



# **Council Meeting**

**Commencing at 3pm**

**on**

**Tuesday 2 April 2019**

**Council Chamber  
District Council Building  
King George Place  
Timaru**

## **Timaru District Council**

**Notice is hereby given that a meeting of the Timaru District Council will be held in the Council Chamber, District Council Building, King George Place, Timaru on Tuesday 2 April 2019, at 3pm.**

**The meeting will be preceded by a citizenship ceremony at 2pm.**

### **Council Members**

Mayor Damon Odey, Cllrs Nigel Bowen, Peter Burt, Dave Jack, Andrea Leslie, Richard Lyon, Paddy O'Reilly, Sally Parker, Kerry Stevens, and Steve Wills

### **Local Authorities (Members' Interests) Act 1968**

Councillors are reminded that if you have a pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the meeting table.

Bede Carran  
**Chief Executive**

## **Council Agenda**

- 1 Opening Prayer David Whittaker, Equippers Church**
- 2 Apologies**
- 3 Public Forum**
- 4 Identification of Urgent Business**
- 5 Identification of Matters of a Minor Nature**
- 6 Declaration of Conflicts of Interest**
- 7 1 Confirmation of Minutes – Council Meeting – 12 February 2019**
- 8 8 Confirmation of Minutes – Council Annual Plan/Budget Meeting 18 March 2019**
- 9 13 Schedule of Functions Attended by the Mayor and Deputy Mayor and Councillors**
- 10 15 Schedule of Functions Attended by the Chief Executive**
- 11 17 Affixing of the Common Seal**
- 12 18 Contract Let by the Chief Executive Under Delegated Authority**
- 13 19 Local Authority Elections 2019 – Order of Candidate Names**
- 14 22 Ministry of Education Reform of Vocational Education – Timaru District Council Submission**
- 15 35 Climate Change Declaration**
- 16 45 Aoraki Development draft 2019/20 Statement of Intent and Budget**
- 17 54 2018 19 Annual Plan Progress Report for the Eight months Ended 28 February 2019**
- 18 60 Timaru District Holdings Limited Governance Structure and Remuneration of Directors**
- 19 Consideration of Urgent Business Items**
- 20 Consideration of Minor Nature Matters**
- 21 Public Forum Items Requiring Consideration**

**Timaru District Council**  
**for the Meeting of 2 April 2019**

**Report for Agenda Item No 7**

**Prepared by Bede Carran**  
**Chief Executive**

**Confirmation of Minutes – Council Meeting 12 February 2019**

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Minutes of the 12 February 2019 Council meeting.

**Recommendation**

**That the minutes of the Council meeting held on 12 February 2019, be confirmed as a true and correct record.**

## Timaru District Council

### Minutes of a Meeting of the Timaru District Council Held in the Council Chamber, District Council Building, King George Place, Timaru on 12 February 2019 at 3pm

**Present** Mayor Damon Odey (Chairperson), Cllrs Peter Burt, Nigel Bowen, Dave Jack, Andrea Leslie, Richard Lyon, Paddy O'Reilly, Sally Parker, Kerry Stevens and Steve Wills

**Apologies** Proposed Cllr Stevens  
Seconded Cllr Bowen

"That apologies from Jarrod Marsden – Geraldine Community Board and Raewyn Hessel – Pleasant Point Community Board be accepted."

Motion carried

**In Attendance** Stephanie McCullough - Temuka Community Board  
Chief Executive (Bede Carran), Group Manager Infrastructure (Ashley Harper), Group Manager Environmental Services (Tracy Tierney), Group Manager Community Services (Sharon Taylor), Acting Group Manager Commercial and Strategy (Stephen Halliwell), Group Manager People and Digital (Symon Leggett), Communications Manager (Stephen Doran), Strategy and Corporate Planning Manager (Mark Low) and Policy Analyst (Fabia Fox) and Council Secretary (Joanne Brownie)

**Opening Prayer** Gene Lawrence of Temuka Trinity Presbyterian Parish offered a prayer for the work of the Council

**Karakia** The Mayor opened the meeting with a karakia

1. **Declaration of Conflicts of Interest**

There were no conflicts of interest declared.

2. **Confirmation of Minutes Council Meeting 11 December 2018**

Proposed Cllr Wills  
Seconded Cllr Jack

"That the minutes of the Council meeting held on 11 December 2018, excluding the public excluded section, be confirmed as a true and correct record."

Motion Carried

3. **Confirmation of Minutes Extraordinary Council Meeting 18 December 2018**

Proposed Clr Burt  
Seconded Clr Lyon

“That the minutes of the Extraordinary Council meeting held on 18 December 2018, be confirmed as a true and correct record.”

Motion Carried

4. **Schedule of Functions Attended by the Mayor, Deputy Mayor and Councillors**

Proposed Clr Wills  
Seconded Clr Parker

“That the schedule of duties and functions attended by the Mayor, Deputy Mayor and Councillors be received and noted.”

Motion Carried

5. **Schedule of Functions Attended by the Chief Executive**

Proposed Clr Stevens  
Seconded Clr Jack

“That the schedule of duties and functions attended by the Chief Executive be received and noted.”

Motion Carried

6. **Contract Let by the Chief Executive**

Proposed Clr Jack  
Seconded Clr Leslie

“That the following information on a contract let by the Chief Executive under delegated authority, be received.

Contract Description	Number of Tenders	Price Range	Successful Tenderer and Price
Contract 2388 – Bridges 95 Guild Road and 160 Middleswamp Road replacement	2	\$322,543.08 to \$330,757.13	Fulton Hogan Limited \$322,543.08
Tenders were evaluated using the Lowest Price Conforming Tender Method			

All prices exclude GST.”

Motion carried

7. **Productivity Commission Inquiry – Local Government Funding and Financing**

The Council considered a report and draft submission on the Productivity Commission's Local Government Funding and Financial Issues Paper.

Proposed Clr Wills  
Seconded Clr Jack

"That the Council approves the submission on the Productivity Commission's Local Government Funding and Financing Issues Paper."

Motion carried

8. **2018/19 Annual Plan Progress report for the Six Months ended 31 December 2018**

The Council considered the Annual Plan progress report for the six months ended 31 December 2018. A summary of the project status was tabled at the meeting. Council noted the information presented and raised some questions around progress of the capital work programme, reasons for delays and resourcing concerns. Council officers explained reasons for some of the delays related to a shortage of specialist skills and the complexity of the projects involved.

There was support for the new format but there was some reticence regarding the four month reporting timeframe, due to the amount of time that would have to be spent by council officers in preparing the report. The Chief Executive advised that four monthly reporting would allow for earlier information to give a longer window to address any concerns with meeting expectations. Councillors noted that presenting information more regularly could assist with more informed, up to date decision making.

Further reporting will be done at the next Committee meetings in regard to certain projects, the resources required and expected progress.

Proposed Clr Wills  
Seconded Clr Parker

- a "That the summary financial results to 31 December 2018 is received and noted.
- b That the non-financial performance indicators and project work programme results to 31 December 2018 is received and noted.
- c That a four-monthly reporting cycle is adopted."

Motion carried

9. **Accounting Policy for Property, Plant and Equipment**

The Council considered a report by the Chief Executive seeking approval of the Audit and Risk Subcommittee's recommendation to change the accounting policy for property, plant and equipment. There was both support for, and concerns

about the proposed change, with the possible effect on ratepayers being the basis of that concern.

The meeting was advised that the accounting process and the funding aspect of implementing the change are different. Council suggested further information on the timing and impact of the proposal would be helpful.

Proposed Clr Bowen  
Seconded Clr Stevens

- a “That Council confirms the recommendation of the Audit and Risk Subcommittee to change Council’s accounting policy for measuring property, plant and equipment from a cost to a revaluation model.
- b That transitional decisions regarding funding and timing of the change in accounting policy be delegated to the Policy and Development Committee and in the meantime the accounting process is the only thing that changes.”

Motion carried

#### 10. Exclusion of the Public

Proposed Clr Jack  
Seconded Clr Leslie

“That the Council resolves to exclude the public on the grounds contained in Section 48(1) of the Local Government Official Information and Meetings Act:

##### Confirmation of Minutes

Clause	LGOIMA wording	Plain English reason
Section 7(2)(b)(ii)	To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied, or who was the subject of, the information.	Commercial sensitivity
Section 7(2)(c)(i)	To protect information which is subject to an obligation of confidence, or which any person has been, or could be compelled to provide under the authority of any enactment where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public	Due to an obligation of confidence and to ensure the information avenue remains open, when it is in the public interest for it to do so



interest that such information should be continued to be supplied.”

Motion carried

**11. Readmittance of the Public**

Proposed Clr O'Reilly  
Seconded Clr Parker

“That the public be readmitted to the meeting.”

Motion carried

The meeting concluded at 4pm.

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Chairperson

## **Items Considered with the Public Excluded Council Meeting 12 February 2019**

### **12. Confirmation of Minutes – Council Meeting 11 December 2019**

Proposed Clr O'Reilly  
Seconded Clr Jack

"That the public excluded clauses of the minutes of the Council meeting held on 11 December 2018, be confirmed as a true and correct record."

Motion carried

### **13. Confirmation of Minutes – Tenders Committee Meeting 29 January 2019**

Proposed Clr Stevens  
Seconded Clr Burt

"That the minutes of the Tenders Committee meeting held on 29 January 2019, be confirmed as a true and correct record."

Motion carried

**Timaru District Council**  
**for the Meeting of 2 April 2019**

**Report for Agenda Item No 8**

**Prepared by Bede Carran**  
**Chief Executive**

**Confirmation of Minutes – Council Annual Plan/Budget Meeting 18 March 2019**

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Minutes of the Council Annual Plan/Budget meeting.

**Recommendation**

**That the minutes of the Council Annual Plan/Budget meeting held on 18 March 2019, be confirmed as a true and correct record.**

## Timaru District Council

### Minutes of a Meeting of the Timaru District Council Held in the Council Chamber, District Council Building, King George Place, Timaru on 18 March 2019 at 9am

<b>Present</b>	Mayor Damon Odey (Chairperson), Cllrs Peter Burt, Nigel Bowen, Dave Jack, Andrea Leslie, Richard Lyon, Paddy O'Reilly, Sally Parker, Kerry Stevens (by telephone link) and Steve Wills
<b>In Attendance</b>	Chief Executive (Bede Carran), Group Manager Infrastructure (Ashley Harper), Group Manager Environmental Services (Tracy Tierney), Group Manager Community Services (Sharon Taylor), Acting Group Manager Commercial and Strategy (Stephen Halliwell), Chief Financial Officer (David Codyre), Management Accountant (Sandy Hogg), Communications Manager (Stephen Doran), Strategy and Corporate Planning Manager (Mark Low) and Policy Analyst (Fabia Fox)(for item 3) and Council Secretary (Joanne Brownie)
<b>Opening Prayer</b>	Pauline Geddes of St Philips and All Saints Anglican Church offered a prayer for the work of the Council
<b>Karakia</b>	The Mayor opened the meeting with a karakia
<b>Minutes Silence</b>	The Mayor acknowledged the horrific shootings at the Christchurch mosques on 15 March and the Council stood in silence out of respect for the deceased, injured and families affected.

#### 1. Declaration of Conflicts of Interest

There were no conflicts of interest declared.

#### 2. Proposed Annual Plan and Budget for the Period 1 July 2019 to 30 June 2020

The Council considered a report by the Acting Group Manager Commercial and Strategy, Chief Financial Officer and the Strategy and Corporate Planning Manager, together with the proposed Annual Plan, draft budget, draft rates calculation sheet and fees and charges. The Acting Group Manager Commercial and Strategy provided further background to the report, the draft budget position and the overall rating situation (including reasons for changes in various rates) as it stands at this point.

The Council noted the recommendations from the three Community Boards, in particular, the Temuka swimming pool upgrade and the Coach/Tiplady/Winchester-Geraldine intersection roundabout.

