

# Annual Report 2017/18



environment  
**SOUTHLAND**  
REGIONAL COUNCIL  
Te Taiao Tonga



# Annual Report

## *Environment Southland's achievements from July 2017 to June 2018*

This Annual Report summary for 2017/18 provides an overview of the achievements for the third year of our 2015-2025 Long-term Plan, which focused on Southland's *Big 3* – water, air and biodiversity.

Overall, we achieved what we set out to do – progress freshwater management, support the community to improve air quality and better co-ordinate the efforts within the Council and across Southland to improve biodiversity.

Water quality continues to be our top priority and the comprehensive three-year research programme we committed to in the 2015-2025 Long-term Plan is now completed.

It included an extensive science programme in partnership with national science agencies and industry to better understand Southland's physical geography, how our water and land systems interact and the causes of variable water quality. The economic project included industry partners and explored the impact of potential policies for improving water quality on industry, business and the wider economy.

The proposed Southland Water and Land Plan is another significant piece of work that has now progressed to the final appeal stage. Its aim is to prevent any further deterioration in water quality by addressing issues we know have a negative impact on water quality.

Knowledge and outputs from the science and economic programmes firmly underpin our newly developed long-term People, Water and Land programme. This is an integrated programme of both regulation and on-the-ground action that supports people, businesses and organisations to significantly change their activities, which adversely affect land and water. The proposed Southland Water and Land Plan provides the basis for the regulatory component of the programme.

Significant challenges lie ahead, but we now have a solid foundation for improving rural and urban water quality.

It is pleasing to note that indicators show we are making progress towards the ambition set three years ago, with 10 years of monitoring data demonstrating that more Southland rivers have improving water quality than those that are deteriorating (see Land and Water Aotearoa, [www.LAWA.org.nz](http://www.LAWA.org.nz)).

Three years ago we also committed to working more closely alongside communities and farmers to move all land users to good management practice.

This has seen the completion of 637 Focus Farm Plans during the past three years, covering more than 250,000 ha, supporting land owners to positively improve farm practices for water quality enhancement as well as pest and biodiversity management.

While we had planned for an overall deficit of \$1.66m we can report a better than expected overall result with a surplus of \$2.27m. Environment Southland's balance sheet remains strong, with significant reserves underpinned by investments, however the balance of the reserves is changing with the disaster or specific purpose reserves increasing and the general purpose reserves declining.

Total comprehensive revenue was \$3.2m better than budgeted. This was mainly due to:

- a government grant for the Mid Dome wilding trees programme of \$1.25m;
- increased income from local contributions and compliance recoveries of \$0.48m;
- investment returns that were higher than anticipated at \$1.5m.

The better than anticipated result also came from prudent financial management (savings in some areas of expenditure) supported through lower depreciation and reduced employee costs.

Some of the highlights for the 2017/18 year include:

- the high level of engagement of our communities to improve water quality;
- gaining momentum with the Whakamana te Waituna programme; formalising our partnership through the creation of a trust with our partners – Southland District Council, Te Rūnanga o Awarua, Te Rūnanga o Ngāi Tahu, Living Water, Fonterra, Department of Conservation – and successfully accessing \$5 million of Government funding;
- the increased emphasis being placed on biodiversity and biosecurity including significant wilding conifer control on Mid Dome and the ongoing success of our possum control area programme in partnership with the farming community;
- progressing the proposed Southland Water and Land Plan to the appeals stage;
- support for the community to improve air quality;
- our financial position.

A continued challenge has been adapting and responding to government policy often requiring significant investment in resources and time.

Our support of the Southland Regional Development Strategy (SoRDS) is ongoing. We recognise that we have a key regional leadership role and that we need to work closely with the other local councils to ensure sustainability remains fundamental to regional development. The strategy identifies Environment Southland as an enabler of regional economic success through our freshwater management responsibilities. There is no doubt that sustainable land, water and coastal management is critical to the future of Southland.

We are pleased that the three years of our last Long-term Plan (2015-2025) established such a strong foundation for improvements to water and air quality, as well as land/biodiversity and pest management.

Responding to the challenges that lie ahead and reflecting a continuous improvement approach to the way we do things, the next Long-term Plan (2018-2028) has created four different workstreams. These are Regional Leadership, Environmental Stewardship, Whakahoki Te Mana and Community Resilience.

