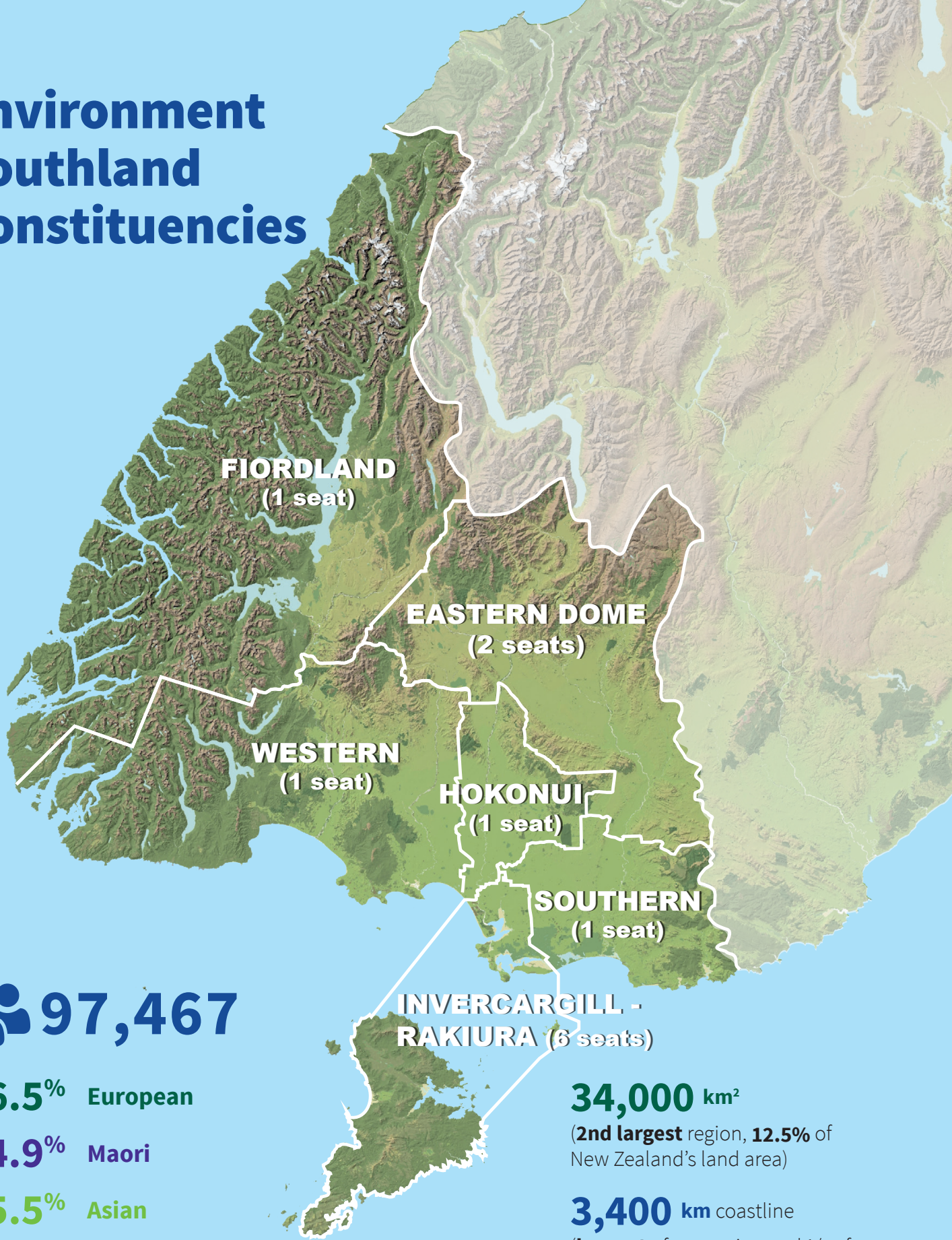


ENVIRONMENT SOUTHLAND
CHIEF EXECUTIVE'S

Pre-election Report 2022



Environment Southland Constituencies



 **97,467**

86.5% European

14.9% Maori

5.5% Asian

2.6% Pacifica

1.5% Other

0.6% Middle Eastern/Latin American/African

34,000 km²

(2nd largest region, 12.5% of New Zealand's land area)

3,400 km coastline

(longest of any region and 1/7 of New Zealand's total)

4 river catchments

2 national parks

Source: Census 2018. (Note, percentages do not add up to 100 because where a person reported more than one ethnic group, they have been counted in each group.)



This report is an opportunity to tell Environment Southland's story about our responsibilities, the work we do and the challenges we are addressing.

This chief executive pre-election report is a statutory requirement. Its purpose is to present factual information and to encourage interest within the community in the lead up to the local government elections.

Like all councils, Environment Southland was created to serve the people. In doing that, we take a region-wide approach and have a long-term – inter-generational – perspective.

The Council's key role is to lead the sustainable management of Southland's natural resources – land, freshwater, air, coast and indigenous biodiversity. These resources underpin both the region's economy and our wellbeing, as Southlanders. We also have

responsibilities for regional transport and hazard management planning, maritime activities, biosecurity and building climate resilience.

The Council's vision is for a thriving Southland – te taurikura o Murihiku. In our regional leadership role we collaborate and work with others, locally, nationally and in central government. Our relationship with mana whenua continues to be strong and we are actively working to deepen it. Recently, mana whenua representatives joined two of our standing committees and we work in partnership on projects. The Council is progressing significant work programmes. Improving freshwater remains a key priority as we work through meeting the requirements of National Policy Statement for Freshwater Management. Recently, the Council accepted a report with recommendations from the Regional Forum (a community based group brought together for this purpose). The report will help inform the Council's decisions for Plan Change Tuatahi to our proposed Southland Water and Land Plan. We will need community input to successfully achieve this and when in place, the plan will provide direction and certainty for the next 10 years.

We are taking a lead on climate change and have set up a sub-committee, which is pulling together a region-wide group, to address issues. The upgrading of our flood protection schemes is progressing well and a key initiative in building community resilience to the impacts of climate change.

Air quality remains a priority and we have begun a review of our coastal plan. Work is continuing with Tiwai aluminium smelter for remediation of the site. There is also a

major piece of work in the National Policy statement for Indigenous Biodiversity national environmental standards coming from central government, in the face of significant biodiversity loss.

Central government is continuing to direct work at local government at pace, with the review of local government, three waters reform and resource management reform all currently in our midst, with more to come. We are working collaboratively with the regional council sector at a governance and officer level to ensure this doesn't put undue pressure on our resources.

Like all of New Zealand, we have experienced disruption and uncertainty during the past couple of years due to the pandemic. Nevertheless, we have continued to make progress on our commitments in the Long-term Plan and we have a clear financial strategy that is on track to achieve a balanced budget.

Our staff are highly skilled and committed. They have transitioned to working from home and back again with great professionalism, maintaining essential services even during the most restrictive of times.