The Mayor acknowledged the work undertaken by staff in the preparation of the documents for the meeting.

The Council considered the items listed in Appendix 1 of the report and made decisions as below:

### Appendix 1

Project	Comments	Decision
Footpaths/berms		No change
Highfield Golf Course	<ul style="list-style-type: none"> <li>• Need a plan to be prepared, with more detailed costings</li> <li>• Good opportunity to plan for stormwater and sewer works</li> <li>• Parties other than Council, need to substantially contribute to overall project</li> <li>• Note land in upper part of area may be sold in future, fund internally then 'top up' with revenue from the sales</li> </ul>	\$75,000 from Council, reduced from proposed \$150,000
Pareora Dam	Ownership primarily sits with the TDC therefore responsibility predominantly lies with TDC	No change
Parks Operational Budget	Discussion on possible increase in service levels and corresponding increase in budget - leave at level recommended by staff at this stage	\$125,000 annually from 2019/20 (rates) but work with parks on future needs
Temuka Pool Upgrade		No change
Winchester-Geraldine/Coach/Tiplady Roads intersection improvements		No change

### Liquor Licence Advertising Fee

### Caroline Bay Soundshell Fencing/Labour

## Annual Plan Consultation and Engagement

A document highlighting key projects will be produced, including overall financial information. This will be available through printed media and the Council website and promoted using normal Council channels.

“That the Council instructs the Chief Executive to prepare an Annual Plan on the basis of the information provided in the report considered at this meeting, with one adjustment in regard to the Highfield Golf Course (\$75,000 Council contribution) and Council confirms that there is no need to undertake full formal consultation.”

“That the proposed Fees and Charges schedule be adopted subject to minor wording changes in regard to the Caroline Bay soundshell fencing and approval of the new \$50 liquor licensing online advertising fee.”

### 3. Environment Canterbury Draft Annual Plan 2019/20 – Timaru District Council Submission

The Council considered the draft Timaru District Council submission on the Environment Canterbury draft Annual Plan 2019/20. The Policy Analyst clarified the basis on which the draft submission had been prepared.

Proposed Clr Wills  
Seconded Clr Jack

“That Council approves the submission to Environment Canterbury’s draft Annual Plan 2019/20, as presented.”

Motion carried

The Mayor thanked the councillors and staff for their work and noted attention now will be given to working within the budget here defined.

The meeting concluded at 10.35am.

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Chairperson

**Timaru District Council**  
**for the Meeting of 2 April 2019**

**Report for Agenda Item No 9**

**Schedule of Functions Attended by the Mayor and Deputy Mayor**

**1 February to 22 March 2019**

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**Functions Attended by the Mayor**

<i>1 February</i>	Meeting with Ashburton Mayor Attended Canterbury Mayoral Forum Attended Canterbury Civil Defence Emergency Group Joint Committee meeting Attended opening of Dreams Journey exhibition at Aigantighe Art Gallery
<i>4 February</i>	Meeting with Sport Canterbury
<i>7 February</i>	Chaired Timaru District Holdings Ltd meeting
<i>11 February</i>	Met with possible Tuia programme candidate at Opihi College Attended Sister City Committee meeting Attended and spoke to Timaru Lions club meeting
<i>12 February</i>	Conducted Citizenship ceremony Chaired Council meeting Attended CBD workshop
<i>26 February</i>	Attended Aoraki Development workshop Attended DP Residential Zone workshop
<i>27 February</i>	Attended Future Government conference
<i>28 February</i>	Attended Prime Port Board meeting Attended Safer Communities Committee meeting Mentoring meeting with Tuia Programme candidate
<i>4 March</i>	Met with Principal of Waimaitaitai school regarding Tuia programme
<i>5 March</i>	Chaired Timaru District Holdings Ltd board meeting Took part in TDC room naming competition judging Attended District Plan Workshop (Rural zone)
<i>6 March</i>	Met with member of the RSA
<i>7 March</i>	Attended Rural and Provincial LGNZ Stakeholders conference (2 days) Attended Rural and Provincial function
<i>8 March</i>	Attended Rural and Provincial LGNZ Stakeholders conference



<i>11 March</i>	Attended Geraldine Licencing Trust meeting
<i>12 March</i>	Attended Standing Committee Meetings
<i>13-14 March</i>	Attended Air New Zealand Mayoral forum in Auckland (2 days)
<i>15 March</i>	Radio interview Attended meeting with Air New Zealand Attended and spoke to Aoraki Secondary Principals term one meeting
<i>18 March</i>	Attended Council Annual Plan/Budget meeting
<i>20 March</i>	Meeting with Timaru App Reporter Attended Alpine Energy Shareholders only meeting Attended Alpine Energy Shareholder meeting Attended Youth Initiatives Subcommittee meeting Attended St John meeting
<i>21 March</i>	Meeting with RSA, Canterbury District president Attended Chamber of Commerce BA5
<i>22 March</i>	Attended Geraldine community vigil Attended Temuka community vigil

In addition to the above, I met with three members of the community.

### **Functions Attended by the Deputy Mayor**

<i>20 February</i>	Welcomed International Students at Caroline Bay Hall
<i>3 March</i>	Opened Caroline Bay Children's Fun day Attended Hadlow to Harbour Prizegiving
<i>8 March</i>	Attended Opening of Thomas House Boarding House wing at Timaru Boys High School

### **Recommendation**

**That the report be received and noted.**

**Timaru District Council**  
**for the Meeting of 2 April 2019**

**Report for Agenda Item No 10**

**Schedule of Functions Attended by the Chief Executive**

**1 February to 21 March 2019**

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**Functions Attended by the Chief Executive**

<i>1 February</i>	Attended Canterbury Mayoral Forum Attended opening of Dreams Journey exhibition at Aigantighe Art Gallery
<i>7 February</i>	Attend Timaru District Holdings Ltd meeting
<i>11 February</i>	Meeting with Mackenzie District, Ashburton District and Waimate District Councils Chief Executives
<i>12 February</i>	Attended Citizenship ceremony Attended Council meeting Attended CBD workshop
<i>15 February</i>	Attended exhibition opening of Painted Memories at the Museum
<i>18 February</i>	Met with MP Jo Luxton
<i>19 February</i>	Met with PrimePort Timaru Limited Chief Executive
<i>21 February</i>	Met with Aoraki Development Chief Executive Met with South Island Visitor Destination Management representative
<i>25 February</i>	Attended Canterbury Operations Forum
<i>26 February</i>	Attended Aoraki Development workshop
<i>27 February</i>	Attended 3 Water Mayoral Forum sub-group meeting Met with Chief Executives from Ara, Aoraki Development and South Canterbury Chamber of Commerce Met with Alpine Energy Chief Executive Attended BA5 Dingle Foundation presentation
<i>28 February</i>	Met with Aoraki Development Chief Executive Met with Environment Canterbury South Canterbury Manager
<i>1 March</i>	Attended Digital Local Government Partnership Executive Meeting

<i>5 March</i>	Attended Timaru District Holdings Ltd meeting Attended District Plan Workshop (Rural zone)
<i>6 March</i>	Met with Canterbury Water representative
<i>7-8 March</i>	Attended Rural and Provincial LGNZ Stakeholders conference (2 days) Attended Rural and Provincial function
<i>12 March</i>	Attended Standing Committee Meetings
<i>13-14 March</i>	Attended Air New Zealand Mayoral forum in Auckland
<i>15 March</i>	Met with Alpine Energy Chief Executive Met with MP Andrew Falloon Attended meeting with Air New Zealand
<i>18 March</i>	Attended Council Annual Plan/Budget meeting
<i>20 March</i>	Meeting with Timaru App Reporter Attended Alpine Energy Shareholders meeting
<i>21 March</i>	Met with Ara Deputy Chief Executive Attended BA5 at St Johns

I also met with various ratepayers and/or residents on a range of operational matters.

### **Recommendation**

**That the report be received and noted.**

**Timaru District Council**  
**for the Meeting of 2 April 2019**

**Report for Agenda Item No 11**

**Prepared by - Bede Carran**  
**Chief Executive**

**Affixing of the Common Seal**

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**Recommendation**

**That the affixing of the Common Seal to the following document be noted:**

<b>Date</b>	<b>Document</b>
<b>12 February 2019</b>	<b>Loan Raising Programme</b>

**Timaru District Council**  
**for the Meeting of 2 April 2019**

**Report for Agenda 12**

**Prepared by     Bede Carran**  
**Chief Executive**

**Contract Let by the Chief Executive Under Delegated Authority**

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**Recommendation**

**That the following information on a contract let by the Chief Executive under delegated authority, be received.**

<b>Contract Description</b>	<b>Number of Tenders</b>	<b>Price Range</b>	<b>Successful Tenderer and Price</b>
<b>Contract 2384 -Craigie Avenue Gymnasium Roof Replacement</b>	<b>3</b>	<b>\$164,952.00 to \$319,260.00</b>	<b>Menzies Group \$210,542.00</b>
Tenders were evaluated using the Weighted Attribute Method			

All prices exclude GST

**Timaru District Council**  
**for the Meeting of 2 April 2019**

**Report for Agenda Item No 13**

**Prepared by Mark Low**  
**Electoral Officer**

**Local Authority Elections 2019 - Order of Candidate Names (Timaru District Council)**

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**Purpose of Report**

1. The purpose of this report is to seek a decision on the order in which the candidates' names are to be shown on the voting documents for the 2019 Local Authority Elections for the Timaru District Council.

**Background**

2. Clause 31 of the Local Electoral Regulations 2001 allows the Council to resolve whether the names of candidates are to be arranged on voting documents in:
  - alphabetical order of surname; or
  - pseudo-random order; or
  - random order.
3. Where a resolution is to be made, it must be made before the further public notice of election is advertised (generally mid-August). However, this is an administrative decision that can be made earlier. Where a resolution is not made approving one of these options, the Local Electoral Regulations require that candidates' names are in alphabetical order of surname. The resolution made applies to all Timaru District Council elections (i.e. Mayor, Council and Community Boards).

**Options**

The options are: –

**Option 1 – Option 1 – Alphabetical Order of Surname**

4. This is simply listing candidates' names alphabetically by surname.

**Option 2 – Pseudo-Random Order (i.e. one randomised order for all voting documents)**

5. Candidates' surnames are randomly selected and the order selected is the order appearing in all voting documents relevant to that issue. The names are randomly selected by a method such as drawing out of a container.

6. If a local authority has determined that pseudo-random order is to be used, the Electoral Officer must state, in the public notice required to be given, the date, time and place at which the order of the candidates' names will be arranged. Any person is then entitled to attend while the arrangement is in progress.

### **Option 3 – Random Order (i.e. all voting documents have a different order)**

7. This is where all candidate surnames are randomly selected by using computer software and the order of surnames is different on each voting document.
8. In 2016, Option 3 – Random Order was adopted (all voting documents have a different order).

### **Identification of Relevant Legislation, Council Policy and Plans**

9. Local Electoral Act 2001
10. Local Electoral Regulations 2001

### **Assessment of Significance**

11. This matter is not considered significant under the Council's Significance and Engagement Policy.

### **Consultation**

12. Consultation is not required on this matter. The decision is a resolution of Council.

### **Other Considerations**

13. At the time of preparation of this report, no other local authorities have resolved on their order of names (i.e. South Canterbury District Health Board, Environment Canterbury and the Geraldine Licensing Trust). In 2016, all local authorities represented on the Timaru District ballot paper resolved to use random order.

### **Funding Implications**

14. There are no additional costs generated from any of the options selected in conducting the election.

### **Conclusion**

15. For every triennial election, Council has the option to choose the order in which candidate's names are to be shown on the voting document. Where no resolution is made, alphabetical order of surnames will be used.