Some new measures have been developed for these work streams and we will begin reporting on them in the next Annual Report (2019).

We look forward to working with our communities and partnering with others for a thriving Southland.

This report has been prepared in accordance with Part 3 of Schedule 10, Clause 34 of the Local Government Act 2002. The Council and management of Environment Southland confirm that all the statutory requirements in relation to the Annual Report have been complied with.

This report was approved and adopted by a meeting of the Council on 31 October 2018.

It correctly reflects the Council's financial position and operating results for the year ended 30 June 2018 and complies with all statutory requirements in relation to the Annual Report.



Nicol Horrell  
Chairman



Rob Phillips  
Chief Executive

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## Key highlights from the year



We have commenced a five year comprehensive partnership programme to return the mana of the Waituna Lagoon.



We continue to engage with our community on water related issues through our People, Water and Land Programme.



We have placed more emphasis on biodiversity/ biosecurity, developing a plan for the co-ordination of these activities.



We have made progress on a framework for maintaining and improving water quality in Southland by progressing the proposed Southland Water and Land Plan to the appeals stage.



We continued the Clean Air Loans scheme with the Invercargill City and Gore District Councils to help people change to cleaner home heating options.



We activated the Fiordland Marine Regional Pathway Management Plan, and our Possum Control Areas Programme continued to grow.



We completed 220 new farm plans covering over 82,600 hectares, making a total to date of 637 farm plans covering an area exceeding 250,000 ha.



Environment Southland is in good financial shape with a surplus of \$2.27 million compared with a planned deficit of \$1.66 million.



Environment Southland's balance sheet remains strong, however despite the years good result the general purpose reserves declined.

## Section 1: 2017/18 Year in Review (*Te Arotake O Te Tau 2017/18*)

### How we've met our priorities – our *Big 3* - Water, Air, Biodiversity/Biosecurity

#### **Water**

Managing Southland's freshwater resource is our top priority.

Since 2015 we have invested significantly in comprehensive research, which underpins our work programme to improve water quality. This has included an extensive science programme and an economic project.

The economic project included industry partners and explored the impact of potential policies for improving water quality on industry, business and the wider economy.

From this scientific research we now have a much better understanding of Southland's geology, hydrology and water pathways and therefore greater clarity about why different land use activities have different impacts on the environment.

This leading-edge science is one way we informed the development of our proposed Southland Water and Land Plan. Your ideas and feedback were another.

Since then, we've continued talking with people about what's important to them, and we'll be using the scientific and economic research to support the next steps in improving the quality and amount of water available for use.

Over the next two years, as part of our People, Water and Land programme (an evolution of *Water and Land 2020 & Beyond* which began in 2008) we will engage with a wide range of Southlanders on their priorities and expectations of water management.

The programme will also include providing supporting information, implementing on-the-ground action to improve water quality, finalising the proposed Southland Water and Land Plan, and setting limits, as required by the Government's National Policy Statement for Freshwater Management.

The only way we are going to find successful solutions for Southland's water quality issues, is for us to do it together, as a community.

There have been 220 farm plans developed during the year covering 82,604 ha. Those plans build on science, good practice advice and education about ways to positively improve farm practices for water quality enhancement.

#### **Air**

Environment Southland continues to take an education-first approach towards improving air quality in Southland.

Invercargill and Gore have ongoing air quality problems during winter that do not

always meet the Government's National Environmental Standards for Air Quality (NES). We know from scientific investigations that the primary cause of exceeding these standards is the pollutant PM<sub>10</sub> due to smoke from home chimneys.

The LTP sets a target of no more than three exceedances of PM<sub>10</sub> for Invercargill, and no more than one for Gore based on the NES allowable limits for air pollution.

The number of breaches were exceeded this past year and it is hoped that with an emphasis on education and the continuation of the phase out of old inefficient home burners that the number of exceedances will reduce over coming years. This year has seen an increase in uptake of the Clean Air Loans scheme, which aims to help people move to cleaner forms of home heating. In 2017/18 there were 138 applications from Invercargill residents approved, and 13 from Gore.

The Council also initiated the Good Wood scheme and oversees the Breathe Easy Southland website for air quality information.

