

# AGENDA/KAUPAPA



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MEMBERSHIP: Her Worship the Mayor Rehette Stoltz (Chair), Josh Wharehinga (Deputy Chair), Colin Alder, Andy Cranston, Larry Foster, Debbie Gregory, Ani Pahuru-Huriwai, Rawinia Parata, Aubrey Ria, Tony Robinson, Rob Telfer, Teddy Thompson, Rhona Tibble and Nick Tupara.

## FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee

DATE: Wednesday 19 April 2023

TIME: 9:00AM

AT: Te Ruma Kaunihera (Council Meeting Room), Awarua, Fitzherbert Street, Gisborne

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# Finance & Performance

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<b>Reports to:</b>	Council
<b>Chairperson:</b>	Mayor Stoltz
<b>Deputy Chairperson:</b>	Cr Wharehinga
<b>Membership:</b>	Mayor and all Councillors
<b>Quorum:</b>	Half of the members when the number is even and a majority when the membership is uneven.
<b>Meeting frequency:</b>	Six weekly (or as required)

## Purpose

To assist Council to oversee financial and non-financial performance, including the delivery of the Council's Capital Programme and oversight of the Council Control Trading Organisation.

To monitor Council activities and services performance against budget, Annual Plans, the Long Term Plan, Annual Reports and corporate and financial policies.

The Finance and Performance Committee also receives enforcement and compliance performance activity reporting to ensure financial and non-financial performance oversight of its regulatory functions.

## Terms of Reference

- Set, monitor and review plans and financial measures, practices and policies; the sources of funds, banking arrangements, insurance, investment and debt criteria, future financial arrangements.
- Monitor the performance of Council's treasury function – including strategic, investment and enterprise assets.
- Set fees and charges for Council services (including parking), and ensure these do not conflict with fee setting procedures of Bylaws of the Long Term Plan process and which are not set through the making of Bylaws.
- Approve preferred suppliers for capital projects and contracts where the value of the contract exceeds staff delegations.
- Approve expenditure (including substituted capital expenditure) items that are provided for in the Long Term Plan or Annual Plan where the value of that expenditure exceeds that authority delegated to officers.

- Approve debt write-offs where those debt write-offs are not delegated to staff.
- Consider all matters regarding the Local Government Funding Agency (LGFA).
- Monitor and review Council's strategic investment and enterprise assets – including consideration of the operational and financial effectiveness of Council Organisations, Council Controlled Organisations and Council's Controlled Trading Organisation (CCTO).
- In relation to the CCTO:
  - develop and approve the draft Statement of Intent for the CCTO
  - undertake any reviews of CCTO and make recommendations on any proposed changes to CCTO governance arrangements
  - consider and approve changes to service delivery arrangements arising from the service delivery reviews required under Local Government Act 2002 (LGA) that are referred to the Committee by the Chief Executive.
- Monitor the operational performance of Council's activities and services against approved levels of service.
- Monitor the operational performance of Council's regulatory activities and in particular enforcement and compliance, financial and non-financial performance reporting.
- Review and approve business plans including any related fees, charges and expenditure (including capital expenditure).
- Review the delivery of services under section 17A of the LGA.
- Monitor the delivery of the Council's Capital Programme, including inquiring into any material discrepancies from planned expenditure.
- Implement and review Health and Safety practices to ensure compliance with Council's legal responsibilities.

## **Power to Act**

To make all decisions necessary to fulfil the role and scope of the Committee subject to the limitations imposed.

To establish subcommittees, working parties and forums as required.

To appoint non-voting advisory members and/or Tangata Whenua representatives to assist the Committee.

## **Power to Recommend**

To Council and/or any standing committee as it deems appropriate.

### 3.1. Confirmation of non-confidential Minutes 2 March 2023

# MINUTES

## Draft & Unconfirmed



P O Box 747, Gisborne, Ph 867 2049 Fax 867 8076  
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## MINUTES of the FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee

Held in The Rose Room at Lawson Field Theatre, Fitzherbert Street, Gisborne on Thursday 2 March 2023 at 9:00AM.

### PRESENT:

Her Worship the Mayor Rehette Stoltz, Deputy Mayor Josh Wharehinga, Colin Alder, Andy Cranston, Larry Foster, Debbie Gregory, Ani Pahuru-Huriwai, Rawinia Parata, Aubrey Ria, Tony Robinson, Teddy Thompson, Rhonda Tibble, Nick Tupara, Josh Wharehinga.

### IN ATTENDANCE:

Chief Executive Nedine Thatcher Swann, Director Internal Partnerships James Baty, Acting Director Liveable Communities De-Arne Sutherland, Director Engagement & Maori Responsiveness Anita Reedy-Holthausen, Chief Financial Officer Pauline Foreman, Chief of Strategy & Science Jo Noble, Journeys Infrastructure Manager Dave Hadfield, Democracy & Support Services Manager Heather Kohn and Committee Secretary Jill Simpson.

**Secretarial Note:** Cr Pahuru-Huriwai attended the meeting via audio visual link.

**Secretarial Note:** The meeting commenced at 9.00am and adjourned at 9.02am to allow time for Cr Parata who was flying in to attend the meeting. The meeting recommenced at 9.20am with a karakia.

### 1. Apologies

MOVED by Cr Stoltz, seconded by Cr Wharehinga

That the apology from Cr Parata for lateness be sustained.

**CARRIED**

### 2. Declarations of Interest

There were no interests declared.

### **3. Confirmation of non-confidential Minutes**

#### **3.1 Confirmation of non-confidential Minutes 7 December 2022**

MOVED by Cr Cranston, seconded by Cr Gregory

That the Minutes of 7 December 2022 be accepted subject to minor amendment.

**CARRIED**

#### **3.2 Action Sheet**

Noted.

### **4. Leave of Absence**

Cr Telfer was granted leave of absence.

### **5. Acknowledgements and Tributes**

There were no acknowledgements or tributes.

### **6. Public Input and Petitions**

There were no public input or petitions

### **7. Extraordinary Business**

There was no extraordinary business.

### **8. Notices of Motion**

There were no notices of motion.

### **9. Adjourned Business**

There was no adjourned business.

### **10. Reports of the Chief Executive and Staff**

#### **10.1 DECISION Reports Finance**

##### **10.1.1 23-3 The Financial Impact of Roothing Emergency Works**

Journeys Infrastructure Manager Dave Hadfield attended and explained that the \$16.7m spent to the end of January 2023 excludes the costs incurred by Cyclone Hale and Cyclone Gabrielle. Roothing projects are on hold and a revised programme will be provided once completed.

Questions of clarification included:

- Waiting on approval for a bespoke application with Waka Kotahi.

Chief Executive Nedine Thatcher Swann commented that in terms of Cyclone Gabrielle and the National State of Emergency, work is underway for a regional recovery approach. This could be Tairāwhiti/Hawkes Bay or just Tairāwhiti and could be an avenue to ensure our emergency works are 100% funded, or even just to remove some barriers via this vehicle.

- The FAR reserve was committed to other declared emergency works. At the end of the financial year Waka Kotahi slightly increased their assistance to us (ie FAR rate), which meant that we did not need to use as much of the FAR Reserve as we had first planned. There never were surplus funds that were not utilised.
- In terms of recovery, staff are working on a plan which will be very much community driven.

- Council is requesting 100% emergency funding from Waka Kotahi. When the Long Term Plan was developed a sum of \$161.7m was required above the current funding levels to keep on top of repairs.
- The \$700k loan would come off the roading budget as per the Revenue & Financing Policy.
- It is fair to say that Council has the ability to borrow, and to unlock 87% from Central Government Council would be contributing 13% and this is a well use of funds to do more work.

Her Worship the Mayor and Councillors conveyed thanks to the Journey's team.

MOVED by Cr Wharehinga, seconded by Cr Foster

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua:

1. Approves up to \$25.8m emergency reinstatement works, noting the timing:
  - a. In 2022/23 financial year a total of up to \$19.5m.
  - b. In 2023/24 financial year a total of \$6.3m.
2. Notes Waka Kotahi share of the amounts noted above will be \$22.1m.
3. Approves to fund the local share of \$2.4m by use of:
  - a. The FAR reserve of up to \$1.7m.
  - b. Loans of up to \$700k.
  - c. Noting the the full cost of cyclone Hale are still to be determined.
4. Seeks a review of Waka Kotahi's Emergency Works Policy.

**CARRIED**

### 10.1.2 23-10 Draft Annual Plan 2023/24

Chief Financial Officer Pauline Foreman presented.

**Secretarial Note:** Cr Parata arrived at 10.01am.

Chief Executive Nedine Thatcher Swann commented that 3.6% of loans in terms of additional cost this year was the result of external factors being inflation, revaluation and attributed interest cost and depreciation. What we have presented remains within the 6.5% cap as applied within the Financial Strategy and applied options of smoothing the rates incidence, increasing our debt, phasing funding and using special reserves along with rating.

It was noted that rates remissions will be available and applied much like it was under COVID-19 in 2020. These mechanisms target relief to those in need or have been significantly affected by Cyclone Gabrielle.

Questions of clarification included:

- The Long Term Plan by the end of 2031 states that the depreciation for the pool would have been fully funded.
- The increase in levels of service included the rolling out of the wheelie bins. Improvement in levels of service included the Wastewater Treatment Plant Phase 2, the Kiwa Pools. Most are projects have been external grant funded.

- The 6.5% rates increase includes what we were committed to over the first three years of the 2021-2031 the Long Term Plan. The biggest being the Wastewater Treatment Plant Phase 2 operational costs coming online in Year 3.
- Funding of depreciation is required under Council's Accounting Standards and legislation.
- Support the recommendations however noting that they will not improve things for the East Coast community nor our rural communities who are struggling.

Her Worship the Mayor Rehette Stoltz acknowledged all the thoughts from Councillors around the table and encouraged people in the community to contact staff should they be facing hardship as Council is here to assist.

MOVED by Cr Wharehinga, seconded by Cr Foster

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

1. Approves the draft 2023/24 Annual Plan estimates as outlined in Attachment 1, the draft Financial Statements.
2. Approves the draft Capital Works Programme for 2023/24 amounting to \$45.8 million (as outlined within Attachment 4).
3. Approves the draft Fees and Charges document for consultation.
4. Agrees (having regard to those matters outlined in this report) that it is financially prudent to budget for an overall accounting surplus in the draft Annual Plan 2023/24.
5. Agrees while noting the overall accounting surplus as set out in number 3 above, that some activities (as outlined within the report) will have an accounting deficit funded by loans or reserves. With having specific regards to draft 2023/24 Annual Plan changes:
  - a. Agrees to rate fund the three waters depreciation expense based on the need to meet the capital renewals programme phased over the 2021-2031 Long Term Plan, ensuring that the three waters renewals remain fully funded while mitigating the impact of depreciation expense on 2023/24 rates.
  - b. Agrees to rate interest costs based on LTP levels with additional rates collected up to \$250k, and the balance of interest rate costs funded from special reserves and Wastewater (Three Waters) Reserve.
  - c. Notes that most of the higher interest rates arise from meeting Council's significant infrastructure investment in Wastewater.
  - d. Notes that the change approach in funding for depreciation and interest would otherwise result in operating costs exceeding the operating budget.
  - e. Notes that under this approach, Council will have a balanced budget in 2026/27 and considers this approach to be financially prudent for the reasons outlined in this report.
6. Notes that formal consultation is not required to be undertaken for the draft 2023/24 Annual Plan as Council's plan comprises no significant or material differences from the content of Year 3 of its Long-Term Plan including:
  - a. The outcomes, levels of services and projects.
  - b. The overall level of rates and debt are in line with the Financial Strategy.
7. Notes that an information campaign will be used to inform the community upon adoption of the Annual Plan, into the 2023/24 financial year.

**CARRIED**



**Secretarial Note:** The meeting adjourned at 10.30am for morning tea and reconvened at 10.45am.

### **11. Public Excluded Business**

**Secretarial Note:** These Minutes include a public excluded section. They have been separated for receipt in Section 11 Public Excluded Business of Council.

### **12. READMITTANCE OF THE PUBLIC**

MOVED by Cr Stoltz, seconded by Cr Robinson

That the Council:

1. Re-admits the public.

**CARRIED**

### **13. Close of Meeting**

There being no further business, the meeting concluded at 10:50am.

Rehette Stoltz

**MAYOR**

### 3.2. Action Sheet

Meeting Date	Item No.	Item	Status	Action Required	Assignee/s	Action Taken	Due Date
07/12/22	14.2	Additional Action Item	Completed	<p><b>22-260 Quarterly Activity Report - Quarter 1 Financial Year 2022-2023</b></p> <p><b>Commercial Operations:</b></p> <p>A link to the LAWA website including a specific link to the bathing contact recreation page to be emailed to Councillors.</p>	Joanna Noble, Lauren Muir	<p><b>21/12/2022 Joanna Noble</b></p> <p>Email sent on 7 December 2022. The LAWA website link is <a href="#">Land, Air, Water Aotearoa (LAWA) - Gisborne region</a></p>	24/01/23

## 10. Reports of the Chief Executive and Staff for DECISION



23-78

**Title:** 23-78 Local Government Funding Agency Report to 31 December 2022  
**Section:** Financial Accounting  
**Prepared by:** Chris Page - Team Leader Financial Services  
**Meeting Date:** Wednesday 19 April 2023

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Legal: No

Financial: Yes

Significance: **Low**

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### Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for decision

#### PURPOSE - TE TAKE

The purpose of this report is to provide the Finance & Performance Committee with the Local Government Funding Agency's (LGFA) half-yearly financial report for the period ended 31 December 2022 and their draft Statement of Intent (SOI) for 2023-2026.

#### SUMMARY – HE WHAKARĀPOPOTOTANGA

The LGFA is a Council Controlled Organisation (CCO) was established to provide councils with an improved approach to cost-effective long-term debt and conditions. The LGFA is a registered financial institution regulated by the Reserve Bank.

The financial report provides information against the objectives and performance requirements set out in the Statement of Intent. The LGFA continue to deliver strong results for both council borrowers and shareholders through certainty of access to markets saving in borrowing costs and flexible lending terms. LGFA retained their AA+ rating from Fitch Ratings in October 2022, and their AAA rating from S&P Global Ratings in March 2022.

The Statement of Intent is the key accountability document between Council and the CCO. It sets out the company's strategic direction and must be consulted on and approved annually by the directors. Schedule 8(9) of the Local Government Act 2002 sets out the content of the document which must cover the next three financial years.

Council as a shareholder, is requested to review and approve the draft Statement of Intent for 2023–2026 for circulation to shareholders. Following the two months allowed for submissions, the directors must consider any submissions made by the shareholders and approve a final document by 30 June 2023.

All of Councils long term external debt is with LGFA, including our Three Water activities debt. LGFA have noted that any future announcements or legislation changes arising from the Three Water Reforms will be included with the final SOI. They will include a statement if there were any material changes to their forecast assumptions.

LGFA is working with both Central and Local Government to ensure a smooth transition of debt from councils to the proposed new Water Services Entities in July 2024.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

## **RECOMMENDATIONS - NGĀ TŪTOHUNGA**

**That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:**

- 1. Approves the draft Statement of Intent for 2023-2026.**

*Authorised by:*

**Pauline Foreman - Chief Financial Officer**

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**Keywords:** Council Controlled Organisation, CCO, LGFA, Local Government Funding Agency Report to 31 December 2022, Statement of Intent

## **BACKGROUND - HE WHAKAMĀRAMA**

1. The Local Government Funding Agency (LGFA) is a Council-Controlled Organisation (CCO). The LGFA is 11% owned by the New Zealand Government and 89% by 30 local authorities. Gisborne District Council holds 200,000 shares of the 45 million ordinary shares on issue and joined the scheme in November 2012.
2. There are 70 member councils who are guarantors of LGFA.
3. On 24 February 2023 the LGFA made available for shareholder review their Draft Statement of Intent and the interim financial statements for the period ended 31 December 2022.
4. Attached are
  - **Attachment 1** - Draft Statement of Intent 2023-2026
  - **Attachment 2** - Interim Financial Statements 31 December 2022

## **DISCUSSION and OPTIONS - WHAKAWHITINGA KŌRERO me ngā KŌWHIRINGA**

5. The discussion below outlines the main highlights from the interim set of accounts and the draft Statement of Intent.

### **Half Yearly Report to 31 December 2022**

6. The financial strength of LGFA was affirmed in March 2022 as “AAA” by S&P Global Ratings and reaffirmed as “AA+” by Fitch Ratings in October 2022. The AAA rating remains the same rating as applied to the New Zealand Government.
7. LGFA has the largest amount of New Zealand dollar (NZD) bonds on issue after the New Zealand Government and their individual bond tranches are amongst the largest and most liquid NZD debt instruments available for investors.
8. LGFA was voted by market participants as the KangaNews New Zealand Debt Issuer of the Year for 2022.

### **Loan summary**

9. As at 31 December 2022 loans made to local government total around \$15.3 billion. Together, Auckland and Christchurch Councils have approximately 39% of the LGFA's issue debt, with the remainder shared between the other councils.
10. As at 31 December 2022, Gisborne District Council had long-term loans totalling \$111.6 million. This figure obtained from page 24 of the LGFA half-yearly report is made up of loans and accrued interest. These borrowings comply with our Treasury Management Policy and debt limits established in Council's Financial Strategy.

## Highlights

11. A summary of the key highlights are:
  - a. Increased lending to council and Council Controlled borrowers.
  - b. A focus of sustainability.
  - c. Financial Position is tracking to forecast.
  - d. Working with stakeholders, assisting both Central and Local Government with the proposed Three Waters Reform programme, ensuring a smooth transition of debt from Councils to the new Water Services Entity.

## Draft Statement of Intent (SOI) for 2023-2026

12. The SOI is developed under Schedule 8 of the Local Government Act 2002. It provides the basis for the accountability of the Directors to the shareholders for the performance of LGFA.
13. It is noted that the draft SOI assumes that there are no implications for LGFA from the proposed Three Waters Reform Programme. They are waiting for further information regarding the establishment of the Water Services Entities (WSEs).
14. This will incorporate:
  - a. How the WSEs are intending to structure their borrowing.
  - b. How the transition of revenue and debt will occur between Council members and WSEs.
  - c. The impact on future council borrowing intentions.
15. The final SOI in June 2023 will be updated to incorporate any future legislation relating to the proposed three Waters Programme. It will include a statement if there have been any material changes to the draft forecast assumptions as a consequence of future legislation or announcements.

## Key Strategic Priorities

16. There are 5 strategic priorities that encompass the foundation objectives and guide the LGFA Board. These priorities are around:
  - a. Governance, capability and business practice.
  - b. Optimising financing services for local government.
  - c. Environment and social responsibility.
  - d. Effective management of loans.
  - e. Industry leadership and engagement.

## Performance Targets

17. Performance targets for 2023-24 are:
  - a. Review each Participating Borrowers financial position.
  - b. Arrange to meet each Participating Borrower at least annually.
  - c. Three Waters Debt transition plan in place by 30 June 2024.

## ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

**Overall Process:** Low Significance

**This Report:** Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

**Overall Process:** Low Significance

Inconsistency with Council's current strategy and policy

**Overall Process:** Low Significance

The effects on all or a large part of the Gisborne district

**Overall Process:** Low Significance

**This Report:** Low Significance

The effects on individuals or specific communities

**Overall Process:** Low Significance

**This Report:** Low Significance

The level or history of public interest in the matter or issue

**Overall Process:** Low Significance

**This Report:** Low Significance

18. The decisions or matters in this report are considered to be of **Low** significance in accordance with Council's Significance and Engagement Policy.

## TANGATA WHENUA/MĀORI ENGAGEMENT - TŪTAKITANGA TANGATA WHENUA

19. No Māori engagement is required.

## COMMUNITY ENGAGEMENT - TŪTAKITANGA HAPORI

20. No community engagement is required.

## **CLIMATE CHANGE – Impacts / Implications - NGĀ REREKĒTANGA ĀHUARANGI – ngā whakaaweawe / ngā ritenga**

21. LGFA have noted within their Interim Financial Statement, that they have a focus on sustainability. They launched in December 2022 a Climate Action Loan (CAL) product for Councils and CCO members. This loan portfolio is to incentivise borrowers through a lower loan margin where there is a remission deduction plan in place and the applicants are meeting the reduction targets.

## **CONSIDERATIONS - HEI WHAKAARO**

### **Financial/Budget**

22. Membership of the LGFA allows Council to access optimal funding terms which assists in the efficient provision of services by Council for a prosperous Tairāwhiti.

### **Legal**

23. There are no legal implications.

## **POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE**

24. There are no policy and planning implications.

## **RISKS - NGĀ TŪRARU**

25. There are no risks identified within this report.

## **NEXT STEPS - NGĀ MAHI E WHAI AKE**

<b>Date</b>	<b>Action/Milestone</b>	<b>Comments</b>
June 2023	Final SOI is adopted, after taking into account any announcements and legislative changes from the proposed Three Water Reforms	
November 2023	Annual Report LGFA Full-year Report as at 30 June 2023	Release at the Annual General Meeting of LGFA

## **ATTACHMENTS - NGĀ TĀPIRITANGA**

1. Attachment 1 - LGFA Draft Statement of Intent 2023-2026 [**23-78.1** - 12 pages]
2. Attachment 2 - LGFA Half Year Report - Dec 22 [**23-78.2** - 20 pages]





New Zealand Local  
Government Funding Agency  
Te Pūtea Kāwanatanga ā-rohe



# Draft Statement of Intent

2023 – 2026

Touroa Road Boardwalk  
Hastings District Council

## 1. Introduction

This Statement of Intent (SOI) sets out the nature and scope of the activities, objectives and performance targets for the New Zealand Local Government Funding Agency Limited (LGFA) for the three-year period 1 July 2023 to 30 June 2026. LGFA is enabled under the Local Government Borrowing Act 2011 and is a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

The SOI is prepared in accordance with section 64(1) of the Local Government Act 2002.

**Note:** This draft SOI, including financial forecasts, assumes that there are no implications for LGFA from the proposed Three Waters Reform Programme. We are awaiting further information relating to the establishment of the Water Services Entities (WSEs); how WSEs are intending to structure their borrowing; how the transition of revenue and debt will occur between our council members and WSEs, and the impact on future council borrowing intentions from the proposed Three Waters Reform Programme. The final SOI in June 2023 will be updated from this draft to incorporate any future announcements/legislation relating to the proposed Three Waters Reform Programme and will include a statement if there have been any material changes to our forecast assumptions as a consequence.

## 2. Nature and scope of activities

LGFA raises debt funding for the purpose of providing debt financing to New Zealand local authorities and CCOs (participating borrowers).

LGFA may raise debt funding either domestically and/or offshore in either NZ dollars or foreign currency.

LGFA only lends to participating borrowers that have entered into required relevant legal and operational arrangements and comply with the LGFA's lending policies.

In addition, LGFA may undertake any other activities considered by the LGFA Board to be reasonably related, incidentally to, or in connection with, that business.

## 3. Our purpose Ta tatou kaupapa

**Benefiting local communities through delivering efficient financing for local government.**

**Ka whiwhi painga ngā hapori mā te whakarato pūtea tōtika ki ngā kaunihera.**

## 4. Our values Ō mātau uara

**We act with integrity**

**E pono ana mātau**

We are honest, transparent and are committed to doing what is best for our customers and our company.

**We are customer focused**

**E arotahi ana mātau ki te kiritaki**

Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference.

**We strive for excellence**

**E whakapau kaha mātau kia hiranga te mahi**

We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.

**We provide leadership**

**He kaiārahi mātau**

We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a high-performance culture and can be relied upon to deliver results.

**We are innovative**

**He auaha mātau**

To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.

## 5. Foundation objectives

The Shareholders' Agreement is a foundation document and states that, in accordance with the Local Government Act, in carrying on its business the objectives of the Company will be to:

- (a) achieve the objectives of the Shareholders (both commercial and non-commercial) as specified in the Statement of Intent. The Shareholders agree that the Company shall carry on its business with a view to making a profit sufficient to pay a dividend in accordance with the Dividend Policy, but that the primary objective of the Shareholders with respect to the Company is that it optimises the terms and conditions of the debt funding it provides to Participating Local Authorities;
- (b) be a good employer;
- (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.

This Statement of Intent sets out the company's strategic priorities, together with associated objectives and performance targets, which align with the foundation objectives and have been agreed with shareholders.

## 6. Strategic priorities

The following five strategic priorities encompass the foundation objectives and guide the LGFA Board and management in determining our strategy, objectives and associated performance targets.

### Governance, capability and business practice

LGFA is committed demonstrating best practice corporate governance underpinned by sound business practice to ensure its long-term sustainability and success.

### Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

### Environmental and social responsibility

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. LGFA will 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.

### Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position and managing assets within an appropriate risk management framework to ensure shareholder value is not compromised.

### Industry leadership and engagement

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and will work with key central government and local government stakeholders on sector issues.

## 7. Objectives and performance targets

This section sets out LGFA's objectives and performance targets for SOI 2023-2026.

The financial performance targets are focused on the 2023-2024 year and, as applicable, are based on the financial forecasts outlined in section 8.

### Governance, capability and business practice

Objectives	How we measure our performance
LGFA will:	
Demonstrate best practice corporate governance.	The Annual Report outlines our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code.
Set and model high standards of ethical behaviour.	LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.
Achieve the shareholder-agreed objectives and performance targets specified in this Statement of Intent.	LGFA reports performance against objectives quarterly to shareholders and in our Annual and Half Year Reports.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Financial performance is reported quarterly to shareholders and in our Annual and Half Year Reports.
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff	The Annual Report reports on our health and safety and wellbeing practices and policies, compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.

Performance targets	2023-2024 target
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times	No breaches
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency	LGFA credit ratings equivalent to NZ Sovereign
LGFA's total operating income for the period to 30 June 2024	> \$19.3 million
LGFA's total operating expenses for the period to 30 June 2024	< \$9.5 million

### Optimising financing services for local government

Objectives	How we measure our performance
LGFA will:	
Provide interest cost savings relative to alternative sources of financing.	Measure LGFA issuance spreads against other high-grade issuers in the New Zealand domestic capital markets.
Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.	Measure LGFA's share of overall council borrowing. Survey participating borrowers on an annual basis.
Deliver operational best practice and efficiency for lending services.	Monitor settlements errors for new trades and cashflows. Survey participating borrowers on an annual basis.
Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.	Maintain a vibrant primary and secondary market in LGFA bonds. Monitor participation by investors at our tenders through bid-coverage ratios and successful issuance yield ranges.

Performance targets	2023-2024 target
Share of aggregate long-term debt funding to the Local Government sector	> 80%
Total lending to Participating Borrowers	> \$16,410 million
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities	> 85% satisfaction score
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due	100%
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements	100%

## Environmental and social responsibility

Objectives	How we measure our performance
LGFA will:	
Assist the local government sector in achieving their sustainability and climate change objectives.	LGFA is committed to assist borrowers financing of projects that promote environmental and social wellbeing in New Zealand. Green, Social & Sustainability (GSS) loan applications from councils are appraised by the LGFA Sustainability Committee, with approved loans monitored for ongoing compliance.
Improve sustainability outcomes within LGFA.	LGFA is committed to reducing our carbon emissions and formalised processes to measure our greenhouse gas (GHG) emissions, as well as management plans to reduce our company's emissions.

Performance targets	2023-2024 target
Comply with the Health and Safety at Work Act 2015	No breaches
Maintain Toitū Carbon Zero certification	Carbon-zero certification maintained
Meet reduction targets outlined in our carbon reduction management plan	Reduction targets met.
Increase our GSS lending book and Climate Action Loans	Two new borrowers enter into GSS loans Three new borrowers enter into CALs
Issuance of LGFA Bonds under Sustainable Funding Framework	Issue Sustainable Funding Bonds
Ensure Annual Report is prepared in compliance with applicable GRI Standards	100%
Meet all mandatory climate reporting standards	100%

## Effective management of loans

Objectives	How we measure our performance
LGFA will:	
Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.	LGFA reviews all participating councils and CCOs financial statements on an annual basis and the agendas and management reports on an ongoing basis for all councils on the LGFA borrower watch-list. Participating borrowers are required to complete annual compliance certificates by the end of November each year.
Analyse finances at the Council group level where appropriate and report to shareholders.	

Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested	Number of participating borrowers visited in a year
Assist a smooth transition of Three Water Related loans if the Three Waters Reform Programme progresses during the financial year for a 1 July 2024 implementation date	By 30th June 2024, LGFA will endeavour to facilitate a successful transition of existing council Three Water related loans to the Water Services Entities

Performance targets	2023-2024 target
Review each Participating Borrower's financial position	100%
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested	100%
Three Waters debt transition plan in place by 30 June 2024	100%

## Industry leadership and engagement

Objectives	How we measure our performance
LGFA will:	
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	Report on actions undertaken and progress made on sector issues. Identifying any legislative or Central Government policy changes that may impact LGFA and undertake formal or informal submissions.
Assist the local government sector with significant matters such as the proposed Three Waters Reform Programme.	Assist the local government sector with understanding any legislative or Central Government policy changes that may impact LGFA.
Maintain productive relationships with central government representatives.	Report back on the alignment of LGFA and council's climate and emissions reporting requirements
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	Report back in how we are helping smaller council's understand future reporting requirements.

## 8. Financial forecasts

LGFA's financial forecasts for the three years to 30 June 2026 are:

Comprehensive income \$m	Jun 24	Jun 25	Jun 26
Net Interest income	17.9	17.1	16.7
Other operating income	1.3	1.3	1.3
<b>Total operating income</b>	<b>19.3</b>	<b>18.5</b>	<b>18.1</b>
Approved Issuer Levy	0.3	0.3	0.3
Issuance & onlending costs	3.8	3.9	4.0
Operating overhead	5.4	5.6	5.9
<b>Issuance and operating expenses</b>	<b>9.5</b>	<b>9.8</b>	<b>10.2</b>
<b>P&amp;L</b>	<b>9.8</b>	<b>8.6</b>	<b>7.9</b>

<b>Financial position (nominals) \$m</b>	<b>Jun 24</b>	<b>Jun 25</b>	<b>Jun 26</b>
Liquid assets portfolio	2,008	2,125	1,934
Loans to local government	16,410	17,137	17,980
Other assets	-	-	-
<b>Total Assets</b>	<b>18,419</b>	<b>19,262</b>	<b>19,914</b>
Bonds on issue (ex Treasury stock)	17,305	18,021	18,676
Bills on issue	600	600	600
Borrower notes	357	388	415
Other liabilities	-	-	-
<b>Total Liabilities</b>	<b>18,262</b>	<b>19,009</b>	<b>19,691</b>
Capital	25	25	25
Retained earnings	96	103	109
Dividend	(2)	(2)	(2)
<b>Shareholder equity</b>	<b>119</b>	<b>126</b>	<b>132</b>
<b>Ratios</b>	<b>Jun 24</b>	<b>Jun 25</b>	<b>Jun 26</b>
Liquid assets/funding liabilities	11.4%	11.5%	10.1%
Liquid assets/total assets	10.9%	11.0%	9.7%
Net interest margin	0.11%	0.10%	0.09%
Cost to income ratio	49.3%	53.3%	56.5%
Return on average assets	0.05%	0.04%	0.04%
Shareholder equity/total assets	0.6%	0.7%	0.7%
Shareholder equity + BN/total assets	2.6%	2.7%	2.7%
Asset growth	5.6%	4.6%	3.4%
Loan growth	5.7%	4.4%	4.9%
Return on equity	8.8%	7.2%	6.2%
Capital ratio	12.9%	13.4%	13.7%

Due to rounding, summary numbers presented in these financial forecasts may not add up precisely to the reported totals. The above forecasts assume a gross bond issuance programme of \$3.20 billion (FY24), \$3.20 billion (FY25) and \$3.15 billion (FY26) based upon term lending to councils of \$2.78 billion (FY24), \$2.90 billion (FY25) and \$3.0 billion (FY26).

Note there is a high level of uncertainty regarding the financial forecasts for both council borrowing and LGFA bond issuance due to the uncertainty relating to the proposed Three Waters Reform and the impact on councils.

Councils prepared their 2021-31 Long Term Plans (and borrowing forecasts) on the assumption that proposed Three Water Reform was not progressing and we have made the same assumption with our forecasts. LGFA projects it could have between \$5 billion to \$6 billion of loans to councils in June 2024 that are related to Three Waters. There have been no final decisions regarding the transfer mechanism for assets, liabilities and revenue from councils to the proposed Three Water entities. We intend to provide an update to stakeholders on implications for LGFA as further information becomes available.

## 9. Dividend policy

LGFA primary objective is to maximise benefits to participating borrowers rather than shareholders. Consequently, it is intended to pay a limited dividend to shareholders.

The Board's policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

At all times payment of any dividend will be discretionary and subject to the Board's legal obligations and views on appropriate capital structure.

## 10. Governance

### Board

The Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Local Government Borrowing Act 2011, the Company's Constitution, the Shareholders' Agreement for LGFA and this SOI.

The Board comprises six directors with five being independent directors and one being a non-independent director.

The Board's approach to governance is to adopt best practice with respect to:

- The operation of the Board.
- The performance of the Board.
- Managing the relationship with the Company's Chief Executive.
- Being accountable to all Shareholders.

All directors are required to comply with a formal Charter.

The Board will meet on a regular basis and no fewer than six times each year.

### Shareholders' Council

The Shareholders' Council is made up of between five and ten appointees of the Shareholders (including an appointee from the Crown). The role of the Shareholders' Council is to:

- Review the performance of LGFA and the Board, and report to Shareholders on that performance on a periodic basis.
- Make recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors.
- Make recommendations to Shareholders as to any changes to policies, or the SOI, requiring their approval.
- Ensure all Shareholders are fully informed on LGFA matters and to coordinate Shareholders on governance decisions.

## 11. Information to be provided to Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting LGFA's state of affairs, while at the same time recognising both LGFA's obligations under NZX Listing Rules and that commercial sensitivity may preclude certain information from being made public.

### Annual Report

The LGFA's balance date is 30 June.

By 30 September each year, the Company will produce an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002, the Companies Act 1993 and Financial Reporting Act 2013. The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report.
- Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts.
- Comparison of the LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Auditor's Report on the financial statements and the performance targets.
- Any other information that the directors consider appropriate.

### Half Yearly Report

By 28 February each year, the Company will produce a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Directors' commentary on operations for the relevant six-month period.
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position and Statement of Cashflows.

### Quarterly Report

By 31 January, 30 April, 31 July, and 31 October each year, the Company will produce a Quarterly Report. The Quarterly Report will include the following information:



- Commentary on operations for the relevant quarter, including a summary of borrowing margins charged to Participating Borrower's (in credit rating bands).
- Comparison of LGFA's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.
- Analysis of the weighted average maturity of LGFA bonds outstanding.
- In the December Quarterly Report only, commentary on the Net Debt/Total Revenue percentage for each Participating Local Authority that has borrowed from LGFA (as at the end of the preceding financial year).
- To the extent known by LGFA, details of all events of review in respect of any Participating Borrower that occurred during the relevant quarter (including steps taken, or proposed to be taken, by LGFA in relation thereto).
- Details of any lending to CCOs during the quarter and the amount of CCO loans outstanding.
- Commentary on sustainability initiatives.

### Statement of Intent

By 1 March in each year the Company will deliver to the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Shareholders received by 30 April, the Board will deliver the completed SOI to the Shareholders on or before 30 June each year.

### Shareholder Meetings

The Board will hold an Annual General Meeting between 30 September and 30 November each year to present the Annual Report to all Shareholders.

The Company will hold a meeting with the Shareholders' Council approximately every six months – prior to the Annual General Meeting and after the Half Yearly Report has been submitted. Other meetings may be held by agreement between the Board and the Shareholders' Council.

## 12. Acquisition / divestment policy

LGFA will invest in securities in the ordinary course of business. It is expected that these securities will be debt securities. These investments will be governed by LGFA's lending and/or investment policies as approved by the Board and/or Shareholders.

Any subscription, purchase or acquisition by LGFA of shares in a company or organisation will, if not within those investment policies, require Shareholder approval other than as concerns the formation of wholly owned subsidiaries and the subscription of shares in such wholly owned subsidiaries.

## 13. Activities for which compensation is sought from Shareholders

At the request of Shareholders, LGFA may (at its discretion) undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full cost of providing such activities.

Currently there are no activities for which compensation will be sought from Shareholders.

## 14. Commercial value of Shareholder's investment

LGFA will seek to maximise benefits to Participating Local Authorities as Borrowers rather than Shareholders.

Subject to the Board's views on the appropriate capital structure for LGFA, the Board's intention will be to pay a dividend that provides an annual rate of return to Principal Shareholders equal to LGFA fixed rate bond cost of funds plus 2.00% over the medium term.

As the Shareholders will have invested in the LGFA on the basis of this limited dividend, the Board considered that at establishment the commercial value of LGFA was equal to the face value of the Shareholders' paid up Principal Shares - \$25 million.

In the absence of any subsequent share transfers to the observed share transfers on 30 November 2012, the Board considers the current commercial value of LGFA is at least equal to the face value of the Shareholders' paid up Principal Shares of \$25 million. This equates to a value per share of \$1.00.

## 15. Accounting policies

LGFA has adopted accounting policies that are in accordance with the New Zealand International Financial Reporting Standards and generally accepted accounting practice.

### Statement of Accounting Policies

#### 1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

#### 2. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

#### 3. Basis of preparation

##### Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

##### Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

##### Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

##### Changes in accounting policies

There have no changes to accounting policies.

##### Early adoption standards and interpretations

LGFA has not early adopted any standards.

##### Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

##### Financial instruments

###### Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

### Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

### Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

### Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

### Other assets

#### Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

#### Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

### Other liabilities

#### Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

### Revenue

#### Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

### Expenses

Expenses are recognised in the period to which they relate.

#### Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

#### Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

#### Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

#### Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

#### Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 30 June 2022 include estimates and judgements of the potential impact of COVID-19 and the proposed Three Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is noted that there is significant uncertainty with regards to the medium and long-term effects of COVID-19, as well as the outcome of proposed Three Waters Reform Programme on the local government sector.

24 February 2023

Dear LGFA Stakeholder

### **LGFA 2022-23 Half Year Report**

Please find attached a copy of the Half Year Report for the six-month period to December 2022. A copy is also available for download on our website [www.lgfa.co.nz](http://www.lgfa.co.nz).

We are pleased to highlight another positive six-month period for LGFA including the following

**1. Increased lending to council and CCO borrowers**

By 31 December 2022, LGFA had a market value of loans outstanding of \$15.75 billion. We lent \$1.82 billion over the six-month period which was the second highest amount on record. We added two new councils and two new CCOs to bring the number of member councils to seventy-seven and the number of member CCOs to three.

**2. A focus on sustainability.**

We launched our Climate Action Loan (CAL) product for council and CCO members in December 2022 that will incentivise borrowers through a lower loan margin if they have a GHG emission reduction plan in place and are meeting the reduction targets.

We have approved a further three projects as eligible for Green, Social and Sustainable (GSS) loans over the six-month period, bringing the number of eligible projects to five across five councils. Councils receive a discounted borrowing margin for eligible projects.

Sustainability remains important at LGFA as noted with the CAL product launch and ongoing dialogue with councils relating to GHG emission reporting and reduction.

**3. A financial position tracking to forecast.**

Net Operating Profit for the six-month period was \$1.1 million, which is lower than the comparable prior period but in line with our SOI forecast. We expect a lift in profitability during the next six-month period. LGFA has \$18.14 billion of assets and Shareholder Equity of \$104.45 million as at 31 December 2022.

**4. Working with our stakeholders.**

We have been assisting Central and Local Government with the Three Waters Reform programme to ensure a smooth transition of debt from councils to the proposed new Water Services Entities in July 2024.

We continue to receive the support of our growing investor base. It is pleasing to see the amount of LGFA bonds held by offshore investors grow to a record \$5.09 billion as at 31 December 2022 as well as domestic banks, institutional and retail investors increase their holdings. Having a diverse investor base for LGFA bonds helps provide certainty of access to markets for our council and CCO borrowers.

A further highlight was LGFA being voted by market participants as the KangaNews New Zealand Debt Issuer of the Year award for 2022.

Finally, we appreciate the support of all our stakeholders and thank you for your contribution and assistance over the past six months.

Please do not hesitate to contact me if you have any comments or questions.

Kind regards

A handwritten signature in black ink, appearing to read 'Mark Butcher', with a stylized flourish extending to the right.

Mark Butcher  
Chief Executive

HALF YEAR REPORT  
31 December 2022

Benefiting communities through  
delivering efficient financing  
for local government.

Ka whiwhi painga ngā hapori mā te  
whakarato pūtea tōtika ki ngā kaunihera.

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Rārangi tauwaea

*LGFA acknowledge the assistance of the Department of Internal Affairs translation service for our Te Reo translations.*

Cover photo: The Green Corridors programme enhances areas of native bush along streams, provides a place for wildlife to thrive, improves water quality, and creates open green spaces from the Taranua Ranges to the Manawātū River. Palmerston North City Council.

Contents photo: Tauroa Road Boardwalk. Hastings District Council.



# Message from the Chair and Chief Executive

## He karere mai i te Toihau me te Tumuaki

### For the six-months ended 31 December 2022

The six-months to December presented a challenging period for financial markets, with LGFA’s operating performance over this period subdued due to the volatile markets. Despite the difficult conditions, LGFA continued to deliver value to members and our investor base while meeting our financial targets. Highlights over the period included launching our new Climate Action Loan product for members and being awarded the KangaNews New Zealand Debt Issuer of the year.

#### Financial and Operational Performance

LGFA’s total interest income for the six-month period to December 2022 of \$312.9 million was a 68.4% increase over the 2021 comparable period (\$185.9 million), while net operating profit of \$1.1 million for the six-month period decreased 81.3% on the 2021 comparable period (\$5.9 million).

Net operating profit was significantly lower than the comparable period a year ago due to the sharp rise in interest rates combined with increased holdings of liquid assets. This outcome was expected and forecast in our Statement of Intent (SOI) last year. Both net interest income and operating profit were slightly ahead of the SOI forecast and we are forecasting an improvement in financial performance in the second half of the financial year. Expenses have been managed under the SOI budget over the past six months. Lower fees relative to budget for the NZ Debt Management standby facility and lower NZX and legal fees relating to issuance were positive. These savings were offset by higher legal costs relating to considering the implications from the proposed Three Waters Reform, the development of new sustainability initiatives, including related consultancy costs.

The financial strength of LGFA was affirmed by Fitch Ratings who maintained our domestic currency credit rating at AA+ in October 2022. Our AAA rating from S&P Global Ratings was affirmed in March 2022 and remains the same as the New Zealand Government.

#### Borrowing activity

LGFA issued \$1.76 billion of bonds over the past six months and outstandings now total \$17.84 billion (including \$1.10 billion of treasury stock) across 11 maturities ranging between 2023 to 2037. The average term of our bond issuance during the six months at 4.37 years was significantly shorter than the prior year period.

LGFA has the largest amount of New Zealand dollar (NZD) bonds on issue after the New Zealand Government and our individual bond tranches are amongst the largest and most liquid NZD debt instruments available for investors. Secondary market activity in our bonds continues to rise, assisting investors’ access to our bonds throughout the year.

The performance of LGFA bonds over the past six months has been soft with LGFA bond spreads to New Zealand Government Bonds (NZGBs) and spreads to swap in general moving wider in line with global high grade markets. Spreads widened between 3 basis points (bps) and 25 bps to NZGB and between 7 bps to 12 bps to swap over the six-month period. The inclusion of the NZGBs into the World Government Bond Index was also positive for the performance of NZGBs relative to LGFA bonds. Outright yields on LGFA bonds rose between 157 bps (2024 maturity) and 75 bps (2033 maturity) over the six-month period.

LGFA was voted by market participants as the KangaNews New Zealand Debt Issuer of the Year award for 2022 and we want to acknowledge their support. It is also pleasing to observe the increased participation by offshore investors over the past six months as NZD-denominated investments have become relatively

more attractive for investors. We estimate that offshore investors have increased their holdings of LGFA bonds over the past six months by \$638 million to a record \$5.09 billion (or 30.1% of LGFA bonds on issue), while domestic institutional and retail investors hold 33.2%, domestic banks 28.2% and the Reserve Bank 8.5%.

#### Lending to the sector

LGFA was established in 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. The original 31 shareholders including the Crown remain as shareholders. Over the past six months, we added two councils and two Council-controlled organisations (CCOs) as members, with Dunedin City Council and Environment Southland joining as guarantors and Westland Holdings and Dunedin City Treasury joining as CCOs. Total membership is now 77 out of the 78 councils in New Zealand and three CCOs. Long-dated lending to council and CCO members over the six-month period was \$1.82 billion provided to 51 members. This was the second highest amount lent over a rolling six-month period and was just below the amount of loans made during the six-month period to September 2020. Our estimated market share of total council borrowing of 89% was above forecast and the third highest annual average on record. The average tenor of long-dated borrowing by councils of 5.6 years over the six-month period was in line with prior periods. Short-dated lending for terms less than 12 months continues to be supported by councils. As at 31 December 2022, LGFA had \$493 million of short-term loans outstanding to 30 council and CCO members.

#### Our role in assisting Local and Central Government

The local government sector continues to face a period of change and uncertainty having to deal with climate-related events, rising cost pressures and the Central Government-led initiatives relating to the proposed Three Waters Reform Programme and the Future for Local Government Review.

LGFA is assisting on an as-required basis, both Central Government and our council members, as they work through the proposed Three Waters Reform Programme. The Government’s proposed Three Water Reform Programme will be the largest change to the local authority sector in recent years.

LGFA continues to assist the local government sector-led initiative in developing a Ratepayer Financing Scheme that may provide some financial relief to ratepayers.

New Zealand Issuer of the Year for 2022

KANGANEWS AWARDS

2022

Thank you to our investors, intermediaries and market participants for their support.

**New products and initiatives**

We launched Green, Social and Sustainable (GSS) lending in October 2021 and over the past six months have approved three further projects as being eligible for GSS loans, bringing the number to five loans across five councils. As at 31 December 2022 we have undertaken \$101 million of GSS Loans to three councils.

We launched Climate Action Loans (CALs) for councils and CCOs in December 2022. A CAL provides a discounted loan margin to those councils with a Greenhouse Gas Emission Reduction Plan in place and who are meeting their targets.

**Increasing focus on sustainability**

Sustainability plays an important part within the local government sector and at LGFA. We have undertaken several initiatives over the past year, including maintenance of CarbonZero certification from Toitu Envirocare, actively marketing our GSS loan product and establishing CALs.

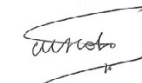
We reviewed the Climate Change Emergency Declarations and responses by Councils and a copy of the report is available on our website: [Review of Climate Emergency Declarations and Responses by Councils](#)

**Acknowledgments**

The Agency's work cannot be implemented without the support of our staff, fellow directors, Shareholders Council, New Zealand Debt Management (NZDM) and Central Government, all of whose efforts should be acknowledged.

John Avery, one of LGFA's foundation directors, retired in November 2022, and we would like to take this opportunity to sincerely thank John for his invaluable contribution to LGFA since 2011.

We believe LGFA's future remains positive and look forward to working with all stakeholders.



**Craig Stobo**  
Chair



**Mark Butcher**  
Chief Executive



Pedestrian bridge, Waikanae River, Otaihangā Domain, Kapiti Coast District Council. Photo by Mark Coote

# Performance against objectives

## Ko ngā whakatutukinga ki ngā whāinga

The statement of service performance provides a summary of LGFA's performance for the first half of the financial year against the objectives and performance targets set out in the LGFA Statement of Intent 2022-23 (SOI)

### 2022-23 Objectives and performance targets

LGFA objectives and performance targets for 2022-23 fall within the following five strategic priorities which encompass our shareholders' foundation objectives and guide the LGFA Board and management in determining our strategy:

- Governance, capability and business practice
- Optimising financing services for local government
- Environmental and social responsibility
- Effective management of loans
- Industry leadership and engagement

Our quarterly reports to shareholders provide more detail on our performance against objectives and performance targets. The reports for the quarters' ended September and December 2022 are available on the LGFA website.

### Governance, capability and business practice

LGFA is committed to best practice corporate governance to ensure its long-term sustainability and success.

Objectives	Our performance to 31 December 2022
Demonstrate best practice corporate governance.	<p>LGFA is committed to demonstrating best practice corporate governance and we report annually on our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code.</p> <p>Our 2022 Annual Report, released on 30 August 2022, is the most recent report with commentary on our compliance with the NZX Code.</p>
Set and model high standards of ethical behaviour.	<p>LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.</p>
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	<p>LGFA prepares annual operating budgets and monitors progress against these monthly. Our performance against our financial performance targets for the six months to 31 December is summarised below under our performance targets.</p>
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff.	<p>LGFA is committed to being a good employer and we report our employment practices annually in our Annual Report.</p> <p>Our 2022 Annual Report is our most recent report outlining our health and safety and wellbeing practices and policies, including compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.</p>

Performance targets	2022-2023 target	Our performance to 31 December 2022
Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times.	No breaches.	✓ No breaches.
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	<p>✓ Our ratings remain equivalent to the New Zealand Government for both S&amp;P Global Ratings and Fitch Ratings.</p> <p>Fitch Ratings upgraded our long-term foreign currency credit rating to AA+ on 16 September 2022. S&amp;P Global Ratings affirmed our domestic currency credit rating at AAA in February 2022.</p>
LGFA's total operating income for the period to 30 June 2023.	> \$12.2 million.	<p>✓ On target to meet by 30 June 2023.</p> <p>\$5.651 million as at 31 December 2022.</p>
LGFA's total operating expenses for the period to 30 June 2023.	< \$9.4 million.	<p>✓ On target to meet by 30 June 2023.</p> <p>\$4.542 million as at 31 December 2022.</p>

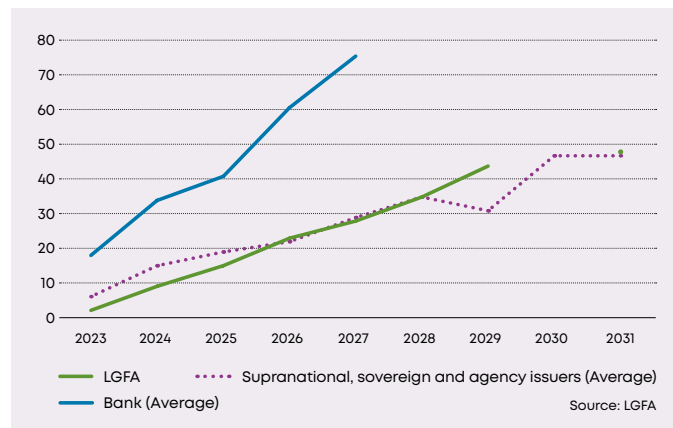
## Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

Objectives	How we measure our performance
------------	--------------------------------

Provide interest cost savings relative to alternative sources of financing.

**Comparison to other high-grade issuers - secondary market spread to swap (bps)**



**Supranational, sovereign and agency issuers**

- |                                  |                              |
|----------------------------------|------------------------------|
| Kainga Ora (AAA)                 | KBN (AAA)                    |
| Asian Development Bank (AAA)     | Rentenbank (AAA)             |
| IADB (AAA)                       | World Bank (AAA)             |
| International Finance Corp (AAA) | Nordic Investment Bank (AAA) |

**Banks**

- |           |                    |
|-----------|--------------------|
| BNZ (AA-) | Westpac Bank (AA-) |
|-----------|--------------------|

Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.

LGFA provides members with short term loans (less than one year), long term loans on either a floating or fixed rate basis (between one year and April 2037), Green Social and Sustainable Loans and standby facilities.

- Over the six months to 31 December 2022, our members borrowed \$1.82 billion in 163 long term loans across maturity dates ranging between 2023 and 2033, with December quarter lending being the second highest on record.
- As at 31 December 2022 there were 45 short term loans totaling \$497 million.
- As at 31 December 2022, standby facilities totalled \$682 million across 13 members.

Deliver operational best practice and efficiency for lending services.

Over the six months to 31 December 2022, LGFA operations staff successfully:

- settled 842 new trades with a gross value of \$9.97 billion,
- processed 6,067 cash flows with a gross value of \$15.0 billion, and
- rate set 4,305 existing trades.

There were no LGFA settlement errors over the six months.

Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.

There was strong activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors). Over the six months to 31 December 2022, we issued \$1.76 billion of primary bonds and secondary market turnover totalled \$5.14 billion. Secondary market turnover of \$3.1 billion over the December quarter was at the second highest on record.

Performance targets	2022-2023 target	Our performance to 31 December 2022
---------------------	------------------	-------------------------------------

Share of aggregate long-term debt funding to the Local Government sector.	> 80%	✓ 89% as at 31 December 2022 (compared to a historical average of 75% since 2012).
Total lending to Participating Borrowers.	> \$15,004 million	✓ On target to meet by 30 June 2023. \$15,751 million as at 31 December 2022.
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score	✓ 100% satisfaction score in August 2022 Stakeholder Survey.
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	✓ 100%
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	✓ 100%



Waikato Riverpath.  
Hamilton City Council

## Environmental and social responsibility

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. LGFA will 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.

Objectives	How we measure our performance
Assist the local government sector in achieving their sustainability and climate change objectives.	<p>Over the six months, we approved GSS loans to Hutt City Council for the Naenae swimming pool, Whangarei District Council for the Civic Centre, and approved our first eligible project for social lending for Christchurch City Council's Ōtautahi Community Housing Trust.</p> <p>In total, to date we have approved five GSS loans with a combined approved value of \$543 million, with \$101 million of loans drawn down to date.</p> <p>On 1 December 2022, we launched Climate Action Loans (CALs) which provides councils with a discounted loan margin if they have implemented a Greenhouse Gas Emission Reduction Plan and meet their emission reduction targets.</p> <p>LGFA completed research on which New Zealand councils declared a climate emergency over 2019-2020 (16 out of 78), their subsequent responses and any opportunities for LGFA. A copy of our report is available from our website: <a href="#">Review of Climate Emergency Declarations and Responses by Councils</a></p>
Improve sustainability outcomes within LGFA.	In 2021, LGFA directors committed to reducing our carbon emissions over time, with our target of cutting per employee emissions by 30% by 2030, compared with a 2018/19 base year. We are currently working on translating this target into annual carbon reduction plan targets.

Performance targets	2022-2023 target	Our performance to 31 December 2022
Comply with the Health and Safety at Work Act 2015.	No breaches	✓ No breaches.
Maintain Toitū Carbon Zero certification.	Carbon-zero certification maintained.	✓ Toitū Net Carbon-zero recertification approved 11 October 2022.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	✗ We are currently working on translating this target into annual carbon reduction plan targets.
Increase our GSS lending book.	Two new participating borrowers enter into GSS loans.	✓ Three new participating borrowers approved for GSS lending.
Ensure Annual Report is prepared in compliance with applicable GRI Standards.	100%	✓ 2022 Annual Report prepared to meet the requirements of the Global Reporting Initiative (GRI) Standards (core option).
Meet all mandatory climate reporting standards.	100%	✓ Voluntarily comply with GRI standards (core option). Undertaking development work on meeting Climate Related Disclosure requirements.

## Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position. LGFA manages its assets within an appropriate risk management framework to ensure shareholder value is not compromised.

Objectives	How we measure our performance
Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.	<p>Over the six months, we reviewed council agendas and management reports on an ongoing basis for all members on the LGFA borrower watch-list.</p> <p>We have received compliance certificates for LGFA covenants from all of our members with debt outstanding at June 2022 and no council has requested that they be measured on a group basis. Some certificates have been provided based upon unaudited financial statements given the delays in providing final audit signoff due to audit shortages.</p>
Analyse finances at the Council group level where appropriate and report to shareholders.	
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	We met with 30 borrowers over the six months and are on target to meet with all members by 30 June 2023.

Performance targets	2022-2023 target	Our performance to 31 December 2022
Review each participating borrower's financial position under LGFA policies.	100%	✓ On target to meet by 30 June 2023.
Arrange to meet each Participating Borrower at least annually, including meeting with elected officials as required, or if requested.	100%	✓ On target to meet by 30 June 2023.

Bay of Plenty Regional Oil Spill Response Team training exercise in Tauranga Harbour.  
Bay of Plenty Regional Council



## Industry leadership and engagement

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and will work with key central government and local government stakeholders on sector issues.

Objectives	How we measure our performance
<p>Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.</p> <p>Assist the local government sector with significant matters such as COVID-19 response and the proposed Three Waters Reform Programme.</p> <p>Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.</p>	<p>This year we have introduced two new webinars for members:</p> <ul style="list-style-type: none"> <li>• LGFA Quarterly Update</li> <li>• An Economic and Financial Market Update by BNZ</li> </ul> <p>These inaugural webinars were well attended by participants and will be formalised as ongoing quarterly events.</p> <p>Over the six months we met with Treasury, the National Transition Unit and Policy teams at DIA (and their advisers) regarding proposed Three Waters Reform, working actively on issues relating how to the transition of council debt on 1 July 2024, as well as the borrowing options for the Water Services Entities (WSEs) following transition. The Water Services Legislation Bill was introduced to Parliament in December and, in consultation with key stakeholders, we are considering the contents of the Bill and what potential role LGFA could play under the proposed Three Waters Reform Programme.</p> <p>LGFA has provided input into the Ratepayer Financing Scheme (RFS) project managed by a group of councils with advice from Cameron Partners. If successful, the RFS could offer temporary financial relief to ratepayers via rates postponement. LGFA is not contributing financially to this project but providing intellectual capital and assistance.</p> <p>We are continuing work on initiatives to reduce compliance and documentation requirements for members when they borrow.</p> <p>Met with Chair of the Review into the Future for Local Government.</p>

# Financial statements

## Nga tauki pūtea

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### Statement of comprehensive income

For the six months ended 31 December 2022 in \$000s

	Note	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Interest income		312,883	185,886
Interest expense		307,904	176,709
<b>Net interest income</b>	<b>4</b>	<b>4,979</b>	<b>9,178</b>
Other operating income	5	671	526
<b>Total operating income</b>		<b>5,651</b>	<b>9,704</b>
Operating expenses	6	4,542	3,769
<b>Net operating profit</b>		<b>1,108</b>	<b>5,935</b>
<b>Total comprehensive income</b>		<b>1,108</b>	<b>5,935</b>

These statements are to be read in conjunction with the notes to the financial statements.

Due to rounding, numbers presented in the financial statements and associated notes may not add up precisely to the reported totals.


The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements or issue on 24 February 2023.

### Statement of changes in equity

For the six months ended 31 December 2022 in \$000s

	Note	Share capital	Retained earnings	Total equity
<b>Equity as at 1 July 2021</b>		<b>25,000</b>	<b>69,744</b>	<b>94,744</b>
Net operating profit			10,673	10,673
Total comprehensive income for the year			10,673	10,673
Transactions with owners			-	-
Dividend paid on 3 September 2021			(857)	(857)
<b>Equity as at 1 July 2022</b>		<b>25,000</b>	<b>79,559</b>	<b>104,560</b>
Net operating profit			1,108	1,108
Total comprehensive income for the year			1,108	1,108
Transactions with owners			-	-
Dividend paid on 2 September 2022			(1,218)	(1,218)
<b>Unaudited closing balance as at 31 December 2022</b>	<b>17</b>	<b>25,000</b>	<b>79,450</b>	<b>104,450</b>

  
Craig Stobo, Director  
Board Chair

  
Linda Robertson, Director  
Chair, Audit and Risk Committee

## Statement of financial position

As at 31 December 2022 in \$000s

	Note	Unaudited as at 31 December 2022	Audited as at 30 June 2022
<b>Assets</b>			
<b>Financial assets</b>			
Receivables		1,895	360
Cash and bank balances		64,921	158,033
Cash pledged as collateral		337,009	76
Marketable securities		1,312,958	1,491,148
Deposits		594,359	462,866
Derivatives in gain		77,470	94,767
Loans	8	15,751,420	14,041,908
<b>Non-financial assets</b>			
Prepayments		1,150	852
Other assets	9	112	156
<b>Total assets</b>		<b>18,141,294</b>	<b>16,250,167</b>
<b>Equity</b>			
Share capital	16	25,000	25,000
Retained earnings		79,450	79,560
<b>Total equity</b>		<b>104,450</b>	<b>104,560</b>
<b>Liabilities</b>			
<b>Financial liabilities</b>			
Payables and provisions	10	95,576	45,066
Bills	11	636,949	562,803
Bond repurchases	12	108,077	31,671
Derivatives in loss		1,717,879	1,206,175
Bonds	13	15,146,187	14,015,862
Borrower notes	14	331,468	283,180
<b>Non-financial liabilities</b>			
Other liabilities	15	708	850
<b>Total liabilities</b>		<b>18,036,844</b>	<b>16,145,607</b>
<b>Total equity and liabilities</b>		<b>18,141,294</b>	<b>16,250,167</b>

These statements are to be read in conjunction with the notes to the financial statements.

## Statement of cash flows

For the six months ended 31 December 2022 in \$000s

	Note	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
<b>Cash Flow from Operating Activities</b>			
Cash applied to loans	8	(1,639,024)	(1,427,636)
Interest paid on bonds issued		(228,725)	(215,363)
Interest paid on bills issued		(10,088)	(1,591)
Interest paid on borrower notes		(131)	(212)
Interest paid on bond repurchases		(1,738)	(254)
Interest received from loans		224,165	76,952
Interest received from cash & cash equivalents		2,396	1,031
Interest received from marketable securities		13,570	5,624
Interest received from deposits		5,897	2,206
Net interest on derivatives		2,276	136,753
Cash proceeds from provision of standby facilities		671	526
Payments to suppliers and employees		(5,317)	(3,927)
<b>Net cash flow from operating activities</b>	<b>18</b>	<b>(1,636,047)</b>	<b>(1,425,888)</b>
<b>Cashflow from Investing Activities</b>			
Purchase of marketable securities		206,657	(594,958)
(Purchase)/maturity of deposits		(462,937)	(185,743)
Purchase of plant and equipment		-	-
<b>Net Cashflow from Investing Activities</b>		<b>(256,280)</b>	<b>(780,701)</b>
<b>Cash flows from financing activities</b>			
Cash proceeds from bonds issued	13	1,477,890	2,096,802
Cash proceeds (outflows) from bills issued		74,146	(75,367)
Cash proceeds (outflows) from bond repurchases		76,195	158,143
Cash proceeds from borrower notes		41,598	35,509
Dividends paid		(1,218)	(857)
Cash applied to derivatives		130,604	(25,240)
<b>Net cash flows from financing activities</b>		<b>1,799,215</b>	<b>2,188,991</b>
Net (Decrease) / Increase in Cash		(93,112)	(17,599)
Cash, cash equivalents at beginning of year		158,033	391,835
<b>Cash, cash equivalents at end of year</b>		<b>64,921</b>	<b>374,236</b>

These statements are to be read in conjunction with the notes to the financial statements.



## Notes to the financial statements

### 1. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating borrowers.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

These financial statements were authorised for issue by the Directors on 24 February 2023.

### 2. Statement of compliance

The interim financial statements are for the six months ended 31 December 2022 and are to be read in conjunction with the annual report for the year ended 30 June 2021.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and in compliance with NZ IAS 34 Interim Financial Reporting.

### 3. Basis of preparation

#### Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

#### Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

#### Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

#### Changes in accounting policies

There have no changes to accounting policies.

#### Early adoption standards and interpretations

LGFA has not early adopted any standards.

#### Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

#### Financial instruments

##### Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand, bank accounts and deposits with an original maturity of no more than three months.

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

##### Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

##### Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

#### Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

#### Other assets

##### Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

##### Intangible assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

#### Other liabilities

##### Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

#### Revenue

##### Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

#### Expenses

Expenses are recognised in the period to which they relate.

##### Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

#### Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

#### Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

#### Segment reporting

LGFA operates in one segment being funding of participating borrowers in New Zealand.

#### Judgements and estimates

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

The financial statements as at 31 December 2022 include estimates and judgements of the proposed Three Waters Reform Programme on LGFA's financial position and performance. Whilst there has been no material impact on the estimates and judgements at the date these financial statements are authorised, it is

noted that there is significant uncertainty with regards to the medium and long-term effects of COVID-19, as

well as the outcome of proposed Three Waters Reform Programme on the local government sector.

#### 4. Net interest income

in \$000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Interest income		
Cash and cash equivalents	4,098	1,036
Marketable securities	18,342	4,259
Lease liability	16	-
Deposits	9,668	3,129
Derivatives	-	90,015
Loans	280,759	87,447
Fair value hedge ineffectiveness	-	-
<b>Total interest income</b>	<b>312,883</b>	<b>185,886</b>
Interest expense		
Bills	10,088	1,591
Bond repurchase transactions	1,949	319
Lease liability	-	5
Derivatives	66,245	-
Bonds	224,425	173,439
Borrower notes	5,196	1,355
<b>Total interest expense</b>	<b>307,904</b>	<b>176,709</b>
<b>Net interest income</b>	<b>4,979</b>	<b>9,178</b>

#### 5. Other operating income

As at 30 June 2022, LGFA had provided credit standby facilities totalling \$662 million to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

in \$000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Standby facilities fee income	671	526
<b>Total other operating income</b>	<b>671</b>	<b>526</b>

#### 6. Operating expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

in \$000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
<b>Issuance and on-lending expenses</b>		
Approved issuer levy <sup>1</sup>	343	325
Rating agency fees	333	324
NZDM facility fee	652	250
Legal fees - issuance	205	225
NZX	367	390
Trustee fees	55	51
Regulatory, registry, other fees	106	68
	<b>2,062</b>	<b>1,633</b>
<b>Other operating expenses</b>		
Information technology	341	399
Consultants	127	95
Directors fees	213	212
Insurance	47	43
Legal fees	156	51
Other expenses	230	136
Auditors' remuneration		
Statutory audit	55	55
Advisory services	-	-
Personnel	1,312	1,145
	<b>2,481</b>	<b>2,135</b>
<b>Total operating expenses</b>	<b>4,542</b>	<b>3,769</b>

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.

## 7. Hedge accounting

LGFA is exposed to interest rate risk from its borrowing, lending and investment activities and uses interest rate swaps to manage this risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowings, loans and investments.

The following table shows the gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships.

in \$000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Hedging instruments - interest rate swaps	329,876	520,010
Hedged items attributable to the hedged risk	(329,876)	(520,010)
<b>Ineffectiveness recognised in profit or loss from fair value hedges</b>	<b>-</b>	<b>-</b>

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds, loans and investments) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

## 8. Loans

in \$000s	Unaudited as at 31 December 2022		Audited as at 30 June 2022	
	Short-term loans <sup>1</sup>	Loans	Short-term loans	Loans
Ashburton District Council	7,064	79,152	12,048	78,898
Auckland Council	-	3,629,211	-	3,413,415
Bay of Plenty Regional Council	25,465	167,970	25,651	167,941
Buller District Council	-	20,027	-	20,015
Canterbury Regional Council	-	75,366	4,018	75,214
Carterton District Council	-	14,772	-	14,762
Central Hawkes Bay District Council	1,011	28,168	2,024	20,107
Central Otago District Council	10,083	5,050	5,024	-
Christchurch City Council	-	2,285,660	2,017	2,036,724
Clutha District Council	7,547	37,590	5,532	32,394
Far North District Council	-	71,895	-	71,822
Gisborne District Council	-	111,572	-	86,095
Gore District Council	8,573	35,263	6,035	29,631
Greater Wellington Regional Council	-	636,734	-	576,343
Grey District Council	3,944	26,781	3,980	26,717
Hamilton City Council	-	726,508	-	633,049
Hastings District Council	-	275,067	-	237,990
Hauraki District Council	-	52,432	-	43,212
Hawkes Bay Regional Council	-	46,141	-	37,992
Horizons Regional Council	11,942	49,831	11,984	49,771
Horowhenua District Council	21,187	131,653	11,001	127,395
Hurunui District Council	8,073	34,307	8,033	30,147
Hutt City Council	-	303,302	-	256,607
Invercargill City Council	36,004	68,763	12,845	68,725
Invercargill City Holdings Ltd	18,469	68,438	22,076	68,354
Kaikoura District Council	-	5,341	-	5,331
Kaipara District Council	-	44,425	-	44,229
Kapiti Coast District Council	-	257,151	-	256,128
Kawerau District Council	-	2,005	-	-
Mackenzie District Council	2,018	8,080	10,002	-
Manawatu District Council	11,570	77,919	11,559	77,725
Marlborough District Council	47,553	107,324	37,325	100,289
Masteron District Council	-	56,244	-	50,260
Matamata-Piako District Council	-	45,907	-	38,191
Nelson City Council	-	171,371	-	140,581
New Plymouth District Council	10,084	216,117	-	170,350
Northland Regional Council	-	14,148	-	14,147
Opotiki District Council	-	9,067	-	7,073

1. As at 31 December 2022, \$2,415 million of loans are due to mature within 12 months. This comprises all short-term loans and \$1,922 million of loans.

in \$000s	Unaudited as at 31 December 2022		Audited as at 30 June 2022	
	Short-term loans <sup>1</sup>	Loans	Short-term loans	Loans
Otago Regional Council	26,793	73,682	66,715	48,443
Otorohanga District Council	-	4,028	-	4,028
Palmerston North City Council	-	213,980	-	187,872
Porirua City Council	-	178,148	-	172,335
Queenstown Lakes District Council	55,703	401,978	50,275	241,015
Rangitikei District Council	-	19,158	-	19,157
Rotorua District Council	53,600	275,679	43,112	245,298
Ruapehu District Council	8,037	29,588	8,020	29,557
Selwyn District Council	-	85,725	-	75,343
South Taranaki District Council	-	113,060	-	112,566
South Waikato District Council	4,954	34,294	4,874	34,171
Southland District Council	-	16,900	-	16,899
South Wairarapa District Council	-	26,631	-	26,537
Stratford District Council	-	32,359	6,027	26,299
Taranaki Regional Council	3,963	19,632	-	14,587
Tararua District Council	2,013	55,670	-	51,244
Tasman District Council	24,295	235,580	24,193	198,190
Taupo District Council	-	171,208	-	125,522
Tauranga City Council	-	761,621	-	648,528
Thames-Coromandel District Council	-	73,665	-	73,365
Timaru District Council	29,108	152,022	28,724	136,516
Upper Hutt City Council	-	95,766	-	91,421
Waikato District Council	-	110,947	-	95,454
Waikato Regional Council	-	25,202	-	25,120
Waimakariri District Council	-	171,473	-	170,903
Waimate District Council	-	3,534	-	-
Waipa District Council	26,030	154,231	25,530	124,377
Wairoa District Council	-	11,102	-	10,062
Waitaki District Council (WD)	6,903	31,201	4,491	20,583
Waitomo District Council	4,027	24,160	4,017	24,092
Wellington City Council	-	1,195,968	-	967,101
West Coast Regional Council	-	11,396	3,761	6,616
Western Bay Of Plenty District Council	-	70,687	-	70,366
Westland District Council	-	30,050	-	29,933
Westland Holdings Ltd	-	2,405	-	-
Whakatane District Council	-	108,433	-	86,396
Whanganui District Council	7,544	99,907	7,523	99,522
Whangarei District Council	9,947	183,505	9,972	182,813
Fair value hedge adjustment	-	(43,416)	-	(36,332)
<b>Total loans</b>	<b>493,505</b>	<b>15,257,915</b>	<b>478,385</b>	<b>13,563,522</b>

## 9. Other assets

in \$000s	Unaudited as at 31 December 2022	Audited as at 30 June 2022
Right-of-use lease asset	112	156
<b>Total other assets</b>	<b>112</b>	<b>156</b>

## 10. Payables and provisions

in \$000s	Unaudited as at 31 December 2022	Audited as at 30 June 2022
Loans/purchases to be advanced	95,000	44,000
Trade creditors	185	800
Credit provision	139	161
Other provisions	252	105
<b>Total payables and provisions</b>	<b>95,576</b>	<b>45,066</b>

## 11. Bills

Unaudited as at 31 December 2022 in \$000s	Face value	Unamortised premium	Accrued interest	Total
13 January 2023	145,000	(139)	-	144,861
2 February 2023	25,000	(78)	-	24,922
10 February 2023	80,000	(337)	-	79,663
17 February 2023	20,000	(107)	-	19,893
28 February 2023	50,000	(348)	-	49,652
10 March 2023	70,000	(538)	-	69,462
15 March 2023	50,000	(436)	-	49,564
20 March 2023	52,000	(504)	-	51,496
5 April 2023	25,000	(265)	-	24,735
12 April 2023	20,000	(234)	-	19,766
18 April 2023	15,000	(191)	-	14,809
10 May 2023	15,000	(245)	-	14,755
7 June 2023	25,000	(522)	-	24,478
14 June 2023	50,000	(1,106)	-	48,894
<b>Total bills</b>	<b>642,000</b>	<b>(5,051)</b>	<b>-</b>	<b>636,949</b>

Audited as at 30 June 2022 in \$000s	Face value	Unamortised premium	Accrued interest	Total
7 July 2022	15,000	-	(4)	14,996
13 July 2022	70,000	-	(30)	69,970
19 July 2022	35,000	-	(33)	34,967
4 August 2022	25,000	-	(33)	24,967
10 August 2022	80,000	-	(167)	79,833
19 August 2022	20,000	-	(60)	19,940
30 August 2022	50,000	-	(201)	49,799
9 September 2022	68,000	-	(296)	67,704
14 September 2022	100,000	-	(538)	99,462
19 September 2022	27,000	-	(120)	26,880
6 October 2022	25,000	-	(148)	24,852
9 November 2022	25,000	-	(238)	24,762
7 December 2022	25,000	-	(329)	24,671
<b>Total bills</b>	<b>565,000</b>	<b>-</b>	<b>(2,197)</b>	<b>562,803</b>

## 12. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 31 December 2022, \$1,100 million of LGFA bonds had been subscribed as treasury stock.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

in \$000s	Unaudited as at 31 December 2022	Audited as at 30 June 2022
15 April 2023	4,054	
15 April 2024	-	1,456
15 April 2025	9,512	6,773
15 April 2026	893	5,395
15 April 2027	35,962	-
15 May 2028	-	-
20 April 2029	15,416	7,390
15 May 2031	8,223	-
14 April 2033	-	4,566
15 May 2035	-	818
15 April 2037	34,017	5,272
<b>Total bond repurchases</b>	<b>108,077</b>	<b>31,671</b>

## 13. Bonds

Bonds on issue do not include \$1,100 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 12: Treasury stock and bond repurchase transactions.