## **Recommendations**

**That the Council resolves that the names of the candidates for the Timaru District Council elections on 12 October 2019 are to be arranged on the voting papers in:**

- 1. Alphabetical order by surname; or**
- 2. Pseudo-random order; or**
- 3. Random order.**



**Timaru District Council**  
**for the Meeting of 2 April 2019**

**Report for Agenda Item No 14**

**Prepared by Fabia Fox**  
**Policy Analyst**

**Ministry of Education Reform of Vocational Education – Timaru District Council**  
**Submission**

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**Purpose of Report**

1. The purpose of this report is to present a draft submission (attached) to the Ministry of Education’s Reform of Vocational Education for Council approval.

**Background**

2. In February 2018 Education Minister Chris Hipkins announced a wide-sweeping review into the education system. As part of the national “Education Conversation” the Government is reviewing primary and secondary schooling (the Tomorrow’s Schools system), early childhood education, school property, National Certificate of Educational Achievement (NCEA), achievement for Maori and Pasifika learners, and polytechnics and vocational training.
3. The Reform of Vocational Education brings together the two pieces of work initiated by the Government in early 2018; the Review of the Vocational Education and Training system and the Institutes of Technology and Polytechnics (ITPs) Roadmap 2020 project, led by the Tertiary Education Commission (TEC).
4. Vocational education, for the purposes of this reform, is defined as:
  - a. All industry training (training and apprenticeships people undertake in employment); and
  - b. Provider-based education at levels 3-7 of the New Zealand Qualifications Framework, excluding:
    - i. Degree study;
    - ii. Te Reo and tikanga Maori;
    - iii. English for Speakers of Other Languages;
    - iv. Any university provision; and
    - v. Other non-formal provision.
5. Based on this definition, the proposed reforms do not include degree level education provided by ITPs, vocational education provision by wananga or

private training establishments, or foundation training provided by community colleges.

6. The consultation document states that at the heart of the reform “is a goal to ensure that the needs of learners, employers and communities drive the system, to help us raise living standards for everyone in New Zealand. We want a system that truly delivers to the regions of New Zealand, and our proposals will help to ensure that there is greater availability of provision throughout New Zealand.”
7. To achieve these goals, the Government has prepared an integrated programme of reform comprising three main proposals:
  - a. Redefining roles for education providers and industry bodies by;
    - i. Extending the leadership role of industry and employers across all vocational education, including provider-based vocational education, through new “Industry Skills Bodies”;
    - ii. Transferring to vocational education providers the Industry Training Organisations’ current role of supporting workplace learning and assessment for work-based vocational education; and
    - iii. Providing industry with a purchase role across all vocational education, through advice to the TEC, which the TEC must give regard to.
  - b. Creating an institution with the working title of New Zealand Institute of Skills and Technology, bringing together the 16 existing ITPs as a single entity which will;
    - i. Have a leadership role for vocational education nationally and regionally;
    - ii. Be governed by a national Council appointed by the Minister of Education, overseeing a single combined management team and balance sheet to manage capital and operational budgets, staffing, and student and learning management systems;
    - iii. Be advised on local skills needs by Regional Leadership Groups; and
    - iv. Host Centres of Vocational Excellence (CoVEs) at regional campuses that reflect the key industry (or industries) in their region.
  - c. Creating a unified vocational education funding system that would include;
    - i. A consolidated set of funding rates for both on-job and off-job provisions;
    - ii. Funding for strategically important delivery that comes at higher costs (for example, where more delivery is in remote regions or in areas with lower populations). This could be a per-learner top-up or through a base grant.

- iii. Funding for Industry Skills Bodies (since they will not receive funding for individual trainees and apprentices), balanced with employer contributions to ensure Industry Skills Bodies are responsive to employers;
  - iv. Continued industry/employer contributions to the cost of training; and
  - v. Continued fees to learners in some cases.
8. The full consultation document and supporting information can be found at [Reform of Vocational Education](#).
9. The draft submission prepared focuses on the proposals likely to impact the provision of high quality vocational education that is responsive to industry needs in the Timaru District. The submission also advocates for the retention and development of a vocational education campus in Timaru, in line with the Government's desire to grow vocational education in the regions.

### **Options**

10. The options are –
- Option 1 – Approve the submission as presented; or
  - Option 2 – Amend the submission to include additional feedback or reflect other views.

### **Identification of Relevant Legislation, Council Policy and Plans**

- 11. Council's Strategic Direction, set out in the Long Term Plan 2018-28, includes priorities of supporting areas of economic and district strength, promoting integrated, highly livable communities and investing in our community.
- 12. Council's Vision includes a thriving economy with a variety of training and employment opportunities available, and a fantastic lifestyle where our district's opportunities attract people, skilled workers and families here to live, work and play.
- 13. Given this Strategic Direction and Vision, it is important that Council provides a strong voice for the Timaru District in the conversation on the Reform of Vocational Education.

### **Assessment of Significance**

14. This matter is not deemed significant under the Council's Significance and Engagement Policy.

### **Consultation**

15. Working closely with Aoraki Development (AD) on the development of this submission, the views of local businesses, industry training organisations, and

providers of vocational education (chiefly Ara Institute of Canterbury), have also been considered in the drafting of the submission.

16. Aoraki Development has also prepared a submission which closely aligns with the draft Timaru District Council submission.

### **Other Considerations**

17. Consultation on the proposals close Friday 5 April 2019.
18. A Cabinet decision on the proposed changes is likely to be made in mid-2019, with a view to legislation being introduced in 2019.

### **Funding Implications**

19. There are no funding implications

### **Conclusion**

20. The Ministry of Education is consulting on its proposed Reform of Vocational Education. A submission has been prepared offering feedback on the proposals to redefine the roles of industry bodies and education providers, create a single New Zealand Institute of Skills and Technology, and unify the vocational education funding system.

### **Recommendation**

**That Council approves the joint submission to the Ministry of Education's Reform of Vocational Education.**

# **Timaru District Council**

## **Submission on the Reform of Vocational Education**

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### **To the Ministry of Education**

#### **Introduction**

1. The Timaru District Council thanks the Ministry of Education for the opportunity to submit on the Reform of Vocational Education.
2. This submission is made by the Timaru District Council, 2 King George Place, Timaru. The contact person is Damon Odey, Mayor of the Timaru District. I can be contacted at Timaru District Council, phone (03) 687 7200 or PO Box 522, Timaru 7940.
3. The Timaru District Council is a local authority in the South Island serving over 46,000 people in South Canterbury. The main settlement is Timaru, with other smaller settlements of Geraldine, Pleasant Point and Temuka.
4. Timaru District Council, as a member council, supports the Canterbury Mayoral Forum's submission to the Reform of Vocational Education. Council also supports the submission made by the Timaru District economic development agency, Aoraki Development.
5. Council's submission will firstly address the overarching vision and aims of the proposed reform and then provide feedback on each of the proposals specifically.

#### **Reform Vision and Outcomes**

6. Timaru District Council supports the vision of a sustainable vocational education system that has the capacity to meet current needs, and the capability to adapt to rapid economic, social and technological change; a system that delivers excellent educational and employment outcomes for all learners, provides industry and employers with confidence that the system will respond to their needs and supports regions to thrive. Council's chief concern is that these integral parts of the Government's vision will be lost, or poorly executed, in a hasty push for centralisation.
7. Our own strategic vision for the Timaru District includes having a thriving economy where opportunities abound, with a variety of training and employment opportunities available and with business and other agencies working together for maximum benefit for our district. The retention and further development of a vocational education institute and growth in all areas of vocational training in the Timaru District is essential to achieving this vision.

8. We recognise the vocational education sector faces considerable issues that need addressing, and while these issues may be not be endemic to all institutes and training organisations, they are systemic, limiting the success and growth of the sector as a whole.
9. We support the assertion that Government cannot continue tinkering at the edges or adding more layers of complexity to the vocational education system.<sup>1</sup> This is a bold and wide-ranging proposal for reform and we support the intent. It is essential however, given the lack of robust detail and supporting information, that Government genuinely considers and examines the merits of all feedback, particular that from within the vocational education and training sector, when refining the proposals.
10. We applaud the Government's commitment to increase the availability and relevancy of vocational education in the regions. This commitment needs to be honoured and all elements of the reform process needs to work to create a system that has the capacity and capability to continue to deliver the high quality education and skills that the regions urgently need.
11. Council recognises and supports the need to provide a vocational education system that delivers to the needs of all learners. Increasing ethnic diversity in our society and workplaces needs to be reflected in the accessibility of vocational education for all individuals. This extends to disabled peoples, leaners in remote areas of New Zealand, learners with limited prior achievement in education, and returning learners.
12. While the consultation document states that "at the heart of the Government's reform of vocational education is a goal to ensure that the needs of learners, employers and communities drive the system", Council is concerned that learner priorities and educational drivers are largely absent from the rest of the consultation conversation.<sup>2</sup> We urge the Government to place current and future students at the heart of all reform considerations. Providing lifelong, equitable learning opportunities throughout New Zealand is the most essential outcome.
13. We support the aim to build New Zealand's standing in the international market and believe the opportunities for expansion in international education, particularly in the regions, are considerable.
14. Council recognises there are, and will continue to be many societal disruptors that New Zealand must face. We know they are likely to include technological change, globalization and demographic change, but no one can fully predict how and when these disruptors will make their mark on the labour market and the tertiary education sector. This places a premium on system settings that allow flexibility and adaptability so that providers, students and employers can respond to their changing circumstances.

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<sup>1</sup> Reform of Vocational Education: Consultation Discussion Document, p. 15.

<sup>2</sup> Reform of Vocational Education: Consultation Discussion Document, p. 18.

15. Achieving this requires a level of local decision-making and budgetary control, with the discretion to respond quickly to changing regional circumstances. Any reform needs to recognise this and strike the correct balance of centralised efficiencies and local decision-making. In general terms, we believe a concept such as a centralised balance sheet, and a localised profit and loss model could achieve that balance.
16. Council is concerned about the exclusion of community colleges and Private Training Establishments (PTEs) from this reform conversation. The aim to reform the vocational education, and in particular create a unified funding system will fall well short if these important providers of education are not engaged with or considered.
17. We note the recent consultation on employer-assisted visas and regional workforce planning and urge Government and all appropriate agencies to ensure the aims of these reforms, and the consequential changes, align. This will require ongoing conversations on the relationships between labour and skills shortages, immigration, vocational education and training, and welfare. These are conversations the Government needs to lead, and this leadership cannot end with the passing of legislation.

#### **Proposal 1 – Redefining roles for industry bodies and education providers**

18. Council supports the proposal to clarify roles, minimise overlapping responsibilities between ITOs and ITPs and to align on- and off-job education and training. The system resulting from the proposed changes needs to be simple and all programmes consistent so that employers can easily engage with vocational education providers to meet their skills needs, and learners can have confidence in their education and qualifications.
19. While we support a re-defining of these roles, we **do not support** the removal of ITOs' role in supporting workplace learning. In many areas the industry training sector is successful and high-performing. Council is concerned that if the proposals are implemented as currently presented they may dismantle the industry-led training and apprenticeships system and disincentivise employers from engaging with the vocational education sector. Any changes should build on the current work of ITOs and minimise any disruption that may exacerbate current shortages of skilled employees.
20. We are also concerned that ITOs feel they have not been included in the reform process. We urge the Government to more actively engage and consult in this space as the reform processes advances.
21. We support redefining ITOs as Industry Skills Bodies (ISBs) to:
  - Extend current industry coverage by ITOs;
  - Co-ordinate industry identification and planning to address future skills needs;
  - Provide advice to the Tertiary Education Commission (TEC) on purchasing of vocational education; and

- Contribute to curricula design and play a role in approving both vocational education qualifications and programme requirements, and in setting standards and moderating assessment.
22. We support, in principle, the establishment of Regional Leadership Groups – which we suggest would be more appropriately named Regional Stakeholder Groups. It is essential the ISBs and Regional Stakeholder Groups align with the regional skills bodies, and skills and jobs hubs proposed as part of the new approach to employer-assisted work visas and regional workforce planning, as much as possible. Doing so would avoid duplication of work and enhance collaboration within, and across, regions and sectors.
  23. These bodies/groups need to be mandated to engage with employers of migrant workers, welfare organisations and secondary schools to ensure education, employment, migration and welfare efforts are as joined-up as possible, including:
    - Forecasting demand for particular skills or qualifications;
    - Giving advice to providers and the TEC where the vocational education system is not responding to demand or needs to change its delivery to meet future demand; and
    - Anticipating the impacts of new technologies and the future of work, and how this is likely to affect the demand for skills.
  24. We recognise there are gaps in the coverage by ITOs and in some cases there is an imbalance in the quality of practical and theoretical training and assessment available for some industries.
  25. In redefining roles, the Government needs to be mindful of appropriate representation for smaller industries, particularly those currently not represented, or underserved by ITOs. The consultation document states that “over time, Government would facilitate the Industry Skills Bodies to fill these gaps if necessary.”<sup>3</sup> We urge Government to include this work as a priority to ensure equality, and appropriate support and representation for all industries throughout the reform process.
  26. We support the establishment of Centres of Vocational Excellence (CoVEs) for key sectors. In linking CoVEs to the regions, it is essential that these centres are reflective of both the regional economy, and the potential for growth, innovation and collaboration between industry and education.
  27. Priority should be given where regional ITPs have existing expertise in an industry or sector or where an industry has a significant regional footprint, and where there is evidence of good partnerships with ITOs, businesses and supporting stakeholders including secondary schools, economic development agencies, local government and iwi.