Enduring relationships and working with others is key to achieving the outcomes we seek to ensure Southland continues to thrive now and for the future. As the regional council, we will continue to lead and facilitate the conversations and the work programmes that will get us there.

Wilma Falconer
Chief Executive, Environment Southland

Statutory context

Environment Southland's pre-election report for the October 2022 local authority elections is a statutory requirement. Its purpose is to inform the Murihiku Southland community and promote public discussion about any issues facing the Council.

The pre-election report has a particular focus on the Council's performance, including our current financial position. It signals where there is key spending planned and provides information on the major projects we expect to deliver over the next three years.

This report brings together information previously published in other Council

documents, including the Long-term Plan 2021-2031, annual plans and annual reports. As such, the information reflects the policy and service delivery decisions of the current Council. As is required by law, the pre-election report has been prepared by the Council's chief executive.

The pre-election report provides historic information for the last three years (2019 to 2022), an overview of the current election year (2022/23) and the Council's planned performance and financial position for the next three years (2023 to 2026).

While the pre-election report itself has not been audited, much of the information contained within it has been audited

by independent auditors. However, the retrospective financial information from the most recent financial year has not been audited, as the timeframes within which councils are required to prepare this report are insufficient to complete an audit process. Some information, including that of the current year, may have changed since it was audited in the Long-term Plan 2021-2031.

The 2022/23 figures in the pre-election report should not be relied upon for any other purpose than compliance with Section 99A of the Local Government Act 2002.

Strategic setting

Environment Southland serves the Murihiku Southland community by leading the sustainable development of the region's natural resources – water, land, air, coast and indigenous biodiversity and meeting its responsibilities in relation to climate change impacts – in partnership with the community. This is outlined in the Local Government Act, which requires councils to promote sustainable development for the social, economic, environmental and cultural wellbeing of their communities and businesses.

We have a range of further statutory obligations relating to the Resource Management Act, Soil Conservation and Rivers Control Act, and Biosecurity Act to name a few. These obligations are often met through plans and policies, which provide guidelines and set rules.

Aside from regulatory requirements, the Council provides a host of extension and advice activities to support the community, and engagement opportunities to understand people's views.

By 2031, we seek to have achieved four key outcomes:

- managed access to quality natural resources;
- diverse opportunities to make a living;
- communities empowered and resilient; and
- communities expressing their diversity.

Financial overview

The Council has funding and financial policies to provide predictability and certainty about sources and levels of funding. The objective of these is to prudently manage our finances, in a manner, that sustains the current and future interests of the community.

Our financial strategy takes a user pays approach, where possible. It also provides for the use of investment income and the dividends from the Council's shareholding in South Port New Zealand Limited. These are used to offset against the general rate.

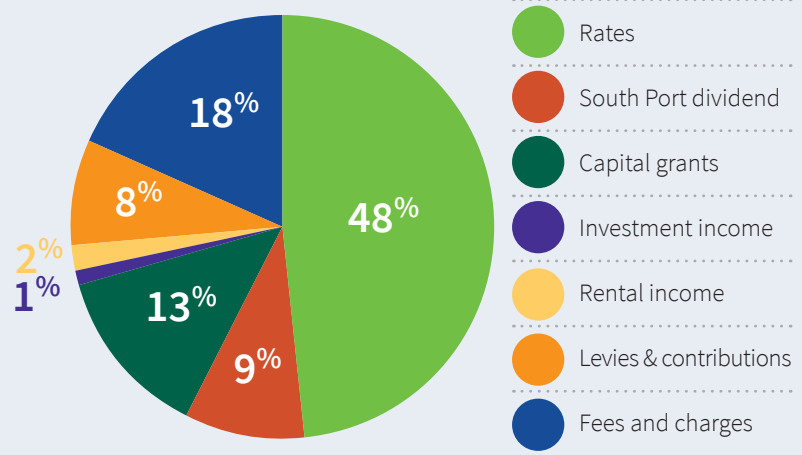
We regularly review our fees and charges in tandem with the development of the Long-term Plan and annual plans to ensure they are continuing to cover the costs incurred. Our rates are also reviewed, with Councillors agreeing to an overall average rate increase of 20% for the 2021/22 year. Rates were reviewed again in 2022, where Council agreed to an average rates increase of no more than 5%.

We aim to operate a balanced budget over the long-term, where the projected and operating revenue and expenditure is set at a level that will achieve and maintain planned levels of service, including estimated expenses associated with maintaining the service capacity of assets throughout their useful life. Levels of service and operating programmes are established in the policies, plans and strategies the Council has prepared and adopted in accordance with good practice and relevant legislation.

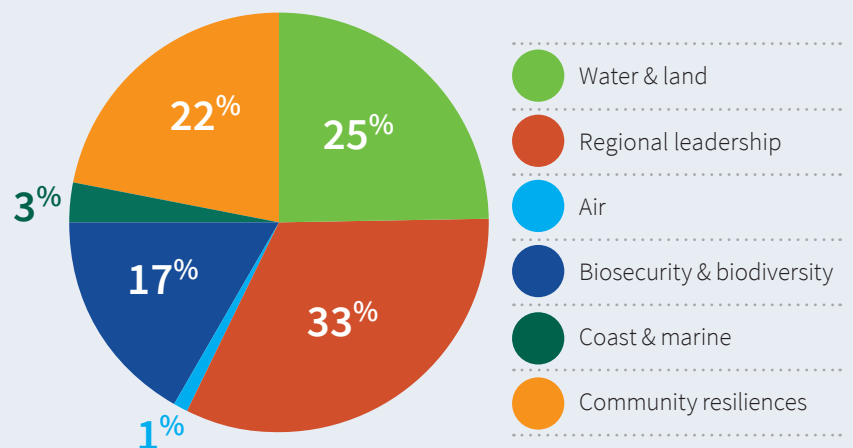
Investments

The Council has investments that have been accumulated as a result of past operational and investment decisions. They are held in part to fund the various reserves we hold which are available for emergency and appropriate strategic purposes.

The investment market has been altered substantially as a result of the pandemic, increasing interest rates and war in Europe. Returns on investments have been variable. Realised dividends and interest from the portfolio will continue to be budgeted at 2%.



Prospective funding sources 2022/23



Prospective total expenditure 2022/23

Note: percentages may not add to 100 percent due to rounding.

Environment Southland's 2021-2031 strategic intent

Our outcomes

The outcomes below are high level targets, strongly based in our organisational values, which rely on achieving a number of shifts and practices in the way we operate. Each of our programmes will demonstrate linkage to one or more outcomes.

By 2031:

- Managed access to quality natural resources
- Diverse opportunities to make a living
- Communities empowered and resilient
- Communities expressing their diversity.

Our role

We both lead and partner with others to foster our region's natural resources and ecosystems and strong connections to communities, enabling them to access and use those resources well into the future.

How we will make it work

To make this work, we need to make some shifts or changes in the way we do things in order to achieve the identified outcomes. The core elements of our approach are shown in the diagram.

We will activate these shifts and principles by using our values and culture to change our engagement, connectivity and knowledge access approaches, while staying adaptable and responsive to community needs.

