2018-28, meters are also being installed on a number of smaller schemes with high rates of water demand or water loss, and as standard on all new or renewed connections. These meters are *not* used for charging purposes.

Problem definition

4. The Residential D zone comprises large residential lots (minimum size 4,000m^2). These are regarded by Council as extra-ordinary connections, being peri-urban or lifestyle properties.

5. Using a provision in the Water Supply Bylaw, Council meters, and bills, some customers in the Residential D zone, but not all. This disparity has been noted and raised, and a desire expressed to consider a common treatment for all such properties. The key issues are summarised as:

Previous Council decisions or direction

Water metering

6. In the LTP 2018-28 officers proposed installing water meters on several small schemes for asset management and leak detection purposes, and these projects were approved. Meters are in the process of being installed in Mt Somers; Dromore, Chertsey and Hinds are on the programme.

Extra-ordinary charges

7. Council received a submission (on behalf of Residential D zoned properties located on Tarbottons Road, Tinwald) raising concerns regarding the equity of metered water charges during consultation on the R&FP in 2018. Specifically, that:

- residential properties in the Residential D Zone are being metered and charged for water;
- the threshold at which charges are incurred is too low; and
- the cost of the water calculation is faulty and outdated.

8. Officers prepared a report addressing the submitters concerns and the options were presented to Council on 26 April 2018. Council accepted the officers' recommendations and retained the status quo.

Māori and tangata whenua participation

9. Officers have discussed water metering in the community with Aoraki Environmental Consultancy (AEC), although not at this level of detail. Initial support has been indicated.

Interested and affected parties

10. These are primarily landowners with a property located in Residential D zoned land and connected to a Council scheme.

Options analysis

Residential D Water Metering

KEY QUESTION

Should Council prioritise the installation of the remaining 200 meters for Residential D properties?

OPTIONS

1. Status quo – work not prioritised. This option would result in some residential consumers being charged on a volumetric basis, and others not. Given the lack of consistency and fairness under this approach, this option is not recommended.
2. Cease charging of all Residential D properties. This option would require an immediate Revenue and Financing Policy amendment and is not recommended.
3. Work prioritised and remaining meters be installed. This option would see meters installed on all residential D properties and ensure all residential D properties are charged on a volumetric basis. This option is the recommended option.

Funding options

a. Fund this work in the current year by utilising the Ashburton water supply reserve balance. This is the preferred option.

b. Delay the work until the new financial year by amending the proposed 2020/21 budget to include this expenditure. Given that the Council has already informally approved this budget, this option is not recommended.

c. Delay the work further and include provision for this work in the 2021/31 LTP. This would delay the installation of the meters for two years, and is therefore not recommended

11. Meters are installed and used for charging purposes on some (but not all) of Residential D properties. There are around 200 properties *without* meters who are not volumetrically charged. Officers acknowledge the issue of treating all residential D ratepayers fairly.

12. When the ability to charge Residential D was introduced, there was no specific budget set aside for meter installation for properties that were already established. The intention was that any new properties built (i.e. new subdivisions) would have meters installed as a means of mitigating their potential impact on water supplies and existing reticulation.

13. Officers therefore propose prioritisation of meter installation for the remaining 200 properties. Budget is requested (approximately $120,000) to complete this installation in the current financial year. This amount has been estimated based on the total funds required; the impact on rates may be reduced because some of the cost is for replacing older, incompatible tobies and manifolds, and this can be met from renewal expenditure. The split is estimated to be $60,000 new capital expenditure for the meters, and $60,000 for toby renewals. The final amount for toby renewals will depend on the number that need renewal, which has not been determined.

14. As detailed in the Financial Implications section of this report, there are different options for the timing of this work:

    a. 2019/20 year– funded through reserves.

    b. 2020/21 year – a ten-year loan being raised and paid through the targeted uniform annual charge (UAC) on all connected properties.

    c. 2021/31 - include provision for this work in the 2021/31 LTP.

15. The financial implications of 14(b), assuming a sum of $120,000 was all raised as new capital expenditure, are:

- The total rate increase for the 2020/21 year would be 4.9% (the LTP 2018-28 rate increase for Year 3 (2020/21) is 5%).

- The only impact in the 20/21 year would be the interest of $4,800 (we assume no principal repayments in the year the loan is taken out). This would raise the targeted UAC by $0.40 (to $426.40) for connected properties.

- The larger impact would come in the following year, when the first principle repayment of $12,000 was required, this would result in a targeted UAC increase of $1.60.

- This project will result in increased group water rates (targeted UAC) by $1.20 - $1.60 per year over the 10-year term (slightly lower each year as the principle is repaid and therefore less interest is charged).

16. It may be possible to repurpose funds from the current financial year within existing budgets. This would mean there would be no, or lower, rating impact and that the work could begin immediately. If this is preferred, officers will conduct more work on this and report back to Council on 9 April 2020.

17. If the preference is to fund this work within the 2019/20 or 2020/21 year, it is anticipated the work will be carried out over an estimated period of six months (with the intention of installing meters by October 2020, with the first bill being received in January 2021 for consumption between October and December 2020).

18. The advantages and disadvantages are:

	Advantages	**Disadvantages**
Option 1 **Status Quo** (meters not installed on remaining Red D properties)	• No capital cost – however if the desire is to meter district-wide this cost is inevitable anyway. • The original intention of the provision in the bylaw was not necessarily to meter all Residential D properties, but rather to target the newly built properties.	• Inequity – some Residential D customers being charged and some not.
Option 2 (A) **Prioritise immediately** **RECOMMENDED**	• Ensures fairity. • If district-wide metering is preferred then installing meters is inevitable. • Helps Council collect data for determining an adequate pricing regime.	• If funding in the 2020/21 year is preferred: o Rates impact of $1.20-1.60 per connected property per year (excluding the first year) over a ten-year period. o Outside of normal Council budget process (however, budgets have not yet been finalised).
Option 2 (B) **Defer to LTP 2020-21**	• More time to prepare a detailed business case. • Potential for a discounted rate for meters if buying for the whole district as opposed to only 200. • The community may oppose district-wide metering. Waiting	• Inequity continues for another year. • Consumption of the properties in Residential D without meters could remain high if not metered.

	Advantages	Disadvantages
	until the LTP would mean engagement on district-wide meters could be carried out.	
Option 3 Cease charging of all Residential D properties	• No capital cost – however if the desire is to meter district-wide this cost is inevitable anyway. • Likely to be supported by Residential D properties. • Ensures fairity if all Residential D properties are treated equally.	• It is likely consumption would increase for Residential D properties if there are no controls which is not desirable. • The targeted UAC may need to be increased to account for the loss of revenue. This means all connected properties would be subsiding connected peri-urban/lifestyle blocks. • If Council support a move to district-wide volumetric charging, then this would effectively be a step backward. It could be argued removing the volumetric charge from these users is in opposition to promoting well-being, meeting Council's commitments under the Climate Change Policy, and is against the 'user pays' principle. • If Council wish to investigate district-wide volumetric charging then there is little benefit in removing this charge from these customers.

Legal/policy implications

19. The **Local Government Act 2002** has many applicable sections:
    - S.14(1)(g) requires Council to ensure prudent stewardship and the efficient and effective use of its resources by planning effectively for the future management of assets.
    - S.101(1) requires councils act prudently in financial management.

Council bylaws policies, plans, strategies

20. The **Water Supply Bylaw 2016** (which is based on the NZS 9201.7 Model General Bylaws - Water Supply) designates a number of categories of property that are deemed extra-ordinary and, therefore can be subject to metering, (including peri-urban or lifestyle). Peri-urban or lifestyle lots pose a risk that a greater amount of water could be used for irrigation.

Financial implications

21. The Ashburton water reserve has a balance of $574,000, and the cost of the meters can be met from this reserve in the current year.

Requirement	Explanation
What is the cost?	The Assets team estimates the cost to install the remaining meters for Residential D to be approximately $120,000.
Is there budget available in LTP / AP?	No – there is currently no budget allocated, however, if the recommendation is accepted, this will be funded in the current year from the Ashburton water reserve account.
Where is the funding coming from?	The immediate funding of this work will be from the Ashburton water reserve account, which currently has a balance of $574,000.
Are there any future budget implications?	Yes, but the effect is minor, with the reserve being reduced by $120,000.
Reviewed by Finance	Yes

Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Medium
Level of engagement selected	Inform
Rationale for selecting level of engagement	The decision to install meters at the remaining Residential D properties does not require engagement. The actual level of service provided is not being changed. Council would be implementing a charge which it is already mandated to do so. However, officers acknowledge the sensitivity and likely interest from the 200 properties which would be receiving their water rates bill in a different format (and potentially subjected to an increased charge). It is therefore recommended a communications plan is developed to ensure these properties are informed in a timely and adequate manner.
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

Next steps

22. The next steps detailed below assume the officer recommendations are accepted.

Date	Action / milestone	Comments
9 April	Council debates the recommendations in this report from the Audit, Risk and Finance (ARF) Committee	

12. Development fund contributions policy

Author *Richard Mabon,*
Activity Manager *Toni Durham, Strategy and Policy Manager*
General Manager *Jane Donaldson, Group Manager, Strategy and Compliance*

Summary

- The purpose of this paper is to make Phase One decisions on the 2021 Review of the DFC Policy.
- Council currently collects DCs for water supply (in five townships), wastewater (in two townships) and community infrastructure (across the district). These contributions range from $2,875 (incl. GST) to $7,357 (incl. GST) for a residential house.
- Officers have made a Phase One assessment of new DCs for open spaces, stormwater and transportation. Officers have also assessed an expanded DC for community infrastructure.
- The Phase One calculations for Ashburton are summarised in this table:

Activity	2018-28 Contributions (incl. GST) per household unit equivalent (HUE) in Ashburton	2021 Phase One Contributions (incl. GST) per HUE in Ashburton
Water	$878	$878[5]
Wastewater	$3,604	$3,604[6]
Community Infrastructure	$2,875	$10,150
Open Spaces	$0	$502
Stormwater	$0	$2,195
Transportation	$0	$502
TOTAL	**$7,357/HUE**	**$17,831/HUE**

[5] 2018 figures used to ensure common basis for comparison.
[6] As per footnote 1

- The impacts on other townships are also noteworthy:

Township	2018-28 Contributions (incl. GST) per household unit equivalent (HUE)	2021 Phase One Contributions (incl. GST) per HUE[7]
Fairton	$5,242	$13,521
Hinds	$3,792	$12,071
Methven	$6,929	$15,208
Rakaia	$3,131	$11,410
Rest of District	$2,875	$11,154

- The 2021 Phase One total is based on recovering 100% of the capital expenditure for growth for all the activities analysed. Officers have identified methodological, legal and financial reasons why it is not in the public interest to advance work on new contributions for Open Spaces and Stormwater. This has the effect of reducing Phase One contributions across the district by $2,697.
- Methodological reasons will limit the scope of a new contribution for Transportation, but do not take the Option off the table at this point.
- Even without Open Spaces and Stormwater, the Phase One assessment outstrips historic rates of increase and Councillors and the community may find this level of increase politically unacceptable.
- With that in mind, Officers seek guidance on which options Council would like to explore in the Phase Two work. These include:
  - Do away with DCs
  - Retain DCs at 2018 levels
  - Increase DCs/HEU by around $2,500 (maximum of $10,000).
  - Increase DCs/HEU by around $5,000 (maximum of $12,500)
  - Increase DCs/HEU up to the maximum required to recover 100% of capital expenditure for growth
- Once Council has indicated a preferred range of outcomes, Officers can prepare Options on solutions to address that range of outcomes.
  - Retain a cap on the Community Infrastructure DC in the DFC policy.
  - Express limits on the percentage of CAPEX for growth recovered through the Revenue & Financing Policy

[7] In each case these development contributions increase by $8,729 per HUE. This is because all the new and increased contributions are district wide.

    - Defer further work on the introduction of a Transportation DC until preparations for the 2024 Long-term Plan
    - Reduce the capital expenditure planned for 2021-31.
    - Some mix of the above.

- Officers have some initial thoughts on previously identified policy issues that will reduce the amount of work required in Phase Two. Officers believe that:
    - Indexation is not warranted as all projects are inflation adjusted in the Long-term Plan
    - Introduction of sub-catchments for water and wastewater below the whole of network level create administrative costs that outweigh the benefits
    - The wider funding and policy issues arising from network extensions need to be addressed separately from the DFC Policy but in a way that aligns with the DFC Policy, as these issues are complex and also relate to:
        - alignment with District Plan zoning
        - planned drinking water network extensions
        - known and foreseeable impacts of natural hazards and climate change
        - foreseeable development and Council's appetite for risk as banker
        - developer contributions to the network extension costs
- The issue of credits on earthquake prone buildings needs to take into account Council’s roles as territorial authority, property owner and building consent authority under the Building Act 2004. Officers believe that the two-year sunset provision for DC credits could become an issue in regard to EQP buildings, but this is probably five to six years into the future.
- Examination of options to close the network extensions loophole indicates that the loophole should be closed by using service connection as a trigger, but only when a network extension is involved.

Recommendations to Council

1. **That** Council approves that the range of options for detailed assessment of overall development contributions in Phase Two include Option B (maintain overall quantum at 2018 levels), Option C (increase overall quantum by up to $2,500) and Option D (increase overall quantum by $5,000).

2. **That** Council approves further work being undertaken in Phase Two to close the development contribution loophole on network extensions by using service connection as a trigger for network extensions only.

3. **That** Council approves further work being undertaken on the wider aspects of network extensions as a separate issue outside the review of the development funding contribution policy.

4. **That** no further work shall be undertaken in Phase Two on the issues of indexation and catchments and Council will maintain the status quo on those issues.

5. **That** no further work shall be undertaken in Phase Two on the issue of development contribution credits for earthquake-prone buildings and Council officers will continue to monitor this issue.

Background

The current situation

1. The policy presently provides for water supply Development Contributions (DCs) at Ashburton, Methven, Rakaia, Hinds and Fairton; wastewater DCs at Ashburton and Methven, and a community infrastructure DC across the whole district. The policy also notes that Council collects financial contributions on subdivision at the rate of 5% of the value of new lots.

2. The triggers for collection of DCs are an application for:
   - building consent for a new residential or non-residential unit, or
   - building consent or resource consent for an addition, alteration, or change of use for a business unit.

3. A resource consent for change of use that does not also require building consent is rare, so effectively almost all DCs are triggered by building consent. Contributions are set every three years with no indexation in Annual Plan years.

4. When a connected property is demolished or disconnected for any reason, a credit for existing or historic DCs is available for a period of two years. If building consent is obtained within that two year period, no new contributions are charged. Any building consent outside the two year period attracts full charges.

Previous Council Decisions

5. Council first adopted a DFC Policy in 2004. The 2004 policy addressed financial contributions only. DCs were introduced in 2006 and have been policy ever since.

Council reviews the policy every three years alongside the long-term plan. The current policy was adopted in June 2018 and can be found here.

6. In August 2019, the Council resolved to review:

- existing DCs for water, wastewater, and community infrastructure;
- new DCs for open spaces, stormwater and transportation (roading and footpaths)
- an expanded DC for community infrastructure

7. Councillors and officers have identified policy issues for review, including

- credits for earthquake prone buildings
- indexation
- catchments for the collection of DCs
- adding a service connection trigger to close the network extensions loophole
- addressing other issues arising from network extensions

New DC for open spaces

8. Open spaces is funded from a set of revenue and financing policies for activities including cemeteries, public conveniences, reserves and campgrounds, rural beautification and urban beautification. This is fully described in the revenue and financing policy, which is available here.

9. Funding of CAPEX for these activities is summarised in the table below.

Activity	How CAPEX is funded
Cemeteries	Fees & charges 80% General rate capital value (CV) 20%
Public conveniences	Business amenity rates (Targeted CV rates on businesses in Ashburton, Methven and Rakaia) 20% Uniform annual general charge 80%
Reserves and campgrounds	Fees and charges 50% General rate (CV) 50%
Rural beautification	Rural amenity rate (Targeted CV rate) 50% General rate (CV) 50%

Activity	How CAPEX is funded
	Financial contributions
Urban beautification	Urban amenity rates (Targeted CV rates in Ashburton, Methven and Rakaia) 50% General rate (CV) 50% Financial contributions

10. The funding tools used alongside financial contributions in these activities are user charges, uniform annual general charges and rates based on capital value (CV). A new DC for open spaces, would offset user charges and the UAGC and CV rates to a small extent. This benefits service users, lower valued property owners and higher CV property owners respectively.

11. Council's funding policy appears more restrictive than the District Plan subdivision rules which require a financial contribution to be made "to provide for the open space and recreation requirements of the people who will live in newly created subdivisions". Council could choose to fund more of the open spaces activity from financial contributions.

12. Income from financial contributions can be spent on any form of capital expenditure (CAPEX) (including renewals and improved levels of service) and is not restricted to CAPEX for growth. That makes this funding source more versatile and useful.

13. The average revenue from financial contributions in the past five years has been $506,000 with a median of $516,000. More information is provided under Financial Analysis.

14. Under current law, financial contributions funding will expire effective from 19 April 2022. Unless repealed or amended, Council will be required to stop charging financial contributions on subdivisions from 19 April 2022. The current Government intends to repeal this legislation[8], but a change of Government could see a political U-turn on this issue.

15. The Options available to Council in regard to open spaces DCs are:

- Do more work on an Open Spaces DC to replace financial contributions

[8] The Resource Management Amendment Bill has been referred to Environment Committee, and submissions were called closing in November 2019. The Select Committee is due to report back on 26 March 2020.

- Do more work on an Open Spaces DC to sit alongside financial contributions
- Do no further work on an Open Spaces DC

16. The options are discussed further under Options Analysis.

17. Phase One calculations of open space DCs have been made. The Phase One estimate is $436 excluding GST per HUE or $502.24 including GST per HUE. A full description of the Phase One calculation, with a discussion of the assumptions and limitations, is contained in Appendix One, Tables 1 and 2 enclosed.

New DC for stormwater

18. The second proposed new activity for DCs is stormwater. This activity is currently 90% funded by targeted CV rates on properties in the catchments of stormwater schemes in Ashburton, Methven, Rakaia and Hinds. The remaining 10% is funded from general rates (CV) across the district as a whole. This 10% reflects the wider benefit to the district from urban stormwater systems.

19. There is presently no third party revenue and no revenue from financial contributions or DCs. Introducing a DC will lower the CV rates in the catchments where CAPEX for growth is expended, and the CV rate across the district, although the district-wide impact will certainly be minor

20. There are two drivers for a DC for stormwater. These are:

- The need to fund more CAPEX to meet new resource consent requirements
- The need to fund more CAPEX to cope with higher volumes of rainfall from more frequent and intense storm events expected due to climate change

21. The phase one assessment is $1,908.90 excluding GST per HUE or $2,195.24 including GST per HUE. A full description of the calculation, with a discussion of the assumptions and limitations, is contained in Appendix One, Tables 3 and 4 enclosed.

22. The Phase One calculations are based on an arbitrary 5% cost allocation for growth. There is difficulty substantiating this number, other than to note it should be at the low end, as Officers believe that the majority of the planned stormwater investment is either renewal or level of service improvement.

23. The increased demand from higher rainfall cannot be attributed to growth in demand if it flows off existing impervious surfaces. Additional impervious surfaces, such as the roofs and sealed areas of new homes and non-residential buildings will add to the demand on the network, but this is not straight forward due to the application of the "stormwater neutrality" principle to new development.

24. Stormwater neutrality requires all new developments to be designed to ensure that no stormwater runs-off from the site onto any other property during a 24 hour duration 10% (1 in 10 year) annual exceedance probability (AEP) rainfall event. Effectively, this is achieved by soak holes or storage basins.