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<sup>3</sup> Reform of Vocational Education: Consultation Discussion Document, p. 20



28. Further detailed analysis of a possible structure for CoVEs across regional New Zealand is essential and we urge the Government to undertake extensive engagement with existing regional ITPs, ITOs and other stakeholders to ensure sustainable success.

**Proposal 2 – Create a New Zealand Institute of Skills and Technology with a robust regional network of provision**

29. Council **does not** support the proposal to create a *single vocational education institute*. We believe the disruption of this change will outweigh any gains, financially or otherwise, for a long time. Further, we do not think that centralisation on this scale is in the best interests of local communities or will serve to address regional labour and skills shortages.
30. Forming a single institute puts established brands at risk and is likely to weaken social capital with key local and regional stakeholders. We recognise there are benefits and efficiencies to be gained from the centralisation of some functions, however, we do not believe that centralisation to this extent will result in the economies of scale purported. It will more likely compromise flexibility, responsiveness and the ability and willingness of providers to innovate in education delivery.
31. As the Canterbury Mayoral Forum submission points out, centralisation does not necessarily need a ‘head office’, nor does it need to take place in Wellington. We submit that the Government could take this opportunity to implement the commitment made in its coalition agreement, to relocate government functions into the regions.<sup>4</sup>
32. Council **does support** the creation of a *single vocational education system*, with centralisation of some functions to drive efficiencies and improve investment, including:
- Whole-of-system strategy and planning to respond to both current and likely future needs of learners and employers (which should be carried out in consultation with the proposed ISBs and Regional Stakeholder Groups);
  - Financial and asset management including capital planning, procurement, contract management and financial planning;
  - Curriculum and resource development;
  - Academic quality and assurance;
  - Allocation and approval of delivery portfolios;
  - Standards setting for ‘back-office’ services and/or shared services to deliver these;
  - Student administration including student management systems, enrolments, and record of achievement; and
  - International education marketing – and internationalisation of vocational education and training generally.

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<sup>4</sup> Coalition agreement between the New Zealand Labour Party and the New Zealand First Party, 2017, p.2

33. We believe that individual regional providers should continue to be responsible for:
- Programme delivery and assessments;
  - Local industry and stakeholder engagement;
  - Student support services;
  - People and capability functions; and
  - Management of fit-for-purpose facilities;
34. Any over-centralised model runs the risk of stifling responsiveness to regional stakeholders rather than improving it. There is also a risk, as many ITOs have expressed during the consultation period, of losing the flexibility to develop innovative partnerships and make high-quality vocational education an enabler of New Zealand's economic development.
35. We urge the Government to carefully consider the regional and sub-regional structure of the future vocational education system (in tandem with analysis of potential CoVEs). There will be significant challenges in designing a modular system which provides equitable access to vocational education and training for students from metropolitan to rural areas.
36. This proposal needs to ensure that the quality and consistency of qualifications, credentials and assessments do not diminish as a result of this process, and remain relevant to industry requirement. All learners, past, present and future, need to have confidence that the qualifications they have, or will receive, are recognised and valued by employers.
37. To ensure that a reformed vocational education system meets the needs of New Zealand's regions we strongly advocate for the importance of sub-regional learning centres, such as the Timaru campus of Ara Institute of Canterbury.
38. The loss of vocational education providers can result in a student and labour drain for the regions, as people migrate to urban centres for study and training opportunities, exacerbating regional employment issues. Labour and skills shortages in South Canterbury highlight that it is critical to retain capacity to deliver vocational education in sub-regional learning centres.
39. Should proposals to redefine ITOs proceed as presented, this will be even more essential. Without sub-regional centres providing support for trades, primary industries, and other work-based training, the disruption to essential industries in rural New Zealand will be significant and the productivity of these sectors will likely be adversely impacted.
40. The sector agreements, proposed in the employer-assisted visa consultation, to help businesses in need source migrants more easily in return for commitments by the sector to employ and train more New Zealanders, need to translate to strong relationships between these businesses and vocational education providers. It is essential, for the success of both reform processes that initiatives such as these are well considered and supported.

41. The lack of detail around the logistics of the proposed centralisation is concerning in many ways. Given the tight timeframes we would have expected a more detailed and nuanced approach to these complex reforms. Submissions from within the sector are sure to raise questions around the lack of detail provided about potential governance models, financial management, asset ownership, intellectual property and employment relations for example.
42. As a local authority, one of our greatest concerns, which is not addressed by the consultation document or supporting information, is that the considerable investments made by many communities in local vocational education providers will be absorbed into a centralised institute.
43. When Aoraki Polytechnic merged with Christchurch Polytechnic Institute of Technology (CPIT) in 2016 to create Ara Institute of Canterbury, close to \$22million of reserves from Aoraki were absorbed by Ara. At the time of the merger it was stated that “the financial reserves that Aoraki Polytechnic had previously build up must be invested to support the delivery of quality education for the Aoraki Region.” We seek assurances from the Government that these reserves will remain available solely for the benefit and advancement of vocational education in South Canterbury, and for the same principle to be applied to other regional institute’s reserves.

### **Proposal 3 – A unified vocational education funding system**

44. Council acknowledges the failings of the current funding system for vocational education. We welcome the proposal to create one cohesive and flexible funding system to ensure equitable access for learners to the skills and experience they need to success, and that providers have funding that is sustainable and supports the regional labour needs. It is also essential that any reform leads to funding equity across work-based, and off-the-job training.
45. We support a unified funding system up to level 7 diplomas including a base grant, allocated by region, and some form of equality funding that individual providers could apply for, supported by a well-developed business case.
46. We believe the flaws in the funding system could be, in part, addressed by the centralisation of the functions detailed above. We also believe that moving away from the EFTS “volume-based” funding model to a more appropriate “outcomes-focused” funding model will alleviate many of the failings of the current system, particularly the competition between providers.
47. The Government’s commitment to supporting thriving, sustainable regions needs to be evidenced with targeted and ongoing funding at a regional level to ensure the viability of crucial vocational education delivery in region.
48. We urge the Government to offer further opportunities for stakeholders to provide feedback once greater detail is available of the proposed funding system.

## Conclusion

49. Timaru District Council supports the Government's aims to reform the vocational education sector to ensure the delivery of high quality education to all learners, to better align with the needs of industry and employers, and to increase the availability and relevancy of vocational education in the regions. With reference to the proposals specifically, Council supports:
- The redefining of the roles of ITOs and ITPs to simplify the vocational education process for learners and employers;
  - Extending the current industry coverage of ITOs and giving them an advisory role for the purchasing of vocational education and curricula design and qualifications;
  - The establishment of Regional Stakeholder Groups to advise the TEC and vocational education providers to ensure regional needs are met and ensure regional collaboration across education, labour, immigration and welfare issues;
  - The establishment of CoVEs in the regions, and we strongly believe that Timaru is well provisioned and placed to host a Mid and South Canterbury/North Otago CoVE; and
- a. A unified funding system with an outcomes-focused model rather than the current EFTS volume-based model.
50. Commendable aims aside, the proposals outline a complex transformation of our vocational education system but provide little of the finer, but necessary, details of this reform. We appreciate that consultation is part of the process of refining these proposal, but would urge the Government to commit to further sector engagement once a more detailed transitional plan for the reform is available. The changes need to be implemented from a foundation of extensive pre-planning and ongoing sector engagement and not rushed through on the current timeframes.
51. Based on the current information available, Council does not support:
- a. Removing the role of supporting workplace learning from ITOs
  - b. The creation of a single vocational education institute and the over-centralisation of the institutional functions;
  - c. The loss of local decision-making for regional providers; or
  - d. The rushed timing of the implementation.
52. The efficiencies of some centralisation and a unified funding system may in many ways improve the sustainability of vocational education across New Zealand. However, we believe that it is the responsiveness and flexibility afforded by local decision-making and well established relationships between training providers, industry and employers at a regional level that will ensure the vocational education system is fit of purpose, and future.
53. Finally, we strongly believe there is considerable scope for improved regional delivery and development as a result of some of the proposed changes. We

support Aoraki Development's submission that Timaru is very well placed to be a location of a CoVE or a sub-regional spoke of a CoVE. We look forward to working closely with stakeholders to ensure Timaru, and the wider Mid and South Canterbury/North Otago region is well placed to respond proactively to these changes.

54. Thank you for the opportunity to submit on the proposals.

**Timaru District Council**  
**for the Meeting of 2 April 2019**

**Report for Agenda Item No 15**

**Prepared by Damon Odey**  
**Mayor**

**Climate Change Declaration**

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1. Attached is the Local Government Leaders' Climate Change Declaration, signed by 60 Mayors.
2. I would like to recommend that the Timaru District Council support this call for action on climate change.
3. Below are the reasons from an all-of-council perspective why our current work and rhetoric aligns with the Local Government Leaders' Climate Change Declaration.

They are as follows:

- As part of our Long Term Plan 2018-28 we adopted the Significant Assumption that: "Climate change will impact on the Council's operations and will require an appropriate response to adapt and prepare for potential impacts." To mitigate the risk of this assumption being wrong (i.e. that the effects of climate change are more or less severe than expected) Council stated that "Council activities will build appropriate mitigation responses into infrastructure development. The Council will continue to monitor climate change science and the response of central government and adapt its response if required."
- Several of our Activity Management Plans (including Water Supply, Sewer, Stormwater and Parks and Recreation) identify climate change as a key issue for the next 10 years, detailing the likely effects.
- Our Infrastructure Strategy (IS), adopted as part of our Long Term Plan 2018-28, details the potential key impacts for the Timaru District (including water shortages, fire risk, sea level rise, biosecurity threats, changing conditions for agriculture) and then details the specific impacts likely on Council infrastructure linked to Roading, Water Supply, Sewer, Stormwater, Waste Minimisation and also the likely impacts of coastal erosion and inundation.
- The IS also discusses climate change in reference to infrastructure resilience and states "To be resilient and sustainable, we need to plan for and respond to both anticipated and unexpected changes. More gradual and predictable threats provide even greater

challenges in the long-term. Changes in demand will occur due to population growth and demographic changes. Other changes need to be anticipated and planned for such as climate change. The current heavy reliance on non-renewable fuels and its contribution to climate change emissions is a sustainability issue. At a regional level, the infrastructure services provided will make relatively little difference to these issues. More substantial progress require national and international responses, including strong policy responses and the introduction of new technology.”