Environment Southland will draw on the wider resources from inside and outside the region to assist. It will need other parties to make tangible contributions through information, skills, finance and personnel, which would be aligned to ensure a consistent and purposeful approach.

Strong connection with communities and resource users will be essential, along with the correct set of skills, capabilities, technologies and knowledge.

OUR VISION

A thriving Southland –
te taurikura o Murihiku

OUR MISSION

Working with our
communities to improve
Southland's environment



Engagement

Essence of approach:
Building trust and confidence from shared understanding.

- ▶ Connection with communities
- ▶ Choosing the best way and timing to engage for the situation
- ▶ Explore opportunities to partner with others
- ▶ Building relationships

Connectivity

Essence of approach: *Thinking holistically.*

- ▶ Recognising that things in the biosphere are linked one to another
- ▶ Seeing the broader picture and the connections
- ▶ Seeking multi-dimensional solutions to complex problems

Investment in the future

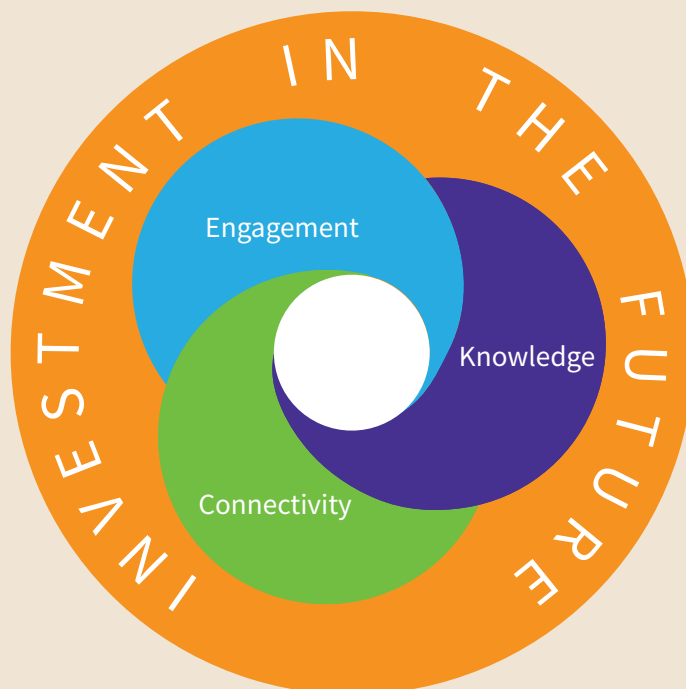
Essence of approach:
Investment across the spectrum of capability, not just Environment Southland's own operations.

- ▶ Future focused
- ▶ Investing in the right people
- ▶ Actions and programmes implemented efficiently
- ▶ Sharing resourcing

Knowledge

Essence of approach:
Generating and utilising knowledge and solutions.

- ▶ Utilising intellectual property and range of knowledge sources
- ▶ Generating knowledge and understanding
- ▶ Building knowledge through data analysis and sharing



What we do

The Long-term Plan 2021-2031 outlines our budgets and work programmes, with a focus on the first three years. It prioritises our significant issues under six groups of activities.

1 Air quality

Over the next 10 years, the Council will work with iwi, communities, other councils and organisations to improve the region's air quality by improving heating, insulation and burning practices across the region.

2 Water and land

Over the next 10 years, in partnership with iwi, the Council will work with communities, other councils and organisations towards achieving Murihiku Southland's goals for freshwater and estuaries through integrated water and land management across catchments.

3 Biosecurity and biodiversity

Over the next 10 years, the Council will work with iwi, communities, other councils and organisations to improve and protect the region's biodiversity and actively manage the number of pests in the region.

4 Climate change and community resilience

Over the next 10 years, the Council will work with iwi, communities, other councils and organisations to understand, prepare for and respond to the challenges and opportunities resulting from climate change. It will build on the community's experience and knowledge in responding to natural hazards, events and emergencies.

5 Coast and marine

Over the next 10 years, the Council will work with iwi, communities, other councils and organisations to ensure our Regional Coastal Plan gives effect to natural direction. Outstanding landscapes and significant indigenous biodiversity are protected and it is safe to access and use our coastal areas.

6 Regional leadership

Over the next 10 years, the Council will work with iwi, communities, other councils and organisations to ensure an integrated approach to achieving strategic outcomes for the region.

Portfolio workstreams

The Long-term Plan 2021-2031 structures our work into six portfolios. On the following pages, we set out the work underway in these portfolios, the progress being made in each of them and the projects planned over the next three years.

1 Air quality



The quality of our air directly impacts the quality of our lives, our health and wellbeing, and the environment. Our air quality is degraded when pollutants from human activities are released into the air. These pollutants may be from domestic fires, industrial activities, motor vehicles, farming activities and outdoor burning. Councils are required to monitor the air quality locations where the National Environmental Standards for Air Quality (NESAQ) are likely to be exceeded by the greatest amount and where a large number of people may be exposed.

Murihiku Southland currently has three airsheds – Invercargill, Gore and the rest of

Murihiku Southland. Monitoring of these airsheds shows air quality standards being regularly exceeded in Invercargill and Gore. The recently released HAPINZ 3.0¹ report examined Murihiku Southland air quality data from 2016, highlighting the emissions from transport as a factor for the first time, alongside contributions from home heating.

The Regional Air Plan was introduced in 2016 to address air quality, and since then, we have worked with Invercargill

1. Ministry for the Environment, 'Health and air pollution in New Zealand 2016 (HAPINZ 3.0): Findings and implications' <https://environment.govt.nz/publications/health-and-air-pollution-in-new-zealand-2016-findings-and-implications/>

City Council and Gore District Council to deliver the Clean Air Loans Scheme. We are currently reviewing the efficacy of this scheme and the incoming Council will be asked to decide whether the scheme should continue or if there is a better way to deliver affordable and clean home heating to the people of Murihiku Southland.

Over the next three years, we also expect the review of the National Environmental Standard for Air Quality will be finalised. This will result in a review and update of the Regional Air Plan. Resourcing and prioritisation of the air portfolio will need to be discussed by the incoming Council as part of our next Long-term Planning process.

2 Water and land



Managing our water and land resources in a sustainable way is crucial for the ongoing social, economic, environment and cultural wellbeing of Murihiku Southland communities. Fundamental to this is giving effect to the National Policy Statement for Freshwater Management 2020 (NPSFM) requirement to manage freshwater in a way that gives effect to Te Mana o te Wai (the mana of the water). This recognises that protecting the health of freshwater protects the health and wellbeing of the wider environment.

Land development and economic growth over many decades have led to poor ecosystem health in many waterways, especially in the developed parts of the region. Many lowland waterways are unsafe for people to enjoy, swim in, and eat and drink from. Key metrics Environment Southland monitors that indicate the need to take action to protect future generations include:

- **Groundwater:** up to 35% of groundwater monitoring sites across Murihiku Southland do not meet drinking water standards in relation to nitrogen and/or microbial contamination. The widespread nitrogen contamination of groundwater also contributes to poor water quality and ecosystem health outcomes particularly in the lower parts of the streams and rivers of Murihiku Southland.