25. Stormwater neutrality creates two classes of beneficiary in terms of private land drainage – 1. - those properties that are directly connected into the stormwater network and whose stormwater is always directed into the stormwater network, and 2. - those who provide their own on-site solution and who benefit only when a rainfall event exceeds a 10% annual exceedance probability. Both these beneficiary types benefit from the continuing ability to use the road network because of storm water drainage.

26. A fair DC will reflect an appropriate differential between who have already provided and maintain their own stormwater system for land drainage (up to a 10% AEP event) and those who discharge stormwater to kerb and channel in all events. The information on which to base such a differential (such as the number of properties in each category, the extent of likely runoff from each category and the capacity of the existing stormwater reticulation to cope with events larger than 10% AEP) is not available and would require data gathering across the Ashburton network and computer modelling of flows and volumes. This research project likely comes with a six-figure price-tag. This is not budgeted for in 2019/20.

27. In addition to these observations, a DC regime for stormwater cannot capture the 10% of benefit attributed to the wider district from Ashburton stormwater systems.

28. All of the reasons noted in paragraphs 22 to 27 underpin the need for better data about the stormwater assets to attribute CAPEX for growth fairly between those who provide their own stormwater systems, those who directly discharge all stormwater to the kerb and channel and the benefits obtained by those who live outside Ashburton.

29. Options to progress work on stormwater contributions are discussed under Options analysis.

New DC for Transportation

30. Transportation is currently funded from a mix of rates and third party funding (from NZTA) and financial contributions on subdivision. Financial contributions were budgeted at $10,000 per annum in 2018/19[9] and Council received and spent $42,000 in contributions, and covering 0.37% of the $11.3 M capital expenditure[10]. There is no DC revenue at this point.[11]

31. Revenue from a transportation DC would offset CV roading rates. CV rates fall heaviest on properties with a high CV, such as a dairy farm, or a supermarket.

32. The long-term plan and annual plan both indicate that transportation CAPEX is almost entirely renewal expenditure. This is surprising given the narrative around transportation in the LTP, which notes strong growth in demand on the roading network.

33. Council has also voted unsubsidised funding for local roading projects on top of the approved NZTA roading programme because improving the network is a high priority, yet takes no advantage of a funding tool specifically intended to help fund growth in demand. This paradox invites closer examination.

34. Every LTP includes a 10-year transportation budget and work programme that identifies CAPEX in a variety of categories of work including road resurfacing, rehabilitation, new kerb and channel, minor improvements, seal improvements and seal resurfacing. Council uses pavement modelling to identify a programme of works over the ten year period. The modelling requires process and parameter checks and refinements to ensure it is providing locally relevant and robust outputs.

35. To specify the programme for years one to three, Council undertakes field verification of the site list, and considers other factors such as adjacent works (utilities, corridor operators), off-road projects (development projects, subdivisions) and community concerns (schools, aged care sites, crash rates), which all have a bearing on final decisions. Council plans to update the three-year programme with updates made each year to account for changes to condition or priorities.

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[9] This is budgeted to fall to $8,000 in 2019/20.
[10] Total budget is $17.6M, with the remaining $6.3M being operating expenditure.
[11] By comparison, Waitaki District budgeted $200,000 in DC revenue, received and spent $279,000 and this made up 3.7% of their $7.4M capital expenditure on transportation.

36. The three-year programme is submitted to NZ Transport Agency for funding and the LTP budgets for years four to ten reflect the broad allocation of funding to the various categories of work, with the detailed programming being revised (in the light of three more years of pavement modelling and consideration of other factors noted in paragraph 34).

37. Council needs better asset management information around years four to ten of the work programme and around asset capacity life. In the meantime, it could progress a Transportation DC based on years one to three of the LTP and any major projects in years four to ten that are the subject of detailed project assessment.

38. Phase one calculations of transportation development contributions have been made. These Phase One numbers are based on an arbitrary 5% growth allocation, making them preliminary and subject to further work at Phase Two. The Phase One estimate is $436.17 excluding GST per HUE or $501.60 including GST per HUE.

39. A fuller description of the calculation, with a discussion of the assumptions and limitations, is contained in Appendix one, Tables five and six enclosed. Almost half of the CAPEX for growth is tied up in the Ashburton Second Bridge project, which means that the DC calculation would halve if this project does not proceed. The initial calculation includes no historic CAPEX for growth. Capturing this CAPEX would lift the overall DC and could require substantial retrospective work to justify the level of CAPEX for growth.

40. Options for Transportation DCs are discussed under Options analysis. These are dependent on Council's appetite for an increase in overall DCs.

Expanded DC for Community Infrastructure

41. The building of new community infrastructure is part of the Economic Development - Property activity under Council's revenue and financing policy. The net operating revenue from Council's property investments is applied to offset general rates and the uniform annual general charge in proportion to each.

42. Revenue from property sales does not offset rates but can be used to repay loans associated with property development. The community infrastructure development contribution funds part of the CAPEX for growth from the Art Gallery and Heritage Centre development and part of the CAPEX for growth from the EA Networks Centre development. This contribution is currently capped at $2,875 per HUE including GST. This is 83% of the contribution required to fully fund 100% CAPEX for growth.

43. This contribution was first capped at $1,500 in 2009. The cap remained at $1,500 in 2012 and then increased in 2015 ($2,300) and 2018 ($2,875).

In each case, the reason for capping is to promote economic wellbeing by setting development contributions at a level that does not discourage development. Council signalled it would consider removing the cap in 2021.

44. Any increase in development contribution revenue will offset the general rate (CV) and the uniform annual general charge. The general rate per property varies with the capital value of the property (higher CV = higher rates) while the UAGC is the same for each separately used or inhabited part of a rating unit.

45. The Review looks at adding further planned CAPEX for EANC and CAPEX from the Library and Civic Centre Project.

46. With the inclusion of CAPEX for growth for the Library and Civic Centre ($7.4M), and the CAPEX for growth for EANC ($550,000), the DC for community infrastructure is predicted to rise (uncapped) to $10,150 including GST. This increase of $7,275 is made up of $577 from lifting the cap on the 2018 contribution and $6,698 in additional CAPEX for growth.

47. Detailed calculations are included in Appendix One, Tables 7 and 8.

48. There are a number of approaches available if Council feels that a contribution of this magnitude was too high. While Council should also look at the overall DC calculations rather than any activity in isolation, this activity is the largest contributor to overall DCs in the Phase One assessment.

49. Possible approaches include:

- A cap in the development contributions policy (expressed as a $ figure)
- A cap in the revenue and financing policy (expressed as a percentage of CAPEX for growth or falling within a percentage range).
- Collecting a DC on the library component only
- Collecting a DC on the administration component only
- Reviewing the CAPEX for growth assessment

50. A useful way to proceed may be for elected members to indicate their overall appetite for changes to development contributions and invite Officers to provide a set of options that could achieve that objective.

Other Policy Issues

Credits for earthquake prone buildings

51. As noted in paragraph 4, DC credits apply only to a building which has been inhabited or used for the stated purpose within the last two years or the building has been used as a place of business within the last two years.

52. This may create issues with earthquake-prone buildings where Council may, in future, require demolition of privately-owned buildings.

53. A first-cut assessment has identified the following policy options for further consideration:

- Option One - status quo - no change to policy in 2021 – maintain a watching brief (**RECOMMENDED)**
- Option Two - allow credits to be retained for a longer period **(NOT RECOMMENDED)**
- Option Three - enable Council to make decisions on a case-by-case basis (**NOT RECOMMENDED)**
- Option Four - refer the issue to a wider consideration of how Council manages the implications of earthquake-prone buildings. **(NOT RECOMMENDED)**

54. Each of these Options has potential pros and cons, and may be more or less effective in contributing to Council's preferred outcomes.

55. At a high level, this issue involves Council wearing three different hats – as building consent authority, as property owner, and as territorial authority. Each of these roles may have different interests in the decision-making process. To do this work properly within the context of a review of the DFC Policy may exceed our capacity.

56. This issue may well become a significant future challenge for Council, but this could be several years away. When building owners have demolished buildings in the past, they have largely been unaware of the two-year clock on their DC credits and only raise it as an issue after they receive an invoice for DCs arising from a new building consent.

57. With the first EQB notices due to expire in 2022, there will be judgements to be made about what happens next. Building owners have rights to seek exemptions or extensions, and while Council has powers to impose safety requirements or undertake seismic work, it is not required to do either. It is not inconceivable that it takes five or six years to reach the point where a building owner raises concerns about the DC credits.

58. The advantages of going with the status quo are that the decision-making environment could change substantially over the next five to six years. In that period, the CBD upgrade will be completed and the Library and Civic Centre will be built. Economic, political and legal factors will have evolved making some policy options more or less attractive than they are today.

59. Pursuing the status quo and maintaining a watching brief enables Council to pick this issue up in three years, or in six years, when the issue is in sharper focus. This also enables resources to be focussed on more urgent issues in the meantime.

60. Option Two is not favoured because a longer period for the retention of credits could allow earthquake-prone buildings to remain in situ for longer, posing an ongoing threat to public safety in the event of a large earthquake. We can't be sure today that a longer retention period is the right policy in five or six years' time.

61. Option Three could translate into making policy "off the cuff" This is not always a sound basis for long-term policy. If this were preferred, there is value in considering the parameters and criteria that might inform those decisions.

62. Option Four is a sound course of action, and like the argument for the status quo, the reasons opposing this option relate to when the policy work is done. There may be minimal value in moving too early, and a higher risk of getting it wrong because of unforeseen change in the decision –making environment.

Indexation

63. Indexation is a technique whereby Councils can inflation index contributions on an annual basis.

64. Our current approach to calculating DCs relies on the project cost in the 2018-28 long-term plan. These figures are already inflation adjusted every third year through the LTP process. When a project is completed, the actual cost becomes the basis for the cost allocation for growth.

65. Officers are satisfied that these mechanisms take appropriate account of cost increases over time, and recommend no further work on indexation.

Catchments

66. We use the properties connected to the water supplies and waste water reticulation as our catchments for water and wastewater DCs. So, Ashburton water consumers pay the Ashburton water DC and Hinds consumers pay the Hinds DC. Community Infrastructure is paid district-wide as anyone in the district can access that infrastructure. The principle is that the contribution should be charged across the "area of benefit".

67. Stormwater makes more sense to be charged on a "serviced properties" type of basis, while Open Spaces and Transportation make more sense on a "whole of district" basis as the respective networks serve the whole district.

68. Some Councils, usually large cities and metropolitan Councils, subdivide their city or district to reflect where the investment is concentrated. Officers have looked at this, and it is clear that, for our communities, this is administratively inefficient with no countervailing benefit. Officers recommend that Council undertake no further work on catchments in the 2021 Review.

DC Loophole on network extensions

69. There is currently a loophole in the policy, as a result of Council policy choices regarding triggers for collecting development contributions. When Council extends its drinking water network to service properties on the fringe of Ashburton, there is no building consent to trigger to payment of a development contribution. This means that Council cannot rely on the statutory or policy trigger to recover a DC from these properties. Options to address this include:
    - use service connection as a trigger for all developments; or
    - use service connection as a trigger for network extensions only.

70. Option One - service connection as the trigger for any DC - will create some unintended consequences that our current approach avoids, namely hitting the developer with a lot of up-front costs ahead of cash flow from the development. The current policy settings were chosen to avoid this specific outcome. This places more risk with the developer and may discourage development.

71. Option Two - service connection as a DC trigger for service extensions only - is a workable solution. It is timely to advance this solution alongside other work on the DFC Policy. This is a favoured option, for closing the loophole.

Wider aspects of network extensions

72. Council has also asked for advice on wider aspects of network extensions, to explore possibilities for greater consistency going forward.

73. The Council requires property owners to sign an agreement before connecting to the network. This agreement requires each property owner to pay a Reticulation Cost Recovery Fee, a development contribution (currently $764), a service connection application fee, and a mains tapping fee.

74. This varies from one extension to another. There are currently Reticulation Cost Recovery Fees in place for Buckleys Terrace, Glassworks Road, Murdochs Road, Northpark Road, North West Ashburton, Taits Road and Wilkins Road. An eighth is being established for Beach Road East, but cannot be finally established until final construction costs are known. These fees are subject to indexation.

75. The reticulation cost recovery fees range from $1,300 to $8,000 with most fees in the range of $4,000 to $8,000. The variance reflects the cost of the physical works to provide the network extension, the extent of any developer contribution, the number of serviceable properties and Council's appetite for risk in its role as "banker".

76. Policy advice on this topic requires consideration of other issues that are broader than the DFC Policy. These issues include:

- Alignment with District Plan zoning
- Planned drinking water network extensions
- Known and foreseeable impacts of natural hazards and climate change
- Foreseeable development and Council's appetite for risk as banker
- Developer contributions to the network extension costs

77. Officers will strive to align work on the DFC policy with thinking on network extensions. We will keep you informed of thinking on the wider network extensions policy issue as work progresses.

Options analysis

Issue One: Development Contributions – Overall Quantum of DCs

78. The purpose of Phase One analysis is to move from a "longlist" of current and potential future DCs to a "shortlist" for detailed assessment. The recommended approach is for Council to confirm an acceptable range in terms of the overall quantum of DCs per HUE, to inform Phase Two analysis.

79. This will set parameters for Officers to bring back options that can achieve the desired range for the overall quantum of DCs per HUE.

Criteria for decisions on Issue One

80. Officers propose the following criteria for assessment of the long list of options and recommending a shortlist

- **Fairness and equity –** the extent to which Council believes an overall quantum of DCs/HUE represents a fair and equitable imposition of costs across the community, given the lawfully available funding tools.
- **Impact on economic wellbeing** – the extent to which Council considers an overall quantum of DCs/HUE will act as an actual or perceived "handbrake" on residential and non-residential development.
- **Lawfulness** – the extent to which an overall quantum of DCs demonstrates compliance with the Local Government Act 2002. All options are lawful.

- **Financial sustainability** – the extent to which the potential range of future DCs enables Council to fund its activities with confidence and certainty
- **Risk** – In addition to legal and financial risk, are there any other risks which should inform the decision on the potential range of future DCs and, if so, how does that affect the range.
- **Resourcing** – the extent to which the level of workload required to complete work on the shortlisted options can be accomplished with available resources.

Options Analysis for Issue One

Issue One, Option A – Do away with development contributions altogether (Exclude from recommended range for Phase Two analysis "Phase Two Range")

81. This Option is not preferred as it creates a funding gap equivalent to adding 3% to the rates (in 2019/20 terms) from 2021/22. This poses some short-term challenges in terms of financial sustainability and raises questions about fairness and equity if new development makes no contribution to investment in assets to meet increased demand arising from such development.

Issue One, Option B – Maintain DCs at 2018 levels. (Include in Phase Two Range)

82. Under this option, Officers would likely recommend updating contributions for water and wastewater and continuing to cap the contribution for community infrastructure. Any substantial increase in water or wastewater CAPEX may require caps on those contributions to be introduced.

83. Officers recommend that this Option be included within the shortlist for further work. It provides a status quo for comparison against other Options, is lawful, and does not raise significant issues in terms of fairness and equity, economic wellbeing, financial sustainability, risk or resourcing that rule it out of consideration.

Issue One, Option C – Increase DCs by up to $2,500. (Include in Phase Two Range)

84. Under this Option, Officers would likely present updated contributions for water, wastewater and community infrastructure, with a cap on community infrastructure (or reduced CAPEX for growth, or both) to keep the overall DC/HUE within the $2,500 maximum increase.

85. Officers recommend that this Option be included within the shortlist for further work. It reflects increased expenditure for growth, is lawful, and does not does not raise significant issues in terms of fairness and equity, economic wellbeing, financial sustainability, risk or resourcing that rule it out of consideration.

Issue One, Option D – Increase DCs by up to $5,000 (Include in Phase Two Range)

86. Under this Option, Officers would likely present updated contributions for water, wastewater and community infrastructure, with a cap on community infrastructure (or reduced CAPEX for growth, or both) to keep the overall DC/HUE within the $5,000 maximum increase. There may be scope to introduce a Transportation DC under this Option based around selected projects with clear CAPEX for growth, and there may be trade-offs between a higher cap on community infrastructure and no DC for Transportation. DCs for Open Spaces or Stormwater are not likely to feature under this Option.

87. Officers recommend that this Option be included within the shortlist for further work. It reflects increased expenditure for growth, is lawful, and does not raise significant issues in terms of economic wellbeing, financial sustainability, or risk that rule it out of consideration. This will make analysis more challenging from a resourcing perspective than Options B & C. It is likely to trigger more debate around fairness and equity than Options B and C but this should not exclude it from analysis.

Issue One, Option E – Increase DCs to recover 100% of CAPEX for growth (Exclude from Phase Two Range)

88. Under this Option, Officers would likely present updated contributions for water, wastewater and community infrastructure, an uncapped DC for community infrastructure and introduce a Transportation DC. The Transportation DC would still be based around selected projects with clear CAPEX for growth. This is the only scenario under which DCs for Open Spaces or Stormwater would continue to be considered in the review. As noted in paragraphs 22 to 28, Officers believe that better asset information is required to support a robust calculation for a stormwater DC and do not support further work on a stormwater contribution for 2021 for methodological, legal risk and resourcing reasons.

89. Officers recommend that this Option be excluded from the Phase Two Range. It reflects increased expenditure for growth, and is lawful. Option E will make analysis more challenging from a resourcing perspective than Options B, C & D. It is likely to trigger more debate around economic wellbeing and fairness and equity than Options B, C and D because, based on Phase One analysis, it represents a substantial increase in overall $DCs/HUE. It represents higher risk than the previous Options because substantially higher contributions/HUE create more incentive for legal challenge.

Issue Two - Other Policy Issues

90. The purpose of this discussion of other policy issues is to start narrowing down the areas where resources are best expended.

Criteria for decisions on Issue One

91. Officers propose the following criteria for assessment of other policy issues

- **Complexity –** are some of the issues of low complexity and able to be resolved without further work at Phase Two? Are some of the issues of such high complexity that they cannot be reasonably addressed within the scope of this DFC policy review?
- **Timing** – do the other policy issues need to be addressed now or are they better addressed at a future review?
- **Risk** – Are there other risks which should inform the decision on which of the other policy issues requires further analysis?
- **Resourcing** – the extent to which the level of workload required to complete work on the other policy issues can be accomplished within timeframes for the DFC policy review with available resources.

Issue Two, Option A – Maintain Policy status quo. (Not preferred)

92. This Options maintains the status quo on issues of DC credits, indexation, catchments, DC loophole on network extensions and the wider aspects of network extensions. Some of these issues need to be addressed because they represent policy problems that cannot be resolved from the Phase One analysis. Others can be addressed from the Phase One analysis and serve to demonstrate that Council has observed the principles in S.197AB of the Local Government Act 2002 (see paragraphs 95 to 97)

Issue Two, Option B – Do More (Preferred)

93. This Options maintains the status quo on issues of DC credits (timing criterion), indexation and catchments as they all meet the criterion for low complexity). It recommends more work in Phase Two on

- the DC loophole on network extensions by using service connection as a trigger for network extensions only; and
- treating the wider aspects of network extensions as a separate issue outside the review of the DFC Policy (high complexity and resourcing criteria).

Issue One, Option C – Do Maximum – do more policy work on all issues (Not preferred)

94. This is not preferred because:

- Further work on DC Credits is not supported for the reasons set out in paragraphs 51 to 62, and in light of the timing and resourcing criteria
- Further work on indexation is not supported for the reasons set out in paragraphs 63 to 65, and in light of low complexity and resourcing criteria
- Further work on catchments is not supported for the reasons set out in paragraphs 66 to 68, and in light of low complexity and resourcing criteria
- Focussing on the remaining issues is a better use of staff resources.

Legal/policy implications

Local Government Act 2002

95. Section 197AB of the Local Government Act 2002 sets out seven DC principles. These principles can be divided into two types.