#### **Biodiversity/biosecurity**

Richness of biodiversity is highly desirable because it adds to, and is a good indicator of, the health and resilience of our natural resources. In Southland we

have areas with particularly high biodiversity values such as Fiordland and Stewart Island and therefore Environment Southland has made biodiversity and biosecurity a priority area of activity.

We are currently consulting on a new proposal for a Southland Regional Pest Management Plan and a proposed Biosecurity Strategy which will set the scene for how we oversee biosecurity management for the next 10 years.

Our High Value Area (HVA) programme helps to identify and highlight the value of native forest remnants, wetlands, dune systems and other important natural features that remain on properties, by providing ecological surveys.

We have a particularly strong and successful biosecurity programme for controlling certain pest animals (e.g. possums, ferrets, rabbits) and plants (e.g. gorse, broom, wilding trees).

Our environmental education, land sustainability teams and technical staff continue their work on the ground in communities and by monitoring species and habitat.

The Council and its officers are responsible for the preparation of this Annual Report.

# Financial Summary

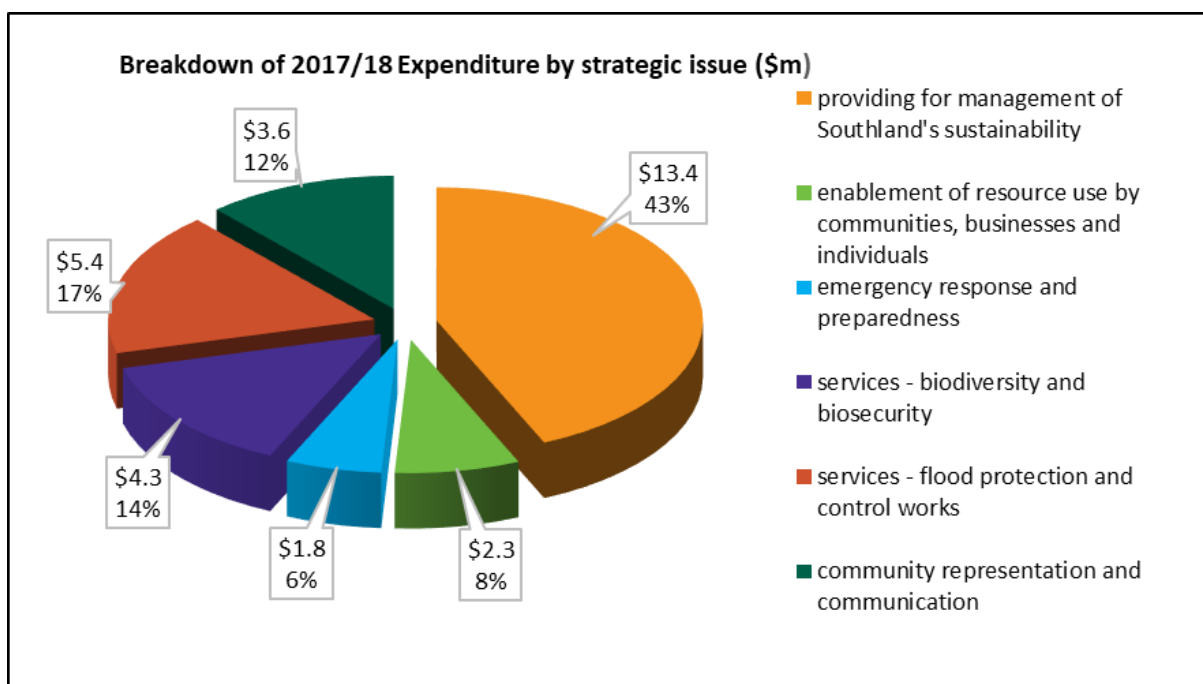
## Consolidated Funding Impact Statement