- **Streams and rivers:** up to 72% of lowland and 7% of upland rivers in Murihiku Southland (excluding Fiordland) are considered degraded with respect to *E. coli*.
- **Lakes:** water quality in brackish lakes and lowland shallow lakes is in a fair to poor state, whilst the deep glacial lakes are in very good condition. Invasive macrophytes, such as didymo, are in several Murihiku Southland lakes including the deep glacial lakes (Te Anau and Manapouri).
- **Estuaries:** three of the seven monitored estuaries are experiencing nuisance macroalgal blooms and fine sediment problems, which has resulted in sea grass loss. Freshwater Estuary on Rakiura Stewart Island is in very good condition. The catchment of this estuary has 100% vegetation cover.
- **Land:** land development has contributed a disproportionate amount to the overall contaminant load

To achieve the environmental outcomes for freshwater and estuaries sought by the community and iwi over a generation (a state of hauora wellbeing over a 25-30 year period), an integrated catchment management (ICM) approach has been implemented for the organisation. This includes dedicated resourcing for the implementation of ICM and the incoming council will need to continue to work with staff and iwi on the rollout and delivery of this programme of work.

People, Water and Land Programme

Using research commissioned over a four-year period from 2014 as a base, the Council's People, Water and Land Programme takes an integrated approach to freshwater management in Murihiku Southland. The programme is a partnership between Environment Southland and Te Ao Mārama, with a vision to 'inspire change to improve Southland's water and land'. It recognises that we will need to make changes to reduce the impact our land use practices have on the environment, while enabling our economy and communities to thrive.

To give effect to this vision, the Regional Forum was established. The forum was a community-based group that provided advice to Environment Southland's Council and the Te Ao Mārama Board on how we can achieve the communities' aspirations for freshwater. Members of the forum have met frequently over the last three years to consider the specific policies and rules, as well as the on-ground initiatives required to make change and improve Murihiku Southland's water and land for generations to come.

The regional forum delivered its final advice to the Environment Southland Council Te Ao Mārama Board on 13 July 2022. The incoming Council will be required to consider, and give effect to, this package of advice to governance on potential methods and limits. This will include the notification of a plan change to the proposed Southland Water and Land Plan (Plan Change Tuatahi).

3 Biosecurity and biodiversity



Thriving ecosystems on land and in the water are a strong indicator of health of environmental health. That is why an effective biosecurity programme and a forward-thinking biodiversity approach is so important.

In Murihiku Southland we have a particularly strong biosecurity programme and an increasing focus on indigenous biodiversity, which will be further enhanced by the Government's National Policy Statement for Indigenous Biodiversity (NPSIB) due to be gazetted at the end of 2022.

We were a recipient of the Government's Job's for Nature funding over three years and we have made very good progress in our first year.

The work has significantly increased the impact on biodiversity and it has been a record year for delivery, with better data and understanding of the biodiversity condition of an additional 22,500 ha of

land within Southland. This information will help understanding of the long-term trends of biodiversity and help landowners improve their biodiversity management.

A total of 45 biodiversity management plans have been achieved, 25 Environment Enhancement Grants completed and 55 fish barriers remediated. Through the Environmental Enhancement Fund, active management has occurred on 16,400 ha, including 14 bush blocks, one scrub block, 14 wetlands, three sites with threatened species and 14 threatened habitats; with a total of 29km of fencing completed, 15,000 native plants planted and 15,700 ha of pest control achieved.

More than 25km of coastline in Te Puaitaha/Breaksea Sound was surveyed and 30,000 kg of Undaria was removed.

The Buffer Zone programme has resulted in more than 1600ha and 2246 Te Anau sections being searched for cotoneaster and Darwin's barberry. More than a

hundred thousand pest plant seeds have been taken out circulation in the battle to protect Fiordland National Park from incursion.

Our long-standing, successful possum control area (PCA) programme continues to expand with neighbouring landowners being supported to join together to control possums and other pest animals.

Our Biosecurity Strategy, Regional Pest Management Plan and Fiordland Regional Pathway Management Plan focus on minimising the risks associated with pest species and while we are making progress there are many challenges ahead.

In the long term, climate change will have an increasing impact. Changes in climate affects habitats and the biodiversity that exists within them. Increasing flood intensity may alter river habitats and warmer temperatures can allow new pests to establish.

4 Climate change and community resilience

The short- and long-term impacts of natural hazards and climate change have on people's homes, businesses and wellbeing can be devastating. The more we can learn, understand and plan for these events, the better positioned we will be to build community resilience and cope with them.

Climate change

Adapting to and mitigating the effects of climate change is a major issue that will require a collective effort with central government, the local government sector and the community. In 2022, Environment Southland established a Climate Change Sub-Committee, which sits under the Strategy and Policy Committee to drive action on climate change, as part of our regional leadership role. In July 2022, we brought together all councils, Te Ao Mārama and Great South for a climate change hui, as part of our commitment to developing a regional climate change strategy by 2024 for Murihiku Southland.

In 2020, Environment Southland released an internal climate action plan, which is currently being reviewed and updated. In conjunction with other Murihiku Southland councils, Environment Southland commissioned a report, Regional Climate Change Impact Assessment, by the National Institute of Water and Atmosphere (NIWA) in 2018. This report provides a wealth of information about the risks associated with climate change and is used by councils to inform catchment-based planning and engagement with communities to help people understand how the range of impacts might affect them.

In 2022, the NZ Sea Rise Programme released location specific sea-level rise projections out to year 2300 for every 2km of coast of Aotearoa New Zealand. This data will help councils to make better decisions about how to manage the consequences of rising seas in New

Zealand. This data will also be used to update the 2017 coastal hazards guidance for local government, which is advice to help communities, planners, businesses and infrastructure providers across the country adapt equitably and effectively to the unavoidable impacts of coastal hazards and climate change.

To further our understanding of the extent of potential impacts of sea level rise and storm surges, Murihiku Southland authorities are investing jointly in LiDAR (light detection and ranging) modelling for Murihiku Southland. LiDAR generates a precise, three-dimensional layer of the Earth's surface and features and will be an important foundation for decision making, providing critical data that can be used to map and model changes to the environment.

The incoming Council will need to build on this work programme, including the development of the Murihiku Southland Regional Climate Change Strategy, while continuing to facilitate and promote the regionalised and joined-up approach to acting on climate change. Future conversations with the community will be on difficult topics such as managed retreat (the movement of people away from zones that are prone to climate change impacts) and land use change to future-proof Murihiku Southland against the impacts of climate change.

Community resilience

Community resilience relates not only to environmental resilience, but also social and economic resilience. Flooding is our biggest risk when it comes to natural disasters. This will be exacerbated by climate change and means we have to be prepared to respond to more threats than before.