96. The first type of principles affects the calculation of charges and liability for paying them. These are:

- Councils can charge DCs only if a development helps cause the need for new or expanded assets with additional capacity.
- DC charges should reflect asset capacity lives and avoid over-recovery of growth costs.
- Cost allocations should reflect who causes each project, and who benefits from them.
- Developments can be grouped by location or development type to set charges, but Councils should avoid districtwide charges wherever practical.

97. The second type of principles affects transparency and accountability. These are:

- Councils must explain why they collect DCs and what they use them for.
- Councils must ensure that DCs are predictable, consistent with the underlying methodology and that policies disclose key information about the charges, including how Council calculates them.
- Council must spend income from DCs in the places and for the purposes that Council raises them.

98. All of the Options raised in this paper are lawful options but some Options entail a higher level of compliance risk.

99. Marginal costs and allocative efficiency

100. Development contributions legislation in NZ is based on the microeconomic theory of marginal costs and allocative efficiency. If developers pay their fair share for the consumption of asset capacity when they build a house or a factory, this maximises the efficiency of the investment in new infrastructure. The corollary to developers paying their fair share is that ratepayers also pay their fair share. There is always a risk that one or other of these parties will be under-or-overcharged.

101. This risk is relevant to development contributions because we do not have perfect knowledge of our marginal costs, we don't have perfect information about historic rates of growth and consumption and we do not have perfect foresight of future rates of growth and consumption. Asset investment tends to be "lumpy" and long-term, and the further we look into the future the less perfect our foresight tends to be. These are all reasons to be cautious about the levels of development contribution and to seek to improve our understanding of marginal costs of asset investment over time.

102. In response to a workshop question, Officers are working on an assessment of the extent of ratepayer cross-subsidisation in the DC charging regime. Some more information on this will be presented to the meeting.

Financial implications

Requirement	Explanation
What is the cost?	This policy is a source of revenue. The costs of review and implementation are covered in existing operating budgets.
Is there budget available in LTP / AP?	Yes
Where is the funding coming from?	Operating costs of implementation fall primarily in Building Control and Assets. Review costs sit mainly in Strategy and Policy. Each of these activities is funded from sources described in the Revenue and Financing Policy.
Are there any future budget implications?	Yes. Changes to development contributions will affect the level of revenue required from other sources. More DC revenue means lower rates, less loan servicing and lower user charges. Less DC revenue has the opposite effects. DC revenue is less reliable than rates and loans, and can fluctuate as levels of development fluctuate depending on wider economic conditions.
Reviewed by Finance	Rachel Sparks, Finance Manager

Revenue from development contributions

103. Council has received $8,883,070 in revenue over eleven calendar years from 2008 to 2018 inclusive. The mean annual total was $807,552. The median was $727,339. Annual revenues ranged from $372,731 in 2009 to $2,169,377 in 2014. Council also passed the $1M threshold in 2016 with revenue of $1,045,855.

104. Over the same eleven-year period, the bulk of income came from residential building consents, which averaged 75% of income over that time. The median was also 75%, and the percentage ranged from 51% to 88% (twice). The two years where residential building DC revenue fell below two-thirds of all DC revenue was due to high-value community buildings.

105. More revenue analysis is contained in Appendix Two. (Thanks to Mel Neumann for the graphs, Michael Wong for sourcing the data, and Chetan Nayyar for generating the reports)

Revenues from financial contributions

106. The average revenue from financial contributions in the past five years has been $506,000 with a median of $516,000.See table below. The financial contributions reserve stood at about $3.6M at 1 July 2019, with revenue exceeding outgoings in four of the past five years.

Financial year	Budgeted revenue from financial contributions ($000)	Actual revenue from financial contributions ($000)
2014/15	Not stated	571
2015/16	400	543
2016/17	410	488
2017/18	421	415
2018/19	421	516
2019/20	430	Not known

Charges compared with other councils

107. Attached as Appendices Four and Five are spreadsheets comparing development contributions/HUE in Ashburton District with a range of 20 other Councils. Appendix Four is sorted on the $ value of the DC, from highest to lowest. Appendix Five sorts by the name of the territorial authority from A to Z.

108. The 21 Councils represent about half of the 43 Councils that are known to charge DCs. The 21 were selected initially on the basis of population served, ranging from 17,000 to 51,000 with Ashburton at the population midpoint. The sample was expanded to include all Canterbury Councils that charge DCs and the two largest non-Canterbury Councils, namely Auckland Council and Wellington City Council.

109. Councils that do not charge DCs are not listed. In Canterbury, this includes Mackenzie District, Waimate District and Timaru District.

110. Please note that some City and District councils have a more complex policy than Ashburton District, with a mix of district-wide, catchment, and sub-catchments for different asset categories. The spreadsheet attempts to fairly represent the range of DCs charged in those authorities, but in some cases it is not clear how the calculation works, and whether, for example, sub-catchments for roading in an urban area are on top of, or in substitution for, a local roading contribution.

111. Lincoln is one example of that kind of complexity, where there is a catchment and seven sub-catchments. The sub-catchment charges range from over $20,000 to less than $5,000. Auckland Council and Wellington City have similar levels of complexity.

112. The main finding is that Ashburton DCs sit at the lower end of the range for Councils that charge DCs, with our highest charges (Ashburton) sitting on the 74th percentile of the sample, and the remainder all sitting in the first quartile (the bottom 25%).

113. Please note that Kaikoura DCs are only charged when thresholds are exceeded, these thresholds being 10 HUE, a non-residential development over 100m2 gross floor area, or a project value of $1,000,000. This means that most houses in Kaikoura are not charged DCs but a $1M house in Kaikoura attracts a DC slightly higher than the same house in Ashburton.

Significance and engagement assessment

114. Council officers are likely to commence communication with stakeholders during Phase Two as a form of simple pre-engagement with affected parties. Once a draft policy is adopted, Council will consult under the Local Government Act in a manner that reflects compliance with the consultation principles under Section 82 of the Act.

115. Development contributions stakeholders include the development community, real estate agents, and professional advisors to investors contemplating development and the wider business and farming communities. From a "fairity" perspective on funding, ratepayer groups will also be informed of the proposals. If any issues arise in geographic areas, we will also look at targeted consultation in those localities.

116. The likely topics of consultation will be any changes in the quantum of development contributions, any new activities being brought into the DFC Policy, and any policy changes arising from the policy issues previously noted.

117. Officers propose a four-phase decision-making process, the four phases being:

- Phase One - longlist to shortlist
- Phase Two - shortlist to draft policy
- Phase Three - draft policy to adopted policy
- Phase Four - adopted policy integrated into the long-term plan

118. During Phase One of the project, officers and elected members will examine the long list of activities and decide the focus of activity in Phase Two. Phase One will run until late March 2020.

119. The purpose of Phase Two is to refine the work from Phase One for the shortlisted activities. Phase Two involves a detailed assessment using the best available information to add rigour to the calculations. At the end of this phase, the Council will decide what it will put forward in its draft policy for public consultation. This phase will run from the end of Phase One until the end of June 2020.

120. This detailed assessment will give us a policy fit for public consultation.

121. The purpose of Phase Three is to consult and decide on the draft policy which Council has adopted for consultation. The scope of this consultation is the whole of the draft policy in its entirety.

122. After considering community views on the draft Policy, Council will make decisions to adopt a policy to be effective from 1 July 2021.

123. The purpose of Phase Four is to ensure that the DFC policy is fully integrated with the policies and budgets in the 2021-31 long-term plan. Primarily this is about matching up the forecast CAPEX for growth in the Policy schedules with the CAPEX for growth recorded in the LTP.

124. For readers of the policy, the impact of this, if any, will be on the quantum of the DCs. Therefore, the scope of this consultation will be focussed on changes to the quantum of DCs from the policy adopted in September. The policy as a whole will not be "up for grabs" again, and the focus will be on the quantum of CAPEX, the quantum of DCs, and possible refinement of mitigation mechanisms such as capping (either the DCs or the Revenue & Financing Policy).

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Medium
Level of engagement selected	Engagement level 2. – Comment – Informal two-way communication
Rationale for selecting level of engagement	Engagement level 2 is appropriate given the overall significance of this issue and the work to take place in Phase Two. After phase two, engagement level 3 – formal two way communication is required, but this may or may not be special consultative procedure.
Reviewed by Strategy & Policy	Toni Durham, Strategy and Policy Manager

Next steps

Date	Action / milestone	Comments
20 February 2020	**Workshop One** To consider the Workshop One papers on the longlist options and policy issues	
19 March 2020	**Audit Finance & Risk Meeting** To consider a report on the Workshop One papers and the feedback from Workshop One	**Process is currently at this point.** Decisions on which DC charges and issues go on to the shortlist for more detailed work in Phase Two
9 April 2020	**Council Meeting** To consider AFR recommendations	

Date	Action / milestone	Comments
21 May 2020	**Workshop Two** To consider a draft DFC Policy based on detailed assessment of contributions and policy issues	
11 June 2020	**Audit Finance & Risk Meeting** To consider a report on the Workshop Two papers and the feedback from Workshop Two	
25 June 2020	**Council Meeting** To consider AFR recommendations and approve Draft DFC Policy for consultation	
26 June to 27 July	**Consultation on Draft DFC Policy**	This consultation will consider all aspects of the Policy.
TBC Early August	**Council** Hearing of submissions to DFC Policy	
3 September	**Audit Finance & Risk Meeting** To deliberate and make recommendations on the DFC Policy	All Councillors can attend this meeting.
24 September	**Council Meeting** To consider AFR recommendations and approve DFC Policy for 2021-24	This Policy will be the subject of further consultation in regard to the 2021-31 LTP.

Appendix One – Phase one assessment of new and expanded DCs

NOTE: These calculations for Open Spaces, Stormwater, Transportation and the revised calculation for Community infrastructure are PHASE ONE ONLY and subject to change. They are NOT POLICY of the Ashburton District Council.

Table 1 – Phase One Open Spaces DC Calculations – SUBJECT TO CHANGE – NOT COUNCIL POLICY

Phase One DC Calculations for Open Spaces – SUBJECT TO CHANGE – NOT COUNCIL POLICY									
Period of CAPEX	Project description	Year incurred/ proposed	Amount ($)	Project growth factor	Applied growth factor	Funding from Third Parties	Funding from other ADC sources ($)	Funding from DC ($)	DC per HUE ($)
Recent	Internal loan								
	External loan								
Future LTP 2018-28	Ashburton Cemetery extension	2018/19	234,000	11.50%	11.50%	0	207,090	26,910	18.18
	Ashburton Cemetery extension	2019/20	63,000	11.50%	11.50%	0	55,755	7,245	4.90
	Ashburton Cemetery extension	2020/21	33,000	11.50%	11.50%	0	29,205	3,795	2.56
	Rakaia Cemetery New Works	2021-28	17,000	11.50%	11.50%	0	15,045	1,955	1.32

Phase One DC Calculations for Open Spaces – SUBJECT TO CHANGE – NOT COUNCIL POLICY									
Period of CAPEX	Project description	Year incurred/ proposed	Amount ($)	Project growth factor	Applied growth factor	Funding from Third Parties	Funding from other ADC sources ($)	Funding from DC ($)	DC per HUE ($)
	Argyle Park Walkway	2018/19	31,000	11.50%	11.50%	0	27,435	3,565	2.41
	Argyle Park Walkway	2019/20	51,000	11.50%	11.50%	0	45,135	5,865	3.96
	EANC Development of new sports fields	2021-28	4,843,000	11.50%	11.50%	2,421,500	2,143,028	278,473	188.16
	Rakaia Beautification Upgrades	2018/19	10,000	11.50%	11.50%	0	8,850	1,150	0.78
	Rakaia Beautification Upgrades	2019/20	10,000	11.50%	11.50%	0	8,850	1,150	0.78
	Rakaia Beautification Upgrades	2020/21	10,000	11.50%	11.50%	0	8,850	1,150	0.78
	Rakaia Beautification Upgrades	2021-28	80,000	11.50%	11.50%	0	70,800	9,200	6.22
	Ashburton Domain Playground Upgrade	2019/20	204,000	11.50%	11.50%	0	180,540	23,460	15.85
	Methven Playground equipment	2020/21	72,000	11.50%	11.50%	0	63,720	8,280	5.59

Phase One DC Calculations for Open Spaces – SUBJECT TO CHANGE – NOT COUNCIL POLICY									
Period of CAPEX	Project description	Year incurred/ proposed	Amount ($)	Project growth factor	Applied growth factor	Funding from Third Parties	Funding from other ADC sources ($)	Funding from DC ($)	DC per HUE ($)
	Methven Playground equipment	2021-28	80,000	11.50%	11.50%	0	70,800	9,200	6.22
	Neighbourhood grounds new play equipment	2018/19	93,000	11.50%	11.50%	0	82,305	10,695	7.23
	Rakaia playground equipment	2019/20	82,000	11.50%	11.50%	0	72,570	9,430	6.37
	Rakaia playground equipment	2021-28	91,000	11.50%	11.50%	0	80,535	10,465	7.07
	Public conveniences upgrade	2018/19	184,000	11.50%	11.50%	0	162,840	21,160	14.30
	Public conveniences upgrade	2019/20	189,000	11.50%	11.50%	0	167,265	21,735	14.69
	Public conveniences upgrade	2020/21	193,000	11.50%	11.50%	0	170,805	22,195	15.00
	Public conveniences upgrade	2021-28	1,472,000	11.50%	11.50%	0	1,302,720	169,280	114.38

Phase One DC Calculations for Open Spaces – SUBJECT TO CHANGE – NOT COUNCIL POLICY									
Period of CAPEX	Project description	Year incurred/ proposed	Amount ($)	Project growth factor	Applied growth factor	Funding from Third Parties	Funding from other ADC sources ($)	Funding from DC ($)	DC per HUE ($)
								Open Spaces– DC (excl GST)	**436.73**
								GST	**65.51**
								Open Spaces – DC (inc GST)	**502.24**

Table 2 – Assumptions and Limits – Phase One Open Spaces DC Calculations – SUBJECT TO CHANGE – NOT COUNCIL POLICY

#	Description	Explanation	Impact on DC
1	No historic CAPEX for Growth included	This has not yet been assessed. Historic practise has identified relatively small amounts of CAPEX for growth in the Open Spaces activity. Officers are not certain about the legal risks of retrospectively correcting this cost allocation.	Introducing more expenditure will increase the DC. Without an assessment, this is hard to quantify, and it will be assessed before the first Workshop. The quantum may be low if Council is obliged to maintain historic cost allocation.
2	Projects funded in 2018/19 and 2019/20	Budgeted expenditure not yet replaced with actual expenditure where known.	May increase or decrease DC depending on whether budget is over or under expended. If close to budget, effect will be minimal.
3	Forecast Growth	2018 LTP Growth assumptions applied due to unavailability of 2021 data and to enable like with like comparison with other Councils. 2021 assumptions will be applied later.	2021 Assumptions will be applied at detailed assessment stage. These are likely to be lower than 2018, which will have the effect of raising the contribution (although fewer contributions would be expected to be collected). In the long run, this is revenue neutral unless the growth capacity exceeds 25 years.
4	EANC development of new sports fields	This project is included. It is funded in the 2018-28 LTP on the basis of a matching contribution from sporting codes. There is a MODERATE to HIGH risk that this funding will not be obtained.	This project makes up around 40% of the DC CAPEX for growth. If it does not proceed, this lowers the DC by about $200.
5	Public conveniences upgrades	These projects are included. To date this programme of work has consisted of cyclic renewals, so the 11.5% assumption for the growth component of this expenditure may overstate the capacity life of these assets. Most upgrades replace a traditional men's and women's separate toilets with a series of unisex cubicles including at least one cubicle with access for people with disabilities. Thus there is also a LOS improvement component.	To the extent that the CAPEX for growth component may be overstated, correcting these figures may lower the DC. This would be established at Phase Two.

Table 3 – Phase One Stormwater DC Calculations – SUBJECT TO CHANGE – NOT COUNCIL POLICY

Phase One DC Calculations for Stormwater – SUBJECT TO CHANGE – NOT COUNCIL POLICY									
Period of CAPEX	**Project description**	**Year incurred/ proposed**	**Amount ($)**	**Project growth factor**	**Applied growth factor**	**Funding from Third Parties**	**Funding from other ADC sources ($)**	**Funding from DC ($)**	**DC per HUE ($)**
Recent	Internal loan								
	External loan								
Current **AP – 2017/18**	West Street Trunk Main	2017/18	1,915,000	5%	5%	0	1,819,250	95,750	191.50
Future **LTP 2018-28**	West Street Trunk Main (Havelock Street/River Terrace)	2018/19	1,799,000	5%	5%	0	1,709,050	89,950	179.90
	West Street Trunk Main (Havelock Street/River Tce)	2019/20	1,803,000	5%	5%	0	1,712,850	90,150	180.30
	Attenuation and treatment facilities	2019/20	100,000	5%	5%	0	95,000	5,000	10.00
	Attenuation and treatment facilities	2020/21	1,936,000	5%	5%	0	1,839,200	96,800	193.60

Phase One DC Calculations for Stormwater – SUBJECT TO CHANGE – NOT COUNCIL POLICY									
Period of CAPEX	**Project description**	**Year incurred/ proposed**	**Amount ($)**	**Project growth factor**	**Applied growth factor**	**Funding from Third Parties**	**Funding from other ADC sources ($)**	**Funding from DC ($)**	**DC per HUE ($)**
	Attenuation and treatment facilities	2021-28	4,765,000	5%	5%	0	4,526,750	238,250	476.50
	West Street Trunk Main (Wills Street, Havelock Street)	2021-28	1,372,000	5%	5%	0	1,303,400	68,600	137.20
	West Street Trunk Main ((Walnut Ave/Wills St)	2021-28	3,357,000	5%	5%	0	3,189,150	167,850	335.70
	West Street Trunk Main (Mill Creek/ Walnut Ave)	2021-28	2,042,000	5%	5%	0	1,939,900	102,100	204.20
Ashburton Stormwater– DC (excl GST)									**1,908.90**
GST									**286.34**
Ashburton Stormwater – DC (inc GST)									**2,195.00**

Table 4 - Assumptions and Limits – Phase One Stormwater DC Calculations – SUBJECT TO CHANGE – NOT COUNCIL POLICY

#	Description	Explanation	Impact on DC
1	No historic CAPEX for Growth included	This has not yet been assessed. Historic practise has identified little or no CAPEX for growth in the Stormwater activity.	Introducing more expenditure will increase the DC. Without an assessment, this is hard to quantify, and it will be assessed before the first Workshop. The quantum may be low or nil if Council is obliged to maintain historic cost allocation.
2	Projects funded in 2018/19 and 2019/20	Budgeted expenditure not yet replaced with actual expenditure where known.	May increase or decrease DC depending on whether budget is over or under expended. If close to budget, effect will be minimal.
3	Forecast Growth	2018 LTP Growth assumptions applied due to unavailability of 2021 data and to enable like with like comparison with other Councils. 2021 assumptions will be applied later.	2021 Assumptions will be applied at detailed assessment stage. These are likely to be lower than 2018, which will have the effect of raising the contribution (although fewer contributions would be expected to be collected). In the long run, this is revenue neutral unless the growth capacity exceeds 25 years.
4	Cost allocation methodology	Cost allocation for stormwater is more problematic than other activities. The current drivers of cost are the new resource consent conditions (primarily LOS), investment in attenuation and flow redistribution (also primarily LOS), climate change (also LOS) and stormwater neutrality mechanisms reducing the number of properties discharging to the wider stormwater network (which raises equity issue for the funding debate). More work is needed on the cost allocation to have greater confidence on the CAPEX for growth. At a nominal 5% this is likely overstated in terms of the asset capacity consumed by new development, even though all development will enjoy a benefit from the existence of the stormwater network. Comparisons with like Councils will be sufficient to identify a reasonable range of options for decision-making at Phase One.	By the first workshop we will have a better understanding of whether 5% is a reasonable assumption, too high or too low. A more detailed assessment at Phase Two would benefit from modelling of the stormwater network to assess the peak loading and capacity of the current network, but this is too expensive to be funded from operating budgets in 2019.