Unaudited as at 31 December 2022 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
<b>Fixed interest bonds</b>					
15 April 2023	1,830,000	9,127	21,568		
15 April 2024	2,108,000	862	10,164		
15 April 2025	2,409,000	(45,646)	14,196		
15 April 2026	2,055,000	(52,395)	6,605		
15 April 2027	1,881,000	78,421	18,138		
15 May 2028	1,373,000	(59,559)	4,011		
20 April 2029	1,562,000	(60,236)	4,699		
15 May 2031	1,000,000	(42,471)	2,921		
14 April 2033	1,350,000	34,731	10,255		
15 May 2035	400,000	2,096	1,558		
15 April 2037	770,000	(25,117)	3,300		
<b>Total bonds</b>	<b>16,738,000</b>	<b>(160,188)</b>	<b>97,415</b>	<b>(1,529,039)</b>	<b>15,146,187</b>

Audited as at 30 June 2022 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
<b>Fixed interest bonds</b>					
15 April 2023	1,830,000	25,117	21,175		
15 April 2024	1,998,000	5,625	9,458		
15 April 2025	1,679,000	(13,379)	9,714		
15 April 2026	1,815,000	(31,599)	5,728		
15 April 2027	1,751,000	85,460	16,577		
15 May 2028	1,270,000	(53,384)	3,650		
20 April 2029	1,362,000	(21,893)	4,019		
15 May 2031	850,000	(19,801)	2,443		
14 April 2033	1,290,000	43,486	9,622		
15 May 2035	400,000	2,166	1,533		
15 April 2037	730,000	(12,837)	3,072		
<b>Total fixed interest</b>	<b>14,975,000</b>	<b>8,962</b>	<b>86,989</b>	<b>(1,185,774)</b>	<b>13,885,177</b>
<b>Floating rate notes</b>					
14 October 2022	130,000	(7)	692	-	130,684
<b>Total bonds</b>	<b>15,105,000</b>	<b>8,955</b>	<b>87,681</b>	<b>(1,185,774)</b>	<b>14,015,862</b>

#### 14. Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 2.5% for loans issued from 1 July 2020. Prior to this date, the fixed percentage was 1.6%.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

#### 15. Other liabilities

in \$000s	Unaudited as at 31 December 2022	Audited as at 30 June 2022
Lease liability	112	156
Accruals	596	694
<b>Total other liabilities</b>	<b>708</b>	<b>850</b>

#### 16. Share capital

As at 31 December 2022, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of \$1 per share.

#### 17. Shareholder information

Registered holders of equity securities	As at 31 December 2022		As at 30 June 2022	
Minister of Finance and Minister for Local Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
<b>Total</b>	<b>45,000,000</b>	<b>100%</b>	<b>45,000,000</b>	<b>100%</b>

## 18. Reconciliation of net profit to net cash flow from operating activities

in \$000s	Unaudited six months ended 31 December 2022	Unaudited six months ended 31 December 2021
Net profit/(loss) for the period	1,108	5,935
Cash applied to loans	(1,639,024)	(1,427,636)
<b>Non-cash adjustments</b>		
Amortisation and depreciation	2,643	(3,955)
<b>Working capital movements</b>		
Net change in trade debtors and receivables	(378)	13
Net change in prepayments	(298)	(319)
Net change in accruals	(98)	73
<b>Net Cash From Operating Activities</b>	<b>(1,636,047)</b>	<b>(1,425,888)</b>

## 19. Related parties

## Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 17.

LGFA operates under an annual Statement of Intent that sets out the intentions and expectations for LGFA's operations and lending to participating borrowers.

Shareholding local authorities, and non-shareholder local authorities who borrow more than \$20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

## Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating borrowers. The lending to individual councils is disclosed in note 8, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating borrowers. Refer note 14.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

## Directory

## Rārangi tauwaea

## Postal address

P.O. Box 5704, Lambton Quay  
Wellington 6145

## Office hours

Monday – Friday, 9am to 5pm  
Except Public Holidays

## General enquiries

lgfa@lgfa.co.nz

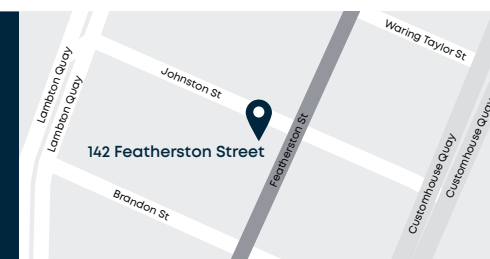
## Staff e-mail addresses

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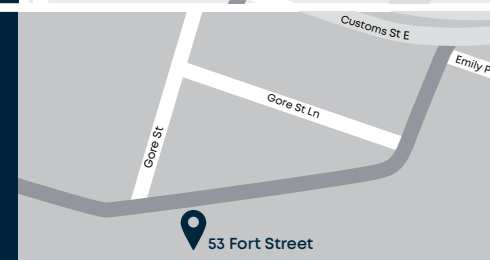
## Wellington

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## Auckland

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**Title:** 23-82 Regional Software Holdings Limited Update Cover Report  
**Section:** Finance & Affordability  
**Prepared by:** Ally Campbell - Executive Policy Advisor  
**Meeting Date:** Wednesday 19 April 2023

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Legal: Yes

Financial: No

Significance: **Low**

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## Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for decision

### PURPOSE - TE TAKE

The purpose of this report is to provide the Finance & Performance Committee with the Regional Software Holdings Limited's Six-month Update Report to Shareholders for the period of July 2022 to December 2022, and their draft 2024 Statement of Intent for approval.

### SUMMARY – HE WHAKARĀPOPOTOTANGA

RSHL is a Council Controlled Organisation (CCO), of which Gisborne District Council is a shareholder alongside other regional Councils.

In 2022, the regional sector implemented a regional sector shared services organisation (RSSSO) by restructuring Regional Software Holding's Limited (RSHL). This restructuring resulted in the RSSSO being able to provide a more extensive range of opportunities and benefits for Council than just software, including improved outcomes from investment into national programmes of work, and improved access to specialist and expensive resources.

As a shareholder, Council receives regular update reports from RSHL on their recent activities, spending, and opportunities available for Council to utilise. This latest update report is included as **Attachment 1**.

The Draft 2024 Statement of Intent has been included as **Attachment 2** for approval.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

### RECOMMENDATIONS - NGĀ TŪTOHUNGA

**That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:**

- 1. Approves the Draft 2024 Statement of Intent.**

*Authorised by:*

**Pauline Foreman - Chief Financial Officer**

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**Keywords:** Regional Software Holdings Limited, RSHL, Council Controlled Organisation, CCO

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## **BACKGROUND - HE WHAKAMĀRAMA**

1. In 2021, the regional sector (New Zealand's 16 Regional Councils and Unitary Authorities) who work together on areas of shared interest, expressed an interest in taking this arrangement a step further through the creation of a shared services company.
2. This came in response to increased demands from Central Government to deliver a broad range of reform packages; capacity and capability challenges and competition between councils to attract and retain talent; and expectations from our communities for councils to do more with less.
3. The key objectives of establishing the RSSSO, according to RSHL, are as follows:
  - To better prepare the sector to respond to future issues and opportunities.
  - Ensure better return on investment with a focus on quality of outcome and realising the value proposition for the sector.
  - Increased credibility of the sector as a trusted deliverer with a unified and consistent sector profile.
  - Improved key staff attraction and retention.
  - Ensure consistent good practise process across the sector and within councils.
4. The Local Government Act (LGA) states that before a local authority may establish or become a shareholder in a CCO, the local authority must undertake public consultation.
5. Consultation on whether Council should join the RSSSO was undertaken in April/May and two submissions were received (one against and one in favour). Following the consultation period, Council decided to proceed with joining and commenced the process of becoming a shareholder.

## **DISCUSSION and OPTIONS - WHAKAWHITINGA KŌRERO me ngā KŌWHIRINGA**

6. The discussion below outlines the main highlights from the interim set of accounts as reported within the half yearly report, and the draft Statement of Intent.

### **Half Yearly Report to 31 December 2022**

#### **Interim set of Accounts**

7. According to the Directors report, RSHL has made excellent progress on its strategic objectives in the first half of this financial year and is in a healthy financial position with a year-to date surplus of \$955k against a budgeted loss of \$326k. This position is largely due to the timing of planned expenditure for work programmes.

#### **Draft 2024 Statement of Intent (SOI)**

8. The SOI, developed under Schedule 8 of the local Government Act 2002, provides a basis for the accountability of the Directors to the Shareholders for the performance of RSHL.
9. The intention is to operate as a vehicle for collaboration and deliver solutions for Councils that would otherwise be unaffordable or unachievable.

## Scope of Activities

10. The current activities are grouped as follows:
  - The IRIS Programme – a software platform for shareholders.
  - IRIS Next Generation - a new software platform which will replace the IRIS programme within the next 2-4 years.
  - Environmental Monitoring and Reporting (EMAR) - a programme used to improve the collection, accessibility and presentation of environmental data.
  - The Regional Sector Office – supports the activities of Te Uru Kahika and the Regional Sector Special Interest Groups (SIG) network.
  - The Sector Financial Management System (SFMS) - manages the funding for regional sector collaborative programmes.
11. Given the limitations of resourcing in some of the above areas, utilising the support of a shared services initiative could be beneficial for Council and may enable improved outcomes in several aspects of our work programmes.
12. Currently, Council is involved in EMAR, which co-ordinates Land, Air, Water Aotearoa (LAWA), and the Regional Sector Office.

## ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

**Overall Process:** **Low** Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

**Overall Process:** **Low** Significance

Inconsistency with Council's current strategy and policy

**Overall Process:** **Low** Significance

The effects on all or a large part of the Gisborne district

**Overall Process:** **Low** Significance

The effects on individuals or specific communities

**Overall Process:** **Low** Significance

The level or history of public interest in the matter or issue

**Overall Process:** **Low** Significance

13. The decisions or matters in this report are considered to be of **Low** significance in accordance with Council's Significance and Engagement Policy.

## TANGATA WHENUA/MĀORI ENGAGEMENT - TŪTAKITANGA TANGATA WHENUA

14. For purpose of this report, engagement with Tangata Whenua is not required.

## COMMUNITY ENGAGEMENT - TŪTAKITANGA HAPORI

15. For the purpose of this report, engagement with the Community is not required.

## **CLIMATE CHANGE – Impacts / Implications - NGĀ REREKĒTANGA ĀHUARANGI – ngā whakaaweawe / ngā ritenga**

16. RSHL considers climate change impacts in relation to the activities that they undertake and facilitate. Programmes within the Sector Financial Management System in particular include activities relating to climate change resilience.
17. With Council's adoption of a 2030 carbon neutral target (**report 22-30**), feedback could be given to our CCO's on how this can be achieved through looking at new opportunities or alternative approaches to procurement and shared services in our short, medium and long-term decision-making.

## **CONSIDERATIONS - HEI WHAKAARO**

### **Financial/Budget**

18. According to the attached half yearly report, funds for the operation of the RSSSO are received by way of levies from the councils participating in each programme. Each programme pays a share of the overhead costs of the company proportional to the size of the programme and are set annually in the Statement of Intent.
19. The financial statements of RSHL included in the half yearly report have been prepared in accordance with the requirements of the Local Government Act 2002, and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

### **Legal**

20. RSHL is a Public Limited Liability Company incorporated and registered under the Companies Act 1993 and is a council-controlled organisation, as defined in Section 6 of Local Government Act 2002.
21. RSHL undertook a restructuring in November 2022 and following a new constitution and shareholders agreement was adopted. The **attached** update report covers the 6 months from 1 July 2022 to 31 December 2022 as required by Section 66 of the Local Government Act 2002.
22. The focus of the CCO is the Regional Shared Services Organisation, where the company RSHL is the vehicle that it operates under.
23. As part of their new constitution, RSHL's Board of directors are elected and retire by rotation. The Board is the overall final body responsible for all decision-making within the company and is accountable to its shareholders (which includes GDC) for the financial and non-financial performance of the company.

## **POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE**

24. Similarly to BOPLASS Ltd, RSHL conducts itself in accordance with its constitution, its annual SOI, the provisions of the Companies Act 1993, and Schedule 8 of the Local Government Act 2002 which sets out the requirements for the SOI document.

## RISKS - NGĀ TŪRARU

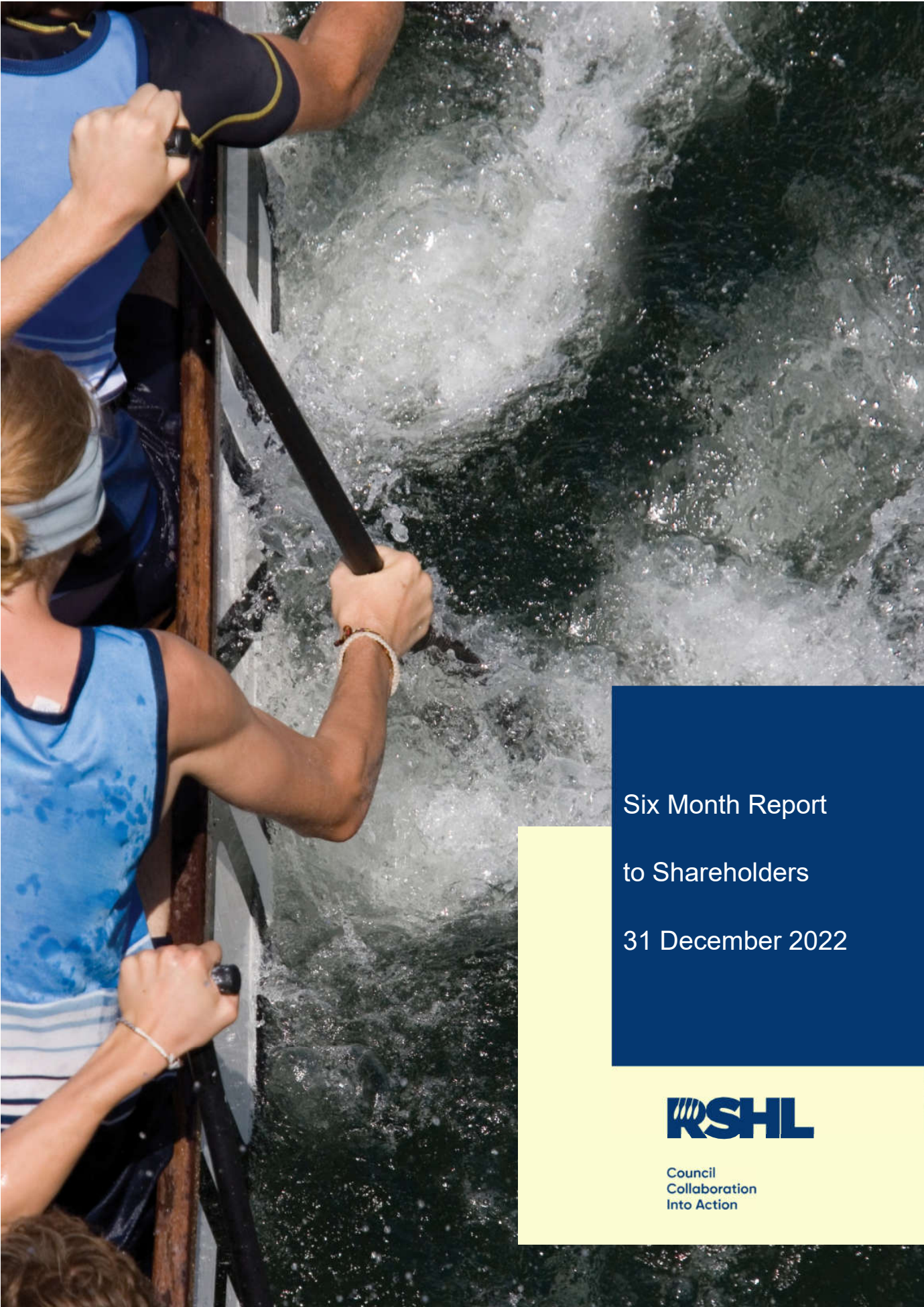
25. The CCO model spreads the risks for any shared activities across the participating councils, mitigating and minimising the risk to individual councils. RSHL (as a pre-existing CCO) already has the necessary controls and processes in place to manage risk.

## NEXT STEPS - NGĀ MAHI E WHAI AKE

Date	Action/Milestone	Comments
By 30 June 2023	Statement of intent will be finalised after feedback has been received from shareholders.	

## ATTACHMENTS - NGĀ TĀPIRITANGA

1. Attachment 1 - RSHL Six Month Report to Shareholders July 1 2022- December 31 2022 [**23-82.1** - 33 pages]
2. Attachment 2 - RSHL DRAFT 2024 Statement of Intent [**23-82.2** - 24 pages]



Six Month Report  
to Shareholders  
31 December 2022



Council  
Collaboration  
Into Action

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# Entity Information

## Regional Software Holdings Limited For the 6 months ended 31 December 2022

Regional Software Holdings Limited (RSHL) was incorporated in October 2012.

In November 2022 the company was restructured. A new constitution and shareholders agreement were adopted.

This report covers the 6 months from 1 July 2022 to 31 December 2022 as required by Section 66 of the Local Government Act 2002. RSHL has no subsidiaries or joint ventures.

### Entity Type and Legal Basis

RSHL is a Public Limited Liability Company incorporated and registered under the Companies Act 1993 and is a council-controlled organisation as defined in Section 6 of Local Government Act 2002

### Entity Structure

At the beginning of the period the Company comprised of a Board of seven Directors. The Board oversee the governance of RSHL. In addition, there is a Chief Executive who is responsible for the day-to-day operations of RSHL and reports to the Board.

Each of the six shareholder entities were entitled to separately appoint one director each, with one independent director appointed by the Board.

Following the restructure of RSHL into the Te Uru Kahika Shared Services organisation the company is intended to have a board of 8 directors, comprised of 6 council representatives and two independents.

As part of the new constitution RSHL directors are elected and retire by rotation. The process to elect an inaugural board for the new entity is under way and will conclude at a special general meeting on the 23rd of February.

The Board is the overall final body responsible for all decision-making within the company. The Board is accountable to its shareholders for the financial and non-financial performance of the company.

### Shareholding

Regional Software Holdings Limited (RSHL) was formed on 17 October 2012. At the time of formation, the company issued 10,000 shares to its shareholders based on a previously agreed sizing formula.

As part of the restructure of the Company and adoption of a new shareholders' agreement and constitution the Company:

- Issued a single Class A "Controlling" Share to each existing shareholder of the Company.
- Created a Class B shareholding which will hold the ownership rights over IRIS classic. All Ordinary Shares in the Company were converted to Class B Shares. This enabled the founding shareholders to retain their rights and ownership of the IRIS asset and to reduce the impact of the transition the current shareholding.
- Issued a single Class A share to Bay of Plenty Regional Council, Gisborne District Council and Hawkes Bay Regional Council on completion of the necessary processes and documents.



The current shareholding of the Company is as follows:

Organisation	Class A (Control) Shares	Class B (IRIS) Shares
Waikato Regional Council	1	3,275
Northland Regional Council	1	1,675
Horizons Regional Council	1	1,550
Taranaki Regional Council	1	1,550
Southland Regional Council	1	1,550
West Coast Regional Council	1	400
Bay of Plenty Regional Council	1	
Gisborne District Council	1	
Hawkes Bay Regional Council	1	

### Main Sources of Entity's Cash and Resources

Funds for the operation of the Sector Office, The Sector Financial Management System, EMAR/LAWA, IRIS and IRIS NextGen are received by way of levies from the councils participating in each programme. Each programme pays a share of the overhead costs of the company proportional to the size of the programme.

These levies are set annually in the Statement of Intent.

For some projects additional funding is collected from central government entities.

### Nature and Scope of Activities to be Undertaken

#### Vision

To provide a high-quality shared service for the regional council sector (and associated agencies) that delivers value to customers, shareholders and the sector.

#### Mission

Deliver shared solutions to Te Uru Kahika along with collaborative outcomes through sector special interest groups to achieve:

- Consistent, good-practice regional sector specific processes and functions
- Value through economies of scale
- Greater influence for Te Uru Kahika with central government through cohesion and collaboration.
- Reduced risk through ensuring continuity of supply and control of the destiny of regional sector specific software.

## Values

In all RSHL decisions and interactions the Board and staff, together with sector participants who may be working within the RSHL framework, will observe the following values and ethos:

- We are forward thinking and innovative
- We are responsive and deliver value
- We are professional and accountable
- We are flexible and open

## Guiding Principles

- The best decision is that which provides the best end result, primarily for regional sector councils and indirectly the communities they serve.
- Our solutions will be practical, appropriate to the scale of the problem and affordable.
- Where appropriate we will utilise codes of practice and standards produced by industry groups.
- All parties to any decision or interaction will be treated with respect, dignity, integrity, and honesty

RSHL provides a framework for collaboration between the shareholders and across the regional sector. It supports the procurement or development of shared solutions in a manner that provides greater consistency in how we operate. RSHL provides a more cost-effective alternative than individual councils can achieve on their own.

The company operates by facilitating collaborative initiatives between councils and through managed contractual arrangements. Some councils are both customers of RSHL and providers of service to RSHL.

RSHL activities are currently grouped as follows:

IRIS	<p>The IRIS Programme delivers the IRIS software platform to shareholder and customer councils. The IRIS software has been in use for 8 years and is currently in use at 7 councils.</p> <p>The 7 councils actively collaborate on the use of IRIS and the future development roadmap.</p> <p>RSHL and the member councils have determined that the IRIS software platform will need to be replaced within the next 2-4 years.</p>
IRIS Next Generation	<p>RSHL and the member councils have determined that the IRIS software platform will need to be replaced within the next 2-4 years.</p> <p>IRIS Next Generation (IRIS NextGen) will be a cloud-based Software as a Service solution (SaaS) with better online and mobile features. IRIS NextGen will be more efficient for staff and customers.</p> <p>Along with the SaaS, we will implement consistent “good practice” processes for the sector.</p> <p>Over the next two years, RSHL will confirm:</p> <ul style="list-style-type: none"> <li>• The IRIS NextGen solution</li> <li>• A transition plan for existing users</li> <li>• A growth plan to attract new councils to the programme.</li> </ul>

<p>Environmental Monitoring and Reporting (EMAR)</p>	<p>The objective of EMAR is to improve the collection, accessibility and presentation of environmental data in New Zealand.</p> <p>The EMAR Programme has three projects.</p> <ul style="list-style-type: none"> <li>• National Environmental Monitoring Standards (NEMS) – Aims to ensure consistency in the way environmental monitoring data is collected and handled throughout New Zealand.</li> <li>• Environmental Data Management System (EDMS) – Aims to provide a single access point to environmental data from multiple sources in a consistent format.</li> <li>• Land, Air Water Aotearoa (LAWA) – Shares data and information to tell the story of our environment. EMAR is an all-of-sector programme, and includes partner agencies from central government: MfE, StatsNZ and DOC (and others).</li> </ul> <p>The EMAR programme is managed by RSHL and governed by the EMAR Steering Group. Each project has it's own Steering Group who oversee operational activities.</p> <p>The EMAR/LAWA Programme Manager is employed by RSHL and is part of the Regional Sector Programme office. LAWA project administration (financial and contractual) is managed by RSHL.</p>
<p>Regional Sector Office</p>	<p>The Regional Sector Office supports the activities of Te Uru Kahika and the Regional Sector Special Interest Groups (SIG) network.</p> <p>The Sector Office is made up of three roles:</p> <ul style="list-style-type: none"> <li>• Executive Policy Adviser – Regional CEOs (RCEOs) Group</li> <li>• Chief Science Advisor</li> <li>• Regional Sector SIG Network Administrator</li> </ul> <p>Sector Office staff are employed by RSHL.</p>
<p>Sector Financial Management System</p>	<p>In 2020 the Regional Council Collaboration (ReCoCo) Programme was superseded by the Sector Financial Management System (SFMS). As part of the SFMS RSHL is responsible for the management of the funding for regional sector collaborative programmes.</p> <ul style="list-style-type: none"> <li>• Sector Business Plan</li> <li>• River Managers Programme</li> <li>• ReCoCo Technology Projects</li> <li>• Bio Managers Programme</li> <li>• Bio Control Programme</li> </ul> <p>The sector has a budget of over \$2M for these initiatives. RSHL collects this funding from councils and engages suppliers to deliver services to achieve the outcomes from each of the programmes.</p> <p>ReCoCo is one of the programmes within the SFMS. Under the ReCoCo banner RSHL delivers collaborative technology projects for groups of regional councils under the ReCoCo Programme. The ReCoCo programme is led by the Corporate and Finance Special Interest Group.</p>

# Statement of Service Performance

## Regional Software Holdings Limited For the 6 months ended 31 December 2022

Progress against the Statement of Intent (SOI) performance measures is reported in the following section.

Items of significance during the six months include:

IRIS	<p>As the focus shifts to the future and IRIS NextGen, we have reduced the frequency of IRIS releases. There are two releases scheduled for the 2022/23 financial year, with 4.06 released to councils in November. Release 4.06 was the last functional release to include minor enhancements.</p> <p>Future releases will focus on data cleansing and data migration tools. Functional enhancements will only be developed if there is an approved business case or to support legislative changes.</p> <p>In this period, we completed the data migration project definition phase. The outputs of this work included:</p> <ul style="list-style-type: none"> <li>• good practice guidance to councils on how to approach data migration.</li> <li>• determining the scope of data to be migrated from IRIS to Datascape</li> <li>• data quality standards that councils must meet to enable successful migration</li> <li>• a business process framework for data migration</li> <li>• identification of tools that will be used to identify data issues</li> <li>• identification of tools to export and transform data.</li> </ul>
IRIS Next Generation	<p>In this period, 9 councils signed a Partnership Agreement to participate in the IRIS NextGen Programme, signalling a 10-year commitment to develop good-practice processes for the Regional Sector and implement the IRIS NextGen solution.</p> <p>The Datascape design and build phase commenced in October 2022. This is a fixed price development and will take 21 months. The initial focus has been on enhancements to the Datascape platform to allow delivery of the functional requirements specific to the regional sector.</p> <p>The good practice workstream will begin in February 2023 with a workshop during the official launch. The workshop is designed to align key stakeholders with the good practice approach. This will be followed by individual council assessments.</p> <p>In the financial statements the IRIS Next Generation Activity revenue and expenditure is markedly different to budget because the costs and expenditure for that programme was not confirmed until September 2022. Revenue and expenditure is in line with the budget agreed with the 9 participating councils.</p>
Sector Shared Services	<p>On the 3rd of August 2021 the RCEOs forum approved the business case for the creation of a Regional Sector Shared Services organization based on RSHL.</p> <p>The restructure of RSHL into the Te Uru Kahika Shared Services organisation is complete. RSHL now has 9 shareholders, with 2 additional councils completing their internal processes to join.</p> <p>Along with the original 6 founding shareholders, we welcome Bay of Plenty Regional Council, Gisborne District Council and Hawkes Bay Regional Council as shareholders.</p> <p>As part of the new constitution RSHL directors are elected and retire by rotation. The process to elect an inaugural board for the new entity is under way and will conclude at a special general meeting on the 23rd of February.</p> <p>As of 26 January 2023, RSHL employs or engages 7 permanent, 1 seconded and 6 contracted resources that support sector work programmes.</p>

Regional Sector Office	<p>The Regional Sector Office supports the activities of Te Uru Kahika and the Regional Sector Special Interest Groups (SIG) network.</p> <p>The Sector Office is made up of three roles:</p> <ul style="list-style-type: none"> <li>• Executive Policy Adviser – Regional CEOs (RCEOs) Group</li> <li>• Chief Science Advisor</li> <li>• Regional Sector SIG Network Administrator</li> </ul> <p>In September 2022 we welcomed these roles as employees of RSHL.</p> <p>Over the first part of the year the Executive Policy Advisors focussed on coordinating sector submissions to a raft of central government proposals including:</p> <ul style="list-style-type: none"> <li>• RM Reform Legislation</li> <li>• The Future for Local Government Review</li> <li>• Freshwater Farm Plan Regulations</li> <li>• Water Services Legislation</li> <li>• LGOIMA Act Amendments</li> </ul> <p>The policy advisors also coordinated the preparation of induction material for incoming Elected Members.</p> <p>The Regional Sector SIG Network Administrator has been extremely active in the first part of this year. Along with normal duties the role has taken responsibility for coordinating the RCEOs meetings along with the induction sessions for incoming mayors and chairs.</p> <p>The Chief Science Advisor role has been in place for 12 months. The role is a part-time secondment from NIWA to RSHL, on behalf of Te Uru Kahika.</p> <p>While there is more opportunities ahead, progress in the first year has been positive and several important results have been delivered or are in train, including:</p> <ul style="list-style-type: none"> <li>• Implementation of several initiatives that enhance the coordinated vision for regional sector science, build relationships with key internal and external parties, and champion the regional sector's science capability and capacity;</li> <li>• Establishment of channels for sector science input into Resource Management reform;</li> <li>• Embedding of science input into the regional sector's newly established Climate Group;</li> <li>• Promoting the role and interests of the regional sector in current reform of the New Zealand science system.</li> </ul>
Environmental Monitoring and Reporting (EMAR)	<p>In August 2022 we welcomed the National EMaR/LAWA Project Manager as an employee of RSHL.</p> <p>The EMaR Steering Group have started discussions on the longer-term strategy for EMaR.</p> <p><b>Trusted, accessible, high quality, up-to-date environmental data and information from Te Uru Kahika using the LAWA platform.</b></p> <p>The annual update of River, Lake, Groundwater and Contact Recreation/Swim, and Water Quantity topics was completed.</p> <p>This includes:</p> <ul style="list-style-type: none"> <li>• Updated monitoring data, and state and trends from around 2,700 water quality and ecology SOE sites, and 1,400 water quantity sites</li> <li>• Change to reporting state and trends by hydrological year for river and lake sites</li> <li>• Update of long-term grades for the Can I swim here? topic, with now over 800 monitoring sites on LAWA</li> </ul>

	<ul style="list-style-type: none"> <li>Updated National Picture Summaries for the state of our River, Lake and Groundwater, and a successful webinar to present the river and lake findings</li> <li>Enhanced presentation and navigation for the lakes and groundwater topics</li> <li>New learning resources to explain the science</li> <li>Updated copy guidance for council admins to ensure the information presented is nationally consistent, while locally relevant</li> </ul> <p>Visitors to the LAWA website continue to grow, demonstrating the effectiveness of our collaborative external campaigns. This uptick in users means we're furthering the reach and value of the data and information from the regional sector and securing our place as a go to platform for authoritative data and information.</p> <p>There was a 6% and 19% increase in users and sessions respectively, and over 484,400 page views (up 17%) for the year to date (1 July – 31 December 2022), when compared to the same time last year.</p>
Sector Financial Management System	<p>In 2020 the Regional Council Collaboration (ReCoCo) Programme was superseded by the Sector Financial Management System (SFMS). As part of the SFMS RSHL is responsible for the management of the funding for regional sector collaborative programmes.</p> <p>The sector recognises the benefits of collaboration between councils, as a result the number and size of collaborative projects is growing each year.</p> <p>It is important that sector has efficient processes for collection of funding and the payment of suppliers. It is also increasingly important that the sector can demonstrate the outcomes achieved from collaboration.</p> <p>The Te Uru Kahika network was extremely active in the first half of FY23. As a result the SFMS experienced a high volume of transactions. In the year to date, \$2.3M of funding was collected and \$1.9M in expenses was paid for Te Uru Kahika programmes of work.</p>

## Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2022-2023 financial year.

	Performance Measures	For 1 July - 31 December 2022
Non Financial	With participating councils, define and agree milestones for the IRIS NextGen Programme.	<p><b>Achieved</b> - The Partnership agreement for IRIS NextGen was executed in September. This sets the overarching structure of the programme.</p> <p>The Milestones for the programme were endorsed by the Steering Group in November 2022 and are documented in the Programme Plan.</p>
Non Financial	<p>Undertake an annual survey of IRIS users and shareholder/customer Councils in relation to product performance, Datacom support and RSHL support.</p> <p>Provide a summary of the survey results in the annual report, including performance against the baseline.</p> <p>Survey results to be the same or better than the previous year.</p>	<p><b>Delayed</b> - The IRIS Survey was deferred to 2022 to allow time for Waikato Council to complete the upgrade to V4.08.</p>
Non Financial	Prepare and adopt the annual IRIS development roadmap by 30 June for delivery in the subsequent year.	<p><b>On Track</b> - The roadmap is constantly reviewed by the IRIS Advisory Group. It will next be presented to the board in June 2023.</p>

Non Financial	Major IRIS Enhancement projects are completed within approved budget or (for items in progress) on track against their agreed timeline and budget at 30 June of each year.	<p><b>On Track</b> - In this period, only one Major IRIS project was active. The IRIS data migration project definition phase was completed.</p> <p>The outputs of this work included:</p> <ul style="list-style-type: none"> <li>• good practice guidance to councils on how to approach data migration.</li> <li>• determining the scope of data to be migrated from IRIS to Datascape</li> <li>• data quality standards that councils must meet to enable successful migration</li> <li>• a business process framework for data migration</li> <li>• identification of tools that will be used to identify data issues</li> <li>• identification of tools to export and transform data.</li> </ul> <p>The budget for the project was \$69K, and we expect the project to close under budget.</p>									
Non Financial	Budgets for IRIS support and minor enhancements are approved by the Board by 30 June each year and delivery within these budgets is effectively managed by the Advisory Group and the General Manager.	<p><b>On Track</b> - Budgets were approved via the Statement of Intent Process in June 2022.</p> <p>As at 31 December 2022 both support and development were under budget.</p> <table border="1" data-bbox="930 1088 1398 1227"> <thead> <tr> <th>Category</th> <th>YTD</th> <th>YTD Budget</th> </tr> </thead> <tbody> <tr> <td>Develop</td> <td>\$192K</td> <td>\$259K</td> </tr> <tr> <td>Support</td> <td>100K</td> <td>\$113K</td> </tr> </tbody> </table> <p>Year-end forecast is for both to be under budget.</p>	Category	YTD	YTD Budget	Develop	\$192K	\$259K	Support	100K	\$113K
Category	YTD	YTD Budget									
Develop	\$192K	\$259K									
Support	100K	\$113K									
Non Financial	Be an effective service delivery vehicle for regional council sector shared programmes under the Sector Financial Management System.	<p><b>On-Track</b> – RSHL has effectively managed the SFMS through the first half of the year. Revenue and expenditure are consistent with the amounts documented in the SFMS Briefing Paper.</p> <p>RSHL has 28 contracts in place with service providers for support of Te Uru Kahika work programmes.</p>									
Non Financial	Effectively support the activities of the Regional Sector through the Regional Sector Office	<p><b>On-Track</b> - Over the first part of the year the Executive Policy Advisors focussed on coordinating sector submissions to a raft of central government proposals including:</p> <ul style="list-style-type: none"> <li>• RM Reform Legislation</li> <li>• The Future for Local Government Review</li> <li>• Freshwater Farm Plan Regulations</li> <li>• Water Services Legislation</li> <li>• LGOIMA Act Amendments</li> </ul> <p>The policy advisors also coordinated the preparation of induction material for incoming</p>									

		<p>Elected Members.</p> <p>The Regional Sector SIG Network Administrator has taken responsibility for coordinating the RCEOs meetings along with the induction sessions for incoming mayors and chairs, this is in addition to normal duties.</p>
Non Financial	Budgets for EMAR are approved by the EMAR Steering Group by 30 June each year, and delivery within these budgets is effectively managed by the EMAR Project Manager	<p><b>On-Track</b> – The Workplan and Budget for this year was formally signed of on the 8th of July. This was after 30 June but the plan/budget were drafted earlier in the year and endorsed by the Steering Group.</p> <p>YTD budget is tracking as expected.</p>
Non Financial	Be a service delivery vehicle for wider regional council sector and related bodies information management programmes and related shared services. Projects to be delivered on time and on budget as agreed in each of the Statements of Work between RSHL and the relevant regional sector group.	<p><b>On-Track</b> - Under the SFMS and ReCoCo Programmes RSHL supports the delivery of the following projects:</p> <ul style="list-style-type: none"> <li>• Environmental Data Programme</li> <li>• Sector Reference Model Engagement Project</li> <li>• N-Cap Implementation</li> <li>• INFDP Programme</li> <li>• Essential Freshwater Implementation</li> <li>• Freshwater Farm Plans Implementation</li> </ul> <p>RSHL ensured appropriate project management controls were in place for each project.</p> <p>RSHL also managed the funding for the follow sector programmes:</p> <ul style="list-style-type: none"> <li>• LIDAR PGF Programme Manager</li> <li>• WellsNZ</li> <li>• Retrolens</li> </ul>

Financial	RSHL will operate within approved budget, with any material variations approved by the Board.	<p><b>On-Track</b> – RSHL is operating within approved operating budgets for all programmes.</p> <p>In November the Board approved a variation to the budget approved in the SOI, to reflect the additional revenue and expenditure from the IRIS NextGen Implementation Programme, which started in September 2022. The budget for this programme was not confirmed when the SOI was approved.</p>
Financial	Annual charges for shareholders and customers to be at the level approved by the Board and councils based upon the approved operating budget and budgets	<p><b>On-Track</b>- All charges have been the same or less that approved by the respective programmes.</p>



Growth	Monitor the regional council sector market and explore/respond to opportunities to expand the customer and/or shareholder base of RSHL.	<p><b>On-Track</b> – In November RSHL we welcomes Bay of Plenty Regional Council, Gisborne District Council and Hawkes Bay Regional Council as shareholders.</p> <p>RSHL has also been involved in the strategic discussion about the future shape of Te Uru Kahika, as part of our role as the supporting organisation.</p>
Growth	Work with the Regional Sector SIG Network to develop shared service opportunities.	<p><b>On-Track</b> - The Partnership agreement for IRIS NextGen was executed in September.</p> <p>In addition:</p> <p>RSHL is supporting the Essential Freshwater Programme to deliver the Integrated National Farm Data Platform.</p> <p>RSHL is supporting the Environmental Data Group and Digital Solutions Group to deliver the Environmental Data Management System.</p>
Growth	<p>Engage with councils in the regional sector to increase the scope of the usage of IRIS NextGen.</p> <p>The objective is to increase the number of councils using the solution, and the breadth of the solution in use.</p>	<p><b>Achieved</b> - The Partnership agreement for IRIS NextGen was executed in September with 9 councils committing to the programme (two more that use IRIS).</p> <p>For the remainder of this year the focus will be on fully establishing the programme and planning the implementation schedule for the 9 participating councils.</p>

# Directors Report

## Regional Software Holdings Limited For the 6 months ended 31 December 2022

RSHL made excellent progress on its strategic objectives through the achievement of two major milestones in the first half of this financial year.

In September, the IRIS NextGen Partnership agreement was signed by RSHL and 9 councils. IRIS NextGen will provide the replacement for the IRIS product in use at 7 councils, but has a bigger goal of delivering game-changing productivity improvements to the sector, achieved through sector alignment around consistent good practice processes, supported by fit for purpose software.

In November this year RSHL completed the process started on 3 August 2021 when the RCEOs Group approved the business case for the creation of a Regional Sector Shared Services organization based on RSHL.

The restructure of RSHL into the Te Uru Kahika Shared Services organisation is complete. RSHL has a new constitution and shareholders agreement, and 9 shareholder councils. The new share structure makes it simple, low risk and low cost for additional councils to join.

Along with the original 6 founding shareholders, we welcome Bay of Plenty Regional Council, Gisborne District Council and Hawkes Bay Regional Council as shareholders.

As part of the new constitution RSHL directors are elected and retire by rotation. The process to elect an inaugural board for the new entity is under way and will conclude at a special general meeting on the 23rd of February.

As part of the metamorphosis of the company our staff establishment has grown from 2 to 8 staff, including the Regional Sector Office staff and the EMAR/LAWA Project Manager.

Financially the company is in a healthy position, with a year-to-date surplus of \$955K against a budgeted loss of \$326K.

The favourable position is largely due to timing differences in the planned expenditure for work programmes.

Overall we expect that the IRIS Activity will continue to operate slightly favourable to budget.

The IRIS NextGen Activity is markedly different to budget because the costs and expenditure for that programme was not confirmed until September 2022. Revenue and expenditure is in line with the budget agreed with the 9 participating councils.

Expenditure on the IRIS solution is no longer being treated as a capital investment. As a result, the book value of the asset is depreciating rapidly. This is appropriate as the product nears the end of its life and the company looks to reinvest in IRIS NextGen. Cash balances remain healthy as the losses are resulting from depreciation rather than trading activities.

The Sector Financial Management System is also favourable to budget with a surplus of \$330K versus a budgeted loss of \$1k. This difference is purely driven by the timing of SFMS expenditure. It should be noted that any surplus remaining at the end of the financial year will be refunded to councils or allocated to FY24 programmes at the discretion of the RCEOs Group.

In this period Malcolm Nicolson and Jane Carroll resigned as board members. We thank them for their service to the organisation. We welcome Bruce Howse (Northland Regional Council) and Amy Kubrycht (Environment Southland)

### Directors

The following directors were in office for the six-month period from 1 July 2022 to 31 December 2022.

Director	Comments
Mike Nield (Chairperson)	
Malcolm Nicolson	Until 24 August 2022
Bruce Howse	From 24 August 2022
Ged Shirley	

Jane Carroll	Until 24 August 2022
Amy Kubrycht	From 24 August 2022
John Crane	
Heather Mabin	
A Aakjaer (Independent Director)	

### Interest Register

All directors listed their interests in the register on being appointed to the company and interest are reviewed at each board meeting. The following interests are registered:

Director	Organisation	Interest
Bruce Howse	<i>nil to declare</i>	
MJ Nield	Taranaki Stadium Trust	Trustee
Heather Mabin	<i>nil to declare</i>	
Amy Kubrycht	<i>nil to declare</i>	
G Shirley	<i>nil to declare</i>	
A Aakjaer	Negotiate Limited Aakjaer Trustee Company Limited Ice Bear Holdings Limited One Sheep at a Time Limited <i>Note: Negotiate Consulting may from time to time provide advisory services to Northland Regional Council and Waikato Regional Council</i>	Director & Shareholder Director & Shareholder Director & Shareholder Director & Shareholder
J Crane	<i>nil to declare</i>	

### Statement of Compliance and Responsibility

In terms of the Local Government Act 2002, the Board of Directors is responsible for the preparation of RSHL financial statements and to assist the company to meet its objectives and any other requirements in its Statement of Intent (SOI).

The Board of Directors of RSHL has the responsibility for establishing, and has established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board of Director's opinion, these financial statements fairly reflect the financial position and operations of RSHL for the six months ended 31 December 2022.

Signed on behalf of the Board of Directors:



MJ Nield - Chairperson



A Aakjaer - Director

Date: 23 February 2023

# Statement of Comprehensive Revenue and Expense

## Regional Software Holdings Limited For the 6 months ended 31 December 2022

	NOTES	31 DEC 2022 6 MONTHS (UNAUDITED)	31 DEC 2021 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS SOI	30 JUNE 2023 12 MONTHS SOI	30 JUNE 2022 12 MONTHS (UNAUDITED)
<b>Revenue</b>						
Interest		9,021	645	300	600	3,254
Regional Sector Shared Services		2,293,046	1,485,475	1,400,328	2,800,656	3,709,542
Member Contributions	2	2,656,242	635,695	823,144	1,646,289	1,271,390
Other revenue	2	125,453	175,206	64,356	128,715	478,942
<b>Total Revenue</b>		<b>5,083,761</b>	<b>2,297,021</b>	<b>2,288,128</b>	<b>4,576,260</b>	<b>5,463,128</b>
<b>Expenses</b>						
Administration Costs	3	74,774	37,606	52,436	101,970	66,222
Audit and Legal Fees		52,240	3,392	42,498	85,000	116,722
Datacom Support Services		81,400	139,020	137,670	275,340	225,397
Environmental Charges		11,397	9,674	31,884	63,768	20,480
External Contractors		955,084	164,577	85,002	170,000	595,447
External Directors Fees		13,750	16,500	18,498	37,000	33,647
Management Fees		-	78,216	-	-	143,578
Other Direct Software Expenses		255,108	227,592	244,338	490,682	472,182
Personnel costs		421,250	136,167	388,998	778,000	302,370
Promotional costs		11,704	50	42,000	84,000	506
Regional Sector Shared Services		1,707,731	1,230,661	1,063,998	2,128,000	3,715,467
Travel and Meeting Costs		47,349	5,619	17,250	34,500	13,563
Depreciation	7	494,521	487,459	489,780	979,556	977,272
<b>Total Expenses</b>		<b>4,126,308</b>	<b>2,536,533</b>	<b>2,614,352</b>	<b>5,227,816</b>	<b>6,682,854</b>
<b>Surplus/(deficit) before tax</b>		<b>957,453</b>	<b>(239,512)</b>	<b>(326,224)</b>	<b>(651,556)</b>	<b>(1,219,726)</b>
<b>Total comprehensive revenue and expense</b>		<b>957,453</b>	<b>(239,512)</b>	<b>(326,224)</b>	<b>(651,556)</b>	<b>(1,219,726)</b>

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated

Explanations of major variances against budget are provided in the notes.  
Finance & Performance Committee 19 April 2023

# Statement of Comprehensive Revenue and Expense - IRIS Programme

Regional Software Holdings Limited  
For the 6 months ended 31 December 2022

Activity is IRIS Programme.

	31 DEC 2022 6 MONTHS (UNAUDITED)	31 DEC 2021 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS SOI	30 JUNE 2023 12 MONTHS SOI	30 JUNE 2022 12 MONTHS (UNAUDITED)
<b>Revenue</b>					
Interest	9,021	-	300	600	-
Member Contributions	615,519	605,809	615,518	1,231,038	1,211,619
Other revenue	61,243	110,347	64,356	128,715	223,520
<b>Total Revenue</b>	<b>685,782</b>	<b>716,156</b>	<b>680,174</b>	<b>1,360,353</b>	<b>1,435,139</b>
<b>Expenses</b>					
Administration Costs	-	-	11,660	22,373	-
Audit and Legal Fees	-	-	16,416	32,829	-
Datacom Support Services	81,400	139,020	137,670	275,340	225,397
Environmental Charges	11,397	9,674	11,886	23,768	20,480
External Contractors	22,680	55,511	-	-	2,537
External Directors Fees	-	-	5,274	10,549	-
Management Fees	-	27,773	-	-	46,515
Other Direct Software Expenses	250,112	194,884	244,338	490,681	371,936
Personnel costs	24,579	8,016	83,910	167,828	7,458
Promotional costs	-	-	2,280	4,563	-
Travel and Meeting Costs	-	-	2,208	4,421	-
Depreciation	494,521	487,459	489,780	979,556	977,272
Overhead Recovery - Expense	37,989	-	-	-	-
<b>Total Expenses</b>	<b>922,678</b>	<b>922,337</b>	<b>1,005,422</b>	<b>2,011,908</b>	<b>1,651,596</b>
<b>Surplus/(deficit) before tax</b>	<b>(236,896)</b>	<b>(206,181)</b>	<b>(325,248)</b>	<b>(651,555)</b>	<b>(216,457)</b>
<b>Total comprehensive revenue and expense</b>	<b>(236,896)</b>	<b>(206,181)</b>	<b>(325,248)</b>	<b>(651,555)</b>	<b>(216,457)</b>

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated

Explanations of major variances against budget are provided in the notes.  
**Finance & Performance Committee 19 April 2023**

# Statement of Comprehensive Revenue and Expense - IRIS NextGen

## Regional Software Holdings Limited For the 6 months ended 31 December 2022

Activity is IRIS NextGen.

	31 DEC 2022 6 MONTHS (UNAUDITED)	31 DEC 2021 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS FORECAST	31 DEC 2022 6 MONTHS SOI	30 JUNE 2023 12 MONTHS SOI	30 JUNE 2022 12 MONTHS (UNAUDITED)
<b>Revenue</b>						
Member Contributions	2,040,723	-	1,829,181	207,626	415,251	-
Other revenue	-	-	-	-	-	91,000
<b>Total Revenue</b>	<b>2,040,723</b>	<b>-</b>	<b>1,829,181</b>	<b>207,626</b>	<b>415,251</b>	<b>91,000</b>
<b>Expenses</b>						
Administration Costs	24,065	250	3,803	3,803	7,345	250
Audit and Legal Fees	8,320	-	12,168	12,168	24,328	3,000
External Contractors	932,404	64,366	1,017,980	80,004	160,000	514,098
External Directors Fees	-	-	1,776	1,776	3,558	-
Management Fees	-	50,443	-	-	-	92,128
Other Direct Software Expenses	-	-	-	-	-	35,594
Personnel costs	97,334	23,864	202,164	104,664	209,328	71,386
Promotional costs	-	-	768	768	1,538	-
Travel and Meeting Costs	2,950	1,065	35,574	4,578	9,154	5,897
Overhead Recovery - Expense	113,689	-	-	-	-	-
<b>Total Expenses</b>	<b>1,178,762</b>	<b>139,988</b>	<b>1,274,233</b>	<b>207,761</b>	<b>415,251</b>	<b>722,353</b>
<b>Surplus/(deficit) before tax</b>	<b>861,961</b>	<b>(139,988)</b>	<b>554,948</b>	<b>(135)</b>	<b>-</b>	<b>(631,353)</b>
<b>Total comprehensive revenue and expense</b>	<b>861,961</b>	<b>(139,988)</b>	<b>554,948</b>	<b>(135)</b>	<b>-</b>	<b>(631,353)</b>

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated

Explanations of major variances against budget are provided in the notes.  
Finance & Performance Committee 19 April 2023

# Statement of Comprehensive Revenue and Expense - Sector Financial Management System

## Regional Software Holdings Limited For the 6 months ended 31 December 2022

Activity is Sector Work Programmes.

	31 DEC 2022 6 MONTHS (UNAUDITED)	31 DEC 2021 6 MONTHS (UNAUDITED)	31 DEC 2022 6 MONTHS SOI	30 JUNE 2023 12 MONTHS SOI	30 JUNE 2022 12 MONTHS (UNAUDITED)
<b>Revenue</b>					
<b>Regional Sector Shared Services</b>					
Sector Work Programmes Revenue	1,973,246	1,485,475	1,335,828	2,671,656	3,709,542
Central Government Funding	319,800	-	64,500	129,000	-
<b>Total Regional Sector Shared Services</b>	<b>2,293,046</b>	<b>1,485,475</b>	<b>1,400,328</b>	<b>2,800,656</b>	<b>3,709,542</b>
<b>Total Revenue</b>	<b>2,293,046</b>	<b>1,485,475</b>	<b>1,400,328</b>	<b>2,800,656</b>	<b>3,709,542</b>
<b>Expenses</b>					
Administration Costs	2,101	-	36,973	72,252	-
Audit and Legal Fees	1,612	-	13,920	27,843	-
Environmental Charges	-	-	19,998	40,000	-
External Contractors	-	-	4,998	10,000	-
External Directors Fees	-	-	11,448	22,893	-
Other Direct Software Expenses	478	-	-	-	-
Personnel costs	194,155	-	200,424	400,843	-
Promotional costs	2,799	-	38,952	77,900	-
Regional Sector Shared Services	1,640,416	1,230,661	1,063,998	2,128,000	3,709,542
Travel and Meeting Costs	36,648	-	10,464	20,925	-
Overhead Recovery - Expense	82,449	-	-	-	-
<b>Total Expenses</b>	<b>1,960,658</b>	<b>1,230,661</b>	<b>1,401,175</b>	<b>2,800,656</b>	<b>3,709,542</b>
<b>Surplus/(deficit) before tax</b>	<b>332,388</b>	<b>254,814</b>	<b>(847)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive revenue and expense</b>	<b>332,388</b>	<b>254,814</b>	<b>(847)</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated

Explanations of major variances against budget are provided in the notes.  
**Finance & Performance Committee 19 April 2023**

# Statement of Comprehensive Revenue and Expense - Overheads

## Regional Software Holdings Limited For the 6 months ended 31 December 2022

Activity is Admin & Mgmt, Unassigned.

	NOTES	31 DEC 2022 6 MONTHS (UNAUDITED)	31 DEC 2021 6 MONTHS (UNAUDITED)	30 JUNE 2022 12 MONTHS (UNAUDITED)
<b>Revenue</b>				
<b>Overhead Recovery - Income</b>				
Overhead Recovery - Income	3	234,127	-	-
ReCoCo Fund Allocation		-	24,573	100,199
<b>Total Overhead Recovery - Income</b>		<b>234,127</b>	<b>24,573</b>	<b>100,199</b>
Interest		-	645	3,254
Member Contributions		-	29,886	59,771
<b>Other revenue</b>				
Other Revenue		64,210	40,287	64,223
<b>Total Other revenue</b>		<b>64,210</b>	<b>40,287</b>	<b>64,223</b>
<b>Total Revenue</b>		<b>298,337</b>	<b>95,390</b>	<b>227,448</b>
<b>Expenses</b>				
Administration Costs		48,609	37,356	65,972
Audit and Legal Fees		42,308	3,392	113,722
External Contractors		-	44,700	78,812
External Directors Fees		13,750	16,500	33,647
Other Direct Software Expenses		4,518	32,708	64,651
Personnel costs		105,182	104,286	223,527
Regional Sector Shared Services		67,315	-	5,925
Travel and Meeting Costs		7,751	4,554	7,666
Management Fees		-	-	4,935
Promotional costs		8,905	50	506
<b>Total Expenses</b>		<b>298,337</b>	<b>243,546</b>	<b>599,363</b>
<b>Surplus/(deficit) before tax</b>		<b>-</b>	<b>(148,156)</b>	<b>(371,916)</b>
<b>Total comprehensive revenue and expense</b>		<b>-</b>	<b>(148,156)</b>	<b>(371,916)</b>

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated.

Explanations of major variances against budget are provided in the notes.  
**Finance & Performance Committee 19 April 2023**



# Statement of Financial Position

## Regional Software Holdings Limited As at 31 December 2022

	NOTES	31 DEC 2022 6 MONTHS UNAUDITED	31 DEC 2021 6 MONTHS UNAUDITED	30 JUNE 2023 12 MONTHS SOI	30 JUNE 2022 12 MONTHS UNAUDITED
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	4	2,651,938	2,495,267	899,799	1,560,358
Accounts Receivable and Accruals	5	1,238,076	90,540	-	1,378,096
Goods and Services tax		-	-	-	79,896
Income Tax Receivable		3,682	525	-	1,156
<b>Total Current Assets</b>		<b>3,893,696</b>	<b>2,586,332</b>	<b>899,799</b>	<b>3,019,506</b>
<b>Non-Current Assets</b>					
Property, Plant & Equipment (PPE)	6	2,087,076	2,998,416	2,111,430	2,581,597
<b>Total Non-Current Assets</b>		<b>2,087,076</b>	<b>2,998,416</b>	<b>2,111,430</b>	<b>2,581,597</b>
<b>Total Assets</b>		<b>5,980,772</b>	<b>5,584,748</b>	<b>3,011,229</b>	<b>5,601,103</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Payables and Accruals	8	731,322	302,800	-	1,410,384
Income Received in Advance		31,380	29,886	-	20,920
Revenue in Advance - ReCoCo		1,579,278	1,653,590	-	1,579,278
Goods and services tax		90,817	27,737	-	-
<b>Total Current Liabilities</b>		<b>2,432,797</b>	<b>2,014,013</b>	<b>-</b>	<b>3,010,582</b>
<b>Total Liabilities</b>		<b>2,432,797</b>	<b>2,014,013</b>	<b>-</b>	<b>3,010,582</b>
<b>Net Assets</b>		<b>3,547,975</b>	<b>3,570,735</b>	<b>3,011,229</b>	<b>2,590,522</b>
<b>Equity</b>					
Contributed Capital	9	5,149,150	5,149,150	5,149,150	5,149,150
Accumulated Funds	9	(1,601,175)	(1,578,415)	(651,556)	(2,558,628)
<b>Total Equity</b>		<b>3,547,975</b>	<b>3,570,735</b>	<b>3,011,229</b>	<b>2,590,522</b>

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated

# Statement of Changes in Equity/Net Assets

## Regional Software Holdings Limited

### For the 6 months ended 31 December 2022

	31 DEC 2022 6 MONTHS UNAUDITED	31 DEC 2021 6 MONTHS UNAUDITED	30 JUNE 2023 12 MONTHS SOI	30 JUNE 2022 12 MONTHS UNAUDITED
<b>Equity</b>				
Opening Balance	2,590,522	3,810,247	3,662,784	3,810,247
Total Comprehensive Revenue and Expense for the year	957,453	(239,512)	(651,556)	(1,219,726)
<b>Balance at 30 June</b>	<b>3,547,975</b>	<b>3,570,735</b>	<b>3,011,229</b>	<b>2,590,522</b>
<b>Total Comprehensive Revenue and Expense Attributable to</b>				
Regional Software Holdings Ltd	957,453	(239,512)	(651,556)	(1,219,726)

# Statement of Cash Flows

## Regional Software Holdings Limited For the 6 months ended 31 December 2022

	31 DEC 2022 12 MONTHS UNAUDITED	31 DEC 2021 6 MONTHS UNAUDITED	30 JUNE 2023 12 MONTHS SOI	30 JUNE 2022 12 MONTHS UNAUDITED
<b>Cash Flows from Operating Activities</b>				
Receipts from Members	1,871,388	605,809	1,646,289	1,211,619
Interest Received	9,021	645	600	3,254
ReCoCo Income	2,836,573	3,381,657	2,671,656	4,467,814
Other Income	59,784	38,667	128,715	146,979
Income tax received/(paid)	(2,526)	(174)	-	(903)
Cash receipts from other operating activities	411,925	169,738	129,000	283,026
Payments to suppliers and employees	(4,173,248)	(2,437,039)	(4,248,260)	(5,011,341)
GST	90,857	124,779	-	(3,933)
Management Fees	(11,865)	(74,743)	-	(149,188)
General Expenses	(329)	-	-	-
<b>Total Cash Flows from Operating Activities</b>	<b>1,091,580</b>	<b>1,809,340</b>	<b>328,000</b>	<b>947,327</b>
<b>Cash Flows from Investing and Financing Activities</b>				
Payments to acquire property, plant and equipment	-	-	(328,000)	(72,994)
Cash Flows from Other Investing and Financing Activities	-	-	-	98
<b>Total Cash Flows from Investing and Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(328,000)</b>	<b>(72,896)</b>
<b>Net Increase/ (Decrease) in Cash</b>	<b>1,091,580</b>	<b>1,809,340</b>	<b>-</b>	<b>874,431</b>
<b>Cash Balances</b>				
Cash and cash equivalents at beginning of period	1,560,358	685,927	899,799	685,927
Cash and cash equivalents at end of period	2,651,938	2,495,267	899,799	1,560,358
Net change in cash for period	1,091,580	1,809,340	-	874,431

The accompanying notes form part of these financial statements; all figures are exclusive of GST unless otherwise stated

# Notes to the Financial Statements

## Regional Software Holdings Limited For the 6 months ended 31 December 2022

### 1. Statement of Accounting Policies

#### Reporting Entity

Regional Software Holdings Limited (RSHL) is a Council Controlled Organisation (CCO), owned by:

Council	Class A Shares	Class B Shares
Waikato Regional Council	1	3,275
Northland Regional Council	1	1,675
Horizons Regional Council	1	1,550
Taranaki Regional Council	1	1,550
Southland Regional Council	1	1,550
West Coast Regional Council	1	400
Gisborne District Council	1	-
Bay of Plenty Regional Council	1	-
Hawke's Bay Regional Council	1	-

RSHL was incorporated in October 2012. RSHL was primarily incorporated for the purposes of managing the investment and development of IRIS software, and had incorporated, and has designated itself a Public Benefit Entity (PBE), in keeping with the designation of the shareholders.

The financial statements of RSHL are for the six months ended 31 December 2022 and were authorised for issue by the Board of Directors on 22 February 2023.

#### Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

#### Statement of Compliance

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002, and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

These financial statements have been prepared in accordance with and comply with PBE Standards RDR. The department is eligible and has elected to apply the PBE Standards RDR because its expenses are less than \$30 million and it does not have public accountability as defined by XRB A1 Application of the Accounting Standards Framework.

RSHL transitioned to PBE Standards RDR in the year ended 30 June 2022, as stipulated in XRB A1, because total annual expenditure exceeded \$2,000,000 in 2019/20 and 2020/21. RSHL had previously elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) up to 30 June 2021.

### Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars (NZ dollars) and all values are rounded to the nearest dollar.

### Changes in Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### Summary of Significant Accounting Policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

### Foreign Currency Transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ\$ (the functional currency) using the spot exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

### Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, on demand or call deposits, and other short-term investments with original maturities of three months or less, and bank overdrafts.

### Inventories

Inventory is initially recorded at cost. Goods held for sale are subsequently measured at the lower of cost and net realisable value. Goods for use or distribution are subsequently measured at cost and written down if they become obsolete.

Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first. Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition. Any write-down from cost to net realisable value or for the loss of service potential or from cost to net realisable value is recognised in surplus or deficit in the year of the write-down.

### Goods and Services Tax

Items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows. Commitments and contingencies are disclosed exclusive of GST.

### Income Tax

Income tax expense includes components relating to current tax and deferred tax, and is calculated using tax rates and tax laws that have been enacted or substantively enacted at balance date.

Current tax is the income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

### Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumption have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

### Additional Disclosure

The companies Act 1993 requires disclosure of the amount of the donations, audit fees, fees for other services from the auditor, and the number of employees of the company who received remuneration and other benefits above \$100,000 per annum, in brackets of \$10,000.

For this financial year six staff members were employed by RSHL (last year there were two). Three staff will receive total remuneration over \$100,000.

Remuneration Bracket	Staff
100,000 - 110,000	0
110,000 - 120,000	1
120,000 - 130,000	0
130,000 - 140,000	0
140,000 -150,000	1
150,000 - 160,000	0
160,000 - 170,000	0
170,000 - 180,000	0
180,000 - 190,000	1
190,000 - 200,000	0
200,000+	0

The audit fee for the six month period is expected to be \$nil paid to Audit New Zealand.

Donations made in the period: none (last year: none).

## 2. Revenue

### Accounting Policy

The specific accounting policies for significant revenue items are explained below:

#### **Members contributions and other revenue**

Members Contributions and other forms of revenue (excluding investment revenue), including fees, charges, and other revenues are recognised on an accrual basis at the fair value of consideration received or receivable.

#### **Investment revenue**

Interest revenue is recorded as it is earned.

	31 DEC 22 6 MONTHS UNAUDITED	31 DEC 21 6 MONTHS UNAUDITED	30 JUNE 2023 12 MONTHS SOI	30 JUNE 2022 12 MONTHS UNAUDITED
<b>Members Contributions</b>				
IRIS NextGen Programme	2,040,723	-	415,251	-
IRIS Programme	615,519	605,809	1,231,038	1,211,619
Members Contributions Non SOI (All Members)	-	29,886	-	59,771
<b>Total Members Contributions</b>	<b>2,656,242</b>	<b>635,695</b>	<b>1,646,289</b>	<b>1,271,390</b>

Members contributions include \$2,339,744 income from the shareholder councils as described in note 11. Members contributions from non-shareholder councils total \$316,498.

	31 DEC 22 6 MONTHS UNAUDITED	31 DEC 21 6 MONTHS UNAUDITED	30 JUNE 2023 12 MONTHS SOI	30 JUNE 2022 12 MONTHS UNAUDITED
<b>Other Income</b>				
User Funding	-	78,466	-	156,931
Other Revenue	64,210	40,287	-	155,223
Council Specific Funding (Individual councils)	61,243	31,881	128,715	66,589
ReCoCo Fund Allocation	-	24,573	-	100,199
<b>Total Other Income</b>	<b>125,453</b>	<b>175,206</b>	<b>128,715</b>	<b>478,942</b>

## 3. Expenses

### Accounting Policy

Expenditure is recognised on an accrual basis when the service was provided, or the goods received. Costs associated with maintaining the IRIS software suite are recognised as an expense when incurred.

#### **Overheads**

Actual overheads costs have been allocated across the 3 activities. Originally the percentage allocations were based on those budgeted in the SOI, but now the YTD monthly allocation split reflects the revised forecast income for IRIS NextGen. Compared to the SOI, the revised forecast has resulted in increased overheads allocated to IRIS NextGen and reduced overheads for IRIS Programme and SFMS.

As reported previously, rather than affect all the individual overheads expense codes in the statement of financial performance, the overhead allocation has been journalled in as total overhead recovery by activity. So the total loss on this report shows \$nil because overheads have been fully allocated to each of the 3 main activities. The detailed overhead expenses recovered are

showing on this report. Any directly-related overheads already show separately on the statement of financial performance reports of each of the main activities.

	31 DEC 22 6 MONTHS UNAUDITED	31 DEC 21 6 MONTHS UNAUDITED	30 JUNE 2023 12 MONTHS SOI	30 JUNE 2022 12 MONTHS UNAUDITED
<b>Administration Expenses</b>				
Accounting & Technical Support	66,341	32,868	66,370	59,379
Administration Costs	5,078	2,204	32,700	4,121
Bank Fees	158	184	-	371
Insurance	2,868	2,350	2,900	2,350
<b>Total Administration Expenses</b>	<b>74,445</b>	<b>37,606</b>	<b>101,970</b>	<b>66,222</b>
	31 DEC 22 6 MONTHS UNAUDITED	31 DEC 21 6 MONTHS UNAUDITED	30 JUNE 2023 12 MONTHS SOI	30 JUNE 2022 12 MONTHS UNAUDITED

#### 4. Cash and cash equivalents

Business Online Saver	281,617	280,331	25,000	280,577
Credit Card - Mark Donnelly	(756)	(1,108)	-	(290)
Current Account	2,371,077	2,216,044	874,799	1,280,071
<b>Total Cash and cash equivalents</b>	<b>2,651,938</b>	<b>2,495,267</b>	<b>899,799</b>	<b>1,560,358</b>

#### 5. Receivables

##### Accounting Policy

Short-term receivables are recorded at the amount owed, less an allowance for credit losses. RSHL applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Short-term receivables are written off when there is no reasonable expectations of recovery. Indicators that there is no reasonable expectations of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

	31 DEC 22 6 MONTHS UNAUDITED	31 DEC 21 6 MONTHS UNAUDITED	30 JUNE 2023 12 MONTHS SOI	30 JUNE 2022 12 MONTHS UNAUDITED
<b>Receivables and accruals</b>				
Accounts Receivable	1,206,696	60,654	-	1,315,336
Prepayments	31,380	29,886	-	62,760
<b>Total Receivables and accruals</b>	<b>1,238,076</b>	<b>90,540</b>	<b>-</b>	<b>1,378,096</b>



## 6. Property, Plant and Equipment

### Accounting Policy

Property, plant, and equipment consists of the following asset classes: Computer Hardware.

All asset classes are measured at cost, less accumulated depreciation, and impairment losses.

Individual assets, or group of assets, are capitalised if their cost is greater than \$5,000.

### Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment, other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

The useful life and associated depreciation rate for computer hardware is 1.49 years and 67%.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each balance date.

### Impairment

Property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to its recoverable amount. For revalued assets, the impairment loss is recognised in other comprehensive revenue and expense and decreases the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in surplus or deficit.

The reversal of an impairment loss on a revalued asset is recognised in other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of an impairment loss is also recognised in surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in surplus or deficit.

	Computer Hardware	Total
Balance as at 1 July 2021	-	-
Additions	-	-
Disposals (net accumulated depreciation)	-	-
Depreciation Expense	-	-
<b>Balance as at 30 June 2022</b>	<b>-</b>	<b>-</b>
Balance as at 1 July 2022	-	-
Additions	-	-

Disposals (net of accumulated depreciation)	-	-
Depreciation Expense	-	-
<b>Balance as at 31 December 2022</b>	-	-

## 7. Intangible Assets

### Accounting Policy

#### Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the costs of services, software development employee costs, and an appropriate portion of relevant overheads.

From the 2020-21 year all IRIS development is now treated as operating expenses (previously recognised as property, plant and equipment). All determined IRIS development that will not enhance the asset that was previously recognised as property, plant and equipment has now been expensed in the year.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs of software updates or upgrades are capitalised only when they increase the usefulness or value of the software. Costs associated with development and maintenance of the RSHL website are recognised as an expense when incurred.

#### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired computer software 10 years 10%

Internally developed computer software 10 years 10%

Where software in this category is replaced, upgraded or determined by RSHL to be of no further operational benefit, a change in value will be recognised through the Statement of Comprehensive Revenue and Expense. This change in value will be the difference between the carrying value of the original item and its fair value.

#### Impairment

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, irrespective of whether there is any indicator of impairment.

For further details, refer to the policy for impairment of property, plant, and equipment in Note 6. The same approach applies to the impairment of intangible assets.

Under International Public Sector Accounting Standards (IPSAS) 31 and 21 the management of RSHL is required to consider whether there is an impairment to the suite of intangible assets.

RSHL has considered the external and internal sources of information under IPSAS 21 and considers it likely that on or about 30 June 2027 the current IRIS software platform and attendant e-learning software will be discontinued with no residual value. On this consideration the current IRIS asset and attendant e-learning software has been impaired in 2021 and then further impaired in 2022.

Therefore all software assets will be depreciated so as to have a nil residual value on 30 June 2027. (From the 2020-21 year: to

have no residual value by 30 June 2028).

All assets that will not be impacted by impairment will continue to be depreciated on a straight-line basis at 10% and have no residual value on 30 June 2027.

Impaired assets are depreciated on a straight-line basis at variable rates to have no residual value on 30 June 2027.

The impairment adjustments from the 2022 and the 2021 years will form part of the depreciation expense until 30 June 2027.

All assets that will not be impacted by impairment will continue to be depreciated on a straight-line basis at 10% and have no residual value on 30 June 2027.

Impaired assets will be depreciated on a straight-line basis at variable rates to have no residual value on the 30 June 2027.

The impairment adjustment from the 2021 and 2022 years will form part of the depreciation expense until 30 June 2027.

	<b>E-Learning Software</b>	<b>IRIS Software Intellectual Property</b>	<b>Total</b>
Balance as at 1 July 2021	26,933	3,458,942	3,485,875
Additions	-	72,994	72,994
Disposals (net accumulated amortisation)	-	-	-
Amortisation Expense	(4,491)	(972,781)	(977,272)
<b>Balance as at 30 June 2022</b>	<b>22,442</b>	<b>2,559,155</b>	<b>2,581,597</b>
Balance as at 1 July 2022	22,442	2,559,155	2,581,597
Additions	-	-	-
Disposals (net of accumulated amortisation)	-	-	-
Amortisation Expense	(2,245)	(492,276)	(494,521)
<b>Balance as at 31 December 2022</b>	<b>20,197</b>	<b>2,071,129</b>	<b>2,091,326</b>

At 31 December 2022 the work in progress value of the IRIS Asset is \$Nil (31 December 2021: \$Nil). The work in progress written off has been included in other direct software expenses.

The impairment adjustment of E-Learning Software and IRIS Software Intellectual Property from the 2022 year will form part of the depreciation expense until 30 June 2027.

## 8. Payable and Deferred Revenue

Short term payables are measured at the amount payable.

	<b>31 DEC 22 6 MONTHS UNAUDITED</b>	<b>31 DEC 21 6 MONTHS UNAUDITED</b>	<b>30 JUNE 2023 12 MONTHS SOI</b>	<b>30 JUNE 2022 12 MONTHS UNAUDITED</b>
<b>Payables and accruals</b>				
Accounts Payable	634,529	260,268	-	1,353,349
PAYE Payable	15,766	8,527	-	8,554
Employee Entitlements	34,337	18,971	-	20,088
Accrued Expenses	46,690	15,034	-	28,392
<b>Total Payables and accruals</b>	<b>731,322</b>	<b>302,800</b>	<b>-</b>	<b>1,410,384</b>

	31 DEC 22 6 MONTHS UNAUDITED	31 DEC 21 6 MONTHS UNAUDITED	30 JUNE 2023 12 MONTHS SOI	30 JUNE 2022 12 MONTHS UNAUDITED
<b>9. Equity</b>				
<b>Contributed Capital</b>				
Balance at 1 July	5,149,150	5,149,150	5,149,150	5,149,150
Capital Contribution	-	-	-	-
<b>Balance at end of period</b>	<b>5,149,150</b>	<b>5,149,150</b>	<b>5,149,150</b>	<b>5,149,150</b>
<b>Accumulated Surplus</b>				
Balance at 1 July	(2,558,628)	(1,338,903)	(1,486,366)	(1,338,903)
Surplus/(deficit) for the year	957,453	(239,512)	(651,556)	(1,219,726)
<b>Balance at end of period</b>	<b>(1,601,175)</b>	<b>(1,578,415)</b>	<b>(2,137,922)</b>	<b>(2,558,629)</b>
<b>Total Equity</b>	<b>3,547,975</b>	<b>3,570,735</b>	<b>3,011,228</b>	<b>2,590,521</b>

**10. Contingent Liabilities and Guarantees**

There are no contingent liabilities or guarantees as at 31 December 2022 (Last year - nil).

**11. Related party transactions**

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect RSHL would have adopted in dealing with the party at arm's length in the same circumstances.