The majority of the Murihiku Southland community resides and works within an environment at risk from flooding,

alongside the rivers of the region. That risk is managed, in many instances, by the Council's key infrastructure responsibility of flood protection schemes. There are 458 kilometres of stopbanks in the region designed to protect property, lives and livelihoods in urban and rural areas.

Significant funding has been received from the government to advance climate resilience projects in the region as part of the COVID-19 recovery. Business cases for our climate resilience 'shovel ready' projects were prepared in 2020, when the Government made funding available. Like all of the climate resilience projects throughout the country, the project scoping and application process was run over a very short timeframe. As projects advanced we have become aware that additional work would be required to firm up the specifics of the projects and refine costings.

In the two years since April 2020, when we received the funding, costs have risen significantly. There has been significant change within the construction market, with high demands being placed on the construction sector in Murihiku Southland. This has meant service providers are less available and come at a higher cost, while we also face challenges with materials and supply chain issues.

We are planning to borrow to provide for potential additional costs associated with these projects, to be repaid over the longer term. The final costs of the projects are currently being finalised.

We have been working to review the climate resilience projects in light of all of these factors. Our focus is on ensuring we manage the critical risks from climate change, balanced with ensuring the best value for money for our communities and the incoming Council will need to make final decisions regarding this work programme.

5 Coast and marine



The Council is responsible for the integrated management of the coastal marine area, as well as ensuring that users of coastal waters do so in a safe way. Murihiku Southland's coast is the longest of any region in New Zealand and extends from Fiordland in the west round to the Catlins in the east and includes Rakiura Stewart Island.

The health of Murihiku Southland's coastal water and estuaries ranges from pristine to significantly compromised – to the point that contact recreation and gathering kaimoana in some areas is unsafe. For example, one of the key challenges in the region is the impact of land-based activities and land use on coastal water

quality (including in our estuaries) and the cumulative effects from these activities.

The COVID-19 pandemic has significantly reduced funding for the Council's marine workstreams, as a result of the reliance on the income that was generated by the cruise ship marine fee. We are under pressure to find alternative funding mechanisms to support our marine activities.

Our Regional Coastal Plan is currently under review and we are working collaboratively with iwi, local councils, the Department of Conservation, Fiordland Marine Guardians and the community. This review will continue over the next three years and the incoming Council will have

the opportunity to workshop and frame the new Regional Coastal Plan as it is developed.

Council has delegated responsibility from Maritime New Zealand for navigation safety and harbour management responsibilities for the region. It is also responsible for providing effective response capability for oil spills that occur in the region's coastal waters. The incoming Council will be briefed by our Harbourmaster and this will continue over the subsequent three years, particularly as issues arise.

6 Regional leadership



The regional leadership group of activities reflect the way in which Environment Southland acts on its obligations to provide responsible leadership for regionally significant activities. These activities are wide-ranging but include regional transport, long-term planning, and joined-up approaches on regional planning matters such as RMA reform and planning standards, as well as corporate strategic planning.

Te Tiriti o Waitangi

Environment Southland has a long-standing and highly valued relationship with Ngāi Tahu ki Murihiku through the four Southland papatipu rūnanga, Te Ao Mārama Inc (their environmental arm) and Te Rūnanga o Ngāi Tahu. This is foundational to our journey towards treaty partnership and bringing a Te Ao Māori lens to the way we work. We have mana whenua representatives on our Strategy and Policy Committee and Regional Services Committee and work in

partnership with Ngāi Tahu ki Murihiku on a variety of programmes and projects.

Regional transport

Regional transport management is a responsibility of Council set by legislation. Council is responsible for setting the strategic direction and long-term goals for the region's transport infrastructure and provides guidance to road controlling authorities (territorial authorities and Waka Kotahi NZ Transport Agency) on the preparation of their roading programmes to obtain funding from the National Land Transport Fund.

Otago Regional Council and Environment Southland work collaboratively via the Regional Transport Committee to develop the Otago Southland Regional Land Transport Plans. These plans set the strategic direction for land transport in Murihiku Southland and list the recommended activities for funding from the National Land Transport Fund administered by Waka Kotahi NZ Transport Agency.

Long-term planning

Under the Local Government Act 2002, councils must meet planning and reporting requirements aimed at ensuring that communities are involved in setting the direction and focus for council activities. The Long-term Plan, Annual Plans and Annual Reports are the main mechanisms for achieving this. During the next council term, our Long-term Plan will be reviewed and updated, which will require decisions on workstream and resource prioritisation.

Regional planning

The government has commenced a wholesale review of the Resource Management Act 1991, which will involve it being repealed and replaced by three pieces of legislation. This will have significant implications for regional planning. The incoming Council will be required to consider this legislation shortly after taking office.

Central government regulatory reform agenda

There are three significant reform and review processes currently underway regarding resource management, the future for local government, and three waters. These will have an impact on all councils, collectively and individually.

What the reforms have in common are that they aim to achieve better outcomes for communities and the environment, improve efficiency, and give effect to the principles of Te Tiriti o Waitangi. They are, however, progressing on varying timelines and add to an increasingly complex and uncertain operating environment for local government now and post the 2022 elections. This environment also includes likely Government changes to building control, civil defence and emergency management, to name a few.

Resource Management Act reforms

After many years of incremental changes, the Government is overhauling the resource management system to:

- Protect and restore the environment and provide for intergenerational wellbeing.
- Better enable development within environmental limits.
- Better recognise te Tiriti o Waitangi principles, to ao Māori and mātauranga Māori.
- Better prepare for adapting to climate change and risks from natural hazards, as well as mitigating greenhouse gas emissions.
- Make the system less complex and more efficient while retaining local democratic input.

The Government is proposing to introduce three new pieces of legislation to replace the Resource Management Act and achieve its objectives:

- Natural and Built Environments Act – the primary replacement for the Resource Management Act 1991. It will require outcomes-based planning and development within environmental limits, give effect to the principles of Te Tiriti, and create a single regional plan, overseen by a regional committee, supported by a National Planning Framework.

- Spatial Planning Act – introduces mandatory 30-year regional spatial strategies that will set out at high level how regions and communities will develop, integrating land use, major infrastructure and investment. It too is guided by the National Planning Framework and will be overseen by a regional committee.
- Climate Adaptation Act – this will deal with the complex policy, economic and legal issues around adapting to the effects of climate change, including managed retreat.

Both the Natural and Built Environments Bill and the Strategic Planning Bill will be introduced into Parliament around or shortly after the election period. The incoming Council will need to consider whether and how it wishes to respond to these Bills very soon after it takes office. The Climate Adaptation Bill is likely to be introduced next year.

The reform of the resource management system will have a significant impact on Environment Southland, including future governance arrangements, functions, structure, decision-making, operations, and investment priorities. The resource requirements and costs of transition cannot be underestimated, particularly as we transition to the new system, while fulfilling essential requirements under the current one.