Table Five –Phase One DC Calculations for Transportation – SUBJECT TO CHANGE – NOT COUNCIL POLICY

Period of CAPEX	Project description	Year incurred/ proposed	Amount ($)	Project growth factor	Applied growth factor	Funding from Third Parties	Funding from other ADC sources ($)	Funding from DC ($)	DC per HUE ($)
Recent	Internal loan								
	External loan								
Current **AP – 2017/18**	Minor Roading Improvements	2017/18	600,000	5%	5%	306,000	279,300	14,700	9.93
	Minor seal extensions	2017/18	50,000	5%	5%	25,500	23,275	1,225	0.83
	Minor work	2017/18	29,000	5%	5%	14,790	13,500	711	0.48
	Subdivision contribution to road network	2017/18	10,000	5%	5%	5,100	4,655	245	0.17
	New kerb and channel	2017/18	80,000	5%	5%	40,800	37,240	1,960	1.32
	New footpaths	2017/18	108,000	5%	5%	55,080	50,274	2,646	1.79
	New traffic management	2017/18	100,000	5%	5%	51,000	46,550	2,450	1.66

Table Five –Phase One DC Calculations for Transportation – SUBJECT TO CHANGE – NOT COUNCIL POLICY

Period of CAPEX	Project description	Year incurred/ proposed	Amount ($)	Project growth factor	Applied growth factor	Funding from Third Parties	Funding from other ADC sources ($)	Funding from DC ($)	DC per HUE ($)
Future **LTP 2018-28**	Bridge Components and replacements	2018/19	694,000	5%	5%	353,940	323,057	17,003	11.49
	Bridge Components and replacements	2019/20	708,000	5%	5%	361,080	329,574	17,346	11.72
	Bridge Components and replacements	2020/21	723000	5%	5%	368,730	336,557	17,714	11.97
	Bridge Components and replacements	2021-28	1,721,000	5%	5%	877,710	801,126	42,165	28.49
	Ashburton Second Bridge	2021-28	35,016,000	5%	5%	28,012,800	6,653,040	350,160	236.59
	Intersection Upgrades	2018/19	94,000	5%	5%	47940	43,757	2,303	1.56
	Intersection Upgrades	2019/20	96,000	5%	5%	48,960	44,688	2,352	1.59
	Intersection Upgrades	2020/21	98,000	5%	5%	49,980	45,619	2,401	1.62
	Minor Improvements	2018/19	382,000	5%	5%	194,820	177,821	9,359	6.32
	Minor Improvements	2019/20	392,000	5%	5%	199,920	182,476	9,604	6.49
	Minor Improvements	2020/21	402,000	5%	5%	205,020	187,131	9,849	6.65
	Minor Improvements	2021-28	1,425,000	5%	5%	726,750	663,338	34,913	23.59

Table Five –Phase One DC Calculations for Transportation – SUBJECT TO CHANGE – NOT COUNCIL POLICY

Period of CAPEX	Project description	Year incurred/ proposed	Amount ($)	Project growth factor	Applied growth factor	Funding from Third Parties	Funding from other ADC sources ($)	Funding from DC ($)	DC per HUE ($)
	New kerb and channel	2018/19	88,000	5%	5%	44,880	40,964	2,156	1.46
	New kerb and channel	2019/20	163,000	5%	5%	83,130	75,877	3,994	2.70
	New kerb and channel	2020/21	130,000	5%	5%	66,300	60,515	3,185	2.15
	New kerb and channel	2021-28	565,000	5%	5%	288,150	263,008	13,843	9.35
	Rail Underpass - Melcombe Street	2018/19	76,000	5%	5%	38,760	35,378	1,862	1.26
	Rail Underpass - Melcombe Street	2019/20	78,000	5%	5%	39,780	36,309	1,911	1.29
	Rail Underpass - Melcombe Street	2020/21	80,000	5%	5%	40,800	37,240	1,960	1.32
	Seal Improvements	2018/19	165,000	5%	5%	84,150	76,808	4,043	2.73
	Seal Improvements	2019/20	169,000	5%	5%	86,190	78,670	4,141	2.80
	Seal Improvements	2020/21	172,000	5%	5%	87,720	80,066	4,214	2.85
	Seal Improvements	2021-28	314,000	5%	5%	160,140	146,167	7,693	5.20
	Rehabilitation - Thompsons Track	2018/19	765,000	5%	5%	390,150	356,108	18,743	12.66

Table Five –Phase One DC Calculations for Transportation – SUBJECT TO CHANGE – NOT COUNCIL POLICY

Period of CAPEX	Project description	Year incurred/ proposed	Amount ($)	Project growth factor	Applied growth factor	Funding from Third Parties	Funding from other ADC sources ($)	Funding from DC ($)	DC per HUE ($)
	Rehabilitation - Thompsons Track	2019/20	781,000	5%	5%	398,310	363,556	19,135	12.93
	Rehabilitation - Thompsons Track	2020/21	798,000	5%	5%	406,980	371,469	19,551	13.21
Ashburton Transportation– DC (excl. GST)									**436.17**
GST									**65.43**
Ashburton Transportation – DC (incl. GST)									**501.00**

Table 6 - Assumptions and Limits – Phase One DC Calculations Transportation – SUBJECT TO CHANGE – NOT COUNCIL POLICY

#	Description	Explanation	Impact on DC
1	No historic CAPEX for Growth included	This has not yet been assessed. Historic practise has identified little or no CAPEX for growth in the Transportation activity.	Introducing more expenditure will increase the DC. It would also involve retrospective review of cost allocation for growth.
2	Projects funded in 2018/19 and 2019/20	Budgeted expenditure not yet replaced with actual expenditure where known.	May increase or decrease DC depending on whether budget is over or under expended. If close to budget, effect will be minimal.
3	Forecast Growth	2018 LTP Growth assumptions applied due to unavailability of 2021 data and to enable like with like comparison with other Councils. 2021 assumptions will be applied later.	2021 Assumptions will be applied at detailed assessment stage. These should be augmented by data on road traffic growth from the asset management plan. Population growth is likely to be lower than 2018, which will have the effect of raising the contribution (although fewer contributions would be expected to be collected). Other factors are expected to trend upwards, and long-term trends will be interesting to read.
4	Cost allocation methodology	Cost allocation for Transportation is more problematic than other activities. More work is needed on the cost allocation to have greater confidence on the CAPEX for growth. At a nominal 5% this is likely an overstatement for some classes of CAPEX, an understatement for others, and a scientific wild-ass guess for most of years 4 to 10.	What we do with the cost allocation for growth has a huge bearing on the numbers. For reasons detailed in the paper, Council may choose to tread slowly and carefully into the transportation space.

Table 7 –Phase One DC Calculations for Community Infrastructure – SUBJECT TO CHANGE – NOT COUNCIL POLICY -

Period of CAPEX	Project description	Years incurred	Project capital ($)	Project growth factor	Applied growth factor	Funding from third parties	Funding from other ADC sources ($)	Funding from DCs ($)	DC per HUE ($)
Recent	Ashburton Art Gallery and Heritage Centre	2012-15	10,200,000	11.50%	11.50%	0	9,027,000	1,173,000	793
	EA Networks Centre	2009 - 2015	34,500,000	11.50%	11.50%	0	30,532,500	3,967,500	2,681.00
Future	Library and Civic Centre	2018/19	873,000			24,609	723,624	124,769	84.30
		2019/20	6,097,000			171,857	5,053,762	871,383	588.77
		2020/21	38,295,000			1,079,416	31,742,463	5,473,119	3,698.05
		2021-28	6,335,000			178,562	5,251,038	905,398	611.76
	EA Network Centre - Climbing Wall	2019/20	307,000	5.25%%	5.25%%		290,883	16,118	10.89
	EANC - Other Assets	2018/19	26,000	5.25%%	5.25%%		24,635	1,365	0.92
	EANC - Other Assets	2019/20	22,000	5.25%%	5.25%%		20,845	1,155	0.78
	EANC - Other Assets	2020/21	23,000	5.25%%	5.25%%		21,793	1,208	0.82
	EANC - Other Assets	2021-28	171,000	5.25%%	5.25%%		162,023	8,978	6.07
	EANC - Pool blinds	2018/19	17,000	5.25%%	5.25%%		16,108	893	0.60
	EANC - Stadium divider curtain	2018/19	111,000	5.25%%	5.25%%		105,173	5,828	3.94
	EANC - Swim school extension and interactive splash zone	2020/21	5,220,000	5.25%%	5.25%%		4,945,950	274,050	185.17

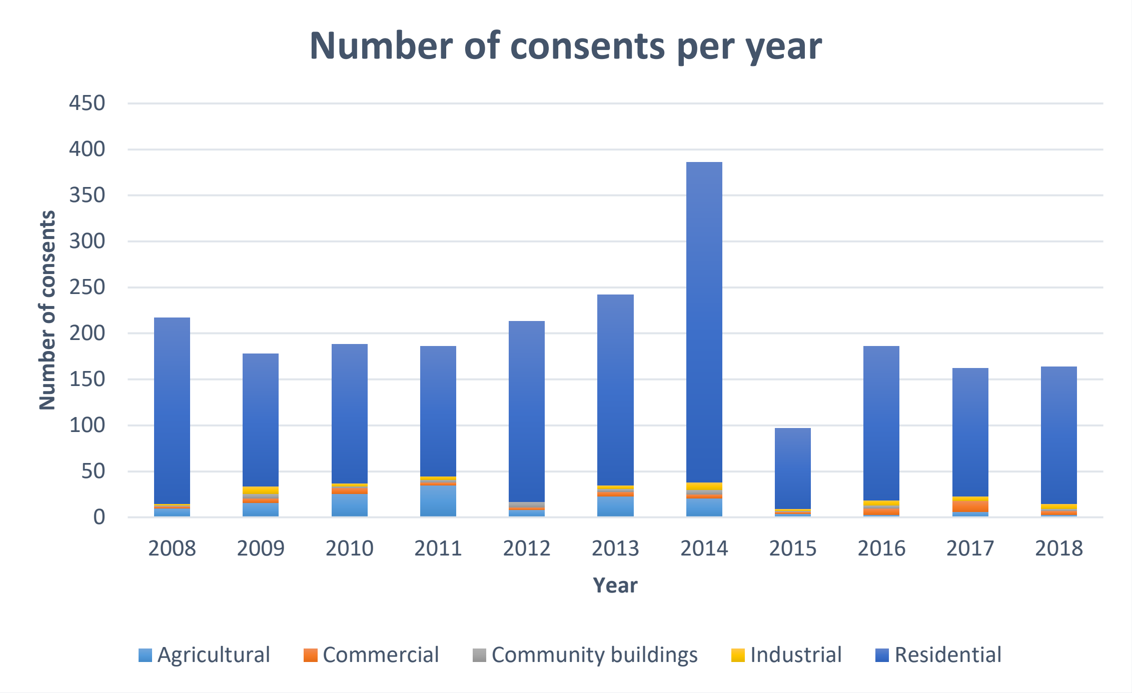
Period of CAPEX	Project description	Years incurred	Project capital ($)	Project growth factor	Applied growth factor	Funding from third parties	Funding from other ADC sources ($)	Funding from DCs ($)	DC per HUE ($)
	EANC - Stadium Extension	2021-28	4,500,000	5.25%%	5.25%%		4,263,750	236,250	159.63
								Community Infrastructure – DC (excl. GST)	$8,826
								GST	$1,324
								Community Infrastructure – DC (incl. GST)	$10,150

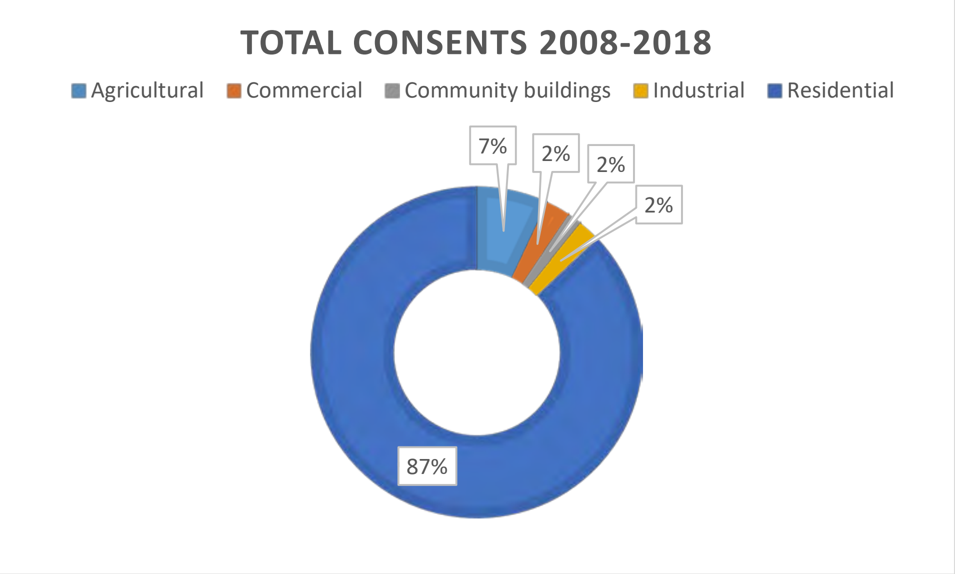
Table 8 - Assumptions and Limits – Phase One Community Infrastructure DC Calculations – SUBJECT TO CHANGE – NOT COUNCIL POLICY

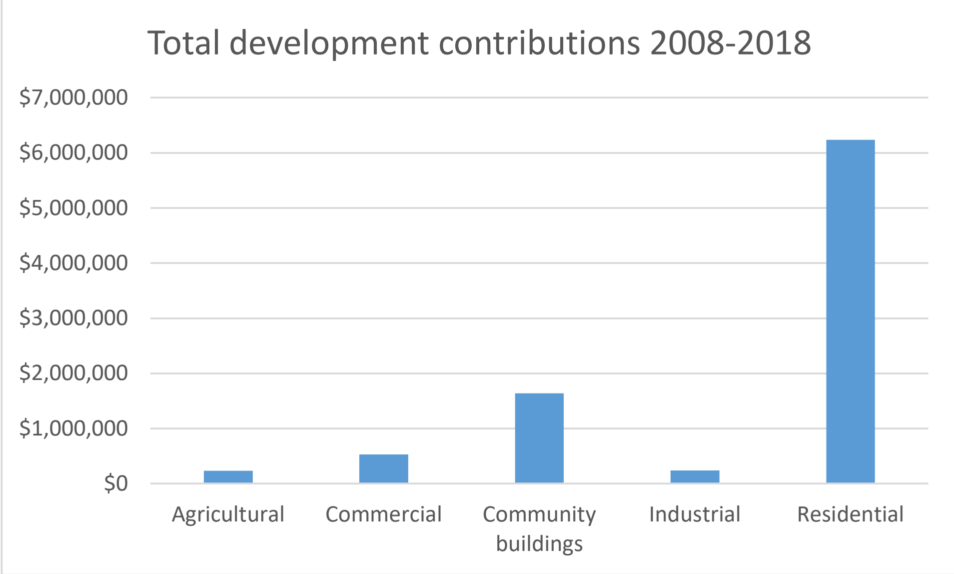
#	Description	Explanation	Impact on DC
1	Projects funded in 2018/19 and 2019/20	Budgeted expenditure not yet replaced with actual expenditure where known.	May increase or decrease DC depending on whether budget is over or under expended. If close to budget, effect will be minimal. This expenditure is expected to be under-expended in both 2018-19 and 2019-20.
2	Forecast Growth	2018 LTP growth assumptions applied due to unavailability of 2021 data and to enable like with like comparison with other Councils. 2021 assumptions will be applied later.	2021 Assumptions will be applied at detailed assessment stage (Phase Two).
3	Cost allocation methodology	In calculating the CAPEX for growth, Officers have made assumptions concerning the proportion of library expenditure that is CAPEX for renewal or improved level of service or for growth. This involves judgements about the development. The same is true for the CAPEX on the Civic Centre. Officers have treated expenditure on public areas, civic spaces, EOC spaces, site specific infrastructure, environmentally sustainable design, FF&E and ICT as capital for renewal or improved LOS. Third party contributions are excluded from the calculations also.	Different judgements about the growth component of the project will reduce or increase the proportion of costs recoverable by DCs.
4	Capping Expenditure	The figures used in Table 7 assume that we start by seeking to recover 100% of CAPEX for growth in both the Library and the Civic Centre. In previous terms, Council has decided to cap the DC for community infrastructure, and this option is still open to Council.	Any decision to cap reduces the DC and effectively transfers the cost to other sources of funding for the activity, such as rates.

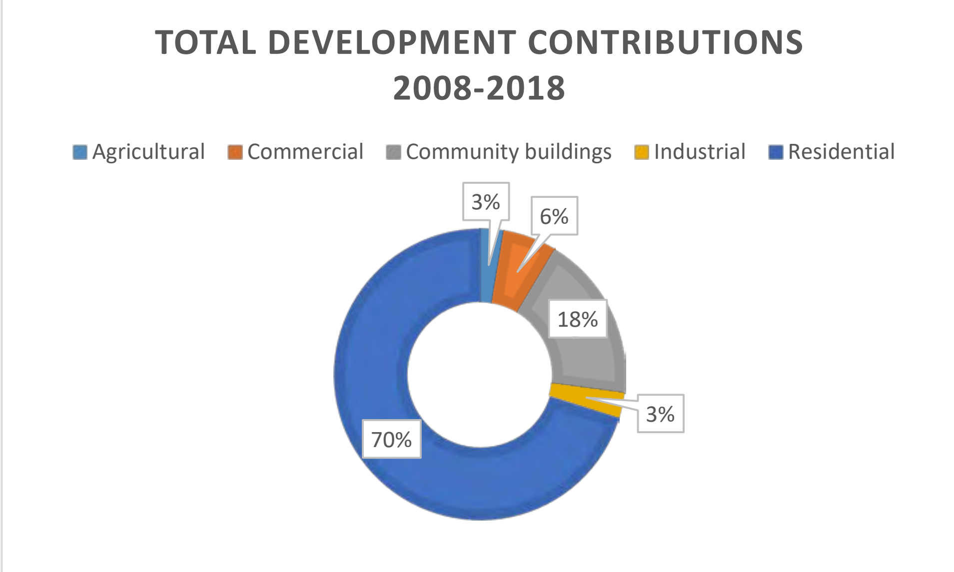
Appendix Two – Development Contribution Revenue Analysis