Related Party Transactions Significant to RSHL Requiring Disclosure (excluding GST):

Shareholder	Dec 22	Dec 21	Description of Services
Waikato Regional Council	61,792	85,001	Management Services - IRIS PMO Manager
Waikato Regional Council	13,113	-	Reimbursement for travel booked by WRC on behalf of RSHL (not analysed in 2021)
Horizons Regional Council	51,001	-	Reimbursement of Regional Sector Office Costs, funded from the SFMS.
Horizons Regional Council	4,177	-	Reimbursement for travel booked by HRC on behalf of RSHL
Taranaki Regional Council	-	12,068	Management Services

Revenue of \$2,339,744 was received from the shareholder councils as member contribution in 6 months ended 31 December 2022 as outlined in note 1 (Dec 21: \$635,695)

Member contributions were received as follows:

<b>Shareholder</b>	<b>Dec 22</b>	Dec 21
Waikato Regional Council	568,014	223,417
Horizons Regional Council	321,923	108,741
Northland Regional Council	296,879	112,194
Taranaki Regional Council	241,028	82,308
Southland Regional Council	222,528	82,308
West Coast Regional Council	23,851	26,727
Bay of Plenty Regional Council	368,641	-
Hawkes Bay Regional Council	296,879	-

As at 31 December 2022 \$963,109 (Dec 21: \$8,242) was owed to RSHL by Member Councils and \$16,678 (Dec 21: \$24,090 ) was owed by RSHL to Member Councils.



Council  
Collaboration  
Into Action

PO Box 1007, Palmerston North

# Regional Software Holdings Limited

## 2024 Statement of Intent

February 2023  
Version: DRAFT

### 1 Introduction

This Statement of Intent is a declaration of the activities and intentions of Regional Software Holdings Limited (RSHL). The statement outlines the Directors' accountabilities to the shareholders for corporate performance, as is intended by Schedule 8 of the Local Government Act 2002.

#### 1.1 Transition to Regional Sector Shared Services Organisation

The regional sector (Te Uru Kahika<sup>1</sup>) has implemented a regional sector shared services organisation by restructuring RSHL. Existing Te Uru Kahika collaboration and resource sharing has been consolidated within RSHL.

The transition to the new structure occurred during the 2023 financial year.

#### Subsidiaries

RSHL has no subsidiaries or joint ventures.

#### 1.2 Vision

To provide high-quality shared services for Te Uru Kahika (and associated agencies) that delivers value to customers, shareholders and the sector.

#### 1.3 Principles<sup>2</sup>

The Principles of the Company that should be considered when making any decisions relating to the Company are as follows:

- Work for the good of Te Uru Kahika.
- Be transparent and accountable.
- Create value.
- Work smarter, not harder.
- Gain consistency.
- Reduce duplication.
- Be customer centric.
- Recognise and manage shareholder risk.
- Support our people.

#### 1.4 Objectives

In addition to operating the Company with regard to the principles, the primary objectives of the Company are to:

- Ensure the local government sector is better prepared to respond to future challenges.
- Achieve a better return on investment with a focus on quality of outcome and realising the value proposition for the sector.
- Increase credibility of the sector as a trusted deliverer with a unified and consistent sector profile.

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<sup>1</sup> Te Uru Kahika is the collective of the 16 regional councils and unitary authorities that make up the regional sector.

<sup>2</sup> Principles are from section 2 of the RSHL constitution.

- Improve key staff attraction and retention.
- Achieve consistent good practise process across the sector and within councils.

The secondary objectives of RSHL are to:

- achieve the objectives of its Shareholders, both commercial and non-commercial as specified in this Statement of Intent;
- be a good employer;
- exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which the Company operates and by endeavouring to accommodate or encourage these when able to do so.

## 1.5 Values

In all RSHL decisions and interactions the Board and staff, together with sector participants who may be working within the RSHL framework, will observe the following values and ethos:

- We are forward thinking and innovative
- We are responsive and deliver value
- We are professional and accountable
- We are flexible and open

## 2 Nature and Scope of Activities to be Undertaken

RSHL provides a framework for collaboration across Te Uru Kahika. It supports the procurement or development of shared solutions in a manner that provides greater consistency in how we operate. RSHL provides a more cost effective alternative than individual councils can achieve on their own.

The company operates by facilitating collaborative initiatives between councils and through managed contractual arrangements.

RSHL activities are grouped as follows:

IRIS	<p>The IRIS Programme delivers the IRIS software platform to shareholder and customer councils. The IRIS software has been in use for 9 years and is currently in use at 7 councils.</p> <p>The 7 councils actively collaborate on the use of IRIS and the future development roadmap.</p> <p>RSHL and the member councils will replace the IRIS software platform via IRIS NextGen within the next 2-4 years.</p> <p>The IRIS Programme is overseen by the IRIS Advisory Group. This group agrees the roadmap and sets the budgets for the programme.</p>
IRIS Next Generation	<p>RSHL and the member councils will replace the IRIS software platform via IRIS NextGen within the next 2-4 years.</p> <p>9 councils are working with RSHL and Datacom on the delivery of the IRIS NextGen Programme, under a formal partnership agreement.</p> <p>The IRIS NextGen Programme is governed by the IRIS NextGen Steering Group.</p>



	<p>IRIS Next Generation (IRIS NextGen) will be a cloud-based Software as a Service solution (SaaS) based on the Datacom Datascape platform.</p> <p>Over the next two years the IRIS NextGen Programme will:</p> <ul style="list-style-type: none"> <li>• Build the IRIS NextGen software solution</li> <li>• Define and agree a good practice operating model</li> <li>• Commence implementation at two pilot councils.</li> </ul> <p>IRIS NextGen will deliver a modern software platform to councils, including an online customer portal and a mobile field application. Along with the software solution, the programme will implement consistent “good practice” processes for the sector, alongside integrated change management. The IRIS NextGen Solution will:</p> <ul style="list-style-type: none"> <li>• Make council staff work easier</li> <li>• Promote operational excellence and efficiency</li> <li>• Demonstrate collaboration at a sector level</li> <li>• Ensure the development of the technical solution is fit for purpose.</li> </ul>
Environmental Monitoring and Reporting (EMAR)	<p>The objective of EMAR is to improve the collection, accessibility, and presentation of environmental data in New Zealand.</p> <p>The EMAR Programme has three projects.</p> <ul style="list-style-type: none"> <li>• National Environmental Monitoring Standards (NEMS) – Aims to ensure consistency in the way environmental monitoring data is collected and handled throughout New Zealand.</li> <li>• Environmental Data Management System (EDMS) – Aims to provide a single access point to environmental data from multiple sources in a consistent format.</li> <li>• Land, Air Water Aotearoa (LAWA) – Shares data and information to tell the story of our environment.</li> </ul> <p>EMAR is an all-of-sector programme, and includes partner agencies from central government: MfE, StatsNZ and DOC (and others).</p> <p>The EMAR programme is managed by RSHL and governed by the EMAR Steering Group. Each project has it’s own Steering Group who oversee operational activities.</p> <p>The EMAR/LAWA Programme Manager is employed by RSHL and is part of the Regional Sector Programme office. The LAWA project administration (financial and contractual) is managed by RSHL.</p>
Regional Sector Office	<p>The Regional Sector Office supports the activities of Te Uru Kahika and the Regional Sector Special Interest Groups (SIG) network.</p> <p>The Sector Office is made up of three roles:</p> <ul style="list-style-type: none"> <li>• Executive Policy Advisers to the Regional CEOs</li> <li>• Chief Science Advisor</li> <li>• Regional Sector SIG Network Administrator</li> </ul> <p>Sector Office staff are employed by RSHL.</p>
Sector Financial	<p>Under the Sector Financial Management System (SFMS) RSHL is responsible for the management of the funding for regional sector collaborative programmes.</p> <ul style="list-style-type: none"> <li>• Sector Business Plan</li> </ul>

Management System	<ul style="list-style-type: none"> <li>• River Managers Business Plan</li> <li>• River Managers Climate Resilience</li> <li>• ReCoCo Technology Projects</li> <li>• EMaR</li> <li>• Bio Managers</li> <li>• Bio Control</li> <li>• Science Programme</li> <li>• Sector Office Special Projects</li> <li>• Regional Sector Office</li> </ul> <p>RSHL administers the programme:</p> <ul style="list-style-type: none"> <li>• Collects this funding from councils and central government,</li> <li>• Engages staff and suppliers to deliver services to achieve the outcomes from each of the programmes</li> <li>• Reports to Te Uru Kahika on income and expenditure.</li> </ul> <p>The SFMS is an all-of-sector programme.</p>
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## 2.1 Possible Opportunities for Growth

RSHL seeks to increase the value delivered to Te Uru Kahika and councils.

New opportunities will be identified, and priorities set in the Business Plan. Other opportunities may arise and be investigated on a case-by-case basis. New activities will require explicit Board approval.

The potential market for RSHL to offer products and services is New Zealand Regional Councils and Unitary Authorities.

## 3 Board's Approach to Governance

Members of RSHL's Board of Directors are appointed by the shareholders to govern and direct RSHL's activities.

The board is made up of 6 non-independent and 2 independent directors.

Each year 2 Directors retire by rotation and the shareholders appoint replacements at the Annual General Meeting to be held before 30 December each year.

The Board is the overall final body responsible for all decision-making within the company. The Board is accountable to its shareholders for the financial and non-financial performance of the company.

Directors' behaviour is to comply with Institute of Directors' standards for Code of Conduct. The purpose of the code is to clarify how the Board of Directors shall define and deal with:

- The role and fundamental obligations of the Board
- Independence and conflict of interest, including conflict with management
- Board procedures, including the role of the Chairman and interaction with the Chief Executive
- Reliance on information and independent advice
- Confidentiality of company information
- Board and Director performance review and development

RSHL will conduct itself in accordance with its Constitution, its annual Statement of Intent agreed with shareholders, the provisions of the Local Government Act 2002 and the Companies Act 1993.

#### **4 Accounting Policies**

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP), the Financial Reporting Act 1993 and the NZ PBE's Tier 2.

Appendix 1 includes RSHL's Accounting Policies.

## 5 Performance Targets and Other Measures

Performance targets by which the success of the company may be judged in relation to its objectives are:

		2023/24	2024/25	2025/26
Non Financial	Undertake an annual survey of IRIS NextGen users in Participating Councils in relation to product performance, Datacom support and RSHL Programme Management. Provide a summary of the survey results in the annual report, including performance against the baseline. Survey results to be the same or better than the previous year.	Complete baseline survey.	Complete survey. Results to be better than previous year.	Complete survey. Results to be better than previous year.
	Budgets for IRIS support and development are approved by the IRIS Advisory Group and Board by 30 June each year. Delivery within these budgets is effectively managed by the Advisory Group and the Chief Executive	Applies each year		
	Be an effective service delivery vehicle for regional council sector shared programmes under the Sector Financial Management System.  Revenue and Expenditure for SFMS Programmes are within budget, with any variations approved by the RCEOs.  Annual Survey of Programme Leads in relation to SFMS Management presented to RCEOs in June. Survey results to be the same or better than the previous year.	Complete baseline survey.	Results to be better than previous year.	Results to be better than previous year.
	Effectively support the activities of the Te Uru Kahika through the Regional Sector Office. Annual survey of RCEOs in relation to performance of the sector office presented to RCEOs in June. Survey results to be the same or better than the previous year.	Applies every year.		
	Budgets for EMAR are approved by the EMAR Steering Group by 30 June each year, and delivery within these budgets is effectively managed by the EMAR Project Manager	Applies every year.		
	Be a service delivery vehicle for wider regional council sector and related bodies information management programmes and related shared services.  Projects to be delivered on time and on budget as agreed in each of the Statements of Work between RSHL and the relevant regional sector group.	Applies each year		

Financial	RSHL will operate within approved budget, with any material variations approved by the relevant governance group. <ul style="list-style-type: none"> <li>• RSHL Overheads – RSHL Board.</li> <li>• IRIS NextGen Programme – IRIS NextGen Steering Group</li> <li>• IRIS Programme – IRIS Advisory Group</li> <li>• Sector Financial Management System – RCEOs Group</li> </ul>	Applies each year
	Annual charges for shareholders and customers to be at the level approved by the relevant governance group. Based upon the approved operating budget and budgets. <ul style="list-style-type: none"> <li>• RSHL Overheads – RSHL Board.</li> <li>• IRIS NextGen Programme – IRIS NextGen Steering Group</li> <li>• IRIS Programme – IRIS Advisory Group</li> <li>• Sector Financial Management System – RCEOs Group</li> </ul>	Applies each year
Growth	Monitor the regional sector and explore/respond to opportunities to expand the customer and/or shareholder base of RSHL.	Applies each year
	Work with the Te Uru Kahika Network to develop shared service opportunities.	Applies each year
	Engage with councils in the regional sector to increase the scope of the usage of shared solutions.  The objective is to increase the number of councils using the solutions, and the breadth of the solution in use.	Applies each year

## 6 Distribution of Profits to Shareholders

RSHL does not have an objective to make a profit. It seeks to provide products and services at lower costs, and / or higher levels of service than shareholder councils can achieve on their own.

In order for RSHL to be subject to tax, generally it must meet the business test. Fundamental to this is a profit motive. Given the basis under which this CCO operates is to minimise the costs and generally operate on a cost recovery basis and that a pecuniary profit is not intended and highly unlikely, the lack of a profit motive is real.

As a CCO, RSHL is required to be subject to tax on its income. Under tax law, RSHL is considered to be a business which is carried on for the purpose of profit. However, RSHL operates on a cost recovery basis and seeks to minimise costs to customers. Because of this the company is unlikely to operate at a profit.

## 7 Information to Be Provided to the Shareholders

The company will deliver the following Statements to shareholders:

- Within two months of the end of the first half of the financial year the following unaudited statements: Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows and Service Performance.

- Within two months of the end of the financial year the following audited<sup>3</sup> statements: Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows, Service Performance plus a summary of how the company has fared against its objectives and prospects for the next financial year, and a report on the company's medium to long-term plans.
- The Directors shall approve by 1 March of each year a Draft Statement of Intent for the consideration of shareholders. The Directors must then consider any comments on the Draft Statement of Intent that are made by the shareholders and deliver the completed Statement of Intent to the shareholders by 30 June each year.
- Preparation of a draft Business Plan will begin each November, for the financial year that commences on the following June. This early preparation is to allow Shareholder Councils the ability to include any changes in Annual Fees, or any other form of financial impact, in their budget processes. The Board are to approve the business plan by the end of June prior to the commencement of the new financial year.
- Any new developments which have not been covered in the statement of corporate intent for the year. Including, but not limited to, an update on any outcomes arising from any changes in shareholding, including the effect on individual Council's shareholdings and apportionment of costs.
- Details of possible scenarios that might be foreseen that could result in annual fees increasing above approved budgets.
- Any other information which would normally be available to a shareholder, thereby enabling the shareholder to assess the value of its investment in the company.

## 8 Procedures for Major Transactions and Other Acquisitions and Disposals

The Company will not enter into major transactions as defined in Section 129(2) of the Companies Act 1993 without the consent of the shareholders.

## 9 Procedures for Issue of Shares

The RSHL shareholder agreement requires the approval 75% of the Directors of the company for "the issuing or acquisition of any Shares or any change to the rights attaching to any Shares".

## 10 Activities for Which Compensation Is Sought

Payment of annual fees will be sought for the following activities:

Sector Financial Management System.	<p>Payment of annual contributions will be sought from all Te Uru Kahika councils for the operation of the Programmes in the Sector Financial Management System.</p> <p>For some programmes, addition contributions may be sought from other local government organisations and government ministries.</p> <p>Contributions will be according to the agreed models. This activity includes:</p> <ul style="list-style-type: none"> <li>• Sector Business Plan</li> <li>• River Managers Business Plan</li> <li>• River Managers Climate Resilience</li> <li>• ReCoCo Technology Projects</li> <li>• EMaR</li> <li>• Bio Managers</li> <li>• Bio Control</li> </ul>
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<sup>3</sup> Delivery of audited statements is subject to availability of suitably qualified auditors from AuditNZ.

	<ul style="list-style-type: none"> <li>• Science Programme</li> <li>• Sector Office Special Projects</li> <li>• Regional Sector Office</li> </ul> <p>The funding contributions for the Sector Office, EMAR and the most of the SFMS programmes is based on the size of the Council. The total amounts to be collected vary year to year based on the work programmes.</p> <table border="1" data-bbox="472 510 1230 927"> <thead> <tr> <th>Tier 1 – 9.4% each</th> <th>Tier 2 – 6.2% each</th> <th>Tier 3 – 3.2% each</th> </tr> </thead> <tbody> <tr> <td>Auckland Council</td> <td>Horizons RC</td> <td>Tasman DC</td> </tr> <tr> <td>Environment Canterbury</td> <td>Otago RC</td> <td>Nelson City Council</td> </tr> <tr> <td>Greater Wellington RC</td> <td>Hawkes Bay RC</td> <td>Gisborne DC</td> </tr> <tr> <td>Waikato RC</td> <td>Northland RC</td> <td>Marlborough DC</td> </tr> <tr> <td>Bay of Plenty RC</td> <td>Taranaki RC</td> <td>West Coast RC</td> </tr> <tr> <td></td> <td>Environment Southland</td> <td></td> </tr> <tr> <td><b>Total 47%</b></td> <td><b>Total 37%</b></td> <td><b>Total 16%</b></td> </tr> </tbody> </table> <p>BioControl, Climate Change Resilience and the Science Programme have custom funding models based on the value of the programmes to the region.</p> <p>The budget and funding arrangements for the SFMS are documented in the SFMS Briefing Paper which is approved with the Te Uru Kahika Business Plan before the start of each financial year.</p>	Tier 1 – 9.4% each	Tier 2 – 6.2% each	Tier 3 – 3.2% each	Auckland Council	Horizons RC	Tasman DC	Environment Canterbury	Otago RC	Nelson City Council	Greater Wellington RC	Hawkes Bay RC	Gisborne DC	Waikato RC	Northland RC	Marlborough DC	Bay of Plenty RC	Taranaki RC	West Coast RC		Environment Southland		<b>Total 47%</b>	<b>Total 37%</b>	<b>Total 16%</b>
Tier 1 – 9.4% each	Tier 2 – 6.2% each	Tier 3 – 3.2% each																							
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Environment Canterbury	Otago RC	Nelson City Council																							
Greater Wellington RC	Hawkes Bay RC	Gisborne DC																							
Waikato RC	Northland RC	Marlborough DC																							
Bay of Plenty RC	Taranaki RC	West Coast RC																							
	Environment Southland																								
<b>Total 47%</b>	<b>Total 37%</b>	<b>Total 16%</b>																							
IRIS	<p>Payment of an Annual Fee for IRIS will be sought from all councils that use the Software for annual support and development fees, as set out in the License Agreement.</p> <p><b>Proportion of Contributions to the IRIS Programme</b> Contributions for IRIS will be collected in the following proportions.</p> <table border="1" data-bbox="416 1438 1018 1722"> <thead> <tr> <th>Shareholder</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Waikato Regional Council</td> <td>36.78%</td> </tr> <tr> <td>Northland Regional Council</td> <td>13.55%</td> </tr> <tr> <td>Horizons Regional Council</td> <td>18.17%</td> </tr> <tr> <td>Taranaki Regional Council</td> <td>13.55%</td> </tr> <tr> <td>Southland Regional Council</td> <td>13.55%</td> </tr> <tr> <td>West Coast Regional Council</td> <td>4.4%</td> </tr> <tr> <td><b>Total</b></td> <td><b>100%</b></td> </tr> </tbody> </table>	Shareholder	Percentage	Waikato Regional Council	36.78%	Northland Regional Council	13.55%	Horizons Regional Council	18.17%	Taranaki Regional Council	13.55%	Southland Regional Council	13.55%	West Coast Regional Council	4.4%	<b>Total</b>	<b>100%</b>								
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<b>Total</b>	<b>100%</b>																								
IRIS Next Generation	<p>The IRIS NextGen Partnership agreement sets out the funding to be collected from each participating council and the activities that the funds will be used for. The 9 Participating Councils share the programme costs of the IRIS NextGen programme according to the following contribution model:</p> <table border="1" data-bbox="403 1924 1273 2000"> <thead> <tr> <th>Large Councils</th> <th>Medium Councils</th> <th>Small Councils</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Large Councils	Medium Councils	Small Councils																					
Large Councils	Medium Councils	Small Councils																							

<b>17.93% per council (Total 35.87%)</b>	<b>10.87% per council (Total 43.48%)</b>	<b>4.35% per council (Total 4.35%)</b>
Waikato Regional Council Bay of Plenty Regional Council	Horizons Regional Council Otago Regional Council Northland Regional Council Hawke's Bay Regional Council	Nelson City Council
	<b>8.15% per council (Total 16.30%)</b>	
	Taranaki Regional Council Environment Southland	

Over the 10-year term of the Partnership Agreement, the programme costs are expected to total ~\$25.7 million.

Programme costs are budgeted and approved by the IRIS NextGen Steering Group annually. Programme costs include:

- Datacom software solution delivery
- Datacom programme management
- Datacom support and maintenance
- Datacom council implementation costs
- Datacom Good Practice Process Operating Model development
- RSHL programme management
- RSHL travel and meeting expenses
- Datacom travel and meeting expenses
- RSHL Overheads

The programme costs outlined above do not include programme contingency. The circumstances under which Programme Contingency may be required will be agreed by the Programme Steering Group via an annual risk assessment. RSHL will not invoice Participating Councils for contingency until it is required.

In addition to the shared programme costs stated above, each Participating Council will directly incur costs. These costs are the responsibility of each Participating Council and will not be shared according to the council contribution model.



RSHL Overhead Costs	Overhead costs are costs that cannot be allocated to a specific work programme.			
	All work programmes will contribute to overhead costs of RSHL, with the proportion of the contribution based on actual revenue in that financial year.			
	In the 2024 Financial year the budgeted proportion of overheads to each programme is as follows:			
		2023/24	2024/25	2025/26
	IRIS	11%	13%	7%
IRIS NextGen	50%	43%	50%	
SFMS	39%	44%	44%	

It is noted that other products or services may be delivered by RSHL. Any such services will only be delivered after the Directors have considered each individual business case including the proposed budget and agreed that the proposed service meets the objectives of RSHL.

Any ongoing activities to identify, develop or procure additional products or services will be budgeted for in advance, subject to a business case. The subsequent recovery of costs will be agreed on a case-by-case basis.

## 11 Estimate of Commercial Value of The Shareholder's Investment

The Directors' estimate of the commercial value of the Shareholders' investment in RSHL and any subsidiary companies is equal to the Shareholders' equity in the Company. Reassessment of the value of this shareholding shall be undertaken on or about 30 June each year.

## 12 Shareholding

Regional Software Holdings Limited (RSHL) was formed on 17 October 2012. At the time of formation, the company issued 10,000 shares to its shareholders based on a previously agreed sizing formula.

As part of the restructure of the Company and adoption of a new shareholders' agreement and constitution the Company:

- Issued a single Class A "Controlling" Share to each existing shareholder of the Company.
- created a Class B shareholding which will hold the ownership rights over IRIS classic. All Ordinary Shares in the Company were converted to Class B Shares. This enabled the founding shareholders to retain their rights and ownership of the IRIS asset and to reduce the impact of the transition the current shareholding.
- Issued a single Class A share to Bay of Plenty Regional Council, Gisborne District Council and Hawkes Bay Regional Council on completion of the necessary processes and documents.

The current shareholding of the Company is as follows.

Organisation	Class A (Control) Shares	Class B (IRIS) Shares
Waikato Regional Council	1	3,275
Northland Regional Council	1	1,675
Horizons Regional Council	1	1,550
Taranaki Regional Council	1	1,550
Southland Regional Council	1	1,550
West Coast Regional Council	1	400
Bay of Plenty Regional Council	1	
Gisborne District Council	1	
Hawkes Bay Regional Council	1	

### 13 FY2024-26 Budgets.

The draft budget provided in this Statement of Intent are based on the latest draft budget information from each activity. Confirmed budgets for each programme, and for RSHL Overheads will be included in the final version of the Statement of Intent in June.

#### 13.1 Budgeting process.

Budgets are structured into four activities. Each of these activities receives funding from a different group of organisations, with different funding models and governance.

Activity	Governance	Contractual Basis	Funded by
IRIS NextGen	IRIS NextGen Steering Group.	IRIS NextGen Partnership Agreement.	9 Participant councils.
IRIS	IRIS Advisory Group	IRIS Advisory Group Terms of Reference.	7 Participating Councils.
SFMS	Te Uru Kahika RCEOs Group.	ReCoCo MOU.	16 participating councils, and government entities.

- The IRIS NextGen Partnership agreement stipulates that they will prepare a draft budget in February and final budget in June. This aligns with the SOI Process.
- For IRIS, common practice is to prepare a budget when the SOI budget is developed which is then ratified with participating councils.
- Budget setting for the SFMS is driven from the Te Uru Kahika Business Plan. Planning is coordinated by the Principal Advisors to the RCEOs.

## 13.2 Consolidated Statement of Financial Performance

For the 12 Months to 30 June 2024

2022/23		Notes	2023/24	2024/25	2025/26
Budget	Income		SOI	Indicative	Indicative
1,231,038	IRIS Programme		999,736	1,064,765	503,317
415,251	IRIS NextGen Programme		5,000,000	3,914,913	4,581,495
2,671,656	Sector Work Programmes		3,856,374	3,959,656	4,050,143
129,000	Central Government Funding		138,820	138,820	138,820
<u>4,446,945</u>			<u>9,994,930</u>	<u>9,078,155</u>	<u>9,273,775</u>
				-	-
	<u>Other Income</u>				
600	Interest Received		600	600	600
128,715	Council Specific Software Funding		128,173	132,018	135,055
<u>129,315</u>			<u>128,773</u>	<u>132,618</u>	<u>135,655</u>
<b>4,576,260</b>	<b>Total Income</b>		<b>10,123,704</b>	<b>9,210,773</b>	<b>9,409,430</b>
	<b>Expenditure</b>				
35,600	Administration costs		35,700	36,662	37,351
66,370	Accounting & Technical Support		39,100	41,033	42,270
85,000	Audit & Legal fees		75,000	77,800	80,221
275,340	Datacom Support Services (IRIS)		247,000	262,500	330,000
529,966	Technology Services		5,164,138	3,662,472	3,910,470
63,768	IT Hosting Charges		142,000	144,650	146,953
-	Finance Costs		-	-	-
-	Secondments		60,000	230,400	-
778,000	Personnel Costs		905,000	910,500	931,442
84,000	Promotional Costs		91,000	83,250	82,027
37,000	Independent Director's Fees		72,000	74,160	75,866
34,500	Travel & Meeting Costs		116,000	116,990	117,772
128,715	Council Specific Software Purchases		128,173	132,018	135,055
2,000	Other Direct Software		12,000	12,500	12,788
2,128,000	Consultants		3,215,000	3,308,450	3,382,244
<u>4,248,260</u>			<u>10,302,111</u>	<u>9,093,385</u>	<u>9,284,457</u>
	<u>Other Expenditure</u>				
979,556	Depreciation		468,705	400,429	354,460
<b>5,227,816</b>	<b>Total Expenditure</b>		<b>10,770,816</b>	<b>9,493,814</b>	<b>9,638,917</b>
<b>(651,556)</b>	<b>Surplus/ (Deficit) before tax</b>		<b>(647,113)</b>	<b>(283,041)</b>	<b>(229,487)</b>
	Income Tax Expense				
<b>(651,556)</b>	<b>Surplus/(Deficit) after Tax</b>		<b>(647,113)</b>	<b>(283,041)</b>	<b>(229,487)</b>

**13.3 Consolidated Statement of Financial Position as at 30 June 2024**

2022/23 Budget	Notes	2023/24 SOI	2024/25 Indicative	2025/26 Indicative
	<b>ASSETS</b>			
	<b>Current assets</b>			
899,799	Funds - IRIS Programme	899,799	899,799	899,799
-	Funds - IRIS NextGen Programme	(178,408)	(61,020)	63,954
-	Funds - Sector Work Programmes			
<u>899,799</u>	<b>Total Bank Accounts and Cash</b>	<u>721,391</u>	<u>838,779</u>	<u>963,753</u>
	Debtors and Prepayments			
-	Accrued Revenues	-		
-	GST receivable	-	-	-
-	Tax receivable (payable)	-	-	-
	<b>Non Current Assets</b>			
2,111,430	Property, Plant & Equipment - IRIS Only	1,642,725	1,242,296	887,836
<u>3,011,229</u>	<b>Total Assets</b>	<u>2,364,116</u>	<u>2,081,075</u>	<u>1,851,589</u>
	<b>LIABILITIES</b>			
	<b>Current liabilities</b>			
-	Creditors and Accrued Expenses	-	-	-
-	Income Received in Advance	-	-	-
	GST payable			
	<b>Non Current Liabilities</b>			
	Borrowings	-	-	-
<u>-</u>	<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<u><b>3,011,229</b></u>	<b>NET ASSETS</b>	<u><b>2,364,116</b></u>	<u><b>2,081,075</b></u>	<u><b>1,851,589</b></u>

**REPRESENTED BY:**

2022/23 Budget		2023/24 SOI	2024/25 Indicative	2025/26 Indicative
	<b>Equity</b>			
5,149,150	Equity	5,149,150	5,149,150	5,149,150
- 651,556	Current Year Earnings	- 647,113	- 283,041	- 229,487
- 1,486,366	Retained Earnings	- 2,137,922	- 2,785,035	- 3,068,076
<u><b>3,011,228</b></u>	<b>Total Equity</b>	<u><b>2,364,116</b></u>	<u><b>2,081,075</b></u>	<u><b>1,851,587</b></u>

**Statement of Movement in Equity**

3,662,784	Opening Equity	3,011,228	2,364,116	2,081,075
(651,556)	Comprehensive income for the year	(647,113)	(283,041)	(229,487)
<u><b>3,011,228</b></u>	<b>Total Equity</b>	<u><b>2,364,116</b></u>	<u><b>2,081,075</b></u>	<u><b>1,851,587</b></u>
102%	equity to assets (>60%)	100%	100%	100%

## 13.4 Consolidated Statement of Cash Flows

## For the 12 Months to 30 June 2024

2022/23 Budget	Notes	2023/24 SOI	2024/25 Indicative	2025/26 Indicative
<b>Cashflows from Operating Activities</b>				
<b>Cash received from:</b>				
4,575,660		10,123,104	9,210,173	9,408,830
-		-	-	-
600		600	600	600
-		-	-	-
<b>4,576,260</b>		<b>10,123,704</b>	<b>9,210,773</b>	<b>9,409,430</b>
<b>Cash applied to:</b>				
4,248,260		10,302,111	9,093,385	9,284,457
-		-	-	-
-		-	-	-
<b>4,248,260</b>		<b>10,302,111</b>	<b>9,093,385</b>	<b>9,284,457</b>
<b>328,000</b>		<b>(178,408)</b>	<b>117,388</b>	<b>124,973</b>
<b>Cashflow from Investing Activities</b>				
<b>Cash received from:</b>				
-		-	-	-
-		-	-	-
-		-	-	-
<b>328,000</b>		-	-	-
-		-	-	-
<b>328,000</b>		-	-	-
<b>- 328,000</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Cashflow from Financing Activities</b>				
<b>Cash received from:</b>				
-		-	-	-
-		-	-	-
-		-	-	-
<b>328,000</b>		-	-	-
-		-	-	-
<b>328,000</b>		-	-	-
<b>- 328,000</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash-flow for the year</b>				
<b>899,799</b>		<b>178,408</b>	<b>117,388</b>	<b>124,973</b>
<b>899,799</b>		<b>899,799</b>	<b>721,391</b>	<b>838,779</b>
<b>899,799</b>		<b>721,391</b>	<b>838,779</b>	<b>963,752</b>
<b>Made up of:</b>				
25,000		25,000	25,000	25,000
874,799		696,391	813,779	938,752
<b>899,799</b>		<b>721,391</b>	<b>838,779</b>	<b>963,752</b>
<b>Funds by Activity:</b>				
<b>899,799</b>		<b>899,799</b>	<b>899,799</b>	<b>899,799</b>
-		<b>178,408</b>	<b>61,020</b>	<b>63,954</b>
-		-	-	-
<b>899,799</b>		<b>721,391</b>	<b>838,779</b>	<b>963,753</b>

### 13.5 IRIS Programme Activity - Statement of Financial Performance

For the 12 Months to 30 June 2024

2022/23		Notes	2023/24	2024/25	2025/26
Budget	Income		SOI	Indicative	Indicative
<u>1,231,038</u>	IRIS Programme		<u>999,736</u>	<u>1,064,765</u>	<u>503,317</u>
1,231,038			999,736	1,064,765	503,317
	<u>Other Income</u>				
600	Interest Received		-	-	-
<u>128,715</u>	Council Specific Software Funding		<u>128,173</u>	<u>132,018</u>	<u>135,055</u>
129,315			128,173	132,018	135,055
<b>1,360,353</b>	<b>Total Income</b>		<b>1,127,910</b>	<b>1,196,784</b>	<b>638,372</b>
	<b>Expenditure</b>				
3,451	Administration costs		-	-	-
18,922	Accounting & Technical Support		-	-	-
32,829	Audit & Legal fees		-	-	-
275,340	Datacom Support Services (IRIS)		247,000	262,500	330,000
359,966	Technology Services		578,160	613,200	-
23,768	IT Hosting Charges		87,000	88,000	89,000
-	Finance Costs		-	-	-
-	Secondments		-	-	-
167,829	Personnel Costs		55,000	63,150	64,753
4,562	Promotional Costs		-	-	-
10,549	Independent Director's Fees		-	-	-
4,421	Travel & Meeting Costs		1,000	1,000	1,000
128,715	Council Specific Software Purchases		128,173	132,018	135,055
2,000	Other Direct Software		2,000	2,200	2,251
-	Consultants		-	-	-
	Overhead Recovery - Expense		<u>29,576</u>	<u>34,715</u>	<u>16,314</u>
<u>1,032,353</u>			<u>1,127,910</u>	<u>1,196,784</u>	<u>638,372</u>
	<u>Other Expenditure</u>				
<u>979,556</u>	Depreciation		<u>468,705</u>	<u>400,429</u>	<u>354,460</u>
<b>2,011,909</b>	<b>Total Expenditure</b>		<b>1,596,615</b>	<b>1,597,213</b>	<b>992,832</b>
<b>(651,556)</b>	<b>Surplus/ (Deficit) before tax</b>		<b>(468,705)</b>	<b>(400,429)</b>	<b>(354,460)</b>
	Income Tax Expense				
<u>(651,556)</u>	<b>Surplus/(Deficit) after Tax</b>		<u>(468,705)</u>	<u>(400,429)</u>	<u>(354,460)</u>

### 13.6 IRIS NextGen Programme Activity - Statement of Financial Performance

For the 12 Months to 30 June 2024

2022/23		Notes	2023/24	2024/25	2025/26
Budget	Income		SOI	Indicative	Indicative
-	IRIS Programme		-	-	-
415,251	IRIS NextGen Programme		5,000,000	3,914,913	4,581,495
-	Sector Work Programmes		-	-	-
-	Central Government Funding		-	-	-
<u>415,251</u>			<u>5,000,000</u>	<u>3,914,913</u>	<u>4,581,495</u>
	<u>Other Income</u>				
-	Interest Received		-	-	-
-	Council Specific Software Funding		-	-	-
<u>-</u>			<u>-</u>	<u>-</u>	<u>-</u>
<b>415,251</b>	<b>Total Income</b>		<b>5,000,000</b>	<b>3,914,913</b>	<b>4,581,495</b>
	<b>Expenditure</b>				
962	Administration costs		-	-	-
6,383	Accounting & Technical Support		-	-	-
24,328	Audit & Legal fees		20,000	20,000	20,000
-	Datacom Support Services (IRIS)		-	-	-
160,000	Technology Services		4,570,978	3,033,822	3,894,664
-	IT Hosting Charges		-	-	-
-	Finance Costs		-	-	-
-	Secondments		60,000	230,400	-
209,328	Personnel Costs		325,000	331,300	338,279
1,539	Promotional Costs		-	-	-
3,558	Independent Director's Fees		-	-	-
9,154	Travel & Meeting Costs		48,000	48,000	48,000
-	Council Specific Software Purchases		-	-	-
-	Other Direct Software		2,000	2,060	2,107
-	Consultants		-	-	-
-	Overhead Recovery - Expense		152,430	131,943	153,471
<u>415,251</u>			<u>5,178,408</u>	<u>3,797,525</u>	<u>4,456,521</u>
	<u>Other Expenditure</u>				
-	Depreciation		-	-	-
<b>415,251</b>	<b>Total Expenditure</b>		<b>5,178,408</b>	<b>3,797,525</b>	<b>4,456,521</b>
-	<b>Surplus/ (Deficit) before tax</b>		<b>(178,408)</b>	<b>117,388</b>	<b>124,974</b>
	Income Tax Expense				
-	<b>Surplus/(Deficit) after Tax</b>		<b>(178,408)</b>	<b>117,388</b>	<b>124,974</b>



### 13.7 Sector Financial Management System Activity- Statement of Financial Performance

For the 12 Months to 30 June 2024

2022/23		Notes	2023/24	2024/25	2025/26
Budget	Income		SOI	Indicative	Indicative
2,671,656	Sector Work Programmes		3,856,374	3,959,656	4,050,143
129,000	Central Government Funding		138,820	138,820	138,820
<u>2,800,656</u>			<u>3,995,194</u>	<u>4,098,476</u>	<u>4,188,963</u>
	<u>Other Income</u>				
-	Interest Received		-	-	-
-	Council Specific Software Funding		-	-	-
<u>-</u>			<u>-</u>	<u>-</u>	<u>-</u>
<b>2,800,656</b>	<b>Total Income</b>		<b>3,995,194</b>	<b>4,098,476</b>	<b>4,188,963</b>
	<b>Expenditure</b>				
31,187	Administration costs		25,000	25,750	26,342
41,065	Accounting & Technical Support		-	-	-
27,843	Audit & Legal fees		15,000	16,350	17,416
-	Datacom Support Services (IRIS)		-	-	-
10,000	Technology Services		15,000	15,450	15,805
40,000	IT Hosting Charges		55,000	56,650	57,953
-	Finance Costs		-	-	-
-	Secondments		-	-	-
400,843	Personnel Costs		420,000	407,050	416,791
77,900	Promotional Costs		75,000	77,250	79,027
22,893	Independent Director's Fees		-	-	-
20,925	Travel & Meeting Costs		50,000	50,690	50,235
-	Council Specific Software Purchases		-	-	-
-	Other Direct Software		7,000	7,210	7,376
2,128,000	Consultants		3,215,000	3,308,450	3,382,244
-	Overhead Recovery - Expense		118,194	133,626	135,774
<u>2,800,656</u>			<u>3,995,194</u>	<u>4,098,476</u>	<u>4,188,963</u>
	<u>Other Expenditure</u>				
-	Depreciation		-	-	-
<u>-</u>			<u>-</u>	<u>-</u>	<u>-</u>
<b>2,800,656</b>	<b>Total Expenditure</b>		<b>3,995,194</b>	<b>4,098,476</b>	<b>4,188,963</b>
-	<b>Surplus/ (Deficit) before tax</b>		<u>-</u>	<u>-</u>	<u>-</u>
	Income Tax Expense				
-	<b>Surplus/(Deficit) after Tax</b>		<u>-</u>	<u>-</u>	<u>-</u>

### 13.8 RSHL Overheads Activity - Statement of Financial Performance

For the 12 Months to 30 June 2024

2022/23 Budget	Income	Notes	2023/24 SOI	2024/25 Indicative	2025/26 Indicative
	<u>Other Income</u>				
-	Interest Received		600	600	600
-			600	600	600
-	<b>Total Income</b>		<b>600</b>	<b>600</b>	<b>600</b>
	<u>Expenditure</u>				
-	Administration costs		10,700	10,912	11,009
-	Accounting & Technical Support		39,100	41,033	42,270
-	Audit & Legal fees		40,000	41,450	42,805
-	Datacom Support Services (IRIS)		-	-	-
-	Technology Services		-	-	-
-	IT Hosting Charges		-	-	-
-	Finance Costs		-	-	-
-	Secondments		-	-	-
-	Personnel Costs		105,000	109,000	111,619
-	Promotional Costs		16,000	6,000	3,000
-	Independent Director's Fees		72,000	74,160	75,866
-	Travel & Meeting Costs		17,000	17,300	18,537
-	Council Specific Software Purchases		-	-	-
-	Other Direct Software		1,000	1,030	1,054
-	Consultants		-	-	-
-			300,800	300,885	306,159
	<u>Other Expenditure</u>				
-	Depreciation		-	-	-
-	<b>Total Expenditure</b>		<b>300,800</b>	<b>300,885</b>	<b>306,159</b>
-	<b>Surplus/ (Deficit) before tax</b>		<b>(300,200)</b>	<b>(300,285)</b>	<b>(305,559)</b>
	Income Tax Expense				
-	<b>Surplus/(Deficit) after Tax</b>		<b>(300,200)</b>	<b>(300,285)</b>	<b>(305,559)</b>

## Appendix 1: Accounting Policies

### 1 General Information

#### Reporting Entity

Regional Software Holdings Limited (RSHL) is a Council Controlled Organisation (CCO). Owned as follows:

Organisation	Class A (Control) Shares	Class B (IRIS) Shares
Waikato Regional Council	1	3,275
Northland Regional Council	1	1,675
Horizons Regional Council	1	1,550
Taranaki Regional Council	1	1,550
Southland Regional Council	1	1,550
West Coast Regional Council	1	400
Bay of Plenty Regional Council	1	
Gisborne District Council	1	
Hawkes Bay Regional Council	1	

RSHL was incorporated on 17 October 2012.

RSHL was originally incorporated for the purposes of managing the investment and development of IRIS Software. RSHL now exists for the purpose of supporting collaborative and shared services projects for Te Uru Kahika. RSHL has designated itself a Public Benefit Entity (PBE), in keeping with the designation of the shareholders.

#### Public Benefit Entity Simple Format Reporting

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 2 entity. RSHL is not publicly accountable, and expenditure is not higher than \$30 million. These financial statements comply with PBE standard.

#### Basis of Preparation of the Financial Statements

The prospective financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period. The financial statements will be prepared on a historical cost basis.

#### Statement of Compliance

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The financial statements have been prepared to comply with Tier 2 Public Benefit Entity (PBE) Standards. RSHL is not publicly accountable and expenditure is not higher than \$30 million.

These financial statements comply with PBE Standards.

### **Presentation Currency and Rounding**

The prospective financial statements have been prepared in New Zealand dollars and there will be rounding in the numbers in the financial statements, as the financial model used calculates to the cent but the annual report is rounded to the nearest dollar.

The functional currency of RSHL is New Zealand dollars.

The reporting period for these prospective financial statements is the year ending 30 June.

## **2 Summary of Significant Accounting Policies**

### **Revenue**

Revenue is measured at the fair value of consideration received or receivable.

Members Contributions and Other forms of Revenue (excluding investment revenue), including fees, charges, and other revenues are recognised on an accrual basis.

Interest revenue is recorded as it is earned.

### **Expenditure**

Expenditure is recognised on an accrual basis when the service was provided, or the goods received.

Costs associated with maintaining the IRIS software suite are recognised as an expense when incurred.

### **Bank Accounts and Cash**

Cash and cash equivalents include cash on hand, on demand or call deposits, other short-term deposits with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are presented as a current liability in the Statement of Financial Position.

### **Debtors**

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

### **Inventories**

Inventory is initially recorded at cost. Goods held for sale are subsequently measured at the lower of cost and their selling process. Goods for use or distribution are subsequently measured at cost and written down if they become obsolete.

### **Goods and Services Tax (GST)**

RSHL is registered for GST; these financial statements are presented net of GST, except for receivables and payables which are inclusive of GST. Where GST paid is not recoverable, due to it relating to exempt items, the GST inclusive amount is recognised as part of the related asset or expense including the GST relating to investing and financing activities.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or recovered from, the Inland Revenue Department is recognised as an item in operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### **Income Tax**

Income tax expenses calculated using the taxes payable method. As a result no allowance is made

for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

**Creditors and Accrued Expenses**

Creditors and accrued expenses are measured at the amount owed.

**Property, Plant and Equipment***Software acquisition and development*

Costs that are directly associated with the development of software owned by RSHL or its subsidiaries are recognised as property, plant and equipment.

*Depreciation*

Depreciation begins when the asset is available for use and ceases at the date that the asset is derecognised. The depreciation charge for each period is recognised through the Statement of Financial Performance.

The carrying value is depreciated on a straight-line basis over its useful life. The default useful life and associated depreciation rate for the developed software is 10 years and 10%. If an alternative rate is used this will be noted in the financial statements.

Where software in this category is replaced, upgraded or determined by RSHL to be of no further operational benefit, a change in value will be recognised through the Statement of Financial Performance. This change in value will be the difference between the carrying value of the original item and its fair value.

**Critical Accounting Estimates and Assumptions**

In preparing these financial statements, RSHL has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

**Additional Disclosure**

The Companies Act 1993 requires disclosure of the amount of donations, audit fees, fees for other services from the auditor, and the number of employees of the company who received remuneration and other benefits above \$100,000 per annum, in brackets of \$10,000.

Note For Information: Requirements for Statement of Intent

Source: Office of the Auditor General

<http://www.oag.govt.nz/2007/corporate-intent/appendix2.htm>

Item	Section
Statement of intent	This document
Coverage over three financial years and updated annually	1 & 7 & 5
Objectives of the group	2
A statement of the board's approach to governance	3
Nature and scope of the activities to be undertaken	1
Accounting policies	4
Performance targets and other measures by which the performance of the group may be judged in relation to its objectives	5
An estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders	6
The kind of information to be provided to the shareholders/ shareholding Ministers by the organisation during the course of the next three financial years	7 (Shareholders)
Procedures to be followed before any member or the group subscribes for, purchases, or otherwise acquires shares in any company or other organisation	8
Any activities for which the board seeks compensation from any local authority, Harbour Board, or the Crown (whether or not the relevant entity has agreed to provide the compensation)	10 (Local authority)
The board's estimate of the commercial value of the Crown/shareholders' investment in the group and the manner in which, and the times at which, that value is to be reassessed	11 (Shareholders)
Other matters that are agreed by the shareholders/ shareholding Ministers and the board	none (Shareholders)
Annual report should contain information that is necessary to enable an informed assessment of the operations of the parent entity and its subsidiaries, including a comparison of performance with the relevant statement of intent or statement of corporate intent	7 (Plus explanation of material variances)

**Title:** 23-66 BOPLASS Statement of Intent and Half Yearly Financial Report to 31 December 2022

**Section:** Finance & Affordability Financial Accounting - Management Accounting

**Prepared by:** Amanda O'Sullivan - Management Accountant

**Meeting Date:** Wednesday 19 April 2023

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Legal: No

Financial: Yes

Significance: **Low**

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## Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for decision

### PURPOSE - TE TAKE

The purpose of this report is to provide BOPLASS Ltd's Half Yearly Report for the period ending 31 December 2022 and their Draft Statement of Intent for 2023-2026.

### SUMMARY – HE WHAKARĀPOPOTOTANGA

BOPLASS Ltd is a Council Controlled Organisation (CCO) that was formed to investigate, develop, promote, and deliver shared services, and joint procurement for some or all the member councils. Gisborne District Council is one of nine shareholding councils of BOPLASS. The financial report provides information against the objectives and performance requirements set out in the Statement of Intent.

The Statement of Intent is the key accountability document between Council and the CCO. It sets out the company's strategic direction and must be consulted on and approved annually by the directors. Schedule 8(9) of the Local Government Act 2002 sets out the content of the document which must cover the next three financial years.

The Chief Executive, as a director of BOPLASS, is requested to review and approve the draft Statement of Intent for 2023–2026 for circulation to shareholders. This was approved by BOPLASS for presentation to councils on 20 February 2023. Following the two months allowed for submissions, the directors must consider any submissions made by the shareholders and approve a final document by 30 June 2023.

The Finance & Performance Committee is invited to provide feedback to the Chief Executive at this meeting, so the views of Council can be represented in writing to the BOPLASS Board, prior to 30 April 2023.

The decisions or matters in this report are of **Low** significance in accordance with the Council's Significance and Engagement Policy.

## RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

1. Approves the Draft 2023-2026 Statement of Intent.

*Authorised by:*

**Pauline Foreman - Chief Financial Officer**

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**Keywords:** BOPLASS, Statement of Intent, Council Controlled Organisation, CCO



## **BACKGROUND - HE WHAKAMĀRAMA**

1. BOPLASS exists to provide councils in the Bay of Plenty and Gisborne regions with a focus on initiatives to investigate, procure, develop, and deliver shared services that can be done more effectively for the benefit of all or some of the councils. BOPLASS is partnering with 25 businesses and 3 local government bodies to provide such savings.
2. With 69 current joint procurement and collaborative projects under way, BOPLASS has also identified 23 potential projects with extensive saving potential.
3. The nine Directors that make up the Board are also the current Chief Executives of their respective shareholding councils. The Board includes an independent chair.
4. The main focal point of the Board is on supporting the strategic development of the organisation to ensure synergy between the company's activities and the activities of the Council.

## **DISCUSSION and OPTIONS - WHAKAWHITINGA KŌRERO me ngā KŌWHIRINGA**

5. The discussion below outlines the main highlights from the interim set of accounts and the draft Statement of Intent. BOPLASS engage the councils in an opt-in principle established by the board. Not all initiatives are currently undertaken by Gisborne District Council.

### **Half Yearly Report to 31 December 2022**

- **Interim set of accounts**
  - The organisation is operating within budget and has received a reasonable revenue stream for the first half of the year.
- **Insurance procurement continues to be a focus**
  - Global insurance markets remain under pressure with inflation and losses from natural disaster events being the main drivers.
  - Continuing to build strong relations within the insurance market has assured we have secured cover with competitive terms and rates.
  - Insurers are becoming more focused on climate change risk and the impact on council's risk profiles. The recent significant weather events will create challenges for the 2023/2024 renewal process, as this has impacted on our level of risk.
  - The global cyber insurance market is now a top risk for insurers, who are cautious in their approach to providing local government accounts with cover due to increasing claims in this category.
- **Inter-Regional collaboration**
  - BOPLASS are engaging regularly with other council groups to explore opportunities for further inter-regional alliances. the MahiTahi collaboration portal has now been made available to the wider New Zealand local government community to share information and visibility on common projects.

- **GIS (geographic information systems) mapping**
  - Key contracts for geospatial software have been renewed through BOPLASS agreements.
  - This essential mapping feeds into our insurance data, helping us to retain a competitive advantage with the insurers.
- **Health and safety becoming more prominent**
  - BOPLASS has a renewed collective agreement to provide a wider range of services for health and safety training.
  - They are also investigating technologies and solutions to lone worker situations.
  - A health and safety advisory group has been launched to develop policies and protocols to ensure common standards and best practice are established across the greater region.

### **Draft Statement of Intent (SOI) or 2023-2026**

6. The SOI is developed under Schedule 8 of the local Government Act 2002. It provides a basis for the accountability of the Directors to the Shareholders for the performance of BOPLASS Ltd.

- **Performance targets**
  - Ensure supplier agreements are proactively managed.
  - Investigate joint procurement initiatives.
  - Identify opportunities to collaborate with other LASS.
  - Continually developing and extending access to the collaboration portal.
  - Communicate with each shareholder council at appropriate levels.
  - Ensure the current funding model is appropriate.
- **Future Developments**
  - BOPLASS remains adaptive in a complex and changing work environment.
  - Joint procurement opportunities will be actively pursued to ensure savings and benefits are delivered.
  - Initiatives raised by two or more member councils will be considered by the board with councils participating on an opt-in basis.
  - The board will be looking for commitment from councils to participate in collaborative services and to provide a lead in the identification and management of opportunities and projects.
- **Identified Joint Procurement and Collaborative Projects**
  - The board is looking at expanding their partnership with other local authorities as they recognise the benefits and the range of opportunities for inter-regional collaboration.
- **Projects for Consideration**
  - The full list of projects for future consideration is included below and within SOI **(Attachment 2)**.

### Projects for Consideration

- Asset Management
- Building consents
- Business continuity planning
- Capital Expenditure projects
- CCTV monitoring
- Centralised insurance resource
- Civil Defence Emergency Management
- Civil works projects marketing
- Consents Processing
- Contractor online inductions
- Digital transformation
- Diversion of putrescible waste from landfill
- Document digitisation
- Driver training
- Electronic Document and Records Management System
- Geospatial services
- HR Information Systems
- Information Services
- Infrastructure development codes
- Insurance valuations
- IT hosting
- Joint software support
- Payroll
- Project management office
- Rates Collection
- Regional Civil Defence
- Risk and total assurance
- Shared datacentre
- Solid waste regional facilities strategy
- Smart cities
- Staff engagement survey systems
- Web services
- Windscreen replacement

### ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

**Overall Process:** **Low** Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

**Overall Process:** **Low** Significance

Inconsistency with Council's current strategy and policy

**Overall Process:** **Low** Significance

The effects on all or a large part of the Gisborne district

**Overall Process:** **Low** Significance

The effects on individuals or specific communities

**Overall Process:** **Low** Significance

The level or history of public interest in the matter or issue

**Overall Process:** **Low** Significance

7. The decisions or matters in this report are considered to be of **Low** significance in accordance with Council's Significance and Engagement Policy.

### TANGATA WHENUA/MĀORI ENGAGEMENT - TŪTAKITANGA TANGATA WHENUA

8. For purpose of this report, engagement with Tangata Whenua is not required.

## COMMUNITY ENGAGEMENT - TŪTAKITANGA HAPORI

9. The community will not be engaged in the alliance of the nine councils that make up BOPLASS.

## CLIMATE CHANGE – Impacts / Implications - NGĀ REREKĒTANGA ĀHUARANGI – ngā whakaaweawe / ngā ritenga

10. BOPLASS considers environmental sustainability as a priority in its business activities, where they consider the broader environmental, social and cultural outcomes as part of their procurement process.
11. With the council's adoption of a 2030 carbon neutral target (**report 22-30**), feedback could be given to BOPLASS on how this can be achieved through looking at new opportunities or alternative approaches to procurement and shared services in our short, medium and long-term decision-making.

## CONSIDERATIONS - HEI WHAKAARO

### Financial/Budget

12. BOPLASS is bound by the accountability provisions of the Local Government Act 2002, which requires the directors to deliver a report to the shareholders within two months of the end of the first six months of the financial year. The report is required to provide information against the objectives set out in the SOI.
13. An annual “council contribution” is provided to BOPLASS for being a member. Gisborne District Council also contribute to project costs which we have shares in, including the Mahitahi collaboration portal, insurance, Aerial imagery programme, and the ESRI GIS software licence to name a few.

Financial Year	2020/21	2021/22	2022/23 (to 28 Feb 2023)
GDC Annual Contribution	\$24,874	\$27,831	\$29,864
Other BOPLASS Contributions	\$101,125.03	\$113,304	\$100,216
<b>Total</b>	<b>\$125,999.03</b>	<b>\$141,135</b>	<b>\$130,080</b>

14. Between 2009 and 2022 Council has made net savings of \$2.75m, with \$222k in the 2021/22 financial year. Coupled with these financial benefits, we have gained many non-financial benefits from our involvement with the group. These include a best practice methodology, the collaboration portal, networking and contract management efficiencies.

### Legal

15. There are no legal implications in this report.

## **POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE**

16. BOPLASS Ltd states that it will conduct itself in accordance with its constitution, its annual SOI, the provisions of the Companies Act 1993, and Schedule 8 (9) of the Local Government Act 2002 which sets out the requirements for the SOI document which must cover the next three years. The vision of BOPLASS to partnering with councils for value and service are captured within our own community values of Tairāwhiti Piritahi "together making it smart, making it easy and making it happen".

## **RISKS - NGĀ TŪRARU**

17. New Zealand is classed as the second riskiest country in the world (Lloyds of London 2018), in terms of insurance. The insurance market is quite different from 12 months ago and insurers are focused on increasing climate change, natural disasters and cyber-crime risk, and the impact of these on councils' risk profiles. Some insurers are rethinking their long-term strategies and the notions of trust and core values are playing a greater role in the industry than ever before.

18. To retain a competitive advantage with the hardening of global insurance markets, BOPLASS is ensuring that they have up to date asset schedules and hazard mapping to look at regions susceptible to flood or sea inundations. With a mix on New Zealand and London markets, underwriters' cost-effective coverage has proved challenging. However, minimal increases and favourable terms were negotiated with savings made of \$167k for Gisborne District Council in the 2022 financial year.

19. There are no real risks associated with being part of BOPLASS.

## **NEXT STEPS - NGĀ MAHI E WHAI AKE**

<b>Date</b>	<b>Action/Milestone</b>	<b>Comments</b>
Prior to 30 April 2023	Submissions by shareholders' representative in writing.	Council members are the shareholders, and the shareholders representative is the Chief Executive.
30 June 2022	Shareholders to approve draft SOI Document.	The directors must consider any comments made by the shareholders.

## **ATTACHMENTS - NGĀ TĀPIRITANGA**

1. Attachment 1 - Half Yearly Report 2022-23 [23-66.1 - 10 pages]
2. Attachment 2 - BOPLASS SOI 2023-2026 Approved Draft [23-66.2 - 16 pages]



**BOPLASS Ltd**

# HALF YEARLY REPORT TO SHAREHOLDERS



Period ended 31 December 2022

**“COUNCILS PARTNERING FOR VALUE AND SERVICE”**



## BOPLASS Chair's Report

It is with pleasure the Directors present their 2022/2023 Half Yearly Report to Shareholders demonstrating the considerable contribution the company makes to collaboration between councils.

In mid-2022 we were pleased to welcome Miles McConway, Ōpōtiki District Council acting CEO to the board in an interim role. Miles joined the board with prior experience with BOPLASS, and as one of the company initiators we valued his experience and his continued drive to deliver value for our councils through collaboration. As we welcomed Miles, we farewelled Aileen Lawrie. As one of the original BOPLASS directors Aileen has left a legacy of leading change across the region and proactively supporting inter-council collaboration. The Board thank Aileen for her significant contribution and wish her well for her future endeavours. With Stace Lewer's appointment as Ōpōtiki District Council CEO he joins the BOPLASS board, and we welcome his contribution.

The international insurance market remained under pressure in 2022, despite predictions that the peak may have been reached. The main drivers being inflation and the scale of ongoing losses from natural disaster events. During the renewal process BOPLASS leveraged new and existing relationships within international and local insurance markets to educate underwriters on BOPLASS councils' proactive management of risk and resiliency. Data from the BOPLASS LiDAR programme was utilised to demonstrate our councils understanding and management of natural catastrophe exposures. This three-dimensional presentation of the data was unique and was successful in capturing the attention of every syndicate, resulting in particularly good renewal outcomes. Full cover was maintained for all councils and secured with competitive terms and rates.

The MahiTahi LG Collaboration Portal has proven to be an essential tool in the identification and development of shared services opportunities and the sharing of information. In addition to new councils signing up to the portal, it is now being used by the Department of Internal Affairs for coordination and collaboration between local government staff in the Water-Reform Management Groups. Additionally, BOPLASS has supported the migration of the RSHL Te Uru Kahika Hub (regional and unitary councils) being hosted within the same environment. These are both very good examples of a BOPLASS initiative having wide-reaching benefits.

With effective management and renewal of established procurement contracts, BOPLASS has continued to ensure best value is delivered for our shareholding councils during the first six months of the year. In addition, BOPLASS is currently leading shared service and procurement projects that will deliver further value to our councils. Several of these new initiatives are being undertaken in conjunction with MW LASS and Waikato councils. It's pleasing to be developing inter-regional opportunities that provide value to each group while leveraging savings, benefits, and improved level of service across multiple councils.

Additional information about current projects is available in the attached report.

We thank staff from the participating councils and acknowledge the support we have received from them.

Yours faithfully

Craig O'Connell  
Chair



## BOPLASS Ltd

*"COUNCILS PARTNERING FOR VALUE AND SERVICE"*

# HALF YEARLY REPORT TO SHAREHOLDERS

20 FEBRUARY 2023

## 1 INTRODUCTION

The Local Government Act 2002 requires that the Directors deliver to the Shareholders a report within two months of the end of the first six months of the financial year. The report is required to provide information against the objectives set out in the Statement of Intent. The following report records the objectives of the company and reports on performance against a table of specific performance requirements set out in the Statement of Intent.

## 2 OBJECTIVES OF BOPLASS LTD

The company exists to provide councils in the Bay of Plenty and Gisborne regions with an umbrella vehicle to investigate, procure, develop and deliver shared services.

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

### **JOINT PROCUREMENT**

Being the procurement of services or products by two or more councils from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.

### **SHARED SERVICES**

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

## 3 GOVERNANCE

In the year to date the governance structure has remained stable with the only change being the appointment of Acting Ōpōtiki Chief Executive, Miles McConway, to the Board as Director and Shareholder Representative from June 2022 to December 2022, and subsequently, Stace Lewer, to the Board as Director and Shareholder Representative from December 2022.



## 4 NATURE AND SCOPE OF ACTIVITIES

The principle nature and scope of the activities of BOPLASS Ltd is to:

- *Use joint procurement to add value to goods and services sourced for its constituent councils.*
- *Facilitate shared services that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.*
- *Pursue best practice in the management of all activities to obtain best value and minimise risk.*
- *Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.*
- *Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.*
- *Represent the collective views of its shareholders in matters with which it is associated.*

## 5 FUTURE DEVELOPMENTS

BOPLASS Ltd will continue to work on business cases for joint procurement and shared services that may be provided in the region or cross-regionally.

The Board has adjusted its strategy to ensure that BOPLASS is focused on continuing to deliver savings and value to councils through new and existing joint procurement initiatives while also identifying new shared services opportunities.

Current reviews for joint procurement and shared services cover but are not limited to:

- |   |   |
|---|---|
| • <i>Asset management</i>               | • <i>HR Information Systems</i>                   |
| • <i>Building consents</i>              | • <i>Information services</i>                     |
| • <i>Business continuity planning</i>   | • <i>Infrastructure development codes</i>         |
| • <i>Capital Expenditure projects</i>   | • <i>Joint software support</i>                   |
| • <i>CCTV monitoring</i>                | • <i>Payroll</i>                                  |
| • <i>Centralised insurance resource</i> | • <i>Project management office</i>                |
| • <i>Consents processing</i>            | • <i>Rates collection</i>                         |
| • <i>Contractor online inductions</i>   | • <i>Regional Civil Defence</i>                   |
| • <i>Document digitisation</i>          | • <i>Solid waste regional facilities strategy</i> |
| • <i>Driver training</i>                | • <i>Staff engagement survey systems</i>          |
| • <i>Geospatial services</i>            | • <i>Web services</i>                             |
| • <i>High volume print</i>              |   |

Other collaborative opportunities may be progressed after the Board has considered individual business cases and formally agreed to take on and deliver (or host/procure etc.) the project.

Joint procurement opportunities will continue to be identified and developed with individual councils engaging under the opt-in principle established by the Board. Joint procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils.

The Board supports BOPLASS continuing to develop collaboration opportunities outside of the regional boundaries. BOPLASS will continue to proactively explore opportunities to partner with other Local Authorities and shared services organisations within New Zealand where they are developing, or considering developing, cost effective shared services and products that are of value to the Bay of Plenty and Gisborne councils.

BOPLASS development of the Collaboration Portal for the sharing of information on joint procurement or shared services opportunities within the constituent councils has identified a number of duplicate projects across councils that present an opportunity for further collaboration. The BOPLASS Collaboration Portal is becoming widely used by other LASS, councils, and local government organisations and provides an opportunity to assist with the identification and management of inter-regional collaboration opportunities. BOPLASS will continue to develop the Collaboration Portal and make it available to the wider local government community.

## 6 PERFORMANCE TARGETS

To ensure the company continues to operate effectively in both governance and management terms over the next three years the current SOI targets are to:

- Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.
- Investigate new joint procurement initiatives for goods and services for BOPLASS councils.
- Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.
- Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.
- Communicate with each shareholding council at appropriate levels.
- Ensure current funding model is appropriate.

The Board believes that all targets are being achieved or are on-track to be achieved, as is demonstrated by the following list of current initiatives.

## 7 CURRENT INITIATIVES

The following initiatives have been under consideration or operating during the first part of the year:

## HIGHLIGHTS

- Insurance forum – BOPLASS is hosting a Local Government Risk Forum for councils across the central and upper North Island, with key speakers covering risk and insurance topics specific to local government.
- Insurance renewals - Renewals have been completed for all councils under the BOPLASS collective programme with strong underwriter interest in the programme demonstrated from new and existing syndicates – resulting in improved pricing. With underwriters now very focussed on increasing climate change risks and the impact on councils’ risk profiles, it is anticipated that the recent significant NZ weather events will create challenges for the 2023 renewal.
- Geotechnical Engineering Panel – BOPLASS is investigating opportunities for establishing a preapproved panel for accredited geotechnical engineering consultants.
- Waste Operator and Licensing Data System (WOLDS) – BOPLASS is leading this project in conjunction with Waikato councils. A shared service is to be established providing a common waste operator licensing and management system across multiple councils.
- Aerial Imagery – A tender was awarded for aerial imagery and LiDAR services covering the Eastern Bay region including urban and Maketu/Putuaki areas with LiDAR captured with 8-Pulse specifications.
- Contractor and Employee H&S Inductions – A project continues to be investigated to develop a common platform and standard for the development and management of H&S inductions – for both staff and contractor purposes.
- GIS Software and Services – A number of key contracts for councils’ geospatial software have been reviewed and renewed through collective BOPLASS agreements.
- Driver Training – BOPLASS continues to investigate options for appointing a preferred provider for driver training services.
- MahiTahi Collaboration Portal – Further growth has been achieved with the MahiTahi Collaboration Portal with additional councils joining and using it as a collaboration tool for sharing information across councils.
- E-Plan Development – BOPLASS councils are required to move current operative plans to an online environment. BOPLASS is working with current providers to explore collaborative options and opportunities to leverage a collective group rate.
- Health insurance – A project is underway to explore benefits of establishing a group scheme across the BOPLASS group.
- Health & Safety training – BOPLASS has renewed a collective agreement for councils’ H&S training services with a wider range of services now included.
- Cyber Insurance – Due to the increasing levels of claims in this category, the global cyber market has become extremely challenging with most insurers now very cautious about providing cyber cover – particularly in local government accounts. Working closely with councils’ cyber staff, BOPLASS has been able to renew the collective agreement with a further increase in cover limits.
- Agenda management software – A project is underway to investigate standardisation of software across the BOPLASS councils and the sharing of information and templates.

- Print Media Copyright Agency (PMCA) – A collective contract providing savings for all BOPLASS councils has been renewed with PMCA for councils’ print and media copyright services.
- Media Monitoring Service – BOPLASS has renewed the collective agreement for media monitoring service across the councils. The single BOPLASS portal provides substantial savings to councils while also providing a significant reduction in internal resource requirements.
- Institute of Public Works Engineering Australasia (IPWEA) – BOPLASS has renewed the single BOPLASS membership covering all councils and providing substantial savings.
- High volume print – Councils currently use a variety of solutions for their high-volume print runs including utilising large print equipment, outsourcing to external suppliers, or a mixture of both. BOPLASS is continuing to investigate alternative solutions with a focus on minimisation of resource and cost reduction.
- Lone worker field solutions – BOPLASS is investigating technologies and solutions to support council staff in lone worker situations.
- Multi-function Devices (Photocopiers and Printers) – A tender is underway for print and copy equipment across the BOPLASS councils. Significant financial and technology benefits have previously been achieved in this category through establishing a collective agreement. Given declining print volumes across councils, retaining flexibility with print fleet requirements will be imperative.
- Video Conference Services – BOPLASS has continued to develop Zoom and meeting room video conference services across the councils. Further work is being undertaken to ensure participating councils continue to have a reliable and secure service.
- Health and Safety Advisory Group – The BOPLASS and Waikato Health and Safety groups continue to collectively develop policies and protocols, significantly reducing the resources required by individual councils and helping ensure common standards and best practice are established across the greater region.
- Procurement Strategy Group – BOPLASS have established a strategy group consisting of the Procurement Leads within each council. The key purpose of the group is to collaborate and develop strategic objectives within councils’ procurement processes. The sharing of knowledge has already proven to be invaluable in councils’ development of broader outcomes within their procurement strategies, to encompass social, cultural, environmental and economic considerations.
- Inter-LASS collaboration – A number of procurement projects are underway covering multiple LASS and benefitting from the increased volumes. Collaboration across the regions is driving greater efficiencies within projects under consideration by more than one LASS and allows the projects to be better resourced.
- Communication – BOPLASS continues to regularly engage with our constituent councils, senior management and shareholders to ensure opportunities continue to be developed to the benefit of all stakeholders.
- Viability of Current Funding Model – The sources of BOPLASS funding and the viability of the funding model are regularly reviewed with financial reporting provided to the BOPLASS Board.

## 8 FINANCIAL REPORTS

### 8.1 Financial Support and Accounting Services

Accountancy services and support continue to be provided by Tauranga City Council.

### 8.2 Accounting Policies

The company is compliant with the accounting policies stated in the Statement of Intent.

### 8.3 Tier 2 PBE Accounting Standards Applied

The financial accounts are prepared with application of Tier 2 accounting standards.

### 8.4 Financial Reports

Financial Reports for the period to 31 December 2022 are attached.

### 8.5 Variations

Aerial photography revenue and expenditure is slightly higher than budgeted due to delays in the initial flying of LiDAR capture in the previous year resulting in the work being moved into the current year. This has resulted in a small portion of older contracted work being completed in 2023, which has resulted in the increased figures we see for these activities.

The salaries account is displaying a variance due to the December end payroll accrual not being included in the budgeted figures, this accrual consists of \$10,042.99 for December end wages/PAYE with an additional \$10,533 being for employee leave entitlement which supports most of the difference identified when compared to budget.

Trade debtor's total \$484,227 of our current assets, this balance is made up of \$390,000 worth of invoices that were issued in December indicating no concern around the idea of bad debts or the need for write offs. Additionally, this large completion of invoices makes up most of the GST portion totalling \$50,738 of current liabilities.

Given the nature of BOPLASS, the entity is in a healthy position heading into the second half of the year knowing that several of the core one-off expenditures are behind us while still having council contributions to supplement operational needs.

## 9 STAFFING, ACCOMMODATION AND SUPPORT

### Staff

Staffing levels are unchanged with a part-time administrator continuing to provide additional project support and management of existing activities.

### Accommodation and Support

We continue to appreciate the office space provided to us by BOP Regional Council and the support that is offered for IT and Accounting services by Tauranga City Council.

<b>BOP LASS LTD</b>				
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>FOR THE MONTH ENDED 31 DECEMBER 2022</b>				
	<b>Actual YTD</b>	<b>Budget YTD</b>	<b>Total Budget</b>	<b>YTD Variance</b>
<b>REVENUE</b>				
<b>Revenue - Core</b>	<b>166,676</b>	<b>156,996</b>	<b>313,992</b>	<b>9,680</b>
Bank Interest Received	2,423	100	200	2,323
Council Contribution	164,254	156,896	313,792	7,358
<b>Revenue - Projects</b>	<b>1,072,711</b>	<b>975,800</b>	<b>1,301,600</b>	<b>101,911</b>
Bank Interest Received	2,109	2,050	4,100	59
Aerial Photography Revenue	383,434	300,000	400,000	83,434
Collaboration Portal Revenue	31,200	30,000	50,000	1,200
Lease Revenue - ICN	55,995	65,000	130,000	(9,005)
Lease Revenue - Video Conference	22,472	7,500	15,000	14,972
Projects - Recoveries Revenue	576,880	570,000	700,000	6,880
Rebates	622	1,250	2,500	(628)
<b>TOTAL OPERATING REVENUE</b>	<b>1,239,388</b>	<b>1,132,796</b>	<b>1,615,592</b>	<b>106,592</b>
<b>EXPENSES</b>				
<b>Expenditure - Core</b>	<b>210,050</b>	<b>194,935</b>	<b>384,570</b>	<b>15,115</b>
ACC	0	425	850	(425)
Accommodation & Travel	2,437	1,050	2,100	1,387
Accounting & Audit	0	10,650	21,300	(10,650)
Administration	10,769	8,750	17,500	2,019
Amortisation	1,142	3,850	7,700	(2,708)
Bank Fees	66	100	200	(34)
Conferences	0	1,050	2,100	(1,050)
Depreciation	2,953	325	650	2,628
Directors Costs	9,657	10,500	21,000	(843)
Fringe Benefit Tax	1,756	1,750	3,500	6
General & Catering	376	1,100	2,200	(724)
Health & Safety	0	500	1,000	(500)
Insurance	10,950	5,250	10,500	5,700
Interest Paid - TCC Loan	0	250	500	(250)
Legal	0	1,000	2,000	(1,000)
Salaries	165,423	141,085	282,170	24,338
Salaries - Projects OpEx	(9,535)	(8,250)	(16,500)	(1,285)
Staff Support Costs	8,873	8,750	17,500	123
Staff Training Costs	483	1,000	2,000	(517)
Subscriptions	0	500	1,000	(500)
Tax Advice	4,700	5,300	5,300	(600)
Tax Expense - Prior Years	0	0	0	0
<b>Expenditure - Projects</b>	<b>1,035,374</b>	<b>940,061</b>	<b>1,231,022</b>	<b>102,363</b>
Aerial Photography Expense	383,434	300,000	400,000	83,434
Collaboration Portal OpEx	18,053	13,561	27,122	4,492
Lease Expense - ICN	55,430	62,400	124,800	(6,970)
Lease Expense - Video Conference	23,738	14,100	14,100	9,638
Projects - Recoveries Expenditure	554,719	550,000	665,000	4,719
<b>TOTAL OPERATING EXPENDITURE</b>	<b>1,245,424</b>	<b>1,134,996</b>	<b>1,615,592</b>	<b>117,478</b>
<b>OPERATIONAL SURPLUS / (DEFICIT) BEFORE TAX</b>	<b>(6,036)</b>	<b>(2,200)</b>	<b>0</b>	<b>(3,836)</b>

<b>BOP LASS LTD STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2022</b>	
	<b>Actual YTD</b>
<b>Bank</b>	
Cheque Account	309,751
Trust A/c Aerial Photography	196,450
Term Deposit 182 days @ 1.20%. Maturing 11 April 2022	250,000
<b>Total Bank</b>	<b>756,201</b>
<b>Current Assets</b>	
Trade Debtors	484,227
Accrued Revenue	41,320
Tax Payable (Tax Receivable)	9,198
Prepayments	9,221
<b>Total Current Assets</b>	<b>543,966</b>
<b>Non-current assets</b>	
Intangible - Computer Software	79,175
Intangible - Amortisation	(70,977)
Computer Equipment at cost	4,516
Less Accumulated Depreciation on Computer Equipment	(3,922)
Inter Council Network	25,097
Accumulated Depreciation Inter Council Network	(5,882)
<b>Total Non-current assets</b>	<b>28,006</b>
<b>TOTAL ASSETS</b>	<b>1,328,173</b>
<b>Current Liabilities</b>	
Business Credit Card	732
Trade Creditors	101,958
Accrued Expenses	5,653
Accrued Salaries and Wages	7,560
Accrued Leave Entitlements	10,533
GST Collected, Paid, Payments (Refunds)	50,738
Retentions	22,023
Income in Advance	1,074,579
PAYE Accruals Payable	8,934
TCC Loan	0
<b>Total Liabilities</b>	<b>1,282,710</b>
<b>NET ASSETS</b>	<b>45,463</b>
<b>Equity</b>	
Current Year Earnings	(6,036)
Retained Earnings	(47,503)
Share capital	99,002
<b>TOTAL EQUITY</b>	<b>45,463</b>



**BOPLASS Ltd**

# STATEMENT OF INTENT FOR 2023-2026



June 2023



**“COUNCILS PARTNERING FOR VALUE AND SERVICE”**



## 1. Introduction

This Statement of Intent (SOI), developed under Schedule 8 of the Local Government Act 2002:

- Declares a public statement of the activities and intentions of BOPLASS Ltd and the objectives to which those activities will contribute.
- Provides an opportunity for the shareholders to influence the direction of BOPLASS Ltd, and
- Provides a basis for the accountability of the Directors to the Shareholders for the performance of BOPLASS Ltd.
- Covers BOPLASS Ltd and any subsidiary company established in pursuance of the objectives herein.