The resource management sector is currently under significant strain and facing capacity issues, including sourcing and retaining appropriately skilled people. There is currently a shortage of skilled planners and spatial planners, for work that will draw on a wide range of skills and expertise from across the Council and beyond. There are also constrained on mana whenua and their capacity to fully participate in resource management systems.

The interconnected nature of the the resource management reform with the future for local government and three waters reforms means that each will impact the others. A smooth implementation of any new system relies on Council carefully planning and managing the transition, and resourcing appropriately.

Future for local government

On 24 April 2021, the Minister for Local Government announced that she had established a ministerial inquiry into the future for local government. The overall purpose of the review is to “identify how our system of local democracy needs to evolve over the next 30 years, to improve the wellbeing of New Zealand communities and the environment, and actively embody the treaty relationship.”

In September 2021, the future for local government review panel released an interim report that set out the engagement it had done up to that time, and the lines of inquiry it would follow. The full report, *Ārewa ake te Kaupapa: Raising the Platform* can be found at https://www.futureforlocalgovernment.govt.nz/assets/Uploads/DIA_16724_Te-Arotake-Future-of-Local-Government_Interim-report_22.pdf

Ārewa te aka Kaupapa poses five key questions:

1. How should the system of local governance be reshaped so it can adapt to future challenges and enable communities to thrive?
2. What are the future functions, roles and essential features of New Zealand's system of local government?
3. How might a system of local governance embody authentic partnership under Te Tiriti o Waitangi, creating conditions for shared prosperity and wellbeing?
4. What needs to change so local government and its leaders can best reflect and respond to the communities they serve?
5. What should change in local governance funding and financing to ensure viability and sustainability, fairness and equity, and maximum wellbeing?

The panel has met with every local authority as part of its engagement, including a meeting on 24 March 2022 with our Council and the board of Te Ao Mārama.

At that meeting the panel explored the following five big shifts and how our local context might influence them:

1. Strengthened local democracy.
2. Stronger focus on wellbeing.
3. Authentic relationship with hapū/iwi/Māori.
4. Genuine partnership between central government and local government.
5. More equitable funding.

At the meeting, Environment Southland responded to these five shifts, advocating for place-based, local solutions for strengthening local democracy and a clear integration of the four wellbeings into the business as usual aspect of local government. Te Ao Mārama spoke about the need for authentic partnerships to be informed by trust, honesty, respect, understanding and two-way communication; all of which take time to develop.

Environment Southland reminded the panel that a genuine partnership is informed by trust and that partnership goes two ways – both central and local government need to make changes to strengthen their partnership. Finally, funding needed to be reflective of the amount of responsibility that rests with local government and the delivery of local services.

A draft report and recommendations for public consultation will be released by the panel after the local government elections.

The final report will be presented to the Government by 30 April 2023. With central government elections likely in late 2023, the Government may take some time to decide what, if any, of the panel's recommendations it wishes to take up.

However, many of the other reforms underway are already shaping the future for local government and we are already working in ways that are consistent with the panel's direction of progress, such as regional partnerships and authentic relationships with Māori.

The new Council will need to respond to the panel's recommendations soon after being elected, and then consider the panel's recommendations to parliament. In the future, government decisions may change Council's role, functions and structure.

Three Waters Reform

Following the serious campylobacter outbreak in 2016 and the Government's inquiry into Havelock North drinking water, central and local government have been considering the issues and opportunities facing regulation and management of the three waters (drinking water, wastewater and stormwater).

The focus has been on how to ensure safe drinking water for all, improve the environmental performance and transparency of wastewater and stormwater networks and deal with funding and affordability challenges, particularly for communities with small rating bases or high-growth areas that

have reached their prudential borrowing limits. There is also a need to future-proof the assets and plan for the effects of climate change.

In 2021, the Government announced it would proceed with proposals to change the way three waters are delivered. The proposal was that three waters assets would be removed from councils. All three waters assets and any liabilities related to three waters - would transfer to a body corporate. For Murihiku Southland and the majority of the South Island this is known as Entity D.

Parliament is currently considering the Water Services Entities Bill that would create Entity D and three others around the

country. Under the Bill these entities would manage the future delivery of three waters services across the country. The Bill also sets out how these entities would operate, and how the local community would be able to hold them accountable. A second bill will be introduced into Parliament later in the year that will provide further details on the powers and duties of the entities.

Environment Southland holds the responsibility for regulating water assets in the region and it is likely the second Bill will provide more detail regarding compliance and enforcement for three waters. We understand this Bill will enter Parliament in or around September this year so the incoming Council will need to decide whether it wishes to submit on this Bill, and what it might say.

Financial strategy

Environment Southland has adopted a set of funding and financial policies to provide predictability and certainty about sources and levels of funding. Our operations are underpinned by a prudent financial strategy based on managing its revenue, expenses, assets, liabilities and investment income with a view to the current and future needs of the Murihiku Southland community.

Councillors have agreed to a 5% average rates increase for the 2022/23 financial year. We provided certainty to our ratepayers in 2021 that rates increases would not go above 5% this year and, despite increasing costs in a number of areas, we have worked hard to honour that commitment. We understand that Southlanders, like the rest of the country, are facing many increases in the cost of living and we are doing everything we can

to keep rates down, while working towards the outcomes our community expects from us.

The Council's Long-term Plan 2021-2031 projects an increase in Council activities and associated costs as we deal with the key issues outlined in this report. The level of work has increased significantly over the past years and this increase is expected to continue into the future, particularly in light of the plethora of central government reforms that are affecting local government. In developing the financial strategy, Council has been mindful of the need to maintain levels of service, even as our work continues to grow.

These factors all put upward pressure on rates increases. However, Council must balance these funding requirements against the current economic climate and the pressures on our community. While

we set ourselves up for the future with the Long-term Plan, and our financial strategy will put us on a firm track towards a balanced budget, Council will need to find improvements in productivity and future funding solutions.

We want to ensure our financial reserves are well managed and available for emergency and appropriate strategic purposes, and that we have the appropriate mix of funding for the work we need to do. In reviewing our financial practices, we are vigilant about ensuring they align with our financial strategy and contribute to our organisational resiliency.

This table highlights the Council's financial position.