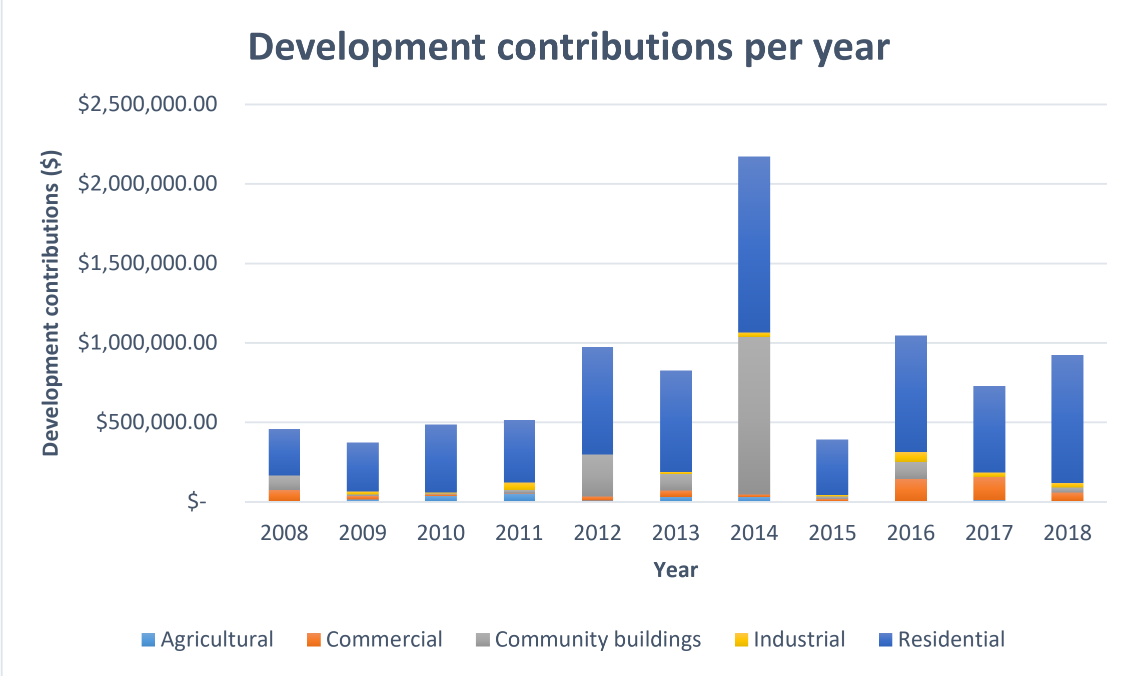
Consents and revenue overall

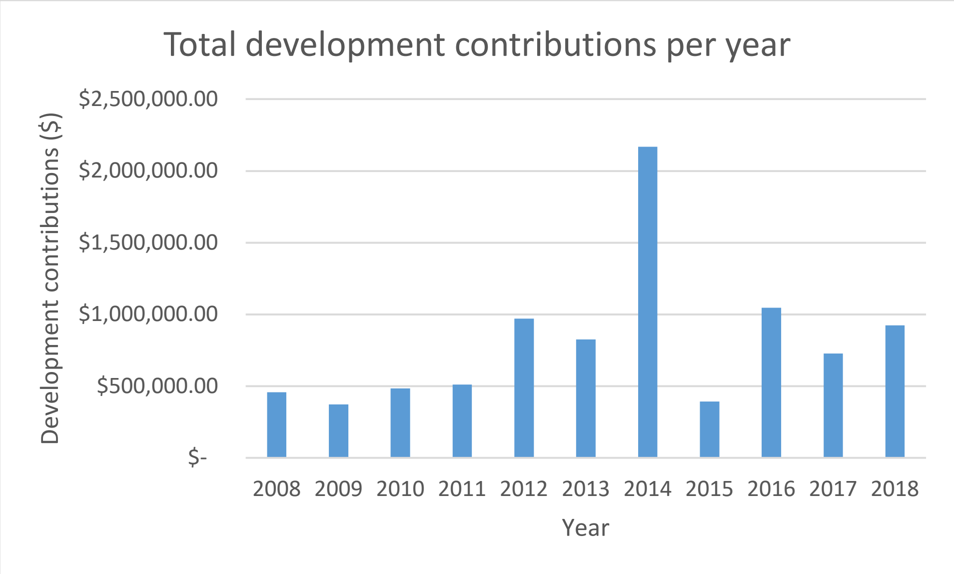




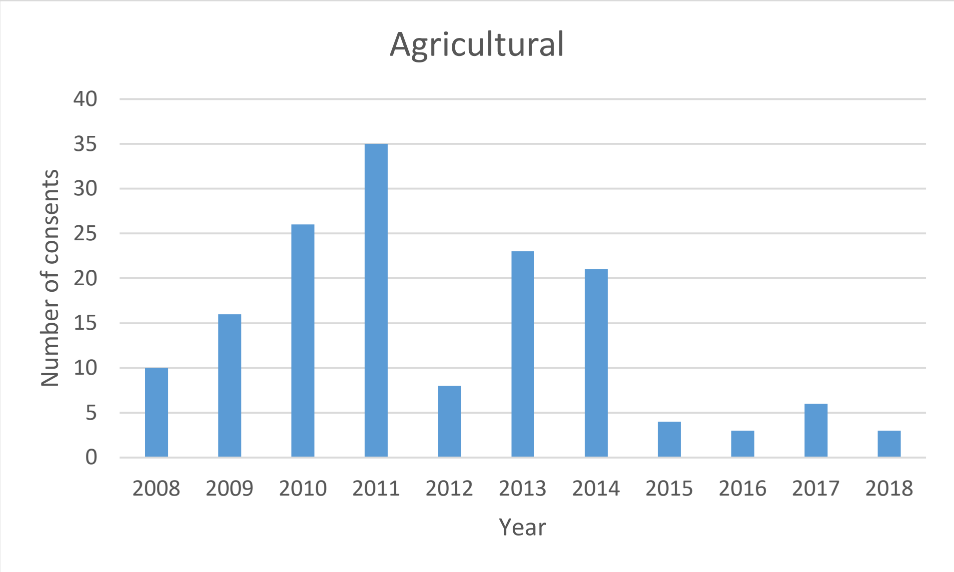


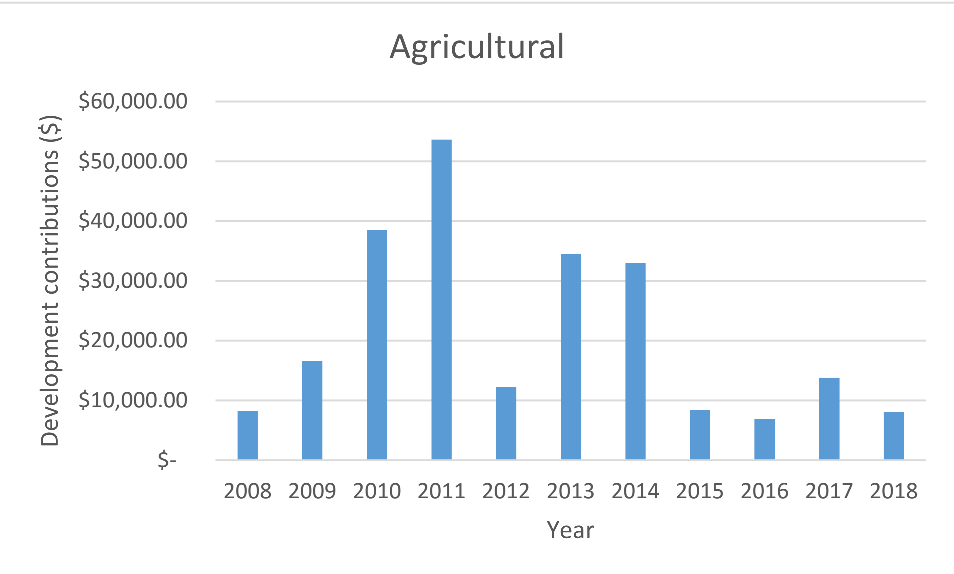


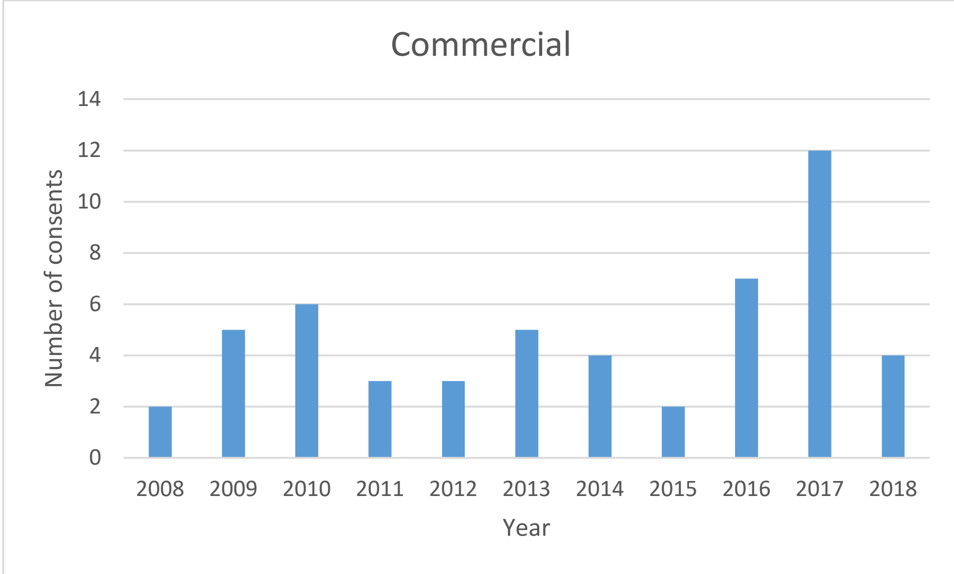


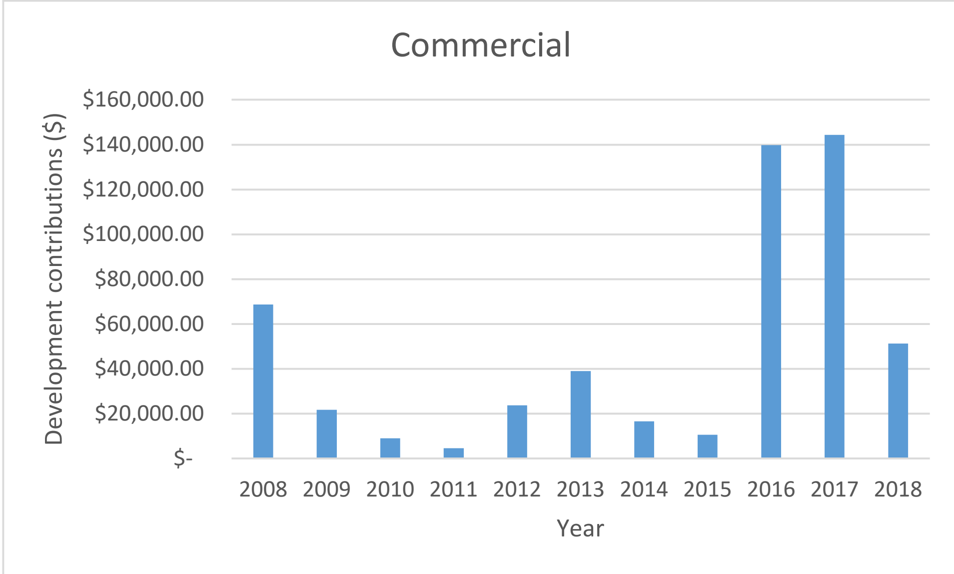


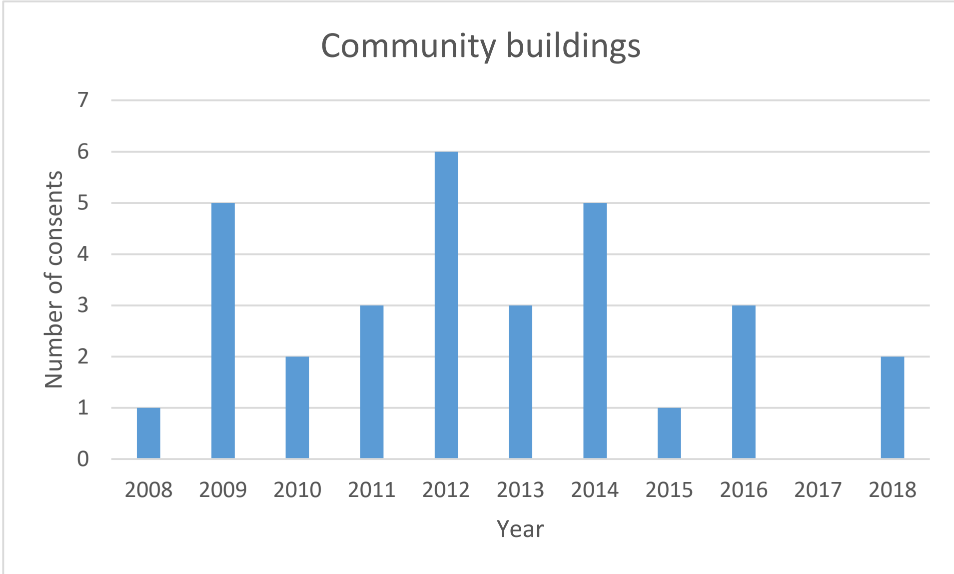
Consents and DC revenue by building category

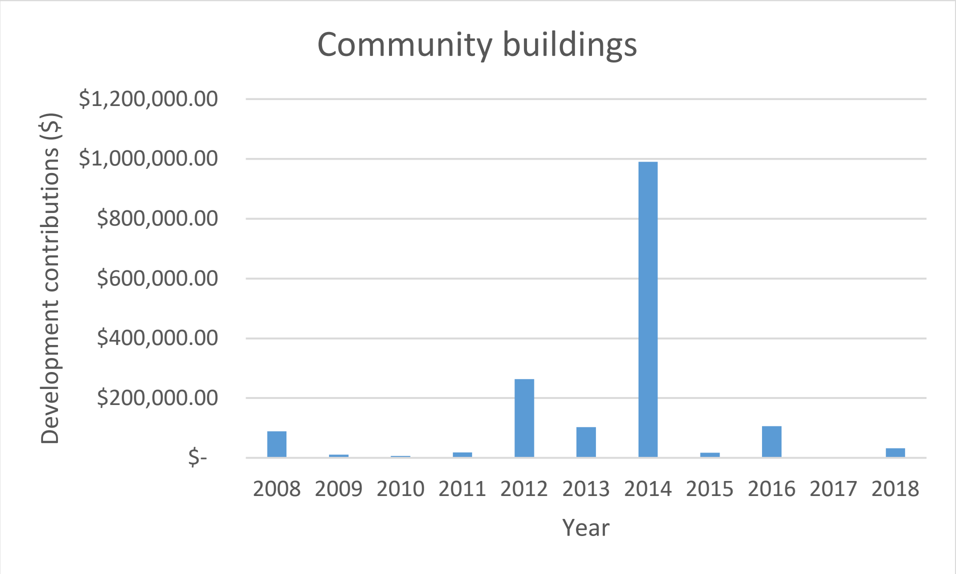


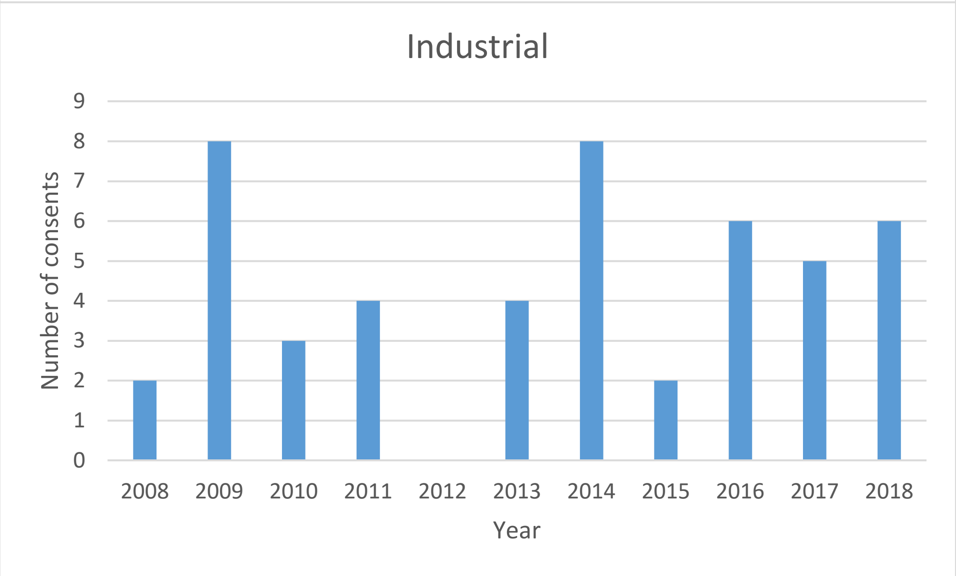


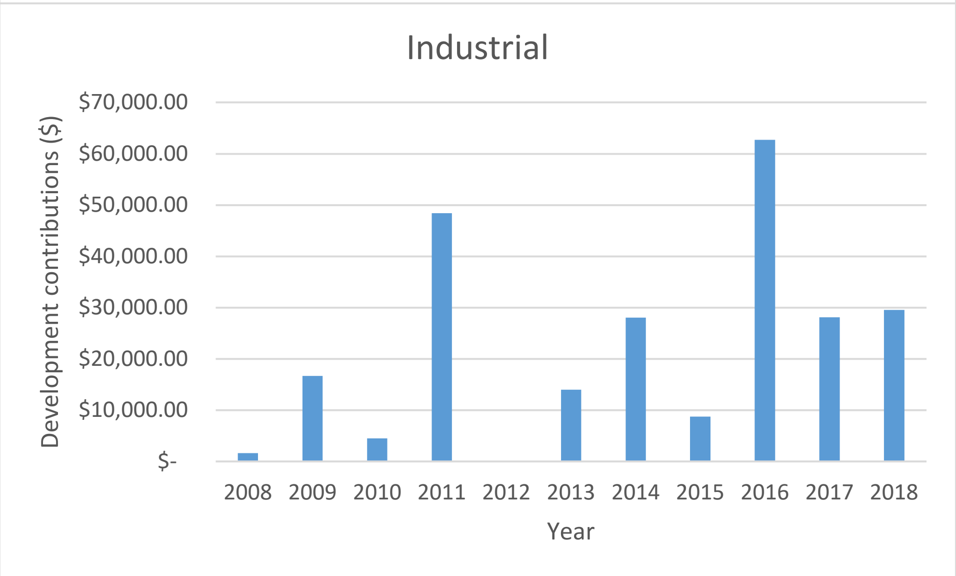


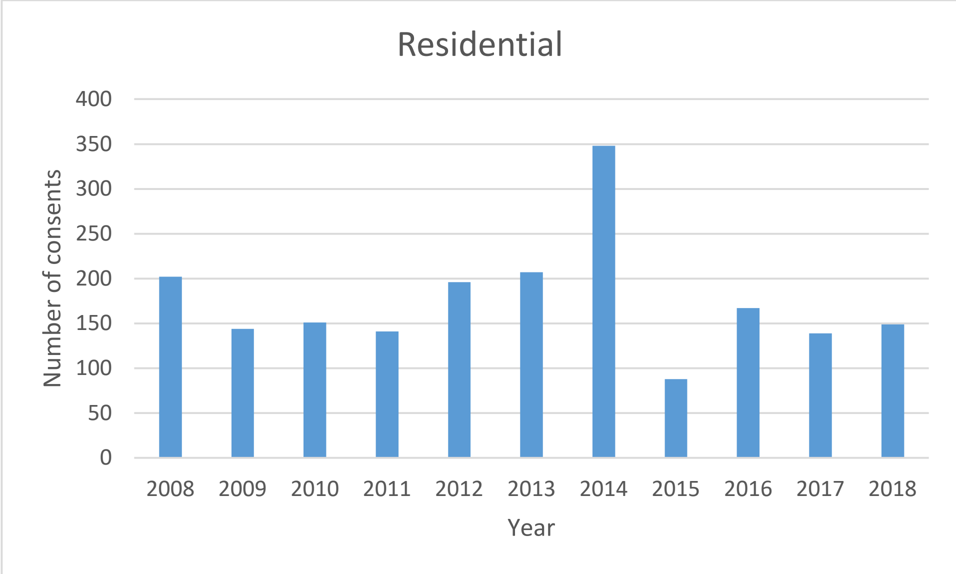


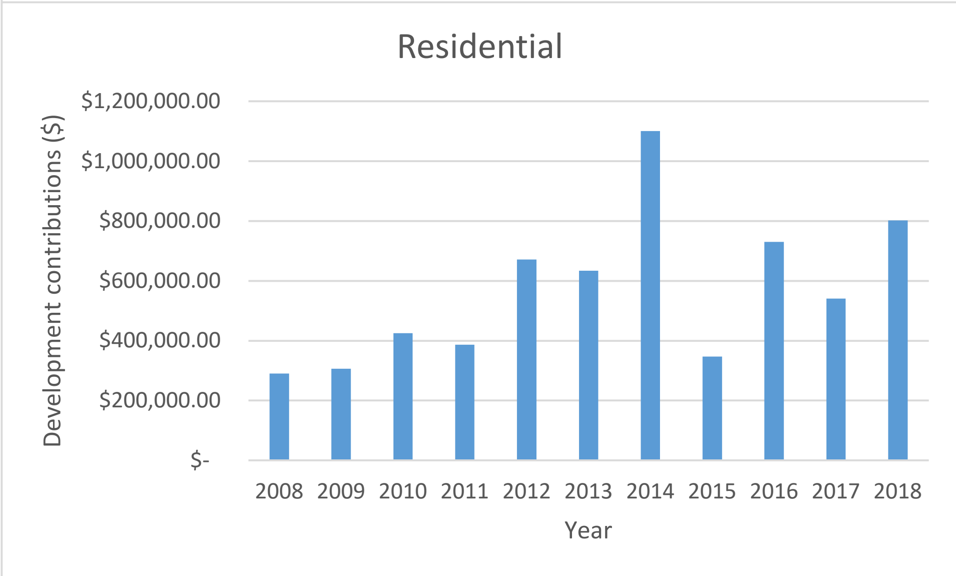



Community buildings
Development contributions ($)
$1,200,000.00
$1,000,000.00
$800,000.00
$600,000.00
$400,000.00
$200,000.00
$-
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018
Year