Annual Plan 2016/17	Actual 2016/17		Actual 2017/18	Annual Plan 2017/18	LTP 2017/18
\$000	\$000	Sources of Funding	\$000	\$000	\$000
7,450	7,483	General rates, uniform annual charges, rates penalties	7,912	7,858	8,602
7,492	7,481	Targeted rates	7,971	7,977	7,965
0	0	Subsidies and grants for operating purposes	0	0	0
8,430	7,259	Fees and charges	8,761	7,610	8,240
3,897	4,561	Interest and Dividends from investments	4,569	4,595	3,548
815	1,012	Local authorities fuel tax, fines, infringement fees and other receipts	1,316	818	797
<b>28,083</b>	<b>27,797</b>	<b>Total Operating Funding</b>	<b>30,530</b>	<b>28,858</b>	<b>29,153</b>
		<b>Applications of Operating Funding</b>			
23,532	23,342	Payments to staff and suppliers	23,935	24,127	24,593
80	75	Financing Costs	212	65	60
6,959	6,380	Other operating funding applications	6,639	7,154	6,276
<b>30,571</b>	<b>29,797</b>	<b>Total Applications of Operating Funding</b>	<b>30,786</b>	<b>31,346</b>	<b>30,928</b>
<b>(2,488)</b>	<b>(2,001)</b>	<b>Surplus/(deficit) of operating funding</b>	<b>(257)</b>	<b>(2,488)</b>	<b>(1,776)</b>
		<b>Sources of capital funding</b>			
0	0	Subsidies and grants for capital expenditure	0	0	0
0	0	Development and financial contributions	0	0	0
0	0	Increase / (decrease) in debt	0	0	0
0	0	Other dedicated capital funding	0	0	0
136	326	Gross proceeds from the sale of assets	46	102	102
0	0	Lump sum contributions	0	0	0
<b>136</b>	<b>326</b>	<b>Total sources of capital funding</b>	<b>46</b>	<b>102</b>	<b>102</b>
		<b>Applications of capital funding</b>			
		Capital expenditure			
8	107	- to meet additional demand	75	40	8
4	520	- to improve the level of service	25	20	20
552	856	- to replace existing assets	241	414	378
(857)	(3,141)	Increase/(decrease) in Reserves	(319)	(1,860)	(363)
(2,059)	(16)	Increase/(decrease) in Investments	(231)	(1,000)	(1,717)
<b>(2,352)</b>	<b>(1,674)</b>	<b>Total applications of capital funding</b>	<b>(210)</b>	<b>(2,386)</b>	<b>(1,674)</b>
<b>2,488</b>	<b>2,001</b>		<b>257</b>	<b>2,488</b>	<b>1,776</b>
<b>(0)</b>	<b>(0)</b>	<b>Funding Balance</b>	<b>0</b>	<b>0</b>	<b>(0)</b>

## Reconciliation of Funding Impact Statement to Statement of Comprehensive Revenue & Expense For the year ended 30 June 2018

<b>(2,488)</b>	<b>(2,001)</b>	<b>Surplus / (deficit) of Operating Funding in Funding Impact Statement</b>	<b>(257)</b>	<b>(2,488)</b>	<b>(1,776)</b>
		<b>Add / (deduct)</b>			
1,790	1,018	Increase / (decrease) in fair value of investment portfolio	3,322	1,769	1,610
0	204	Profit / (loss) on disposal of assets	14	0	0
(856)	(729)	Depreciation	(741)	(946)	(920)
0	(9)	(Increase) / decrease in provision for doubtful debts	(69)	0	0
<b>(1,553)</b>	<b>(1,516)</b>	<b>Surplus / (deficit) in Statement of Comprehensive Revenue &amp; Expense</b>	<b>2,269</b>	<b>(1,665)</b>	<b>(1,085)</b>





*Breakdown of Expenditure by strategic issue graph*

The following table gives historical perspective to the finances of our organisation:

**KEY FINANCIAL INDICATORS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Revenue</b>											
General Rates	3,399	4,547	5,472	5,333	5,750	6,033	6,421	7,076	7,523	7,318	7,712
Separate Rates	4,567	4,800	4,710	5,200	5,485	6,261	6,439	6,649	7,087	7,480	7,970
Levies and Contributions	2,921	735	296	606	1,163	974	735	845	1,108	1,156	1,936
Other Revenue	4,613	5,483	5,414	5,944	6,837	7,262	7,635	8,764	8,475	7,590	8,364
Dividends	1,352	1,962	2,355	3,139	3,488	3,663	3,750	4,012	4,273	4,535	4,535
Interest and Changes in FV of Investments	800	595	1,862	2,463	1,743	999	1,257	3,932	1,196	1,045	3,357
	17,652	18,122	20,109	22,685	24,466	25,193	26,237	31,278	29,662	29,123	33,874
<b>Expenditure</b>	18,728	17,453	17,710	20,170	23,244	25,049	26,958	29,150	30,044	30,640	31,604
<b>Surplus (Deficit)</b>	(1,076)	669	2,399	2,515	1,222	144	(721)	2,128	(382)	(1,517)	2,270
<b>Capital expenditure</b>	671	658	1,407	914	697	672	770	2,094	828	1,483	342
<b>Financial Position</b>											
Property, Plant and Equipment	35,654	35,830	36,449	36,502	36,504	36,509	36,526	37,696	37,783	38,387	37,930
Total Assets	70,084	70,562	73,035	76,517	78,916	79,067	77,955	83,021	80,437	81,243	83,959
Net external public debt	-	-	-	-	-	-	-	-	-	-	-
Total Public Equity	67,602	68,271	70,670	73,185	74,407	74,551	73,830	75,958	75,576	74,058	76,328

# Section 2: Setting the Scene (Whakaritea Te Wāhi)

## Our Region



Southland is the second largest region in New Zealand. It covers an area of 34,000 square kilometres (12.5% of New Zealand’s land mass). The coastal boundary extends some 3,100 kilometres from Awarua Point (Fiordland) on the West Coast, to Waiparau Head (Catlins) on the fringe of the east coast, and includes Stewart Island/Rakiura. In all, 53% of Southland’s land area is managed as public conservation land. Farms

occupy 85% of the remaining lands.

### Our River Catchments

Four major river catchments extend over Southland - the Waiau, Aparima, Oreti and Mataura. Combined, these catchments cover 54% (18,305 square kilometres) of the region.

The headwaters of the Mataura River lie in the Eyre Mountain range, west of Kingston. The Mataura catchment covers an area of 5,300 square kilometres.

The Oreti catchment extends from east of the Mavora Lakes down to Invercargill, covering an area of 3,500 square kilometres.

The headwaters of the Aparima catchment lie on the eastern side of the Takitimu mountains to the west of Mossburn. The catchment covers an area of 1,355 square kilometres.

The catchment area of the Waiau is 8,150 square kilometres.

## Our Strategic Direction, Focus and Values

### *Change of focus*

Southlanders want a region that is rewarding and enjoyable to be part of, prosperous and which recognises contemporary values such as protection of the environment and enhancement of biodiversity.

Environment Southland recognises this cannot be achieved by relying largely on the regulatory approach currently taken and that the Council of the future needs to be more pro-active and enabling, engaging and partnering with stakeholders, leading with purpose and by example.

### *Vision*

Councillors have the view that the organisation needs to be one that is keeping pace with the rest of New Zealand and its vital signs (economic and population growth and social cohesion) are positive but the main drivers for change are

uncertain in terms of timing and magnitude. For the purposes of giving context for an Environment Southland vision, it is assumed that a vision for the Southland region would include aspirations of “prosperity and social cohesion”.

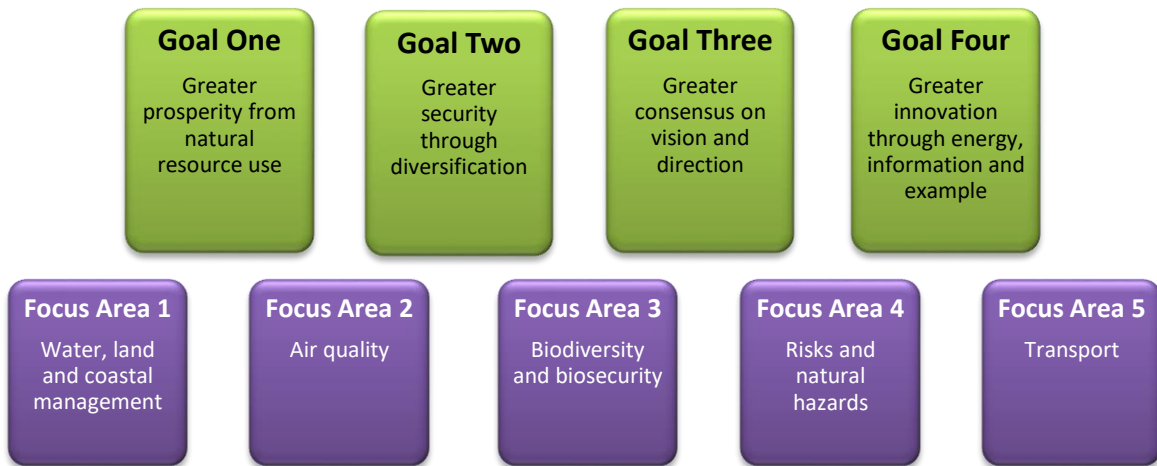
This would be the result of agricultural growth (within nutrient or allocation limits) and diversification of the economy involving technology, agriculture and non-agricultural industries. It may also involve increased productivity from natural capital and greater intensification of economic activity, which strengthens regional prosperity and supports local communities and community services.