- With regards to Asset Resilience, the IS states “In order to improve resilience, the Council’s approach will be “ ... better integration of resiliency criteria in infrastructure design and ensure design standards meet climate change effects.”
- In Council’s submission on the Productivity Commission’s Funding and Financing Issues Paper (late Feb 2019), we lobbied Government to establish a Climate Change Adaptation Fund in order to incentivise responsible and sustainable adaptation policy development by local authorities (and others), including for the protection of water/roading assets, creation of natural hazard area, managed retreat, and emission reduction work, along with communications to ensure communities are well informed and engaged.
- The use of Electric Vehicles is being considered for our Council fleet.
- We are working with ECan and NZTA to implement a demand responsive public transport system, aimed at proving more efficient public transport to urban Timaru.
- Advocated to ECan (in a recent submission on its Annual Plan) the importance of undertaking its programmed work on coastal erosion and inundation so that Council can ensure its own information in plans and policies is current and relevant
- Council has been taking proactive leadership in areas of environmental sustainability and responsibility such as introducing the 3 bin system nearly 13 years ago which extended the life of our landfill by 25 years.

## **Conclusion**

4. Climate change is one of the pressing issues of our time and its effects will be increasingly felt and experienced across all our communities both collectively and individually. It is important that Council is demonstrating its leadership and commitment to tangible actions that will address the needs of current and future generations for adaptation and mitigation to reduce and address climate change effects.

## **Recommendation**

**That Council signs the Local Government Leaders’ Climate change Declaration.**

Who's  
putting local  
issues on  
the national  
agenda?

**We are.  
LGNZ.**

## Local Government Leaders' Climate Change Declaration

In 2015, Mayors and Chairs of New Zealand declared an urgent need for responsive leadership and a holistic approach to climate change. We, the Mayors and Chairs of 2017, wholeheartedly support that call for action.

Climate change presents significant opportunities, challenges and risks to communities throughout the world and in New Zealand. Local and regional government undertakes a wide range of activities that will be impacted by climate change and provides infrastructure and services useful in reducing greenhouse gas emissions and enhancing resilience.

We have come together, as a group of Mayors and Chairs representing local government from across New Zealand to:

1. acknowledge the importance and urgent need to address climate change for the benefit of current and future generations;
2. give our support to the New Zealand Government for developing and implementing, in collaboration with councils, communities and businesses, an ambitious transition plan toward a low carbon and resilient New Zealand;
3. encourage Government to be more ambitious with climate change mitigation measures;
4. outline key commitments our councils will take in responding to the opportunities and risks posed by climate change; and
5. recommend important guiding principles for responding to climate change.

We ask that the New Zealand Government make it a priority to develop and implement an ambitious transition plan for a low carbon and resilient New Zealand. We stress the benefits of early action to moderate the costs of adaptation to our communities. We are all too aware of challenges we face shoring up infrastructure and managing insurance costs. These are serious financial considerations for councils and their communities.

To underpin this plan, we ask that a holistic economic assessment is undertaken of New Zealand's vulnerability to the impacts of climate change and of the opportunities and benefits for responding. We believe that New Zealand has much at stake and much to gain by adopting strong leadership on climate change emission reduction targets.

We know that New Zealanders are highly inventive, capable and passionate about the environment. New Zealanders are proud of our green landscapes, healthy environment and our unique kiwi identity and way of life. Central and local government, working together with communities and business, can develop and implement ambitious strategies based on sound science, to protect our national inheritance and security.



## Council Commitments

For our part we commit to:

1. Develop and implement ambitious action plans that reduce greenhouse gas emissions and support resilience within our own councils and for our local communities. These plans will:
  - a. promote walking, cycling, public transport and other low carbon transport options;
  - b. work to improve the resource efficiency and health of homes, businesses and infrastructure in our district; and
  - c. support the use of renewable energy and uptake of electric vehicles.
2. Work with our communities to understand, prepare for and respond to the physical impacts of climate change.
3. Work with central government to deliver on national emission reduction targets and support resilience in our communities.

We believe these actions will result in widespread and substantial benefits for our communities such as; creating new jobs and business opportunities, creating a more competitive and future-proof economy, more efficient delivery of council services, improved public health, creating stronger more connected communities, supporting life-long learning, reducing air pollution and supporting local biodiversity. In short, it will help to make our communities great places to live, work, learn and visit for generations to come.

## Guiding Principles

The following principles provide guidance for decision making on climate change. These principles are based on established legal<sup>1</sup> and moral obligations placed on Government when considering the current and future social, economic and environmental well-being of the communities they represent.

### 1. Precaution

There is clear and compelling evidence for the need to act now on climate change and to adopt a precautionary approach because of the irreversible nature and scale of risks involved. Together with the global community, we must eliminate the possibility of planetary warming beyond two degrees from pre-industrial levels. This could potentially threaten life on Earth (Article 2 of the UNFCCC). Actions need to be based on sound scientific evidence and resourced to deliver the necessary advances. Acting now will reduce future risks and costs associated with climate change.

### 2. Stewardship/Kaitiakitanga

Each person and organisation has a duty of care to safeguard the life-supporting capacity of our environment on which we all depend and to care for each other. Broad-based climate policies should enable all organisations and individuals to do all they feasibly can to reduce emissions and enhance resilience. Policies should be flexible to allow for locally and culturally appropriate responses.

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<sup>1</sup> These Guiding Principles are established within the: Treaty of Waitangi, Resource Management Act 1991, Local Government Act 2002, Civil Defence and Emergency Management Act 2002, Oslo Principles 2014, Principles of Fundamental Justice and Human Rights.

### **3. Equity/Justice**

It is a fundamental human right to inherit a habitable planet and live in a just society. The most vulnerable in our community are often disproportionately affected by change and natural hazards. Approaches need to consider those most affected and without a voice, including vulnerable members in our community, our Pacific neighbours and future generations.

### **4. Anticipation (thinking and acting long-term)**

Long-term thinking, policies and actions are needed to ensure the reasonably foreseeable needs of current and future generations are met. A clear and consistent pathway toward a low carbon and resilient future needs to provide certainty for successive governments, businesses and communities to enable transformative decisions and investments to be made over time.

### **5. Understanding**

Sound knowledge is the basis of informed decision making and participatory democracy. Using the best available information in education, community consultation, planning and decision making is vital. Growing understanding about the potential impacts of climate change, and the need for, and ways to respond, along with understanding the costs and benefits for acting, will be crucial to gain community support for the transformational approaches needed.

### **6. Co-operation**

The nature and scale of climate change requires a global response and human solidarity. We have a shared responsibility and can not effectively respond alone. Building strong relationships between countries and across communities, organisations and scientific disciplines will be vital to share knowledge, drive innovation, and support social and economic progress in addressing climate change.

### **7. Resilience**

Some of the impacts of climate change are now unavoidable. Enhancing the resilience and readiness of communities and businesses is needed so they can thrive in the face of changes. Protecting the safety of people and property is supported by sound planning and a good understanding of the risks and potential responses to avoid and mitigate risk.

**THE FOLLOWING MAYORS AND CHAIRS SUPPORT THIS DECLARATION**




**Mayor Dave Cull**  
Dunedin City Council



**Mayor Lianne Dalziel**  
Christchurch City Council



**Mayor Grant Smith**  
Palmerston North City Council



**Mayor Ray Wallace**  
Hutt City Council



**Mayor Rachel Reese**  
Nelson City Council



**Mayor Steve Chadwick**  
Rotorua Lakes Council



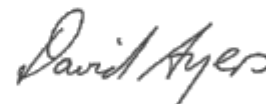
**Mayor Wayne Guppy**  
Upper Hutt City Council



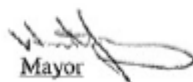
**Mayor Don Cameron**  
Ruapehu District Council



**Chris Laidlaw, Chair**  
Greater Wellington Regional Council



**Mayor David Ayers**  
Waimakariri District Council



**Mayor Winston Gray**  
Kaikoura District Council



**Mayor Bill Dalton**  
Napier City Council

**New Zealand Local Government Leaders' Climate Change Declaration 2017**



**Mayor Gary Tong, JP**  
Southland District Council



**Mayor Lyn Patterson**  
Masterton District Council



**Mayor Andy Watson**  
Rangitikei District Council



**Stephen Woodhead, Chair**  
Otago Regional Council



**Mayor Allan Sanson**  
Waikato District Council



**Mayor Tony Bonne**  
Whakatane District Council



**Mayor Justin Lester**  
Wellington City Council



**Mayor K (Guru) Gurunathan**  
Kāpiti Coast District Council



**Mayor Phil Goff**  
Auckland Council



**Mayor Bryan Cadogan**  
Clutha District Council



**Mayor Sam Broughton**  
Selwyn District Council



**Mayor John Tregidga**  
Hauraki District Council



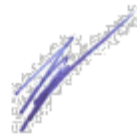
**Rex Graham, Chair**  
Hawke's Bay Regional Council



**Mayor Neil Holdom**  
New Plymouth District Council



**Mayor John Booth**  
Carterton District Council



**Mayor Viv Napier**  
South Wairarapa District Council



**Mayor Alex Walker**  
Central Hawke's Bay District Council



**David MacLeod, Chair**  
Taranaki Regional Council



**Bill Shepherd, Chair**  
Northland Regional Council



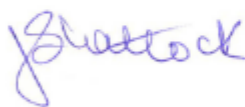
**Mayor Tim Cadogan**  
Central Otago District Council



**Mayor Tracy Hicks**  
Gore District Council



**Mayor John Leggett**  
Marlborough District Council



**Mayor Jenny Shattock**  
South Waikato District Council



**Mayor Hamish McDouall**  
Whanganui District Council



**Mayor Tim Shadbolt**  
Invercargill City Council



**Mayor Sandra Hazlehurst**  
Hastings District Council



**Mayor Brian Hanna**  
Waitomo District Council



**Steve Lowndes, Acting Chair**  
Environment Canterbury

New Zealand Local Government Leaders' Climate Change Declaration 2017



**Doug Leeder, Chair**  
Bay of Plenty Regional Council



**Mayor Jan Barnes**  
Matamata-Piako District Council



**Alan Livingston, Chair**  
Waikato Regional Council



**Mayor Garry Webber**  
Western Bay of Plenty District Council



**Mayor Greg Brownless**  
Tauranga City Council



**Bruce Gordon, Chair**  
Horizons Regional Council



**Mayor Meng Foon**  
Gisborne District Council



**Nicol Horrell, Chair**  
Environment Southland



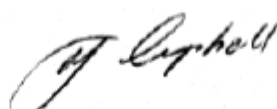
**Mayor Mike Tana**  
Porirua City Council



**Mayor Richard Kempthorne**  
Tasman District Council



**Mayor Alfred Preece**  
Chatham Islands Council



**Mayor Malcolm Campbell**  
Kawerau District Council



**Mayor Jim Mylchreest**  
Waipa District Council



**Mayor Tony Kokshoorn**  
Grey District Council

New Zealand Local Government Leaders' Climate Change Declaration 2017



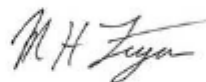
**Mayor Donna Favel**  
Ashburton District Council



**Mayor Jim Boulton**  
Queenstown-Lakes District Council



**Mayor John Carter**  
Far North District Council



**Mayor Michael Feyen**  
Horowhenua District Council



**Mayor Max Baxter**  
Otorohanga District Council



**Mayor Ross Dunlop**  
South Taranaki District Council



**Timaru District Council**  
**for the Meeting of 2 April 2019**

**Report for Agenda Item No 16**

**Prepared by Stephen Halliwell**  
**Acting Group Manager Commercial and Strategy**

**Aoraki Development Draft 2019/20 Statement of Intent and Budget**

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**Purpose**

1. To consider the Aoraki Development and Promotions Limited (trading as Aoraki Development) draft Statement of Intent and resolve any comments the Council will make to advise the Aoraki Development Board.

**Background**

2. The Local Government Act 2002 (Schedule 8) requires that council-controlled organisations (CCO's) deliver a draft Statement of Intent to its shareholders on or before 1 March each year.
3. The shareholder (in this case the Council) has 2 months on which to make comments to the Board.
4. Having considered the shareholders comments the completed Statement of Intent is adopted and delivered to the shareholder on or before 30 June each year.