Industrial
Number of consents
9
8
7
6
5
4
3
2
1
0
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018
Year


Industrial
Development contributions ($)
$70,000.00
$60,000.00
$50,000.00
$40,000.00
$30,000.00
$20,000.00
$10,000.00
$-
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018
Year

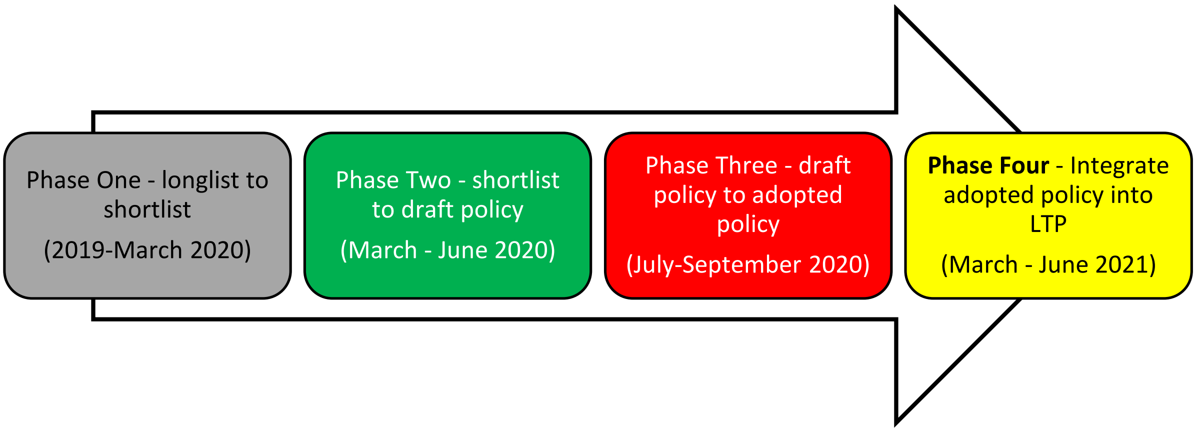

Residential
Number of consents
400
350
300
250
200
150
100
50
0
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018
Year


Residential
Development contributions ($)
$1,200,000.00
$1,000,000.00
$800,000.00
$600,000.00
$400,000.00
$200,000.00
$-
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018
Year

Appendix Three – Process Outline

1. Officers propose a four-phase decision-making process, the four phases being:

- Phase One – longlist to shortlist
- Phase Two – shortlist to draft policy
- Phase Three – draft policy to adopted policy
- Phase Four – adopted policy integrated into the long-term plan



Phase One – Longlist to Shortlist

2. During Phase One of the project, officers and elected members will examine the long list of activities in paragraph 4 above and decide which activities will proceed to Phase Two – the detailed assessment. Phase One will run from now to late March 2020.

3. The process will involve a "high-level" assessment of the development contributions for each new activity and the expanded activity of community infrastructure. This involves analysis of information is readily and currently available to inform expectations of what the overall numbers might be, and to get an appreciation of the cost drivers and information gaps and other risks associated with each of the different activities.

Phase Two – shortlist to draft policy – the detailed assessment

4. The purpose of Phase Two is to refine the work from Phase One for the shortlisted activities. Phase Two involves a detailed assessment using the best available information to add rigour to the calculations. At the end of this phase, the Council will decide what it will put forward in its draft policy for public consultation. This phase will run from the end of Phase One until the end of June 2020.

5. This detailed assessment will give us a policy fit for public consultation.

Phase Three – draft policy to adopted policy – consultation on the policy

6. The purpose of Phase Three is to consult and decide on the draft policy which Council has adopted for consultation. The scope of this consultation is the whole of the draft policy in its entirety. The significance of the decision, and hence the level of consultation required, cannot be assessed until the draft policy is more fully developed. S. 102 of the Local Government Act requires Council to consult on a draft policy in a way that gives effect to S.82 of the Act (principles of consultation), so it is not automatically a special consultative procedure. It is reasonable to note however, even at this early stage, that broadening the policy by adding new categories of infrastructure will tend to take consultation in that direction.

7. After considering community views on the draft Policy, Council will make decisions to adopt a policy to be effective from 1 July 2021. It is important to note that Council will also adopt the 2021-31 long-term plan in June 2021 which will also be effective from that date, and the new DFC policy will need to be aligned with the CAPEX decisions captured in the LTP. Council will use the best available information when preparing the draft DFC policy for consultation but final decisions on LTP CAPEX may vary from the assumptions that underpin the policy to be adopted in September 2020.

Phase Four – integration –consultation on the LTP

8. The purpose of Phase Four is to ensure that the DFC policy is fully integrated with the policies and budgets in the 2021-31 long-term plan. Primarily this is about matching up the forecast CAPEX for growth in the Policy schedules with the CAPEX for growth noted in the LTP.

9. For readers of the policy, the impact of this, if any, will be on the quantum of the DCs. Therefore, the scope of this consultation will be focussed on changes to the quantum of DCs from the policy adopted in September. The policy as a whole will not be “up for grabs” again, and the focus will be on the quantum of CAPEX, the quantum of DCs, and possible refinement of mitigation mechanisms such as capping (either the DCs or the Revenue & Financing Policy).

10. Our aim is to ensure that our forecast CAPEX used in phases 2 & 3 is as close to final LTP CAPEX as we can make it, which will reduce the extent of financial variation.

Appendix Four - Comparison of DC for 21 territorial authorities - sorted by $

Council	Location	DC $ per unit of demand							Percentile	Quartile
		Water	Wastewater	Stormwater	Roading	Community Infrastructure	Reserves	TOTAL		
		Inc GST	Inc GST	Inc GST	Inc GST	Inc GST	Inc GST	Inc GST		
Queenstown Lakes DC	Kingston	$9,686	$26,008	$6,698	$5,771	$1,526	$876	$50,566		
Waipa DC	Cambridge North	$5,191	$6,650	$31,759	$3,597	$727	$1,546	$49,470		
Waimakariri DC	East Woodend	$6,254	$7,422	$9,327	$12,907	$0	$12,750	$48,660		
Waimakariri DC	South West Rangiora	$1,108	$3,531	$5,739	$14,520	$0	$12,750	$37,648		
Waimakariri DC	East Rangiora DCA	$139	$9,151	$9,089	$5,943	$0	$12,750	$37,072		
Waimakariri DC	West Kaiapoi DCA	$3,152	$2,254	$6,325	$11,874	$0	$12,750	$36,355		
Auckland Council	West Auckland	11,097.00	11,097.50	0.00	6,083.00	1,810.00	4,020.00	34,107.50		
Auckland Council	South Auckland	11,097.00	11,098.00	0.00	6,822.00	879.00	3,821.00	33,717.00		
Waimakariri DC	West Rangiora	$1,108	$3,531	$5,739	$9,735	$0	$12,750	$32,863		
Waimakariri DC	North Rangiora ODPA	$4,694	$6,739	$2,700	$5,943	$0	$12,750	$32,826		
Waimakariri DC	West Rangiora (Inner)	$1,108	$1,927	$5,739	$9,735	$0	$12,750	$31,259		
Auckland Council	North Auckland	8,920.00	8,920.00	0.00	8,454.00	879.00	3,810.00	30,983.00		
Queenstown Lakes DC	Glenorchy	$16,262	$4,229	$334	$5,771	$1,526	$876	$28,997		
Waimakariri DC	Oxford	$7,698	$1,866	$0	$5,943	$0	$12,750	$28,257		Q4
Waimakariri DC	Oxford 2	$7,380	$1,866	$0	$5,943	$0	$12,750	$27,939		
Waimakariri DC	Woodend	$6,254	$0	$2,784	$5,943	$0	$12,750	$27,731		
Waimakariri DC	Rangiora	$5,413	$2,515	$308	$5,943	$0	$12,750	$26,929		
Kaipara DC	Mangawhai	$0	$25,430	$511	$919	$0	$0	$26,859		
Auckland Council	Central Auckland	6,911.00	6,911.50	0.00	5,528.00	3,762.00	3,503.00	26,615.50		
Upper Hutt CC	Mangaroa	$20,409	$0	$0	$6,187	$0	$0	$26,596		
Auckland Council	Urban Auckland	8,920.00	8,920.00	253.00	4,322.00	879.00	3,179.00	26,473.00		
Waimakariri DC	Oxford 1	$5,114	$1,866	$0	$5,943	$0	$12,750	$25,673		
Marlborough DC	Picton	$10,732	$9,447	$0	$1,052	$3,790	$0	$25,022		
Selwyn DC	Lincoln	$1,831	$5,244	$5,296	$1,769	$0	$10,647	$24,787		
Christchurch CC	Rural	1297.99	$3,167	$2,814	$2,395	$2,165	$12,294	$24,134		
Manawatu DC	Fielding	$4,516	$4,444	$8,627	$3,471	$0	$2,195	$23,253		
Selwyn DC	Southbridge	$6,864	$10,549	$0	$701	$0	$4,867	$22,981		
Waimakariri DC	Kaiapoi	$1,902	$2,225	$23	$5,943	$0	$12,750	$22,843		
Waimakariri DC	North East Kaiapoi DCA	$718	$1,411	$782	$6,403	$0	$12,750	$22,064		
Queenstown Lakes DC	Frankton Flats	$4,468	$5,397	$3,790	$5,771	$1,526	$876	$21,828		
Selwyn DC	Prebbleton	$4,116	$5,244	$0	$1,769	$0	$10,647	$21,776		
Marlborough DC	Seddon	$7,441	$9,447	$0	$1,052	$3,790	$0	$21,730		
Marlborough DC	Renwick	$5,790	$9,447	$1,404	$1,052	$3,790	$0	$21,484		
Christchurch CC	Suburban	$1,298	$3,167	$2,814	$2,395	$2,165	$9,408	$21,248		
Taupo DC	Taupo	$6,164	$8,563	$0	$4,894	$0	$1,454	$21,075		
Marlborough DC	Blenheim	$5,790	$9,447	$871	$1,052	$3,790	$0	$20,951		
Christchurch CC	Central City	$1,298	$3,167	$2,814	$2,395	$2,165	$8,562	$20,402		
Selwyn DC	Rolleston	$2,009	$5,244	$0	$1,769	$0	$11,366	$20,388		
Taupo DC	Kinloch	$3,936	$9,232	$0	$4,894	$0	$2,217	$20,280		
Queenstown Lakes DC	Queenstown	$4,468	$5,397	$2,236	$5,771	$1,526	$876	$20,273		Q3
Marlborough DC	Havelock	$5,790	$9,447	$0	$1,052	$3,790	$0	$20,080		
Queenstown Lakes DC	Lake Hayes	$4,626	$7,166	$0	$5,771	$1,526	$876	$19,965		
Queenstown Lakes DC	Hawea	$5,923	$8,595	$363	$2,259	$1,098	$1,377	$19,614		
Thames-Coromandel DC	Whitianga	$2,565	$5,200	$869	$1,806	$1,375	$7,221	$19,036		
Queenstown Lakes DC	Wanaka	$5,506	$5,787	$2,146	$2,259	$1,098	$1,377	$18,172		
Christchurch CC	Inner City	$1,298	$3,167	$2,814	$2,395	$2,165	$5,857	$17,697		

Appendix Four - Comparison of DC for 21 territorial authorities - sorted by $

Council	Location	DC $ per unit of demand							Percentile	Quartile
		Water	Wastewater	Stormwater	Roading	Community Infrastructure	Reserves	TOTAL		
		Inc GST	Inc GST	Inc GST	Inc GST	Inc GST	Inc GST	Inc GST		
Queenstown Lakes DC	Arrowtown	$5,605	$3,367	$480	$5,771	$1,526	$876	$17,625		
Selwyn DC	Leeston	$1,448	$10,549	$0	$701	$0	$4,867	$17,565		
Matamata-Piako DC	Matamata	$4,198	$8,012	$519	$4,477	$0	$0	$17,206		
Central Otago DC	Alexandra and Clyde	$7,239	$6,664	$0	$2,038	$0	$0	$15,941		
Thames-Coromandel DC	Whangamata	$3,297	$8,450	$319	$1,806	$1,885	$0	$15,757		
Waimakariri DC	Woodend - Tuahiwi Water	$1,595	$0	$0	$0	$0	$12,750	$14,345		
Marlborough DC	Grovetown	$0	$9,447	$0	$1,052	$3,790	$0	$14,290		

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		Water	Wastewater	Stormwater	Roading	Community Infrastructure	Reserves	TOTAL		
		Inc GST	Inc GST	Inc GST	Inc GST	Inc GST	Inc GST	Inc GST		
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Waipa DC	Cambridge North	$5,191	$6,650	$31,759	$3,597	$727	$1,546	$49,470		
Waimakariri DC	East Woodend	$6,254	$7,422	$9,327	$12,907	$0	$12,750	$48,660		
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Waimakariri DC	North East Kaiapoi DCA	$718	$1,411	$782	$6,403	$0	$12,750	$22,064		
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Selwyn DC	Prebbleton	$4,116	$5,244	$0	$1,769	$0	$10,647	$21,776		
Marlborough DC	Seddon	$7,441	$9,447	$0	$1,052	$3,790	$0	$21,730		
Marlborough DC	Renwick	$5,790	$9,447	$1,404	$1,052	$3,790	$0	$21,484		
Christchurch CC	Suburban	$1,298	$3,167	$2,814	$2,395	$2,165	$9,408	$21,248		
Taupo DC	Taupo	$6,164	$8,563	$0	$4,894	$0	$1,454	$21,075		
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Queenstown Lakes DC	Lake Hayes	$4,626	$7,166	$0	$5,771	$1,526	$876	$19,965		
Queenstown Lakes DC	Hawea	$5,923	$8,595	$363	$2,259	$1,098	$1,377	$19,614		
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Christchurch CC	Inner City	$1,298	$3,167	$2,814	$2,395	$2,165	$5,857	$17,697		
Queenstown Lakes DC	Arrowtown	$5,605	$3,367	$480	$5,771	$1,526	$876	$17,625		
Selwyn DC	Leeston	$1,448	$10,549	$0	$701	$0	$4,867	$17,565		
Matamata-Piako DC	Matamata	$4,198	$8,012	$519	$4,477	$0	$0	$17,206		
Central Otago DC	Alexandra and Clyde	$7,239	$6,664	$0	$2,038	$0	$0	$15,941		
Thames-Coromandel DC	Whangamata	$3,297	$8,450	$319	$1,806	$1,885	$0	$15,757		
Waimakariri DC	Woodend - Tuahiwi Water	$1,595	$0	$0	$0	$0	$12,750	$14,345		
Marlborough DC	Grovetown	$0	$9,447	$0	$1,052	$3,790	$0	$14,290		

Appendix Four - Comparison of DC for 21 territorial authorities - sorted by $

Council	Location	DC $ per unit of demand							Percentile	Quartile
		Water	Wastewater	Stormwater	Roading	Community Infrastructure	Reserves	TOTAL		
		Inc GST	Inc GST	Inc GST	Inc GST	Inc GST	Inc GST	Inc GST		
Marlborough DC	Spring Creek	$0	$9,447	$0	$1,052	$3,790	$0	$14,290		Q2
Matamata-Piako DC	Morrinsville	$4,048	$6,399	$0	$1,920	$0	$0	$12,367		
Central Otago DC	Cromwell	$5,399	$4,576	$0	$2,038	$0	$0	$12,013		
Selwyn DC	Darfield	$7,343	$0	$0	$701	$0	$3,756	$11,800		
Taupo DC	Mapara	$6,844	$0	$0	$4,894	$0	$0	$11,738		
Waipa DC	Te Awamutu	$2,476	$8,333	$0	$48	$47	$632	$11,536		
Wellington CC	Churton-Stebbings	3,767.40	969.45	189.75	5,576.00	0.00	694.60	11,197.20		
Upper Hutt CC	Akatarawa Road (median of 7)	$0	$0	$0	$11,144	$0	$0	$11,144		
Waitaki DC	Moeraki	$3,577	$5,463	$0	$1,357	$0	$0	$10,396		
Central Otago DC	Omakau	$6,859	$1,274	$0	$2,038	$0	$0	$10,171		
Hurunui District	Amberley	$1,400.00	$2,890.00	$950.00	$0.00	$580.00	$4,080.00	$9,900.00		
Whakatane DC	Whakatane - Huna/Shaw Road	$4,239	$4,898	$0	$414	$0	$0	$9,551		
Whangarei DC	Springvale Urban Expansion C	$661	$1,260	$4,024	$3,474	$0	$0	$9,420		
Whangarei DC	Otamatea West B	$420	$1,374	$5,096	$2,207	$0	$159	$9,255		
Hurunui District	Amberley Beach Township	$3,970.00	$2,890.00	$0.00	$0.00	$500.00	$1,770.00	$9,130.00		
Waitaki DC	Otematata	$5,417	$2,174	$0	$1,357	$0	$0	$8,947		
Waitaki DC	Oamaru	$3,577	$3,795	$0	$1,357	$0	$0	$8,729		
Hurunui District	Hanmer Springs	$1,400.00	$2,890.00	$290.00	$0.00	$2,560.00	$1,320.00	$8,460.00		
Waipa DC	Cambridge	$1,718	$732	$458	$3,683	$47	$1,757	$8,395		
Thames-Coromandel DC	Coromandel	$0	$4,541	$75	$1,806	$530	$1,246	$8,198		
Queenstown Lakes DC	Wakatipu Rural	$0	$0	$0	$5,771	$1,526	$876	$8,173		
Waitaki DC	Omarama	$5,118	$1,576	$0	$1,357	$0	$0	$8,050		
Kaikoura DC	Kaikoura District	$2,501	$2,724	$1,047	$1,553	$0	$0	$7,825		
Wellington CC	Wellington - Karori	2,370.15	2,945.15	189.75	1,509.00	0.00	694.60	7,708.65		
Ashburton DC	Ashburton	$878	$3,604	$0	$0	$2,875	$0	$7,357	74th %ile	
Selwyn DC	Kirwee	$2,733	$0	$0	$701	$0	$3,756	$7,190		
Taupo DC	Kuratau	$2,155	$0	$0	$4,894	$0	$0	$7,050		