## 2. Background and Benefits

The councils that operate within the Bay of Plenty and Gisborne Regions have formed a Council Controlled Organisation (CCO) to investigate, develop and deliver Joint Procurement and Shared Services projects where delivery is more effective for any combination of some or all of the councils.

Since inception, estimated financial savings of over \$28 million have been achieved by the participating councils through undertaking joint initiatives. BOPLASS is forecast to return in excess of \$2.5 million in savings in the 2022-23 financial year.

Other benefits that have been achieved through collaboration are:

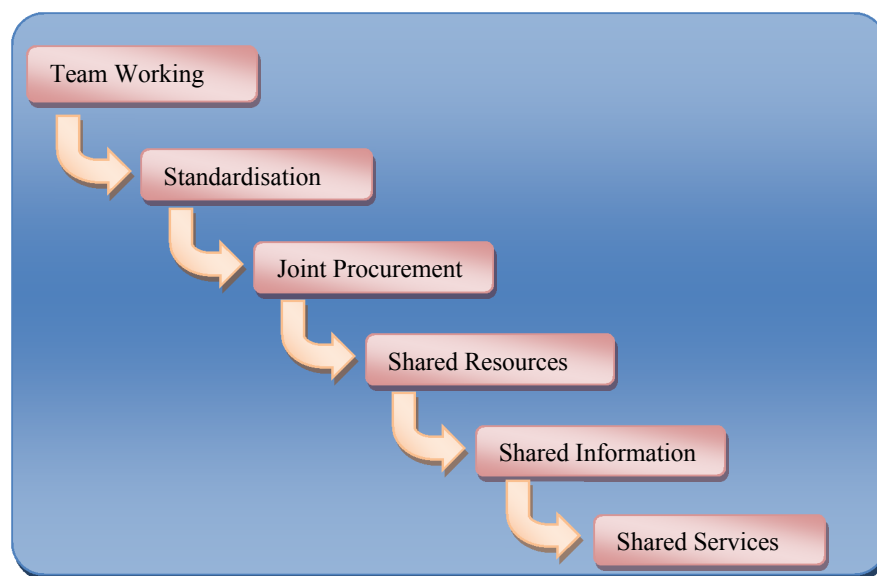
- improved levels and quality of service;
- a co-ordinated and consistent approach to the provision of services;
- reductions in the cost of support and administrative services;
- opportunities to develop new initiatives;
- economies of scale resulting from a single entity representing many councils in procurement.

These benefits and opportunities can apply to all councils irrespective of location or size.

Business processes, information architectures and functional tools differ in each council to varying degrees. The BOPLASS strategies facilitate a journey of progressive development using the approach identified in the BOPLASS Strategy and Action Plan to:

- enhance the capability to collaborate;
- encourage the elimination of barriers to collaborative action; and
- identify services that deliver viable business cases.

A generic sequence or stages of collaboration between multiple councils is followed to develop Shared Services, as shown in Figure 1.



Many of the BOPLASS Joint Procurement projects have supported the development of standard products, services or solutions across the councils. These standards assist in creating a foundation for the delivery of collaboration within the councils.

Examples of Joint Procurement and Shared Services projects are:

- Infrastructure Insurance
- Collective Training
- Aerial Imagery and LiDAR
- Provincial Growth Fund Co-funding for LiDAR Capture
- Standardised Community Engagement App
- Lone Worker Field Solutions
- Robotic Process Automation
- Accounts Payable Automation Software
- Print Media Licencing
- Insurance Valuations
- Contractor Online Inductions
- Health and Safety Management Software
- Radio Telephony (RT) Strategy
- Solid Waste Management
- Health and Safety Inter-Council Audits
- Asbestos Protocols
- Sustainable Public Procurement
- Health and Safety Benchmarking
- Video Conferencing Services
- Council Library and Cloud Services
- Inter-Council Network (ICN) Review, Redesign and Renegotiation
- Debt Collections
- Collaboration Portal
- Capital Construction and Civil Works Projects
- Fortigate Firewall Services
- Wireless WAN
- Inter-LASS Collaboration
- Human Resources Information Systems

Full list of projects included as Appendix B.

### 3. Our Vision

#### “COUNCILS PARTNERING FOR VALUE AND SERVICE”

### 4. Objectives of BOPLASS Ltd

Working together with the full support and involvement of staff, we will provide benefit to councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

These will be achieved primarily through:

#### Joint Procurement

Being the procurement of services or products by two or more councils from an external provider regardless of whether the service is paid for through BOPLASS or individually by participating councils.

#### Shared Services

Being the participation of two or more councils in the provision of a common service which may be jointly or severally hosted.

### 5. Nature and Scope of Activities

The principle nature and scope of the activities of BOPLASS Ltd is to:

- Use Joint Procurement to add value to goods and services sourced for its constituent councils.
- Establish the underlying technology, framework, platform and policies to enable and support collaboration.
- Facilitate initiatives that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value.
- Pursue best practice in the management of all activities to obtain best value and minimise risk.
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, council contributions, or Government funding where available.
- Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly.
- Actively monitor and engage with Shared Service developments across the public sector to identify opportunities for further development and establishing best practice.
- Represent the collective views of its Shareholders in matters with which it is associated.

## 6. Sustainable Future: Environmental, Social and Governance (ESG)

The board recognises the importance of ESG in BOPLASS' role and ensuring that integrated risk management and non-financial outcomes are considered in all BOPLASS joint procurement and shared services initiatives.

The company is committed to operating all aspects of its business with a focus on protecting and enhancing our communities today and in the future through sustainable environmentally responsible business practices, social contribution, and good governance.

The company has always had a stakeholder-centric approach, ensuring the company's objectives, goals and the undertaking of business are aligned with our constituent councils, our wider communities and supporting ESG outcomes that have wide-ranging benefits.

While achieving financial savings for member councils through BOPLASS joint procurement is a key objective, the company recognises the importance and responsibility of social procurement and will continue to consider the broader environmental, social and cultural outcomes as part of all BOPLASS procurement processes.

As examples, BOPLASS is working towards satisfying ESG criteria within social procurement by:

- Increasing access to BOPLASS procurement contracts for NZ businesses and local businesses, with particular focus on those groups that may have limited access to opportunities (such as Māori and Pacific Peoples' businesses).
- Giving consideration to organisations that provide employment opportunities to targeted groups and promote inclusion and diversity within their workforce.
- Recognising vendors that will help future-proof the ability of New Zealand businesses to trade.

With a focus on *Social Sustainability*, BOPLASS ensures a balanced approach is taken with the company's activities to create positive social and cultural outcomes for the local communities it serves while also maximising positive outcomes for Māori and the broader community.

*Environmental Sustainability* is a priority in all BOPLASS business activities – internal and external. Through collaboration and partnership with its constituent councils, BOPLASS will operate in an environmentally responsible way and will embed sustainability considerations (including ethical considerations) in a culture of excellence across its wider business and all joint procurement and shared service initiatives.

## 7. Governance Structure

BOPLASS Ltd will conduct itself in accordance with its Constitution, its annual Statement of Intent, and the provisions of the Companies Act 1993 and the Local Government Act 2002.

The Company is governed by its Directors. To ensure total synergy between the Company's activities and its council shareholders' activities, nine Directors are also the current Chief Executives of their respective shareholding councils. The dual roles recognise the interdependence of BOPLASS and its councils in the undertaking of its activities.

The Board also includes an independent Chair, appointed with specific skills and knowledge to add incremental value. This appointment brings experience and specialist skills that are complementary to those held by the other Directors.

<b>Shareholder</b>	<b>Appointed Director</b>
Bay of Plenty Regional Council	Fiona McTavish
Gisborne District Council	Nedine Thatcher Swann
Kawerau District Council	Russell George
Opotiki District Council	Stace Lewer
Rotorua Lakes Council	Geoff Williams
Taupo District Council	Gareth Green
Tauranga City Council	Marty Grenfell
Western Bay of Plenty District Council	John Holyoake
Whakatane District Council	Stephanie O'Sullivan
<b>Independent Director and Chair</b>	Craig O'Connell

A sub-committee of council delegates has responsibility for regular monitoring and governance of operational aspects of BOPLASS projects, allowing the Board to primarily focus on supporting the strategic development of the organisation.

Each activity or project is managed by an Advisory Group, nominated by the shareholding councils in that particular service. The Board retains the right to approve nominations to the Advisory Groups and all of their material decisions – there is only one Board of Directors and that remains at the umbrella or holding company level.

The Board has established a principle that participation in each initiative is decided by individual councils on an 'opt in' basis.

Services delivered are subject to a formal service level agreement between BOPLASS Ltd and the participating councils, outlining the services and activities provided, where, when and how; and reflecting the capital and operational costs being met by each service shareholder.

Joint Procurement initiatives consistent with their nominated role may be undertaken by any advisory group or as approved by the Operations Committee. In considering

Joint Procurement initiatives, the Company will take into account the opportunities available through All of Government (AoG) purchasing arrangements and, where there is demonstrated benefit to the Company or its constituent councils, support such initiatives. In assessing the benefits of a Joint Procurement initiative, opportunities for integration shall be considered. The Board has recognised that the availability of All of Government Procurement options has the potential to impact on BOPLASS' ability to provide procurement options in some categories.

Subject to the approval of shareholders in accordance with the shareholder agreement the Directors may decide that a particular activity is best managed as a subsidiary company and proceed accordingly. Any subsidiary company whose objectives are in accordance with the objectives set out in this Statement of Intent shall not be required to have a separate Statement of Intent.

## **8. Future Developments**

The company recognises the importance of remaining adaptive in what is a complex and changing working environment. BOPLASS continues to look at new opportunities or alternative approaches to progressing projects that benefit our shareholding councils.

The Board recognise that the drive for change and/or collaboration in some key areas of council business will often be led by other groups, e.g. three waters reform, RMA changes. Although BOPLASS may not be leading these specific projects, the organisation may be considered as one of the vehicles available to assist with managing collective regional outputs from these projects.

BOPLASS Joint Procurement opportunities will continue to be actively pursued to ensure maximum savings and benefits are delivered to the participating councils through existing and new contracts.

Joint Procurement initiatives will be considered by the Board and/or its advisory groups where there is demonstrated support from two or more member councils, with councils participating on an opt-in basis.

BOPLASS will explore opportunities for councils to develop ICT solutions using middleware and cloud technologies that allow for future sharing and the development of Shared Services without the wholesale replacement of IT systems.

The Board will be looking for commitment from councils to participate in collaborative services and to provide a lead in the identification and management of opportunities and projects.

## **9. Inter-Regional Collaboration**

The board recognise the benefits of BOPLASS proactively partnering with other local authorities and Shared Services organisations where they are either developing or considering developing cost effective services or Joint Procurement initiatives that are of value to the BOPLASS councils. The Board is looking to expand on this activity and

the range of opportunities for inter-regional partnering. BOPLASS will work towards providing improved visibility of projects being undertaken in other regions that may provide for multiple councils to participate in.

Where it is practicable, BOPLASS will work with other LASS or councils to leverage off, or participate in, services established by other collective local government groups.

The Collaboration Portal, established by BOPLASS for the sharing of information on Shared Services or Joint Procurement opportunities, has been made available to the wider local government community to provide better visibility of common projects and to encourage further cross-regional collaboration. BOPLASS will continue to market the benefits of inter-region collaboration and assist other councils through providing support and access to the Collaboration Portal.

BOPLASS has provided substantial savings to its shareholding councils through joint procurement and the Board has tasked BOPLASS with leading further inter-regional joint procurement initiatives that will provide benefit to all parties through an aggregated approach.

Significant benefits and savings have been achieved in the placement of councils' insurance through working in conjunction with other LASS. BOPLASS is considered a key contributor to the development of the interLASS insurance collective. Unfortunately, cost-effective placements and coverage are becoming more challenging to achieve as a result of the continued hardening of global insurance markets. Opportunities for the LASS groups to share resources to ensure we maintain our favourable position within the insurance industry will continue to be investigated.

## 10. Stakeholder Engagement

BOPLASS recognises the ambitious plans our constituent councils have for their communities and endeavours to support these aspirations through:

- Regular engagement at project, management and governance level;
- Including councils' short, medium and long-term goals within BOPLASS planning;
- Using quality information from councils to guide our decision-making;
- Identifying and developing services that directly benefit councils and/or their communities;
- Monitoring councils' future plans and remaining agile to change to include these aspirations in our own planning;
- Ensuring there are regular communications about individual council's LTP developments to assist BOPLASS with aligning with councils' strategic direction;
- Regularly communicating to ensure stakeholders are aware of what we are doing and why we are doing it;
- Involving councils in our decision-making and planning.

## 11. Performance Targets

To ensure the Company continues to operate effectively in both governance and management terms over the next three years the targets are to:

Target	How	Measure
Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.	Manage and/or renegotiate existing contracts.	Contracts reviewed annually to test for market competitiveness. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors where applicable.
Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.	Procure from sources offering best value, service, continuity of supply and/or continued opportunities for integration. (Current identified projects are listed in Appendix B.)	A minimum of four new procurement initiatives investigated. Initiatives provide financial savings of greater than 5% and/or improved service levels to the participating councils.
Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties.	BOPLASS to regularly engage with other LASS to identify and explore opportunities for further inter-regional collaboration.	Quarterly reporting on engagement and a minimum of one new collaborative initiative undertaken annually.
Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase breadth of BOPLASS collaboration.	Increase usage of the Collaboration Portal by providing support and training material for new and existing users. Proactively market the benefits to councils.	Number of active users to increase by 5% per year.
Communicate with each shareholding council at appropriate levels.	Meeting with members of Executive Leadership Team.	At least one meeting per year.
Ensure current funding model is appropriate.	Review BOPLASS expenditure and income and review council contributions and other sources of funding.	Performance against budgets reviewed quarterly. Company remains financially viable.



## 12. Balance Sheet Ratios

The Local Government Act 2002 Schedule 8 (9) requires the SOI to include the projected ratio of shareholders' funds to total assets within the Forecast Statement of Financial Position. As at 30 June 2022 the consolidated Shareholder funds comprised \$52,070 and the total assets were \$1,222,864. The resulting ratio is 4.26%.

As asset owning Shared Services are approved, the Board will, if appropriate, provide a mechanism for the recognition of each council's contribution.

## 13. Accounting Policies

### 13.1 Statement of Accounting Principles

The Company will adopt accounting practices that comply with NZ IFRS, the requirements of the LGA and the Financial Reporting Act 1993.

### 13.2 IPSAS Accounting Standards

As a Public Sector Public Benefit Entity (PS PBE), the Company has elected to report using International Public Sector Accounting Standards for Public Benefit Entities under Tier 3 PBE standards.

### 13.3 Measurement Basis

The Company will follow generally accepted international accounting principles for reporting of earnings and financial position.

### 13.4 Specific Accounting Principles

The following are principles which will have a significant effect on the measurement of financial position:

- Accounts Receivable are stated at their expected realisable value after writing off any known bad debts and providing for doubtful debts.
- Investments are valued at the prevailing market value.
- Fixed assets are recorded at cost, less accumulated depreciation.
- Any liability for overseas funding of equipment, systems or services is based on the prevailing exchange rate as at balance date.
- Where intangible assets are purchased, such as intellectual property, these are capitalised and written off on a straight line basis over their expected life, but no greater than four years.
- All assets are depreciated over their expected useful lives. Depreciation is provided on a diminishing value basis over the estimated useful life, at the same rate as is allowed by the Income Tax Act 1994.

- It is not envisaged that the Company will hold inventories, other than those that might relate to providing information services to a number of parties. They will be valued at net realisable value.
- Taxation will be provided as required in line with relevant legislation.
- In accordance with the Public Audit Act 2001 and the Local Government Act 2002, the office of the Auditor General will be responsible for the audit of the Company's financial statements.

#### **14. Distributions to Shareholders**

The Company is not expected to make profits that would ordinarily be distributed by way of dividends. Any surplus funds (after tax) remaining from an activity or the annual operations of the Company shall be carried forward to the ensuing year and may be used to reduce service costs, invest in further developing other services, and/or as the Directors may decide.

#### **15. Information to be Provided to Shareholders**

The Company will deliver the following statements to shareholders:

- On a three-monthly basis the Financial Position and Cashflow.
- Within two months of the end of the first half of the financial year: Financial Performance and Financial Position.
- Within three months of the end of the financial year the following audited statements: Financial Position, Movements in Equity, Cashflows, Service Performance plus a summary of how the Company has tracked against its objectives and prospects for the next financial year, and a report on the Company's medium to long term plans.
- Six monthly summaries of project activities included in Half Yearly and Annual Reports.

#### **16. Procedures for the Purchase and Acquisition of Shares**

The Board will give approval before BOPLASS Ltd subscribes for, purchases or otherwise acquires shares in any company or other organisation, which is external to the group.

#### **17. Activities for Which the Board Seeks Compensation**

The ongoing activities to identify, develop, procure Shared Services will be budgeted for in advance, subject to a business case and either funded by individual councils without BOPLASS Ltd involvement, or agreed by the Board to be funded by BOPLASS Ltd with consequent recovery from participating councils.

Shareholding councils will make a contribution to the operational costs of the Company on an annually agreed basis.

The Company will also seek contributions by way of a levy or administration charges on services provided or administered. In determining an appropriate charge, the Directors may take into account the cost of running the Company, its future operational requirements, the nature and cost of the service provided, benefits achieved and councils' ability to pay.

The Company may provide services (at a cost recovery or a cost plus basis) to other non-shareholding councils within or beyond the region. Any surplus from such activity will be used to either reduce service costs and/or invest in further developing of that or other services, as agreed by the Advisory Group and by the Board.

## **18. Value of Shareholder's Investment**

The Directors estimate that, at this stage, BOPLASS Ltd has limited commercial value. As each shareholder's investment in BOPLASS Ltd is less than \$20,000, the Board believe that fairly represents the value of their investment. The Directors will reassess the value of this shareholding on or about the 1st of March each year.

## **19. Financial Forecasts**

The Forecast Financial Statements for the years 2023-2026 are included (Appendix A).

The Aerial Photography revenue/expenses reflects the flying programme determined by the participating councils which includes interim flying programmes and extensive region-wide flying programmes over the next five years.

A continued increase in Recoveries has been forecast to reflect the direct recovery of purchases made on behalf of councils through Joint Procurement projects.

It is the company's intention to always fully recover costs incurred on behalf of participating councils.

SOI Forecast 2023/26	Budget 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2024/2025
<b>REVENUE</b>				
<b>Revenue - Core</b>	<b>313,992</b>	<b>321,837</b>	<b>329,878</b>	<b>338,120</b>
Bank Interest Received	200	200	200	200
Council Contribution	313,792	321,637	329,678	337,920
<b>Revenue - Projects</b>	<b>1,301,600</b>	<b>1,219,000</b>	<b>1,329,000</b>	<b>1,279,000</b>
Aerial Photography Income	400,000	300,000	400,000	350,000
Bank Interest Received	4,100	9,000	8,000	6,000
Collaboration Portal	50,000	45,000	50,000	52,000
Lease Income - ICN	130,000	130,000	125,000	125,000
Lease Income - Video Confer.	15,000	24,000	24,000	24,000
Rebates	2,500	1,000	2,000	2,000
Recoveries	700,000	710,000	720,000	720,000
<b>Total Operating Revenue</b>	<b>1,615,592</b>	<b>1,540,837</b>	<b>1,658,878</b>	<b>1,617,120</b>
<b>EXPENSES</b>				
<b>Expenditure - Core</b>	<b>384,570</b>	<b>390,103</b>	<b>401,581</b>	<b>410,423</b>
ACC	850	900	950	950
Accommodation & Travel	2,100	2,200	2,200	2,200
Accounting & Audit	21,300	22,000	24,000	24,000
Administration	17,500	18,000	18,500	19,000
Amortisation	7,700	2,000	1,500	1,500
Bank Fees	200	200	200	200
Conferences	2,100	2,200	2,200	2,200
Depreciation	650	5000	4500	4000
Directors costs	21,000	23,000	23,000	25,000
Fringe Benefit Tax	3,500	3,500	4,000	4,000
General & Catering	2,200	2,400	2,400	2,400
Health and Safety	1,000	1,000	1,000	1,000
Insurance	10,500	11,500	13,000	13,000
Interest Paid - TCC Loan	500	0	0	0
Legal	2,000	2,500	2,500	2,500
Salaries	282,170	286,403	292,131	297,973
Salaries - C'Portal Opex	-16,500	-19,000	-18,000	-17,000
Staff Support Costs	17,500	18,000	18,500	18,500
Staff Training Costs	2,000	2,000	2,500	2,500
Subscriptions	1,000	1,000	1,000	1,000
Tax Advice	5,300	5,300	5,500	5,500
<b>Expenditure - Projects</b>	<b>1,231,022</b>	<b>1,150,734</b>	<b>1,257,297</b>	<b>1,206,697</b>
Aerial Photography Expense	400,000	300,000	400,000	350,000
Collaboration Portal Opex	27,122	28,874	30,737	30,137
Lease Expense - ICN	124,800	124,800	120,000	120,000
Lease Expense - Video Confer.	14,100	22,560	22,560	22,560
Projects - Recoveries	665,000	674,500	684,000	684,000
<b>Total Operating Expenditure</b>	<b>1,615,592</b>	<b>1,540,837</b>	<b>1,658,878</b>	<b>1,617,120</b>
<b>Operational Surplus/ (Deficit) before Tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Undertaken Joint Procurement Projects

Requiring ongoing management for performance, renewal or replacement:

- Accounts Payable automation software
- Advertising services
- Aerial imagery and LiDAR
- Air travel
- Antivirus software
- Archaeological services
- Asbestos protocols
- Banking
- Capital construction and civil works
- Cloud services
- Collective training services
- Community engagement app
- Courier services
- Cyber insurance
- Document management – EDRMS
- Document storage
- EFTPOS services
- Electricity
- Electronic purchasing
- EMA membership
- Firewall Services
- FME Server
- Fuel
- Geospatial training services
- GIS regional technical advisor
- GIS software
- GPS vehicle tracking
- Health & Safety benchmarking
- Health & Safety management software
- Health & Safety training services
- Health & Wellbeing online platform
- Historic imagery digitisation
- HR information systems
- Infrastructure as a Service
- Insurance brokerage services
- Insurance – General
- Insurance – Infrastructure
- Internet services
- IPWEA library
- Media monitoring
- N3/GSB membership
- Office supplies
- Postal services
- Print media copyright services
- Provincial Growth Fund co-funding
- Radio telephony
- Rapid antigen tests
- Reprographic – printers/copiers
- Risk management workshops
- Security services
- Telephony – voice, data, mobile
- Tender facilitation
- Transactional banking
- Travel and accommodation services
- Valuation services provider
- Video conferencing services
- Website analytics
- Wireless WAN

**Identified Joint Procurement Projects**

- Agenda management software
- Business continuity
- CD emergency notifications
- Chemicals
- Civil works contracts
- Civil works materials
- Community communication systems
- Contractor online inductions
- Digital signatures
- Document scanning
- Driver training
- Drug & Alcohol testing
- Engineering Codes of Practice
- Fleet purchasing and management
- Health insurance
- High volume print
- ICT security policies
- Infrastructure valuation services
- IT applications
- Lone worker field solutions
- Media distribution services
- PPE & Uniform
- Property valuation services
- Recruitment/Candidate management
- Risk profiling workshops
- Robotic Process Automation (RPA)
- Surveys and research

**Shared Services**

Managed by BOPLASS or by one or more constituent councils:

- After hours call management
- Archive service
- Contractor H&S prequalification
- Debt recovery services
- Employee benefit schemes
- FME licensing pool
- GIS imagery data storage
- GIS support (inter-council)
- GIS web services
- Health and safety auditing
- Historic aerial imagery digitisation
- Insurance COE
- Inter-council network
- Internal audit services
- MahiTahi LG Collaboration Portal
- Media monitoring
- Occupational health
- Radio telephony strategy
- Section 17a reviews
- Shared licence server
- Solid waste services
- Standards NZ
- Video conferencing hosting
- Waste Operator Licensing

**Projects for Consideration**

- Asset Management
- Building consents
- Business continuity planning
- Capital Expenditure projects
- CCTV monitoring
- Centralised insurance resource
- Civil Defence Emergency Management
- Civil works projects marketing
- Consents Processing
- Contractor online inductions
- Digital transformation
- Diversion of putrescible waste from landfill
- Document digitisation
- Driver training
- Electronic Document and Records Management System
- Geospatial services
- HR Information Systems
- Information Services
- Infrastructure development codes
- Insurance valuations
- IT hosting
- Joint software support
- Payroll
- Project management office
- Rates Collection
- Regional Civil Defence
- Risk and total assurance
- Shared datacentre
- Solid waste regional facilities strategy
- Smart cities
- Staff engagement survey systems
- Web services
- Windscreen replacement

## 11. Reports of the Chief Executive and Staff for INFORMATION



23-73

**Title:** 23-73 Strategic Review of Māori Freehold Land

**Section:** Finance & Affordability

**Prepared by:** Fiona Scragg - Revenue Team Leader

**Meeting Date:** Wednesday 19 April 2023

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Legal: Yes

Financial: Yes

Significance: **Medium**

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### Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for information

#### PURPOSE - TE TAKE

The purpose of this report is to inform the Council of a strategic review that is currently being carried out on land designated as Māori Freehold Land. The review focuses on Gisborne District Council's rating policies in relation to Māori freehold land and will be included in the 2024-2034 Long Term Plan (LTP) process.

#### SUMMARY – HE WHAKARĀPOPOTOTANGA

From time to time there is a need to review rating policies to ensure they appropriately align to the legislation, meet community objectives and can be implemented efficiently and effectively. Amendments to the LGRA (Local Government Rating Act) in April 2021 have provided the opportunity to reassess the Gisborne District Council's rates policies in relation to Māori freehold land.

Daran Ponter will give a **presentation**, by zoom on the proposed recommendations and findings included within the report. A workshop will be held at a later date with Daran Ponter on site, providing Councillors with an opportunity to ask questions and give their feedback at this meeting. Following this, the draft policy will be updated in preparation for community engagement and consultation.

The recommended changes that will be discussed are in relation to Council's rating policies, and are being proposed for inclusion in the 2024-2034 Long Term Plan to:

- a. align to new legislative provisions, including non-rateable land
- b. clarify approach to several legislative provisions; and
- c. remove redundant rate remission policies and have a more streamlined customer friendly approach to rate remissions policy on Māori freehold land.

The **attached** noting report is available for Council to review and includes potential recommendations.



The decisions or matters in this report are considered to be of **Medium** significance in accordance with the Council's Significance and Engagement Policy.

## **RECOMMENDATIONS - NGĀ TŪOHUNGA**

**That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:**

**1. Notes the contents of this report.**

*Authorised by:*

**Pauline Foreman - Chief Financial Officer**

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**Keywords:** Maori Freehold Land Review, Rating Policies, Rates, Strategic Review

## BACKGROUND - HE WHAKAMĀRAMA

1. A strategic Review of Māori Freehold land was last carried out in 2014 (**Report 14 471**) and Council's rate remission policies were updated as a result.
2. Since that time there were key changes for rating of Māori Freehold Land in April 2021 when the Local Government (Rating of Whenua Māori) Amendment Act 2021 (Amendment Act), was incorporated into the Local Government (Rating) Act 2002 (LGRA).
3. The LGRA promotes the retention and use of Māori Freehold land (MFL), facilitates the occupation, development, and use of that land, ensures decisions made about Māori land are fair and balanced, and considers the needs of the owners and their beneficiaries.
4. This gave Council the ability to support the use and development of Māori freehold land in several ways:
  - Has provided the Chief Executive with the power to remove rate arrears if satisfied that the rates are uncollectable or if a previous owner is deceased.
  - Makes most unused MFL non-rateable.
  - Provides a statutory rates remission process for Māori land under development.
  - Allows multiple Māori land blocks from a parent block to be treated as one for rating purposes if they are used jointly as a single unit.
  - Allows the Council to create Separate Rating Areas on request so individual houses on MFL can be rated separately.
5. There have also been changes made to modernise the legislation affecting the rating of Māori land, which:
  - Provides protection to Māori land made general land by the Māori Affairs Amendment Act 1967 from being leased or sold as "abandoned land sales".
  - Removes the two-hectare limit on the non-rateability for marae and urupā.
  - Extends the non-rateability for marae to all land, not just those on a Māori reservation.
  - Provides that Council will reference the preamble of Te Ture Whenua Māori Act 1993 in relevant local government legislation to signal the intent of the rating provisions on MFL.
  - To ascertain rates liability that is limited under section 93 of the LGRA, Trustees are obliged to declare income received from land if requested by Councils.
  - Clarifies that homes on Māori reservations are liable for rates.
6. A detailed report of these changes was presented at the Finance and Performance Committee on 15 September 2021 (**Report 21 187**).

7. This current review will incorporate recommendations to Council's rating policies in the 2024-2034 Long Term Plan to:
  - a. align to new legislative provisions, including non-rateable land
  - b. clarify approach to several legislative provisions; and
  - c. remove redundant rate remission policies and have a more streamlined customer friendly approach to rate remissions policies on Māori freehold land.

### **ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA**

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

**Overall Process:** **Medium** Significance

**This Report:** **Low** Significance

Inconsistency with Council's current strategy and policy

**This Report:** **Medium** Significance

The effects on all or a large part of the Gisborne district

**Overall Process:** **Medium** Significance

**This Report:** **Medium** Significance

The effects on individuals or specific communities

**Overall Process:** **Medium** Significance

**This Report:** **Medium** Significance

The level or history of public interest in the matter or issue

**Overall Process:** **Medium** Significance

**This Report:** **Medium** Significance

8. This report is part of a process to arrive at a decision that will/may be of **Medium** level in accordance with the Council's Significance and Engagement Policy.
9. This affects over 3200 rating units in the district covering more than 228,000 hectares.

### **TANGATA WHENUA/MĀORI ENGAGEMENT - TŪTAKITANGA TANGATA WHENUA**

10. Specific consultation with Tangata Whenua and Māori agencies will be carried out as part of the Long Term Plan consultation process.

### **COMMUNITY ENGAGEMENT - TŪTAKITANGA HAPORI**

11. Community Consultation will be carried out as part of the Long Term Plan Process

### **CLIMATE CHANGE – Impacts / Implications - NGĀ REREKĒTANGA ĀHUARANGI – ngā whakaaweawe / ngā ritenga**

12. There is no direct impact of climate change from this report. The strategic setting for climate change is embedded into Tairāwhiti 2050 and the Long Term Plan strategic priorities.

## CONSIDERATIONS - HEI WHAKAARO

### Financial/Budget

13. There is a financial cost in proving rate remissions, writing off rates arrears on uncollectable rates and in removing rate arrears on land made non-rateable.
14. Some of the options presented in **Attachment 1** will have to be modelled against the latest Annual Plan rating information (ie 2023/24) to be able to understand changes to the incidence of rates. This work will be part of the 2024-2031 LTP review.

### Legal

15. Changes to modernise the legislation affecting the rating of Māori land impact on Council with changes to the Local Government Act 2002, Local Government (Rating) 2002 and the Rate rebate Act 1973. Detailed information was provided in report 21-187 and includes:
  - a. Allows Multiple Māori Land Blocks to be Treated as one for Rating Purposes (LGRA s 20A).
  - b. Chief Executive (CE) may Write Off Rates that Cannot be Recovered (LGRA s 90A).
  - c. Enable Individual Houses on Māori Land to be Rated as if they were one Rating Unit thus entitling owners to apply for a rate rebate (LGRA s 98A).
  - d. Provide a Statutory Rates Remission Process for Māori Land under Development (LGRA s 114A).
  - e. MFL land made Non-Rateable-Non-Rateable Land LGRA Schedule 1, Part 1 eg unused land and Ngā Whenua Rāhui.
  - f. Land used for the Purpose of a Marae and Urupa- 2-hectare limit removed.

## POLICY and PLANNING IMPLICATIONS - KAUPAPA HERE me ngā RITENGA WHAKAMAHERE

16. The Local Government (Rating) act 2002 now requires that Council will reference the preamble of Te Ture Whenua Māori Act 1993 in relevant local government legislation to signal the intent of the rating provisions on MFL, such as our rates remission policies. Rate Remission Policy to be updated.

### RISKS - NGĀ TŪRARU

17. There are no major risks associated with this noting report. Recommendations will flow on from Council reviewing this report and form part of the 2024-2034 Long Term Plan process.

## NEXT STEPS - NGĀ MAHI E WHAI AKE

Date	Action/Milestone	Comments
24 May 2023 (date to be confirmed)	LTP workshop	Daran Ponter to be on site for discussion, questions, and feedback with Councillors for reviewing and updating our Māori Freehold Land Rate Remission Policies for the LTP.
Yet to be confirmed	Consultation with Iwi and General Public for LTP (Long Term Plan) 2024-2034 to update Council rates remission and postponement policy.	
2024	Revised and updated Rates Remission and Postponement policy.	LTP (Long Term Plan) 2024-2034

## ATTACHMENTS - NGĀ TĀPIRITANGA

1. Attachment 1 - 2022 23 Review of Gisborne District Council Maori Free [23-73.1 - 88 pages]

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## 2022/23 Review of Gisborne District Council Whenua Māori Rating Policies

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April 2023

Daran Ponter  
Director

Leigh Halstead  
Associate

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**PONTER** **AMOR**  
Consultancy Ltd

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## Executive Summary

1. This review is foreshadowed in the Gisborne District Council's *Our Tairāwhiti 2021-2031 Long Term Plan*<sup>1</sup>. The review focuses on Gisborne District Council's rating policies in relation to Māori freehold land.
2. Rates are a type of property tax used in many countries to fund investment in local services and facilities. Rates are a primary form of income for the Gisborne District Council, paying for a range of public goods and services as diverse as three waters, library services, refuse services, roading, recreation and governance.
3. New Zealand's rating system is governed by the Local Government Act 2002 (LGA) and Local Government (Rating) Act 2002 (LGRA), which:
  - provide local authorities with flexible powers to set, assess, and collect rates;
  - ensure rates reflect decisions are made in a transparent and consultative manner; and
  - provide for processes and information so ratepayers can identify and understand their liability for rates.
4. The legislation requires councils to have policies to temper the impact of rates for certain circumstances. This tempering occurs through rates remissions, postponements, and write-offs. These policies endeavour to achieve wider community objectives such as protection of ecological areas, promoting land development, retaining ownership of Māori freehold land, and recognising ratepayer circumstances, such as hardship. The legislation requires specific recognition of Māori freehold land in setting rating policies.
5. From time to time there is a need to review rating policies to ensure they appropriately align to the legislation, meet community objectives and can be implemented efficiently and effectively. Amendments to the LGRA in 2021, particularly to provisions related to Māori freehold land, provide an opportunity to reassess the Gisborne District Council's rates policies.
6. This Review is based on:
  - a. an assessment of new legislative requirements
  - b. analysis of rating policies adopted by Gisborne District Council and other councils
  - c. assessment of ways to better streamline rating policies.
7. At a high level the review has identified that the Gisborne District Council is in good company. Other district councils with high percentages of Māori freehold have taken similar steps to initially align to the 2021 legislative amendments while identifying there are further steps and opportunities to take. The new legislative provisions will lead to streamlining of remissions policies across the board- this is already evident in amendments made to policies in 2021.
8. Other councils have moved or are in the process of, streamlining their rates remissions policies for Māori freehold land. This is assisted by the fact that the LGRA is now

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<sup>1</sup> Pg 181, Gisborne District Council.

more directive in relation to the rating of Māori freehold land, some of these directions having been influenced by the Gisborne District Council's approach to the rating of Māori freehold land.

9. The Review recommends amendments to the Gisborne District Council's Rate Remission and Postponement Policy to:
  - a. align to new legislative provisions, including non-rateable land;
  - b. clarify approach to a number of legislative provisions; and
  - c. remove redundancies and a more streamlined approach for rates remissions policies related to Māori freehold land.
  
10. In addition, the review recommends:
  - a. streamlining the application forms and processes in relation Māori freehold land rates remissions policies;
  - b. the application of the Uniform Annual General Charge (UAGC) is reassessed; and
  - c. engagement with owners of Māori freehold land is placed on a firmer footing, with a stronger emphasis on working alongside other agencies to engage with owners of Māori freehold land on a broad range of land issues including governance, land development and information on rates and services.

## Part One: Recommendations

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## Part One: Recommendations

11. The review has identified a series of recommendations which are consolidated here for ease of reference:

### Aligning Council Objectives to Te Ture Whenua Māori Act Preamble

- a. **THAT** the Gisborne District Council replaces its existing Rating Remission Policy objectives (contained in the introduction to the Council's Rates Remission and Postponement Policies), with:

Fair and equitable collection of rates, which:

- A. aligns to community, cultural, environmental, and economic outcomes, including the outcomes of Tairāwhiti 2050
  - B. recognises affordability and ratepayer circumstances and avoids further alienation of Māori freehold land
  - C. enables the use / development of land, including for traditional purposes, including wāhi tapu
  - D. applies the relevant provisions of the Local Government Act and the Local Government (Rating) Act 2002.
  - E. supports Te Ture Whenua Māori Act 1991 Preamble principles by:
    - i. recognising of Māori freehold land as taonga tuku iho
    - ii. promoting the retention of, and facilitating the occupation, development, and utilisation of Māori freehold land in the hands of its owners, whanau, and hapū
    - iii. protecting wāhi tapu;
- b. **THAT** Gisborne District Council explicitly include wāhi tapu within the ambit of its remissions policies;

### Use / Non-Use Status

- c. **THAT** Gisborne District Council identifies Māori freehold land that is potentially unused in 2024, as scheduled with Valuation Service Provider post 2023 District Rating Revaluation;

### Clarify Use / Non-Use

- d. **THAT** Gisborne District Council adopts a definition of “use” for Māori freehold land that provides that the following uses do not in themselves constitute “use”:
- i. roads, tracks and rights of way
  - ii. derelict and unused properties
  - iii. activities associated with recreational tramping, hunting or fishing
  - iv. two horses or less
  - v. wandering stock on property for less than 30 days;

### Apiculture

- e. **THAT** the Gisborne District Council considers the following approach to rating for apiculture on Māori freehold land rating units:
- i. 10 beehives or less considered a hobby and does not trigger rateability.

- ii. over 10 and up to 25 beehives apply to Council to determine if they are a hobby or not; and
  - iii. anything above 26 beehives considered commercial and fully rated;
- f. **THAT** the Gisborne District Council considers whether the above approach towards apiculture is also applicable to general title land;

#### Unused Separately Rateable Parts of a Rating Unit

- g. **THAT** the Gisborne District Council remit rates for unused separately rateable parts of a Māori freehold rating unit. (See Single Māori freehold land remission policy (Part 5);
- h. **THAT** the Gisborne District Council note that Recommendation G is part of the existing remissions policies that will be consolidated, as listed below;

#### Existing Remission Policies<sup>2</sup>

- i. **THAT** Gisborne District Council:
- i. repeals the *Māori Freehold – General* remissions policy; and
  - ii. references Section 90A, LGRA (chief executive must write off any outstanding rates that, in the chief executive's opinion, cannot reasonably be recovered) alongside its rates remissions policies;
- j. **THAT** Gisborne District Council amend the remission policy: *Development of Māori freehold land* to complement to the new provisions in Section 114A, LGRA, (see Proposed Single Māori Freehold Land Rates Remission Policy – Part 5);
- k. **THAT** Gisborne District Council:
- i. repeals the *Landlocked, Marginal Land and Fragmented Ownership remissions policy*; and
  - ii. references the non-rateable provisions of Schedule 1, Part1, LGRA. alongside its rates remissions policies;
- l. **THAT** Gisborne District Council continues to apply a remissions policy to partially unused / unoccupied areas of Māori freehold land rating units and that the remissions policy is updated as set out in Part 5 - Single Māori Freehold Land Rates Remission Policy);

#### Postponement Policy

- m. **THAT** Gisborne District Council retains its current rates postponement policy;

#### Single Application Form

- n. **THAT** Gisborne District Council adopt a single application form for remissions and adjustments that are more particularly directed at Māori freehold land;
- o. **THAT** Gisborne District Council provide for the single application form :

<sup>2</sup> Note that a single policy will replace the policies in Recommendation (Existing Remissions Policies).

- i. as an online form; and
- ii. in te reo Māori and English;

### Uniform Annual General Charge

- p. **THAT the Gisborne District Council reviews its UAGC as part of its Three-Year Plan;**
- q. **THAT Gisborne District Council notes that decreasing the UAGC will result in an increase in general rates;**

### Gisborne District Council Separately Used or Inhabited Part

- r. **THAT the Gisborne District Council reviews its SUIP definition as part of the 3-year plan and that SUIP guidance notes provide further clarification for rural properties;**

### Single Māori Freehold Land Remission Policy

- s. **THAT Gisborne District Council adopt a single Māori Freehold Land Remission policy comprised of two parts:**
  - i. Part 1: Unused Portions of Māori Freehold Land
  - ii. Part 2: Development of Māori Freehold Land

as set shown in Part 5;

### “1967” Land

- t. **THAT Gisborne District Council identify “1967” land in Tairāwhiti with a view to revisiting its rates treatment of “1967” land in the future; and**

### Council Engagement

- u. **THAT Gisborne District Council considers:**
  - i. Co-ordinated and regularised outreach: Formalising arrangements with other organisations, via a memorandum of understanding, to support owners of Māori freehold land to progress their development aspirations;
  - ii. Development Pathway: Formalises an arrangement with the Whenua Māori Service to support owners of Māori land to be facilitated along a development pathway; and
  - iii. Resourcing: increasing the resources available to fund Councils engagement processes, noting that any increase in resourcing will have to be prioritised within the 3-year plan.

## Part Two: Context

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## Part Two: Context

### This Review

#### Problem Definition

12. The problems addressed in this review are:
- a. synthesising rating policies developed over time;
  - b. recognising recent legislative amendments;
  - c. efficient and effective rating policies; and
  - d. accessibility of Council rating policies.

#### One Review - Eight Parts

13. This Review is in eight parts:
- Part 1: Recommendations
  - Part 2: Context
  - Part 3: Aligning to New Legislative Requirements
  - Part 4: Other councils' Whenua Māori Rating Policies
  - Part 5: Single Māori Freehold Land Rates Remissions Policy
  - Part 6: Streamlined Applications Form
  - Part 7: Uniform Annual General Charge
  - Part 8: Council Engagement

#### Out of Scope

14. Those matters out of scope for this review are:
- a. the legislative framework and provisions;
  - b. the valuation of Māori freehold land;
  - c. Gisborne District Council's investment and rates setting strategy; and
  - d. wider government policy/legislation, such as climate change policy and goods and services tax.

## Context

### Māori Freehold Land

15. Māori freehold land is land whose beneficial ownership has been determined by the Māori Land Court by freehold order<sup>3</sup>. Māori freehold land is commonly distinguished from general title land by the fact that it is:
- a. administered under a different land tenure regime;<sup>4</sup>
  - b. generally multiple owned;
  - c. disproportionately lower quality, more isolated and less developed;
  - d. valued for its intrinsic cultural and spiritual values; and
  - e. not freely tradeable (and in most cases, the owners do not want to alienate the land).

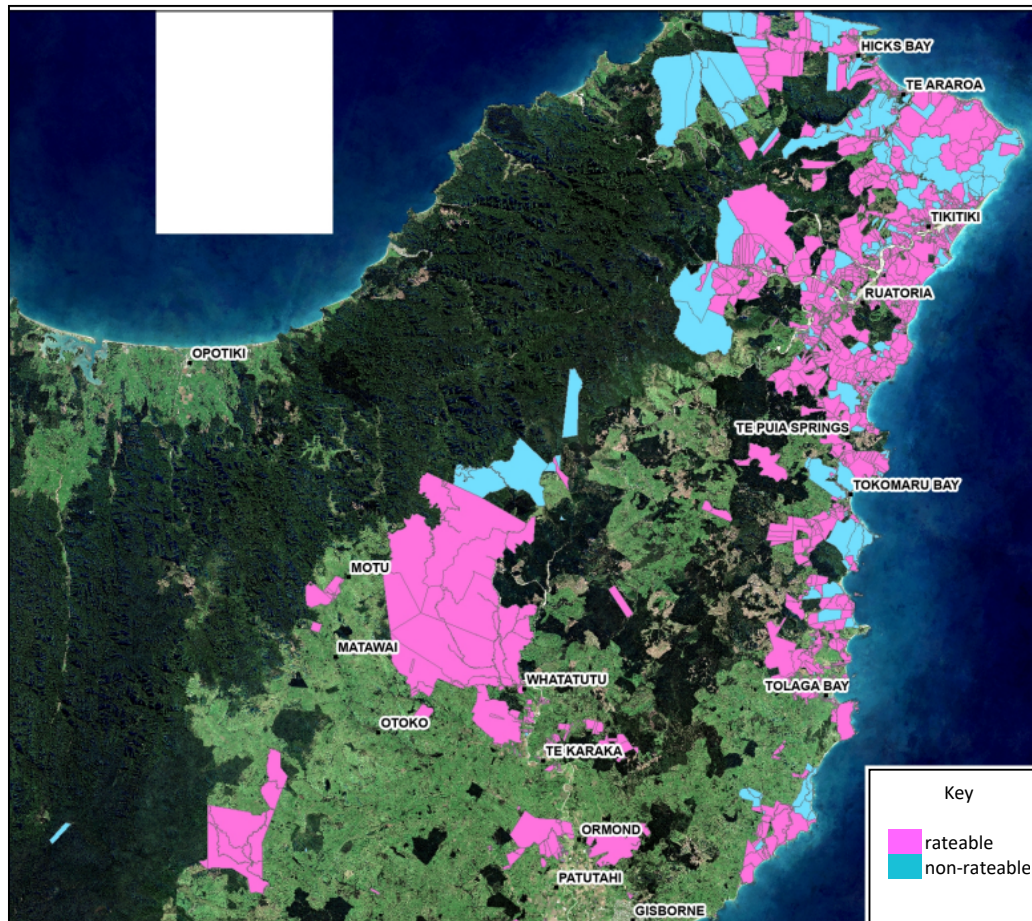
<sup>3</sup> Section 5, LGRA. Note: Land whose ownership has not been determined by the Māori Land Court may be customary Māori land. The LGRA makes customary title land non-rateable. There is very little customary Māori land.

<sup>4</sup> Te Ture Whenua Māori Act 1993, which seeks to retain Māori freehold land in Māori ownership.



16. Approximately 27% (228,000 hectares / 3,200 rating units) of the Gisborne District (838,600 hectares) is Māori freehold land. As shown in Map 1, the bulk of this land sits in the northern area of the Gisborne District. The blue parcels of Māori freehold land shown in Map 1 indicate the extent to which the non-rateability provisions of the LGRA have already been applied by the Gisborne District Council – this equates to 31,717 ha (or 14% of Māori freehold land in the Gisborne District).

Map 1: Māori Freehold Land in Gisborne District (November 2022)<sup>5</sup>



### New Zealand Local Authority Rating System

17. The LGA / LGRA provide councils with the ability to raise revenue from the community generally, specified groups or categories of ratepayers, and those who use or generate the need for services or amenities. Decisions on which rating tools are selected and how they are applied is left to individual councils.

<sup>5</sup> Gisborne District Council, November 2022: Information on this plan is indicative only and not mapped to a survey accurate scale. Gisborne District Council accepts no liability for its accuracy and it is your responsibility to ensure that the data contained herein is appropriate and applicable to the end use intended. Copyright under Creative Commons Attribution 4.0 International licence. May contain data sourced from the LINZ Data Service, BOPLASS or Gisborne District Council. Identification of land as rateable or non-rateable is based on the November 2022 Gisborne District Council rating status for Māori freehold land rating units.

### **Purpose of the Act**

18. The LGRA provides councils with powers to set, assess and collect rates to fund council activities. There are three main purposes of the LGRA are to:
- provide local authorities with flexible powers to set, assess, and collect rates;
  - ensure rates reflect decisions made in a transparent and consultative manner; and
  - provide for processes and information to ensure ratepayers can identify and understand their liability for rates.
19. One of the prime objectives of the LGRA is to establish clarity, certainty, and stability in rating matters. Mechanisms are set out in the LGRA to allow councils to raise revenue from the community generally, specified groups or categories of ratepayers, and those who use or generate the need for services or amenities.

### **Constitutional Principles**

20. The rating of land is a non-arbitrary coercive tax. It is important, therefore, that policies and processes associated with all aspects of rating are subject to transparency and accountability.

### **Key Elements of the Act**

21. The LGRA<sup>6</sup> provides that rates must be paid on all general title and Māori freehold land unless the land comes under one of the exceptions in the LGRA or a local council decides to remit (not collect part or all of the rates). Some categories of land are made non- or partially rateable, with other provisions allowing for rating units to be treated as one rating unit.
22. The unit of liability for rates is the rating unit. It is based on the concept of ownership – where, in general, 1 certificate of title = 1 rating unit. Valuation rules allow for exceptions and oddities. There may, for example, be some other form of instrument that establishes a rating unit.<sup>7</sup> The framework for the Valuer-General's rules is set out in legislation.
23. Liability for rates rests primarily with the owner. Bearing in mind that the rating unit is based on the concept of ownership, there is a direct link to the owner. There are, however, a few exceptions and transition provisions related to some leases. There are also variations in relation to multiply-owned Māori freehold land.
24. How properties are rated is a local authority policy matter. Decisions on which rating tools are selected, and how they are applied, is left to individual councils. General rates can be based on land value, capital value, or annual value – with or without differentials. The Uniform Annual General Charge (UAGC) can be applied per rating unit or per separately used or inhabited part of a rating unit.
25. Differentials can be based on –
- Property value.
  - Location.

<sup>6</sup> Section 91, LGRA states that “Except where this Part otherwise provides, Māori freehold land is liable for rates in the same manner as if it were general land.”

<sup>7</sup> Examples include unit titles, cross lease properties and for Māori freehold land occupation orders

- Area.
  - Use.
- Activities allowed for under the Resource Management Act.
26. Targeted rates are designed to fund a function or group of functions. The funding can be from a specified group of ratepayers and can be set on all rating units or on particular categories.
  27. Remissions and postponements can be on any property, to any extent, and for any reason – provided the local authority has adopted policies following consultation. A rates remission policy, under the LGA, must state the objectives to be achieved and the conditions and criteria for remissions.
  28. There is a clear link between processes for assessing and invoicing rates, with the objective of transparency and accountability – particularly the need for ratepayers to understand their liability for rates.

### Rating of Māori Freehold Land

29. The Gisborne District Council, along with several councils with disproportionality high Māori freehold land (See Part 4), have in recent years lead out on rating policies designed to better recognise circumstances related to Māori freehold land. A number of these policies influenced the 2021 amendments to the LGRA.
30. In developing rating policies specific to Māori freehold land, councils must consider matters set out in the:

#### a. Local Government Act 2002

##### Section 102 [**Funding and financial policies**]

- (1) A local authority must, in order to provide predictability and certainty about sources and levels of funding, adopt the funding and financial policies listed in subsection (2).
- (2) The policies are—
  - (e) a policy on the **remission and postponement** of rates on Māori freehold land; and
- (3A) The following policies must also support the principles set out in the Preamble to Te Ture Whenua Māori Act 1993: (see below).

##### Section 108 [**Policy on remission and postponement of rates on Māori freehold land**]

- (1) If a policy adopted under section 102(1) provides for the remission of rates on Māori freehold land, the policy must state—
  - (a) the objectives sought to be achieved by the remission of rates; and
  - (b) the conditions and criteria to be met in order for rates to be remitted.
- (2) If a policy adopted under section 102(1) provides for the postponement of the requirement to pay rates on Māori freehold land, the policy must state—
  - (a) the objectives sought to be achieved by a postponement of the requirement to pay rates; and
  - (b) the conditions and criteria to be met in order for the requirement to pay rates to be postponed.

- (3) *For the avoidance of doubt, a policy adopted under section 102(1) is not required to provide for the remission of, or postponement of the requirement to pay, rates on Māori freehold land<sup>8</sup>.*
- (4) *In determining a policy under section 102(1), the local authority must consider the matters set out in Schedule 11. (see Annex B)*
- (4A) *A policy adopted under section 102(1) must be reviewed at least once every 6 years using a consultation process that gives effect to the requirements of section 82.*
- (5) *For the purposes of this section, the term rates includes penalties payable on unpaid rates; and*

**b. The Local Government (Rating) Act 2002**

Now includes provisions for:

- i. certain rating units of Māori freehold land to be treated as a single rating unit;<sup>9</sup>
- ii. Chief executive may write off rates that cannot be recovered<sup>10</sup> (applies to general title and Māori freehold land);
- iii. Chief Executive may write of rates of deceased owners of Māori freehold land;<sup>11</sup>
- iv. the division of Māori freehold land rating unit into separate rating areas;<sup>12</sup>
- v. remission of rates for Māori freehold land under development; and<sup>13</sup>
- vi. non-rateable or partially rateable Māori freehold land.<sup>14</sup>

## Gisborne District Rating

31. Rates are a primary form of income for the Gisborne District Council. Rates pay for a range of public good and services as diverse as three waters, public transport, library services, refuse services, roading, land management, recreation and cultural services and governance. In the 2021/22 Financial year actual income from rates (not including targeted water rates) was \$62 Million (35% of income)<sup>15</sup> (see Figure 1 below).

<sup>8</sup> This means that councils can have remissions and postponement policies, not to have remissions and postponements policies.

<sup>9</sup> Section 20A, LGRA.

<sup>10</sup> Section 90A, LGRA.

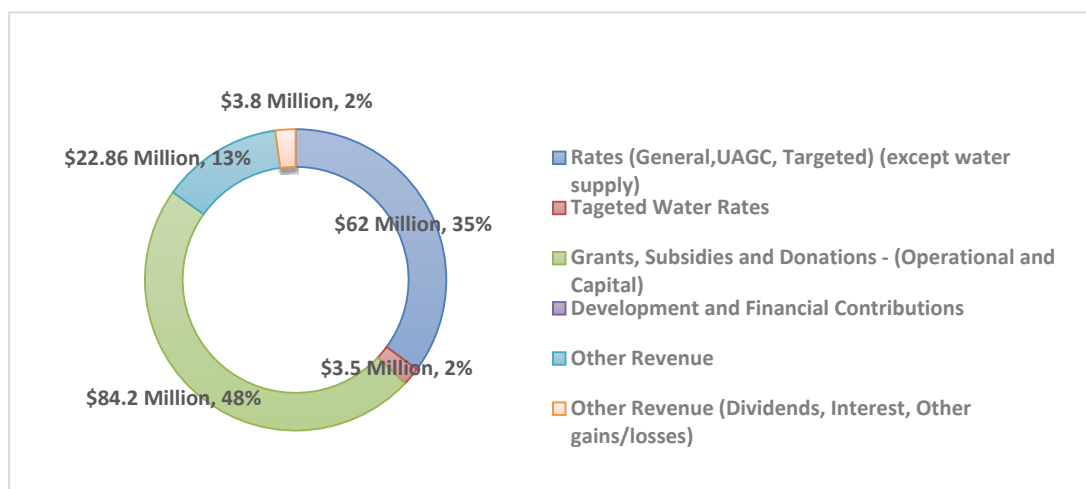
<sup>11</sup> Section 90B, LGRA.

<sup>12</sup> Section 98A, LGRA.

<sup>13</sup> Section 114A, LGRA.

<sup>14</sup> Schedule 1, LGRA.

<sup>15</sup> Gisborne District Council, *To Tatau Tairawhiti Mahere a-Tau 2021/22 - Our Tairawhiti 2021/22 Annual Report*, Page 143.

**Figure 1: Gisborne District Council Revenue 2021/22 FY (\$176 Million)<sup>16</sup>**

32. The Gisborne District Council's approach to rating is guided by nine principles, which were adopted as part of the Gisborne District Council 2021-2031 Long Term Plan, following a principles-based review of the Council's Revenue and Finance Policy (RFP):

### **Principles**

*In applying those considerations (section 101(3) a and b, LGRA), the Council has developed some principles to assist in making informed and consistent choices under the legal framework, the following principles have been developed and applied:*

- a. All funding options will consider affordability.
- b. Funding choices will support the outcomes of Tairāwhiti 2050.
- c. Council will explore funding options from all other sources before choosing rates to fund activities.
- d. In collaboration with Māori, funding choices will contribute to enabling the development of Māori land.
- e. Each generation should pay for the services they receive.
- f. Revenue collection will be obvious, transparent, efficient and simple.
- g. Actions and inactions that adversely affect the community, environment or Council assets can expect to pay more.
- h. Users of services can expect to contribute to the cost of operating the service.
- i. Borrowing will be used when it is financially efficient to do so and in the best interest of the community.

33. No changes are proposed to these principles.
34. The Gisborne District Council has twelve general remissions policies that are available for all properties including Māori freehold land:

<sup>16</sup> Gisborne District Council, To Tatau Tairawhiti Mahere a-Tau 2021/22 Our Tairawhiti 2021/22 Annual Report, Page 143.

- Community, Recreation & Not for Profit Organisations
- Economic Development
- Excess Water
- Financial Hardship and Exceptional Circumstances
- Fragmented & Uneconomic Coastal Rural Land
- Land Affected by Plan Changes
- Natural Heritage and Cultural Heritage
- Payment Arrangement and Rate Arrears
- Penalties
- Permanent Crops
- Rates Transition Policy
- Uniform Annual General Charge (UAGC) and certain Targeted Rates.

35. There are four policies specifically focused on the remission of rates on Māori freehold land. These policies reflect the realities facing Māori freehold land and the practicalities of recouping rates. They are:

- Māori Freehold Land - General
- Development of Māori Freehold Land
- Landlocked, Marginal Land and Fragmented Ownership
- Partial Use and Partial Occupation of Māori Freehold Land.

36. The Gisborne District Council's postponement policy for Māori freehold land is not to apply postponements to Māori freehold land.

## Part Three: Aligning to New Legislative Requirements

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## Part Three: Aligning Rating Policies to New Legislative Requirements

### Introduction

37. Part Three (this Part) focuses on aligning Gisborne District Council rates remissions and postponement policies to recent legislative amendments.
38. A series of recommendations are put forward in Part Three. The proposals are more evolutionary than revolutionary. This reflects the fact that Gisborne District Council is already a leader in rating for Māori freehold land and the emphasis in this review is on legislative alignment and streamlining of policies.

### Local Government (Rating of Whenua Māori) Amendment Act 2021

39. The Local Government (Rating of Whenua Māori) Amendment Act 2021 (LGRWM<sup>17</sup>) was enacted to give greater guidance to local authorities on the rating of Māori land in particular. The changes were aimed at
- reducing the barriers for owners of Māori freehold land who want to use, occupy, build houses on, and develop their whenua, particularly for those who have rates arrears;
  - stimulating regional development through Māori land development; and
  - providing greater consistency, equity and clarity around the rating of Māori land for the benefit of Māori landowners and local authorities.

40. Key changes include:

Change	Before July 2021	Now
<b>Supporting Te Ture Whenua Māori Act principles</b>	No Cross reference	Local Government Act 2002 now requires that all rates policy must support the principles set out in the Preamble to Te Ture Whenua Māori Act 1993 <sup>18</sup> .
<b>Wholly unused land</b>	Owners legally obliged to pay rates.  Council was obliged to levy the rates – even if they were to be remitted.	Rates will not be levied on unused Māori freehold land, and council will write off the rates arrears
<b>Ngā Whenua Rāhui</b>	Local authorities could collect rates on land protected for	All Ngā Whenua Rāhui land is non-rateable and rate arrears are written off. <sup>20</sup>

<sup>17</sup> Amended the Local Government (Rating) Act 2002.

<sup>18</sup> Note that Simpson Grierson has recently reviewed the Council's current remission policy and advised that it was compliant, which resulted in waiting for the Long-term Plan review exercise before further enhancing the Council's Rates Remission and Postponement Policies.

<sup>20</sup> Note that Gisborne District Council already provided full remissions on Nga Whenua Rahui Kawenata lands prior to the 2021 legislative amendments. In fact the government was guided in its 2021 amendments by the



<b>kawenata land</b>	conservation purposes under Ngā Whenua Rāhui. <sup>19</sup>	
<b>Arrears</b>	Council could not write off rates considered to be unrecoverable without a remissions process	Council must write off outstanding rates on any Māori freehold land considered unrecoverable, including debt inherited from deceased owners.
<b>Individual homeowners</b>	Low-income homeowners on a multi-home Māori land block could not access a rates rebate.	Upon request, Council can rate individual houses on Māori land as a separate rating area.  The individual homeowner is then responsible for rates on that rating area and can access the Rates Rebate Scheme.
<b>Multiple land blocks rated as one property</b>	Multiply owned Māori land often could not access this provision as ownership had to be identical.	When used as one unit Māori landowners can apply to have multiple land blocks from the same parent block treated as a single rating unit (this will reduce the number of uniform annual general charges applied).
<b>Rating sales of land</b>	Land changed to general land by the Māori Affairs Act 1967 (often without the knowledge or consent of the owner) has been sold through a rating sale or abandoned land provisions. <sup>21</sup>	Land changed to general land by the Māori affairs Act 1967 has protection from sale
<b>Remission of rates for development</b>	Councils required to have a remissions policy. The policy did not have to provide for remissions.	Councils given greater direction on remission of land for development. Application must be considered against listed criteria.

## Preamble to Te Ture Whenua Māori Act 1993

41. Section 102 (3A) Local Government Act 2002<sup>22</sup> now requires that any rates remission or rates postponement policy must support the principles set out in the Preamble to Te Ture Whenua Māori Act 1993, which reads:

*Nā te mea i roto i te Tiriti o Waitangi i motuhake ai te noho a te iwi me te Karauna: ā, nā te mea e tika ana kia whakaūtia anō te wairua o te wā i roto i te kōwhiri i te rangatiratanga e takoto nei i roto i te Tiriti o Waitangi: ā, nā te mea e tika ana kia mārama ko te whenua he taonga tuku iho e tino whakaaro nuitia ana e te iwi Māori, ā, nā tērā he whakahaere kia mau tonu taua whenua ki te iwi nōna, ki ō rātou whānau, hapū hoki, a, a ki te whakangungu i ngā wāhi tapu hei*

<sup>19</sup> Note that the Gisborne District Council already had a policy to not rate Nga Whenua Rahui Kawenata land. stances taken by Gisborne District Council and other councils in relation to Nga Whenua Rahui Kawenata lands.

<sup>21</sup> Note that the Gisborne District Council has had a long-standing policy of not instituting abandoned land sales and rating sales as part of our normal collection practices

<sup>22</sup> Section 102(3A): inserted, on 1 July 2021, by [section 77](#) of the Local Government (Rating of Whenua Māori) Amendment Act 2021 (2021 No 12).

*whakamāmā i te nohotanga, i te whakahaeretanga, i te whakamahitanga o taua whenua hei painga mō te hunga nōna, mō ō rātou whānau, hapū hoki: ā, nā te mea e tika ana kia tū tonu he Te Kooti, ā, kia whakatakototia he tikanga hei āwhina i te iwi Māori kia taea ai ēnei kaupapa te whakatinana.*

*Whereas the Treaty of Waitangi established the special relationship between the Māori people and the Crown: And whereas it is desirable that the spirit of the exchange of kawanatanga for the protection of rangatiratanga embodied in the Treaty of Waitangi be reaffirmed: And whereas it is desirable to recognise that land is a taonga tuku iho of special significance to Māori people and, for that reason, to promote the retention of that land in the hands of its owners, their whanau, and their hapū, and to protect wāhi tapu: and to facilitate the occupation, development, and utilisation of that land for the benefit of its owners, their whanau, and their hapū: And whereas it is desirable to maintain a court and to establish mechanisms to assist the Māori people to achieve the implementation of these principles.*

42. The principles that can be extracted from the Preamble are:
- a. recognising land as taonga tuku iho;
  - b. promoting the retention of, and facilitating the occupation, development, and use of Māori freehold land in the hands of its owners, whanau, and hapū
  - c. promoting the retention of that land in the hands of its owners, whanau, and hapū; and
  - d. protecting wāhi tapu.<sup>23</sup>

### Aligning Council Objectives to Te Ture Whenua Māori Act Preamble

43. Section 102(2)(e) of the Local Government Act 2002 requires councils to have a policy for the remission and postponement of rates on Māori Freehold Land.
44. The Gisborne District Council has a comprehensive set of Māori freehold land rating objectives and policies which endeavour to recognise the realities of Māori land tenure, organisation and use, and the practicalities of rating Māori freehold land. These objectives were most recently confirmed in the 2021-2031 Long Term Plan.
45. The critical elements of any rating objectives rely on series of inter-related elements:
- Strategically aligned
  - Efficiency
  - Effectiveness
  - Transparency
  - Fairness
  - Sympathetic to circumstances.
46. The current Gisborne District Council rating objectives are:

<sup>23</sup> A place of special significance according to tikanga Māori (Section 5, Te Ture Whenua Māori Act 1993).

*To have a rating system which ensures that:*

- a. All funding options consider affordability;*
- b. Funding choices support the outcomes of Tairāwhiti 2050<sup>24</sup>;*
- c. In collaboration with Māori, funding choices assist to enable the development of Māori Land;*
- d. Revenue collection is obvious, transparent, efficient, and simple; and*
- e. Remission and postponement policies allow for the fine tuning of the rating system and an opportunity to support community outcomes by offering financial relief for some ratepayers.*

47. These rating objectives align to the 2021 legislative requirements<sup>25</sup>. However, this review considers that the objectives can be refined to better reflect the themes coming through the Council's rating policies (see Part Two) and the 2021 legislative amendments, as follows:

Fair and equitable collection of rates, which:

- A. aligns to community, cultural, environmental, and economic outcomes, including the outcomes of Tairāwhiti 2050;
- B. recognises affordability and ratepayer circumstances and avoids further alienation of Māori freehold land;
- C. enables the use / development of land, including for traditional purposes, including wāhi tapu;
- D. applies the relevant provisions of the Local Government Act and the Local Government (Rating) Act 2002;
- E. supports Te Ture Whenua Māori Act 1991 Preamble principles by:
  - i. recognising of Māori freehold land as taonga tuku iho
  - ii. promoting the retention of, and facilitating the occupation, development, and use of Māori freehold land in the hands of its owners, whanau, and hapū;
  - iii. protecting wāhi tapu.<sup>26</sup>

48. The revised objectives seek to:

- a. better align to the content of Gisborne District Council Revenue and Finance Policy principles;
- b. introduce the language of equity, important in the context of owners of Māori freehold land;
- c. acknowledge the intersection with the legislation, where many new provisions relate to Māori freehold land and supersede previous Council policies; and
- d. explicitly draw out the principles in the preamble to Te Ture Whenua Māori Act 1993.

<sup>24</sup> Tairāwhiti 2050: Tairāwhiti Regional Spatial Plan, Adopted by Gisborne District Council 2020.

<sup>25</sup> Legal advice to Gisborne District Council in 2021 confirmed that the Council's rating policies aligned with its rating principles.

<sup>26</sup> A place of special significance according to tikanga Māori (Section 5, Te Ture Whenua Māori Act 1993).

49. The revised objectives should be applied across all Gisborne District Council rating policies as the bulk of policies apply equally to general title and Māori freehold land.
50. In relation to wāhi tapu, this paper notes that wāhi tapu are currently not explicitly covered by GDC remissions policies but appear to be included by the broad definition of “cultural” in the GDC “Natural heritage and cultural heritage” remission policy. This paper recommends that this policy could be improved by explicitly referencing wāhi tapu, which are not otherwise explicitly recognised as non-rateable in the LGRA. This would better align the GDC policy to the preamble of te Ture Whenua Māori Act 1993.

### Recommendation: Aligning Council Objectives to Te Ture Whenua Māori Act Preamble

- a. **THAT** the Gisborne District Council replaces its existing Rating Objectives with:
- Fair and equitable collection of rates, which:
- A. aligns to community, cultural, environmental, and economic outcomes, including the outcomes of Tairāwhiti 2050
  - B. recognises affordability and ratepayer circumstances and avoids further alienation of Māori freehold land
  - C. enables the use / development of land, including for traditional purposes, including wāhi tapu
  - D. applies the relevant provisions of the Local Government Act and the Local Government (Rating) Act 2002.
  - E. supports Te Ture Whenua Māori Act 1991 Preamble principles by:
    - i. recognising of Māori freehold land as taonga tuku iho
    - ii. promoting the retention of, and facilitating the occupation, development, and utilisation of Māori freehold land in the hands of its owners, whanau, and hapū
    - iii. protecting wāhi tapu; and
- b. **THAT** Gisborne District Council explicitly include Wāhi Tapu within the ambit of its remissions policies;

### Non-Rateable Land

51. Schedule 1, LGRA specifies land that is non-rateable. The categories of land has grown since the 2021 legislative amendments. Non-rateability is applied regardless of the impact on Council rates line -they are a statutory requirement, though some judgment may still be required.
52. Prior to the 2021 amendments non-rateable Māori land was:
- Māori customary land;
  - an area of land up to two hectares that's used as an urupā (Māori burial ground);
  - an area of land up to two hectares that's set aside as a Māori reservation for a marae or meeting place;
  - land set aside as a Māori reservation for the common use and benefit of the people of Aotearoa/New Zealand; and

- Māori freehold land specifically exempted from rates by an Order in Council, on the recommendation of the Māori Land Court (one instance I in Gisborne District<sup>27</sup>).
53. The 2021 amendments to the LGRA added the following classes of land to be non-rateable:
- land that is subject to a Ngā Whenua Rāhui kawenata is non-rateable;
  - removed the area limit for urupā, marae and meeting place or meeting house; and
  - an unused<sup>28</sup> rating unit of Māori freehold land is non-rateable.
54. The first two new provisions above are relatively easy to interpret. The issue of “unused” rating units requires further clarification, for the sake of both landowners and Gisborne District Council revenue staff (covered below).

### Assessing Non-Rateability

55. The Gisborne District Council has applied Department of Internal Affairs’ advice on making land non-rateable[1]. After following this advice, in the Year to 30 June 2022, the Gisborne District Council has applied non-rateable status to 307 Māori freehold land rating units (23,720 ha). A further 33 Māori freehold land rating units (968 ha) have been made non-rateable since.
56. The DIA guidance to assess the non-use of properties should be regarded as a first step. A second step could involve undertaking a further review to identify Māori freehold land that is potentially unused in 2024 as scheduled with Valuation Service Provider, post 2023 District Rating Revaluation. . Once this is appropriately reviewed then comparatively few changes as to use/ non-use status would be expected.

### Recommendation: Use / Non-Use Status

- c. **THAT** Gisborne District Council identifies Māori freehold land that is potentially unused in 2024, as scheduled with Valuation Service Provider post 2023 District Rating Revaluation;

<sup>27</sup> 1966 Order in Council: MFL property which is a sports field at Ruatoria owned by Whakarua Park Board.

<sup>28</sup> The LGRA codifies “unused” Māori land as:-

- (a) a rating unit is unused if—
- (i) there is no person actually using any part of the rating unit; or
  - (ii) the entire rating unit is used in a similar manner to a reserve or conservation area and no part of the rating unit is—
    - (A) leased by any person; or
    - (B) used as residential accommodation; or
    - (C) used for any activity (whether commercial or agricultural) other than for personal visits to the land or personal collections of kai or cultural or medicinal material from the land; and
- (b) a rating unit must not be treated as being used solely because a person is a participant under the Climate Change Response Act 2002 in respect of an activity relating to the rating unit.