**Discussion**

5. The directors of Aoraki Development have prepared the attached draft Statement of Intent 2019/20 for the approval of the Council.
6. Comments would be matters the shareholder requires the Board to consider or be included, excluded or changed.

**Recommendation**

1. **That Aoraki Development and Promotions Limited is advised that the shareholder supports the draft Statement of Intent 2019/20.**

**or**

2. **That Aoraki Development and Promotions Limited is advised that the shareholder supports the draft Statement of Intent 2019/20 subject to the boards consideration of the following comments...[insert comments].**



# STATEMENT OF INTENT

2019/2020      2020/2021      2021/22

**Right Time, Right Place – RIGHT NOW**

## OUR VISION STATEMENT:

**Inclusive, Innovative and Thriving  
Timaru District**

## OUR VALUES

### **LIFESTYLE**

Fantastic & Sustainable  
Second to None

### **ECONOMY**

Thriving & Innovative  
Opportunities abound

### **IDENTITY**

Strong & Envable  
Reputation

### **LEADERSHIP**

Inspiring  
People Focused

## WHAT WE DO:

### **FACILITATE**

- Communication
- Connectivity

### **ENABLE**

- Collaboration
- Cooperation

### **GROW**

- Capacity
- Community & Social Wellbeing
- Creativity
- Sustainability

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## Objective 1: Assisting businesses to retain and attract a skilled workforce

1. Youth workforce.
  - Manage and Develop MyNextMove Youth Initiative
2. Existing workforce.
  - Develop the Young Professionals Group to ensure inclusion of all workers within the first 15 years of their career
  - Utilise existing Business Connection Groups to develop a “staff share” strategy covering seasonality etc...
  - Investigate the establishment an “in-work” mentoring programme for those considering development or their next move
3. Returning to Work and Aged workforce.
  - Expand “in-work” mentoring programme to include those returning to work
  - Develop an aged workforce and civic participation strategy in partnership with key organisations and business.
4. “Needed Here” workforce.
  - Ongoing development and maintenance of promotional resources
  - Research and collate a database of Why people come back and when?
  - Develop a closer working relationship with both the Migrant Centre and local diverse nationality groups

### KPI's

**AD will develop a well-informed local youth/school leaver workforce by achieving all measurements within the MSD MyNextMove Youth Initiative Contract.**

**AD will support businesses to retain and attract a skilled workforce with success measured through year on year improvement via:**

- **feedback received via Annual Survey of local business and organisations evidencing value added by AD**
- **activity and achievements reflected in AD quarterly reporting to Council**

\*\*\*\*\*

## Objective 2: Encouraging innovation and facilitating the growth of existing business

1. Capitalise on existing Business Connection Group (BCG's) relationships to facilitate identified projects e.g. By-Product database and potential uses.
2. Understand and promote existing innovations within local business
3. Investigate the establishment of an Innovation Collective to facilitate local business connection to strategic partnerships and knowledge base
4. Leveraging key strategic partnerships for the direct benefit of local business and industry (advocacy, introductions, partnerships etc).
5. Ongoing facilitation between training providers and business/industry to ensure demand is met by supply.

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6. Advocate process and policy solutions to encourage and progress local development opportunities in consultation as appropriate with local iwi

#### KPI's

**AD will encourage innovation and facilitate the growth of existing business, with success measured through year on year improvement via:**

- a minimum of 20 new connections facilitated for existing businesses per month.
- feedback received via Annual Survey of local business and organisations evidencing value added by AD
- activity and achievements reflected in AD quarterly reporting to Council

\*\*\*\*\*

### **Objective 3: Creating an environment to attract and assist new and developing business**

1. Foster existing institutional relationships to enable and progress new and developing business opportunities.
2. Encouraging and enabling business opportunities through an innovative and supportive district wide network.
3. Develop a Timaru Heartbeat Report encompassing key economic, social and community statistics in line with new central and local government wellbeing & living standards framework.
4. Finalise a full suite of "Welcome to Timaru" resources for business and individuals
5. Continue to investigate the potential for a local entrepreneurial Angel Investor group
6. Ongoing development and maintenance of promotional resources

#### KPI's

**AD will continue to develop an environment that attracts and assist new and developing business, with success measured through year on year improvement via:**

- a minimum of 10 new and developing business opportunities identified and engaged per quarter, with a minimum 10% conversion rate of new business established.
- a minimum of 30 "District Influencers" identified and supplied with the new quarterly Timaru District Heartbeat Report.
- feedback received via Annual Survey of local business and organisations evidencing value added by AD
- activity and achievements reflected in AD quarterly reporting to Council

\*\*\*\*\*



In developing and enhancing Aoraki Development's (AD) strategies consultation and reference has been made to Timaru District Councils (TDC) long term plan and four-pronged values and the Government's Economic Growth Agenda.

**Timaru District Council's Values (adopted by AD)**

- **Lifestyle** - Fantastic, sustainable lifestyle second to none
- **Economy** - Thriving and innovative economy where opportunities abound
- **Identity** - Strong and enviable reputation and identity
- **Leadership** - Inspiring, people-focused leadership

**Governments Economic Growth Agenda**

1. It is businesses that drive economic growth and build a more successful economy with more jobs for Kiwis.
2. Growing competitive businesses creates jobs and increases exports to the world. Nothing creates sustainable, high-paying jobs and boosts our standard of living better than business confidence and growth.
3. There are six key inputs that businesses need to succeed and grow. By focusing on these inputs, we will ensure businesses have the opportunity to lead economic growth.
4. The Government's key areas in the Business Growth Agenda are:
  - Infrastructure
  - Export markets
  - Capital markets
  - Innovation
  - Skilled and safe workplaces
  - Natural resources

**Aoraki Development & Promotions Ltd trading as Aoraki Development (AD)** seeks to govern the organisation in a way that achieves the objectives stated and communicates with the Council in a timely and effective manner. Given the nature of the activities and the accepted role of similar organisations throughout the country, the performance is not measured in strictly commercial terms such as profit, share value or rates of return.

**1. PERFORMANCE AND OTHER MEASUREMENTS**

Performance shall be assessed against the KPI's / Indicators of Success for each objective via the Supply of a quarterly (and annual) report to the Timaru District Council including financial position.

**2. GOVERNANCE STATEMENT:**

Aoraki Development and Promotions Limited was incorporated and adopted a constitution on 23rd June 2010.

Aoraki Development and Promotions Limited Board Charter was adopted on 7th November 2016

**Structure, Function and Obligations of the Board**

- a. The Role of the Board:
  - Ensuring AD meets its objectives as defined in this Statement of Intent.
  - Ensuring AD complies with all its lawful obligations.
  - Ensuring the Council is kept well informed on all relevant issues and that there are no "surprises" on matters likely to cause community or political concern.
  - Making any decisions as to policy that is not the preserve of the Chief Executive and day-to-day administration.
  - Employing the Chief Executive (including entering in to a performance management agreement, reviewing performance and setting remuneration).
  - Ensuring sound financial management of AD.
- b. Composition of the Board:
  - The Council, after consultation with the Board, will be responsible for appointing Directors to the Board.

**Guidance and Resources Provided to Board Members**

- a. Resources available to Board members to carry out their duties:
  - Sound financial management and systems that provide reports to the Board as follows:
    - Statement of financial performance for the preceding month and year to date.

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- Chief Executive's monthly and quarterly reports addressing issues related to AD's performance against objectives (financial and non-financial).
- b. The Board will ensure that relevant training opportunities are made available.
- c. Code of Conduct:
  - All Board members will be required to comply with the New Zealand Institute of Directors' "Code of Proper Practice for Directors".
  - All Board members will apply their best endeavours to ensure AD achieves the economic, social and environmental objectives defined in Section 2 of this document.
  - All Board members will apply their best endeavours to ensure AD complies with the requirements of its constitution and this Statement of Intent.

#### **Significant Policies in Place for Accountability**

- a. The Board shall ensure AD complies with the reporting requirements outlined in Section 3 and 7 of this document.
- b. Risk Management Policies:
  - The Board shall ensure that appropriate insurance is maintained on all insurable risks of AD, and in particular public liability insurance.
  - The Board shall ensure that AD has systems in place to achieve compliance with the Health and Safety in Employment Act 1992 and the Health and Safety at work act 2015 and subsequent amendments.
- c. Remuneration:
  - The Council will set total remuneration for the Board.
- d. Reserves Policy (SOI)
  - The Reserves Policy ensures the board has funds set aside for risk mitigation.
  - The Primary Objectives underlying the Reserves Policies for are:
    - To ensure that AD is operated in a prudent manner
    - To recognise that many streams of work and expenditure items are committed to and incurred for longer periods than the annual funding approved by the Timaru District Council (TDC) with multiyear projects.
    - To ensure that money is available, as required, to meet the needs of AD and its key stakeholders.
    - To recognise that AD generates income over and above the funding from the TDC and also spends the majority of that income on related economic development activities for the benefit of the district with a breakeven or close to breakeven annual budget
    - Reserves to be held are set at 3-4 months' trading / cash flow to be on hand
- e. Ratio of Accumulated Funds to Total Assets
  - This ratio shows the proportion of total assets financed by equity
  - The Board will ensure that the ratio of Equity to Total Assets remains above 60%
  - For the purpose of this ratio, equity is as per the financial statements of AD
  - Total assets are defined as the total of current and non-current assets

### **3. ACCOUNTING POLICIES**

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

- a. Reporting Entity
  - Aoraki Development and Promotions Limited ('AD') is a company incorporated and domiciled in New Zealand
  - AD is a CCO (as defined under section 6 of the Local Government Act 2002) based in Timaru and is a subsidiary 100% owned by the Timaru District Council. The primary objective of AD is to facilitate and promote the Timaru District as THE place to live and do business.
  - The financial statements of the AD are for the year end 30 June. The financial statements are authorised for issue by the directors.
- b. Statement of Compliance



- The financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).
  - The financial statements are prepared in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) – PBE SF-A(PS).
  - All transactions are reported using the accrual basis of accounting.
  - The financial statements are presented in New Zealand dollars (\$) and all values are rounded to the nearest dollar. The functional currency of AD is New Zealand dollars.
- c. Revenue
- Revenue is measured at the fair value of the consideration received.
  - Contributions received from the Timaru District Council are AD's primary source of funding.
  - Contributions are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the contribution are not met. No such obligation is attached to the council contributions received.
- d. Interest revenue is recognised in the Statement of Financial Performance as it accrues, using the effective interest method.
- e. Income tax is accounted for using the taxes payable method. The income tax expense charged to the Statement of Financial Performance is the estimated tax payable in the current year, adjusted for any differences between the estimated and actual tax payable in prior years.
- f. Goods and Services Tax (GST): The financial statements have been prepared with income and expenditure items exclusive of GST. In the Statement of Financial Position, Accounts Receivable and Accounts Payable are both inclusive of GST. All other assets are shown exclusive of GST.
- g. Cash and Cash Equivalents includes cash on hand, deposits held at call with banks, other short – term highly liquid investment with original maturities of three months or less, and bank overdrafts
- h. Accounts Receivable are valued at their estimated net realisable value. Bad debts are written off during the period in which they are identified.
- i. Creditors and other payables are measured at the fair value of the consideration paid.
- j. Fixed Assets are recorded at cost less accumulated depreciation. AD has three classes of Fixed Assets, Computer Equipment, Furniture and Fittings & Office Equipment.
- k. Depreciation is calculated to allocate the cost or valuation of assets over their estimated useful lives, at the following rates:
- |                             |    |        |
|-----------------------------|----|--------|
| Computer Equipment          | DV | 50%    |
| Fittings & Office Equipment | DV | 20-67% |
| Furniture and Fittings      | DV | 10-25% |

- l. Leases: AD leases certain office equipment, office space and a motor vehicle.

#### 4. DIVIDEND POLICY

AD is a non-profit organisation that does not generate income or dividend for the Timaru District Council.