Appendix Four - Comparison of DC for 21 territorial authorities - sorted by $

Council	Location	DC $ per unit of demand							Percentile	Quartile
		Water	Wastewater	Stormwater	Roading	Community Infrastructure	Reserves	TOTAL		
		Inc GST	Inc GST	Inc GST	Inc GST	Inc GST	Inc GST	Inc GST		
Taupo DC	Omori	$2,155	$0	$0	$4,894	$0	$0	$7,050		
Taupo DC	Pukawa	$2,155	$0	$0	$4,894	$0	$0	$7,050		
Ashburton DC	Methven	$3,718	$336	$0	$0	$2,875	$0	$6,929	78th %ile	
Waitaki DC	Palmerston	$2,887	$2,450	$0	$1,357	$0	$0	$6,693		
Manawatu DC	Rural Residential	$0	$0	$0	$3,471	$0	$2,195	$5,666		
Thames-Coromandel DC	Thames	$223	$590	$1,734	$1,806	$780	$131	$5,264		
Ashburton DC	Fairton	$2,367	$0	$0	$0	$2,875	$0	$5,242	82nd %ile	
Central Otago DC	Naseby	$2,903	$171	$0	$2,038	$0	$0	$5,112		
Whakatane DC	Whakatane -Piripai	$1,640	$2,910	$0	$414	$0	$0	$4,963		
Queenstown Lakes DC	Wanaka Rural	$0	$0	$0	$2,259	$1,098	$1,377	$4,733		
Central Otago DC	Ranfurly	$2,030	$281	$0	$2,038	$0	$0	$4,348		
Wellington CC	Wellington - Maupuia	387.55	1,501.90	189.75	1,509.00	0.00	694.60	4,282.80		
Wellington CC	Wellington - Newlands	387.55	1,501.90	189.75	1,508.80	0.00	694.60	4,282.60		Q1
Waitaki DC	Kurow	$2,266	$610	$0	$1,357	$0	$0	$4,232		
Matamata-Piako DC	Te Aroha	$31	$3,023	$0	$934	$0	$0	$3,988		
Hurunui District	Hanmer Springs Ward	$0.00	$0.00	$0.00	$0.00	$2,560.00	$1,320.00	$3,880.00		
Central Otago DC	Roxburgh	$1,329	$475	$0	$2,038	$0	$0	$3,842		
Central Otago DC	Patearoa	$1,760	$0	$0	$2,038	$0	$0	$3,797		
Ashburton DC	Hinds	$917	$0	$0	$0	$2,875	$0	$3,792	93rd %ile	
Whakatane DC	Whakatane South	$716	$699	$1,860	$414	$0	$0	$3,689		
Ashburton DC	Rakaia	$256	$0	$0	$0	$2,875	$0	$3,131	95th %ile	
Whakatane DC	Whakatane North	$716	$699	$0	$414	$0	$0	$1,830		
Whakatane DC	Ohope	$716	$0	$0	$414	$0	$0	$1,130		
Kaipara DC	Dargaville	$0	$0	$0	$122	$0	$0	$122		
Kaipara DC	Maungaturoto	$0	$0	$0	$122	$0	$0	$122		
Kaipara DC	Ruawai	$0	$0	$0	$122	$0	$0	$122		

Audit, Finance & Risk Committee

19 March 2020

13. Property leases and licences policy – update

Author	*Richard Mabon, Senior Policy Advisor*
Activity manager	*Colin Windleborn, Property Manager*
General manager	*Paul Brake, Group Manager Business Support*

Summary

- The purpose of this report is to update elected members on the Property Leases and Licences Policy.

- Since Council received an update report in August 2019, progress has been sporadic due to other policy work priorities. I have met several times with members of the Commercial Property Team. Our discussions have helped to progress the project purpose and provided a clearer picture of the benefits the policy can – and can't – deliver.

- The objectives of this Policy are to:
  - set parameters for the effective and efficient management of new and existing leases and licences to occupy for Council -owned or managed property;
  - manage new and existing leases and licences to occupy in ways that are equitable, transparent, and balance consistency with the flexibility to meet the needs of lessees, licensees and ratepayers;
  - encourage the efficient use of Council-owned or managed property; and
  - optimise the public benefit from new and existing leases and licences to occupy Council-owned and managed property.

- Officers expect to bring a report and draft policy to Audit, Finance and Risk Committee on 30 April 2020.

Recommendation

1. **That** the Audit, Risk and Finance Committee receives the updated report on the Property Leasing and Licensing Policy.

Appendix 1 **Policy objectives**

Background

The current situation

1. Council has no policy setting parameters for lease and licence agreements. There is considerable variation in the terms of Council leases and licences, between and within similar categories of documents.

2. Greater consistency is the primary aim. A fuller description of the benefits of developing a policy is attached as Appendix One.

3. Council Officers have examined the policies of other Councils as part of the research for this Policy. There is a great deal of variation in the scope and length of policies developed by different Councils.

Interested and affected parties

4. All lease and licence holders are potentially interested and affected parties. The level of interest will vary depending on the terms of the current lease or licence agreement. Broadly speaking, Council can only vary the conditions of a lease or licence in accord with the conditions of that agreement, or by mutual agreement with the other party.

5. Reserve Boards are another group of interested parties, as historic delegations have varied amongst these Boards. It would be a good outcome to

6. It is important that we communicate well with all interested and affected parties and ensure they fully understand what is proposed and why.

Legal/policy implications

Legal implications

7. Council must ensure that all lease and licence agreements comply with relevant law, including legislation and case law.

Policy implications

8. Policy criteria are based on Appendix One. As this issue has not been in front of this Council since the 2019 elections, this report is an opportunity for Councillors to discuss any changes to the scope of this work.

9. Councillors may note the reference to standard operating procedures in Appendix One. Our aim is to focus the policy document on the overall parameters for managing leases and licences and to capture the management detail in officer procedures.

Financial implications

Requirement	Explanation
What is the cost?	This policy is not expected to increase costs and should improve efficiency over time.
Is there budget available in LTP / AP?	Yes. This activity is funded from operating budgets.
Where is the funding coming from?	Commercial property is funded from property rentals and sales and offsets rates.
Are there any future budget implications?	No substantive budget implications. The intention is to be more consistent, rather than to drive up rents, especially for community tenants.
Reviewed by Finance	Not required. This report is for information only and requires no detailed financial analysis.

Significance and engagement assessment

10. As this report is for information only, with the recommendation that it be received, the overall significance is low. This report does not present options, nor does it require public consultation at this point. As the policy work progresses, Officers will provide advice on both those matters.

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Low. This report needs no decision.
Level of engagement selected	1. Inform – informal one way communication
Rationale for selecting level of engagement	No decision is required as this report is an information update only.
Reviewed by Strategy & Policy	Toni Durham, Strategy and Policy Manager

11. The most critical factor in engagement with affect ted parties is to ensure that they are fully informed about the proposals and the reasons for them. Some pre-engagement with a range of lease and licence holders may help us to tailor the communications effort.

Next steps

Date	Action / milestone	Comments
19 March 2020	Update Report to Audit, Finance & Risk Committee.	Information report
9 April 2020	Audit, Finance & Risk Committee recommendations from Update Report to Council.	
9 May 2020	Report and recommendations on adoption of draft Property Leases and Licences Policy to Audit, Finance & Risk Committee..	
21 May 2020	Audit, Finance & Risk Committee recommendations on adoption of draft Property Leases and Licences Policy to Council.	
28 May 2020 to 31 July 2020	Consultation on draft Property Leases and Licences Policy (if required).	Consultation requirements will depend on the assessment of significance contained in the report prepared on 9 May and any changes to the draft Policy arising from discussions on 9 & 21 May.
13 August 2020	Consider feedback/hear submissions on draft Property Leases and Licences Policy.	Depending on the feedback received, Council may adopt the Policy on this date.
3 September	ARF deliberates on community feedback on draft Property Leases and Licences Policy.	Depending on the feedback received, ARF may deliberate on feedback on this date.
24 September	Council adopts Property Leases and Licences Policy.	Depending on the feedback received, Council may adopt the Policy on this date.

Appendix One – Policy Objectives

At the first Workshop on this Policy, we noted the following case for change:

1. **Fairness and equity** – a policy sets parameters for key conditions of agreements, such as term, rentals, etc. Over time, more and more variability has developed between and within different classes of agreement and different land holdings. An objective from the Policy review is to create greater consistency. Officer discussions since the Workshop have clarified that Council will (and must) honour existing lease or license agreements under their terms and conditions until the agreements expire or there is an agreement to change terms and conditions. This obligation creates a long-timeframe for achieving greater equity and fairness, but the policy will help to inform rent reviews and the negotiation of new leases and licenses in the interim.
2. **Legality** – a policy which is supported by standard operating procedures will reduce the risk of Council entering into unlawful agreements, and provides a framework for addressing issues that arise from historic agreements.
3. **Undocumented agreements** – a policy will guide the Council in addressing cases of "handshake agreements" by setting some parameters and processes for dealing with them. These are generally historical arrangements, and in many cases, the original parties to the agreement are no longer here.
4. **Asset management** – a policy which requires some basic disclosures around insurance and building condition will assist the Council to manage potential future liabilities.
5. **Transparency** – a written policy provides transparency about the parameters for lease and license agreements for Council, its lessees and license holders, and the wider community.
6. **Transparency in setting rentals** –Community groups often receive a discounted market rental in recognition of their not-for-profit nature and their contribution to the wider community well-being. A policy will provide transparency over how Council calculates these rentals. Standard operating procedures will also provide transparency over the rental-setting process.
7. **Delegations** – a policy represents an opportunity to improve the efficiency of property transactions by setting delegated authorities in place to manage the number of items requiring papers to Council, where those items address matters that can be lawfully decided by Officers within parameters approved by Council. The scope for this varies under different statutes and different land classifications. Some new property delegations were introduced within the Delegations Manual adopted in February 2020, and Officers will highlight any other delegations that would add value.
8. **Policy Framework** – there are overlaps between the scope of this policy and existing policies, including the Sports Field and Domain Usage policy and the Small Rural Reserves Policy. Officers have identified this matter as a 2020 issue (to be looked at alongside the 2020 Reserves Review) and Officers are examining any issues that Council must review in the interim. This may be more substantial than first thought.
9. **Governance Framework** – policy discussions have highlighted some inconsistencies in the delegations to reserve boards, the need for Reserve Management Plans to cover all reserves, and opportunities to work more effectively with reserve boards. Officers have identified these as issues to address

in 2020, and note that the appointment of Clare Harden as Governance Administrator is another improvement in this area.

In summary, Officers believe there is still a strong case for change, and items 2, 3, 4, 5, 6, 7 & 9 remain a solid basis for the Review. Our closer look at items 1 & 8 indicate that a transition to higher overall levels of fairness and equity will be slower than anticipated and there is more overlap (and potential conflict) between the Review and the policies adopted in 2017. Aspects of issue 7 may have already been addressed in the Delegations manual. The overall case for change remains sound.

14. Ng King Bros Chinese Market Garden Settlement- funding request

Author *Paul Brake; Group Manager Business Support*
GM Responsible *Hamish Riach; Chief Executive*

Summary

- The purpose of this report is to obtain Council approval to provide a $40,000 budget to complete the building restoration work at the Ng King Bros Chinese Market Garden Settlement
- The request is conditional on the project obtaining an additional $65,000 from a Heritage New Zealand administered fund, to match Council's $40,000 along with a recently received Poll Tax grant of $25,000.

Recommendation to Council

1. **That** Council approves an additional budget of $40,000 to fund the complete restoration of the Ng King Bros Chinese Market Garden Settlement buildings; and
2. **That** this funding is subject to the project obtaining Heritage New Zealand listing and receiving confirmation of their 50% contribution.

Background

1. Council has received an estimate of $130,000 for the restoration of eight buildings at the Ng King Bros Chinese Market Garden Settlement.

2. Council has received a poll tax grant of $25,000 towards this work.

3. Council is applying to Heritage New Zealand for the settlement to be listed on their register as a heritage item.

4. If the application is successful, then funding may be available from the Central Government's 'National Heritage Preservation Incentive Fund', administered by Heritage New Zealand, for 50% of any restoration work.

5. To obtain this funding, the project needs to be able to show evidence of 50% of the total cost being provided or obtained elsewhere – in this case from the Poll Tax Fund and from Council.

6. If Council approves a budget of $40,000, then together with the poll tax money of $25,000 will result in the project demonstrating that it has the required committed 50% funding ($65,000 being half of the estimated restoration cost of $130,000).

7. The Council's funding would need to be approved, and the Heritage New Zealand money also confirmed, before the commencement of any restoration (other than the foundation work approved as part of a recent Council heritage grant of $7,000).
   If Council incurs restoration work now (using the Poll Tax sum of $25,000), then this money would not count towards the 50% Council contribution, and the total amount available from Heritage New Zealand would be reduced.

8. There is benefit in completing the restoration work as one project rather than a protracted work programme subject to uncertain funding in the future. Set up costs on the site would be minimised if all the work can be completed at the same time.

9. Any further deterioration of the buildings will be prevented.

Options analysis

Option 1 – Approve the budget request of $40,000

10. Approving the $40,000 budget request will then allow the project to apply for 50% of the total restoration costs from Heritage New Zealand for this project. This budget request is subject to obtaining Heritage New Zealand listing and subject to receiving a $65,000 contribution from Heritage New Zealand. If successful, the work can commence on completing all the building restorations at the same time. This is the recommended option.

Option 2 – Decline the budget request of $40,000

11. This recommendation will result in only the $25,000 poll tax funding being available to undertake restoration work. Therefore the maximum amount possible from the Heritage New Zealand fund would only be $25,000 – leaving the project $80,000 short of the total $130,000 cost. Further deterioration of the buildings will result and the Council will need to find ways of funding the remaining building restoration costs over the coming years. This is not the recommended option.

Legal/policy implications

12. There are no legal or policy implications should the recommendation in this report be passed.

Financial implications

Requirement	Explanation
What is the cost?	Council's additional funding requirement is $40,000
Is there budget available in LTP / AP?	This will be unbudgeted funds
Where is the funding coming from?	It is recommended that the $40,000 be funded from the Property reserve
Are there any future budget implications?	No. If the funds are granted and 50% received from Heritage New Zealand, then this would complete the planned building restoration work
Finance review required?	Yes

13. As stated above, the source of funds will be the property reserve.

Significance and engagement assessment

14. The recommendation is not considered to be significant and does not require community engagement other than communicating the outcome.

Requirement	Explanation
Is the matter considered *significant*?	No
Level of significance	Not significant, although it is likely to be of some public interest
Level of *engagement* selected	Inform – One-way communication only
Rationale for selecting level of engagement	Council is already committed to the management of the Ng King Bros Chinese Market Garden Settlement site. The $40,000 budget request is not considered to be financially significant in itself
Reviewed by Strategy & Policy	Toni Durham: Strategy and Policy Manager

15. Approval to use the Access Trust special fund

Author *Paul Brake; Group Manager Business Support*
GM Responsible *Hamish Riach; Chief Executive*

Summary

- The purpose of this report is to seek approval to use the balance of the Access special fund which currently sits at $39,376 to assist in funding a youth driver's licence co-ordinator.

Recommendation to Council

1. **That** Council approves the use of the Access Trust special fund money of $39,376 to apply towards the youth driver's licence project and the special fund be closed.

Background

1. The lack of driver's licences has been identified as a roadblock to youth employment and this issue also been identified as a need by the coordinator of the My Next Move project.

2. Hence a project has been developed to identify and coordinate the existing driver's licences schemes and therefore assist young people to be able to obtain their driver's licence before leaving school. This project will also help employers within the district in securing staff.

3. A co-ordinator is required for a fixed period to assist in delivering this project. The proposed budget is up to $60,000.

4. While some of the cost will be met from existing budgets, additional funds will be required.

5. Council has a special fund called the Access Trust special fund, with a balance of $39,376. These funds are unspent task force green monies which have been earning interest since those employment projects ceased.

6. Council needs to pass a resolution to use these funds, and the driver's licence project seems an appropriate use of these funds.

Options analysis

Option 1 – Apply the Access Trust special fund balance to the youth drivers licence project

This project had been acknowledged as being important to assist youth to obtain employment within the district and also assist employers to meet their needs. This option will allow the youth driver's licence coordinators project to proceed.

Option 2 – Decline the recommendation and retain the Access Trust special fund

If this option is preferred, then alternative sources of funds will need to be found for the youth driver's licence project, and if alternatives cannot be found, the project will not proceed. Given that the Access Trust fund has been in existence for many years, with an unclear purpose, it is appropriate that the funds are applied against the project. This option is therefore not recommended.

Legal/policy implications

7. There are no legal or policy implications as a result of the recommendation or the options in this report.

Financial implications

Requirement	Explanation
What is the cost?	The cost of the youth driver's licence project is estimated at up to $60,000
Is there a budget available in LTP / AP?	No- there is a shortfall of approximately $40,000
Where is the funding coming from?	Access Trust special fund
Are there any future budget implications?	No
Finance review required?	Yes- Finance has confirmed the details of the Access Trust special fund

8. The Access special fund has a balance of $39, 376, and if applied to the youth driver's licence project, the fund will be exhausted and the special fund closed.

Significance and engagement assessment

9. The use of the Access Trust Special fund is not considered significant, and no engagement is necessary.

Requirement	Explanation
Is the matter considered *significant*?	No
Level of significance	Low
Level of *engagement* selected	Inform only
Rationale for selecting level of engagement	The balance of the special fund is not large, and its use has little impact on the operations of the Council. The community will be informed of Council's contribution to this initiative.
Reviewed by Strategy & Policy	Toni Durham; Strategy and Policy Manager

16. *Six-monthly performance report*

Author *Emily Watson; Corporate Planner*
Activity manager *Toni Durham; Strategy & Policy Manager*
Group manager *Jane Donaldson; Group Manager: Strategy & Compliance*

Summary

- The purpose of this report is provide the six-monthly non-financial reporting against the performance measures set in Year 3 of the Long-Term Plan 2018-28.
- These results are for the first half of the 2019-20 financial year, from 1 July 2019 – 31 December 2020.

Recommendation

1. **That** the Audit, Risk and Finance Committee receives the six-monthly non-financial performance report.

Appendix 1 – Audit, Risk & Finance 6 month performance report

Background

The current situation

1. Council monitors its progress towards achieving the non-financial performance measures. These are reported to Council mid-way through the financial year and at the end of the financial year.

2. As part of the Long-Term Plan process, Council sets levels of service for each activity. Accompanying these levels of services are performance measures and targets.

3. Performance measures enable Council and the community to assess whether the levels of service are being delivered to the community. Targets for each performance measure show the level of achievement Council is aiming for each year.

4. The end of year results are provided to Council via the relevant committee and are included in Council's Annual Report.

Legal/policy implications

Legislation

5. Council is required (Local Government Act 2002) to report against the performance targets set for each activity in the Annual Report.

6. While Council isn't required by legislation to provide progress reports, to do so informs both Council and the community with how well Council is tracking on a timely basis.

Financial implications

Requirement	Explanation
What is the cost?	Monitoring Council's performance is met from within existing budgets.
Is there budget available in LTP / AP?	Yes
Where is the funding coming from?	284 Community Planning
Are there any future budget implications?	No
Reviewed by Finance	Not required

Significance and engagement assessment

7. The progress reporting of Council's achievement towards its non-financial performance measures is not considered significant and is of low significance to the community.

Requirement	Explanation
Is the matter considered significant?	No
Level of significance	Low; Not Significant
Level of engagement selected	1 – Inform the community
Rationale for selecting level of engagement	The community will be informed of Council's progress in achieving the non-financial performance measures through relevant media channels.
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

Half-way performance reporting – Audit, Risk & Finance

HALF-WAY PERFORMANCE UPDATE - DEMOCRACY

What we're aiming for: To engage in meaningful conversations and lead the community with clear and rational decision-making that is based on robust monitoring, research and analysis.