## Clarifying Use / Non-Use of Māori Freehold Land

57. The definition of “unused” Māori freehold land in Schedule 1, Part 1, Note 4A, LGRA (See Footnote 25 above) leaves some room for interpretation which this paper recommends the Gisborne Council moves to clarify.

### Comparison to Conservation Estate

58. The comparison to reserve or conservation land in the legislation came about because conservation estate presents many similar circumstances to Māori freehold land from a use and rating perspective. To assist with the application of the definition of “unused” an initial test that the Gisborne District Council can apply is – if this were Department of Conservation estate:
- Do roads, tracks or rights of way cross conservation?
  - Do derelict and unused properties constitute “use”?
  - Does tramping, hunting or fishing occur on conservation estate?
  - Do horses graze and use conservation estate?
  - Does stock wander onto conservation estate?
59. The above uses all occur on Conservation estate as matters of use and therefore if applied equally to Māori freehold land, should not in themselves trigger “use” in relation to the rating of Māori freehold land. To clarify this paper recommends that:
- Roads, tracks or rights of way or across Māori freehold land should not trigger “use”
  - Derelict and unused properties should not trigger “use”
  - Tramping and hunting are usual activities on conservation land and should not trigger “use”, including limited overnight stays.
  - Two horses or less should not trigger “use” The presence of horses on land that is/are associated with the owner’s recreation or hunting activities is not specifically clarified by the legislation in relation to use/non-use. Horse grazing and/or riding is consistent with activities that take place on conservation estate.
60. Where stock has roamed onto land against the owners wishes then this should not trigger rateability for the owner, where this is for 30 days or less. This time constraint places an onus on the rating unit owner to contact the stock owner and get them relocated.. However, under section 96, LGRA the person using the land i.e., the stock owner is liable for the rates where they are deliberately using the land for grazing. The impact of this approach on Gisborne District Council revenue is estimated to be small.

### Recommendation: Clarifying Definition of “Use”

- d. **THAT** Gisborne District Council adopts a definition of “use” for Māori freehold land that provides that the following uses do not in themselves constitute “use”:
- roads, tracks and rights of way
  - derelict and unused properties
  - activities associated with recreational tramping, hunting or fishing
  - two horses or less

- v. wandering stock on property for less than 30 days..

## Apiculture

### Context

61. Rating for activities related to apiculture present practical rating challenges for the Gisborne District Council. Apiculture is a significant activity in the Gisborne District for which landowners are paid an income and people are employed. Apiculture activities are currently construed as a “land use” and therefore the land is rateable.
62. Rating apiculture on otherwise unused Māori land has challenges as apiculture: -
- a. can be sporadic
  - b. exclusively uses relatively small areas of land
  - c. is difficult to monitor the presence of hives as they are small and portable
  - d. hives need to be present on 30 June<sup>29</sup> or ongoing apiculture planned to trigger rating for the following year<sup>30</sup>
  - e. hives can be located on road reserve, paper roads or against a property boundary, leaving the land foraged but arguably not rateable
  - f. bees can forage over a large distance to profitable nectar resources, typical range is 1 to 6 kilometres. Territory increases exponentially with distance

Km	Ha
1	314
2	1257
3	2827
4	5027
5	7854
6	11310

- g. hives are chattels and not included in the rating valuation
- h. placement of beehives does not require a building consent
- i. there is no public register of land used for commercial honey production.
- j. land may be developed especially for production of high value honey
- k. Council needs to be consistent and make other non-rateable land with commercial beekeeping rateable where legislation allows this.

<sup>29</sup> Section 43 (2), LGRA.

<sup>30</sup> Absence of stock from a grazing unit for part of the year does not mean the land is unused as it is recovering for next harvest. It could be argued that the stock (bees) are part of a normal farm rotation. Should this be tested before the court this argument may or may not be accepted. GDC could seek a legal opinion to establish if there are any relevant legal precedents.

63. Several options were considered in relation to Māori freehold land:
- a. Option A: Acknowledge the administrative difficulties of equitably rating land which is foraged by bees; and not have the presence of beehives trigger rateability of otherwise non-rateable land; OR
  - b. Option B: Make land with any beekeeping activity (presence of beehive for at least part of the year) fully rateable; OR
  - c. Option C:
    - i. 10 beehives or less per rating unit considered a hobby and do not trigger rateability;
    - ii. over 10 and up to 25 beehives per rating unit, apply to Council to determine if they are a hobby or not; and
    - iii. anything above 26 beehives per rating unit considered commercial and fully rated;
64. Both Options A and B have merit. Option A is the easiest option administratively but does not recognise the commercial use of land. Option B does not recognise the gathering of kai that is expressly allowed on Māori freehold land. This paper proposes the adoption of Option Involving the demarcation between commercial and non-commercial beekeeping on a single rating unit be 20/21 beehives.
65. Option C This is considered a reasonable demarcation point between non-commercial and commercial use, and which recognises kai gathering opportunities for whanau. This approach recognises that honey production is a significant industry and should contribute to services.

### Preferred Approach

66. Option C is the preferred option as it recognises the landowners' ability to gather kai but rates the commercial use of land (i.e., 21 beehives or more). It does present a range of practical difficulties but allows the Council to rate land where there is evidence of commercial use. It is anticipated that only a portion of the properties with commercial agreements will be able to be rated by council, some will not have hives on the particular block and others will not be located at least initially.
67. Allowing owners to have up to twenty beehives without triggering rateability of the land is supported by the following proposed rating objectives:
- B. recognises affordability and ratepayer circumstances and avoids further alienation of Māori freehold land
  - D. applies the relevant provisions of the Local Government Act and the Local Government (Rating) Act 2002.
  - E. supports Te Ture Whenua Māori Act 1991 Preamble principles by:
    - II. promoting the retention of, and facilitating the occupation, development, and utilisation of Māori freehold land in the hands of its owners, whanau, and hapū.
68. Under this approach commercial processing of bee products remains a rateable activity.



69. Any approach that Councils' take to rateability of otherwise non-rateable Māori freehold land subject to beekeeping could be subject to challenge. The Council will also need to be conscious of the potential for gaming by commercial operators.

### Recommendations: Apiculture

- e. **THAT** the Gisborne District Council considers the following approach to rating for apiculture on Māori freehold land rating units:
- i. 10 beehives or less considered a hobby and does not trigger rateability.
  - ii. over 10 and up to 25 beehives apply to Council to determine if they are a hobby or not; and
  - iii. anything above 26 beehives considered commercial and fully rated;
- f. **THAT** the Gisborne District Council considers whether the above approach towards apiculture is also applicable to general title land;

### Unused Separately Rateable Parts of a Rating Unit

70. When an occupation order or a registered lease is created leaving residual land that is unused, two separate rating units are created. The unused rating unit would be non-rateable.
71. In a similar situation where there is not an occupation order or registered lease council can create a separately rateable part of a rating unit so that the rates bill for the used portion of the land is assigned to the user. The remaining land in this circumstance is not a separate property and does not qualify as being non-rateable unused land under the LGRA. This creates inconsistencies of rates treatment for similar land uses.
72. To create equity, it is recommended that the Gisborne District Council remit rates for unused separately rateable parts of a Māori freehold rating unit. The remission policy will require the unused portion to meet the same criteria for non-rateability as an unused rating unit.

### Recommendation: Unused Separately Rateable Parts of a Rating Unit

- g. **THAT** the Gisborne District Council remit rates for unused separately rateable parts of a Māori freehold rating unit. (See Single Māori freehold land remission policy (Part 5);
- h. **THAT** the Gisborne District Council note that Recommendation G is part of the existing remissions policies that will be consolidated, as listed below;

### Gisborne District Council Remissions Policies

73. Remissions policies temper the broad-brush rating policy by recognising particular situations which impact the owners' ability to pay rates or particular outcomes or obligations that councils' wish to influence (e.g., environmental, cultural, supporting development of Māori freehold land). In general, this approach places the onus on the landowner to apply to the Council for remissions.

74. The Gisborne District Council currently has four rates remission policies specifically targeted at Māori freehold land. These policies reflect the realities facing Māori freehold land and the practicalities of recouping rates. They are:
- Māori Freehold Land - General
  - Development of Māori Freehold Land
  - Landlocked, Marginal Land and Fragmented Ownership
  - Partial Use and Partial Occupation of Māori Freehold Land.
75. This section focuses on the above four policies. Note that a single policy will replace the policies.

### Existing Remissions Policy # 1: Māori Freehold Land - General

76. This policy allows the remission of rates when a **new** user is to become responsible for the payment of rates but face existing rate arrears and penalties on the land. The rates and/or penalties are written off when there is no practical way of recovering past outstanding debt (i.e., the Schedule II process of the LGRA have been followed to no effect).
77. As a consequence of the 2021 legislative amendments Section 90A, LGRA now requires that council chief executive's must write-off any outstanding rates that, in the chief executive's opinion, cannot reasonably be recovered.
78. Therefore, the Gisborne District Council policy is now redundant and should be repealed. In its place the Council should provide a "bridge" in its policies to Section 90A provisions, so it is clear to those administering and accessing the Gisborne District Council Rating policy that legislative provision exists. In addition it may be appropriate to include the criteria used in considering whether rates are uncollectable (current Policy shown in Annex D).

### Recommendations

- i. **THAT** Gisborne District Council:
  - i. repeals the *Māori Freehold – General* remissions policy; and
  - ii. references Section 90A, LGRA (chief executive must write off any outstanding rates that, in the chief executive's opinion, cannot reasonably be recovered) alongside its rates remissions policies.

### Existing Remissions Policy # 2: Development of Māori freehold land

79. This policy aims to reduce rates while land is coming into use/production. Rates remissions are made on a sliding scale from 80% in year 1 to 20% in year 4. Subject to criteria, past rates can be written off. The remission can also apply in the business start-up phase following land development.
80. This has become a common policy by councils to encourage the use of land by providing reduced rates burden during the start-up phase of the business. The Gisborne District Council policy requires the land to have been unused for at least two

financial years, so it should already carry non-rateable status under the LGRA. For land that is not used but has not been registered as “not-used” by the Gisborne District Council, the policy could be clarified further, to cross-reference to the legislative non-rateable land provisions.

### New LGRA Provision (Section 114A)

81. New Section 114A, LGRA<sup>31</sup> provides for the remission of rates for Māori freehold land under development. This provision seeks to facilitate the occupation, development, and utilisation of Māori freehold land for the benefit of its owners. Under this Section a council must consider an application by a ratepayer for a remission of rates on Māori freehold land if—
- (a) the ratepayer has applied in writing for a remission on the land; and
  - (b) the ratepayer or another person is developing, or intends to develop, the land.
82. The council may remit all or part of the rates (including penalties for unpaid rates) on Māori freehold land if the council is satisfied that the development is likely to have any or all of the following benefits:
- (a) benefits to the district by creating new employment opportunities;
  - (b) benefits to the district by creating new homes;
  - (c) benefits to the council by increasing the council’s rating base in the long term;
  - (d) benefits to Māori in the district by providing support for marae in the district;
  - (e) benefits to the owners by facilitating the occupation, development, and utilisation of the land.
83. Based on the provisions of Section 114A this review recommends that a revised remissions policy be adopted as part of a single remissions policy for Māori freehold land (See Part 5).

### Recommendations

- j. **THAT** the Gisborne District Council amend the remission policy: *Development of Māori freehold land* to complement to the new provisions in Section 114A, LGRA, (see Proposed Single Māori Freehold Land Rates Remission Policy – Part 5).

### Existing Remissions Policy # 3: Landlocked, Marginal Land and Fragmented Ownership

84. All Councils have remissions policies related to one or more of the following factors - landlocked, marginal land and/or land having fragmented ownership. Some apply to general and Māori freehold land. Others, including the Gisborne District Council’s, apply only to Māori freehold land.

<sup>31</sup> This provision was informed by the Gisborne District Council remissions policy.

85. The Gisborne District Council's remission policy allows owners and ratepayers of unproductive and unoccupied land to apply for remission of the rates where the use of land is limited due to physical accessibility or fragmented ownership and is not used. To be eligible under this policy, the land must:
- a. *have no land administration, management or operating structures to administer the land.*
  - b. *not be used by any person or entity.*
  - c. *be unoccupied with no place of residence built on the land.*
86. The LGRA now makes properties covered by this remission non-rateable. This is because Schedule 1, Part 1, Clause 14A makes wholly unused Māori freehold land unrateable where the conditions are met. While there may be instances where landlocked land is used, it is the use that should be considered as the defining feature, not whether it is landlocked. Many landlocked rating units are used, often by formal/informal arrangements with neighbouring landowners. Usually, the rental is lower than what would apply to land with access. The fact that land is landlocked is factored into the valuation for these properties. In these instances it is often the uniform annual general charge that makes up the bulk of the rates (See Part 7).
87. The existing GDC policy is currently not applied to any rating units while the Clause 14 non-rateability provisions apply to 289 rating units. Marginal land is likely to qualify for non-rateability under Section 14A by dint of not being used

## Recommendations

- k. **THAT** Gisborne District Council:
- i. repeals the *Landlocked, Marginal Land and Fragmented Ownership remissions policy*; and
  - ii. references the non-rateable provisions of Schedule 1, Part1, LGRA. alongside its rates remissions policies.

## Existing Remissions Policy # 4: Partial Use and Partial Occupation of Māori freehold land

88. In recent years councils started to adopt remissions policies that provide rates relief to unused portions of Māori freehold land. The used and unused portions are separated and the rates are divided between them. This allows for up to 100% remission of the general rate and UAGC on Apportionment B (unused/unoccupied portion of land)<sup>32</sup>.
89. The current Gisborne District Council remissions policy requires that for portions of unused or unoccupied land must be greater than 2 hectares of the rating unit. The beneficiary rating units are assessed every three years.

<sup>32</sup> GDC determines rates to be paid by Apportionment A and Apportionment B on the following basis:

- a. General Rates: apportioned between Apportionment A and Apportionment B based on the capital value.
- b. UAGC: apportioned between Apportionment A and Apportionment B based on the land area.
- c. Targeted Rates: apportioned between Apportionment A and Apportionment B based on the basis used as the factor of liability for the targeted rate.

90. The leadership shown eight years ago by the Gisborne District Council in adopting this policy has ultimately been embraced in the 2021 legislative amendments, with **entire rating units** of unused Māori freehold land now classified as non-rateable.
91. The consequence of the legislation restricting non-rateability to the “entire rating unit” means that there continues to be a rationale for the Council’s remission policy related to unused portions of a rating unit. The Gisborne District Council remissions policy could however be better aligned to the LGRA, again through a two-step process set out below.
92. Where there are less formal arrangements for the use of part of the land council can split the rating unit into apportionments where the user of land would pay rates on the used portion. The remainder of the land would still be rateable as the unused non-rateable clause only applies to whole rating units. It would not attract an additional uniform charge as rates are limited to those that would apply pre-apportionment.
93. The Partial Use and Partial Occupation of Māori freehold land remission policy is still required so that unused land can be treated consistently. It is recommended that this policy is simplified and made consistent with the treatment of rates on other unused property. This would make all unused separate parts of a rating unit non-rateable regardless of area.
94. The proposed approach is set out in Part 5 [Single Māori Freehold Land Rates Remission Policy].

### Recommendations

- I. **THAT** Gisborne District Council continues to apply a remissions policy to partially unused / unoccupied special rateable areas of Māori freehold land rating units and that the remissions policy is updated as set out in Part 5 - Single Māori Freehold Land Rates Remission Policy).

## Gisborne District Council Māori Freehold Land Postponement Policy

95. Gisborne District Council has one general postponement of rates policy – Financial Hardship. This would apply to general and Māori freehold land properties. This policy is not applied to Māori freehold land principally because:
  - a. it can mean tracking the individual owners of the land which in turn increases the administrative costs to the Council;
  - b. Māori freehold land is rarely sold in the event of death, so the rating unit is not effective security for the Council; and
  - c. recovery of postponed rates in the event of default leads the Council, in practical terms back to its remissions policy.
96. From an equity perspective financial assistance to owners of Māori freehold land that were paying rates should be available on the terms as general land. In practice, Māori freehold land does not provide the same security to councils that general land does.

97. The current GDC policy for the postponement of rates for Māori freehold land is not to postpone rates, but use the remissions tool. Councils have found postponement policies on Māori freehold land complex difficult to justify and administer. Consequently, they are not often used. The accumulation of debt can be counterproductive to getting a new enterprise underway.

### Recommendation: Postponement Policy

- m. **THAT** Gisborne District Council retains its current rates postponement policy.

## Part Four: Other Councils' Whenua Māori Rating Policies

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## Part Four: Other Councils' Whenua Māori Rating Policies

### Introduction

98. Part Four (this Part) assesses the Māori rating policies of five territorial authorities against Gisborne District Councils four Māori freehold land rating policies, and some of the generic remissions policies, as a means of identifying areas for potential refinement of GDC whenua Māori rating policies.
99. The five Council Māori freehold land rating policies assessed are:
- Far North District Council<sup>33</sup>
  - Whangarei District Council<sup>34</sup>
  - Taupo District Council<sup>35</sup>
  - Whakatane District Council<sup>36</sup>
  - Opotiki District Council<sup>37</sup>
100. The five councils were selected on the basis of having:
- a. significant areas of Māori freehold land; and
  - b. being Councils' that have previously adopted progressive approaches towards the rating of Māori freehold land.

### Responses from Councils

101. The five Councils were contacted about specific aspects of their rating policies and the extent to which particular policies and legislative requirements have been actioned and the steps taken by Councils to engage with owners of Māori freehold landowners on rating policies (see Annex D).
102. The responses from the Councils show that:

### Review of Whenua Māori Rating Policies

- a. None of the Councils have undertaken fundamental reviews of their rating policies but all five have or are taking steps to better align their rating policies to the LGRA. This is in part due to the fact that the 2021 amendments fell between Long-term Plan cycles. Most councils will address matter more substantially as part of their next Long-term Planning cycle.

### Application of Remissions Policies to Māori Freehold Land

- b. All Councils are actively applying remissions to Māori freehold land, with the Whakatane District Council having applied remissions to 287 properties (20,154 ha) and Taupo 50 properties (62,640 ha) in the year to 30 June 2022. Gisborne District

<sup>33</sup> [Far North District Council Rating Policies, 2022](#)

<sup>34</sup> [Whangarei District Council Rating Policies, 2022](#)

<sup>35</sup> [Taupo District Council Rating Policies, 2022](#)

<sup>36</sup> [Whakatane District Council Rating Policies 2022](#)

<sup>37</sup> [Opotiki District Council Rating Policies, 2022](#)



Council applied remissions 68 properties (\$93,454, 1,218 hectares) Māori freehold land rating units.

### Postponements

- c. No applications for rates postponement on Māori freehold land were made at any of the five councils in the year to 30 June 2022, with a number of Council's following Gisborne District Council's approach in not applying postponements to Māori freehold land as a matter of policy.

### Write-off Provisions

- d. Council CEOs have all used the new Section 90A write-off provisions, with the Opotiki District Council having written off rates and arrears on 497 Māori freehold land rating units (\$706,766) in the year to 30 June 2022 (Gisborne District Council did not use the write-off provision but did write-off \$644,571 for 109 properties to 30 June 2022. Further \$101,373 has been written-off on 41 properties since before making the properties non-rateable.

Three Councils (including Gisborne District Council) have delegated responsibility for write-offs to second tier managers, while three have retained the delegation with the Chief Executive, possibly they are yet specifically address this issue (See Gisborne District Council delegation Policy in Annex F).

A more detailed account of the responses provided by the five councils is shown in Annex D.

### Engaging with Whenua Māori Landowners

- e. Collectively, the five Council's identified a range of engagement approaches, which included:
- information provision – including webpage<sup>38</sup>; hard copy; webinars<sup>39</sup>; regular kanohi ki te kanohi engagements on rates issues; and attending local hui, community days, trust hui (incl. options for phone/video calls);
  - proactive engagement with whenua Māori owners – including direct mail
  - active approaches to discussing criteria regarding non-rateability, rates remissions, rates postponements and/or the write-off of rates and penalties where appropriate; as well as assistance with application forms;
  - pre-population of rates policy applications with information already on the rating information database
  - reports on rating policies, rating legislation and rating valuation at monthly meetings
  - meeting with the other councils, the Māori Land Court and Te Puni Kōkiri to socialise the changes to legislation and tools available.

See further discussion in Part 8.

<sup>38</sup> e.g., <https://www.wdc.govt.nz/Services/Property/Rates/Rating-of-Whenua-Maori>

<sup>39</sup> [Webinar on Proposed Rates Remission & Postponement Policy for Māori Freehold Land - April 2022 - YouTube](#)

## Single Rateable Area Requests

- f. The five councils have had a small number of single rateable area requests, with the Far North District Council having processed the most (9) in the year to 30 June 2022. This legislative provision emanated from the Far North District Council. It has the greatest number Māori land blocks and was possibly more geared to move on this provision. In August 2021 the Gisborne District Council wrote to all owners of Māori freehold land where there were multiple dwellings, to encourage the uptake of SRA's. The Gisborne District Council processed 1 application in the year to 30 June 2022..

## Specific Examples of Council Remissions Policies

103. The following rating policies have been adopted by one or more of the five Council's whose Māori freehold land remission policies were reviewed as part of this report. This does not include policies which are similar to the current GDC Māori freehold land policies.
104. On balance, none of the Māori freehold land remissions policies reviewed below are recommended for adoption by GDC, on the basis that they:
- have been overtaken by the new non-rateable provisions in the LGRA
  - would create inequities if applied in a GDC context; and/or
  - are district specific.
105. However, there are recommendations related to further improvements to Gisborne District Council remissions policies, including the consolidation of Gisborne District Council's remissions policies into a single Māori freehold land remissions policy.

## Rating Policies Treaty Settlement Lands – Far North District Council

106. The Far North District Council has a remissions policy focused on lands returned as part of Treaty settlements. This remissions policy is designed to ease owners of returned lands into the rating system. The remissions policy:
- applies only to lands returned as part of Treaty settlements and retrospectively applies to any settlement lands starting 1 July 2018.
  - applies following an application supported by proof that the land is Treaty Settlement Land.
  - provides that returned lands that were:
    - non-rateable under the previous ownership receive a full rates remission for a period of three years; and
    - commercial redress properties and are not used, Council will grant a 50% remission for a period three years.
107. This policy has in part been overtaken by the new legislation or is otherwise already addressed through the status of settlement lands in Treaty claims settlement acts. For example, many cultural redress properties were previously held by the Department of Conservation but the relevant claims settlement acts retain the reserve and

conservation status of these lands and therefore they are non-rateable under Schedule 1, Part 1, Clause 1, LGRA<sup>40</sup>.

108. Many commercial redress properties are likely to have attracted rates before the Treaty settlement and if continuing to be managed as commercial properties after settlement, should continue to be rated as such.

### Rates Remission on Māori Freehold Land - Opotiki District Council

109. The Opotiki District Council has one remission policy for Māori freehold land that targets two categories of land, based on two registers. The first Category is worthy of note:

#### Category 1: MAORI LAND GENERAL REMISSIONS LIST<sup>41</sup>

*Applies to unoccupied land that is:*

*(a) set aside as Wāhi Tapu; or*

*(b) set aside for:*

- the preservation of natural characteristics of the coastal environment; or*
- to protect the outstanding natural features; or*
- to protect significant indigenous vegetation and significant habitats or indigenous fauna; or*

*(c) inaccessible*

110. The first category of land includes many of the elements which are covered by various Gisborne District Council general remissions policies (i.e., that apply to general and Māori freehold land).
111. Wāhi tapu are not explicitly covered by GDC remissions policies but appear to be included by the broad definition of “cultural” in the GDC “Natural heritage and cultural heritage remission policy. This policy could be improved by explicitly referencing wāhi tapu, which are not otherwise explicitly recognised as non-rateable in the LGRA. This would better align the GDC policy to the preamble of te Ture Whenua Māori Act 1993.
112. This paper advises against a focus on inaccessible land. Inaccessibility (e.g., landlocked land) is factored into the rating valuation and where the rating unit being unused, it will be non-rateable under Clause 14A, Part 1, Schedule 1, LGRA.

<sup>40</sup> E.g. Section 60, Ngati Porou Claims Settlement Act 2012:

#### **Raparapaririki**

(1) *Raparapaririki ceases to be a conservation area under the [Conservation Act 1987](#).*

(2) *The fee simple estate in Raparapaririki vests in the trustee.*

(3) *Subsections (1) and (2) are subject to the trustee providing to the Crown the registrable covenant for Lot 6, and that for Lots 7 and 8, of Raparapaririki, in the form of the covenants set out in the documents schedule.*

(4) *The covenants are to be treated as conservation covenants for the purposes of—*

*(a) [section 77](#) of the Reserves Act 1977; and*

*(b) [section 27](#) of the Conservation Act 1987.*

<sup>41</sup> The remission for land recorded in the Māori Land Remissions List will be up to 100% of any rates except targeted rates made for water supply, sewerage disposal or waste management.

113. This paper considers the register approach adopted by Opotiki District Council has merit for consideration in relation to the preservation of natural character, outstanding natural features, and significant indigenous vegetation and significant habitats or indigenous fauna.

### Rates Postponement for development on Māori Freehold Land - Opotiki District Council

114. The Opotiki District Council also adopted a postponement policy that applies where previously unoccupied land is subject to development. This is aimed at incentivising development of unused Māori freehold land, but means that ultimately the deferred rates need to be paid.
115. This means that the Opotiki District Council is effectively deferring the payment of rates, to be secured at a later time (a rates holiday).
116. Gisborne District Council has a remissions policy (note remissions rather than postponement) related to Māori land development. This policy applies a sliding scale for rates, gradually increasing rates payments over 5 years. Gisborne District Council's postponement policy for Māori freehold land is to prefer remissions over postponements.
117. Not applying postponements to Māori freehold land is a pragmatic decision which recognises that supporting Māori freehold land to be productive will ultimately benefit the District through future rates collection and associated economic activity.
118. This paper refines the Gisborne District Council's rates remissions policy with respect to Māori land development, but in the context of a remissions policy rather than a postponement policy.

## Opotiki District Council Land Development Rates Postponement Policy

### Outline

The Rates Postponement on Māori Land policy explains the circumstances where rates relief can be granted.

### Purpose

To facilitate the development and use of the land for economic use where Council considers utilisation would be uneconomic if full rates are required during the years of development and establishment.

### Conditions and criteria

Council will consider postponement of rates where previously unoccupied land is subject to development.

Application should be made prior to commencement of the development.

Applications made after the commencement of the development may be accepted at the discretion of Council.

Making application should include the following information in their applications:

- (i) details of the property
- (ii) the objectives that will be achieved by providing postponement
- (iii) details of the proposed development

Council will consider postponement for each individual application according to the circumstances of that application.

No postponement will be granted on targeted rates for water supply, sewage disposal, or refuse collection.

Council may also, at its discretion, partially remit rates that are otherwise subject to postponement.

### Delegations

Finance and Corporate Services Group Manager

***Recommendations***

119. See recommendations B and C.

## **Part Five: Single Māori Freehold Land Rates Remissions Policy**

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## Part Five: Single Māori Freehold Land Remissions Policy

### Introduction

120. While remissions policies were last reviewed at the 2021-2031 Long Term Plan review there are there are a number of policies which are now effectively redundant. It is also clear from other councils' remissions policies related to Māori freehold land that there has been a trend towards consolidating remissions for Māori freehold land into single remissions policy suites.
121. Remissions policies specific to Māori freehold land have tended to develop iteratively over the last twenty years in particular, as legislation has given councils more discretion to use the remissions tool. Over time new remissions policies have effectively been tacked on to council rating policies. In recent years, and now particularly following the 2021 legislative amendments, there is a move towards consolidation.
122. Consolidation of remissions policies into a single overarching suite of policies for Māori freehold land has the benefit of:
- i. making it easier for ratepayers to understand and access the remissions policies;
  - ii. easier to administer by councils; and
  - iii. enabling a single application form that better aligns landowners to the applicable remission that may apply to their circumstances.

### Proposed Māori Freehold Land Rates Remission Policy

#### Objectives

1. Pursuant to Section 114A, Local Government (Rating) Act 2002 the purpose of this remissions policy is to facilitate the occupation, development, and utilisation of Māori freehold land for the benefit of its owners.
2. This remissions policy meets the following Gisborne District Council objectives:
  - a. aligns to community, cultural, environmental, and economic outcomes, including the outcomes of Tairāwhiti 2050
  - b. recognises affordability and ratepayer circumstances and avoids further alienation of Māori freehold land
  - c. enables the use / development of land, including for traditional purposes, including wāhi tapu
  - d. applies the relevant provisions of the Local Government Act and the Local Government (Rating) Act 2002.
3. This Remission policy is in two parts:
  - a. Part 1 Unused Portions of Māori Freehold Land
  - b. Part 2: Development of Māori Freehold Land

## Part 1 Unused Portions of Māori Freehold Land

### Policy

4. This policy addresses instances where a part of a Māori freehold land rating unit is unused. In this situation Council can create a special rating area that can limit rates for the land which is used.
5. This policy is adopted because while the Schedule 1, Part 1, Clause 14A, Local Government (Rating) Act 2002 makes unused Māori freehold land non rateable this only applies to whole rating units. The Gisborne District Council had a remission policy which provided remissions to unused portions of Māori freehold land, which pre-dates Clause 14A. The Gisborne District Council wishes to continue this policy.

### Eligibility /Criteria

6. This remissions policy applies:
  - a. to Māori freehold land as defined by Section 5, Local Government (Rating) Act ; AND
  - b. where an SRA has been created; AND
  - c. where the SRA meets the requirements of an unused rating unit; and
  - d. where the ratepayer or another person has applied in writing for a remission on the land.
7. The use and/or occupation may be undertaken by the landowner or a third party.

### Application Requirements

8. Application requirements are:
  - a. completion of the Gisborne District Council form for remissions on Māori freehold land; AND
  - b. an aerial photo (provided by Council) where the applicant has defined the unused land to the satisfaction of council:-

### Remission

9. The application of remissions to a special rateable area will be the same as the procedure the Gisborne District Council applies to unused rating units under Schedule 1, Part 1, Cause 14A, Local Government (Rating) Act 2002
10. The remission will be ongoing. The property will be checked each three years as part of the general revaluation process. If the council becomes aware of use, the used land will become rateable. The remission will persist until the conditions and criteria are no longer met.
11. All rates, or where applicable part rates will be remitted from the unused portion of the rating unit (to remove doubt this includes area, value based, uniform and targeted rates); with the exception of targeted rates for a service that is used.

## Part 2: Development of Māori Freehold Land

### Policy

12. This policy applies a rates remission to instances where new crops are being established (not exclusions). It is designed to encourage land development by effectively providing a “rates holiday” that aligns to the time period when the land become commercially productive.
13. This Policy is designed to:
  - a. provide clarity on the application of Section 114A, LGRA;
  - b. encourage land development;
  - c. apply during the start-up phase only (e.g. prior to crops providing a sustainable financial return).
14. Once the business is achieving a sustainable financial return the remission policy will no longer apply.

### Eligibility /Criteria

15. This remissions policy applies:
  - a. to Māori freehold land as defined by Section 5, Local Government (Rating) Act; AND
  - b. where an SRA has been created; AND
  - c. where the SRA meets the requirements of an unused rating unit; and
  - d. where the ratepayer or another person has applied in writing for a remission on the land.
16. The use and/or occupation may be undertaken by the landowner or a third party.

### Application to Part of a Rating Unit

17. This policy can be applied to part of a Māori freehold land rating unit. For this to be created special rateable areas will be established to allow development of the land, and the rates remitted for that portion of land.

### Exclusions

18. For the avoidance of doubt, the following uses do not qualify for this remission:
  - a. Commercial forestry
  - b. Commercial Apiculture
  - c. Carbon farming or similar not covered by the LGRA.

### Application Requirements

19. Application requirements are:
  - a. completion of the Gisborne District Council form for remissions on Māori freehold land, AND
  - b. an agricultural or business plan related to the proposed development, undertaken to the satisfaction of the Gisborne District Council, AND



- c. undertake development according to the agreed programme ; AND
  - d. provide annual reports and other updates as requested; AND
  - e. the project must be considered financially viable in the opinion of GDC.
20. The Council may use itself or through its agents, evaluate crops and viability of productive timelines when deciding period for remission.

### Remission

21. The council may remit all or part of the rates (including penalties for unpaid rates) on Māori freehold land if the council is satisfied that the development is likely to have any or all of the benefits identified in Section 114A(3), LGRA;
22. The partial or full remission of rates can apply until:
- a. **Agricultural uses:** commercial harvest which will be determined by the Gisborne District Council or its agent based on the particular crop<sup>42</sup>. GDC will consider the agricultural plan as part of their decision-making process.
  - b. **Commercial uses:** gross income equals or exceeds wage and salary costs. Following this Council may grant partial rates remission for a further three years based on the business plan to profitability; and
  - c. **New Housing:** a new home(s) has achieved occupation or practical completion in the opinion of GDC or their valuer or a completion certificate is issued by GDC. For projects with

### Section 114A, LGRA (Remission of rates for Māori freehold land under development)

- (1) *The purpose of this section is to facilitate the occupation, development, and utilisation of Māori freehold land for the benefit of its owners.*
- (2) *A local authority must consider an application by a ratepayer for a remission of rates on Māori freehold land if—*
- (a) *the ratepayer has applied in writing for a remission on the land; and*
  - (b) *the ratepayer or another person is developing, or intends to develop, the land.*
- (3) *The local authority may, for the purpose of this section, remit all or part of the rates (including penalties for unpaid rates) on Māori freehold land if the local authority is satisfied that the development is likely to have any or all of the following benefits:*
- (a) *benefits to the district by creating new employment opportunities;*
  - (b) *benefits to the district by creating new homes;*
  - (c) *benefits to the council by increasing the council's rating base in the long term;*
  - (d) *benefits to Māori in the district by providing support for marae in the district;*
  - (e) *benefits to the owners by facilitating the occupation, development, and utilisation of the land.*
- (4) *The local authority may remit all or part of the rates—*
- (a) *for the duration of a development; and*
  - (b) *differently during different stages of a development; and*
  - (c) *subject to any conditions specified by the local authority, including conditions relating to—*
    - (i) *the commencement of the development;*
    - or
    - (ii) *the completion of the development or any stage of the development.....*

<sup>42</sup> For some crop commercial harvest ramps up over a number of years.

multiple homes, special rating areas will be created as homes are occupied or completed.

- d. **The project is abandoned** or not be pursued according to the plan including allowance for schedule contingency.

23. Remission:

- a. Applies to general rates uniform annual general charges and targeted rates, including penalties for unpaid rates in the period that the remission is applied;
- b. excludes targeted rates for services used.

### Definitions

- **Agriculture/Agricultural:** Includes any legal form of farming, arable, horticulture and viticulture, or similar uses, but does not include indigenous or exotic forestry.
- **Improved utilisation of the land** would usually constitute a change of use such as a dairy conversion or new horticultural or viticultural activity. Typically, there is greater projected revenue and additional jobs
- **New Home / Homes and New Commercial Premise / Premises,** includes refurbishment of an existing structure that has been unused for at least one rating year.
- **Commercial Use:** commercial use includes any business activity that is based at the property and includes IT, office, hospitality, storage, industrial, accommodation, sale of goods and /or distribution. To remove doubt the policy does not include employed people working from home.
- **Construction Period:** Means from the point of application to the point at which occupation occurs, practical completion or a completion certificate is issued by the GDC. To remove doubt when the property is used the remission will cease.
- **New agricultural or horticultural production** means undertaking new rural activities or reactivation of lapsed activities. An example would be land that was farmed for dry stock but left idle for at least one rating year (1 July to 30 June). Then reactivation would include activities such as securing boundary an / or internal fencing, repairing gates and tracks, repairing / replacing yards and farm buildings and introduction of stock.
- **First commercial harvest** means: Point at which commercially viable production commences. This will be assessed by the Gisborne District Council or its agent, based on planned use using usual periods for the particular crop and will be informed by the agricultural plan. This section does not apply to forestry or other crops where there is more than 2 years between harvests.
- **Area:** Where the use being remitted is the sole use of the block then the remission will apply to the whole block. Where there are also other uses of the land it will apply to the special rateable area.
- The remission applies to all rates other than service rates where the service is used.
- **Unused Land:** as defined by Note 4A, Part 1, Schedule 1, LGRA:
  - For the purposes of [clause 14A](#),—*
    - (a) a rating unit is unused if—*
      - (i) there is no person actually using any part of the rating unit; or*

- (ii) *the entire rating unit is used in a similar manner to a reserve or conservation area and no part of the rating unit is—*
- (A) *leased by any person; or*
  - (B) *used as residential accommodation; or*
  - (C) *used for any activity (whether commercial or agricultural) other than for personal visits to the land or personal collections of kai or cultural or medicinal material from the land; and*
- (b) *a rating unit must not be treated as being used solely because a person is a participant under the [Climate Change Response Act 2002](#) in respect of an activity relating to the rating unit.*

### Checking Process

Note that before processing any application the Gisborne District Council will first check whether the rating unit is eligible under the Local Government (Rating) Act 2002 to be:

- a. non-rateable (Part 1, Schedule 1, LGRA)
- b. partially rateable (Part 2, Schedule 1, LGRA)
- c. treated as a single rating unit in common ownership (Section 20 and 20A, LGRA)
- d. eligible for the apportionment of rates for separate rating areas (section 98B, LGRA)
- e. eligible for the remission of rates where the land is under development (section 114A, LGRA)
- f. exempt from paying rates by an Order in Council (Section 116, LGRA).

In addition, the Gisborne District Council will check on whether other Council remissions policies that apply to both general title and Māori freehold land should apply.

### Note: Alternative Approach to Rates Remission for Development of Māori Freehold Land

There are likely to be a number of interpretational difficulties applying the rates remission policy in relation to the development of Māori freehold land. This is likely to relate particularly to the period of the remission -i.e. when are crops providing a sustainable financial return. This is made complicated by the fact that different crops, different farm practices, different business models, are likely to through up different remission periods.

In addition, there may be concerns that landowners are being supported into development by ratepayers,

Both of these issues could be addressed by changing the land development policy from a rates remission policy to a rates postponement policy. The benefit of this approach would be that landowners would have to pay back in the future any rates postponed, and therefore may be more rational in the approach they take towards the postponement period. On the other hand, a postponement policy, as per the Opotiki District Council's rates postponement policy, may blunt the intent of the policy – to promote the development of Māori freehold land. This is an issue which the Council may wish to consider further.

**Recommendation: Single Māori Freehold Land Remission Policy**

- n. **THAT** Gisborne District Council adopt a single Māori Freehold Land Remission policy comprised of two parts:
- i. Part 1: Unused Portions of Māori Freehold Land
  - ii. Part 2: Development of Māori Freehold Land

## Part Six: Single Application Form

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## Part Six Application Form


### Proposed Form

123. The application form below has been developed to:
- a. recognise rateability provisions in the LGRA; and
  - b. span the proposed single Māori freehold land remission policy put forward in this paper (see Part 5).
124. The intention is that in relation to the single Māori Freehold land remission policy, landowners and Gisborne District Council revenue staff only have to engage with one document – a more streamlined and accessible process which is easier to administer.
125. Because there is a suite of remissions policies that apply to general title and Māori freehold land it may however still be necessary for some landowners to work through more than one application form. This can be addressed in time by further streamlining and consolidating remissions policies that apply to general and Māori freehold land.

### Form Design Criteria

126. The form has been designed for online use.
- a. There is a single set of easy to complete core information including contact details
  - b. This could partially self-populate when a valuation number is inputted from council records
  - c. Selection of request type with only the further information required for the request type – i.e. applicants will only be prompted with the necessary information requirements,
  - d. Guidance, including drop down information boxes, will be provided to assist form completion
  - e. A prominent place where the applicant can request the assistance of a Council officer to assist with form completion

Entire Form in English & Māori

<p><b>Māori freehold land</b></p> <p><b>Application for Rates Adjustment</b></p> <ol style="list-style-type: none"> <li>1. <b>Non-rateability</b></li> <li>2. <b>Rates remission</b></li> <li>3. <b>Special rating areas</b></li> <li>4. <b>Uniform charges reduction</b></li> <li>5. <b>Rates write off</b></li> </ol>	 <p><b>GISBORNE</b> DISTRICT COUNCIL</p>
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**Part 1**

Name of Applicant:	Owner ✓ * <input type="checkbox"/>
Address of Applicant:	
Email address	Phone number
Property address	
Māori Land block / Legal description	
Valuation number	
(From rates invoice or a Council Revenue Officer can assist with getting the number)	
Property ownership Māori Land Court ownership record	

Application for

Drop down box with explanation when hovering cursor over each item

- **Unused land** (non-rateable)
- **Land used as one** (reduced number of UAGCs)
- **Write off of rates arrears deceased owner**
- **Special rating area**
- **Rates remission for**
  - Development of land
  - Unused portion of land

Will bring up only the part to be completed

- Part 2
- Part 3
- Part 4
- Part 5
- Part 6
- Part 2

I \_\_\_\_\_ (print your full name) state that the information in this application is true and correct as at the date of signing this declaration. I acknowledge that it is my responsibility to advise Gisborne District Council of any changes to the information for the application.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

**Owner/Behalf of Owner/Trustee/Ratepayer**

**OFFICIAL USE ONLY**      **Not visible to the applicant**

Legal description	Annual rates
Land area	Current balance

Council Staff Member:	Authorised By:
Signed:	Signed:
Date:	Date:
Recommend Approve /Decline	Approved/Declined
Land non rateable Yes / No Reason	Initiate a special rateable area Yes / No Number created _____ Rates remission for unused land Yes / No Complete remission section
Remit rates Yes /No  Remission type Term of Remission: NA ___ year / s or until a change of circumstances  Percentage remitted	Initiate a used as one assessment  Yes / No
Write off of rates arrears Yes / No Provision 90A / 90B  Amount \$ _____	Treat as Māori land Yes / No Complete remissions section
Notes / appended documents	



## Part 2 Unused land

Unused Māori freehold land is non-rateable and is defined by Schedule 1, Part 1, Note 4A, Local Government Rating Act:-

- 4 a rating unit is unused if—
- (i) there is no person actually using any part of the rating unit; or
  - (ii) the entire rating unit is used in a similar manner to a reserve or conservation area and no part of the rating unit is—
    - (A) leased by any person; or
    - (B) used as residential accommodation; or
    - (C) used for any activity (whether commercial or agricultural) other than for personal visits to the land or personal collections of kai or cultural or medicinal material from the land; and
- (b) a rating unit must not be treated as being used solely because a person is a participant under the Climate Change Response Act 2002 in respect of an activity relating to the rating unit.

Rates can be remitted on unused residual land from a Special Rateable Area

Allowed activities: -

- Up to two horses on a rating unit / land block will not constitute agricultural use.
- Hunting and fishing and occasional overnight stays will not trigger “use”
- Road or tracks across a rating unit / land block will not trigger “use”

Apiculture

- Up to ten beehives on a rating unit / land block will not trigger “use” (considered a “hobby”)
- Over 10 and up to 25 beehives apply to Council to determine if they are a hobby or not.

Is the land leased? Yes / No

Is anyone living on the land? Yes / No

Is the land being used for any business, agriculture, horticulture, forestry, viticulture, commercial or industrial use? Yes / No

Apiculture

Is the land used at any time of the year for apiculture? Yes / No

Maximum number of beehives on the rating unit at any one time? \_\_\_\_\_

Provide an aerial map (Available from Council web site [Link](#) or a Council Revenue Officer can print one for you.)

Explain use or non-use of any visible buildings and nature of any land use.

### Part 3 Land used as one

Notes to staff:- **Not visible to applicant**

1. Confirm original land title and ownership at the Māori land court
2. Check if section 20 LGRA applies should criteria not be met.

**Is the land used as one?** **Yes / No**

**Is it part of the same original land block** **Yes / No**

### Part 4 Write off of rates arrears deceased owner

Section 90A provides writing off rates that cannot be reasonably recovered and applies to all land, Section 90B provides additional guidance to local authorities in respect of Māori freehold land.

**Provision of Māori Land Court record or death certificate**

### Part 5 Special rating area

Rates can be remitted on part of a land block that is unused. Liaise with council Revenue Officer to establish area / areas of used land and unused land using the council GIS system.

**Identify land covered by Special Rateable Area with diagram.**

**Provision of photos of unused land.**

### Part 6 Rates remission for Development of land

This policy covers situations where rates relief will assist with the development of Māori freehold land. It can cover the period until revenue is being generated. Both starting development and upgrading land use and income are covered by the policy. Council Revenue Officers can guide you on completing a business plan that gives clarity to your plans.

#### **Business Plan**

A Business Plan must be provided that is acceptable to Council, including supporting evidence:

- An explanation of the business opportunity
- Development timeframes
- Projected income
- Cost estimates
- Evidence of owner approval e.g., meeting minutes
- Bank statements and evidence of loan approval

### Recommendations: Single Application Form

p. **THAT** Gisborne District Council adopt a single application form for remissions and adjustments that are more particularly directed at Māori freehold land;

- q. **THAT** Gisborne District Council provide for the single application form:
- i. as an online form; and
  - ii. in te reo Māori and English;
-

## Part Seven: Uniform Annual General Charge

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## Part Seven: Uniform Annual General Charge

### Introduction

127. The LGRA<sup>43</sup> provides for councils to set a uniform annual general charge (UAGC). UAGCs are flat charges or set fixed rates, which usually apply to every separately used or inhabited part of a rating unit (SUIP) irrespective of the size or value of the rating unit.
128. The LGRA<sup>44</sup> restricts the quantum of rates that can be derived from UAGCs and other 'flat charges.' to no more than 30% of total rates revenue (excluding rates set solely for the purposes of water or wastewater activities).

### UAGC and Local Government Sector

129. Over the past decade there has been a gradual increase in the uptake of UAGCs across councils. In 2003, 67% of Councils levied a UAGC, compared to 82% (65 of 78) in 2019. As a result, the UAGC share of rates has increased from 9% to 11% over that period.
130. Some councils favour the application of a UAGC on the basis that it provides a more equitable spread of the cost of providing Council services that have benefit across the district. Others consider the regressive tax<sup>45</sup> element of the UAGC to be iniquitous.
131. The decision on whether or not to apply a UAGC and the extent to which it features alongside other rating instruments is entirely a council policy decision, within the limits set by the LGRA. Over time UAGC policies have been influenced by a number of lobby organisations looking to maximise the impact of the UAGC for certain sectors, e.g.,

*Federated Farmers seeks maximum use of the UAGC funding mechanism to ensure services that provide an equal or indistinguishable amount of*

<sup>43</sup> Section 15: Uniform annual general charge

- (1) A local authority may set a uniform annual general charge for all rateable land within its district, being—
  - (a) a fixed amount per rating unit; or
  - (b) a fixed amount per separately used or inhabited part of a rating unit.
- (2) A uniform annual general charge is a rate for the purposes of this Act.

<sup>44</sup> Section 21: Certain rates must not exceed 30% of total rates revenue

- (1) The rates revenue sought by a local authority in any year from the rates described in subsection (2) must not exceed 30% of the total revenue from all rates sought by the local authority for that year.
- (2) The rates are—
  - (a) uniform annual general charges that are set in accordance with section 15; and
  - (b) targeted rates that are set on a uniform basis and are calculated in accordance with section 18(2) or clause 7 of Schedule 3.
- (3) Subsection (2) does not apply to targeted rates that are set solely for water supply or sewage disposal.

<sup>45</sup> A regressive tax is a tax applied uniformly, taking a larger percentage of income from low-income earners than from middle- and high-income earners. It is in opposition to a [progressive tax](#), which takes a larger percentage from high-income earners. With a regressive tax, the tax burden decreases as income rises.

*benefit across ratepayer groups, can receive increased levels of UAGC contribution.*<sup>46</sup>

132. These organisations advocate for a higher UAGC because they know that it effectively shifts the rating burden away from higher value properties to lower value properties, benefiting their members.
133. This position is informed by the regressive nature of the UAGC, similar to a flat tax rate. By keeping UAGC at close to its statutory limit the regressive nature of the UAGC means that owners of higher value properties pay less general rates, which are levied on a value basis. In other words, if the UAGC:
- is reduced as a percent of total rates then properties with higher values will pay a bigger proportion of general rates
  - is increased properties with lower values will pay a bigger proportion of general rates.

## UAGC and Māori Freehold Land

134. UAGC will generally be a higher imposition on Māori freehold land for the fact that Māori freehold land is generally less productive and Māori landowners have lower incomes.
135. In the Gisborne District this is evidenced in Table 1, which shows UAGC as a percentage of average adult income (2018). Graphs 1 and 2, showing the spread of income for both the general and Māori adult populations and for different area units, indicate the effect that a regressive tax can have on households.
136. While legislative provisions and Council remissions policies may offset some of the impact of the UAGC it remains a disproportionately high tax for properties

### Case Study: Wairoa District

As part of its [2021-31 Long-term Plan](#) the Wairoa District Council reduced the UAGC by 50%, reapportioned to general rates

Wairoa District had identified that fixed rates for Wairoa town totalled \$2,487 per rating unit. This was \$352 more than the affordability threshold and meant that all fully serviced properties in Wairoa town have rates that are unaffordable for more than half of the residents.

The change was aimed at supporting rates affordability and recognise the position of low value properties in Wairoa and rural areas.

The transfer to the general rate resulted in higher rates for high value properties.

The review, commenced in 2020 using the special consultative procedure prescribed by the Local Government Act, sought to engage with the wider Wairoa community and bring all voices to the table.

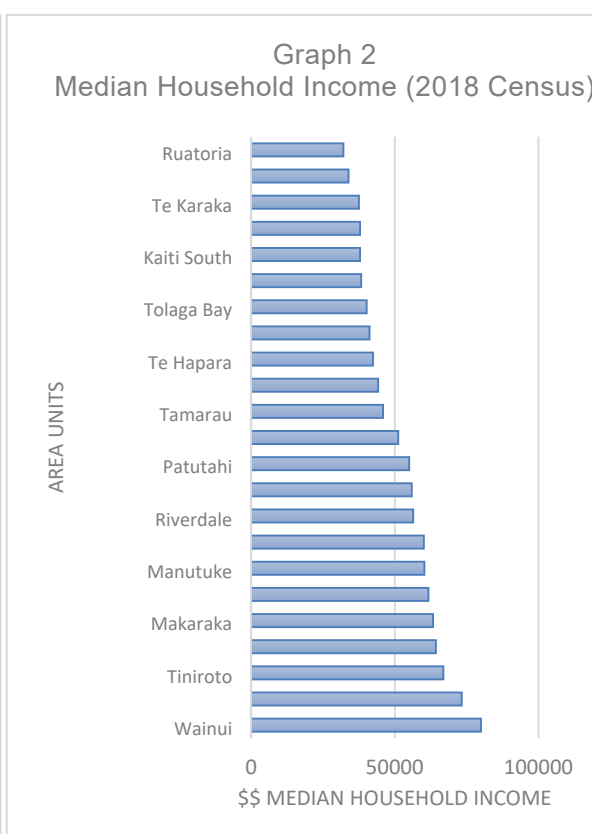
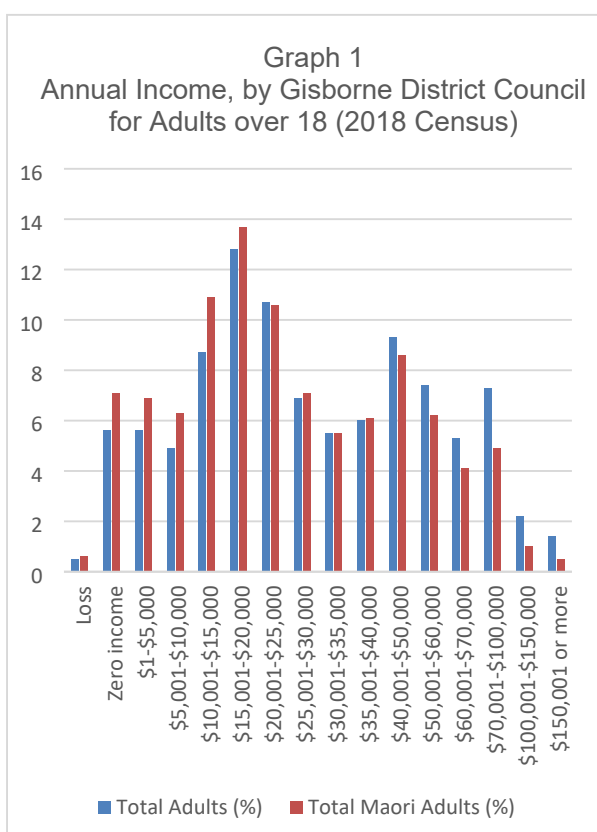
The process generated substantial interest from the Wairoa community but was opposed by members of the forestry sector who claimed that the new rating system would result in increased rates payable by forestry interests. The New Zealand Forest Owners Association Inc, representing seven substantial forestry owning companies applied for a Judicial Review of Council's decision by the High Court.

The application for judicial review sought to overturn council's decision on five separate causes of action. In a decision issued on 28 April 2022 the High Court rejected all five causes of action argued by the New Zealand Forest Owners Association Inc.

<sup>46</sup> Submission to Ruapehu District Council by Federated Farmers, 2018-  
[https://fedfarm.org.nz/FFPublic/FFPublic/Policy2/Regional/2018/Ruapehu\\_District\\_Council\\_Long\\_Term\\_Plan.aspx](https://fedfarm.org.nz/FFPublic/FFPublic/Policy2/Regional/2018/Ruapehu_District_Council_Long_Term_Plan.aspx)

when considered on a property valuation basis. An average farming property which generates income, can claim GST and rates as an expense, is charged the same flat rate as an average residential property.

Table 1: Gisborne District Council Rates Revenue <sup>47</sup>			
LTP 2022		LTP 2023	AP 2023
\$000s		\$000s	\$000s
	<b>Rates revenue consists of:</b>		
6,011	General Rates	6,906	7,083
16,482	Uniform Annual General Charge	17,205	17,031
43,288	Targeted Rates	46,259	46,270
3,366	Metered Water Rates	3,694	3,594
<b>69,147</b>	<b>Total Rates Revenue</b>	<b>74,064</b>	<b>73,979</b>



## Gisborne District Council UAGC

137. Gisborne District Council has a highly regressive rating system, with a large portion of total residential rates being fixed rates. This combined with poor quality housing and

<sup>47</sup> Our Tairāwhiti: 2022-2023 Annual Plan, Gisborne District Council, 2022, Page 54.

high deprivation levels mean rates are contributing to housing unaffordability for some ratepayers, especially lower value properties, including Māori freehold land properties.

138. The Gisborne District Council's 2022-23 Annual Plan indicates that the UAGC for each separately used or inhabited part of a Rating Unit for 2022/23 is \$859.44 (incl. GST). The UAGC is 25.05% of the Gisborne District Council's rates revenue (Exclusive of metered water rates).

139. The Gisborne District Council UAGC pays for:

<ul style="list-style-type: none"> <li>▪ Subsidised local Roads</li> <li>▪ HB Williams Memorial &amp; Rural libraries</li> <li>▪ Cemeteries</li> <li>▪ Strategic Planning &amp; Customer Engagement</li> <li>▪ Litter bins &amp; cleaning public areas</li> <li>▪ Civil Defence</li> <li>▪ Environmental &amp; Public Health Protection</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tairāwhiti Museum</li> <li>▪ Managing solid waste and transfer stations</li> <li>▪ District Civil &amp; Corporate expenses</li> <li>▪ Mayor and Councillor representation costs</li> <li>▪ Economic Development &amp; Tourism</li> <li>▪ Public Toilets - cleaning &amp; maintaining</li> </ul>
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140. As a unitary authority Gisborne District Council displays elements of territorial authority and regional authority rating approaches in its policies. Regional councils for example commonly have larger amounts of targeted rates<sup>48</sup> than territorial authorities<sup>49</sup>. The Gisborne District Council sits in a mid-range (see Annex H).

141. The Gisborne District Council acknowledges that socio-economic circumstances means that the UAGC will generally be a higher imposition on Māori landowners. The UAGC is the largest contributor to rates for most Māori freehold land rating units followed by the fixed Parks and Reserves rate.

142. In a recent submission to the Water Services Entities Bill the Council acknowledged:

*We rank 60 out of 67 territorial authorities on the NZ Deprivation index (as at January 2022) and have the highest level of deprivation of any region in NZ, with two thirds of the population (65%) living in deciles 8-10. Deprivation is more pronounced by ethnicity with 77% of Māori in Te Tairāwhiti living within deciles 8-10. A high regional deprivation level creates challenges for service providers in striking a balance between meeting needs for services and the affordability of those services.*

*We have a relatively low median household income of \$66,000 per annum compared with the national median of \$80,055. There is considerable variability in median income between areas within the region with Māori living on the East Cape having a median income of \$49,196. It is important to note that 26% of Tairāwhiti households have an income of less than \$30,000 per annum. Another 19% have an income of*

<sup>48</sup> Regional Councils often administer comprehensive drainage and flood protection schemes, which are often funded by equally complex targeted rating systems with multiple rating categories. This is likely to have contributed to the seemingly greater use of targeted rates by regional Councils (Source: Analysis of the Current and Past Use of Council Rating Tools in New Zealand, Insight Economic (For NZ Productivity Commission), May 2019, page 28.

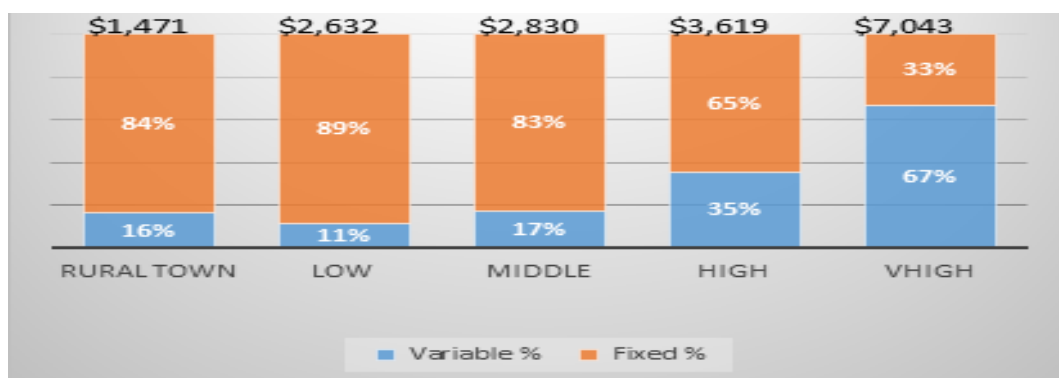
<sup>49</sup> Regional councils set significantly more targeted rates, with an average of 73, versus 29 for Territorial authorities, *ibid*.



*between \$30,000 and \$50,000. The affordability of service provision for individual households continues to be a challenge in Te Tairāwhiti.*

143. Rates Affordability is a means of testing rates impact on local populations. The rates affordability threshold was developed in the Local Government Rates Inquiry 2007. The threshold of unaffordability is where rates exceed 5% of household income<sup>50</sup>.
144. Information presented to the Gisborne District Council in 2020 identified that for all bands of capital value except the very high values (\$2.3M) rating units the fixed rates make up more than half of the rates (See Graph 3).

Graph 3: Gisborne Housing Variable v Fixed Rates (2020 Data)<sup>51</sup>



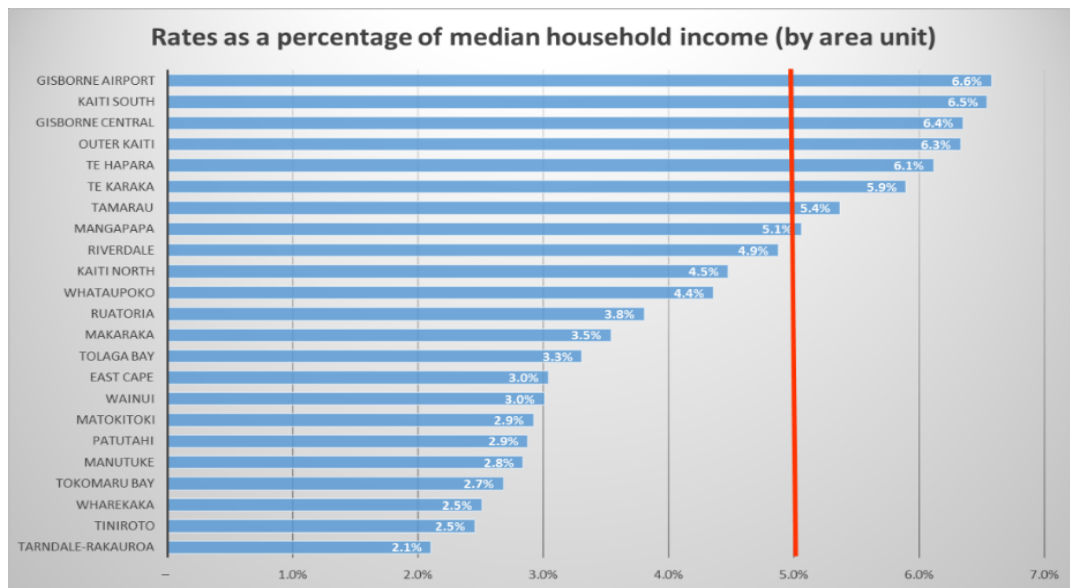
145. Graph 4 below shows that in 2020 eight Gisborne area units were paying rates in excess of 5% of the average household income in those suburbs.

**Graph 4: Rates as a Percentage of Median Household Income**  
(by Area Unit (2020 data)<sup>52</sup>)

<sup>50</sup> The rates affordability threshold was developed in the Local Government Rates Inquiry 2007.

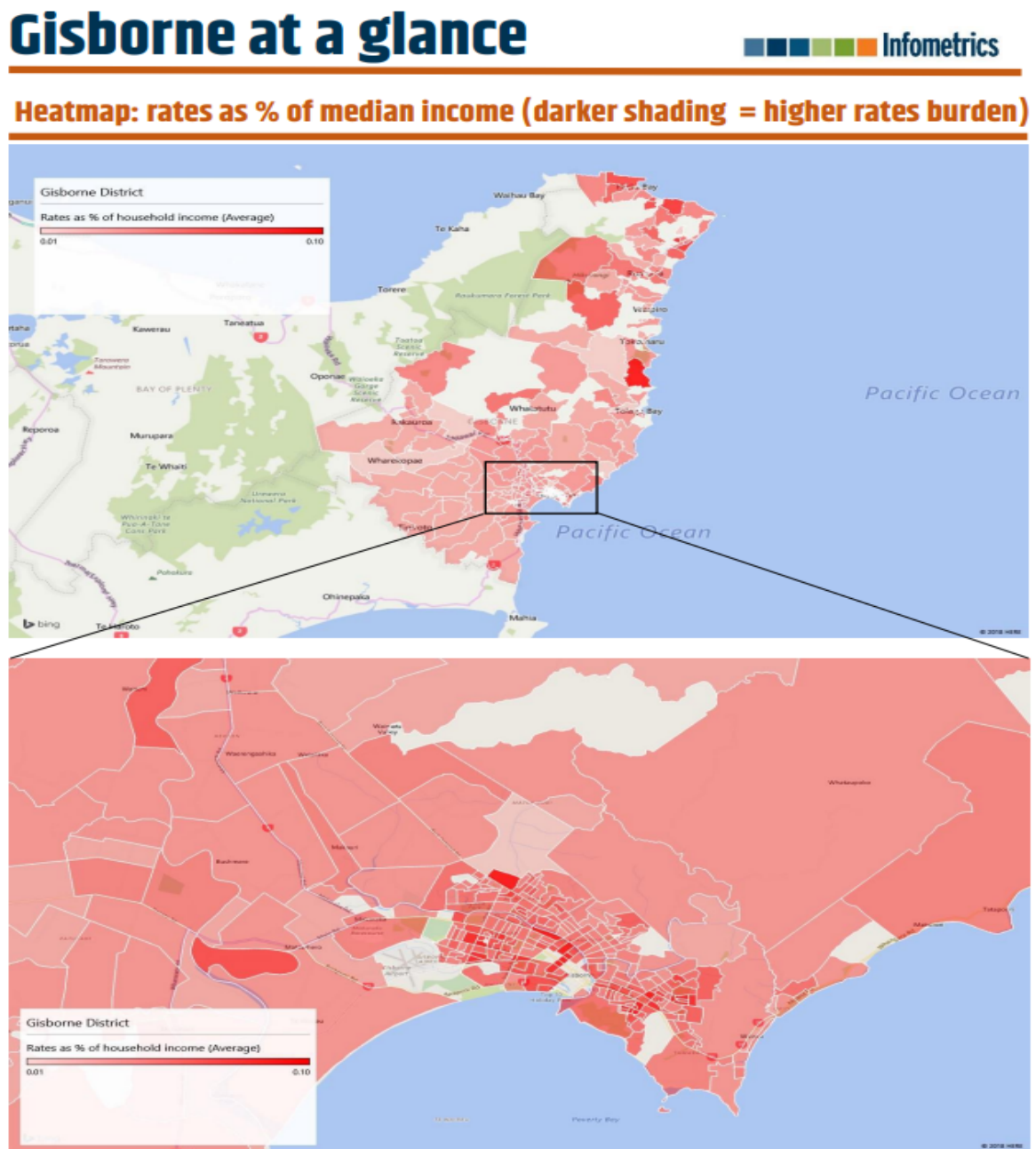
<sup>51</sup> From Gisborne District Council Revenue and Financing Policy Review, Briefing Paper 9, Workshop 4a, 2020.

<sup>52</sup> From Gisborne District Council Revenue and Financing Policy Review, Briefing Paper 9, Workshop 4a, 2020.



146. While the Gisborne District Council does not hold rates affordability data showing rates affordability between General and Māori freehold land, Graph 4 (2020 data) and Map 5 (2018 data), when overlayed with a knowledge of where Māori freehold land is concentrated (see Map 1), provide indicators in relation to Māori freehold land and disproportionately represented Māori communities.

Map 5: Heatmap of Rates Affordability (Source: Infometrics, 2018 data)



**Comment**

147. For the Gisborne District Council to align more closely to the affordability threshold the Council will either need to decrease its overall rates income and/or shift the rates burden away from the UAGC.

148. The extent to which the UAGC is applied is ultimately a Council policy decision, within the confines of the legislation. In the lead-up to the next Long-term Plan the Gisborne District Council may wish to review the mix and extent of rating types - general, UAGC, targeted. It is totally within the Council's ability to lower or increase the percentage of UAGC (within the 30% limit) with a general statement on the rationale for the decision.
149. The primary basis for assessing the mix of rates and charges lies in the application of the Gisborne District Council's own rating principles. Affordability is the first principle in the Council's rating principles.
150. If the Council considers that the application of a high UAGC is leading to unaffordability for lower value properties (and by definition lower income people) then the Local Government Act 2002 asks that the Council decides what is the appropriate share of the rates allocation. This is a complex balance of considering community outcomes, benefits, the effects of individuals or groups actions or inactions, transparency, and community wellbeing.
151. Fundamentally, we come back to the fact that rates are a tax and not an exchange of money for a service.
152. On balance, and largely reflecting on the Council's own affordability principle, this paper recommends that the Gisborne District Council agrees in principle to incrementally reduce the UAGC over the time, that sum to be redistributed Plan, that sum to be redistributed to general rates.
153. The reason for agreeing in principle is to provide Council staff an opportunity to model changes on other rates adjustments that the Council will be considering and for the Council to consider all adjustments as a whole through the three year plan process.
154. The Advantages and Disadvantages of this approach are:

#### **Advantages**

- Reducing the UAGC has the biggest impact on rates for low value rating units and the smallest impact on rates for high value rating units.
- Large impact on reducing rates for Māori freehold land.
- Making the adjustment in a staged manner signposts the changes and is clear and transparent.

#### **Disadvantages**

- It diminishes the principle of, "Users of services can expect to contribute to the cost of operating the service".
- Reducing the UAGC is generally not supported by the rural sector.

155. The recommended approach is consistent with the following Gisborne District Council rating principles:
1. All funding options will consider affordability.
  2. Funding choices will support the outcomes of Tairawhiti 2050.

3. Council will explore funding options from all other sources before choosing rates to fund activities.
4. In collaboration with Māori, funding choices will contribute to enabling the development of Māori land.
8. Users of services can expect to contribute to the cost of operating the service.
9. Borrowing will be used when it is financially efficient to do so and in the best interest of the community<sup>53</sup>.

### Recommendation

- r. **THAT** the Gisborne District Council reviews its UAGC as part of its Three-Year Plan;
- s. **THAT** Gisborne District Council notes that that decreasing the UAGC will result in an increase in general rates;

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<sup>53</sup> From LTP 2021-2031 Vol 2 Revenue and Finance Policy Page 2

## Part Eight: Further Matters

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## Part Eight: Further Matters

### Introduction

156. This Part addresses two more technical issues related to the application of:

- a. Separately Used or Inhabited Parts; and
- b. “1967” land

to the treatment of Māori freehold land for rating purposes.

### Separately Used or Inhabited Part

157. Within Gisborne District Council’s annual plan there is a definition of separately used or inhabited part (SUIP).

*A separately used or inhabited part of a rating unit includes any portion inhabited or used by the owner / a person other than the owner, and who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence, or other agreement.*

*This definition includes separately used parts, whether or not actually occupied at any particular time, which are provided by the owner for rental (or other form of occupation) on an occasional or long-term basis by someone other than the owner.<sup>54</sup>*

158. The SUIP definition has interpretation rules and guidance notes. These codify the application of SUIPs’ in different circumstances. These rules apply equally to Māori freehold land and general land. We found no evidence that they advantage or disadvantage owners of Māori freehold land.

159. While the general principles can apply, we did note the absence of guidance on rural land. Examples for clarification would include circumstances where; -

- a. a farmer leases land for the growing of a crop adds an additional uniform charge;
- b. a commercial beekeeping operation adds an additional uniform charge;
- c. a packing house on a horticultural block adds an additional uniform charge; and
- d. an additional house on a rural property adds an additional uniform charge.

160. It is recommended the Gisborne District Council definition of SUIP Guidance notes clarify be clarified in relation to rural properties.

### Recommendation: Separately Used or Inhabited Part (SUIP)

- t. **THAT** the Gisborne District Council reviews its SUIP definition as part of the 3-year plan and that SUIP guidance notes provide further clarification for rural properties;

<sup>54</sup> Gisborne District Council 2022- 2023 Annual Plan. page 69

## “1967” Land

161. Consideration was given as to whether the Council’s Māori Freehold Land Rates Remission Policy should also apply to Māori freehold land that in 1967 was converted from Māori freehold land to general title land without the agreement of the landowners.
162. This approach would ensure equity and provide for development opportunities available to Māori freehold land, to 1967 land. The effect of this approach would be to apply:
- a. a remission for unused “1967” land on a similar basis to which unused Māori freehold land rating units are deemed non-rateable under Clause 14A, Schedule 1, LGRA.
  - b. other Māori freehold land remissions to “1967” and Māori Freehold Land.
163. It is not known precisely how many rating units were affected in the Gisborne District by the 1967 amendment, but they were generally smaller parcels of land. There are known to be several planned townships (“paper towns”) on the northern coast which had Māori freehold land sections transferred to general title under the 1967 Amendments. Ultimately, the decision was taken that:
- a. there is insufficient information on the extent of “1967” land in the District, and its confirmation is problematic; and
  - b. the resolution of issues related to “1967” land is ultimately an issue for the Crown to reconcile.
164. The Council may wish to identify the extent of “1967” land in Tairāwhiti before considering how it applies rates to this land in the future.

## Recommendation: “1967” Land

- u. **THAT** Gisborne District Council identify “1967” land in Tairāwhiti with a view to re-visiting its rates treatment of “1967” land in the future;



## Part Nine: Council Engagement

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## Part Nine: Council Engagement

### Introduction

165. Rating can be complex in both its development and implementation, both for councils and landowners. The task doesn't end with the setting of rates and remissions, in fact that is only the beginning. It is incumbent on councils to follow-through with appropriate information to ratepayers on their policies and how to access remission and/or postponement policies.
166. For landowners, rating is one of many potential touchpoints with councils. While landowners may wish to follow-through on the rating of their land, this is likely to intersect with issues related to land development, land management and consenting.
167. All councils surveyed are actively involved in engaging with owners of Māori land in relation to rates, most combining that with issues related to land development and consenting. Some have more consciously formalised programmes than others. Many councils align with other agencies, such as the Whenua Māori Service (Te Puni Kokiri), Māori Land Court and Te Tumu Paeroa. All Councils took particular action following the 2021 legislative amendments, to communicate changes to Māori landowners, including working with other agencies.

### Categorising Outreach

168. The Council has many relationship agreements, co-management, and joint management arrangements in place with individual iwi. Also, outside of the Māori responsiveness Team we also have Iwi technicians on board who are contracted, however they have a specific work programme that focusses on plan making and consents of priority to iwi.
169. CEO's meet with the CEO, GDC regularly to discuss different priorities, and then RTRO meet, and have several sub committees or roopu that focus on things like Taiao or housing.
170. The Council has recently adopted a Te Tiriti Compass. This is a series of commitments relating to each article of Te Tiriti, that should set the standard of recommended decisions, and be used to weigh up options. Implementation guidance to support staff in interpreting this is being written.
171. Te Tiriti Compass supports and enables the productivity of land owned specifically by Māori. Elected members are aware of the compass and have already pulled up reports and questioned how options are giving effect to Te Tiriti.