	ACTUAL 2019/20 (\$000)	ACTUAL 2020/21 (\$000)	ESTIMATED 2021/22 (\$000)	AP BUDGET 2022/23 (\$000)	TP BUDGET 2023/24 (\$000)	LTP BUDGET 2024/25 (\$000)	LTP BUDGET 2025/26 (\$000)
Cash and other current assets	4,816	10,176	9,815	6,272	860	614	1,105
Managed funds	28,308	28,918	26,673	27,881	30,307	30,764	31,222
Other investments	993	746	757	757	993	993	993
South Port shares	8,721	8,721	8,721	8,721	8,721	8,721	8,721
Property, plant and equipment	40,097	41,282	44,530	57,694	58,705	58,262	57,869
Total liabilities	5,416	9,050	6,204	9,864	8,919	8,099	7,279
Council net worth/equity	77,519	80,793	84,292	91,461	90,667	91,255	92,630

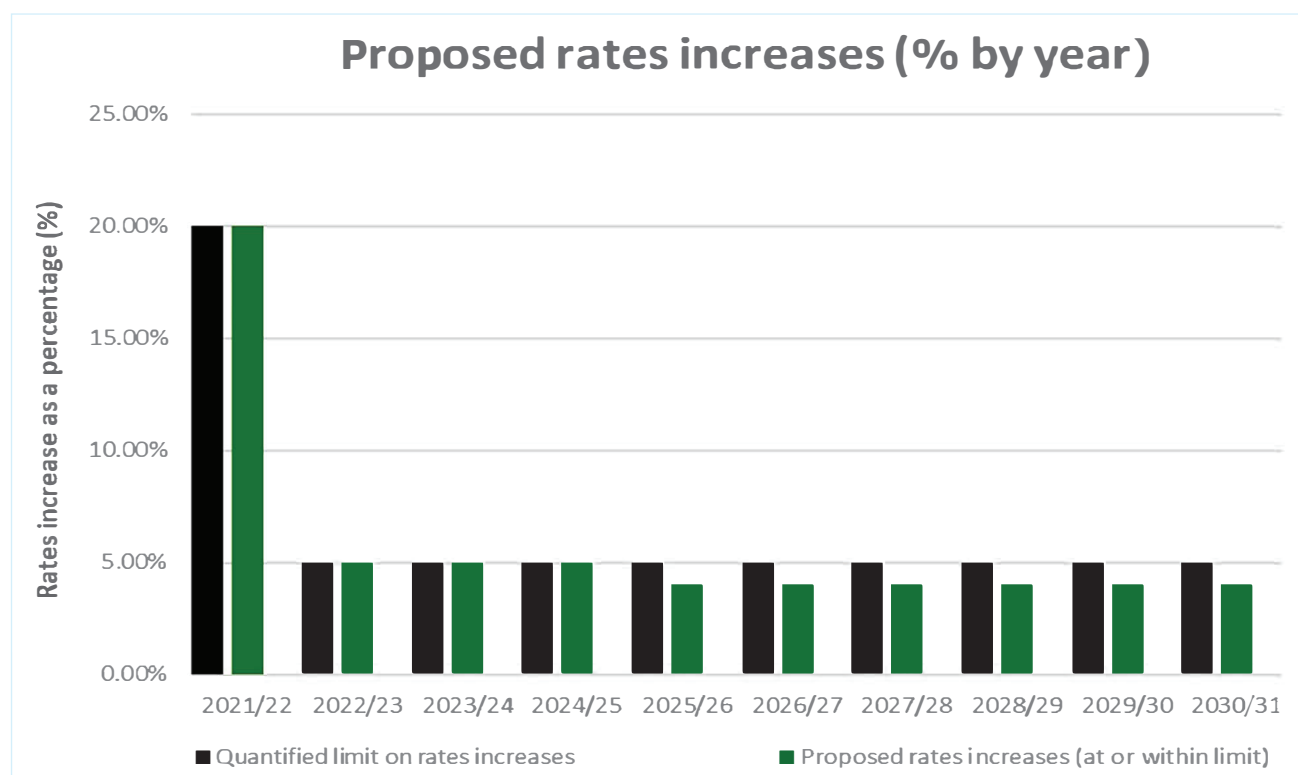
Compliance with our financial strategy

This table presents a summary of our financial condition indicators.

FINANCIAL CONDITION INDICATORS	ACTUAL 2019/20 (\$000)	ACTUAL 2020/21 (\$000)	FORECAST 2021/2022 (\$000)	AP BUDGET 2022/23 (\$000)	LTP BUDGET 2023/24 (\$000)	LTP BUDGET 2024/25 (\$000)	LTP BUDGET 2024/25 (\$000)
Rates revenue	18,168	19,038	22,861	24,004	25,205	26,465	27,524
Public debt	0	0	0	6,038	4,422	3,602	2,782
Total assets	82,935	89,843	90,496	101,325	99,586	99,354	99,909
Proportion of rates revenue to total revenue	41.14%	45.23%	52.05%	47.96%	60.74%	63.76%	63.52%
Quantified rates limit on income	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
Rates increase to existing ratepayers year-on-year	6.94%	4.79%	20.00%	5.00%	5.00%	5.00%	4.00%
Quantified rates limit increase	9.00%	9.00%	20.00%	5.00%	5.00%	5.00%	5.00%
Public debt as a percentage of total assets	0	0	0	5.96%	4.44%	3.63%	2.78%
Proportion of rates revenue applied to service debt	0	0	0	0	0.60%	0.51%	0.37%

Projected rates increases

This chart shows the projected rates increases and limits established by the Long-term Plan 2021-2031



Borrowing levels and limits

Environment Southland currently has no long-term borrowing. Council is budgeting for new debt within the Annual Plan to fund our share of the climate resilience 'shovel ready' projects.

Investments

The Council has investments that have accumulated as a result of past operational and investment decisions. These investments serve the following purposes:

- Provide revenue for the operation of the Council;
- Hold funds from various reserves and rating district balances;
- Invest proceeds from the sale of assets;
- Invest funds for approved future expenditure, to implement strategic initiatives or to support intergenerational allocations.

We have two significant financial investments that are used to create investment income which, in turn, is used to fund operating costs and is offset against the general rate. These investments are JB Were managed funds and the shareholding in South Port New Zealand Limited.

The equity investment in South Port New Zealand Limited dates from the 1989 local government reorganisation when the Council was vested with a majority of the shares in the port company. We retain shares in South Port New Zealand Limited as a strategic community asset. The shares are in the balance sheet at a cost of 50c per share.

South Port's dividends have been stable or steadily growing and we are unaware of any circumstances that would prevent that from continuing.

At 30 June 2022, the investment values were:

- South Port New Zealand Limited \$8,720,787 (cost)
- JB Were \$26,668,125 (market)

Actual returns for the past three financial years

	ACTUAL 2019/20 (\$000)	ACTUAL 2020/21 (\$000)	ESTIMATE 2021/22 (\$000)
South Port (NZ) Ltd	4,535	4,535	4,709
Return per share	26c	26c	27c
JB Were	862	3,610	-2,250
Rate of return	2.85%	11.20%	-6.89%

Actual and targeted returns on investments

		ACTUAL 2019/20 (\$000)	ACTUAL 2020/21 (\$000)	ESTIMATE 2021/22 (\$000)
South Port (NZ) Ltd	Actual	4,535	4,535	4,709
	Target	4,535	4,535	4,535
JB Were	Actual	862	3,610	-2,250
	Target	1,382	590	580

Performance to date and looking ahead

This section provides an overview of the financial performance and position of the Council for the previous three years and what is forecast to happen over the next four years. We have sourced the information from:

- Audited annual report (2019/20 and 2020/21)
- Projected unaudited information (2021/22)
- Annual Plan (2022/23)
- Long-term Plan 2021-2031

Every three years, the council prepares a Long-term Plan that outlines our work programmes and budgets for a 10-year period.