WHAT WE'RE WORKING TOWARDS (Levels of service)	HOW WE'LL MEASURE PROGRESS (Performance measures)	2018/19 RESULTS	2019/20 TARGET	2019/20 YEAR TO DATE RESULTS	COMMENTS
The community to be informed of, and involved in, local decision making	Residents are satisfied that the Council provides opportunities to have their say	91%	80%	90%	Results from wave 1 & 2 combined of the Annual Residents' Survey.
	Residents are satisfied with the quality of information about Council activities and events	88%	80%		Not yet available.
The community's views are taken fully into account for effective governance by elected members	Residents are satisfied with the performance of the Mayor and Councillors	77%	80%	71%	Results from wave 1 & 2 combined of the Annual Residents' Survey.

HALF-WAY PERFORMANCE UPDATE - ECONOMIC DEVELOPMENT

What we're aiming for: To support the local economy by assisting tourism, employment and business development initiatives.

WHAT WE'RE WORKING TOWARDS (Levels of service)	HOW WE'LL MEASURE PROGRESS (Performance measures)	2018/19 RESULTS	2019/20 TARGET	2019/20 YEAR TO DATE RESULTS	COMMENTS
Commercial property assets that are financially sustainable	Occupancy of all commercial tenancies at or above 95% at all times	98%	≥ 95%	98%	

HALF-WAY PERFORMANCE UPDATE – COMMUNITY SERVICES

What we're aiming for: To provide community services that meet resident's needs

WHAT WE'RE WORKING TOWARDS (Levels of service)	HOW WE'LL MEASURE PROGRESS (Performance measures)	2018/19 RESULTS	2019/20 TARGET	2019/20 YEAR TO DATE RESULTS	COMMENTS
Council will provide rental accommodation that meets the specific needs of eligible elderly members of the community	Occupancy rates of Elderly Persons Housing	97%	95%	100%	Three units are not included in this calculation as they are not in a suitable condition for residential occupancy

17. Environment Canterbury – draft Annual Plan 2020-21 submission

Activity manager	*Toni Durham; Strategy & Policy Manager*
Group manager	*Jane Donaldson: GM Strategy & Compliance*

Summary

- The purpose of this report is for Council to consider a submission to Environment Canterbury on its draft Annual Plan 2020-21.
- The draft submission has been developed following discussion with the Executive Committee of Council, this is appended to the report.
- The submission is due 25 March, 2020, before the 9 April Council meeting.

Recommendation

That Audit, Risk & Finance recommends that Council approves the submission to Environment Canterbury about the draft Annual Plan 2020-21.

Background

The current situation

1. The draft Annual Plan 2020-21 has been prepared by Environment Canterbury officers and elected members.

2. The draft document can be found here https://ecan.govt.nz/get-involved/news-and-events/2020/have-your-say-on-our-draft-annual-plan/

3. Officers met with members of the Executive Committee to prepare this draft submission.

4. Council needs to be aware that the close-off date for ECan submissions is the 25 March 2020. This is before the 9 April Council meeting, meaning that any changes to the draft document need to be incorporated following the Audit, Risk and Finance Committee.

Options analysis

Option 1 – Do nothing

This is not the recommended option. Council may decide to stay silent and not make a submission on the draft Annual Plan. This could result in Council missing an opportunity to advocate on behalf of the district.

Option 2 – Approve the submission as attached in Appendix One (recommended option)

This option would see Council officers lodge the appended submission to Environment Canterbury before the due date.

Legal/policy implications

5. The lodging of a submission does not breach or trigger any statutory or legal duty of the Council.

Financial implications

6. There are no financial implication in making this submission.

Requirement	Explanation
What is the cost?	Officer resource in preparing the submission. This has been met from within existing operating budgets.
Is there budget available in LTP / AP?	Yes
Where is the funding coming from?	Community Planning
Are there any future budget implications?	No
Finance review required?	No

Significance and engagement assessment

Requirement	Explanation
Is the matter considered *significant*?	No
Level of significance	Low, not significant
Level of *engagement* selected	**1.** Inform
Rationale for selecting level of engagement	The submission will be lodged on Council's website once submitted to ECan and will become a public document.
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

Submission

Environment Canterbury Draft Annual Plan 2020-21

PREPARED BY:	Ashburton District Council PO Box 94 ASHBURTON	SUBMITTED TO:	Environment Canterbury PO Box 345 CHRISTCHURCH

Introduction

Ashburton District Council (Council) welcomes the opportunity to comment on matters addressed in Environment Canterbury's draft Annual Plan 2020-21 and on the strategic questions posed for focusing the Long-Term Plan 2021-31.

Council wishes to make the following comments on specific areas of the draft Annual Plan.

General Comments

1.1 Council notes that the Environment Canterbury Long-Term Plan 2018-28 indicated an average rate increase in Year 3 (2020-21) of 5.5%, while the draft Annual Plan 2020-21 is showing an average rate increase of 9.8%.

1.2 We acknowledge that this is largely due to the increase in funding in the public transport service, of which our district has no public transport services provided by Environment Canterbury.

1.3 While Council is concerned with this given that Environment Canterbury's Financial Strategy (which forms a key part of the Long-Term Plan 2018-28) has a rate increase limit of 6% for the first three years of the LTP, the impact on residents in our District appears to be well under the 6% limit.

1.4 Council is curious that this draft Annual Plan is not being signalled to the community as a significant change to the Long-Term Plan 2018-28 and that the subsequent feedback process is not a formal submission process. Our interpretation of the Local Government Act would be that this is a significant deviation from the Long-Term Plan 2018-28 and that a formal consultation approach should have been undertaken.

1.5 In our Long-Term Plan 2018-28, we agreed to fund a great proportion of our 'people-related activities' through a Uniform Annual General Charge (UAGC). We suggest that Environment Canterbury considers greater use of the UAGC rate through its Long-Term Plan review of funding mechanisms over the next 12 months.

Freshwater Management

1.6 Ashburton District Council continues to support Environment Canterbury's role in freshwater management for the region.

1.7 We note that additional resources have been included into the draft Annual Plan to drive this area of business. Council is supportive of this and agrees that this is a complex portfolio for Environment Canterbury.

1.8 Council notes that additional resources are included in the Zone and Regional Delivery programme for two new positions to support coordination in the southern zone and ongoing implementation. We are not clear if the Ashburton Zone Committee is included in this southern zone. Council is seeking clarification about what benefits we should expect to see if we are in this zone.

1.9 Council has been a supporter of the Zone Committee model since they began. However, there is a sense that their focus and direction has changed over time and questions if they are still serving the purpose for which they were originally established for. Council would like to see a greater focus on the zone reports at the Zone Committees.

1.10 We note that consent reviews in the Ashburton/Hakatere catchment commenced in 2019-20 and support the continued work in this areas in 2020-21. We look forward to being informed of any future conversations about these consent reviews in our District.

Biodiversity and Biosecurity

1.11 Ashburton District Council acknowledges the increased focus of Environment Canterbury in biodiversity. We note the view that the major threats to biodiversity are: introduced plants and animal pests and land-use change and intensification.

1.12 Ashburton District Council officers have been involved with the Braided Rivers Action Group (BRAG) project, but notes that this work tailed off in 2019-20. Council notes that the BRAG is still considered to be a part of the collaborative approach for braided rivers and looks forward to being involved as appropriate.

1.13 We note the focus on developing ki uta ki tai (from the mountains to the sea) plans with communities but question if the target of 1 plan for a priority river per year is enough given the noted biodiversity issues.

Climate Change, Hazards, Risks and Resilience

1.14 Ashburton District Council acknowledges the position of Environment Canterbury about climate change, hazards, risk and resilience.

1.15 Ashburton District Council officers are members of the Canterbury Climate Change Working Group, Canterbury Civil Defence Emergency Management (CDEM) Group and the Canterbury Natural Hazard Risk Reduction Group. We support continued collaborative action to maximise the benefits of sharing knowledge and resources in these areas.

1.16 We note the work planned in 2020-21 to identify and classify potentially contaminated land in Ashburton District. We look forward to being informed of this work as it is commenced and progressed.

1.17 Council is concerned that increased rates are being taken in this area as reserve funding to respond to climate change natural hazards. We consider that the collection of rates now for possible future events or scenarios is at odds with the principals of inter-generational equity (as outlined in your Financial Strategy 2018).

Air Quality

1.18 Ashburton District Council acknowledges the role of Environment Canterbury concerning air quality.

1.19 Council is pleased to see that the number of days in Ashburton with PM10 exceeded have steadily reduced over the past ten years. We support the continued monitoring and enforcement of air quality in Ashburton District throughout the year.

1.20 Council believes that there is a need for ongoing education and enforcement around smoke management and avoidance of nuisance from smoke leaving properties boundaries. We support Environment Canterbury's continued commitment to this need.

Transportation

1.21 Council understands that an Ashburton community group is discussing with Environment Canterbury Community the need for a community vehicle service in our district. We support these discussions and look forward to being informed of progress about this investigative work.

Regional Leadership

1.22 Council supports Environment Canterbury's ongoing secretariat and executive support for the Regional Forums. We believe this adds value for all local authorities in Canterbury and that the sharing and understanding of issues helps us all to ensure we have strong relationships in place for when challenges invariably arise.

Strategic Direction Questions

Our current purpose statement is: Facilitating sustainable development for the Canterbury region. Should we change it? And if so, to what?

- Council agrees with this purpose statement and does not see a need to change it.

What do you think the most pressing issue for freshwater is in your local area?

- The most complex issue to deal with for freshwater is balancing the desire for improved freshwater quality with the economic and social costs of being able to achieve such targets.

What do you think the future focus of our ten Zone Committees should be?

- Council has been a supporter of the Zone Committee model since they began. However, there is a sense that their focus and direction has changed over time and we question if they are still serving the purpose for which they were originally established for.

- Council is concerned that the Auditor-General decision (from the Forest & Bird legal challenge in the High Court over the CWMS) barring water zone committee members from taking part in debates and votes on matters in which they have a financial interest will undermine the value, ability and efficacy of the Zone Committees.

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What do you think the community could/should do to respond to climate change?

- The understanding and awareness of climate change and what it might mean to the communities in which people live is the largest challenge facing a successful response to climate change. Our Climate Change policy is our first step in educating and preparing our community.

What bothers you most about climate change and how much impact do you think it will have on the region?

- Planning and building resiliency for the impacts of climate change is dependent on the threats and opportunities for each community.

Is there anything keeping you awake at night that you think Environment Canterbury can help with now, or in the future?

- Farming consent conditions effectively limit the options available for different farming types. Therefore it would be good if Environemtn Canterbury could undertake some evidence-based research as to what the future of agriculture might look like in the region.

We want to ensure that, in the face of climate change or when a disaster strikes, the region can feed itself. How do you think we might do that?

- Our significant agricultural base would mean that as a district we are likely to be able to comfortably feed ourselves and the wider Canterbury region in the event of a natural disaster. Transport linkages would be our main concerns during this time.

Ashburton District Council thanks Environment Canterbury for the opportunity to provide this submission. We do wish to be heard in support of this submission.

NEIL BROWN **Mayor**	HAMISH RIACH **Chief Executive**

18. Consultation for the Annual Plan 2020-21

Activity manager	*Toni Durham; Strategy & Policy Manager*
Group manager	*Jane Donaldson; GM Strategy & Compliance*
	Paul Brake; GM Business Support

Summary

- The purpose of this report is for Council to determine if it wishes to consult on the draft Annual Plan 2020-21 or not.
- The draft Annual Plan 2020-21 has not varied significantly from what Council proposed in Year 3 of the Long-Term Plan 2018-28. This means that consultation is not legally required.
- Officers are recommending that Council does not consult on the Annual Plan and instead informs the community of the major projects in the Annual Plan.

Recommendation to Council

That Council decides not to consult on the Annual Plan 2020-21 in accordance with section 95 (2a) of the Local Government Act, 2002.

Background

The current situation

2. Changes to the Local Government Act 2002 in 2014 mean that the Council's approach to preparing and consulting on an Annual Plan has changed. These changes mean that:

- There is no requirement to prepare information that duplicates the LTP content.
- As such, the Annual Plan is an exception based document and the content required to be contained within it is reduced.
- A Council is not required to prepare a 'Draft Annual Plan' or 'Draft Annual Plan Summary'

2. Consultation on an Annual Plan is not required unless the differences to the LTP are 'significant' or 'material' or the Council chooses to. The Annual Plan is not required to go through a formal Special Consultative Procedure (SCP) as previously carried out. If consultation is carried out, it must give effect to the consultation principles under the LGA (S82).

3. Where consultation occurs, a Consultation Document (CD) must be prepared.

4. The focus of the CD can only be around the 'significant' and 'material' changes between the 2020-21 year (year 3) of the LTP 2018-28 and the Annual Plan 2020-21.

5. The new Annual Plan process is about not re-debating issues already decided in the LTP. It is effectively an exceptions document that contains the major differences from the LTP. Consultation, if required, focuses around these differences or anything else that the Council wishes to consult on.

2020-21 Budget Workshops

6. The budget workshops held on 25 & 26 February saw Council set a direction for officers for the 2020-21 Annual Plan. For the most part the budgets discussed were in line with what had been stated in year 3 of the Long-Term Plan.

7. The key areas of difference were either seeking a project delay, change in the use of funding, or were in areas of new expenditure, as follows:

Activity	Project	Financial impact	Council decision
Drinking water	Methven Reservoir Upgrade – additional funding	$221,700 Loan-funded, with principle and interest repaid by targeted rate.	Included in Annual Plan 2020-21

	Methven Water Supply – Groundwater Source Investigations	$160,000 - $240,000 $240,000 included in budget as loan funding with principle and interest repaid by targeted rate.	Included in Annual Plan 2020-21
	Mayfield and Chertsey Wellheads Sanitary Seals	$150,000 ($75,000 per scheme) Loan-funded, with principle and interest repaid by targeted rate.	Included in Annual Plan 2020-21
Commercial Property	Extensions to the Rakaia Medical Centre	$950,000 Loan-funded, with principle and interest to be self-funding via a commercial rental return> This project is subject to no rate requirement).	Included in Annual Plan 2020-21
Economic Development	Welcoming Communities programme	$50,000 (additional to the 2019-20 budget as INZ are no longer contributing to the programme in Ashburton) General rate	Included in Annual Plan 2020-21
Recreation Facilities	Replace the EANC software system earlier than in indicated in LTP	$120,000 (includes annual operating cost of $30,000 in 2020-21) UAGC and Fees & Charges	Included in Annual Plan 2020-21
	EANC – Pool Extension project	Council deferment of the design work in 2019-20 means that through necessity, the Learn to Swim and splash deck pool extension project will not be completed in 2020/21 as stated in the LTP 2018-28. The timing of this project will be considered as part of the LTP 21-31.	Project not included in the Annual Plan 2020-21
Information Systems	Additional Geographical Information System (GIS) resource	$80,000 Overhead allocation	Included in Annual Plan 2020-21

2020-21 Annual Plan Proposed Approach

8. Based on our analysis from the Budget workshops, it is proposed by officers that the Annual Plan does not need to be consulted on. It is proposed that the Council takes more of a notification and information sharing approach.

9. This is likely to include an overview of what the main projects are for the coming year, any new projects included, changes to what was included in Year Three of the LTP and the financial and rating impact. There will not be a formal Special Consultative Procedure (SCP) as has occurred in the past.

10. Information on the Annual Plan information will be included as part of the District Diary in the Courier, on the Council's website, made available from Council Customer Services Reception Area, the Library, and mailed out to stakeholders.

Options analysis

Option One: Council may decide to consult using a 'Consultation Document' under the Act.

11. The Council may choose to hold a full SCP as specified under the Act, producing a Consultation Document based on the proposed changes in the Annual Plan from the LTP. Council officers have assessed these against the Significance and Engagement Policy as not being of material significance, so Council will need to determine the exact nature of the content for consultation to be based on.

Option Two: Council does not consult on the Annual Plan 2020-21

12. This is the recommended option. This would see Council deciding not to consult on the Annual Plan 2020-21 and adopts it in full at the 21 May Council meeting. This would be followed up with information about the Annual Plan as listed above being made publically available.

Legal/policy implications

Legislation

13. The recommended approach is consistent with s95 (2a) of the Local Government Act 2002.

Financial implications

Requirement	Explanation
What is the cost?	Consultation typically costs approximately $20,000 (inclusive of officers' time). Deciding to not consult will result in these resources being reallocated to other projects and work.
Is there budget available in LTP / AP?	Yes
Where is the funding coming from?	Existing budgets
Are there any future budget implications?	No
Reviewed by Finance	Not required – no additional funding required.

Significance and engagement assessment

Requirement	Explanation
Is the matter considered significant?	No – the Annual Plan 2020-21 has been assessed as not being a significant change to what Council had in year 3 of the 2018-28 Long-Term Plan.
Level of significance	Medium – not significant
Level of engagement selected	If Council supports the officers' recommendation, the engagement approach will be to inform the community of the key projects and priorities for 2020-21.
Rationale for selecting level of engagement	This level of engagement has been selected based on the most efficient and effective use of Council resources. Information on the Annual Plan information will be included as part of the District Diary in the Courier, on the Council's website, made available from Council Customer Services Reception Area, the Library, and mailed out to stakeholders.
Reviewed by Strategy & Policy	Toni Durham; Strategy & Policy Manager

Next steps

Date	Action / milestone	Comments
21 May 2020	Council to adopt the 2020-21 Annual Plan	

Audit, Risk and Finance Committee
Terms of Reference

Purpose

The purpose of the Audit, Risk and Finance Committee is to provide oversight of Council's revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community (Local Government Act 2002).

Membership

Membership of the Committee comprises:

- Cr Leen Braam (Chair)
- Cr John Falloon (Deputy Chair)
- Cr Carolyn Cameron
- Cr Liz McMillan
- Cr Stuart Wilson
- Mr Murray Harrington (external appointee)
- The Mayor, Neil Brown (ex-officio)

The quorum is four members.

Meeting Frequency

The Audit, Risk and Finance Committee will meet on a six (6) weekly cycle, or more frequently on an as-required basis as determined by the Chair and Group Manager Business Support.

Committee members shall be given not less than 5 working days' notice of meetings.

Delegations

The Audit, Risk and Finance Committee has no delegated authority to make decisions. Its role is to consider and review matters of strategy, policy or significance in its sphere of Council business, and (if appropriate) to make recommendations to full Council.

Sphere of business

- To consider and recommend the project plan and timetable for the following projects –
  - Long Term Plan (LTP) and any amendments
  - Annual Plan & Budget
  - Annual Report and Audit
- To receive progress reports on the above projects, where appropriate, and review significant issues and risks arising.
- To establish and maintain effective relationships with Council's auditors, including meeting with the audit representatives regarding significant policy and planning processes as appropriate, reviewing the Annual Audit Plan, and considering matters of significance raised by Council's auditors and action required.

- To be the primary monitoring mechanism for Council's Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs) and shareholdings.
- To provide overview of Council's performance management framework as included in the Council's LTP, Annual Plan and Annual Report documents.
- To provide an overview of Financial Management including:
  - statutory compliance in respect to financial disclosure
  - corporate risk and internal risk management
  - monitoring and reporting on compliance with the LTP and Annual Plan policies under sections 101A-110 of the Local Government Act 2002
  - Insurance matters
  - Council's special funds accounts, loan accounts and investment portfolios
  - Council's debt levels and profile
  - Writing off debt considered to be bad or uncollectible (greater than $5,000)
  - Monitoring monthly Financial Variance reports
  - Recommending to Council any proposed changes or additions to internal financial and non-financial controls, and debt and risk management approaches and policies
  - Amending fees and charges
- To consider matters of Organisational Services in the areas of:
  - information services and records management
  - plant and vehicles
  - democracy
  - communications
  - customer services
  - health and safety.

Reporting

The Audit, Risk and Finance Committee will report to the Council.

[Adopted by Council 20/11/19]