172. The actions of Councils can be broken down into three broad categories as follows (see Diagram 1):

Diagram 1: Council Outreach Actions



173. The Gisborne District Council provides information, engages and support landowners in much the same way as other councils surveyed. The simplification and pre-filling of the remission application form for whanau Māori land proposed in Part 6 will further assist landowners in making applications to the Gisborne District Council.

### Further Opportunities for Improvement

174. Discussion with Gisborne District Council revenue staff and the results of the survey of the five other councils suggests that areas for potential improvement in engaging with whenua Māori landowners include:
- More co-ordinated and regularised outreach;
  - Clearer land development pathways for landowners; and
  - Additional resourcing for landowner co-ordination.

### Co-ordinated and regularised outreach

175. Whenua Māori landowners are often seeking engagement on a range of issues, and indeed the Gisborne District Council's approach is to foster land development rather than just provide remissions from rates.
176. It is therefore important that both the Gisborne District Council (covering multiple units) and other relevant agencies collaborate on their engagement with owners of Māori freehold land.

177. Other relevant agencies include:

- Whenua Māori Service (Te Puni Kokiri)
- Māori Land Court
- Te Tumu Paeroa
- Ministry for Primary Industries
- Department of Conservation / Nga Whenua Rahui.

178. In addition, sector organisations such as:

- grower organisations;
- processing, packing and marketing companies;
- representative organisations (such as Federated Farmers, NZ Forest Owners' Association etc);
- consultancy organisations.

have an important role to play in providing landowners with an understanding of pathways into their sectors (new crops, better practices, processing, logistics, markets etc).

179. Regular co-ordinated engagement with landowners requires a lead organisation(s) – Gisborne District Council and the Whenua Māori Service are probably best positioned to co-ordinate a joined-up approach. Both organisations have “boots on the ground” and multiple intersection points with landowners. The functions of both organisations span a broad range of touch points for Māori freehold land, from owner organisation, land use feasibility, land management, housing, infrastructure services, and rates

180. A co-ordinated engagement will provide landowners with a one-stop shop to questions related to the use of their land. Rather than fronting on rates or housing, landowners will have access to a more comprehensive range of information to inform opportunities for the managements/development of their whenua.

181. A useful starting point to formalise arrangements and responsibilities between organisations would be to develop a memorandum of understanding, to which parties can be added to overtime.

182. For all councils there is an opportunity to formalise and regularise the outreach opportunities with other parts of Council activities (e.g., land management and consenting) and with other agencies (e.g., Māori Land Council, Whenua Māori Service, Nga Whenua Rahui, Te Tumu Paeroa, Ministry for Primary Industries) and other landowners (e.g., land development practitioners and commercial operators).

### Development Pathways

183. Many of the 2021 legislative amendments and the Gisborne District Council's remissions policies (current and proposed) are aimed at supporting the development of Māori freehold land.
184. Legislative provisions and rates remissions policies are one means of incentivising land development, but there needs to be a much broader set of guidance and support to landowners if significant land development is to occur, regardless of whether that development involves retiring land for conservation purposes, developing for housing or establishing new crops.
185. This paper proposes that Gisborne District Council formally collaborates with the Whenua Māori Service in the first instance to identify how the Gisborne District Council can assist and support landowners along their development pathway. This will involve identification of the specific areas in which the Gisborne District Council can provide support, and lead to an understanding of how Gisborne District Council support is staged and how landowners are put onto a more formal development pathway that avoids them falling through the "development cracks" (See Diagram 2).

#### Whenua Māori Service

The Whenua Māori Service is an advisory service provided by Te Puni Kokiri.

Dedicated staff across Te Tai Tokerau (Northland) Waiariki (Bay of Plenty) and **Te Tairāwhiti** (East Coast) can provide on-the-ground advice and support for Māori freehold landowners.

The role of the service is to provide specialised and customised support that empowers Māori landowners to move forward on their development journey.

#### Whenua Māori Fund

The Whenua Māori Service administers The Whenua Māori Fund supports whenua Māori based economic, cultural, social and environmental projects which help strengthen whānau, communities, regions and the New Zealand economy.

It assists Trustees and owners of whenua Māori to explore the potential of their whenua and to investigate the means of lifting productivity, either through improving and growing existing operations, diversification, or preparing for new ventures.

More information at:

<https://www.tpk.govt.nz/en/nga-putea-me-nga-ratonga/whenua-maori/whenua-maori-fund>

Diagram 2: Council Outreach Actions

## Resourcing

186. A number of Gisborne District Council's revenue staff have duties that involve liaising with whenua Māori landowners. This work involves:

- a. preparing proactive information material;
- b. responding to landowner queries and supporting the preparation of applications for remissions;
- c. co-ordinating and attending outreach opportunities (e.g., field days, landowner meetings etc);
- d. processing remission applications; and
- e. working with Māori land owners on affordable payment plan options for MFL that is rateable.

187. The Council rates team is operating to capacity and is likely to be required .5 FTE for rates Liaison person. The Māori responsiveness team is also at capacity and a separate role would probably be needed to co-ordinate your suggestion. It's difficult to establish how much extra resource is needed as would need more specific information on a role that HR would then be able to size.

188. In addition other staff lead out on a cross section of issues including building consents, planning etc.
189. This paper proposes that the Gisborne District Council considers increasing staff resourcing to support owners of Māori freehold landowners with rating information/support.

### Recommendations: Council Engagement

v. **THAT** Gisborne District Council considers:

- i. Co-ordinated and regularised outreach: Formalising arrangements with other organisations, via a memorandum of understanding, to support owners of Māori freehold land to progress their development aspirations;
- ii. Development Pathway: Formalises an arrangement with the Whenua Māori Service to support owners of Maoriland to be facilitated along a development pathway; and
- iii. Resourcing: increasing the resources available to fund Councils engagement processes, noting that any increase in resourcing will have to be prioritised within the 3-year plan.

# Annexes

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## Annexes

### Annex A: Key Terms

Some key terms referred to in this paper are:

**Non-rateable:** Properties are non-rateable if they meet certain criteria. Exemptions provide for situations where statute (e.g. recognising the status of urupa, marae and churches). The Council does not exempt any land from paying rates.

**General Rate:** The general rate funds a broad range of Council activities. It is based upon the capital value of property and is calculated based on a system of differential rating. There is no restriction on how much can be raised through a general rate. The Gisborne District Council's general rate is only about 6% of the overall rates struck.

**Rating Unit** (or Māori freehold land rating unit): From 1 July 2003 the base unit of liability for rating purposes became known as the rating unit. The rating unit is based on a certificate of title - one certificate of title equals one rating unit - although there are some minor exceptions to this general rule. For land for which no certificate of title exists, the rating unit is based on the nearest equivalent instrument of ownership. (see Section 5B and 5C of the Rating Valuations Act 1988). An occupation order from the Māori Land Court also constitutes a rating unit.

**Remissions:** A discretionary policy where local authorities create criteria to allow all or part of the rates on a property to be written off. Remissions policies allows the Council discretion to set aside rates provide for particular circumstances Rates that are remitted are treated by the Council as having been paid - but it is also essentially income foregone.

**Postponement:** A discretionary policy where the Council sets criteria to allow all or part of the rates to be deferred for a period of time. Postponements are useful in situations where income is end weighted and payment of rates can be matched to future income. For example, rates for a forestry development could be postponed until the trees are harvested.

**Taonga tuku iho** Treasured lands

**Targeted Rates:** Targeted rates may be used to fund specific council activities. Targeted rates are mainly used where there is a clearly identifiable group benefiting from a specific council activity. Targeted rates apply to properties that receive certain services or benefits, or which are located in specified areas.

**Uniform Annual General Charge (UAGC):** Section 15 of the LGRA provides that a local authority may set a uniform annual general charge for all rateable land within its district, being—

(a) a fixed amount per rating unit; or

(b) a fixed amount per separately used or inhabited part of a rating unit.

UAGC revenue may be applied to any council purpose and it is not tied to particular activity. UAGCs are subject to a 30% cap on total rates revenue

UAGC may not be differentiated by type or location of property. UAGCs are regressive because they shift the incidence of rates from higher valued properties to lower value ones given they are “spread” across all properties.

**Wāhi Tapu**

A place of special significance according to tikanga Maori- see Section 338(1)(b), Te Ture Whenua Māori Act 1993.

## Annex B: Schedule 11 [Matters relating to rates relief on Māori freehold land], Local Government Act 2002

- 1 *The matters that the local authority must consider under section 108(4) are—*
  - (a) *the desirability and importance within the district of each of the objectives in [clause 2](#); and*
  - (b) *whether, and to what extent, the attainment of any of those objectives could be prejudicially affected if there is no remission of rates or postponement of the requirement to pay rates on Māori freehold land; and*
  - (c) *whether, and to what extent, the attainment of those objectives is likely to be facilitated by the remission of rates or postponement of the requirement to pay rates on Māori freehold land; and*
  - (d) *the extent to which different criteria and conditions for rates relief may contribute to different objectives.*
  
- 2 *The objectives referred to in clause 1 are—*
  - (a) *supporting the use of the land by the owners for traditional purposes:*
  - (b) *recognising and supporting the relationship of Māori and their culture and traditions with their ancestral lands:*
  - (c) *avoiding further alienation of Māori freehold land:*
  - (d) *facilitating any wish of the owners to develop the land for economic use:*
  - (e) *recognising and taking account of the presence of wāhi tapu that may affect the use of the land for other purposes:*
  - (f) *recognising and taking account of the importance of the land in providing economic and infrastructure support for marae and associated papakāinga housing (whether on the land or elsewhere):*
  - (g) *recognising and taking account of the importance of the land for community goals relating to—*
    - (i) *the preservation of the natural character of the coastal environment:*
    - (ii) *the protection of outstanding natural features:*
    - (iii) *the protection of significant indigenous vegetation and significant habitats of indigenous fauna:*
  - (h) *recognising the level of community services provided to the land and its occupiers:*
  - (i) *recognising matters related to the physical accessibility of the land.*

## Annex C: Responses from Five Councils + Gisborne District Council

- Five Councils, with high percentage of Māori freehold land and a background in more actively considering Māori freehold land rating policies, were contacted about specific aspects of their rating policies and the extent to which particular policies and legislative requirements have been actioned and the steps taken by Councils to engage with owners of Māori freehold landowners on rating policies.
- The five Councils are:
  - Far North District Council **Error! Hyperlink reference not valid.**
  - Whangarei District Council:
  - Taupo District Council
  - Whakatane District Council **Error! Hyperlink reference not valid.**
  - Opotiki District Council. **Error! Hyperlink reference not valid.**

1. What changes were made to your councils' rates remissions and postponement policies specific to Māori Freehold land as a consequence of the Local Government (rating of Whenua Māori) Amendment Act 2021?					
Far North DC	Whangarei DC	Taupo DC	Opotiki DC	Whakatane DC	Gisborne DC
As already had policies in place, did not make changes to our papakāinga ML21/02 or MFL not used land policies ML21/01. Revoked the ML21/03 postponement for new Users of MFL. Still need to make changes to Incentivising Māori Economic Development ML21/13 to incorporate the changes in the Act	Existing rates remission and postponement policies specific to whenua Māori, required minimal changes. In June 2021 we added land that ceased to be Māori land under Part 1 of the Māori Affairs Amendment Act 1967 to our rates remission and postponement policies. We also removed the criteria that the land needed to be owned by more than one owner.	None	<ul style="list-style-type: none"> <li>Amendments acknowledged in Council rating documentation. Some alignment still to be undertaken.</li> <li>More clearly articulated the options/opportunities for remission for economic development purposes.</li> <li>Still intend though (we made it clear to Council) to more fully give our policy a proper refresh, as we had only made minor changes/amendments to what was the existing policy at the time.</li> </ul>	Currently taking an ad-hoc approach - working through a collaborative process with neighbouring Councils to amend existing policies in line with legislation.	Minor changes made. Significant review underway (this paper)

2. How many applications for remissions of rates on Māori freehold land have been received and approved by your council in the period 1 July to 30 June 2022? (By total \$ value, total number of properties, and total hectares)?					
Far North DC	Whangarei DC	Taupo DC	Opotiki DC	Whakatane DC	Gisborne DC
<ul style="list-style-type: none"> <li>14 properties</li> <li>\$25,605</li> <li>158 hectares</li> </ul>	<ul style="list-style-type: none"> <li>11 properties</li> <li>\$11,040</li> <li>228 hectares</li> </ul>	<ul style="list-style-type: none"> <li>50 properties,</li> <li>\$117,968</li> <li>62,640 hectares</li> </ul>	<ul style="list-style-type: none"> <li>62 properties</li> <li>\$56,113</li> </ul>	<ul style="list-style-type: none"> <li>287 properties</li> <li>\$407,061</li> <li>20,154 hectares</li> </ul>	<ul style="list-style-type: none"> <li>68 properties</li> <li>\$93,454</li> <li>1,218 hectares</li> </ul>

3. How many applications for the postponement of rates on Māori freehold land have been received and approved by your council in the period 1 July 2021 to 30 June 2022? (By total \$ value, total number of properties, and total hectares)?					
Far North DC	Whangarei DC	Taupo DC	Opotiki DC	Whakatane DC	Gisborne DC
Nil	Nil	Nil	Nil	Nil	Nil

4. In the period 1 July 2021 to 30 June 2022 how many times has the CEO used the provisions of Section 90A of the Local Government (Rating) Act 2022 to write-off rates for Māori Freehold Land?					
Far North DC	Whangarei DC	Taupo DC	Opotiki DC	Whakatane DC	Gisborne DC
<ul style="list-style-type: none"> <li>8 MFL rating units</li> </ul>	<ul style="list-style-type: none"> <li>9 MFL rating units</li> </ul>	<ul style="list-style-type: none"> <li>9 MFL rating units</li> </ul>	<ul style="list-style-type: none"> <li>497<sup>55</sup> MFL rating units (incl arrears and penalties)</li> <li>\$706,766</li> </ul>	<ul style="list-style-type: none"> <li>1 MFL rating unit</li> </ul>	Nil

5. What steps does your council take to engage with owners of Māori freehold land on their eligibility for non-rateability, rates remissions, rates postponements and/or the write-off of rates and penalties?					
Far North DC	Whangarei DC	Taupo DC	Opotiki DC	Whakatane DC	Gisborne DC
<ul style="list-style-type: none"> <li>Involved with running a webinar to advise the public of changes to the Rating Act for Whenua Māori – this was in conjunction with TPK, Māori Land Court, Whangarei DC and Kaipara DC.</li> <li>Information regarding remissions/postponements go out with the 1st instalment invoice.</li> <li>Ongoing we liaise daily with whenua Māori when they contact us for more information.</li> <li>When we did the initial write-offs for properties switching to non-rateability a letter was sent to the owners to advise.</li> </ul>	<ul style="list-style-type: none"> <li>Communicate with owners and occupiers of whenua Māori who contact us, and providing appropriate information about rates relief available via legislation and our policies and helping to them to complete applications. Concerning potential non-rateable land (s14A), we are pro-active in communicating with owners.</li> <li>Have a webpage setting out all information relating to the rating of whenua Māori<sup>56</sup></li> <li>Participated in a Zui with the other Northland councils, the Māori Land court and Te Puni Kōkiri to socialise the changes to</li> </ul>	<ul style="list-style-type: none"> <li>Māori Land Rating officer</li> </ul>	<ul style="list-style-type: none"> <li>Following 2021 LGRA amendments, changed on website to reflect LGRA changes), with a link to apply for non-rateable status or remission, to provide a more efficient workflow for staff to process.</li> <li>Have been proactively applying legislative provisions on behalf of landowners who clearly fall into non-rateable category.</li> <li>Rates staff advise customers who enquire about it, to support and guide them (including criteria).</li> </ul>	<ul style="list-style-type: none"> <li>Attend local hui, community days, trust hui, trust hui. Also have options for video call, phone call and email when not able to attend in person.</li> <li>Active approach to discussing criteria regarding non-rateability, rates remissions, rates postponements and/or the write-off of rates and penalties where appropriate.</li> <li>Monthly kanohi ki te kanohi visits on rates issues.</li> <li>Where they identify accounts that fit rating policy criteria, approach is to connect to the whānau and guide them through process.</li> </ul>	<p><b>Information</b></p> <ul style="list-style-type: none"> <li>Website and hard copy information</li> <li>incl remissions policies</li> <li>Webinars</li> <li>Direct contact with information on new policies</li> <li>Regular reporting on ratings matrix</li> </ul> <p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>Regular inter-agency and land owner meetings</li> <li>Regular kanohi-ki-Kanohi engagement with landowners</li> </ul> <p><b>Support</b></p> <ul style="list-style-type: none"> <li>Pro-actively engage with land owners on legislative and remission entitlements</li> <li>Support landowners with application process</li> </ul>

<sup>55</sup> 424 of the 494 occurred on the 19 July 2022, as a direct response to 2021 amendments to the LGRA.

<sup>56</sup> <https://www.wdc.govt.nz/Services/Property/Rates/Rating-of-Whenua-Maori>

	legislation and tools available <ul style="list-style-type: none"> <li>▪ Pre-populate applications</li> <li>▪ Report on rating policy, rating legislation and rating valuation at our monthly Te Kārearea meetings</li> <li>▪ Conduct a webinar when consulting on changes to our policies earlier the year<sup>57</sup>:</li> </ul>				
--	--	--	--	--	--

**6. How many single rateable area requests has your council processed in the period 1 July 20221 to 30 June 2022?**

Far North DC	Whangarei DC	Taupo DC	Opotiki DC	Whakatane DC	Gisborne DC
9	1	5	Nil	Nil	Nil

**7. Does the CEO delegate authority write-off rates?**

Far North DC	Whangarei DC	Taupo DC	Opotiki DC	Whakatane DC	Gisborne DC
Yes to the GM Corporate Services and CFO	Yes, delegations have been created for section 90A and 90B write offs associated with the officer's financial delegation.	No	No	No	Yes, with financial limits – See Annex E  Yes, delegations created for section 90A and 90B write offs to CFO, Revenue Manager, and Revenue Team Leader.

<sup>57</sup> [Webinar on Proposed Rates Remission & Postponement Policy for Māori Freehold Land - April 2022 - YouTube](#)

## Annex D: Current GDC Criteria Applied to Determine Whether Rates are Uncollectable

**In all cases:** a commitment to pay rates going forward.

**A. For write off of penalties only:**

- There is Intention to use and/or develop land for horticulture, agriculture or housing but no lease details, business plan or information has been provided. Potentially other rates could be written off when evidence is provided.

**B. For write off of years 3-5 and penalties:**

- New lease arrangements and confirmation of inability to pay rates arrears.
- Whenua previously covered by LGRA s93 (limitation on trustee liability to pay rates from income derived from the land) and that also has a new lease arrangement. Trusts need to provide evidence of financial capability to obtain further remission for hardship/ inability to pay rates arrears.
- Where new administrators have been appointed to facilitate resolving land issues and fulfil obligations of the Trustees.
- There is Intention for the whenua to be used. There are situations where we have received a more formalised application, but more information is required e.g., business case of development proposal. There is also potential to apply for further remission under LGRA sec114A 'Remission of rates for Māori Freehold land under development' once a policy is established following the Daron Ponter Review.

**C. For write off of all rates debt and penalties includes rates arrears for years 1-5**

- Where confirmation is provided to support inability to pay in cases of an individual ratepayers' health and/or hardship.
- Deceased estates and where new owners (succession) has not been identified.
- Circumstances beyond the ratepayers' control e.g., land survey errors, invoices not received, Rates Information database incorrect, Whānau unaware of debt but willing to pay future rates.
- New Trustees have been appointed to administer the whenua and address payment of rates, and the trust are able to demonstrate inability to pay the rates arrears.

**D. Any other circumstances that Chief Executive considers appropriate.**

## Annex E: Current Gisborne District Council Delegations under the Local Government (Rating) Act 2002

Codes	
CE	Chief Executive
CFO	Chief Financial Officer
FM	Finance Manager
RTL	Revenue Team Leader
RA	Revenue Accountant
SRO	Senior Revenue Officer

### Local Government (Rating) Act 2002

The delegations under this Act have been made by the Council directly to the officers listed. They have not been sub-delegated by the CE. They are listed here for ease of reference only.  
From A1657167 – Version 1 (updated 1-Dec-21)

Section of LGRA	Summary of Function or Power	Delegated Officers
s 28(3)	Determine a fee for being supplied a copy of Rating Information Database data	CFO, FM, RTL
s 63	Power to commence court proceedings for the recovery of rates that are in default	CE only
s 67	Power to commence rating sale or lease provisions	CE only
s 72	Consent to sell or lease by private treaty	CE only
ss 77 to 83	Powers relating to the sale of abandoned land	CE only
s 85	Remit rates	CFO, FM, RTL, SRO, RA
s 87	Postpone requirement to pay rates	CFO, FM, RTL, SRO, RA
s 90(1) and (4)	Register a notice of charge or notice of release of charge on a rating unit if requirement to pay rates has been postponed under s 87(1)	CE only
s 90A	Write off outstanding rates that cannot reasonably be recovered	CFO, FM, RTL
s 90B	Write off outstanding rates of deceased owners of Māori freehold land	CFO, FM, RTL
ss 99 and 108	Apply to the Māori Land Court to obtain a charging order to administer the land for the purpose of recovering the rates. Conditional on consultation with the Chief Executive.	CE only
s 114	Remit rates on Māori freehold land	CFO, FM, RTL, SRO, RA
S 114A	Remit rates on Māori freehold land under development	CFO, FM, RTL
s 115	Postpone requirement to pay rates on Māori freehold land	CFO, FM, RTL, SRO, RA
s 117N(2)	Power to cancel election for lump sum contribution payment or recover amount owing in a situation of late or non-payment	CFO, FM, RTL
s 135	Power to sign documents as correct copies for legal proceedings.	CFO, FM, RTL



## Instrument of Financial Delegation

### Financial Delegations to Staff

I hereby authorise the persons holding the offices specified in column 1 of the Table in the Appendix ("Authorised Officers") to commit the Gisborne District Council ("Council") to the amount of expenditure (as provided for in estimates), or receive funds on behalf of Council, up to the limits specified alongside the Authorised Officer in column 2. This authorisation is subject to the Terms and Limitations set out below.

#### Terms and Limitations

- **Scope:** The Authorised Officers may commit the Council to all arrangements and contracts for the supply of goods, services, plant and labour, including execution, variation and termination of all documents, agreements and contracts, aside from where authority to do so is otherwise limited by legislation or Council's Statutory and Management Delegations, to enable the—
  - 1.1 implementation of decisions made by the Council, its committees and any further subordinate decision making bodies or persons:
  - 1.2 receipt and implementation of Crown funding:
  - 1.3 management of capital expenditure and operations and maintenance expenditure, up to the limits approved in the relevant Annual Plan or Long Term Plan:
  - 1.4 management of expenditure not included in the Annual Plan or Long Term Plan or authorised in accordance with 1.1 or 1.2 above, up to a maximum of \$50,000 (GST exclusive) per item.
- **Compliance with laws, policies and procedures:** Expenditure must be undertaken in accordance with relevant policies and procedures and all applicable laws.
- **Acting:** During periods in which Authorised Officer is absent, the authority in this Instrument extends to any officer who has been appointed by a person in a higher level of management to be the Acting Authorised Officer.
- **Relationship with statutory delegations:** Compliance with the limits of this financial authority is not intended as a legal condition or limitation in the scope of any statutory powers delegated.

Signed:

Date: 30 November 2021

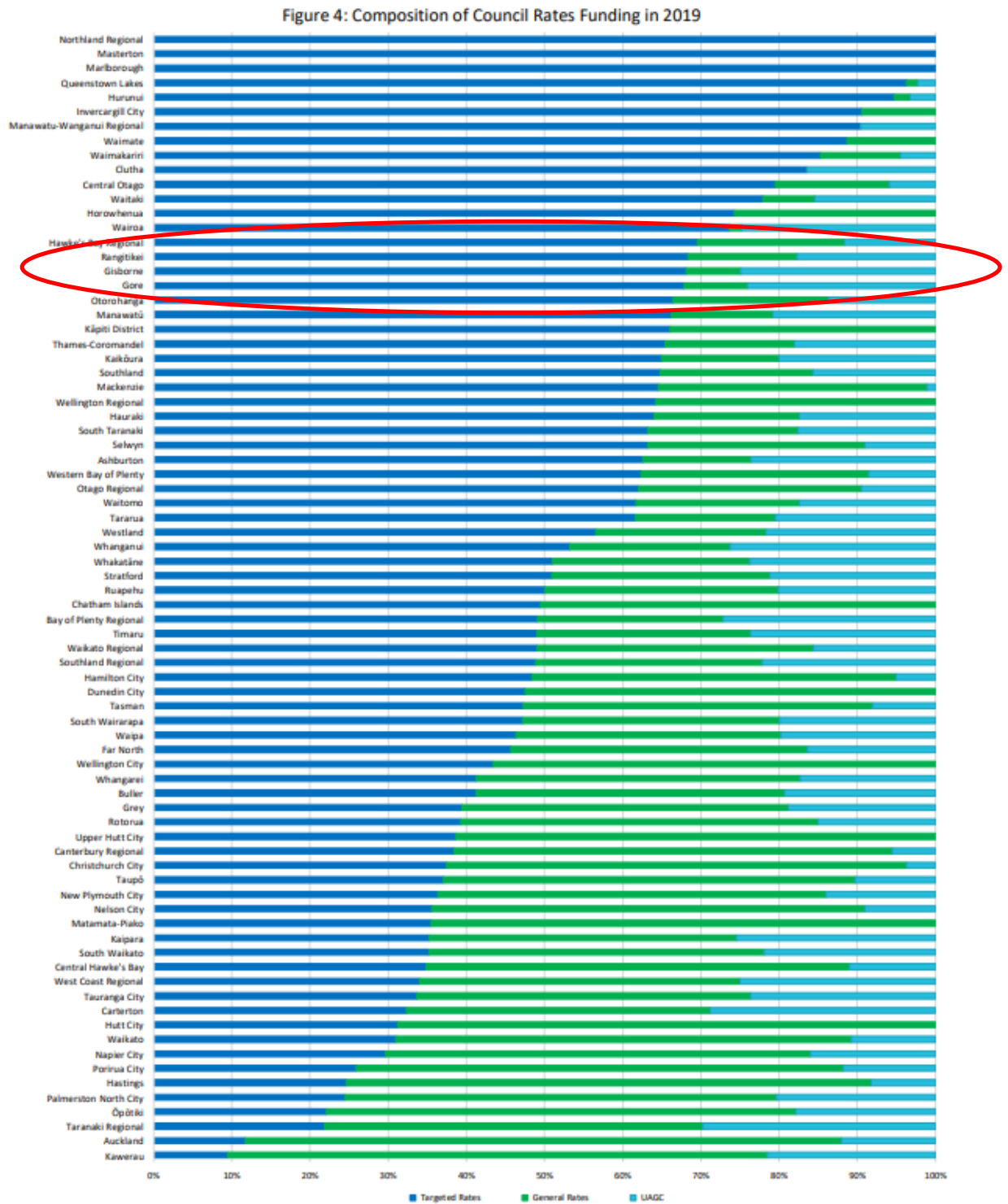


Nedine Thatcher Swann  
**Chief Executive**  
 Gisborne District Council

**Appendix – Financial Limits**

Authorised Officer	Limit
Hub Directors	\$500,000
CFO	\$500,000
Chief of Strategy and Science	\$500,000
Managers/Activity Managers	\$25,000
Programme Managers <sup>1</sup>	\$25,000
Team Leaders/Supervisors	\$5,000
Project Managers	\$0
Executive Assistants	\$500
Manager Rooding Infrastructure	\$50,000
Manager Rooding Operations	\$50,000
Manager 4Waters Infrastructure	\$50,000
Manager 4Waters Operations	\$50,000
Team Leaders Information Systems (ie Land Information, Business Solutions, Information Management, Information Technology)	\$30,000
Group controller (civil defence emergency response)	\$250,000
Regional on-scene commander (marine oil spill response)	\$250,000
Any staff member not otherwise specified, with written authorisation from their manager	\$500

## Annex F: Composition of Council Funding (2019)



Source: Analysis of the Current and Past Use of Council Rating Tools in New Zealand, Insight Economic (For NZ Productivity Commission), May 2019, page 13.

## Annex G: Considerations for approving rate remissions

Decision on applications for remissions are based on the Council's remission policy and the information provided. Revenue staff work through the application to identify:

- Is it a rates issue? are other funding options or is the situation covered by insurance,
- Does it meet rate remission policy criteria (if it does not fit with a particular policy, are there other policy options)
- what is the basis of the application?
- Is there **evidence** to support the application, for example an application stating something is a 'struggle' is not enough information. That's probably the basis for the application but would need more to back this up.
- An application for hardship should include financial information.
- Does the recommendation fit with what has been requested?
- Does the site need to be inspected- Independent rating valuer visit?
- Is the request fair and reasonable, tell me why?

**Revenue staff also review these things as part of the consideration:**

- CT information,
- lease or occupancy information,
- MLOL memorial and land use information
- maps (including google street view)
- photos
- Payment history (often up to 3 years),
- previous applications,
- comments on the RID, DVR info,
- manual consents.
- Is the decision consistent with other similar cases?

**Sometimes separate opinions are sought from:**

- other sections within Council
- our legal team and our external lawyers
- a Rating Valuer and whatever else i need to look at
- a budget advisor/ help agencies

The decisions ultimately made by the Revenue Team Leader are audited by the auditors and reviewed by CFO and audit partner from time to time.

Sometimes applications are declined awaiting further information.

## Annex H: Sources

### Council Rating Policies

[Far North District Council Rating Policies, 2022](#)

[Opotiki District Council Rating Policies, 2022](#)

[Taupo District Council Rating Policies, 2022](#)

[Whakatane District Council Rating Policies 2022](#)

[Whangarei District Council Rating Policies, 2022](#)

Department of Internal Affairs	Local Government Rates Inquiry 2006 “Shand Report” <a href="https://www.dia.govt.nz/Decommissioned-websites---Rates-Inquiry">https://www.dia.govt.nz/Decommissioned-websites---Rates-Inquiry</a>
Department of Internal Affairs	Local Government Rates Inquiry 2007
Department of Internal Affairs	<a href="http://www.dia.govt.nz/Whenua-Maori-rating">www.dia.govt.nz/Whenua-Maori-rating</a>
Gisborne District Council	Delegations by Chief Executive to Officers, June 2019 – A1657167
Gisborne District Council	Revenue and Financing Policy Review, Briefing Paper 9, Workshops 4a, March 2020
Gisborne District Council	<i>Our Tairāwhiti 2021-2031 Long Term Plan, Gisborne District Council, 2021</i>
Gisborne District Council	Long Term Plan 2021-2031, June 2021

### NZ Parliament

Local Government Act 2002  
[www.legislation.govt.nz/act/public/2002/0006/latest/DLM131394.html](http://www.legislation.govt.nz/act/public/2002/0006/latest/DLM131394.html)

Local Government (Rating) Act 2002  
[www.legislation.govt.nz/act/public/2002/0084/latest/DLM170873.html](http://www.legislation.govt.nz/act/public/2002/0084/latest/DLM170873.html)

Local Government (Rating of Whenua Māori) Amendment Act 2021  
[www.legislation.govt.nz/act/public/2021/0012/latest/LMS290544.html](http://www.legislation.govt.nz/act/public/2021/0012/latest/LMS290544.html)

NZ Productivity Commission      Analysis of the Current and Past Use of Council Rating Tools in New Zealand, Insight Economic, May 2019, page 13.

1

**Title:** 23-89 Financial Report to 28 February 2023

**Section:** Finance & Affordability

**Prepared by:** Melanie Hartung - Finance Manager

**Meeting Date:** Wednesday 19 April 2023

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Legal: No

Financial: No

Significance: **Low**

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## Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for information

### PURPOSE - TE TAKE

The purpose of this report is to provide a high-level overview of Council's financial results for the period ending 28 February 2023.

### SUMMARY – HE WHAKARĀPOPOTOTANGA

The report covers the Council's financial performance for the period ending 28 February 2023. It includes commentary against a year to date (YTD) Annual Plan on the Statement of Comprehensive Revenue and Expenses and Capital Expenditure.

Council has a net surplus of \$22.8m, lower by \$1.2m than was expected in the YTD Annual Plan. The main driver for the lower-than-expected net surplus is due to the local share of the roading emergency reinstatement costs that have been incurred for the March 2022 weather event. The funding assistance rate (FAR) for the March event is 87%, the remaining 13% is left to Council to fund. This equates to an unbudgeted shortfall of \$718k.

The remainder of the lower-than-expected net surplus, is due to some initial costs arising from Cyclone Gabrielle emergency response, as well as \$320k for unbudgeted woody debris removal.

A summary of the key financial indicators for February year to date:

- YTD total revenue is \$117.5m favourably \$14.7m above the Annual Plan. This is mostly due to receiving additional operational grants and subsidies from Waka Kotahi for the reinstatement of roading emergency works.
- The YTD total expenditure is \$94.6m, unfavourably \$15.9m above the YTD Annual Plan. The increase is mostly due to "Expenditure on Operating Activities" where it is \$15.7m above the YTD Plan. This higher expenditure is due to \$18.5m of roading emergency reinstatement costs, against a full year budget provision of \$2m.
- The capital expenditure for February YTD is \$53.5m or 85% of the YTD budget. This year's expenditure relates mostly to the construction cost of Kiwa Pools and the Wastewater Treatment plant. Post Cyclone Hale and Gabrielle, reforecasting capital expenditure for the fourth quarter is underway.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

## **RECOMMENDATIONS - NGĀ TŪTOHUNGA**

**That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:**

- 1. Notes the contents of this report.**

*Authorised by:*

**Pauline Foreman - Chief Financial Officer**

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**Keywords:** Financial Report, Annual Plan, Statement of Comprehensive Revenue, Expenses, Capital Expenditure

## ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

**Overall Process:** Low Significance

**This Report:** Low Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

**Overall Process:** Low Significance

**This Report:** Low Significance

Inconsistency with Council's current strategy and policy

**Overall Process:** Low Significance

**This Report:** Low Significance

The effects on all or a large part of the Gisborne district

**Overall Process:** Low Significance

**This Report:** Low Significance

The effects on individuals or specific communities

**Overall Process:** Low Significance

**This Report:** Low Significance

The level or history of public interest in the matter or issue

**Overall Process:** Low Significance

**This Report:** Low Significance

1. The decisions or matters in this report are considered to be of **Low** significance in accordance with Council's Significance and Engagement Policy.

## ATTACHMENTS - NGĀ TĀPIRITANGA

1. Attachment 1 - 8 February Cover Summary Financials [23-89.1 - 12 pages]





**Council  
Summary Financial Report**

**February 2023**

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Notes on Statement of Comprehensive Revenue & Expenses	2
Statement of Financial Position	3
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Capital Expenditure by Activity	5 - 9

**Statement of Comprehensive Revenue and Expenses**  
**For the Period Ended 28 February 2023**

	Note	Feb-23 Actual \$000s	Year to date Budget \$000s	Variance \$000s	Full Year Budget \$000s
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>					
Grants and Subsidies - Operational	1	25,702	8,590	17,112	12,885
Grants, Donations, Subsidies and Contributions - Capital	2	26,043	28,516	(2,473)	44,535
Other Non Exchange Revenue	3	847	1,527	(680)	2,170
General Rates And Uniform Annual General Charge		18,182	18,085	96	24,113
Targeted Rates		34,703	34,703	(0)	46,270
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>					
Development and Financial Contributions		1,443	1,274	169	1,622
Other Revenue	4	7,238	7,801	(563)	11,645
Targeted Water Rates		1,857	2,396	(539)	3,594
Dividends		5	(0)	5	1,600
Interest Received		455	0	455	0
Other Gains/(Losses)	5	972	(154)	1,126	(231)
<b>Total Revenue</b>		<b>117,446</b>	<b>102,737</b>	<b>14,708</b>	<b>148,205</b>
<b>EXPENSES</b>					
Employee Benefit Expenses	6	18,812	19,315	503	30,672
Expenditure on Operating Activities	7	55,632	39,987	(15,645)	61,205
Depreciation and Amortisation	8	17,373	16,604	(768)	24,907
Financing Costs	9	2,792	2,839	47	4,482
<b>Total Expenses</b>		<b>94,608</b>	<b>78,745</b>	<b>(15,863)</b>	<b>121,266</b>
<b>Net Surplus/(Deficit) Before Taxation</b>		<b>22,838</b>	<b>23,992</b>	<b>(1,155)</b>	<b>26,939</b>
Subvention payment		0	0	0	600
<b>Net Surplus/(Deficit)</b>		<b>22,838</b>	<b>23,992</b>	<b>(1,155)</b>	<b>27,539</b>
Gains/(Losses) on Property Revaluation	10	(0)	0	0	62,321
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSES</b>		<b>22,838</b>	<b>23,992</b>	<b>(1,155)</b>	<b>89,860</b>
<b>CAPITAL EXPENDITURE</b>		<b>53,512</b>	<b>62,798</b>	<b>(9)</b>	<b>99,198</b>

## **Notes to the Statement of Comprehensive Revenue and Expense**

### **01 Grants and Subsidies – Operational**

Most of this revenue comes from roading subsidies through Waka Kotahi and the Provincial Growth Fund (PGF). This financial year we recover 67% of roading maintenance costs (excluding emergency works) from Waka Kotahi. Higher subsidies of 87% are received for high impact roading emergency works including the 2020 flood events. Reinstatement costs from Cyclone Gabrielle have a 100% FAR rate.

Tracking \$17.1m favourably over YTD budget due to roading subsidies (\$11.5m) mostly related to the June 21, March/April 2022 November 2022. Cyclone Hale and Gabrielle subsidies received to date are \$3.9m.

### **02 Grants, Donations, Subsidies and Contributions – Capital**

The capital grants expected to be received this year are from Waka Kotahi for roading renewals, PGF for the roading resilience programme and capital grant funding for projects such as Kiwa Pools, Waipaoa Stop bank and Waingake restoration, capital grants are \$2.4m lower than expected, due to timing of the capital works.

### **03 Other Non-Exchange Revenue (Includes penalties, infringement fees, court enforcement fees, and other fees)**

Revenue is lower than budget due mostly low lower revenue received from "rates penalties" on outstanding annual rates balances, where it has been removed and ceases to be applied. This penalty is referred to as P2 under section 58(1)b of the Local Government (Rating) Act 2002. (Reference **22-82** at Finance and Performance Committee 1 June 2022).

### **04 Other Revenue (Rent income, lease income, and all other fees and charges)**

Other revenue includes fees and charges such as dog registration fees, rents, parking fees and trade waste charges.

### **05 Other Gains/(losses)**

Other Gains/losses includes gains or losses includes recognition of gains or losses arising from disposal of assets and financial accounting recognitions (such as interest rate swaps). February YTD actuals relates to an accounting gain based on the movements in fair value of interest rate swaps. This gain may or may not eventuate when the swaps are finally realised in the future.

### **06 Employee Benefit Expenses**

Employee Benefit expenses Employee Benefit YTD expenses are under budget due to several vacancies.

### **07 Expenditure on Operating Activities**

Overall expenditure is over YTD annual plan by \$15.6m. This is mainly due to roading reinstatement emergency works \$18.5m, against the full year budget provision of \$2m. Included within the roading reinstatement costs, are costs for Cyclone Gabrielle and Hale which amounts to \$4.8m. The rest of roading emergency works relates to adverse weather events that occurred over 2020 to 2022.

Also, included in the YTD actuals is \$320k of unbudgeted costs relating to woody debris clean up; and some non-roading response costs for the 2023 Cyclones (\$923k). Most of the latter costs are around silt and rubbish removal.

**08 Depreciation and Amortisation**

The depreciation for the year is based on estimates, revised based on revaluations that occurred at 30 June 2022. Actual depreciation may move slightly after estimated growth movements have been factored for the 2022/23 financial year.

**09 Financing Costs**

Financing costs are on par with the YTD budget.

**10 Capital Expenditure**

Capital expenditure for February YTD is \$53.5m (85%) against YTD budget. More information regarding capital projects can be found under "Notes to Capital Expenditure" below.

It should be noted that the majority of YTD capital expenditure occurred prior to Cyclone Gabrielle. Major projects like the construction of Wastewater Treatment Plant and Kiwa Pools could continue but only up until the point where supplies were not impacted by the closed roading network.

**Statement of Financial Position  
For the Period Ended February 2023**

	Notes	YTD Actual \$000s	Full Year Budget \$000s
<b>CURRENT ASSETS</b>			
Cash & Bank	01	17,512	19,575
Non Exchange Trade and Other Receivables	02	8,831	8,806
Exchange Trade and Other Receivables	03	7,417	9,182
Inventories	04	120	38
Investments		691	0
Non Current Assets Held for Resale	05	80	80
<b>Total Current Assets</b>		<b>34,651</b>	<b>37,682</b>
<b>CURRENT LIABILITIES</b>			
Deposits Held	06	563	498
Trade and Other Payables	07	24,348	35,744
Employee Benefits and Suspense	08	2,477	2,754
Borrowings	09	12,000	7,100
Provisions for Other Liabilities	10	85	279
Derivative Financial Instruments	11	0	1,116
<b>Total Current Liabilities</b>		<b>39,473</b>	<b>47,491</b>
<b>Total Net Working Capital</b>		<b>(4,822)</b>	<b>(9,808)</b>
<b>NON CURRENT ASSETS</b>			
Trade and Other Receivables		1,161	0
Property Plant and Equipment	12	2,889,558	2,666,688
Intangible Assets	13	7,044	6,548
Biological Assets	14	1,136	2,741
Investments	15	35,012	33,893
<b>Total Non Current Assets</b>		<b>2,933,910</b>	<b>2,709,870</b>
<b>NON CURRENT LIABILITIES</b>			
Borrowings	09	113,634	135,399
Employee Benefit Liabilities	08	122	179
Provisions for Other Liabilities	16	2,152	2,571
Derivative Financial Instruments	11	0	1,618
Emission Trading Scheme Liabilities	17	2,570	1,950
<b>Total Non Current Liabilities</b>		<b>118,478</b>	<b>141,717</b>
<b>Total Net Funds Employed</b>		<b>2,810,610</b>	<b>2,558,345</b>
<b>EQUITY</b>			
Accumulated Surplus		553,526	575,479
Special Funds	18	49,129	32,477
Revaluation Reserves	19	2,207,955	1,950,389
<b>Total Equity</b>		<b>2,810,610</b>	<b>2,558,345</b>

**Notes to the Statement of Financial Position**

**01 Cash at Bank**

Westpac current account balance and overnight ANZ money market.

**02 Non-Exchange Trade and Other Receivables**

Includes rates receivable and other current receivables such as Waka Kotahi receivables.

- 03 Exchange Trade and Other Receivables**  
Includes sundry debtors, prepayments, and GST where receivable.
- 04 Inventories**  
Includes product and or stock on hand.
- 05 Non-Current Assets Held for Resale**  
Includes any identifiable assets that have been held for disposals. Decisions relating to disposals must be approved by Council.
- 06 Deposits Held**  
Includes footpath deposits, bond deposits and theatre ticket sale deposits.
- 07 Trade and Other Payables**  
Includes accounts payable, sundry creditors, audit fee accruals, GST where payable and other IRD payables, Waerenga o Kuri Liability.
- 08 Employee Benefits Liabilities and Suspense**  
Includes holiday pay and other current and non-current employee benefit liabilities.
- 09 Borrowings**  
Includes long term and short-term borrowings from LGFA and Money market loan obtained from other banks.
- 10 Provisions for Other Liabilities - Current**  
Includes provision for various legal matters and other liabilities.
- 11 Derivatives Financial Instruments**  
Interest rate swaps.
- 12 Property Plant and Equipment**  
Council's fixed assets.
- 13 Intangible Assets**  
Includes computer software.
- 14 Biological Assets**  
Includes the value of livestock and forestry.
- 15 Investments – Non-Current**  
Includes investments in GHIL and CCTO.
- 16 Provisions for Other Liabilities – Non-Current**  
Includes non-current provisions such as Paokahu landfill and Waiapu landfill aftercare provisions.
- 17 Emissions Trading Scheme**  
Provision for Emission Trading Scheme Liability.
- 18 Special Funds**  
Includes various reserves such as depreciation reserve.
- 19 Revaluation Reserves**  
Gain on asset revaluation.

Gisborne District Council  
Statement of Capital Expenditure for the period ended Feb 2023

Activity	Notes	Feb-23 Actuals YTD \$000s	Feb-23 Budget YTD \$000s	% Spent	
				YTD Actuals of YTD Budget %	2022 / 2023 Full Year Budget \$000s
<b>Including Major Projects</b>					
<b>Community Lifelines</b>		<b>34,648</b>	<b>41,833</b>	<b>83%</b>	<b>65,677</b>
Roading	1	10,623	13,221	80%	27,873
Wastewater	2	16,355	19,571	84%	23,189
Stormwater	3	746	2,882	26%	4,190
Water Supply	4	3,462	2,583	134%	4,191
Solid Waste	5	74	510	14%	1,266
Land, Rivers, Coastal	6	3,389	3,065	111%	4,968
<b>Liveable Communities</b>	<b>7</b>	<b>16,253</b>	<b>17,474</b>	<b>93%</b>	<b>28,377</b>
Land Soil and Resources		1,188	1,174	101%	2,841
Theatres		19	23	81%	23
Conveniences		144	394	36%	776
Reserves		314	662	47%	2,515
Cemeteries		17	60	29%	90
Community Property		14,359	14,532	99%	19,838
Art & Public Places		85	454	19%	2,051
Pool Operations		1	7	10%	10
District Library Ops		127	167	76%	231
<b>Regional Leadership &amp; Support</b>	<b>8</b>	<b>2,592</b>	<b>3,373</b>	<b>77%</b>	<b>4,817</b>
Information Services		955	1,230	78%	1,925
Customer Services & Townships		294	510	58%	765
Civic		21	20	106%	30
Water and Coastal Resources		359	373	96%	651
Civil Defence		613	890	69%	890
Environmental Monitoring		99	113	87%	170
Facilities & Plant Management		243	238	102%	387
<b>Environmental Services &amp; Protection</b>	<b>9</b>	<b>-</b>	<b>30</b>	<b>0%</b>	<b>45</b>
Parking		-	30	0%	45
<b>Commercial Operations</b>	<b>10</b>	<b>18</b>	<b>87</b>	<b>21%</b>	<b>282</b>
Community Housing		18	87	21%	282
		<b>53,512</b>	<b>62,798</b>	<b>85%</b>	<b>99,198</b>

**Notes to the Statement of Capital Expenditure 28 February 2023****Roading**

The roading full year budget is \$27.9m. This is made up of renewals (\$16.3m), PGF (\$9.6m) and other projects (\$1.9m) that include walking and cycling and subsidised Township projects.

YTD actuals:

Total YTD costs are \$10.6m or 80% of the YTD budget. Included within these costs are:

Renewals are \$6.7m, or 70% against the YTD budget of \$9.7m. Included within the renewals budgets are resurfacing and pavement maintenance. The bulk of this renewal work was scheduled to occur in the second half of 2023/24. Work in these areas will continue but reprioritisation of sites will take place so resources can be diverted to assist the recovery effort post cyclones Hale and Gabrielle.

Provincial Growth Fund Projects will be deferred this financial year and budgets carried forward to next year.

**Wastewater**

This full year budget consists mainly of the Wastewater Treatment Plant (\$15.3m) and renewals (\$5.9m).

YTD actuals

Actuals YTD are \$16.4 against YTD budget \$19.6m (or 84%). This includes:

Renewals are \$902k, against YTD budget of \$5.3m. Included within the renewals budget is \$1m for Septage Solids removal. This project has yet to begin.

The majority of the capital works completed to date is the Wastewater Treatment Plant major project, where \$12.7m was spent or 83% of the full year budget. The project is on track to be completed at the end of the year.

**Stormwater**

Stormwater projects are mainly renewals and Drainwise Program of capital works.

YTD actuals

Capital Expenditure is \$746k made of renewals, rural township upgrades and the Drainwise project.

Rural township upgrades is \$262k or 73% of the YTD budget of \$335k.

Drainwise project is \$254k or 25% of the full year budget of \$1m. The Drainwise program has been delayed pending design and map work and signalling an underspend at year end.

Renewals are \$257k against the \$1.5m YTD budget. The renewal budgets are a provision to replace assets as and when they are needed to be replaced. Rural townships upgrades is 100% spent YTD.

**Water Supply**

Water Supply capital budget includes \$2.9m of renewals and \$1.1m for upgrade. The upgrade is for the commissioning of the UV water disinfection facility required to comply with new statutory water assurance rules at the Waingake water treatment plant.



YTD actuals

Total actual costs are \$3.5m against the YTD budget of \$2.6m. Water supply projects are up on the YTD budget due to 100% grant funded projects, the timing of when these projects were going to be completed came after the adoption of the Annual Plan 2022/23.

Water Supply renewals are 70% spent with \$1.4m spent against YTD budget of \$2.1m YTD budget.

Other projects include:

UV water disinfection spend is \$493k ahead of YTD budget \$430k. Two other projects which as noted above, have 100% grant funding; these are the Muriwai Pipeline (\$1.3m) and Ruatoria Bulks Supply projects \$123k.

The above costs do not include any reinstatement costs for Waingake main water supply trunk line.

**Solid Waste**

There are 6 projects in this budget, the largest is the relocation of the Tokomaru Bay transfer station with a budget of \$800k, which has been delayed due to the recent cyclones. This budget is expected to be carried over to 2023/24. The remaining 5 projects are provisions for renewal of capex, as and when they are needed. It includes provisions for transfer stations, litter bins, heritage landfill remediation and Paokahu closed landfill. Leachate pumps have been replaced at Paokahu and conversations with the Trust are ongoing around work to increase capacity and flows.

YTD actuals is \$74k against the YTD budget provision of \$510k.

**Land, Rivers and Coastal**

The main project in this budget includes \$4.5m for the Waipaoa River Flood Control Scheme as well as a renewals programme of \$578k.

YTD actuals

Total actuals are \$3.4m or 111% against the YTD budget of \$3.1m. These include:

Renewals are \$734k against the YTD budget of \$385k. Renewals are up on budget mainly due to the Mangahauini River Erosion Protection project, with actual spend being \$229k against the full year budget of \$52k. In September 2022, Council approved **(22-210)** \$630k for this project consisting of \$250k new funds and bringing forward 327k from year 4 of the LTP.

Waipaoa River Flood Control Scheme is \$2.9m and is on par where it was expected to be with the YTD budget.

**Liveable Communities**

The Kiwa Pools is the main project in this grouping with a full year budget of \$19.6m. Also included are major projects 1000-year Bridge - \$1.5m, and Waingake Restoration - \$2.8m.

Actuals YTD

Total costs spend is \$16.3m or 83% of the YTD budget of \$17.4m. This includes:

Land, Soil and Resources – is mostly the Waingake Transformation Project, and is \$1.1m, tracking on par with YTD budget.

Community Property – is mostly Kiwa Pools, with actual spend being \$13.2m against the YTD budget \$16.4. There were some delays in the first half of the year, mostly due to arrival of construction materials but is expected to be complete at year end.

### **Regional Leadership & Support Services**

Several activity budgets sit under this grouping. Information Services has a \$1.9m full year budget with the main projects being Digitisation of Records \$727k and Existing core hardware and software renewals \$692k. The \$890k Emergency Coordination Centre is also part of this budget.

#### Actuals YTD

Actual costs for this group are \$2.6m against the YTD budget of \$3.4m.

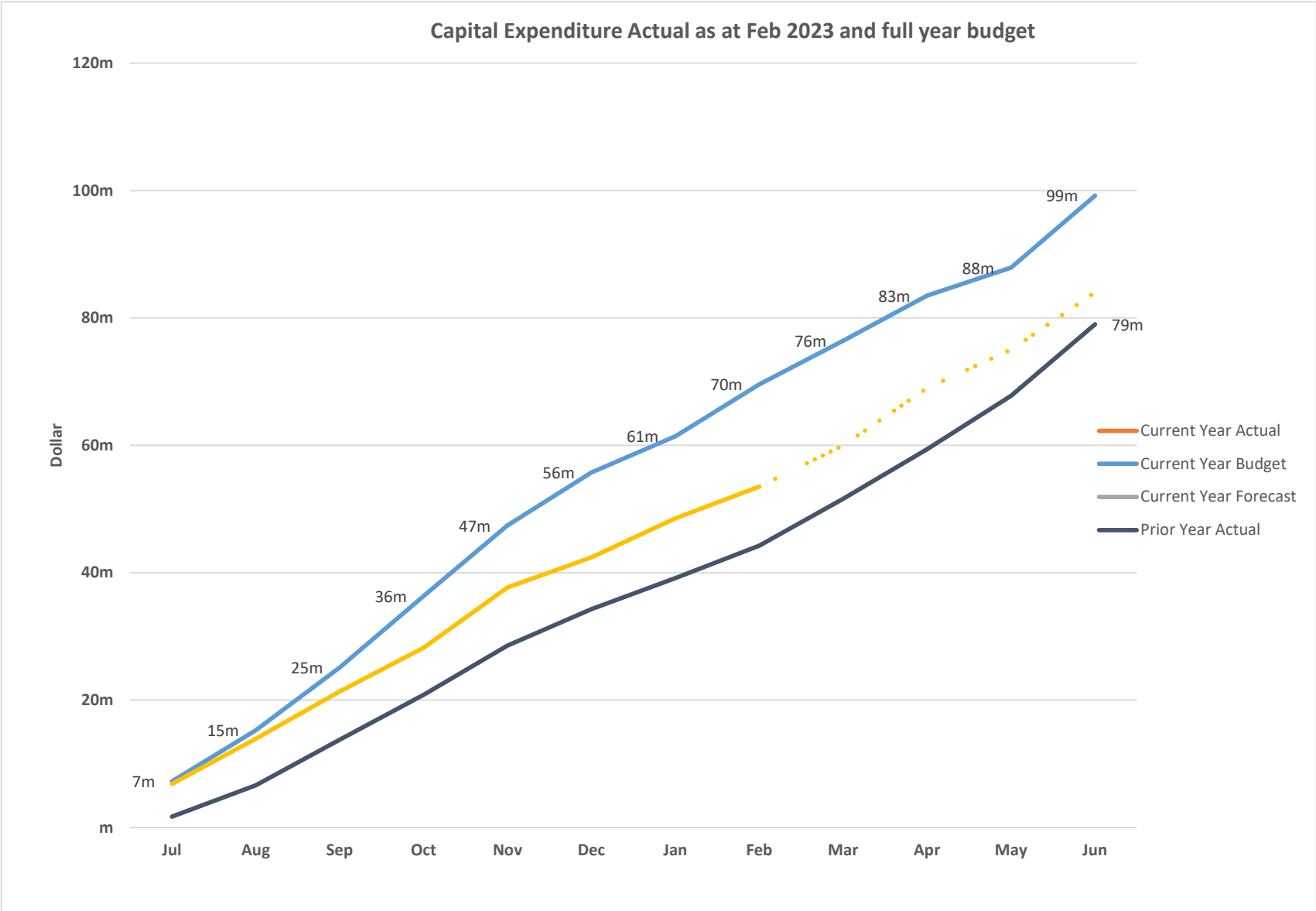
- IT renewals are \$360 against the YTD budget of \$983k.
- Digitisation of records is \$338k or 70% of the YTD budget \$484k.
- Facilities and Plant Management is our vehicle replacement budget is on par with the YTD budget.
- Civil Defence is made up of the new Emergency Co-Ordination Centre with YTD spend being \$613k, under the YTD budget of \$890k. Construction began in November, with scheduled completion by July 2023.
- Water and Coastal Resources projects are Groundwater modelling (\$148k) and Freshwater Improvement Fund (\$190k). Both are more than the full year budget of \$133k but are partially externally funded and fund most of the variance.

### **Environmental Services & Protection**

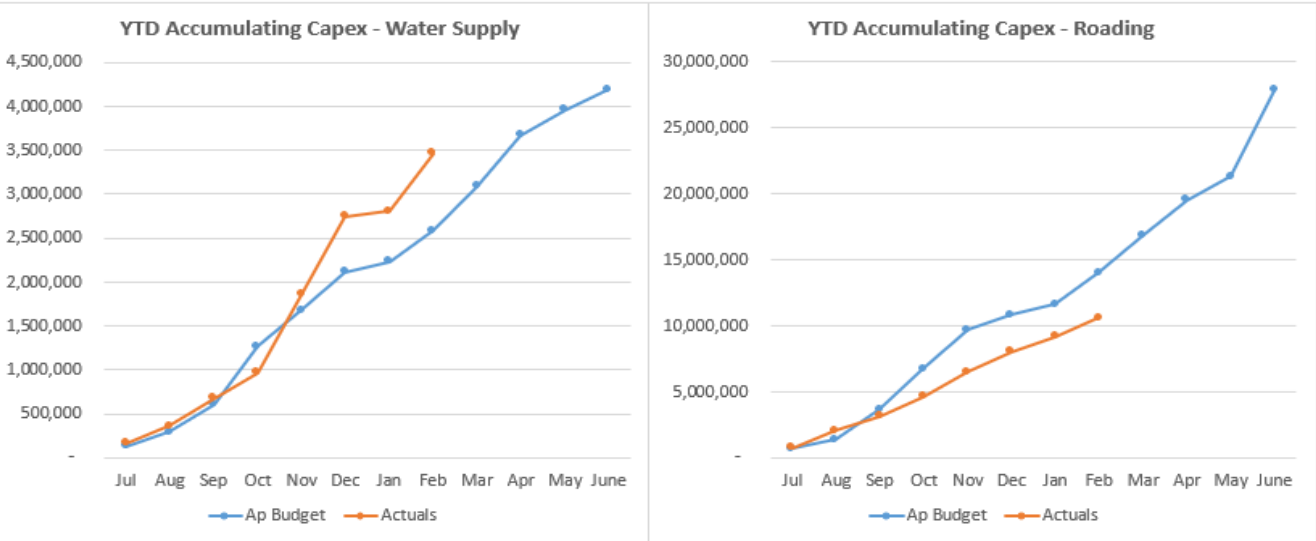
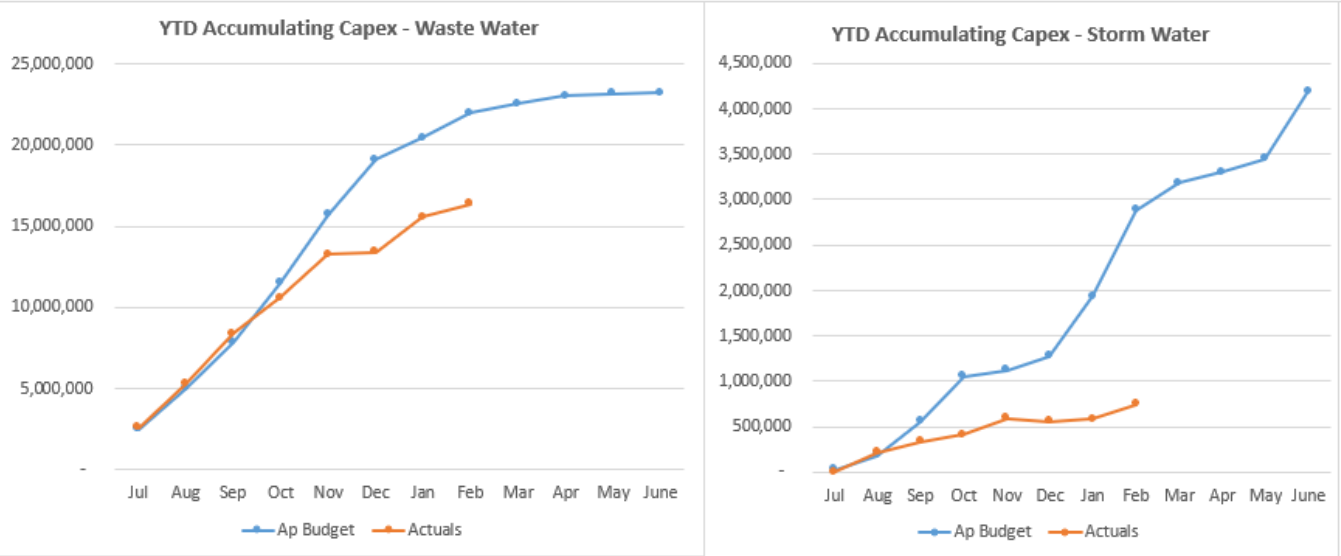
The full year budget in this activity is \$45k for Parking Meter Renewals. These funds will be utilised as needed to repair or replace existing meters.

### **Commercial Operations**

This budget is for Staff and Community Housing upgrades, where GHL manages and oversees this work. Total capital renewals are expected to be completed by the end of the financial year within the full year budget.



**YTD Accumulating CAPEX Charts for the period ended Feb 2023**



**Title:** 23-71 Rates and Sundry Invoice Debt Management to February 2023  
**Section:** Finance & Affordability  
**Prepared by:** Angelee Brown - Senior Revenue Officer  
**Meeting Date:** Wednesday 19 April 2023

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Legal: Yes

Financial: Yes

Significance: **Low**

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## Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for information

### PURPOSE - TE TAKE

The purpose of this report is to inform the Finance & Performance Committee on all outstanding debt and debt trends as of 28 February 2023.

### SUMMARY – HE WHAKARĀPOPOTOTANGA

This report covers:

- All Council debt apart from debt for parking fines and dog infringements.
- The outstanding debt and trends for sundry aged debt and unsettled rates. All amounts include GST.
- All debt figures quoted are overdue for payment. Current invoices not yet due for payment are excluded.

The main debt outstanding as of 28 February 2023 is rates debt and sundry debt:

- Rates debt for this period is \$9.1m compared to \$8.7m in the same period last year. The \$400k increase can be attributed to Cyclone Gabrielle which hit Tairāwhiti a week before the rates payment due date of 20 February 2023, cutting all network communications.
- Sundry debt for this period is \$597k, this is a \$281k increase when compared to the same period last year. \$129k has since been resolved and four large invoices are currently under review.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

### RECOMMENDATIONS - NGĀ TŪTOHUNGA

**That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:**

1. **Notes the contents of this report.**

*Authorised by:*

**Pauline Foreman - Chief Financial Officer**

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**Keywords:** Rates, sundry invoice debt, outstanding debt, unsettled rates

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## **BACKGROUND - HE WHAKAMĀRAMA**

1. Staff reviewed debt collection practices of councils from across the country and after considering our own values, community wellbeing and changing attitudes to revenue collection, our internal debt module criteria that determines the various collection methods, was updated. A new Revenue Collection Policy was introduced in April 2022.
2. These updated debt collection techniques, together with reviewing the work history of the accounts and developing a new Communication Plan, are at the heart of a campaign that was rolled out to the community on 1 April 2022. This change has a bigger one-on-one focus with our community. This honours our customer service promise to:
  - a. Respond quickly and keep you updated.
  - b. Keep it real and work with you.
  - c. Make dealing with us as easy as possible.
  - d. Be honest if we stuff up - we will make it right.
3. The campaign is also in line with Councils values of 'people being at the heart of everything we do' and 'working together to achieve better outcomes'.
4. The 'We're Here to Help' campaign focuses on our customer's needs. The Communications Plan is aimed at reducing barriers so that customers who are behind in their rates are willing to contact Council for assistance and together we can find a permanent solution that works for both parties. We engage more with our ratepayers, do more phone call follow ups and talk through solutions with them. We have a dedicated resource within our Revenue team (Revenue Client Relationship Officer) that focuses on building trust and better customer relationships.
5. We continue to see pressures that reflect the widespread and ongoing effects of COVID-19, with reduction in family income and increased cost of living, in addition to general inflated cost of living increases and extreme weather events affecting both ratepayer property and household income.
6. Due to the devastation caused by Cyclone Hale and Cyclone Gabrielle, debt collection practices have been put on hold with emphasis currently being put on promoting Council's Rate Remission Policies and the Mayoral Relief Fund.

## **DISCUSSION and OPTIONS - WHAKAWHITINGA KŌRERO me ngā KŌWHIRINGA**

### **Sundry Invoicing Debt as of 28 February 2023**

7. Sundry debt covers any overdue invoices (excluding rates, dog infringements and parking fines) that are owed to Council. Sundry debt can include for example, overdue invoices for building consents, resource consents, grants, monitoring services and other services provided by council.
8. Sundry debt stands at \$597k. \$129k has since been resolved and four large invoices are currently under review.

### **Rates Debt as of 28 February 2023**

9. On 28 February 2023, the total rates debt owed to Council was \$9.1m. This is a \$400k increase compared to the previous year and can be attributed to Cyclone Gabrielle which hit Tairāwhiti a week before the rates due date on 20 February 2023, cutting all network communications.
10. Currently there are 165 payment plans totalling \$544k.

### **Cyclone Gabrielle Rates Relief**

#### **Rates Rebates**

11. Council is actively encouraging ratepayers who meet the criteria to apply for a rates rebate. Ratepayers' that don't currently meet the income threshold but have been affected financially by the extreme weather events in the past 12 months, are encouraged to apply in the new rating year from July 2023.
12. Low-income ratepayers can receive a rate rebate of up to \$700 for this current financial year (1 July 2022 to 30 June 2023). The amount of the rebate depends on the rates payable, the applicant's income which includes their spouse/partner's income and the number of dependants living at home.
13. Low-income homeowners and most retirement village residents and occupiers of dwellings on Māori Freehold Land are eligible to apply for a rates rebate.

#### **Rates Remissions**

14. Due to Cyclone Gabrielle and the resulting network outage, Council approved penalty remission of all Instalment 3 payments not received by due date 20 February 2023. A total of \$123k in penalties was applied and automatically remitted on 24 February 2023 under Councils Rate Remission Policy for Financial Hardship and Exceptional Circumstances.
15. As the extent of the damage caused by cyclone Gabrielle became evident, Council approved remission of Instalments 3 and 4 in the current rating year 2022/23 for homes or businesses that have been red or yellow stickered under the authority of S133BT of the Building Act 2004.
16. In total, there are 221 homes or businesses stickered, 21 red and 200 yellow stickered.
17. After 2022/23 rates Instalment 4 has been run in April 2023, a total rate remission of \$402k will be applied to the affected properties rates accounts under Rate Remission Policy for Financial Hardship and Exceptional Circumstances.
18. The Revenue team are also identifying and assisting ratepayers with applications under Rate Remission Policy for Financial Hardship and Exceptional Circumstances, where properties aren't stickered but have suffered substantial damage from the extreme weather events.

19. You can find the Rate Remission and Postponement Policy here:  
[Long-Term-Plan-Volume-2.pdf \(gdc.govt.nz\)](#)

### **ASSESSMENT of SIGNIFICANCE - AROTAKENGA o NGĀ HIRANGA**

Consideration of consistency with and impact on the Regional Land Transport Plan and its implementation

**Overall Process:** **Low** Significance

**This Report:** **Low** Significance

Impacts on Council's delivery of its Financial Strategy and Long Term Plan

**Overall Process:** **Low** Significance

**This Report:** **Low** Significance

Inconsistency with Council's current strategy and policy

**Overall Process:** **Low** Significance

**This Report:** **Low** Significance

The effects on all or a large part of the Gisborne district

**Overall Process:** **Low** Significance

**This Report:** **Low** Significance

The effects on individuals or specific communities

**Overall Process:** **Medium** Significance

**This Report:** **Low** Significance

The level or history of public interest in the matter or issue

**Overall Process:** **Medium** Significance

**This Report:** **Medium** Significance

20. The decisions or matters in this report are considered to be of **Low** significance in accordance with Council's Significance and Engagement Policy.

### **CONSIDERATIONS - HEI WHAKAARO**

#### **Legal**

21. The Local Government Act 2002 and the Local Government (Rating) Act 2002 are the overarching legislation for Council's Rate Remission Policies, collection of rates and rate arrears.

### **RISKS - NGĀ TŪRARU**

22. There are no major risks associated with the information provided in this report.



## NEXT STEPS - NGĀ MAHI E WHAI AKE

Date	Action/Milestone	Comments
April 2023	Bulk remission of instalment 3 & 4.	Cyclone Gabrielle Rate Remission of instalment 3 & 4 on yellow and red stickered properties.
22 May 2023	Instalment 4 due for payment.	Remaining Instalment due dates for current 2022/23 financial year.
26 May 2023	Instalment 4 date penalty added to unpaid rates.	Remaining penalty dates for 2022/23 financial year. 10% penalty added to unpaid rates from this instalment
Ongoing	Receiving rate remission applications for Cyclone Gabrielle damage.	Reveiw and approve rate remissions tha meet remission policy.

## ATTACHMENTS - NGĀ TĀPIRITANGA

1. Attachment 1 - Sundry Aged Debt Report - 28 February 2023 - Council [**23-71.1** - 1 page]
2. Attachment 2 - Revenue Key Indicators - 28 February 2023 - Council [**23-71.2** - 1 page]

## SUNDRY DEBTOR AGED DEBT February 2023 vs February 2022

Activity	Overdue 30 Days	Overdue 60 Days	Overdue 90 Days	Feb 2023 Total Debt	Variance	
<b>Commercial Operations</b>				<b>7,079</b>		
Commercial Operations	399	450	6,230	7,079	1,060	▲
<b>Community Lifelines</b>				<b>105,307</b>		
Land, Rivers & Coastal	0	0	18,013	18,013	5,820	▲
Roads & Footpaths	4,499	2,171	2,173	8,844	-16,348	▼
Solid Waste	730	0	1,475	2,205	1,593	▲
Wastewater	1,809	280	7,921	10,010	3,716	▲
Water Supply	14,166	1,556	50,514	66,236	62,771	▲
<b>Environmental Services &amp; Protection</b>				<b>277,198</b>		
Environmental Services & Protection	103,836	26,312	147,050	277,198	140,485	▲
<b>Liveable Communities</b>				<b>19,687</b>		
Liveable Communities	2,856	1,986	14,845	19,687	-17,112	▼
<b>Regional Leadership &amp; Support Services</b>				<b>187,280</b>		
Regional Leadership & Support Services	62,692	62,357	62,231	187,280	98,778	▲
<b>Sundry Debt Total</b>	<b>190,987</b>	<b>95,111</b>	<b>310,452</b>	<b>596,550</b>	<b>280,764</b>	▲

**REVENUE PERFORMANCE RESULTS**

**GENERAL LAND**

General land is land, other than Maori Freehold land, that has been alienated from the Crown and is registered under the land transfer Act 1952 and the land titles are administered by LINZ

**\$3.9m**

Consists of \$3.6m rates and \$0.3m penalties

**MAORI FREEHOLD LAND**

Maori Freehold land (mostly in multiple ownership) is land whose beneficial ownership is determined by the Maori Land Court

**\$5.2m**

Consists of \$3.9m rates and \$1.4m penalties

**TOTAL RATES DEBT**

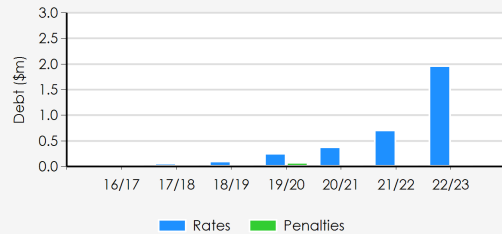
Total district wide rating debt as at March 2023

**\$9.1m**

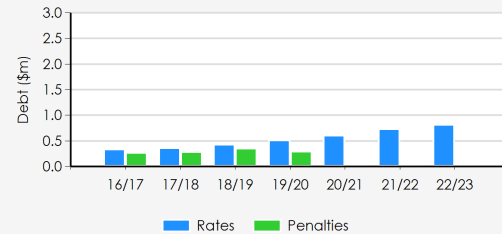
Consists of \$7.4m rates and \$1.7m penalties

Debt position as at March 2023.  
Values include GST where applicable.  
(Penalties are GST exempt).  
All values are subject to rounding.

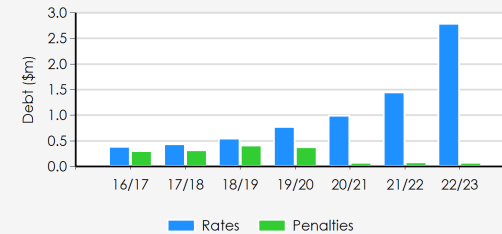
**General land aged rates debt as at March 2023**



**Maori freehold land aged rates debt as at March 2023**

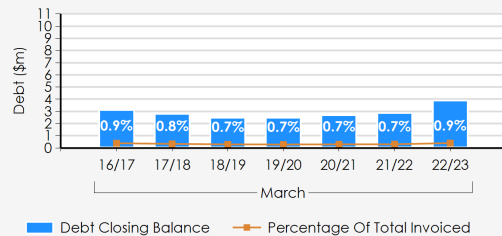


**Total aged rates debt as at March 2023**

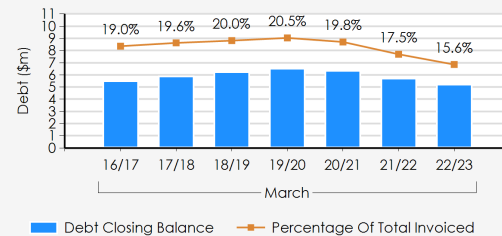


Shows the rates debt as at March 2023, broken down (aged) into respective financial years. The debt is also shown as whether it is rates or penalties. Rates debt includes GST. Penalty debt is GST exempt.

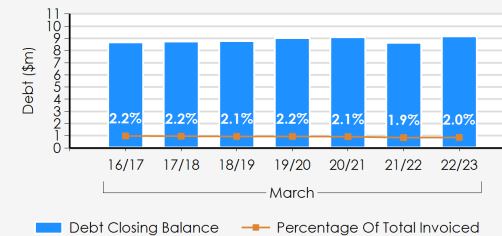
**General land rates debt as at March each year**



**Maori freehold land rates debt as at March each year**



**Total rates debt as at March each year**



Each bar shows the rates debt outstanding as at March of that financial year. It includes amounts outstanding from July to March of that financial year plus the amounts outstanding from the six full financial years before that.