#### 5. INFORMATION TO BE PROVIDED

The following information will be made available to the Council by AD:

- a. By **1 March** each year a DRAFT BUDGET for the following financial year together with a request for any changes requested to the Council's financial contribution to AD's activities.
- b. By **1 March** each year a draft STATEMENT OF INTENT, then consider any Council comments on it and deliver a final Statement of Intent by **30 June**.
- c. QUARTERLY REPORTS (September, December, March & June) covering an abbreviated Statement of Financial Performance and Statement of Financial Position, performance indicators, commentary on activities, and other such information as the Directors consider necessary to enable an informed assessment of AD's performance during the period in question. Due dates to be advised annually to AD by Council.
- d. Within three months after the end of the financial year (i.e. **by 30 September**), AD shall deliver to the Council an ANNUAL REPORT which fulfils the requirements of Section 67 of the Local Government Act 2002, and audited financial statements in respect of the financial year, containing the following information as a minimum:

- A Directors' Report including a summary of the financial results and a comparison of performance in relation to the objectives.
- A Statement of Financial Performance disclosing revenue and expenditure and comparative figures from previous annual reports.
- A Statement of Financial Position at the end of the year.
- An Auditor's Report on the above statements and the measure of performance in relation to objectives.
- The Chairman's Annual Report shall be made available for inspection at Council offices.
- Any other matters that the Council and AD agree shall be disclosed as appropriate.

**6. PROCEDURE TO BE FOLLOWED WITH PURCHASE OF SHARES IN OTHER COMPANY OR ORGANISATION**

The procedure to be followed before subscription for, or purchase of, or other acquisition of shares in any Company or organisation, shall be by resolution of the Directors, excepting that any significant diversification or addition to existing activities will be referred to the Council for approval.

**7. COMPENSATION FROM LOCAL AUTHORITIES**

There is again no increase in Operational Funding being sought by AD for the 2019/20 year as it is proposed any additional Operational Expenses and the cost of proposed targeted projects next year will be met by AD from funds held. Noting that Operational Grant and Project Funding for 2020/21 year and beyond are subject to annual application. Proposed funding levels are aligned to AD maintaining the high-quality economic development service and the skills needed within the organisation to deliver the variety of services and projects.

2018/19 Approved		2019/20	2020/21	2021/22
\$ 530,000	<b>OPERATIONAL GRANT</b>	\$ 530,000	\$ 541,660	\$ 553,576
\$ 72,500	<b>PROJECT FUNDING**</b>	\$ 85,000		
\$ (72,500)	<b>provided ex AD Funds</b>	\$ (85,000)		
<b>\$ 530,000</b>	<b>TOTAL FUNDS</b>	<b>\$ 530,000</b>	<b>\$ 541,660</b>	<b>\$ 553,576</b>

**8. BOARD'S ESTIMATE AD VALUE**

The Directors estimate that the balance of funds in the Annual Report will represent the value of AD. The Directors will advise the shareholders on an annual basis if they believe the value to differ materially from this state.

Approved by AD on 28<sup>th</sup> February 2019



.....  
for Aoraki Development

Mark Rogers - Chairman

.....

Approved by the Council on ..... (Date)

.....  
for Timaru District Council

.....



FINANCIAL FORECASTS			
	2019/20	2020/21	2021/22
<b>INCOME STATEMENT</b>			
Regional Development TDC	\$ 530,000	\$ 542,000	\$ 554,000
MSD Contract Youth Initiative	\$ 70,000	\$ 70,000	\$ 70,000
Other income	\$ 4,000	\$ 4,000	\$ 4,000
<b>Total Income</b>	<b>\$ 604,000</b>	<b>\$ 616,000</b>	<b>\$ 628,000</b>
Human Resources	\$ 302,000	\$ 311,000	\$ 320,400
MSD Contract Youth Initiative	\$ 70,000	\$ 70,000	\$ 70,000
Expenses	\$ 230,700	\$ 234,000	\$ 236,000
<b>Total Expenses</b>	<b>\$ 602,700</b>	<b>\$ 615,000</b>	<b>\$ 626,400</b>
<b>Operating Profit (Loss)</b>	<b>\$ 1,300</b>	<b>\$ 1,000</b>	<b>\$ 1,600</b>
<b>PROJECT FUNDING (ex AD Reserves)</b>	<b>\$ 85,000</b>		
<b>BALANCE SHEET</b>			
<b>EQUITY</b>	<b>\$ 260,000</b>	<b>\$ 261,000</b>	<b>\$ 262,000</b>
Current Assets	\$ 320,000	\$ 331,000	\$ 342,000
Non Current Assets	\$ 40,000	\$ 30,000	\$ 20,000
<b>TOTAL ASSETS</b>	<b>\$ 360,000</b>	<b>\$ 361,000</b>	<b>\$ 362,000</b>
Current Liabilities	\$ 100,000	\$ 100,000	\$ 100,000
<b>TOTAL LIABILITIES</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>
<b>NET ASSETS</b>	<b>\$ 260,000</b>	<b>\$ 261,000</b>	<b>\$ 262,000</b>



**Timaru District Council**  
**for the Meeting of 2 April 2019**

**Report for Agenda Item No 17**

**Prepared by Stephen Halliwell**  
**Acting Group Manager Commercial and Strategy**

**David Codyre**  
**Chief Financial Officer**

**Mark Low**  
**Strategy and Corporate Planning Manager**

**2018/19 Annual Plan Progress report for the eight months ended 28 February 2019**

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**Purpose of Report**

1. The purpose of this report is to outline progress against Council's 2018/19 Annual Plan (Year 1 of the 2018-2028 Long Term Plan) including financial results, and progress towards achieving the non-financial performance measures and project work programme for the period ended 28 February 2019.

**Background**

2. Financial Results are summarised in Appendix 1, including:
  - Overview of financial results, including operating income and expenditure
  - Income Statement for the period ended 28 February 2019
  - Overview of Capital Expenditure for the period ended 28 February 2019
  - Statement of Financial Position as at 28 February 2019.
3. The financial results are for the Timaru District Council parent, including the Downlands Water Supply joint venture and include approved 2017/18 carry forwards in the Capex report.
4. The Non-Financial Performance Measures and Project Work Programme Update is included in Appendix 2. This outlines progress against the 2018/19 non-financial performance measures and projects and a summary of highlights and issues.

**Identification of Relevant Legislation, Council Policy and Plans**

5. Local Government Act 2002

## **Assessment of Significance**

6. This matter is not deemed significant under the Council's Significance and Engagement Policy.

## **Consultation**

7. The Non-Financial Performance Measures and Project Work Programme Update is prepared based on information provided by Unit Managers and Group Managers via the Opal 3 reporting tool.

## **Other Considerations**

8. There are no other considerations.

## **Funding Implications**

9. There are no funding implications.

## **Conclusion**

10. The Financial Accounts to the end of February 2019 are showing improved surplus due to delays in the Council's capital programme. This flows into lower debt, interest and depreciation. A strong cash position is a result of this with general investment funds remaining stable.
11. Council's non-financial performance measures results are generally tracking well, with some small exceptions, with some project work delayed due to various circumstances relating to the projects.

## **Recommendations**

- a **That the summary financial results to 28 February 2019 is received and noted.**
- b **That the non-financial performance indicators and project work programme results to 28 February 2019 is received and noted.**

Timaru District Council					
Income Statement for the period ending 28 February 2019					
	Feb YTD	YTD Budget	Variance	Full Year Budget	Feb 18 YTD
<b>Income</b>					
Rates	33,908	33,844	64	50,030	30,915
Community Support	1,497	1,504	-7	2,231	1,380
District Planning and Regulatory Services	2,301	2,428	-127	3,469	2,327
Democracy	0	0	0	3	0
Recreation and Leisure	3,173	2,226	947	3,301	2,540
Transport	5,233	6,416	-1,183	9,669	4,762
Waste Minimisation	2,694	1,996	699	3,439	2,608
Sewer	1,887	1,727	159	2,701	1,988
Stormwater	161	-5	166	65	149
Water Supply	1,022	1,100	-78	1,684	3,121
Corporate Support	3,915	4,581	-666	7,003	3,868
<b>Total Income</b>	<b>55,791</b>	<b>55,817</b>	<b>-25</b>	<b>83,592</b>	<b>53,658</b>
<b>Operating Expenditure</b>					
Community Support	2,983	3,083	-100	4,418	2,780
District Planning and Regulatory Services	2,860	3,535	-675	5,345	2,445
Democracy	621	816	-195	1,220	726
Recreation and Leisure	9,163	9,638	-475	14,326	8,578
Transport	10,076	9,381	695	14,101	8,947
Waste Minimisation	5,057	5,725	-668	8,782	4,488
Sewer	5,434	6,394	-960	9,969	5,137
Stormwater	938	1,058	-120	1,752	957
Water Supply	2,905	3,606	-701	5,520	2,427
Corporate Support	9,002	9,199	-197	14,206	7,888
<b>Total Operating Expenditure</b>	<b>49,038</b>	<b>52,433</b>	<b>-3,395</b>	<b>79,638</b>	<b>44,374</b>
<b>Surplus/(Deficit)</b>	<b>6,753</b>	<b>3,383</b>	<b>3,370</b>	<b>3,954</b>	<b>9,284</b>

<b>Timaru District Council</b>		
<b>Statement of Financial Position as at 28 February 2019</b>		
	<b>Actual</b>	<b>Budget</b>
	<b>Feb-19</b>	<b>Jun-19</b>
<b>Current Assets</b>		
Cash & Bank Balances	13,446	15,801
Receivable & Prepayments	13,803	6,218
Inventories	177	72
Short Term Deposits	45,087	17,417
Total Current assets	<b>72,513</b>	<b>39,508</b>
<b>Non-current assets</b>		
Fixed Assets	819,860	839,891
Investments	27,246	24,439
Total non-current assets	<b>847,106</b>	<b>864,330</b>
Total assets	<b>919,619</b>	<b>903,838</b>
<b>Current liabilities</b>		
Payables & Accruals	16,761	10,542
Current portion of term debt	27,500	5,659
Total current liabilities	<b>44,261</b>	<b>16,201</b>
<b>Non-current liabilities</b>		
Term Debt	67,000	113,490
Other Term Liabilities	2,659	10,464
Total non-current liabilities	<b>69,659</b>	<b>123,954</b>
Total Liabilities	<b>113,920</b>	<b>140,155</b>
Net assets	<b>805,699</b>	<b>763,683</b>
<b>Equity</b>		
Retained earnings	769,916	742,766
Special Fund Reserves	35,783	20,917
Total Equity	<b>805,699</b>	<b>763,683</b>

Timaru District Council							
Capital expenditure for the eight months ending 28 February 2019							
		Feb 2019 YTD	Feb 19 YTD Budget	June 19 YTD Budget	Carry Forwards	Full year budget (incl. carried forwards)	% Full year carry forward budget
<b>Capital Expenditure</b>							
	Community Support	411	129	343	77	420	98%
	District Planning and Regulatory Services	1	3	5	-	5	11%
	Democracy	-	-	-	-	-	-
	Recreation and Leisure	1,196	5,737	8,418	1,709	10,127	12%
	Transport	9,056	7,927	13,035	839	13,874	65%
	Waste Minimisation	1,029	1,497	2,748	934	3,681	28%
	Sewer	868	2,133	4,238	138	4,376	20%
	Stormwater	978	213	1,563	567	2,496	39%
	Water Supply	2,443	11,179	25,352	1,100	26,452	9%
	Corporate Support	968	1,067	1,520	77	1,555	62%
<b>Total Capital Expenditure</b>		<b>16,950</b>	<b>29,888</b>	<b>57,221</b>	<b>5,440</b>	<b>62,986</b>	

## Financial Performance for the eight months 28 February 2019

	Year to Date Actual 2018/19	Budget YTD 2018/19	Actual YTD 2017/18	Variance v Projected Actual	Variance v 2017/18	Variance v Projected Actual (%)	Variance v 2017/18 (%)
<b>Rates Revenue</b>	33,908	33,844	30,915	64	2,993	0.19%	9.68%
On track with year end budget projections with variance of \$64 thousand							
<b>Other Operating Revenue</b>	21,883	21,973	22,743	( 89)	( 860)	-0.41%	-3.78%
Recreation and Leisure favourable due to grants to Museum and Art Gallery. Transport unfavourable due to timing around NZTA subsidies, \$1.8 million. Waste Minimisation favourable due to increase in Green Waste. Corporate Finance unfavourable to timing of Dividends and other accruals.							
<b>Operating Expenditure</b>	49,038	52,433	44,374	3,395	( 4,664)	6.48%	-10.51%
Over variance is \$3.4 million down on budget can be attributed to lower interest costs \$1.8 million and depreciation \$300 Thousand. Kerbside charges down \$500 thousand due to billing issues with Supplier. Electricity down \$270 thousand. Transport Opex over budget, \$600 thousand due to timing of Road Sealing Program which is near completion. District Plan costs down \$470 thousand in line with delays in line with District Plan Review program.							
<b>Capital Expenditure</b>	16,950	29,888	17,800	12,938	850	43.29%	4.77%
Continuation of delays in Water Projects. Library and Theatre Royal projects yet to start. Parks and Waste Management down also. Refer to Capex Projects Report further detail and analysis.							
<b>Loans</b>	94,500	102,800	84,500	8,300	( 10,000)	8.07%	-11.83%
Borrowing delayed in line with Capital Expenditure.							