In the intervening years, the Council is required to prepare an Annual Plan, which updates the priorities and budgets for a particular year of the 10-year plan.

Our Annual Reports explain in greater detail what we have delivered compared with what we planned to do. Annual reports also contain information about what the activities and services cost,

compared to what was budgeted for. The 2019/20 and 2020/21 annual reports are available from Environment Southland and online at www.es.govt.nz. The Council is scheduled to adopt the Annual Report 2021/22 in October 2022.

Statement of cash flows

The cash flow statement is a summary that shows how cash has flowed in and out of the Council business over each year. It shows where the cash has come from, and what it was used for.

SUMMARY OF CASH FLOWS

	ACTUAL 2019/20 (\$000)	ACTUAL 2020/21 (\$000)	ESTIMATED 2021/22 (\$000)	AP BUDGET 2022/23 (\$000)	LTP BUDGET 2023/24 (\$000)	LTP BUDGET 2024/25 (\$000)	LTP BUDGET 2025/26 (\$000)
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from landowners, customers and government	34,556	34,782	35,975	39,571	36,333	36,344	38,168
Interest received	33	76	87	-	-	-	-
Dividends received	4,543	4,535	4,709	4,709	4,535	4,535	4,535
Payments to suppliers and employees	(45,450)	(34,695)	(39,154)	(46,704)	(40,984)	(39,847)	(40,917)
Interest paid	(96)	(38)	(2)	(87)	(150)	(134)	(101)
Net cash from operating activities	(6,413)	4,660	1,615	(2,510)	(266)	898	1,685
CASH FLOWS FROM INVESTING ACTIVITIES							
Sale of assets (predominately vehicles)	653	100	217	90	86	104	130
Withdrawal of investments	7,170	3,161	203	156	170	170	170
Acquisition of shares/investments	(25)	(11)	(12)	-	-	-	-
Purchase of assets	(3,135)	(984)	(3,893)	(14,229)	(537)	(598)	(673)
Grants for capital expenditure			1,323	6,636			
Net cash from investing activities	4,662	2,266	(3,485)	-7,347	(281)	-324	-373
CASH FLOWS FROM FINANCING ACTIVITIES							
Drawdown/(repayment) of borrowings	-	-	-	5,212	(820)	(820)	(820)
Net cash from financing activities	-	-	-	5,212	(820)	(820)	(820)
Increase/(decrease) in cash held	(1,751)	6,926	(1,870)	(4,645)	(1,367)	(246)	492
Add opening cash brought forward	142	(1,609)	5,316	4,272	(1,072)	(2,439)	(2,684)
CASH HELD AT YEAR END	(1,609)	5,316	3,446	(373)	(2,439)	(2,684)	(2,193)

Statement of financial position

The statement of financial position shows how much the Council owns (assets) and how much we owe (liabilities) at the end of each financial year. The total sum of assets less liabilities is referred to as “net worth” or public equity. The Balance Sheet is a snapshot of the Council’s financial position at a particular time.

SUMMARY BALANCE SHEET

ASSETS	ACTUAL 2019/20 (\$000)	ACTUAL 2020/21 (\$000)	ESTIMATED 2021/22 (\$000)	AP BUDGET 2022/23 (\$000)	LTP BUDGET 2023/24 (\$000)	LTP BUDGET 2024/25 (\$000)	LTP BUDGET 2025/26 (\$000)
CURRENT ASSETS							
Cash and cash equivalents	(1,609)	5,316	3,446	(374)	(2,439)	(2,685)	(2,194)
Receivables and rates outstanding	5,891	4,356	5,964	6,241	3,005	3,005	3,005
Inventories	109	109	105	105	109	109	109
Investment funds	28,308	28,918	26,673	27,881	30,307	30,764	31,222
Prepayments	425	395	300	300	185	185	185
	33,124	39,094	36,488	34,153	31,167	31,378	32,327
NON-CURRENT ASSETS							
Shares in subsidiary	8,721	8,721	8,721	8,721	8,721	8,721	8,721
Property, plant and equipment	40,097	41,282	44,530	57,694	58,705	58,262	57,869
Loan to Gore District Council	44	47	49	49	44	44	44
Loan to Invercargill City Council	142	150	159	159	142	142	142
Investment in related party	807	549	549	549	807	807	807
	49,811	50,749	54,008	67,172	68,419	67,976	67,582
TOTAL ASSETS	82,935	89,843	90,496	101,325	99,586	99,354	99,909
LESS LIABILITIES							
CURRENT LIABILITIES							
Creditors and accruals	3,521	5,294	4,703	2,496	3,002	3,002	3,002
Income received in advance	-	2,437	170	-	-	-	-
Employee entitlements	1,853	1,274	1,297	1,296	1,461	1,461	1,461
	5,374	9,005	6,170	3,792	4,463	4,463	4,463
NON-CURRENT LIABILITIES							
Term debt	-	-	-	6,038	4,422	3,602	2,782
Employee entitlements	42	45	34	34	34	34	34
	42	45	34	6,072	4,456	3,636	2,816
TOTAL LIABILITIES	5,416	9,050	6,204	9,864	8,919	8,099	7,279
NET ASSETS	77,519	80,793	84,292	91,461	90,667	91,255	92,630
EQUITY	77,519	80,793	84,292	91,461	90,667	91,255	92,630

Funding impact statement

The funding impact statement shows how the Council's activities will be funded. It shows where the funding comes from (including income from rates), the amount each source is expected to produce and how those funds will be applied.

SUMMARY FUNDING IMPACT STATEMENT

	ACTUAL 2019/20 (\$000)	ACTUAL 2020/21 (\$000)	ESTIMATED 2021/22 (\$000)	AP BUDGET 2022/23 (\$000)	LTP BUDGET 2023/24 (\$000)	LTP BUDGET 2024/25 (\$000)	LTP BUDGET 2025/26 (\$000)
FUNDING APPLICATIONS							
Operating expenditure	38,374	37,460	39,358	45,484	41,134	39,980	41,018
Capital expenditure	3,136	283	3,893	14,229	537	598	673
Borrowing repayments	0	0	0	0	0	0	0
TOTAL TO BE FUNDED	41,510	37,743	43,251	59,713	41,671	40,578	41,691
FUNDING SOURCES							
General rates, uniform annual charges and rates penalties	10,084	10,814	14,549	15,050	15,997	17,012	17,820
Targeted rates	8,335	8,353	8,724	9,105	9,287	9,535	9,787
Fees, charges and targeted rates for water supply	12,886	11,507	14,241	12,892	9,958	8,676	9,409
Local authority fines, infringement fees and other receipts	6,239	5,917	6,109	5,895	5,712	5,760	5,816
Subsidies and grants for capital expenditure		1,261	2,303	6,636	-	-	-
Increase / (decrease) in debt				5,212			
Council reserves	3,966	(109)	(2,675)	4,925	717	(405)	(1,141)
	41,510	37,743	43,251	59,713	41,671	40,578	41,691