The trend line shows the rates debt outstanding as a percentage of the total rates invoiced for the same period.

**Title:** 23-5 Quarterly Activity Report – Quarter Two Financial Year 2022/23  
**Section:** Finance & Affordability - Performance  
**Prepared by:** Kim Gilman - Team Leader Performance  
**Meeting Date:** Wednesday 19 April 2023

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Legal: No

Financial: Yes

Significance: **Low**

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## Report to FINANCE & PERFORMANCE/WHAKAHAERE PŪTEA ME ŌNA HUA Committee for information

### PURPOSE - TE TAKE

The purpose of this report is to provide Council with a high-level progress update on Council activities.

### SUMMARY - HE WHAKARĀPOPOTOTANGA

These reports contain progress updates from October 2022 to February 2023 and Quarter Two performance measures from October to December 2022 against the 2021–2031 Long Term Plan.

### Structure of Report

Reporting of activities for the 2021–2031 Long Term Plan (LTP) are at group level. This provides alignment with the groupings of activities as published in the LTP as well as the financial structure of the organisation.

In accordance with the Local Government Act (LGA), an LTP must report on mandatory activities. These have been included in our LTP and reporting, however we have simplified the legislative names for improved understanding and readability.

Council has also identified five additional groups of activities for inclusion in this LTP:

- Solid Waste
- Environmental Services and Protection
- Liveable Communities
- Regional Leadership and Support Services
- Commercial Operations.

Within each group of activities there may be a number of smaller activities – for example within the group activity Environmental Services & Protection we have Resource Consents, Enforcement & Compliance, and Building Consents.

The activities (by group) reported on in this report are:

#### **Environmental Services and Protection**

- Building Consents
- Resource Consents
- Enforcement & Compliance

#### **Land, Rivers and Coastal**

#### **Roads and Footpaths**

#### **Solid Waste**

#### **Wastewater**

#### **Urban Stormwater**

#### **Water Supply**

#### **Liveable Communities**

- Catchments and Biodiversity
- Cultural Activities
- Recreation and Amenity

#### **Regional Leadership & Support Services**

- Emergency Management
- Engagement & Māori Responsiveness
- Governance and Democracy
- Science
- Strategic Policy and Planning
- Support Services

#### **Commercial Operations**

#### **Resident Satisfaction Surveys**

The 2021–2031 Long Term Plan contains 22 performance measures that rely on results provided by the Resident Satisfaction Survey. Previously these measures were included in quarterly reports.

Given the small sample size (100 residents surveyed quarterly), to ensure statistically robust and relevant data, these measures will now be reported annually. This will ensure a smaller margin of error and greater confidence in results.

#### **Projects impacted by weather events**

To capture the effects of Cyclone Gabrielle and recent severe weather events on Council projects, a new section has been included in this report, which highlights the impact and steps required to continue delivering our project commitments.

The decisions or matters in this report are considered to be of **Low** significance in accordance with the Council's Significance and Engagement Policy.

## RECOMMENDATIONS - NGĀ TŪTOHUNGA

That the Finance & Performance/Whakahaere Pūtea me Ōna Hua Committee:

### 1. Notes the contents of this report.

*Authorised by:*

**Pauline Foreman - Chief Financial Officer**

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**Keywords:** Councils activities, commercial operations, regional leadership & support services, liveable communities, Land, Rivers and Coastal, Roads and Footpaths, Solid Waste, Wastewater, Urban Stormwater, Water Supply, environmental services & protection,

## ATTACHMENTS - NGĀ TĀPIRITANGA

1. Attachment 01 - Environmental Services and Protection [**23-5.1** - 8 pages]
2. Attachment 02 - Roads and Footpaths [**23-5.2** - 10 pages]
3. Attachment 03 - Land Rivers and Coastal [**23-5.3** - 9 pages]
4. Attachment 04 - Solid Waste [**23-5.4** - 6 pages]
5. Attachment 05 - Wastewater [**23-5.5** - 11 pages]
6. Attachment 06 - Water Supply [**23-5.6** - 8 pages]
7. Attachment 07 - Urban Stormwater [**23-5.7** - 8 pages]
8. Attachment 08 - Liveable Communities [**23-5.8** - 10 pages]
9. Attachment 09 - Regional Leadership and Support Services [**23-5.9** - 15 pages]
10. Attachment 10 - Commercial Operations [**23-5.10** - 4 pages]

# **Te Rōpū Ratonga Taiao me te Haumarū**

*Environmental Services and Protection*

## **Quarterly Report - Quarter two financial year 2022/23**

### **What we do**

The purpose of this activity group is to promote the sustainable management of the physical and natural resources of the district as well as contribute to the wellbeing of its people and the built environment. The activities in this group include:

- Building Consents
- Resource Consents
- Enforcement and Compliance
- Harbour Master

### **About this report**

This report summarises key performance outcomes of the Environmental Services and Protection Group for quarter two financial year 2022/23 against the 2021-2031 Long Term Plan (LTP). The report contains the following sections:

1. Activity assessments
2. Group finances
3. Progress on plan (LTP years 1 to 3)
4. Levels of service and performance measures
5. Project impacts from weather events

#### **Notes:**




##### Reporting period



- a. Reporting timeframes for Q2 have been extended. Reporting on activity assessments, plan progress, and group finances, will capture activity between 1 October 2022 – 28 February 2023.
- b. Reporting on levels of service and performance measures remains as Q2 (1 October 2022 – 31 December 2022).



##### Additional information



- c. Projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23.
- d. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023.

## 1. Activity Assessments - 1 October 2022 to 28 February 2023

Key		
		
On track	Monitoring	Off track

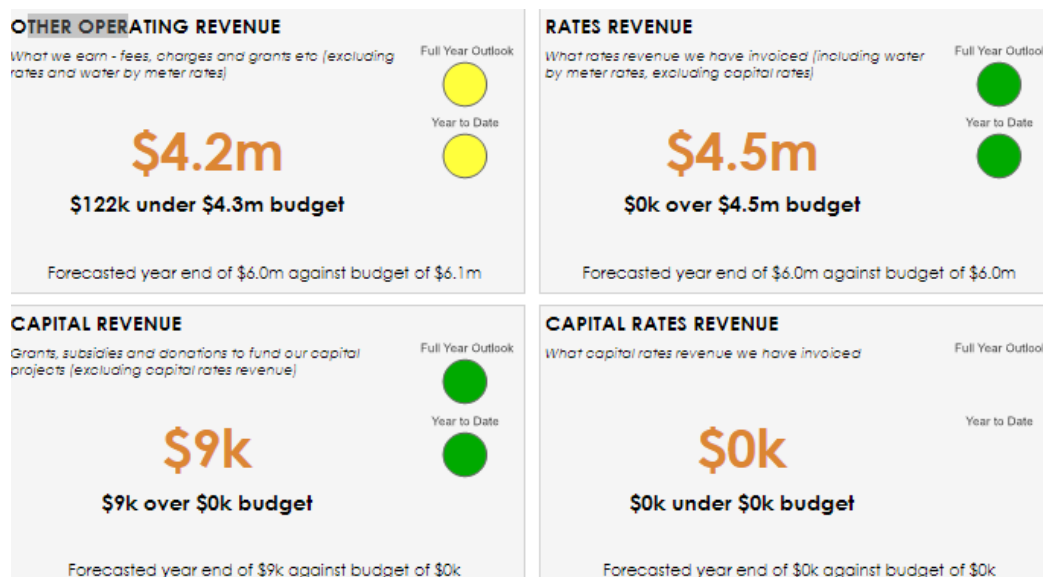
Building Consents			
	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
<b>On track</b> <i>We are progressing as planned.</i>	<b>track</b>	<i>There have been minor acceptable deviations from plan.</i>	

Resource Consents			
	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
<b>On track</b>		<b>On track</b>	

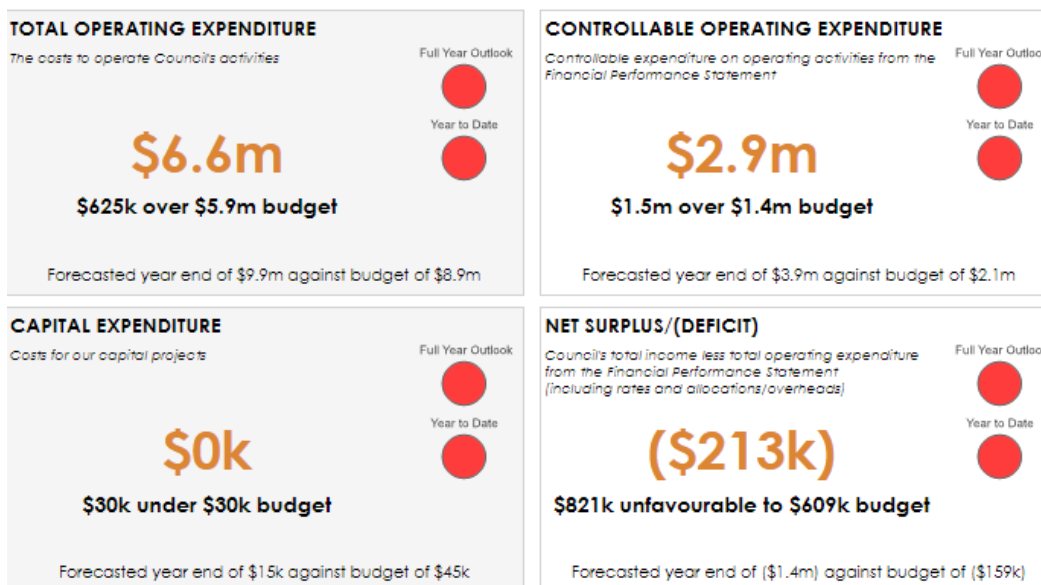
Harbour Master			
	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
<b>On track</b> <i>We are progressing as planned.</i>		<b>Monitoring</b> <i>We are progressing as planned.</i>	

## 2. Group Finances

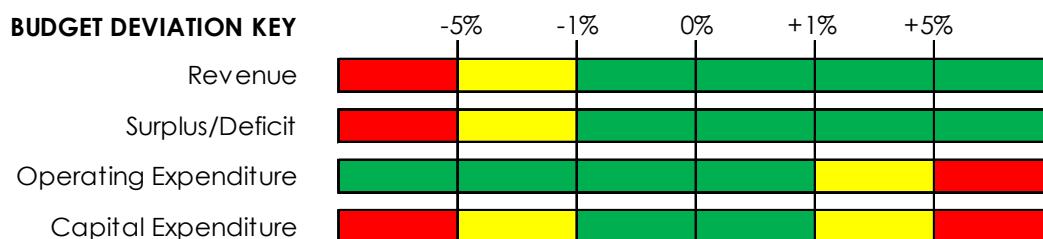
### Year to date results as at 28 February 2023







Traffic light colour illustrates the % deviation from budget.  
 ("0%" is "no deviation from planned budget")



**Total Operating Income:** YTD income is \$122k under budget. Although we had an increase in recoverable costs in resource consents with 267 consents processed in Q2, and income from a forestry prosecution, we had significantly reduced meter income, court enforced fees and infringements in the parking space.

**Total Operating Expenses:** YTD expenditure is \$625k over budget. This is due to a timing difference between costs associated with building consents of which 217 were issued for the Q2 period and recoverable fees, and the costs associated with the repairs of vandalised parking meters and meter support costs.





**Total Capital Expenditure:** YTD there has been no capital spends. This will continue to the end of this financial year as the significant renewals of the parking meter budget was completed in the 2022 financial year.

### 3. Progress on plan (LTP years 1 to 3)

Building Consents	
What we said we would do	How we are going
Review the Request for Service (RfS) system for stormwater on private properties and link this review into the DrainWise process.	Ongoing dialogue on how we can fine tune this process.
Obtain a drone to remove the risk of at height building inspections.	Completed.
Review the internal process for LIMs to improve efficiency.	Completed – most tasks now performed by the LIM Officer freeing up more technical staff.


Resource Consents	
What we said we would do	How we are going
Continue to process resource consents and to meet and deliver statutory requirements for Council.	We are currently on track despite increased service demand. We are using statutory measures to extend timeframes in response to the impact of the recent extreme weather events and COVID-19.
Put in place simple and easy-to-use tools and processes to ensure a collaborative approach with our community can be supported.	Several initiatives are underway, including short YouTube videos and new subdivision content on the Council website. The first draft of the Papakāinga toolkit is now in for internal review. The introduction of two new roles - Resource Management Systems Advisor and Māori Engagement Advisor will allow more focus and dedication to the implementation of processes that provide for a more collaborative community approach.
Deliver Council's legislative requirements consistently and to a high standard, both in terms of the quality of processing applications received, as well as decisions released under the statutory and regulatory framework.	An action plan is in place to ensure we continue to deliver Council's legislative requirements consistently and to a high standard.
Implement real-time charging in order to recoup our operational costs to ensure alignment of outputs (time) and inputs (income).	Real-time charging has been implemented.
Document and promote the pre-lodgement process to ensure the best understanding of the proposal prior to its submission – a no-surprises approach.	We actively promote our pre-lodgement process to our frequent customers. The Duty Planners are actively promoting the service in their day-to-day dealings with the public.
Implement a process for the management of water take renewals for the years when these numbers are particularly high.	The water renewal reminder process was initiated 12 months in advance of the 2023 expiry date. 89% of renewal applications have been received to date.
Develop and disseminate communication and information material around resource consent requirements.	Improvements to communication and information material are planned. These include significant updates to our website and website material, pop-up sessions for the public to meet with Planners and other tech input, and a central resource hub.
Provide input into the review of the TRMP process.	This is undertaken on an as-needed and ongoing basis in collaboration with the Strategic Planning Team.

#### 4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<b>Note to Activity Managers:</b> Ensure <b>full rationale</b> is given as to how you arrived at your result assessment.	
Fully achieved	Slightly under target ( $\leq 5\%$ )	Not achieved	Not measured Must include appropriate commentary.		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
July – Sep	Oct – Dec	Jan – March	April – June	End of year	
Type Key					
A	1/2	Q	M		
Annual	Half yearly	Quarterly	Monthly		
<b>Notes:</b>					
a. For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank.					
b. For monthly measures, results will be averaged for the three months in the relevant quarter.					
c. Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result.					
d. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 <sup>st</sup> July 2023.					




#### Building Consents

**Level of Service:** We will deliver a customer-focused building consents and compliance monitoring service that meets statutory requirements.

Measure	Type	Target	Results		Commentary
Percentage of building consents processed within 20 working days.	Q	95%	Q2	 88.2%	Slightly under target, mostly due to one month being under target In all other months target was met or exceed

## Resource Consents



**Level of Service:** We meet regulatory timeframes and apply best practice when processing applications.

Measure	Type	Target	Results			Commentary
The percentage of resources consents processed within 20 business days.						
<b>Territorial Consents</b>	Q	70%	<b>Q2</b>		88%	Result is within target.
<b>Regional Consents</b>	Q	70%	<b>Q2</b>		79%	Result is within target.
<b>Overall Consents</b>	Q	70%	<b>Q2</b>		83%	Result is within target.

## Enforcement & Compliance

### Animal Control





**Level of Service:** We provide animal control services that protect our community from threats to their safety by monitoring and enforcing compliance with legislation and through dog registration.

Measure	Type	Target	Results			Commentary
The percentage of routine requests for dog or stock control issues responded to within two days.	Q	85%	<b>Q2</b>		90%	Result on target.
The percentage of urgent requests for dog or stock control responded to within 30 minutes.	Q	92%	<b>Q2</b>		91%	Slightly under target. Q1 was on target – will continue to monitor for trends.

## Environmental Health



### Food & Liquor

**Level of Service:** We regulate commercial operations and respond to environmental health issues in the interest of protecting public and environmental health.

Measure	Type	Target	Results		Commentary
The percentage of applications for liquor licences processed within target time frames	Q2	65%	Q2	 76%	Target met and exceeded (+11%)
The percentage of registered and licensed premises that undergo an environmental health compliance inspection annually	Q2	25%	Q2	 Food: 22%	Under target, due to weather events. Will be monitoring
				 Liquor: 23%	Under target. As above.
				 Health: 13%	Seasonal licensing and monitoring activities over the summer period required prioritisation. This measure will continue to be monitored for trending.

### Pollution Response

**Level of Service:** We monitor, respond, and enforce reports of non-compliance with respect to legislation intended to protect the environment.

Measure	Type	Target	Result		Commentary
Respond to Request for Services excluding noise within 30 minutes	Q	85%	Q2	 N/A	The reporting for capturing response times for this new measure is in development.
Noise control response within one hour.	Q	70%	Q2	 79%	Result is on target

## Port and Harbour Safety

**Level of Service:** We maintain the Port and Harbour Safety, Code Safety, Management System (SMS) and respond to maritime emergencies.

Measure	Type	Target	Results			Commentary
Our Port and Harbour Safety Code (SMS) has been self-assessed with the port within the last 12 months.	Q	Compliant	Q2		Compliant	Result is on target.
We initiated our response to all maritime emergencies within 30 minutes of notification.	Q	≥30 mins	Q2		Compliant	Result is on target.

## 5. Project impacts from weather events

The following table highlights projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23.

### Building contents

Activity	Project	Direct impact from weather events on the project	Action to maintain project delivery
Assessing flood damaged buildings and those impacted by land movements or stream or riverbank scour.	Maintaining a high building consent timeframe percentage in preparation for the IANZ audit in November.	All the team was heavily involved in the response and consequently BAU suffered.	We will get back on track, but this will be dependent on recovery workloads.

# Ngā Rori me ngā Ara Hīkoi

## Roads and Footpaths

### Quarterly Report - Quarter two financial year 2022/23

#### What we do

This activity is responsible for the extensive land transport network in our region, all operational elements of road maintenance and renewals, capital projects, walkways, and cycleways. Council also manages the two public bus services, nine school bus services, and road safety education initiatives, including campaigns for wearing seat belts, and against drink-driving and speeding.

The local road network forms 85% (1899km) of Te Tairāwhiti roads and equals the same distance as driving from Kaitaia to Invercargill; 87% of the roads are rural and 54% are unsealed. Other assets include 413 bridges, culverts and drains; 263km of footpaths and footbridges; 3703 streetlights; 20 roundabouts; 10.9km of shared paths; street signs; railings; retaining walls; one set of traffic lights and bus shelters. Waka Kotahi provides two-thirds funding for these assets from the National Land Transport Plan (NLTP) with the exception of some non-assisted assets such as carparks and wharves.

The Land Transport Management Act 2003 requires Council as a regional authority to have a Regional Land Transport Plan and a Regional Public Transport Plan. These plans are reviewed every three years, at the same time as the Long Term Plan, and is our bid to the NLTP funding.

#### About this report

This report summarises key roading and footpath performance outcomes for Q2 financial year 2022/23 against the 2021-2031 Long Term Plan (LTP). The report contains the following sections:

1. Activity assessment
2. Finances
3. Progress on plan (LTP years 1 to 3)
4. Levels of service and performance measures
5. Project impacts from weather events

#### Notes:




##### Reporting period



- a. Reporting timeframes for Q2 have been extended. Reporting on activity assessments, plan progress, and group finances, will capture activity between 1 October 2022 – 28 February 2023.
- b. Reporting on levels of service and performance measures remains as Q2 (1 October 2022 – 31 December 2022).

##### Additional information

- c. Projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23.
- d. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023.

### 1. Activity assessment - 1 October 2022 to 28 February 2023

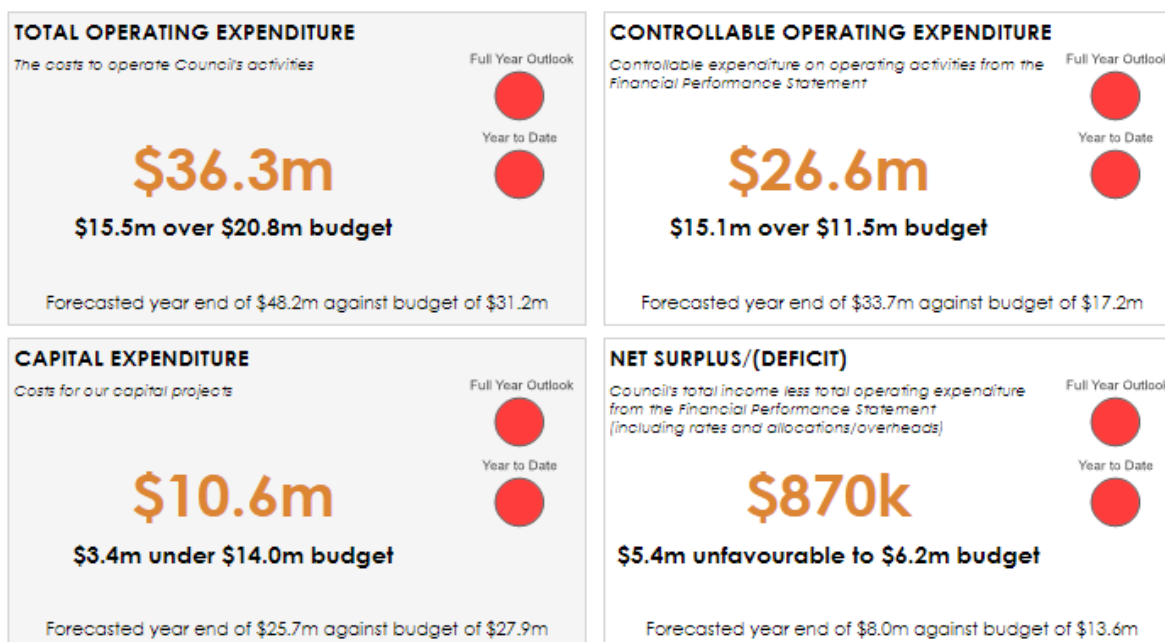
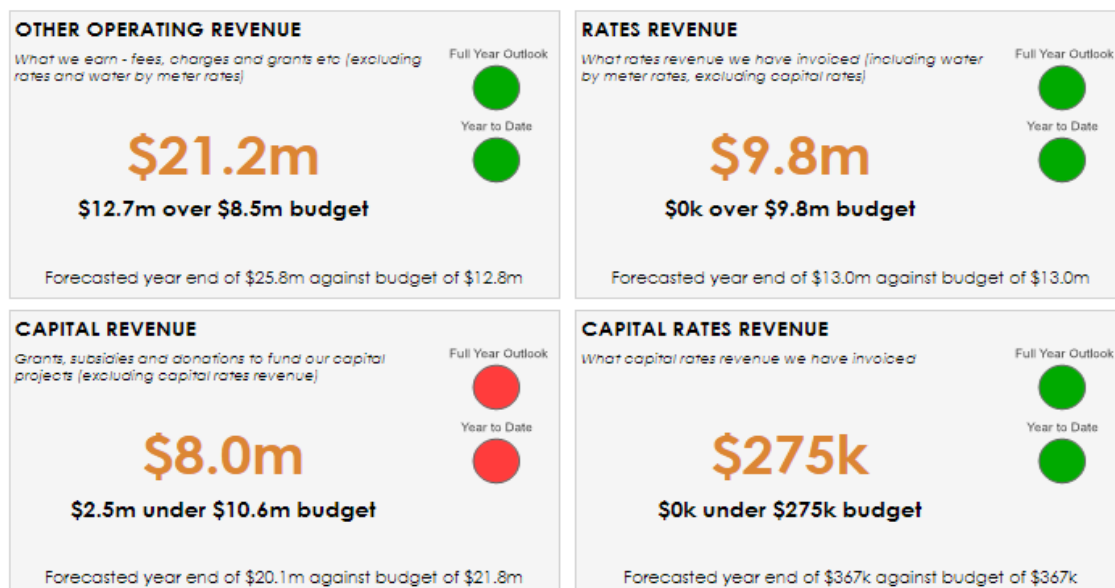
Key		
		
On track	Monitoring	Off track

	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
<p>Unplanned events like Cyclone Hale and Gabrielle have either stopped or deferred delivery of planned capital projects.</p> <p>Inflation stresses continue and are causing reductions in scope for projects and renewal activities.</p>		<p>There are still 50 roads closed as part of Cyclone Gabrielle, communities severely impacted by local road closures include Hangaroa and Matakaoa.</p>	

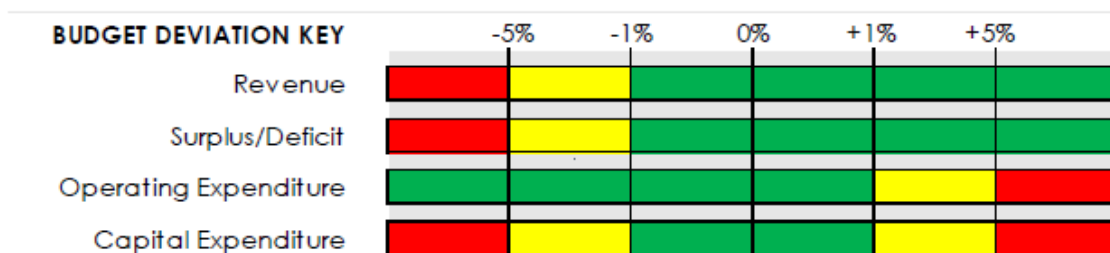


## 2. Finances

Year to date results as at 28 February 2023



Traffic light colour illustrates the % deviation from budget.  
 ("0%" is "no deviation from planned budget")






**Operational Income** – YTD income is \$21.2m, \$12.7m over budget. This is largely due to the emergency reinstatement works. Additional emergency works funding was approved after the adoption of the 2022-2023 Annual Plan and have 67% or 87% external funding depending on the weather event.


**Operational Expenditure** – YTD expenditure is \$36.3m, \$15.5m over budget. This higher expenditure is mainly due to emergency reinstatement works, some of which is offset by the additional funding as noted under operational income.


**Capital Revenue** – YTD income is \$8m, \$2.5m under budget, and is consistent with the underspend in capital expenditure as noted below.


**Capital Expenditure** – YTD expenditure is \$10.6m, \$3.4m under budget. Wet weather has delayed the reseal and rehab programme. Work in these areas will continue but reprioritisation of sites will take place so resources can be diverted to assist the recovery effort post cyclones Hale and Gabrielle. Provincial Growth Fund work in East Cape is to be deferred this financial year and a new timeframe for work completion is being discussed with the Provincial Growth Fund provider.


### 3. Progress on plan (LTP years 1 to 3)


Projects Key		
		
On track	Monitoring	Off track

East Cape Road – Provincial Growth Fund - \$8.2m	
Status	
Project start date	1 July 2021
Project completion date	30 June 2024
Revised completion date	N/A
Current progress	10%
Current project phase	Physical works contract now placed on hold due to Cyclone Gabrielle, PGF funding period to be extended, verbal agreement with MBIE.

Minor improvements (Low cost/low risk)	
Status	
Project start date	1 July 2022
Project completion date	30 June 2023
Current progress	35%
Current project phase	<p><b>Intersection Safety Improvements:</b></p> <ul style="list-style-type: none"> <li>Gladstone/Stanley with 3 raised safety platforms</li> <li>Palmerston/Derby with 4 raised safety platforms</li> </ul> <p>Procured with a plan to start this work over summer break 2022/23. Due to cyclones this work has been deferred to 2023/24.</p> <p><b>School Safety Improvements:</b></p> <ul style="list-style-type: none"> <li>Te Kura Kaupapa Māori O Nga Uri A Maui, this will involve the construction of a raised table crossing to help slow traffic past the school. Project procured but due to inflationary costs this project has been deferred to next financial year as intersection improvements have a higher priority.</li> <li>St Marys - in the planning stages for 2023/24 school safety with St Mary's and the neighbouring new childcare centre.</li> </ul> <p><b>School Variable Speed Limits:</b> Awaiting Waka Kotahi certification of interim speed management plan (1 month) and minor supporting signage to be installed to enable enforcement.</p> <p><b>Tiirangi one-way system stage 2 descent</b> — complete</p> <p><b>Grey Street Raised Crossing</b> at skate park — complete.</p> <p><b>Stout Street traffic calming:</b> Raised platforms at Hall and Stafford streets adjacent footbridges — complete.</p>

Rehabilitation and Reseals – \$7.2m	
Status	
Project start date	1 July 2022
Project completion date	30 June 2023
Revised completion date	30 June 2023
Current progress	45%
Current project phase	50% of our project was programmed for delivery in February and March as some of our sites are covered with silt or have access issues like Tiniroto Road. We have had to reprioritise delivery to new sites on the Poverty Bay Flats to use chip supplies before they are contaminated if left over winter.





Walking and cycling – Ūawa Cycle & Walkway	
Status	
Project start date	1 July 2021
Project completion date	30 June 2023
Revised completion date	N/A
Current progress	95%
Current project phase	<p><b>Stage 2</b> trails around the township construction are near complete. Some damage was sustained in Cyclone Gabrielle and several areas now require further assessment for future resilience.</p> <p><b>Stage 1</b> (South of Ūawa Bridge to the Wharf) is still dependant on land ownership negotiations prior to resource consents, funding extensions, tendering and the approval by Waka Kotahi of a clip-on bridge to connect the 2 stages across Ūawa Bridge as a State highway improvement project.</p> <p><b>Streets for People</b> 90% Waka Kotahi funding was secured as an operational budget to test ideas prior to implementation in 2024 NLTP period. The Ūawa community are leading this project which will address the crossing of State Highway 35 to connect the trails, among addressing other possible outcomes to be defined by the community in conjunction with Waka Kotahi and Gisborne District Council and with support from Tairāwhiti Adventure Trust who are leading the Grey Street Streets for People project simultaneously.</p>

Walking and cycling – Taruheru river path business plan	
Status	
Project start date	1 July 2021
Project completion date	30 June 2022
Revised completion date	1 March 2024
Current progress	50%
Current project phase	<p>All work on this project is on hold due to Cyclone Gabrielle. Prior to the cyclone the business case was nearly complete. Stantec have delivered a draft business case document including the strategic and economic cases with four options with preliminary costings ranging from (option 1) low cost (painted lines on Aberdeen and gravel paths through esplanade/parks) to (option 4) full river path 4m concrete and 4m boardwalk complete with railings, lighting, flood resilience and linkages to schools). Option 2 is a higher specified option 1 with separated cycleways and option 3 is a hybrid of both 2 and 3. Funding advice is being sought from Waka Kotahi, Council, and other sources to determine a preferred option.</p> <p>Once resources are reallocated to the project the financial costs will need to be peer reviewed before reporting back to Council.</p> <p>The 3 Waters "better off" funding has secured \$1.4m for improvements at the two intersections Lytton/Aberdeen and Roebuck/Aberdeen that will improve access for walking and cycling on the approaches of the river path. This may be reprioritised to better suit the recovery for Cyclone Gabrielle.</p>

What we said we would do	How we are going
Reduce the number of fatal and serious crashes occurring in the district.	<p>To date (27.3.2023) Local roads have had 2 fatal and 11 serious crashes. This represents the same number of fatal and 14 less serious crashes than last year.</p> <p>Road safety projects and programmes noted above aim to improve road safety. Slowing traffic down using raised pedestrian crossings, setting lower speeds around schools and using road safety promotion and education is our current focus.</p>
Maintain the reliability and resilience of the roading network.	<p>Cyclone Gabrielle on 14 February 2023 saw around 60 road closures with 13 bridges destroyed and 17 bridges severely compromised. There are multiple slips and dropouts across the rural network. This has adversely affected connections for communities. Work is being done to define the scope and funding required to rebuild appropriately.</p>
Improved access for communities with a choice of transport mode.	<p>Projects to advance this outcome have been either deferred out to 2023/24 or put on hold due to the cyclone to prioritise work to reinstate access to communities and industry that has been cut off. Community lead tactical urbanism projects such as Ūawa Trails and Streets for People are able to continue due to their urban locations being largely unaffected. Ūawa Trails has sustained some damage which will need to be assessed. Review work on walking and cycling strategies and Public Transport are continuing to inform future projects. Business case for Taruheru river path is on hold until site suitability can be reassessed after severe flooding.</p>

What we said we would do	How we are going
COVID-19 impact and recovery.	After Cyclone Gabrielle Council left RTRO to continue recovery efforts under the legislative powers accorded to Council under the Civil Defence Emergency Act. Our Tairāwhiti Civil Defence Emergency Management group provides for iwi representatives at the governance decision-making table and large scale interagency coordination and collaboration.
Implement the capital programme to support the local community.	Current roading contracts for reseals and renewals have been deferred or put on hold due to the cyclone to prioritise work to reinstate access to communities and industry that has been cut off. Cyclone response and recovery work have involved many local led businesses within our roading contracts often taking on leadership roles in extremely challenging conditions.


#### 4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<b>Note to Activity Managers:</b> Ensure <b>full rationale</b> is given as to how you arrived at your result assessment.	
Fully achieved	Slightly under target (≤5%)	Not achieved	Not measured Must include appropriate commentary.		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
July – Sep	Oct – Dec	Jan – March	April – June	End of year	
Type Key					
A	1/2	Q	M		
Annual	Half yearly	Quarterly	Monthly		
<b>Notes:</b> <ol style="list-style-type: none"> <li>For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank.</li> <li>For monthly measures, results will be averaged for the three months in the relevant quarter.</li> <li>Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result.</li> <li>Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023.</li> </ol>					


**Level of Service:** We ensure the roading network is designed and managed for safe use with low crash and injury rates.

Measure	Type	Target	Results	Commentary
<b>Road Safety:</b> The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number. (Mandatory measure)	A	Decrease (21/22 two fatal, 25 serious)	Q4	Reported annually

**Level of Service:** We operate and maintain a reliable roading network that is in good condition and fit for purpose.

Measure	Type	Target	Results	Commentary
<b>Response to service requests:</b> The percentage of customer service requests relating to roads and footpaths to which Council responds within the time frame specified. (Mandatory measure)	Q	80%	<b>Q2</b>  73%	Adversely affected by weather events.
<b>Road condition</b> The average quality of ride on a sealed local road network, measured by smooth travel exposure. (Mandatory measure)	A	80% of sealed network to have NAA SRA count of 150 or better	Q4	End of year target.
<b>Road maintenance</b> The percentage of the sealed local road network that is resurfaced. (Mandatory measure)	A	5%	Q4	End of year target.
<b>Footpaths</b> The percentage of footpaths that fall within the service standard for the condition of footpaths that is set out in the Engineering Code of Practice.	A	90%	Q4	End of year target.

**Level of Service:** We provide and maintain affordable and accessible transportation services that balance the needs of all users.

Measure	Type	Target	Results		Commentary	
Percentage of customers who rate the passenger transport system as excellent/good.	A	80%	Q2		N/A	No customer surveys undertaken this quarter.
The number of bus passengers per annum.	A	145,000	Q2		28,175	Patronage around the country has not recovered to pre-Covid levels. BEE CARD was installed in Q1.

## 5. Project impacts from weather events

The following table highlights projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23.

Project	Direct impact from weather events on the project	Action to maintain project delivery
Minor improvements	Some projects have been deferred to the next financial year.	In discussions with Waka Kotahi funding advisors and finance to move funding from Y2 to Y3.
Walking and cycling – Taruheru river path	This project has been put on hold for its suitability to be reassessed after severe flooding in the project area of the Taruheru River during Cyclone Gabrielle.	To be confirmed.
Walking and Cycling – Ūawa Cycle & Walkway	Delays to completion due to flood damage in several areas.	In discussions as to how to address remedial work.



# **Te Whenua, ngā Awa, me te Takutai**

*Land, Rivers and Coastal*

## **Quarterly Report - Quarter two financial year 2022/23**

### **What we do**

Land, rivers and coastal minimise and prevent damage to Tairāwhiti from floods and erosion. We do this by providing advice on preventative works, maintenance to open drains across the Poverty Bay Flats, monitoring changes to river/stream channels and the coast, providing essential river and stream maintenance, and maintaining foredunes and coastal protection structures in alignment with the Wainui Beach Erosion Management Strategy.

### **About this report**

This report summarises key Land, Rivers, and Coastal performance outcomes for quarter two financial year 2022/23 against the 2021–2031 Long Term Plan (LTP). The report contains the following sections:

1. Activity assessment
2. Group finances
3. Progress on plan (LTP years 1-3)
4. Levels of service and performance measures
5. Construction progress update
6. Project impacts from weather events

#### **Notes:**




##### Reporting period



- a. Reporting timeframes for Q2 have been extended. Reporting on activity assessments, plan progress, and group finances, will capture activity between 1 October 2022 – 28 February 2023
- b. Reporting on levels of service and performance measures remains as Q2 (1 October 2022 – 31 December 2022)

##### Additional information

- c. Projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23
- d. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023

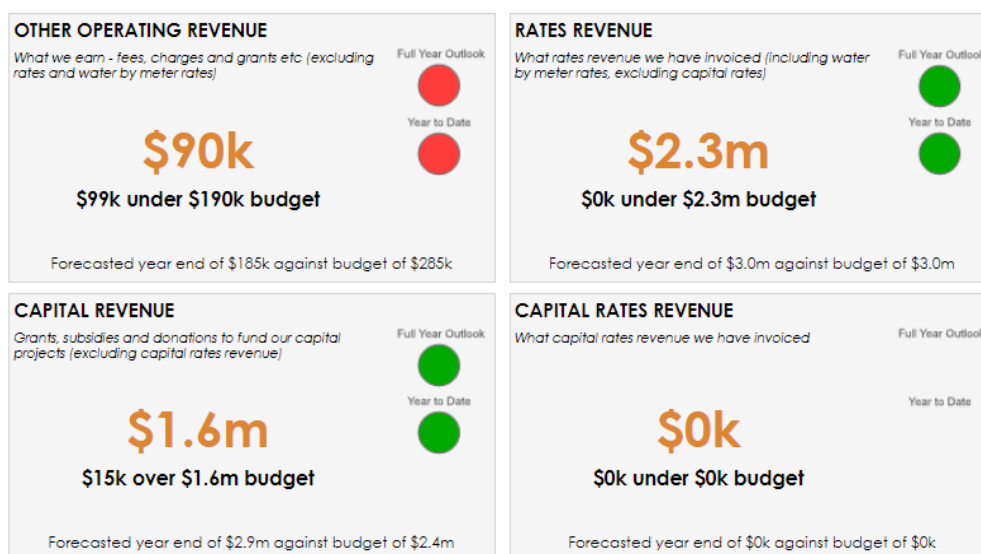
## 1. Activity assessment - 1 October 2022 to 28 February 2023

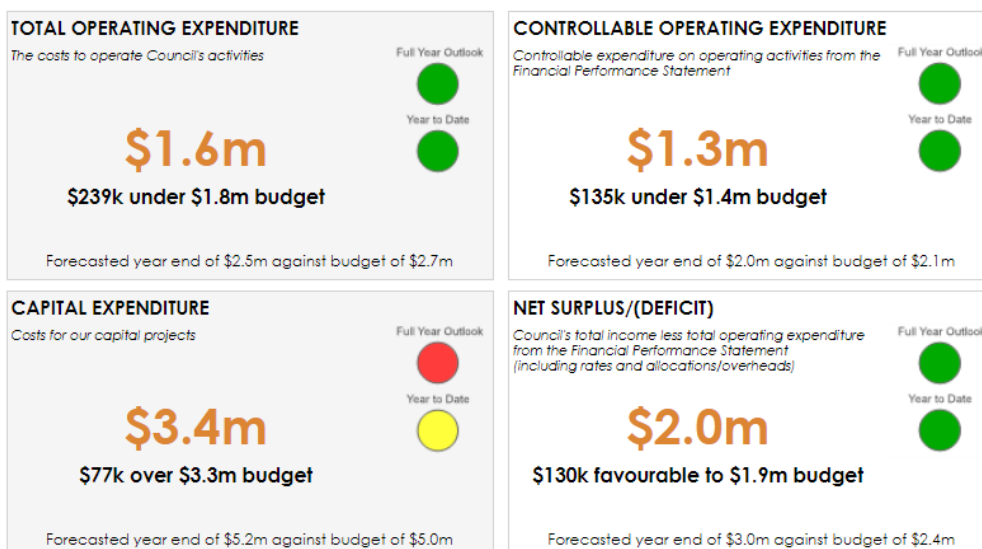
Key		
		
On track	Monitoring	Off track

	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
<p><b>How did we perform?</b></p> <p>Some projects have been delayed due to weather and supply chain issues. Mahunga project was delayed due to accessibility issues and impacted by Cyclone Hale and Cyclone Gabrielle. Mangahauini capital project was 40% completed before the floods in November. Most of the work done was fully damaged during recent cyclones. In addition, a 180m length of stopbank constructed in 1964 was washed away.</p>		<p><b>How did we perform?</b></p> <p>Levels of service are being not met. Work started after winter in October, however the floods in November, affected badly on capital projects.</p>	

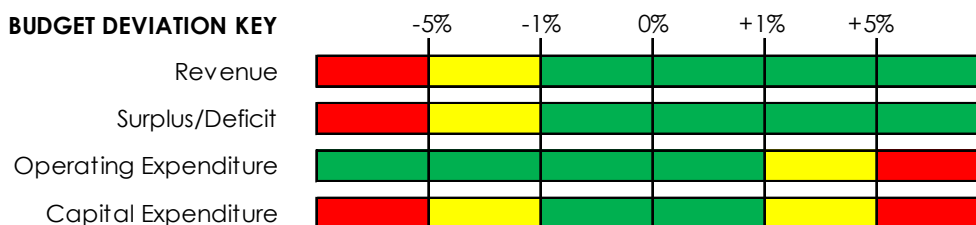
## 2. Group Finances

### Year to date results as at 28 February 2023





Traffic light colour illustrates the % deviation from budget.  
 ("0%" is "no deviation from planned budget")




**Operating Revenue** – The variance of \$99k in River Licensing is due to phasing and should be on track when April payments are received.

**Operating Expense** – This is behind due to no spending to date on the integrated management plan. The position budgeted for in River Asset Management will not be filled, so the underspend is carried to the year-end position.

**Capital Expenditure** – Taruheru and Turanganui Revetment Renewals are finished and came in on budget. There has been additional budget of \$577k approved for Mangahauini River erosion protection which offsets the overspend of \$194k to date on this project. To date there has been no spending on the Mahanga stream improvements and pump station renewals but the budget is expected to be spent by year-end.

### 3. Progress on plan (LTP years 1 to 3)





Projects Key		
On track	Monitoring	Off track

Waipaoa flood control scheme upgrade \$32 – 35 million	
Status	
Project start date	2015/16 (Stopbank construction work started in February 2019)
Project completion date	2030/31
Revised completion date	N/A (Early project completion anticipated if \$9million of external funding application is approved)
Current progress	<ul style="list-style-type: none"> <li>• Since construction work first started in 2019, about 32km of 64km of the Waipaoa stopbanks have been successfully upgraded.</li> <li>• Most of the stopbanks upgraded to date are located on the eastern (city side) of the Waipaoa River (24.5km).</li> <li>• Stopbank construction has been underway since Sept 2022 on the western side near Manutuke Township. Nearly 8km of stopbanks have been successfully upgraded in the area between the ocean and Opou Road (Incl Te Arai River).</li> <li>• About 1.5km more stopbanks are planned to be upgraded before winter between Opou Road and the Matawhero (SH2) Bridge. Work is expected to restart in late March/early April.</li> <li>• About 500m of stopbanks are still to be fully upgraded in the Ormond Township area, including completion of the 8m high Mahunga Stream floodgates to fully complete the upgrade works on the eastern side of the Waipaoa River. These works are all expected to be completed by the end of April 2023.</li> </ul>
Current project phase	Currently in delivery phase.

What we said we would do	How we are going
<b>Waipaoa Flood Control Scheme</b>	
2021/22 Year 1 \$4.7M	\$7.5 million of additional funding granted from Central Government in 2020 for expenditure over 3yrs until June 2023. Stopbank construction season was cut short early due to a major storm event in late March 2022.
2022/23 Year 2 \$4.5M	Application pending with central government seeking \$9 million of additional funding to further accelerate construction. Funding decision expected in May 2023. Over 32km of stopbanks have been successfully upgraded to date. Full completion of all the eastern (city-side) stopbanks expected by May (Huge project milestone!).
2023/24 Year 3 \$3.2M	If funding application is successful, \$9million to be spent from July 2023 onwards spread over 3yrs (\$3m/year).
Coastal Management \$55,000 (Yr1)	No budget for Yr2.
Taruheru & Turanganui City Revetment \$220,000 (Yr2)	100% completed by January. Minor damage during cyclones.
Mahunga Stream Improvements \$120,000 (Yr2)	Construction was on hold due to severe weather conditions during cyclones. Construction to occur in 2023/24 summer.



What we said we would do	How we are going
<b>Waipaoa Flood Control Scheme</b>	
Erosion protection Mangahauini River \$57,000 (Yr2) \$327,000 (Yr4)	Brought forward Yr 4 allocation to Yr 2 in November 2022 and completed 40% of the work at a cost of \$222,000. Significant damage was caused by cyclone Gabrielle. Undertook a design review and started work accordingly.
Pump Station Renewals \$200,000 (Yr1)	Spare parts were expected by December 2022, however there were delays. Renewals will be completed in May 2023.

#### 4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<b>Note to Activity Managers:</b>	
Fully achieved	Slightly under target ( $\leq 5\%$ )	Not achieved	Not measured. Must include appropriate commentary.	Ensure <b>full rationale</b> is given as to how you arrived at your result assessment.	
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
July – Sept	Oct – Dec	Jan – March	April – June	End of year	
Type Key					
A	1/2	Q	M		
Annual	Half yearly	Quarterly	Monthly		
<b>Notes:</b>					
a. For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank.					
b. For monthly measures, results will be averaged for the three months in the relevant quarter.					
c. Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result.					
d. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023.					

## Land, rivers and coastal

**Level of Service:** Ensuring the community is safe and prepared, we'll actively monitor and manage the drainage of rivers and streams to minimise flood risk and coastal erosion.

Measure	Type	Target	Results		Commentary
Percentage of Requests for Service resolved within target time frames.	Q	80%	Q2	 86%	Achieved despite of the delays due to bad weather conditions and emergencies at Tokomaru Bay.
<b>System adequacy and maintenance:</b> Flood control stopbank length is inspected annually and maintained to a 1 in 100-year protection standard. (Total stopbank length 77km, mandatory measure).	A	25%	Q2	 25%	Completed.

## 5. Construction progress update

Waipaoa River Flood Control Scheme - Mahunga Stream floodgate construction, 27 March 2023



## 6. Project impacts from weather events

The following table highlights projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23.

Activity	Project	Direct impact from weather events on the project	Action to maintain project delivery
Drain Maintenance	LRC maintenance contract	Drains are silted	Prepared estimates and waiting for additional fund.
Drain spraying season	LRC maintenance contract	Overgrown weed and blockages	Will be back on track in April & May (subjected to weather – no spraying during rains).
Te Arai river clearing work	Te Arai maintenance	Large volume of woody debris	Started removing large scale log jams mid-March and planning complete before winter.
Replacement of the timber revetment behind marina carpark	Taruheru Tūrangānui Revetment replacement work	Lost 51m of the revetment	Estimates are ready for a replacement and waiting for insurance claim.
Damage to the Waipaoa stopbank near Lavenham & Humprey Road	Stopbank maintenance	Lost flood gate. 30-40m wide scour hole, and 50% of stopbank washed away.	Repaired immediately after the floods. Widened stopbank where stopbank had been lost. Renewed culvert with new 1800mm dia pipe.
Damage to the Waipaoa stopbank near Railway Bridge, western side	Stopbank maintenance	Lateral erosion eroded 30m of berm and 150m of stopbank affected with erosion issues.	2 or 3 new rock groynes planned to be installed prior to winter to protect against additional erosion. Stopbank to be rebuilt in spring on retreated alignment to west.
Fix the breached stopbank	Waikakariki stream stopbank breach	Flooded nearby paddocks	Helicopter sand bagging was done immediately and fixed the stopbank
Whatatuna Pump Station was flooded	Fix the pump station	Pumping was not possible and entire area was flooded	As a temporary solution mobile pump was sent for few days. Ordering spare parts for the pump station is in progress
Request for services on removing blockages	Maintenance contract	Due to tree blockages most areas were flooded	All minor critical blockages were removed. For major blockages expecting funds from National funding
		Te Karaka township flooded	Waiting for National Govt funds.



Activity	Project	Direct impact from weather events on the project	Action to maintain project delivery
Te Karaka stopbank overtopping	Condition assessment and Design review for Te Karaka stopbanks	All flooded areas need to be mapped	Initiated the project with drone images and aerial photos. Gisborne town.
Flood spread mapping	Cyclone Gabrielle flood spread mapping	Delayed	Starts in the next summer
Waipaoa Stopbank monitoring surveys	Six yearly monitoring survey 2023	Scour hole/erosion	New drop structure to be installed
Erosion Repairs	Mahunga Capital Project	180m of stopbank washed away	Repairs underway in early April once SH35 open. 4,600 tonnes of rock armouring to be installed behind 22 & 24 Mangahauini. Reclamation of berm and eroded land. New culvert to be installed. Stopbank to be rebuilt.
Eroded stopbank, Tokomaru Bay	Mangahauini Stopbank Capital Project		

## Para Mārō

### Solid Waste

#### Quarterly Report - Quarter two financial year 2022/23

##### What we do

Council ensures sustainable management of our district's waste by minimising waste generation and maximising opportunities to use waste as a resource. Key activities include:

- rural and urban kerbside collection
- rural transfer operations
- waste minimisation and education
- recycling initiatives
- cleaning public places
- landfill operations and aftercare.

Council is legally obliged to manage our district's waste under the Local Government Activity and Public Health Act 1956. The Waste Minimisation Act 2008 also requires all local authorities to adopt a Waste Management and Minimisation Plan (WMMP). We have a duty to ensure that this activity is managed effectively and efficiently.

##### About this report

This report summarises key solid waste performance outcomes for quarter two financial year 2022/23 against the 2021-2031 Long Term Plan (LTP). The report contains the following sections:

1. Activity assessment
2. Finances
3. Progress on plan (LTP years 1-3)
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##### Notes:




###### Reporting period

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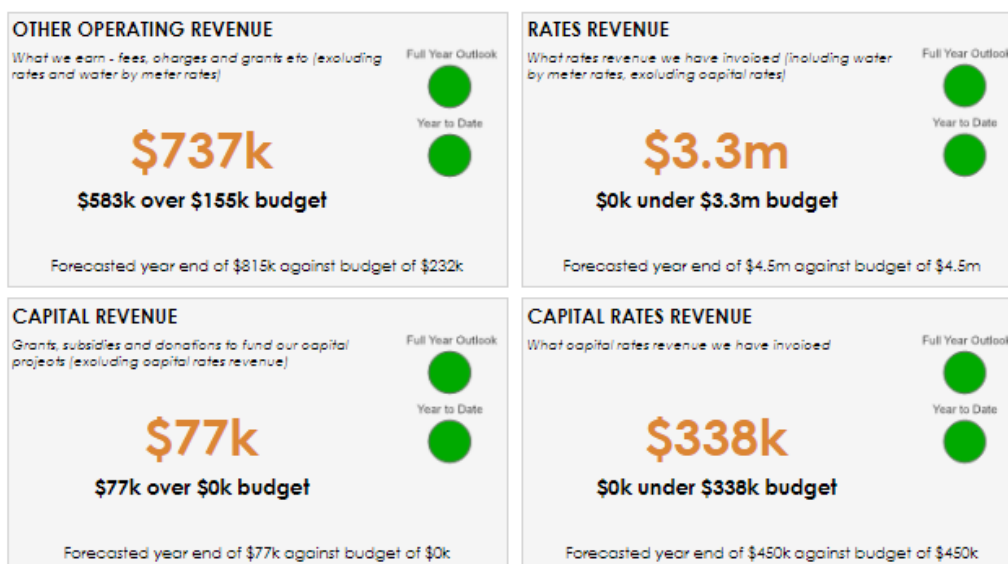
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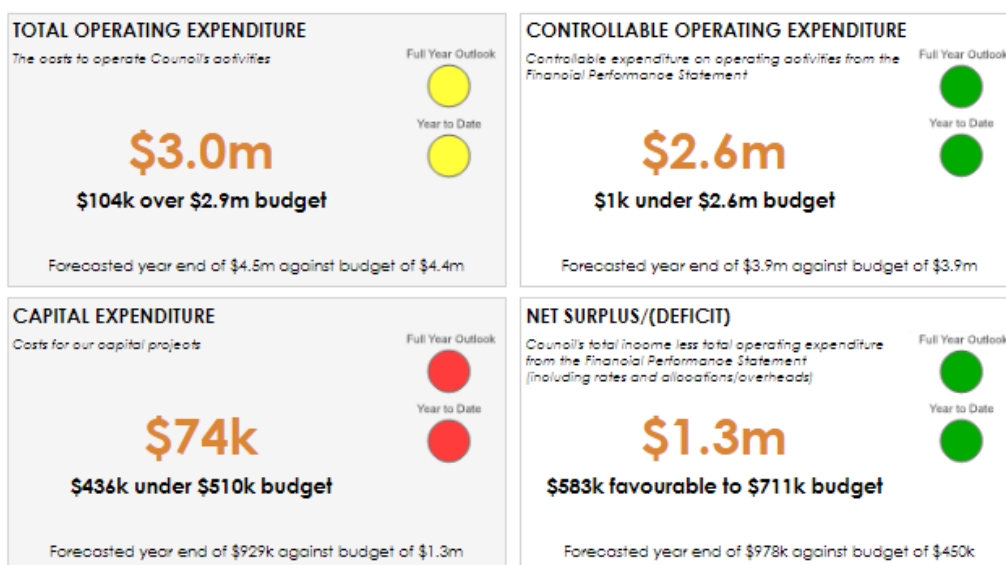
Key		
		
On track	Monitoring	Off track

	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
<b>Monitoring</b> <i>There have been minor deviations from plan.</i>		<b>Monitoring</b> <i>There have been minor deviations from plan.</i>	

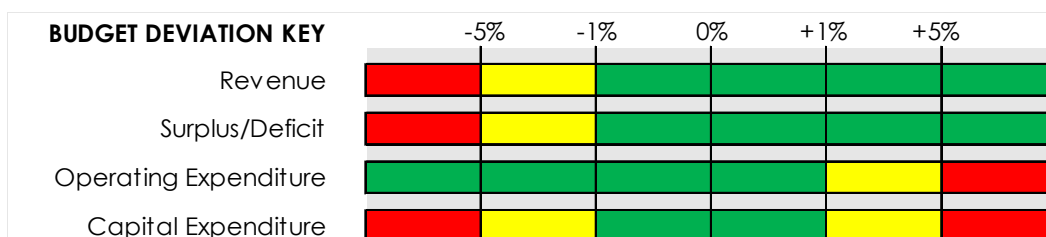
### 2. Solid Waste Finances

#### Year to date results as at 28 February 2023





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**Operating Revenue:** On track YTD. Income includes \$420k of waste levy income received in advance in 2022 and recognised in 2023. There is also \$160k of waste levies income received additional to the budget.


**Operating Expenditure:** The overspend is predominantly due to an increase in depreciation rates of assets. This is likely to increase further come the end of the financial year.

**Capital Revenue:** \$77k of unbudgeted Capital grants towards the big belly bins project was received.

**Capital Expenditure:** The main project relates to the Tokomaru Bay Transfer station, at budget of \$800k, which was due to begin early 2023 but has been delayed due to weather events. A carryover of \$750k will be required into next financial year.





## 1. Progress on plan (LTP years 1 to 3)

Key		
		
On track	Monitoring	Off track

Paokahu Landfill remediation works		
Status		Review of the current resource consent to align the requirements for remedial works in line with our emissions reduction plan (ERP) and climate change effect. Peer review to be completed in April 2023
Project start date	Ongoing	
Project completion date	2021	
Revised completion date	2022/23 FY	
Current progress	30%	
Current project phase	Plan	


What we said we would do	How we are going
Resource recovery network Investigate and develop a region-wide resource recovery/social enterprise.	Feasibility study has been completed with the report finding to be presented to the Council - Next steps to be confirmed
Review of our kerbside rubbish and recycling collection contract.	Feedback presented to Council Operations Committee – Public Excluded, follow up and costing will be provided to April Operations Committee – Public Excluded.
Continued support of EnviroSchools.	Ongoing support of EnviroSchools Kaupapa in Tairāwhiti EnviroSchools has been opened to Early Childhood Education (ECE) Centers, with ten spaces allocated for ECE to begin with. Further ECE will be added at 1 intake per year.
To actively engage the community and provide information, education, and resources to support community actions and community initiatives for waste minimisation.	Gisborne District Council's Waste Minimisation Funding applications opened 1 November. The applications closed end of February.

## 2. Levels of service and performance measures


KPI (Key Performance Indicator) Key					
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### Solid waste



**Level of Service:** Solid waste facilities are adequate and available to the community, including regular kerbside collection services and transfer stations.

Measure	Type	Target	Result			Commentary
Total waste received as illegal dumping (tonnes).	A	Decrease on prior year result (21/22 = 297.72 Tonne)	Q2		109.7	Illegal dumping has seen an increase in Q2 this can be attributed to a large clean-up operation on Tauwhareparae Road where there was historical fly tipping. There was a series of beach clean-ups through the period leading into summer


**Level of Service:** Public information and programmes to promote waste minimisation.

Measure	Type	Target	Results			Commentary
Support information and education programmes or workshops that raise awareness and promote waste minimization.	A	5 per year min.	Q2		2	Two workshops completed through the Tairāwhiti Environment Centre

**Level of Service:** Waste is diverted from the landfill via waste minimisation methods.

Measure	Type	Target	Results			Commentary
Reduction in waste to landfill. Total kg of solid waste to landfill per head of population (kg).	A	285kg	Q2		99kg	This is on track for Q2
Ratio of recycling to landfill waste (tonnes).	A	30:70	Q2		26:73	Tracking toward our target. This information currently does not include additional schemes run throughout Tairāwhiti, such as soft plastics and Tetra recycle.

**Level of Service:** No adverse effects on the environment or human health from the Paokahu and Waiapu landfills.

Measure	Type	Target	Results			Commentary
Number of resource consent breaches for Waiapu and Paokahu landfills.	A	<5 per year	Q2		0	No breach in this period

## 1. Project impacts from weather events

The following table highlights projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23.

Project	Direct impact from weather events on the project	Action to maintain project delivery
Tokomaru Bay transfer station relocation.	Could not get to site, contractors unavailable.	Will need to reschedule post Cyclone immediate emergency works.
Paokahu Remediation Works.	Contractors unavailable.	Will need to reschedule post Cyclone immediate emergency works.

# Waikino

## Wastewater

### Quarterly Report - Quarter two financial year 2022/23

#### What we do

We're providing Tairāwhiti with reliable and sustainable wastewater services to protect both the health of our people and our waterways. We want to continue to provide a service to collect, treat and dispose of wastewater in a safe, healthy and sustainable way.

#### About this report

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##### Additional information

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4. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023



## 1. Activity assessment - 1 October 2022 to 28 February 2023

Key		
		
On track	Monitoring	Off track

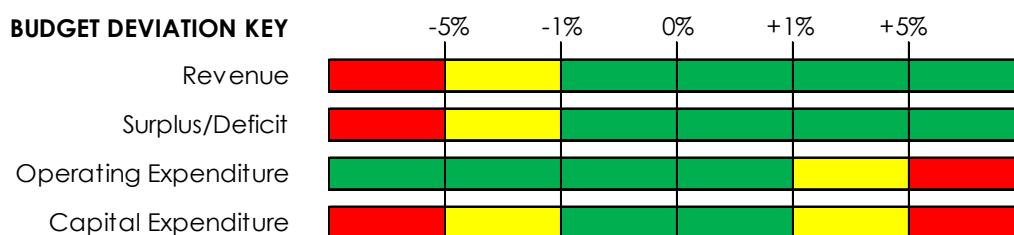
	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
<b>How did we perform?</b> We are progressing as planned except for the WWTP. Construction works is programmed to be completed by April 2023 followed by Cold (May) then Hot commissioning (June).		<b>How did we perform?</b> Expenditure is on track to be met at year end.	

## 2. Wastewater Finances

### Year to date results as at 28 February 2023

<b>OTHER OPERATING REVENUE</b> <small>What we earn - fees, charges and grants etc (excluding rates and water by meter rates)</small> <b>\$146k</b> <b>\$210k under \$356k budget</b> <small>Forecasted year end of \$324k against budget of \$535k</small>	<b>RATES REVENUE</b> <small>What rates revenue we have invoiced (including water by meter rates, excluding capital rates)</small> <b>\$7.4m</b> <b>\$0k under \$7.4m budget</b> <small>Forecasted year end of \$9.9m against budget of \$9.9m</small>
<b>CAPITAL REVENUE</b> <small>Grants, subsidies and donations to fund our capital projects (excluding capital rates revenue)</small> <b>\$0k</b> <b>\$0k under \$0k budget</b> <small>Forecasted year end of \$0k against budget of \$0k</small>	<b>CAPITAL RATES REVENUE</b> <small>What capital rates revenue we have invoiced</small> <b>\$0k</b> <b>\$0k under \$0k budget</b> <small>Forecasted year end of \$0k against budget of \$0k</small>
<b>TOTAL OPERATING EXPENDITURE</b> <small>The costs to operate Council's activities</small> <b>\$5.7m</b> <b>\$1.4m under \$7.1m budget</b> <small>Forecasted year end of \$9.1m against budget of \$10.5m</small>	<b>CONTROLLABLE OPERATING EXPENDITURE</b> <small>Controllable expenditure on operating activities from the Financial Performance Statement</small> <b>\$3.4m</b> <b>\$1.1m under \$4.5m budget</b> <small>Forecasted year end of \$5.6m against budget of \$6.7m</small>
<b>CAPITAL EXPENDITURE</b> <small>Costs for our capital projects</small> <b>\$16.4m</b> <b>\$5.6m under \$21.9m budget</b> <small>Forecasted year end of \$19.8m against budget of \$23.2m</small>	<b>NET SURPLUS/(DEFICIT)</b> <small>Council's total income less total operating expenditure from the Financial Performance Statement (including rates and allocations/overheads)</small> <b>\$801k</b> <b>\$1.1m favourable to (\$310k) budget</b> <small>Forecasted year end of (\$391k) against budget of (\$1.6m)</small>

Traffic light colour illustrates the % deviation from budget.  
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**Operating Revenue:** The trade waste charges are currently slightly behind budget but are forecast to be on track by year end.

**Operating Expenditure:** The underspend is phasing of operating cost of the new Wastewater Treatment plant.




**Capital Expenditure:** YTD \$16.4m, \$5.6m under budget. This relates to the Wastewater Treatment Plant budget phasing, spend to date \$14.8m and is progressing on track based on the revised completion date of June 2023.


Wastewater Renewals are being monitored due to wet weather delays. Budget is unlikely to be spent in the current financial year.

The Taruheru Block New Pump station 1 has been delayed due to wet weather and unavailability of contractors. However, it is still expected to be finished by the end of the financial year.

Tolaga Bay Septage is currently being designed, once completed negotiations for land purchase will be finalised, property owner is currently reviewing the purchase price, timeframes to obtain access agreements and resource consents. Construction will not be achievable this financial year, a carryover will be requested.






### 3. Progress on plan (LTP years 1 to 3)

Projects Key		
		
On track	Monitoring	Off track

Wastewater treatment plant further treatment	
Status	
Project start date	2018/19 (Design & Early procurement of equipment).
Project completion date	2021/22 revised to June 2022/23 for practical Completion
Revised completion date	Construction completed by late December 2022 followed by commissioning.
Current progress	Construction works is programmed to be completed by April 2023 followed by Cold (May) then Hot commissioning (June).
Current project phase	Installing above ground equipment and electrical work






What we said we would do	How we are going
Stage 2 Phase 1 Clarifier Pump Station	<b>Completed</b>
Stage 2 Phase 1 Ground Improvement	<b>Completed</b>
Stage 2 Phase 2 Mechanical, electrical, civil	80% complete

#### 4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
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## WASTEWATER

**Level of Service:** We provide a well-managed wastewater reticulation and treatment system which protects public health and the physical environment.

Measure	Type	Target	Results		Commentary
<b>System and Adequacy:</b> The number of dry weather sewage overflows per 1000 sewage connections. (Mandatory measure)	A	1	Q2	 0	No events this quarter
<b>Management of environmental impacts:</b> Compliance with resource consents for discharge from the wastewater system: Measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions (Mandatory measure)	A	0	Q2	 0	Result is on target. No notices or enforcements
<b>Response to wastewater system faults:</b> a) Median attendance time: from the notification of the fault to the time that service personnel reach the site (hours). (Mandatory measure).	A	<1 hr	Q2	 2.47hr	Process under review
b) Median resolution measured from the notification of the fault to the time that service personnel confirm resolution (hours). (Mandatory measure).	A	<15 hr	Q2	 4.32hr	Result is on target
<b>Customer Satisfaction:</b> The total number of complaints per 1000 connections received. (Mandatory measure).	A	<10	Q2	 3.57	43 complaints this quarter. Result is within target

## 5. Construction progress update

	Feb	Budget	2022/23												
			July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
<b>Wastewater</b>															
<b>Status</b>															
Localised Urban Upgrades	0	33,339								Driven by external subdivisions					
Wastewater Pump Station Renewals	0	113,799						Procurement							
Permanent Flow loggers	0														
<b>Wastewater Pipeline Renewals</b>		<b>4,066,623</b>													
Wastewater Treatment Plant Renewals		2,000,000													
WW Pipe renewals 21/22 CIP Domestic	605,565	530,000			Completed										
WW Pipe renewals 22/23 CIP	240,169	1,536,623	Tendered	Awarded	Liner procurement			Construction							
Oakview - Ormond Rd Pump Stn	608,748	1,050,000	Awarded			Design Mods				Construct					
<b>Wastewater T/Plant Further Treatment</b>		<b>15,337,372</b>													
Wastewater T/Plant Further Treatment	14,833,872	15,337,372	Construction - MCD												
Tolaga Bay Septage Site	17,981	844,000	Land Negotiations (on-going)					Concept Design	Final Design	Land Negotiations (Finalise)					
Septage Solids Removal	0	1,000,000	Funding for WWTP Upgrade												
WWT/Plant Upgrades & Renewals	0	186,300										Procure/install			
Pump Station Health & Safety	0	50,531					Procure			Install					
Te Karaka Wastewater Land Disposal	0	111,159			Investigate					Consultation (delayed due to cyclone)					
SCADA Repeater Relocation	0	88,513				Design				Procure/install					
Mortuary Wastewater Diversion	0	157,000	Consultation							Design	Construct				



Screw conveyors installation from the screw presses.



Spirotainer arrival on site (Biosolids Bins)



Placement of the odour control vessels



Scaffolding erected around sludge storage tank



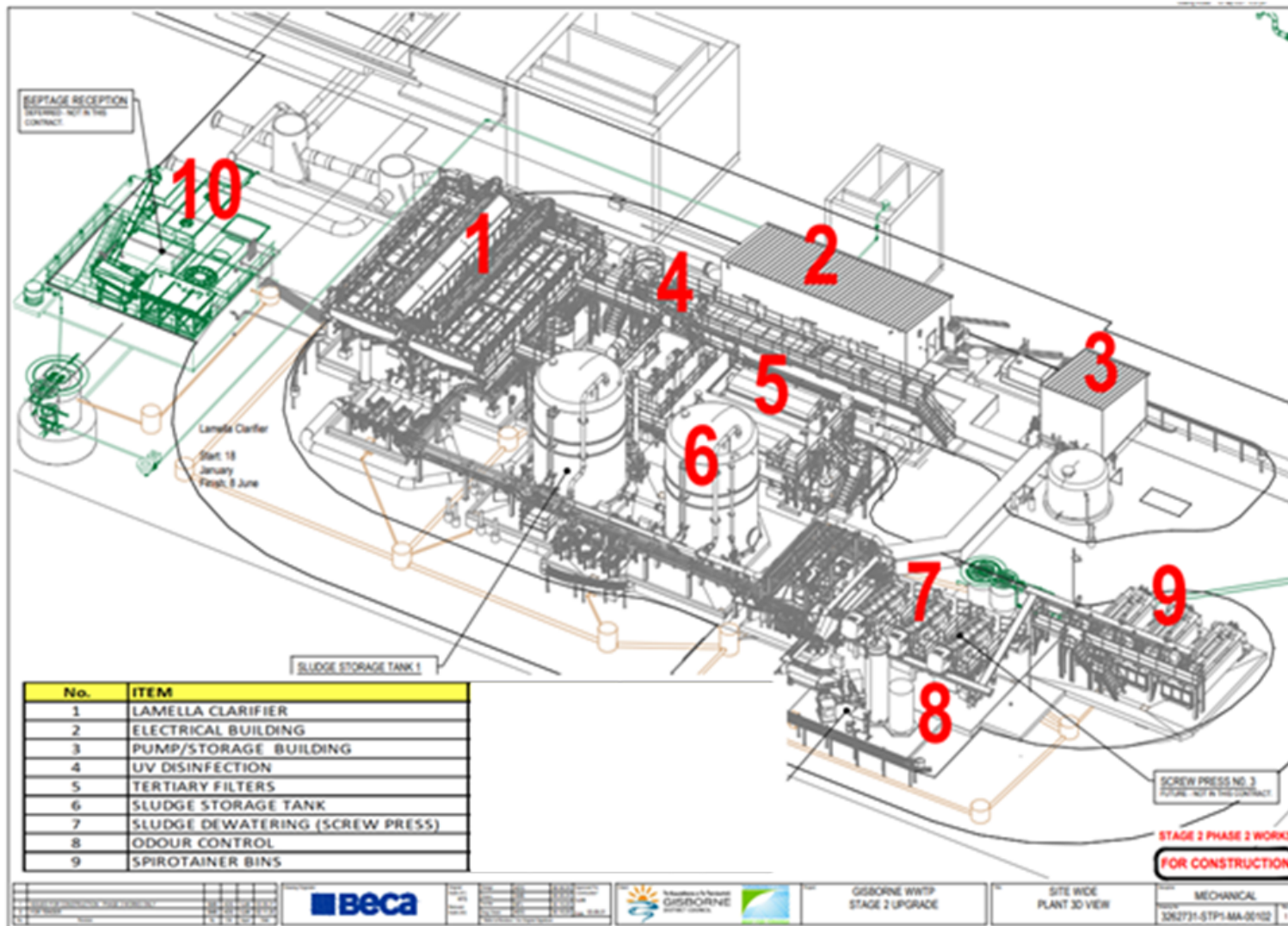
Large stainless-steel pipework fabrication at the flow splitter/UV



Large stainless-steel pipework fabrication at the flow splitter/UV



WWTP Stage 2 Phase 2 - Construction Areas



## 6. Project impacts from weather events

The following table highlights projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23.

**How to put it in context! Here is an example how a project was impacted by a weather event**

Activity	Project	Direct impact from weather events on the project	Action to maintain project delivery
Finance and performance	Performance reporting	Schedule of meetings cancelled in February 2023	Authors provided content to reflect most up to date information

Project	Direct impact from weather events on the project	Action to maintain project delivery
Wastewater Pipe Renewals	Extended elevated flows in the piped network prevented work progressing.	Contractor is reviewing contract to consider providing more resources.

# Whakaranea Wai

## Water Supply

### Quarterly Report - Quarter two financial year 2022/23

#### What we do

We provide Gisborne City, Te Karaka and Whatatūtū residents and businesses with reliable, high quality and safe treated water supply. We want to continue to meet our legislative requirements to deliver water supply services that are safe, healthy and sustainable.

#### Water Safety Assurance

The safety of Council's drinking water supply is assured by ongoing monitoring of treated water quality to demonstrate compliance with the Drinking Water Standards.

In addition, comprehensive testing is completed for both the source water and treated water to identify and correct emerging risks and potential changes in the water supply sources.