**Timaru District Council**  
**for the Meeting of 2 April 2019**

**Report for Agenda Item No 18**

**Prepared by Damon Odey**  
**Chairperson**

**Timaru District Holdings Limited Governance Structure and Remuneration of Directors**

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**Purpose of Report**

1. For Council to make a decision regarding the chairperson of Timaru District Holdings Limited (TDHL) and the remuneration of TDHL's directors, both for directors who are independent and directors who are elected members.

**Background**

2. TDHL was incorporated on 29 October 1997. Timaru District Council (TDC) is the sole shareholder and appoints all directors and the chairperson. TDHL's governance structure is set out in its constitution (copy separately circulated), this provides:

**11 DIRECTORS**

**11.1 Number of Directors**

*The number of Directors shall at all times be a minimum of three (3) and a maximum of five (5), at least one (1) of whom must be an External Director, and at least two (2) of whom shall be duly elected members of the Timaru District Council or its statutory successors.*

**11.5 Chairperson/Deputy Chairperson**

**11.5.1** *The Shareholders shall by Ordinary Resolution appoint a chairperson and a Deputy chairperson of the Board of Directors.*

**11.5.2** *The chairperson/deputy chairperson of Directors so appointed shall hold office as such until: (a) the chairperson/deputy chairperson ceases to be a Director of the Company;*

*(b) the chairperson/deputy chairperson is removed from office as such by Ordinary Resolution of the Company*

3. Currently, there are 5 directors, 2 are independent and 3 are elected members. Since TDHL's incorporation, the incumbent Mayor has at all times been contemporaneously a director and the chairperson of TDHL.

4. Prior to the public consultation on Alpine Energy Limited (AEL) I had raised the current governance structure of TDHL with the board and what would constitute an appropriate and strengthened governance structure.
5. During the public consultation on the proposal to sell TDHL's shares in AEL, several submitters raised queries and concerns regarding the current structure of TDHL, its relationship with Council and TDHL's relationship with its subsidiary companies. Some key points regarding TDHL's governance that were identified during the consultation were:
  - Separate oversight required for TDHL
  - Conflict, or perception of a conflict of interest in TDHL board (i.e. including Mayor as chair)
  - Conflict of interest by TDHL directors who have a predetermined position or the perception of a predetermined position
  - For subsidiary companies - ensuring the appointed directors have the requisite skills and industry knowledge
  - Conflict of interest between being part of TDHL and an elected member
  - Having changes of TDHL's board so that there is a balance between institutional knowledge and new thinking which ensures TDHL directors have the right governance and skills to continue adding value
  - Lack of independence, or perceived independence in board members and the chair
  - Need for an independent Chair and more independent board members.
6. I believe we have had a mandate from our community to review TDHL's current governance structure and look to ensure:
  - (i) it reflects a clear and transparent model
  - (ii) that it removes perceptions of precedence that the Mayor will always be a director and the chairperson
  - (iii) it delivers a robust and future-proofed model that is capable of providing stability and capability through the tri-annual election cycle and continuity to deliver on long term strategic goals
  - (iv) it delivers demonstrable value to the community
  - (v) remuneration of the directors is structured in a way that attracts high quality external governance appointments (as is currently the case) and is fair and transparent to the directors and the community, who ultimately pay the directors fees.



7. It is important to record that this is absolutely not a reflection on the performance of the current board as TDHL's financial performance and position speaks to that. In the last five – six years TDHL has :
  - (i) Worked with Port of Tauranga (the other 50% shareholder in PrimePort Ltd) to increase the Port's performance and profitability
  - (ii) Increased TDHL's port properties' portfolio returns by 75% net
  - (iii) Increased its (TDHL's) assets from \$106 million to more than \$139 million, an extra \$32.7 million (numbers are rounded)
  - (iv) Paid down approximately \$2 million in debt, with another \$2.5 million in debt reduction forecast this year
  - (v) Paid nearly \$12 million in dividends to Council (dividends have increased from \$2 million a year to \$2.65 million per year).
8. Arguably, having an independent chairperson will provide assurance to the community on the continuity of the chairperson of TDHL and that it is not subject to the 3 year electoral cycle, and in this way it is less political. Importantly, it also enables the Mayor to be able to independently and clearly set expectations, which reflect the community's expectations, regarding the performance of TDHL and to hold the board accountable for its performance without being conflicted by being the chairperson, who is the primary spokesperson for a company. Separating the Mayor from the chair of TDHL increases transparency and accountability which ultimately supports ongoing high performance.
9. While an independent chair has merit, there is also merit in continuing to have elected members as directors of TDHL. This ensures that when making board decisions the wider view of Council and the community are reflected in the discussion that informs the decisions the board makes.
10. The governance structure of TDHL is important. The board of directors, as the governing body, is responsible for the performance, financial position and accountability of TDHL. As a CCO they are directly accountable to Council as shareholder and ultimately to the community. Having a blend of skills and experience from directors who are both independent and elected members is beneficial for both the performance and accountability of TDHL. Having an independent chairperson provides benefits to both Council and TDHL. It increases the ability of Council to set expectations regarding the performance of TDHL and it enables TDHL to govern in a way that responds directly to those expectations including through the electoral cycle. Having elected members as directors provides TDHL with the Council and community perspective to inform the discussion on its decisions.

### **Remuneration of TDHL directors**

11. As part of reviewing the governance structure I believe it is also timely to discuss the remuneration of TDHL's directors. The remuneration of directors is set by

Council as shareholder and is set out in TDHL's constitution. It provides as follows:

**11.3 Remuneration of Directors**

*11.3.1 The Board may not exercise the power conferred by section 161 of the Act to authorise any payment or other benefit of the kind referred to in that section to or in respect of a Director in his or her capacity as a director of the Company without approval by a Special Resolution of Shareholders, provided that the Board may authorise the payment and/or reimbursement of any expenses reasonably incurred by a Director in relation to services as a Director if the Board is satisfied that to do so is fair to the Company.*

*11.3.2 In no case shall the remuneration of Directors whether special or otherwise be wholly or in part by way of commission on or a percentage of turnover or dividends nor profits.*

12. The current remuneration of TDHL's 5 directors is as follows:

Chairperson	\$31,414	\$31,414
Deputy Chair	\$21,541	\$21,541
Directors (3):	\$18,000 per director per annum = \$54,000 (\$18,000 x 3)	
<b>Total</b>		<b>\$106,955</b>

13. The remuneration of TDHL's directors needs to reflect a rate that will attract highly skilled external governance professionals who while acting strategically and commercially, can also understand and align with TDHL and Council's vision. In this regard it is important to have an understanding that there is a public service element to serving as a TDHL director (as it is for any council controlled organisation (CCO)). For elected members who are directors the element of public service is more pronounced.

14. The Institute of Directors (IoD) provides a number of measures for setting what it believes is appropriate remuneration for directors. These reflect the expertise required to govern a company so that value is added and reflects the risk the director is required to manage. Factors such as total assets and total revenue and expenses are also relevant and part of the consideration. Recent work by the IoD indicates the median remuneration for a director of a CCO is approximately \$32,000. For the chairperson of a CCO the median remuneration is \$50,000. The difference in remuneration between chairperson and director reflects the increased responsibility and expectations placed on the chairperson to deliver and be accountable for the performance of a company.

15. While there are any number of permutations that could be used to determine an appropriate remuneration level for TDHL directors I propose as follows:

- **Chair (external)** – at the median for CCOs as assessed by the IoD ( currently \$50,000)
- **Independent external director** – at the median for CCOs as assessed by the IoD (currently \$32,000)
- **Elected members who are directors** –  $\frac{1}{3}^{\text{rd}}$  of the median for independent directors of CCOs as assessed by the IoD, ie \$10,500 (rounded: \$10,500 \* 33%) and reflects the discount for public service.

16. On this calculation the total paid in directors fees would be as follows:

Chairperson (external)	\$50,000
Independent external director x 1	\$32,000
Elected member directors ( $\frac{1}{3}^{\text{rd}}$ the median of \$32,000 x 3)	\$31,500
<b>Total</b>	<b>\$113,5000</b>

### Options

17. The options in regard to the governance structure are:

- To leave the governance structure of TDHL as it is, or
- To appoint an independent chair.

18. The options in regard to the directors' remuneration are:

- To leave the remuneration as it is
- To adopt the remuneration model of using the IoD median for CCOs for the chairperson and independent directors and apply a 67% discount for directors who are elected members
- To adopt an alternative model, such as ask the IoD to undertake an independent remuneration review and follow its recommendations.

### Identification of Relevant Legislation, Council Policy and Plans

- The Local Government Act 2002
- The Companies Act 1993
- The Constitution of TDHL
- TDHL's Statement of Intent

## Assessment of Significance

19. This matter is not deemed significant under the Council's Significance and Engagement Policy.

## Consultation

20. The issues of TDHL's governance structure came up as part of the community consultation on the Alpine Energy consultation and has also been discussed with the board of TDHL.

## Funding Implications

21. TDHL's directors' fees are paid by TDHL, the overall increase of directors' fees of \$6,500 (rounded) can be met from TDHL's current operating budgets.

## Conclusion

22. The issue of the appropriate governance structure for TDHL arose during the public consultation on Alpine Energy. I had already raised the issue with the TDHL board and it now seems an appropriate time to discuss the feedback on this issue and discuss the merits of an independent chairperson.
23. At the same time it is important to be open and transparent regarding remuneration of directors. The fees paid must be sufficient to attract high calibre external independent directors (as is currently the case) and ensure the remuneration is fair to them and also the community who ultimately pay the directors' fees. For this reason I am recommending that directors who are independent are paid the median fee as set by the IoD for CCOs, and that directors who are elected members are paid at 33% of the median to reflect the element of public service. This balances the need to appoint highly skilled external governance professionals with a fair and transparent remuneration process.
24. The considerations of an independent chairperson and remuneration of directors supports and aligns with the work TDHL is undertaking to develop a director skills matrix. This ensures there is a transparent and clear understanding on the attributes and experience directors will require in order to be appointed, the expectations that will be placed on them regarding performance and ethical conduct and the remuneration they will receive.

## Recommendations

- a **that an independent director be appointed chairperson of TDHL,**
- b **that the remuneration of TDHL's independent chairperson and directors is indexed to the median remuneration of directors of CCOs, as this median is assessed by the IoD,**
- c **that elected members who are directors of TDHL are paid at 33% of the median for CCOs as assessed by the IoD.**