#### About this report

This report summarises key Water Supply performance outcomes for quarter two financial year 2022/23 against the 2021–2031 Long Term Plan (LTP). The report contains the following sections:

1. Activity assessment
2. Finances
3. Progress on plan (LTP years 1 to 3)
4. Levels of service and performance measures
5. Construction progress update
6. Project impacts from weather events

#### Notes:




##### Reporting period



- a. Reporting timeframes for Q2 have been extended. Reporting on activity assessments, plan progress, and group finances, will capture activity between 1 October 2022 – 28 February 2023
- b. Reporting on levels of service and performance measures remains as Q2 (1 October 2022 – 31 December 2022)

##### Additional information

- c. Projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23
- d. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023

















## 1. Activity Assessment - 1 October 2022 to 28 February 2023

Key		
		
On track	Monitoring	Off track

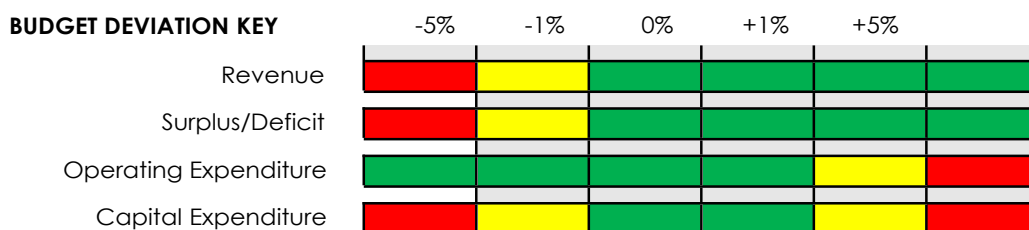
	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
<b>On track</b> Progressing as planned		<b>On track</b> Progressing as planned	

## 2. Water Supply Finances

Year to date results as at 28 February 2023

<p><b>OTHER OPERATING REVENUE</b> What we earn - fees, charges and grants etc (excluding rates and water by meter rates)</p> <p>Full Year Outlook  Year to Date </p> <p><b>\$126k</b> \$50k over \$76k budget</p> <p>Forecasted year end of \$164k against budget of \$114k</p>	<p><b>RATES REVENUE</b> What rates revenue we have invoiced (including water by meter rates, excluding capital rates)</p> <p>Full Year Outlook  Year to Date </p> <p><b>\$4.8m</b> \$539k under \$5.3m budget</p> <p>Forecasted year end of \$6.9m against budget of \$7.5m</p>
<p><b>CAPITAL REVENUE</b> Grants, subsidies and donations to fund our capital projects (excluding capital rates revenue)</p> <p>Full Year Outlook  Year to Date </p> <p><b>\$1.4m</b> \$1.4m over \$0k budget</p> <p>Forecasted year end of \$1.7m against budget of \$0k</p>	<p><b>CAPITAL RATES REVENUE</b> What capital rates revenue we have invoiced</p> <p>Full Year Outlook  Year to Date </p> <p><b>\$0k</b> \$0k under \$0k budget</p> <p>Forecasted year end of \$0k against budget of \$0k</p>
<p><b>TOTAL OPERATING EXPENDITURE</b> The costs to operate Council's activities</p> <p>Full Year Outlook  Year to Date </p> <p><b>\$4.6m</b> \$82k over \$4.5m budget</p> <p>Forecasted year end of \$6.9m against budget of \$6.7m</p>	<p><b>CONTROLLABLE OPERATING EXPENDITURE</b> Controllable expenditure on operating activities from the Financial Performance Statement</p> <p>Full Year Outlook  Year to Date </p> <p><b>\$2.1m</b> \$218k under \$2.3m budget</p> <p>Forecasted year end of \$3.1m against budget of \$3.3m</p>
<p><b>CAPITAL EXPENDITURE</b> Costs for our capital projects</p> <p>Full Year Outlook  Year to Date </p> <p><b>\$3.5m</b> \$878k over \$2.6m budget</p> <p>Forecasted year end of \$5.6m against budget of \$4.2m</p>	<p><b>NET SURPLUS/(DEFICIT)</b> Council's total income less total operating expenditure from the Financial Performance Statement (including rates and allocations/overheads)</p> <p>Full Year Outlook  Year to Date </p> <p><b>\$1.6m</b> \$1.3m favourable to \$329k budget</p> <p>Forecasted year end of \$1.6m against budget of \$150k</p>

Traffic light colour illustrates the % deviation from budget.  
 ("0%" is "no deviation from planned budget")






**Operating Revenue:** Water by meter revenue is lower than was expected..

**Operating Expenditure:** Expenditure Year to date is mostly on par with budget.

**Capital Revenue:** \$1.4m of Capital Revenue relates to 3 waters capital grants towards Ruatoria and Muriwai projects.

**Capital Expenditure:** On track YTD. Full year capital budget of \$4.2m. \$983k relates to water main renewals of which \$700k has been spent to date. Waingake WTP UV contract is underway \$1.15m and estimated to be complete by end of May. Residential Backflow works should be complete by end of May, and a full budget of \$555k is unlikely to be spent. Muriwai Water supply is nearing completion; Ruatoria water supply is being progressed as soon as possible. Te Karaka water mains renewal is delayed until later in 2023 and 2024 due to Cyclone Gabrielle. Spend on these unbudgeted projects is covered by additional grants received from 3 Waters. Part of capital overspend relates to the reinstatement of the Waingake water treatment plant post Cyclone Gabrielle.





### 1. Progress on plan (LTP years 1 to 3)

Projects Key		
		
On track	Monitoring	Off track

Residential backflow prevention	
Status	
Project start date	2018/19
Project completion date	2026/27
Revised completion date	On Target
Current progress	On Target
Current project phase	Year 5 of 10 (ongoing)

What we said we would do	How we are going
Continue to renew critical components at the water treatment and piped network. Year 4 2021/22 \$536k.	The budgeted work will be completed this financial year.
Year 5 2022/23 \$555k	
Year 6 2023/24 \$399k	



## 2. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<p><b>Note to Activity Managers:</b> Ensure <b>full rationale</b> is given as to how you arrived at your result assessment.</p>	
Fully achieved	Slightly under target ( $\leq 5\%$ )	Not achieved	Not measured. Must include appropriate commentary.		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
July – Sep	Oct – Dec	Jan – March	April – June	End of year	

Type Key			
A	1/2	Q	M
Annual	Half yearly	Quarterly	Monthly
<b>Notes:</b>			
<p>a. For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank.</p> <p>b. For monthly measures, results will be averaged for the three months in the relevant quarter.</p> <p>c. Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result.</p> <p>d. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023.</p>			






## WATER SUPPLY

**Level of Service:** We provide water supply infrastructure for delivering safe, clean water that meets the needs of our community.

Measure	Type	Target	Results		Commentary	
<b>Demand Management</b> The average consumption of drinking water per day per resident within the district. (Mandatory measure)	A	≤308 liters	Q2		208 in Oct – Dec 196 Jan - Feb	On target with a wetter than normal spring and early summer keeping outdoor water use down.
<b>Customer Satisfaction</b> The total number of complaints received expressed per 1000 connections to the networked reticulation system. (Mandatory measure)	A	<10	Q2		1.39	On target and meeting customer satisfaction.

### Fault Response Times

In response to a fault or unplanned interruption to the networked reticulation system, the following median response times measured:

Measure	Type	Target	Results		Commentary	
Attendance for urgent callouts.	Q	4 hrs	Q2		1.31hr	On target.
Resolution of urgent callouts.	Q	6 hrs	Q2		1.60hr	8 urgent callout events. All resolved within target.
Attendance for non-urgent callouts.	Q	4 hrs	Q2		2.06hr	154 events. All within target.
Resolution of non-urgent callouts. (Mandatory measure)	Q	48 hrs	Q2		6.65hr	155 events. All within target.
<b>Maintenance of the reticulation network</b> The percentage of real water loss from Council's networked reticulation system. (Mandatory measure)	A	<15%	Q2		14.7	Thomas consultants Review June 22 (annual).

**Safety of Drinking Water**

The extent to which the drinking water supply complies with:





a) part 4 of the drinking-water standards (bacteria compliance criteria) (Mandatory measure)

Measure	Type	Target	Results			Commentary
Gisborne City	A	100%	Q2		100%	Result is on target
Gisborne Rural	A	100%	Q2		100%	Result is on target
Te Karaka	A	100%	Q2		100%	Result is on target
Whatatutu	A	100%	Q2		99%	One bacterial transgression – full investigation and very low risk to health

**Safety of Drinking Water**

The extent to which the drinking water supply complies with:

b) part 5 of the drinking-water standards (protozoal compliance criteria) (Mandatory measure)

Measure	Type	Target	Results			Commentary
Gisborne city	A	100%	Q2		100%	Result is on target
Gisborne Rural	A	100%	Q2		100%	Result is on target
Te Karaka	A	100%	Q2		100%	Result is on target
Whatatutu	A	100%	Q2		100%	Result is on target



### 3. Construction progress update

Water Supply												
Water Main renewals 2022/23	578,368	983,250	Work of Right	Contract Completed						Additional \$120k		
Water meter Renewals	0	55,566									Procurement	Procurement
Local Urban Upgrades	0	38,896	Driven by external subdivisions									
Water Trunk Main Refurb - Pipe Bridges	14,539	444,533								Construction		
Telemetry Site Upgrade	4,617	33,192				Procurement						Install (ADR)
Waingake T/Plant UV Installations	318,677	1,145,000	Design		Procurement - Filtec					Construct/Install		
Te Karaka Reticulation Renewal	48,000	416,908		Procurement/Install - Chlorine								
Residential Backflow Prevention Year 5	234,640	555,278	Construction - Fulton Hogan									
Rabbit Rd Culvert Replacement	0	70,000										Construction - Earthwork
Misc Plant & Equipment	62,201	77,625		Procurement								Install
Waingake WTP Renewals	46,861	87,975	Procurement									Install
Waipaoa WTP Renewals	58,350	127,500	Design		Procurement						Construction	
Gisborne Pump Stn Renewals	0	0	Procurement									
Waingake Pump Stn Renewals	50,280	155,250	Design		Procurement	Constructi						Constructio
Muriwai Pipeline Extension	1,276,031		Construct - Sitework									
Ruatoria Bulk Supply Point	114,657	505,000	Investigate			Design						

#### 4. Project impacts from weather events

The following table highlights projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23.

Project	Direct impact from weather events on the project	Action to maintain project delivery
Te Karaka water main renewal	Delay in progressing construction planning.	Planning in May/June; Communications in July. Construction in spring 2023.
Waingake Pump Station renewal	Delay in planning and procurement.	Continue planning and procurement in May for construction carry over into July/August dependant on procurement.
Rabbit Road culverts renewals	Delay in design, procurement and construction.	Bundle with new works required due to cyclone damages. Design before end of April. Construction period dependant on contractor availability and weather.

# Waiāwhā Taone

## Urban Stormwater

### Quarterly Report - Quarter two financial year 2022/23

#### What we do

Urban stormwater is about providing our city with services that protect people and properties from flooding and manage the quality of our stormwater. We want to **continue to maintain and develop stormwater services that improve, promote and protect public health and the mauri of the waters.**

#### About this report

This report summarises key urban stormwater performance outcomes for quarter two financial year 2022/23 against the 2021–2031 Long Term Plan (LTP). The report contains the following sections:

1. Activity assessment
2. Group finances
3. Progress on plan (LTP years 1-3)
4. Levels of service and performance measures
5. Construction progress update
6. Project impacts from weather events

#### Notes:




##### Reporting period



- a. Reporting timeframes for Q2 have been extended. Reporting on activity assessments, plan progress, and group finances, will capture activity between 1 October 2022 – 28 February 2023
- b. Reporting on levels of service and performance measures remains as Q2 (1 October 2022 – 31 December 2022)

##### Additional information

- c. Projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23
- d. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023

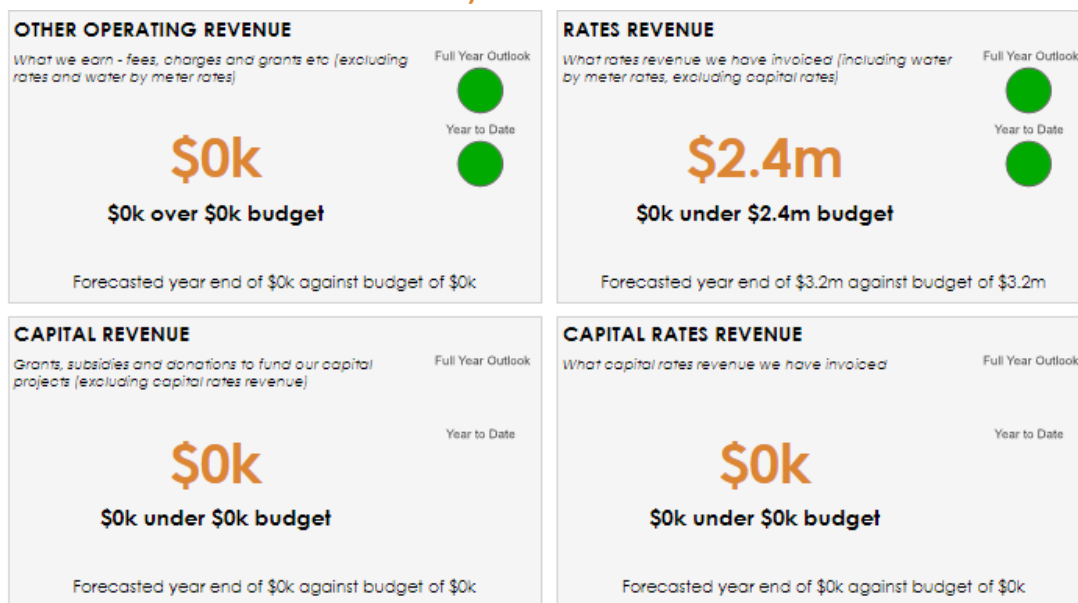
### 1. Activity Assessment - 1 October 2022 to 28 February 2023

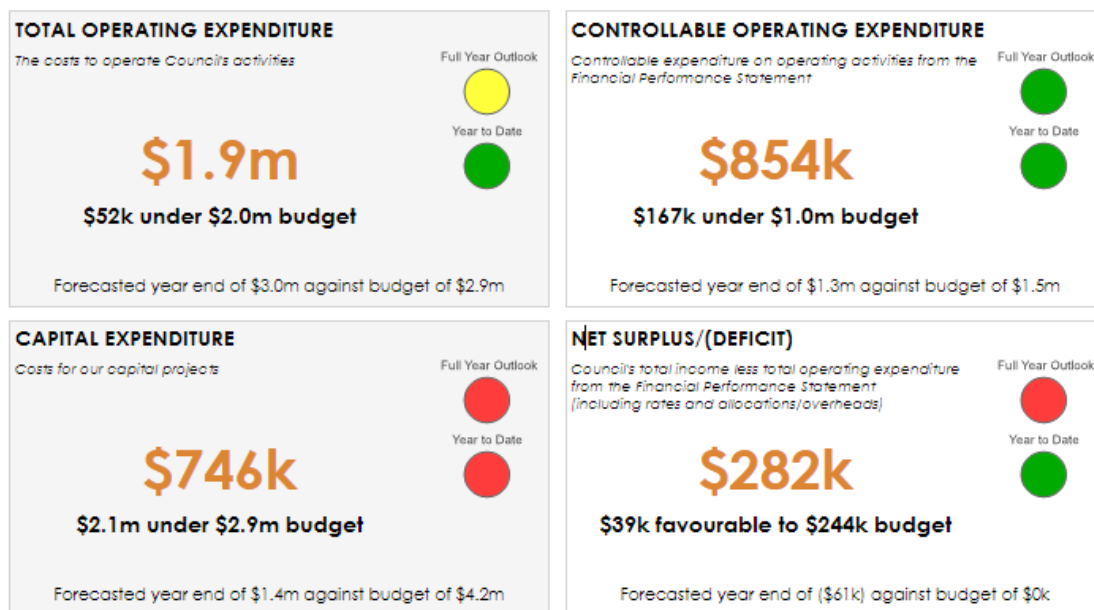
Key		
		
On track	Monitoring	Off track

	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
<b>Monitoring</b> Some existing projects are experiencing delays due to external factors, e.g. property access and weather events.		<b>Monitoring</b> All levels of service met with all work scheduled and completed are within targets	

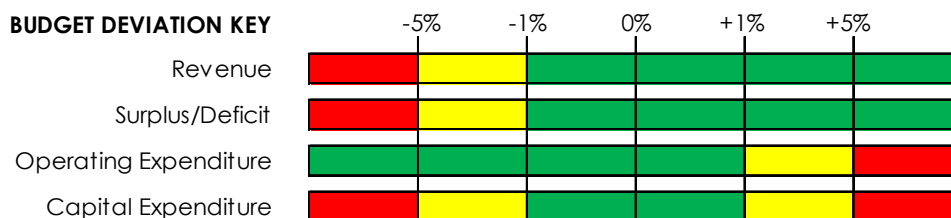
### 1. Urban Stormwater Finances

#### Year to date results as at end of February 2023








Traffic light colour illustrates the % deviation from budget.  
 ("0%" is "no deviation from planned budget")




**Operations Expenditure:** Mostly on par with budget. However, forecast operational expenditure may be exceeded due to the two cyclones.

**Capital Projects Expenditure:** YTD \$746k, \$2.1m under YTD budget. Three significant projects delayed or deferred; Taruheru/Waru/Haisman Stormwater upgrade deferred due to Moss development not proceeding, Graham/De Lautour SW Upgrade deferred due to design delays and tender on hold due to exceptional high groundwater 3m above normal, Public Drains on private property are experiencing weather delays and contractor's unavailability due to cyclones.





## 2. Progress on plan (LTP years 1 to 3)

Projects Key		
		
On track	Monitoring	Off track

Public drains on private property	
Status	
Project start date	2018/19
Project completion date	30 June 2027/28
Revised completion date	No change
Current progress	<p>Ida/Coldstream Rd delayed due to wet weather but should be completed this financial year. De Lautour Rd &amp; Craig Road completed. 608/610 Wainui Road will not be completed due to access issue requiring a redesign.</p> <p>Design of next year's projects are awaiting outputs from SW Model.</p>
Current project phase	Current project phase Year 5 of 10

What we said we would do	How we are going
2021/22 Year 4 - \$705K	<p>Stormwater model update has delayed investigation and design on private property.</p> <p>Some projects are still progressing; one has been completed; one is to be tendered in May, and three are in design phase.</p> <p>A carry-over of unspent budget was approved.</p>
2022/23 Year 5 - \$746k + \$273k C/over	2 Projects complete, 1 under construction (\$300k), 1 delayed due to access agreement issues (\$300k)
2023/24 Year 6	Ongoing.

### 3. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<p><b>Note to Activity Managers:</b> Ensure <b>full rationale</b> is given as to how you arrived at your result assessment.</p>	
Fully achieved	Slightly under target ( $\leq 5\%$ )	Not achieved	Not measured Must include appropriate commentary.		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
July – Sep	Oct – Dec	Jan – March	April – June	End of year	
Type Key					
A	1/2	Q	M		
Annual	Half yearly	Quarterly	Monthly		
<p><b>Notes:</b></p> <ol style="list-style-type: none"> <li>For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank.</li> <li>For monthly measures, results will be averaged for the three months in the relevant quarter.</li> <li>Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result.</li> <li>Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023.</li> </ol>					

## Urban stormwater

**Level of Service:** We protect people, dwellings, private property and public areas from flooding by managing the collection and disposal of stormwater in a way that protects the environment and public health.

Measure	Type	Target	Results			Commentary
<p><b>Customer Satisfaction:</b></p> <p>The number of complaints received by a territorial authority about the performance of its stormwater system (Expressed per 1,000 properties connected to the territorial authority's stormwater system).</p>	A	<12	Q2		3.82	54 complaints received. Within target
<p><b>Discharge Compliance:</b></p> <p>Compliant with the Tairāwhiti Plan for discharge from its stormwater system, measured by the number of:</p> <p>a) abatement notices            B) infringement notices            c) enforcement orders and            d) Convictions.            (Mandatory measure)</p>	A	None received	Q2		0	No discharge events this quarter
<p>The percentage of residents satisfied with the district's urban stormwater services as found in the Resident Satisfaction Survey.</p>	A	50%	Published end of year.			
<p><b>Response Times:</b></p> <p>The median response time to attend a flooding event, from the time notification is received to the time service personnel reach the site.            (Mandatory measure)</p>	A	30 minutes	Q2		0	Result is on target as no counts of a flood event occurred.
<p><b>System and Adequacy:</b></p> <p>a) The number of flooding events that occur in the district.            (Mandatory measure)</p>	A	2 or less	Q2		0	No flooding events occurred this quarter
<p><b>System and Adequacy:</b></p> <p>b) For each flooding event, the number of habitable floors affected.            (Mandatory measure)</p>	A	<0.2	Q2		0	No flooding events occurred this quarter



## 4. Construction progress update

			2022/23														
			Feb	Budget	July	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
<b>Stormwater</b>																	
D	<b>Stormwater Pipeline Renewals</b>		<b>388,125</b>														
D	Stormwater renewals 2022/23	223							Investigate			Design		Construct			
D	Stormwater Renewals 2023/22 (Design)				Investigate									Design			
	Stormwater In Drain Structures		195,000														
	In Drain Structures (Kopuawhatapata)	0											Investigat	Construct			
D	Stormwater Localised Urban Upgrades	24,880	77,625	Driven by External developers													
D	Taruheru / Waru / Haisman (Stormwater)	0	530,955	Driven by External developers													
D	Graham/De Lautour SW Upgrade	42,908	741,439	Investigate	Design					Tender	Award	Construct					
D	<b>Public Drains On Private Property</b>	<b>254,396</b>	<b>1,018,900</b>														
D	De Lautour/Wainui Rd	110,298	120,000	Complete													
D	Ida/Coldstream Road	25,132	300,000		Awarded							Construct					
D	Craig Road	102,011	105,000	Completed													
D	608/610 Wainui Rd	2,885	250,000						Investigate/ Land entry		Tender/Aw	Design	Tender	Construct			
D	Design 2023/24																
	SW - Moana Rd	390,536	360,000		Construction 95% Completed												
	Douglas St. Improvemt Stage2	9,263	413,000		Design		Tender		Award			Construct					
	Bush Intake (Te Arai) Bridge	23,350	465,000	Investigate	Design		Tender	Award			Construction						

## 5. Project impacts from weather events

The following table highlights projects impacted post Cyclones Gabrielle and Hale including severe weather warnings in year 2022/23.

Project	Direct impact from weather events on the project	Action to maintain project delivery
Ida Rd SW Upgrade (\$300k)	Project programmed to start November 2022. Delayed due to weather.	Latest agreed start date is programmed for 20 March 2023
Graham/De Lautour SW Upgrade (\$740k)	Very high groundwater, construction not practical given depth of excavations.	Can undertake dewatering but will be very expensive and risk of trench collapse in narrow roadway resulting in possible property access issues.
Bush Intake Bridge (\$465k)	Result of slip has caused a change in approach. Will be deferred.	Need to wait for Pipe bridge reinstatement to determine direction. This project has been assigned to the wrong activity (Stormwater) when approved at the Annual Plan.

# Te Rōpū Nohoanga Hapori

Liveable Communities

## Quarterly Report - Quarter two financial year 2022/23

### What we do

We contribute to the ongoing transformation of Council into a customer-focused organisation. We provide the strategic direction for our essential Liveable Community assets to meet the future needs of our community. We are responsible for a wide portfolio which incorporates several important community and environmental functions – including biodiversity, biosecurity, catchments, cemeteries, reserves, community facilities and the effective management and provision of all associated services. By providing professional and integrated activity planning, we ensure the effective delivery of our community facilities, while meeting the community's needs through managing safe, fun, and engaging places and spaces.

### About this report

This report summarises key Liveable Communities performance outcomes for quarter two financial year 2022/23 against the 2021–2031 Long Term Plan (LTP). The report contains the following sections:

1. Activity assessment
2. Group Finances
3. Progress on plan (LTP years 1 to 3)
4. Levels of service and performance measures
5. Project impacts from weather events

#### Notes:




##### Reporting period



- a. Reporting timeframes for Q2 have been extended. Reporting on activity assessments, plan progress, and group finances, will capture activity between 1 October 2022 – 28 February 2023
- b. Reporting on levels of service and performance measures remains as Q2 (1 October 2022 – 31 December 2022)



##### Additional information

- c. Projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23
- d. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023

## 1. Activity assessment - 1 October 2022 to 28 February 2023

Key		
		
On track	Monitoring	Off track

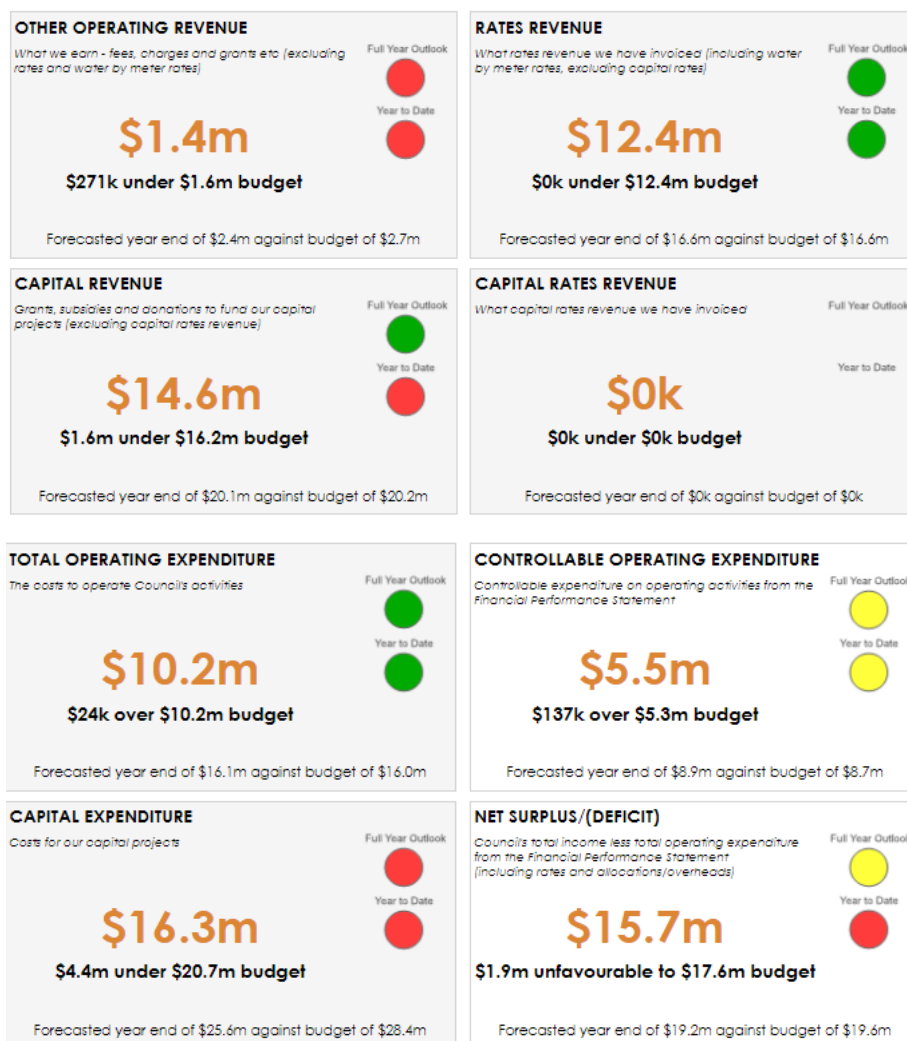
Catchments and Biodiversity			
	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
Progressing as time permits.		Progress limited due to weather events.	

Cultural Activities			
	Progressing our <b>LTP commitments</b> and focus projects.		Performance in terms of delivering our <b>Levels of Service</b>
On track.		<b>Monitoring</b> There have been minor acceptable deviations from plan. Mainly timeframes.	

Recreation and Amenity			
	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
<b>Monitoring</b> There has been some delay with key deliverables this quarter/period however it is anticipated delivery will be achieved within the full LTP timeframes e.g. year three).		<b>On track</b>	

## 2. Group Finances

Year to date results as at 28 February 2023



Traffic light colour illustrates the % deviation from budget.  
 ("0%" is "no deviation from planned budget")

BUDGET DEVIATION KEY	-5%	-1%	0%	+1%	+5%
Revenue	Red	Yellow	Green	Green	Green
Surplus/Deficit	Red	Yellow	Green	Green	Green
Operating Expenditure	Green	Green	Green	Yellow	Red
Capital Expenditure	Red	Yellow	Green	Green	Red

**Operating Revenue:** YTD income is \$271k under budget. The Olympic Pool revenue is lower due to reduced opening hours over the winter months, closures due to heating equipment repairs and the weather events.

**Operating Expenditure:** Mostly on par with budget.

**Capital Expenditure:** YTD \$16.3m, \$4.4m under YTD budget. This relates to the Kiwa Pools project which has been impacted from delays with the supply of steel and contractor absences due to sickness. The Kiwa Pool project remains within budget.

### 3. Progress on plan (LTP years 1 to 3)

Catchments and Biodiversity	
What we said we would do	How we are going
Partnership projects with Ngāti Porou and Ministry for Primary Industries to restore the Waiapu River as part of a 100-year project. Provide technical support to the Whakaoratia te Mana o te Waiapu project and other initiatives, e.g., technical advice and support.	Slowed due to recent weather conditions limiting access to the Waiapu Catchment. Some coordination work between TRONPNui, MPI and GDC to progress works on priority properties.
Administer Phase 1 of the Waiapu River restoration community grant planting of poplar and willow poles alongside the Waiapu River.	Limited progress due to lack of material and very wet conditions.
Support further realistic funding applications to the Erosion Control Funding programme community grants and One Billion Trees (1BT) initiatives, inclusive of indigenous plant establishment alongside the Waiapu River and its tributaries.	Ongoing work towards implementing work on LO3A which addresses soil erosion and wider freshwater objectives.
Support Iwi in funding applications, e.g., the Freshwater Improvement Fund and other funding initiatives.	In progress but slowed due to commitments to weather events and recovery. Part of the Land Management staff expansion include recruitment of an Iwi/Hapū Advisor and six catchment advisors.
Forming further relationships such as the Whakaoratia te Mana o te Waiapu project and Waingake Restoration programme, including exploring further land treatments with long term benefits, establishment of indigenous species and improving water quality.	Progressing despite access and weather disruptions.
Ongoing participation with Iwi in environmental projects, such as the Whakaoratia te Mana o te Waiapu initiative.	Progressing however ongoing weather disruption has slowed assistance to Marotiri and Pourau Incorporation.
Working with Iwi to enhance mahinga kai opportunities.	In progress but slowed significantly. Significant volumes of sediment have entered and inundated waterways.
Development of a plan for protection and enhancement of Protection Management Areas (PMAs).	Progressing but slowed by weather and associated access disruption.
Develop an integrated approach to Farm Environment Planning through pilot case studies with a wide-ranging focus integrating soil health, freshwater health, indigenous biodiversity, soil conservation, biosecurity, and climate change resilience.	In progress, however emphasis moving to Freshwater Farms Plans which will incorporate farm plans required under the freshwater requirements.
Provide advice and support to the Waimata Catchment Group on the community-led restoration project.	Ongoing, engagement with landowners throughout the catchment.
Provide support to Mahora Wetland by taking a collaborative biodiversity approach towards the Kōpūaroa Catchment.	Very limited progress, significant disruption to tributaries flowing from Mahora Wetland to the Waiapu River.





Cultural Activities	
What we said we would do	How we are going
Consult with community and/or Iwi before accepting gifted public art.	Business as usual.
Review leases and service contract with Gisborne Museum of Art and History Trust.	In progress.
Support the governance review of the Patūtahi Reserve board.	Not started.
Review the consultation, project management and handover protocols for public art works.	Not started.
Continue to grow relationships with mana whenua where facilities are located.	Business as usual.
Continue to further embed bicultural capacity in all areas of library services.	Business as usual.
Exponentially grow visitors to use digital library resources.	Completed. Business as usual.
Strengthen existing and develop new partnerships, inclusive of outreach services where communities need it most, support for users to upskill their digital toolkit, find jobs and make connections.	In progress.
Expand and strengthen library e-tools such as Radio Frequency Identification functionality (RFID), website and access to e-library to encourage independent user engagement.	Embedded.
Develop and deliver operation plans for both library and theatre services.	Complete.
Ensure a range of activities in theatres that encourage audience development including non-users.	Ongoing.
Continue to support delivery of Navigate Tairāwhiti projects with Ngāti Oneone to deliver Titirangi to Tuamotu conservation project.	Embedded and ongoing.
Complete design and delivery of viewing platform to Te Mārō in partnership with Ngāti Oneone.	Design complete and resource consent application lodged. Funding approved.
Support installation of Endeavour model in Ūawa alongside community.	Consent on hold, project, and stakeholder engagement review.

Recreation and Amenity	
What we said we would do	How we are going
Complete the redevelopment of the Pool complex to meet the recreational, health and fitness needs of our community.	On track. Opening date mid-July 2023.
Complete the redevelopment of Titirangi Summit in partnership with Iwi, recognising our co-management relationship with Ngāti Oneone.	In progress. Working through consent application process with interested parties/submitters. Meetings proposed.
Deliver support and provide access to Council's open spaces/reserves for coast care/dune care and riparian restoration in partnership with others including Iwi, community, and Central Government agencies.	On track. Community dune planting undertaken in Kaiāua, Makorori and Wainui beaches in 2022. Freshwater Improvement Fund projects progressing (e.g. site preparation for Taruheru Cemetery riparian margin).
Deliver renewal programme for park furniture and playgrounds, including new park furniture.	In progress. Supporting township upgrades and improvements. Progressing renewals as a result of Cyclone Gabrielle (e.g. replacement soffall/surfacing at Botanical Gardens playground).
Investigate partnership opportunities to deliver mobile pop-up play modules across Tairāwhiti.	In progress in partnership with Sport Gisborne Tairāwhiti.
Support delivery of the Community Facilities Strategy Implementation Plan through providing reserves land, where possible, to align with business case and funder expectations.	In progress. Implementation of early win projects for Sports Facilities Plan including Kiwa Pools development.
Improvements to the Botanical Gardens, including a tree succession plan. Investigate the development of a Rongoa garden in partnership with Iwi, to further support the Native Bush area.	Not yet started. Although tree identification/naming plaques under way. Naming of Roses to get underway. Rongoa Garden not yet started.
Deliver the Street Tree Planting Programme, including new tree planting and replacement planting.	Planting complete for 2022 season.
Deliver improvements at Waihīrere Domain in partnership with marae/hapū, and consistent with expectations of a regional visitor area.	In progress in partnership with Parihimanīhi Marae. Early engagement with local tamariki completed.
Support the Whāia Titirangi programme and the restoration of Titirangi Maunga in partnership with Ngāti Oneone.	On Track – planting and pest work continues.
Reduce reserve turf management at key locations as part of a riparian and coastal margin reversion programme to support restoration of natural buffers and to enable stronger responses to the impact of climate change.	In progress – initial plantings completed by Freshwater Improvement Fund planting at Nelson Park and Blackpool Street reserve.
Prepare a master plan for Taruheru Cemetery providing for future use and community expectations.	Initial issues and options process underway, specifically related to high ground water levels and disruption to burial services.
Complete a review of public conveniences considering rationalisation of facilities to support service and cost efficiencies.	Early initiation phase underway.



Recreation and Amenity	
What we said we would do	How we are going
Provide replacement public convenience facility at Tokomaru Bay wharf and consider new facility for Tolaga Bay wharf to meet user needs and likely visitor number increases.	Tokomaru Bay completed. Public convenience rationalisation/prioritisation plan to inform Tolaga Bay wharf outcome.
Continue to support implementation of Regional Plant Pest Management Plan.	In progress – delivery across Council parks and reserves with focus on Senecio species across beach dunes and Makorori headland. Focused also on plant pests in Whataūpoko and Titirangi reserve.


#### 4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<p><b>Note to Activity Managers:</b> Ensure <b>full rationale</b> is given as to how you arrived at your result assessment.</p>	
Fully achieved	Slightly under target ( $\leq 5\%$ )	Not achieved	Not measured  Must include appropriate commentary.		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
July – Sep	Oct – Dec	Jan – March	April – June	End of year	
Type Key					
A	1/2	Q	M		
Annual	Half yearly	Quarterly	Monthly		
<b>Notes:</b>					
a. For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank.					
b. For monthly measures, results will be averaged for the three months in the relevant quarter.					
c. Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result.					
d. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 <sup>st</sup> July 2023.					

## CATCHMENTS and BIODIVERSITY





### BIOSECURITY

**Level of Service:** - Pest animals and pest plants are controlled to minimise their adverse effects on biodiversity, production, amenity and cultural values.

Measure	Type	Target	Results		Commentary
Percentage of exclusion programme pests found established in the district for the first time visited and all pests controlled as defined in the RPMP.	A	100%	Q2		100% On track.



### LAND AND SOIL

**Level of Service:** We will work with Iwi, landowners, and the community to reduce soil erosion risk and remediate severe erosion within the district.




Measure	Type	Target	Results		Commentary
Total overlay 3A severely erodible land covered by a draft or final overlay 3A work plan or an overlay 3A resource consent.	A	45,500 ha	Q2		0 Limited progress in adding specific areas but working towards several areas which will be added to the year-end total.
Number of work plans monitored.	A	50	Q2		7 Limited due to access although some areas monitoring from helicopter during Civil Defence flights across the district.
Number of farm properties where a farm environment plan has been prepared per year.	A	40	Q2		0 This work continues to be paused as Council awaits guidance from MfE, Freshwater Farm Plans which supersede the TRMP farm plan requirement.
Number of protection Management Areas (PMAs) monitored to assess condition.	A	50	Q2		6 Limited progress due to weather and access disruptions.

## CULTURAL ACTIVITIES

**Level of Service:** Cultural facilities are accessible to Tairāwhiti residents and visitors.

Measure	Type	Target	Results		Commentary	
Number of <b>onsite</b> visitors to the HB Williams Memorial library per annum.	A	150,000	Q2		23,179	Library closed 5 days during cyclone period February – March 2023.
Number of <b>online</b> visitors to the HB Williams Memorial Library per annum.	A	100,000	Q2		43,514	Expected to exceed target.

**Level of Service:** Regular and varied programmes, events, and exhibitions to support community wellbeing are provided at cultural facilities.

Measure	Type	Target	Results		Commentary	
Number of booking days per annum: a) Lawson Field Theatre.	A	a) 100	Q2		41	21 hire days cancelled February - March 2023.
b) War Memorial Theatre.	A	b) 100	Q2		30	Expected to meet end of year target. 8 hire days cancelled February – March 2023.
Number of visitors to Tairāwhiti Museum per annum.	A	45,000	Q2		8055	Focus on supporting members of the community, including marae, with salvage and care of flood-affected taonga. March 2023.

## RECREATION and AMENITY

**Level of Service:** Our aquatic facilities are well maintained, safe and meet community demand.

Measure	Type	Target	Results	Commentary
Council aquatic facilities are safe and operate in accordance with PoolSafe NZS guidelines	A	100%		End of year target.
Percentage of time Council aquatic facilities pool water quality meets NZS 5826:2010.	A	95%		End of year target.

### 5. Project impacts from weather events

The following table highlights projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23.

#### Catchments and diversity

Project	Direct impact from weather events on the project	Action to maintain project delivery
HBRC possum buffer control programme. Upper Waimata Catchment possum control programme.	Road closures and access over rural lands to work sites impacted by weather events. Scheduled work and completed timelines will be affected.	As road access permits and with the approval of rural landowner's, initiate delayed works where possible.

#### Recreation and Amenity

Project	Direct impact from weather events on the project	Action to maintain project delivery
Peel Street Public toilet restrengthening project	Disruption to issuing of Building Consent as well as completing procurement process within expected timeframes.	Building consent lodged and currently being processed. Contract is ready to be awarded. Contractor start date will need to renegotiated given delays.
Winter annuals planting programme	Water crisis has meant winter planting programme could not be undertaken as planned in early March.	Activity now has approval to access potable water. Planting can get underway.

# Te Arataki me ngā Ratonga Tauawhi ā-rohe

Regional Leadership & Support Services

## Quarterly Report - Quarter two financial year 2022/23

### What we do

This group activity drives the positive culture of Council and contributes to the ongoing emphasis of a customer-focused organisation that supports its unique community. These teams focus on building individual and organisational capability and knowledge to meet current and strategic requirements and promoting a learning culture to embed high performance across the organisation.

### About this report

This report summarises key performance outcomes of the Regional Leadership and Support Services Group for quarter two financial year 2022/23 against the 2021–2031 Long Term Plan (LTP). The report contains the following sections:

1. Activity assessment
2. Group finances
3. Progress on plan (LTP years 1 to 3)
4. Levels of service and performance measures
5. Project impacts from weather events

#### Notes:




##### Reporting period



- a. Reporting timeframes for Quarter two have been extended. Reporting on activity assessments, plan progress, and group finances, will capture activity between 1 October 2022 – 28 February 2023
- b. Reporting on levels of service and performance measures remains as Q2 (1 October 2022 – 31 December 2022)



##### Additional information



- c. Projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23
- d. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023



## 1. Activity assessment - 1 October 2022 to 28 February 2023



Key		
		
On track	Monitoring	Off track



Emergency Management			
	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
On track		On track	

Engagement and Māori Responsiveness			
	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
On track		On track	

Governance & Democracy			
	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
On track		On track	

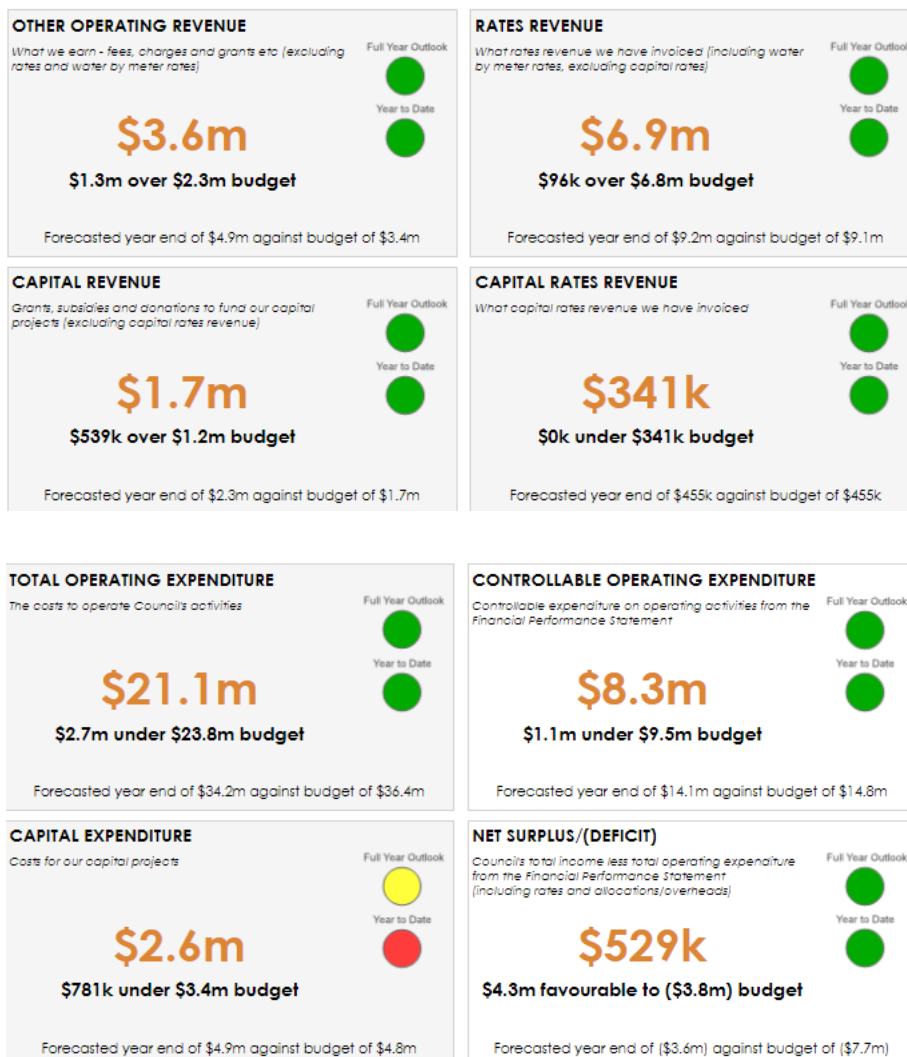
Science			
	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
On track		On track	

Strategic Policy and Planning			
	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
Monitoring Some projects have had minor impacts due to the cyclone; we are monitoring timeframes and our ability to deliver as planned		On track	

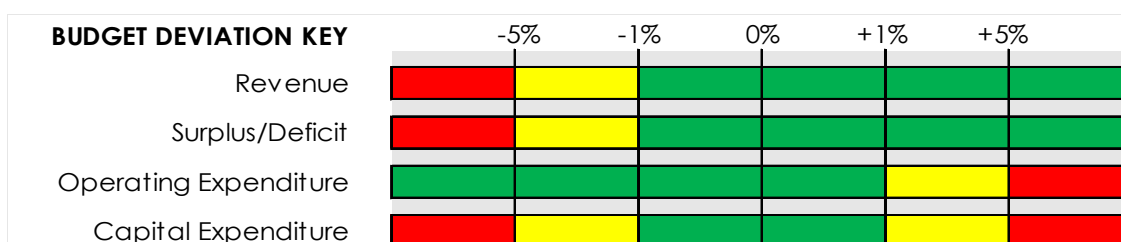
Support Services			
	Progressing our <b>LTP commitments</b> and focus projects		Performance in terms of delivering our <b>Levels of Service</b>
On track We are progressing as planned.		On track	

## 2. Group Finances

Year to date results as at 28 February 2023



Traffic light colour illustrates the % deviation from budget.  
 ("0%" is "no deviation from planned budget")



**Operational Income** – YTD Income is \$1.3m favourably over budget. This is due to unbudgeted funds of \$1.2m received from the Department of the Prime Minister and Cabinet for Cyclone Gabrielle. In addition to unbudgeted income from the Mayor’s Taskforce for Jobs and the Mayoral Relief Fund.

**Operational Expenditure** – YTD expenditure is \$2.7m under budget. This is due mostly to the timing of the Tairāwhiti Resource Management Plan (TRMP) and Freshwater Management Plan projects.

**Capital Expenditure** – YTD expenditure is \$781k under budget. This is due to less spending in Township upgrades and the Bore renewal project. Due to recent weather events the projects have been delayed and funds may need to be carried over to 2024.

### 3. Progress on plan (LTP years 1 to 3)

Emergency Management	
What we said we would do	How we are going
Review and refocus the CDEM Group Plan for 2021–2026.	On track for 2023.
Review by the National Emergency Management Agency (NEMA) Technical Advisory Group.	No change to previous update.
Build a fit-for-purpose Emergency Coordination Centre (ECC).	Build is underway. Completion date set for mid May 2023
Undertake controller and key staff training as part of national training programmes and local training exercises.	Controller training activities will be included in the CDEM annual training plan 2023.
Establish partnerships that enable Iwi/hapū to actively participate in the decision-making and execution of our CDEM Group Plan.	Embedded practice.
Invite our Iwi partners to our training exercises in the physical ECC.	Embedded practice.
Take part in local and national marine oil spill exercises.	Embedded practice.
Build capacity to send suitably qualified and experienced support to other regions for their emergency responses.	CDEM staff are trained in the national training framework that allows for interoperability between CDEM Groups.
Continue to maintain and build new partnerships with Iwi and communities.	Embedded practice. The Marae Emergency Preparedness and Resilience Project that is being co-partnered with GDC, Toitu Tairāwhiti and Te Puni Kokiri is in the process of deploying the equipment associated with this project in Q2 2023.
Further develop a CDEM Communications Plan, including greater use of social media and other modes of communication.	On track. Facebook is the primary platform that now has 19,000 social media subscribers now follow the platform that links into community networks.
Concentrate on building ECC capacity.	On track. Cyclone Gabrielle was a very large event that required the full activation of the ECC functions. The experience gained from this event will be leveraged for ongoing ECC functional training.
Rebuild the Welfare Group and establish a full-time Welfare Manager.	The Welfare Coordination Group has been re-instated with functional relationships in place. Group Welfare Manager appointed in 2022.



Engagement and Māori Responsiveness	
What we said we would do	How we are going
<b>Engagement</b>	
Embed the Customer Services Promise (CSP) through the organisation.	On track through the work of the Quality Improvement Circle. The project to embed the CSP was acknowledged with winning CX Project of the Year at the ALGIM awards in Nov.
<b>Māori Responsiveness</b>	
Develop and implement our Māori Responsiveness Programme.	Steady progress is being made on our continually evolving workplan.
Develop and monitor an appropriate Level of Service and associated performance measure in collaboration with Iwi/hapū partners to ensure we are effectively engaging with Māori.	Post-cyclone we will review and ensure we are still positioned to deliver this baseline and measurement.

Governance & Democracy	
What we said we would do	How we are going
<b>Governance</b>	
Continue to grow our strategic relationships with partner organisations.	Work to grow relationships with partners is ongoing.
Continue with the implementation of the Local Leadership Body.	Establishment of LLB is on hold at the request of Iwi.
Build on the existing Joint Management Agreement work between Council and Te Rūnanganui o Ngāti Porou.	Work on the Waiapu Catchment Plan continues in partnership with Ngāti Porou. The catchment planning team will hold its next JMA meeting in 2023.
<b>Democracy</b>	
The Local Government election will be held in October 2022. We will manage and deliver a fair election process and increase voter participation including actively encouraging the young Māori demographic to vote.	A full report on the Elections will be provided by the Electoral Officer.
Support our elected members to become effective community leaders for the people of Tairāwhiti by introducing professional development opportunities, including training relating to te ao Māori.	An intensive induction of elected members took place 17 October 2022 to mid-November 2022. Governance and Conflict training is planned with the Institute of Directors and Office of the Auditor General in Q3. An East Coast Hikoī was completed in Q3. A Western Area hikoī is to be scheduled.
Work with other teams to ensure effective Māori participation in Council decision making.	To review guidance in the Council and Committee report template with the Māori Responsiveness team in early 2023.
Improve Council technology to allow offsite Council and committee meetings to be live streamed especially on marae.	Lightshift has been engaged to provide this service. The first meeting was the Inaugural Council meeting. Planning is under way for venues in the next three years of the triennium once the 2023 meeting schedule is confirmed.

Governance & Democracy	
What we said we would do	How we are going
Monitor and improve the quality of reports and their effect on good decision making.	External benchmarking of Council's policy advice saw an increase from 2021.
Improve and strengthen the LGOIMA request process.	No progress.

Science	
What we said we would do	How we are going
Implement the projects described in detail (and updated six-monthly) within the Science Programme, to ensure delivery of Council's statutory environmental objectives.	We are progressing the Science Programme. Some projects have been delayed due to the impact of cyclones Hale and Gabrielle.
Undertake a comprehensive, strategic and cost-effective environmental monitoring programme and ensure these results are communicated to Council and the community.	The freshwater monitoring programme was independently reviewed in Q1. Recommendations have been assessed and, where appropriate and practical, implemented. A trial of new methods has been impacted by Cyclone Gabrielle. The coastal monitoring programme is being reviewed in Q3 and Q4.
Partner with Iwi, the community, industry and other organisations to monitor and improve Tairāwhiti's environment.	We continue to make strong progress in this area.
Work with Iwi and hapū to monitor and evaluate the mātauranga Māori of our environment.	We continue to make strong progress in this area.
Deliver the scientific evidence for the freshwater plans required by December 2024 as part of the National Policy Statement for Freshwater Management (NPS-FM).	Consultants are working alongside staff to deliver this mahi. The impacts of recent storms have prompted GDC to ask for a 24 month extension to the 2024 deadline.
Work with Iwi and hapū to ensure we understand and protect the value of Te mana o te Wai (under the NPS-FM).	A Te Mana o te Wai (TMOTW) Implementation guideline and tool has been released to the TRMP Freshwater workstream rōpū.
Partner with Council's Resource Consents team to provide robust technical advice for the assessment of resource consents and provide training to carry out assessment of 'low-risk' environmental resource consent applications.	Ongoing. We have a panel of external consultants who provide technical advice if the science team is at capacity, or the subject matter is outside their expertise.
Provide strategic scientific advice to internal and external stakeholders, ie. during pre-application stage of resource consents.	We provide scientific advice when required.
Provide annual performance updates to Council on health of region's land, air and fresh and coastal water quality.	We are progressing as planned.
Implement communications plan to help communicate science to our community and enable improved engagement and collaboration.	We are progressing as planned.





Science	
What we said we would do	How we are going
Provide a robust evidence base for the Tairāwhiti Resource Management Plan (TRMP) review.	Technical work is progressing to provide the evidence base required for the TRMP review.
Ensure sufficient information on Tairāwhiti's groundwater is available for our statutory requirements, inclusive of the development of groundwater models and the renewal and potential drilling of groundwater monitoring bores.	<p>Final groundwater model report and summary for the Poverty Bay Flats should be available by the end of Q4. Drilling of bores in Poverty Bay Flats and in catchments up the coast have been affected by the recent severe weather events and are likely to be postponed until spring 2023.</p> <p>The central government funded project to understand the region's groundwater further through surveying from helicopters (SkyTem) has been postponed until summer 2023/24.</p>

Wharekopae Catchment restoration project	
Status	
Project start date	1 May 2018
Project completion date	30 Dec 2022
Revised completion date	31 May 2023
Current progress	<p>90% project completed</p> <p>Project nearing completion, with a shortened quarter ending in May. Several landowner projects have been damaged due to Cyclone Gabrielle, with other objectives no longer possible. This will be worked through with the Ministry for the Environment project lead.</p>
Current project phase	Phase 18 out of 20 (5-year project, 20 phases of quarterly reporting)

Strategic Policy and Planning	
What we said we would do	How we are going
Resource management planning. Commence and progress the review of the TRMP including our freshwater planning obligations. This includes reviewing and updating the Regional Policy Statement, regional plans, and the District Plan, including policies and provisions for growth management.	The TRMP is still tracking well against milestones for the 2023 work programme.
Transport planning. Prepare the 2024–2034 Regional Land Transport Plan as well as the 2024–2034 Regional Public Transport Plan, in consultation with Council's Roads and Footpaths team. Undertake supporting policy work, research and monitoring.	A consultant has been engaged to undertake the review. An Investment Logic Mapping workshop was rescheduled due to Cyclone Gabrielle. We are awaiting the outcome of any additional special legislation to fully inform what work will still need to be undertaken. At this stage we are progressing as planned. Work is wrapping up on the public transport review. This will be presented to the Regional Land Transport Committee when resourcing allows.
Long term planning. Support the review of policy content for the 2024–2034 LTP cycle, including Infrastructure Strategy, Finance Strategy and Development Contributions Policy.	A contractor has been engaged to review the Development Contributions Policy and growth projections for the 2024–2034 LTP. Infrastructure Strategy project planning has commenced. We are awaiting the outcome of any additional special legislation to inform next steps and what work will still need to be undertaken. At this stage we are progressing as planned.
Climate change planning. Continue to develop Council's response to climate change through adaptation and mitigation planning for the organisation and the region. This includes completion of a Council Climate Change Plan and support for the development of a regional climate change risk assessment.	Progressing – approach being reassessed in light of Cyclone Gabrielle impacts.
Review existing strategies, policies and bylaws, when required, to ensure compliance with statutory requirements.	18-month work programme (excluding TRMP and catchment plans) is being reviewed post Cyclone Gabrielle. On track with statutory dates associated with planned reviews.
Strategic leadership. Support the organisation with leadership in strategic thinking on critical issues and opportunities for our region.	There is a significant amount of Government reform and legislative review under way. Resources have been focused on RMA reform, Future of Local Government, and Three Waters Reform. Staff have been focused on the Inquiry into Land Use and Special Legislation since Cyclone Gabrielle. A report seeking direction on Council priorities will be presented in mid-2023.




Support Services	
What we said we would do	How we are going
Ensure all support services continue to perform business as-usual activities, and where possible, streamline business processes to improve practices, advice and services	<p><b>Finance:</b> Reviewing processes in line with the Enterprise Management System, transition to TechOne.</p> <p><b>Information Services:</b> Currently implementing Release One of the new core Council support software.</p> <p><b>People &amp; Capability:</b> Recruitment and retention continue to be a focus, alongside additional wellbeing initiatives for staff.</p>
Continue to develop a health and safety culture while ensuring compliance under health and safety legislation	On track.
Take further advantage of technological advancements to enable us to deliver effective and efficient support services to our internal and external customers	In progress.
Complete the replacement of the core Enterprise Resource Planning system.	This multi-year effort is ongoing, and will support the first item of streamlining business processes.
Review, assess and decide to obtain a credit rating assessment based on Council's external debt.	Paused. This process is pending the Three Water Reforms mandatory roll out.

#### 4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<p><b>Note to Activity Managers:</b> Ensure <b>full rationale</b> is given as to how you arrived at your result assessment.</p>	
Fully achieved	Slightly under target ( $\leq 5\%$ )	Not achieved	Not measured  Must include appropriate commentary.		
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
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Type Key					
A	1/2	Q	M		
Annual	Half yearly	Quarterly	Monthly		
<b>Notes:</b>					
<p>a. For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank.</p> <p>b. For monthly measures, results will be averaged for the three months in the relevant quarter.</p> <p>c. Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result.</p> <p>d. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023.</p>					


## Emergency Management

**Level of Service:** We help to build a more resilient district where communities understand and manage their hazards and risks.

Measure	Type	Target	Results		Commentary	
National Emergency Management Agency (NEMA) assessment rating (five-yearly assessment).	A	70%	Q2		N/A	NEMA is yet to reinstate the assessment program across CDEM groups. There has been no timeframe communicated as to when this will be done and in what format.
At least six of public education activities occur annually.	A	7 days or more	Q2		Achieved	Result is on target.
The community is made aware of Civil Defence Emergencies within 60 minutes of declaration.	A	60min	Q2		Achieved	National and regional warning systems and processes subject to ongoing review to exceed target. National alerts tested with Emergency Management Alert (EMA), Regional alerts via E-text and communications team.

## Māori Responsiveness

**Level of Service:** We support the organisation to provide good quality information to the public to enable communities to participate in the decision-making process.

Measure	Type	Target	Results		Commentary	
The percentage of priority Iwi projects and relationships including Deeds of Settlement and all MOU assessed for quality of engagement by mana whenua.	A	90%	Q2		N/A	The stocktake process is progressing. This work is expected to be completed in Q3.

## Engagement

**Level of Service:** We support the organisation to deliver quality, cost effective services to our community and encourage the community to provide feedback on our performance and direction.

**Note:** Engagement performance measures are sourced from the **Residents Satisfaction Survey**. The results will be published in the 2022/23 Annual Report.



## Governance

**Level of Service:** We provide for the representation of the community in an open and democratic way.

**Note:** Democracy performance measures are sourced from the **Residents Satisfaction Survey**. The results will be published in the 2022/23 Annual Report.



## Support

**Level of Service:** We manage the LGOIMA requirements for meetings, agendas and official information requests and complaints to the Ombudsman.




Measure	Type	Target	Results			Commentary
Number of complaints upheld by the Ombudsman.	A	Zero	Q2		Zero	Result is on target.
Agendas for meetings (other than extraordinary meetings) of Council and committees are publicly available at least two working days before advertised meetings.	A	100%	Q2		100%	Result is on target.

## Science

**Level of Service:** We will collect and manage environmental data to support good resource management decisions and enable a clear understanding of the state of our environment.


Measure	Type	Target	Results			Commentary
The number of hits received on environmental data pages on the Council and Tairāwhiti section of LAWA websites.	A	30,000	Q2		125,476	A significant number of hits were to view webcam footage of river levels during and post Cyclone Gabrielle and Cyclone Hale
Undertake and report weekly monitoring of freshwater and coastal bathing water sites throughout the bathing water season.	A	95%	Q2		N/A	Bathing water sampling is going on to end of Q3. Sampling numbers will have been affected by Cyclone Gabrielle

**Level of Service:** We will collect, analyse and report environmental information under the requirements of the RMA (1991).


Measure	Type	Target	Results			Commentary
For highly productive land, undertake soil surveys for the five land use types in Tairāwhiti. To ensure the scientific evidence is robust, 30 surveys per land use type will be required (150 in total).	A	25	Q2		30	On track
The percentage of freshwater attributes monitored as required by the National Policy Statement for Freshwater Management (2020) in locations determined by Council and the community.	A	80%	Q2		73	On track
The percentage of attributes monitored as required by the New Zealand Coastal Policy Statement (2010).	A	10%	Q2		10%	On track

## Strategic Policy and Planning

**Level of Service:** Council has a clear, rigorous and current suite of strategies, plans and policies across the range of Council activities including resource management, infrastructure and social and economic development.

Measure	Type	Target	Results			Commentary
All plans under development and review meet national directions and statutory timeframes for notification (where applicable).	A	Achieved	Q2		On track	Bylaws and policies under review have met statutory timeframes.

**Level of Service:** We support communities to engage in Council decision-making through appropriately planned, designed and delivered engagement processes.

Measure	Type	Target	Results			Commentary
Percentage of externally facing projects that have a communications and engagement plan in place (Commensurate to the significance of the project).	A	100%	Q2		100%	All externally facing projects had a communications and engagement plan in place.



**Level of Service:** Our decision-makers are provided with credible and robust advice on which to make decisions.

Measure	Type	Target	Results	Commentary
Percentage of Strategic Planning sample reports meet a threshold of good to high quality (e.g. marked between 7-10 out of 10) when independently assessed annually.	A	80%	Reported annually	Report writing is a professional development focus for this year.

## Support Services

Levels of service and performance measures not applicable for this group of activities.

### **Project impacts from weather events**

The following table highlights projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23.

**How to put it in context! Here is an example how a project was impacted by a weather event**

Activity	Project	Direct impact from weather events on the project	Action to maintain project delivery
<b>Finance and performance</b>	Long Term Plan 2024-34	Scheduled workshops postponed during emergency response	Revising timelines, dependent also on any changes to the LTP process re Three Year Plan from Orders in Council/legislation changes

### **Engagement and Māori Responsiveness**

Project	Direct impact from weather events on the project	Action to maintain project delivery
Shared decision-making forum with tangata whenua	Progress & scheduling disrupted by cyclone events.	Workshop with councillors to operationalise Te Tiriti Compass to assist with decision making.

## Science

Project	Direct impact from weather events on the project	Action to maintain project delivery
Environmental Monitoring operations	Disruption of access to monitoring sites, due to damage to roads and landslips.	Assessment of access to monitoring sites (including Health and Safety assessment). Adaptive arrangements, including driving via Opotiki and staying in accommodation in north of region to ensure health and safety of team.
Environmental Monitoring equipment	Damage and loss of monitoring equipment.	Assessment of monitoring sites and carrying out of repairs and purchasing and installing replacements where necessary.
Fresh water improvement Fund	Loss of plants planted in Year One of the project. Damage to Winter 2023 planting sites. Safety issues at several sites from unsafe trees, eroded riverbanks, and damaged retaining walls.	Fully assess plant survival rate and determine if replanting in the same area is sensible. Assessing planned sites and considering rescoping objectives in conjunction with mana whenua and Ministry for the Environment. Safety assessments needed.
Groundwater bore drilling programmes	Engagement hui with coastal communities on hold.	Deferred groundwater bore drilling to Q2 and Q3 of FY24. Budget will need to be carried over to FY24
TRMP engagements	On hold as a result of the weather events. Workshops and comms events postponed.	Once engagement is possible again, projects will need to be fast-tracked to meet deadlines, but GDC and community are resource poor to achieve this.
Inanga spawning	Sites have been washed away or deposited in silt. Partnerships with Māhaki Mahinga Kai postponed.	Re-assessing current sites and possible remediation.
Aqua Intel Aotearoa exploratory water investigations (groundwater and surface water)	Programme to drill scientific groundwater bores and fly SkyTem aerial surveys of groundwater has been postponed until summer 2023/24.	Agreement for new completion dates and continued funding from MBIE for this.
Coastal monitoring programme	Access to coastal sites has been disrupted. Community engagement has been postponed.	Continuing with office-based assessment. Will look to increase iwi and community engagement when timeframes are reassessed.

**Strategic Policy and Planning**

Project	Direct impact from weather events on the project	Action to maintain project delivery
Tairāwhiti Resource Management Plan – freshwater planning	Engagement on freshwater vision and values will be challenging, impractical and insensitive for the next 12 months	Requested a 24-month extension to the 2024 deadline for completing freshwater planning
Tairāwhiti Resource Management Plan – Sustainable land use	Additional work added to Phase 1 of the TRMP review to address priority rules for land use	May require additional consultant support or need to reprioritise existing TRMP work underway to fit resources available
Tairāwhiti Resource Management Plan – Future development Strategy	Additional work: High-level risk assessment of areas impacted by Cyclone Gabrielle. Consultation deferred.	Pushed out timeframes for consultation to June/July 2023.
Organisational Emissions Reduction Plan	On hold	Workshop was meant to be in February. Scheduling new workshop and reconsidering our approach.
Regional decarbonisation and 'just transition'	On hold	Assessing how the project group can contribute to recovery planning.
Bylaw and policy review programme	Impact on timeframes and priorities, particularly due to constrained opportunities for engagement.	Timeframe for submissions on the Dog Control and Keeping of Animals Bylaws extended.

**Support Services**

Project	Direct impact from weather events on the project	Action to maintain project delivery
Staff Wellbeing	Staff were working long hours, are tired and dealing with trauma around the cyclone event.	Additional support has been provided and is available to staff: <ul style="list-style-type: none"> <li>- Hear4U has been onsite with individual sessions with staff</li> <li>- Workshops onsite delivered by a local Social Worker focusing on trauma, stress, building resilience and self-care</li> <li>- Additional EAP support has been made available</li> <li>- Team debrief sessions, facilitated by EAP counsellor</li> <li>- Mental health first aid courses</li> </ul>
Core Council Software Implementation	two months delay due to staff being redeployed	Had to adjust schedule as other internal stakeholders also impacted.
Long Term Plan 2024-34	Scheduled workshops postponed during emergency response	Revising timelines, dependent also on any changes to the LTP process re Three Year Plan from Orders in Council/legislation changes.

# Ngā Mahinga Arumoni

## Commercial Operations

### Quarterly Report - Quarter two financial year 2022/23

#### What we do

Council's commercial operations are made up of commercial and semi-commercial investments. Some are run on a commercial basis for the benefit of Council's operations, while others supplement Council's income.

Council's semi-commercial operations include:

- Community housing – 120 rental units within the Gisborne City and Te Karaka for tenants who are 55 years and over.
- Gisborne Airport.
- Small holdings of property.

Council also maintains a number of investments, the largest being GHL, made up of a number of business units, including:

- Property Holdings, which manages a large and diverse portfolio of property including commercial, tenant occupied rentals, and farmland. It also takes project management responsibility for GHL developments.
- Waikanae Beach TOP 10 Holiday Park, which is the region's largest accommodation provider, covering the spectrum from tent sites to 4½ star Qualmark apartments.
- Tauwharepārae Farms Ltd, which runs the Puketawa, Tamatea, and Tauwharepārae stations as a single unit, covering 11,500 hectares of land inland from Tolaga Bay.

#### About this report

This report summarises key commercial Operations performance outcomes for quarter two financial year 2022/23 against the 2021–2031 Long Term Plan (LTP). The report contains the following sections:

1. Activity assessments
2. Group finances
3. Progress on plan (LTP years 1 to 3)
4. Levels of service and performance measures

#### Notes:





##### Reporting period

- a. Reporting timeframes for Quarter two have been extended. Reporting on activity assessments, plan progress, and group finances, will capture activity between 1<sup>st</sup> October 2022 – 28<sup>th</sup> February 2023
- b. Reporting on levels of service and performance measures remains as Q2 (1 October 2022 – 31 December 2022)

##### Additional information

- c. Projects impacted by cyclones Gabrielle and Hale including severe weather warnings in year 2022/23
- d. Level of service performance measures adversely affected by the weather events are under review. Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023

## 1. Activity assessment - 1 July 2022 to 30 September 2022

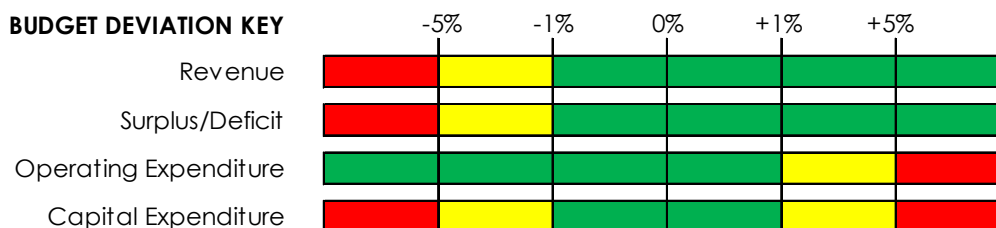
Key		
		
On track	Monitoring	
		
	Off track	
	Progressing our <b>LTP commitments</b> and focus projects	Performance in terms of delivering our <b>Levels of Service</b>
<b>On track</b> We are progressing as planned	Performance targets are end of year measures and will be reported annually within the Annual Report 2022/23.	

## 2. Finances

### Year to date results as at 28 February 2023

<p><b>OTHER OPERATING REVENUE</b> What we earn - fees, charges and grants etc (excluding rates and water by meter rates)</p> <p>Full Year Outlook Year to Date</p> <p><b>\$1.2m</b></p> <p><b>\$99k under \$1.3m budget</b></p> <p>Forecasted year end of \$1.8m against budget of \$1.9m</p>	<p><b>RATES REVENUE</b> What rates revenue we have invoiced (including water by meter rates, excluding capital rates)</p> <p>Full Year Outlook Year to Date</p> <p><b>(\$30k)</b></p> <p><b>\$0k under (\$30k) budget</b></p> <p>Forecasted year end of (\$40k) against budget of (\$40k)</p>
<p><b>CAPITAL REVENUE</b> Grants, subsidies and donations to fund our capital projects (excluding capital rates revenue)</p> <p>Full Year Outlook Year to Date</p> <p><b>\$0k</b></p> <p><b>\$0k under \$0k budget</b></p> <p>Forecasted year end of \$0k against budget of \$0k</p>	<p><b>CAPITAL RATES REVENUE</b> What capital rates revenue we have invoiced</p> <p>Full Year Outlook Year to Date</p> <p><b>\$0k</b></p> <p><b>\$0k under \$0k budget</b></p> <p>Forecasted year end of \$0k against budget of \$0k</p>
<p><b>TOTAL OPERATING EXPENDITURE</b> The costs to operate Council's activities</p> <p>Full Year Outlook Year to Date</p> <p><b>\$1.3m</b></p> <p><b>\$229k over \$1.1m budget</b></p> <p>Forecasted year end of \$1.8m against budget of \$1.5m</p>	<p><b>CONTROLLABLE OPERATING EXPENDITURE</b> Controllable expenditure on operating activities from the Financial Performance Statement</p> <p>Full Year Outlook Year to Date</p> <p><b>\$767k</b></p> <p><b>\$159k over \$608k budget</b></p> <p>Forecasted year end of \$971k against budget of \$812k</p>
<p><b>CAPITAL EXPENDITURE</b> Costs for our capital projects</p> <p>Full Year Outlook Year to Date</p> <p><b>\$18k</b></p> <p><b>\$219k under \$237k budget</b></p> <p>Forecasted year end of \$64k against budget of \$282k</p>	<p><b>NET SURPLUS/(DEFICIT)</b> Council's total income less total operating expenditure from the Financial Performance Statement (including rates and allocations/overheads)</p> <p>Full Year Outlook Year to Date</p> <p><b>(\$291k)</b></p> <p><b>\$321k unfavourable to \$30k budget</b></p> <p>Forecasted year end of (\$206k) against budget of \$152k</p>

Traffic light colour illustrates the % deviation from budget.  
 ("0%" is "no deviation from planned budget")



**Total Operating Revenue:** The council received \$126k more in rents for its staff and community housing. This is offset by the timing of forestry sales caused by budget phasing. The adjustment for forestry revenue occurs at the end of the year, at the time when the forestry valuation is completed.





**Total Operating Expenditure:** Operating expenses are \$229k over the budget, mostly due to higher than expected costs arising from depreciation and insurance.

**Total Capital Expenditure:** This is \$219k under budget. This relates to Community Housing Upgrades; it is intended this will be spent by the end of the financial year.

### 3. Progress on plan (LTP years 1 to 3)

Commitment	Progress
Review Council's group investments and alignment for a best-for-region approach.	Under review. The first and second stages are now complete - reviewing historical performance and confirming expectations/alignment with the strategic direction. The next stage will occur after receiving GH's Strategic Plan, where Council can include projections for the Council Group.
Formulate climate change adaptation Plan for Council.	Currently Council's activities and climate change adaptation plan are being developed. Review of Council's policy and integration of plans within overall Council Group is under way (including Council Group Policy for both Council and its CCTO).
Review harvesting of forestry	To date 836 ha (76%) of the 1,100 ha pine forest at Waingake have been harvested. A total of \$4.37 has been received to date. Around 285 ha are expected to be harvested in the 2022/23 financial year. YTD 159 ha has been harvested in this financial year.

#### 4. Levels of service and performance measures

KPI (Key Performance Indicator) Key					
				<p><b>Note to Activity Managers:</b> Ensure <b>full rationale</b> is given as to how you arrived at your result assessment.</p>	
Fully achieved	Slightly under target ( $\leq 5\%$ )	Not achieved	Not measured		
Must include appropriate commentary.					
Reporting Period Key					
Q1	Q2	Q3	Q4*	EOY*	*Q4/EOY results are captured within the Annual Report.
July – Sep	Oct – Dec	Jan – March	April – June	End of year	
Type Key					
A	1/2	Q	M		
Annual	Half yearly	Quarterly	Monthly		
<p><b>Notes:</b></p> <ol style="list-style-type: none"> <li>For annual or half annual measures, actual results are provided for interim quarters if available, but KPI indicators are blank</li> <li>For monthly measures, results will be averaged for the three months in the relevant quarter</li> <li>Annual measures with progressive/cumulative results will be used to derive an end of year (EOY) result</li> <li>Level of service performance measures adversely affected by the weather events are under review Changes to performance measures will be included in our 2023/24 Annual Plan from 1 July 2023</li> </ol>					

#### COMMERCIAL OPERATIONS

**Level of Service:** Operate commercial operations profitably, maintaining returns to Council and provide suitable and affordable housing to enable independent living for people aged 55 years and over who have difficulty providing it for themselves.

Measure	Type	Target	Results
Improve the investment return level in order to grow the return from 2% of Council revenue to 4%	A	2% to 4%	End of year target.
Percentage of customers satisfied with the standard of accommodation and services as found in our annual inspection survey	A	95%	End of year target.
Rent as a percentage of market-rate (lower quartile) not to exceed 90%.	A	Achieve	End of year target.

## 12. Public Excluded Business

### RESOLUTION TO EXCLUDE THE PUBLIC

#### Section 48, LOCAL GOVERNMENT OFFICIAL INFORMATION and MEETINGS ACT 1987

That:

1. The public be excluded from the following part of the proceedings of this meeting, namely:

#### **PUBLIC EXCLUDED Business**

##### **Decision report**

Item 12.1 23-85 Options for Council Land at Innes Street, Gisborne

##### **Information report**

Item 12.2 23-87 Trust Tairāwhiti Draft Statement of Intent for 2023/24

Item 12.3 23-84 Gisborne Holdings Limited Updates

2. This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information & Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole of the relevant part of the proceedings of the meeting in public are as follows:

Items 12.1,  
12.2 & 12.3

7(2)(i)

Enable any Council holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).