The vision for Environment Southland is: **“A vibrant organisation actively enhancing the experience of living and working in a sustainable Southland”**.

This is a leadership vision of an organisation, within its remit, seeking to sustainably enhance the regional experience through a stronger and more diverse economy, a protected and enhanced environment and strong social cohesion. In particular, it recognises the importance of “natural capital”, the natural assets of the region whether they be wilderness areas for tourism, landscape for agriculture, coastline for fishing and port facilities, the land to grow things on, recreational uses of rivers and coast, the places where people live and work, or the people themselves.

The following diagram captures the essence of the Council’s 2015-2018 strategic plan and its re-focussed approach, through a series of higher level goals. Strategic direction for the programmes and projects is provided by the focus areas.

**Vision: A vibrant organisation actively enhancing the experience of living and working in a sustainable Southland**



**Values for the Organisation**

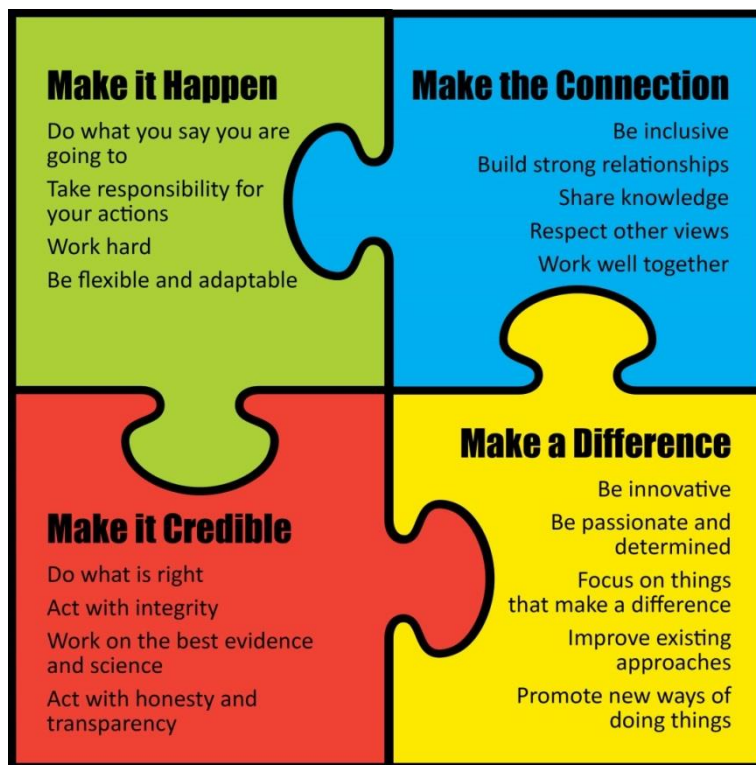
The key values that underpin and reflect the approach and internal culture of Environment Southland are shown in the diagram below.

recognition of the value contained in the culture of the organisation and how that translated into the way we go about our business.

about what is unique about Environment Southland; what our community needs us to be; and our essence in the community.

Development of the key value set followed

The values jigsaw diagram demonstrates recognition





## Section 3: Our Activities in Depth (*Ko Te Hohonutanga Ō Ā Tātou Mahi*)

### Our Activities in Depth – Groups of Activities

Set out on the following pages are the activities we undertook and the associated financial forecasts and actuals for the year ended 30 June 2018.

#### ***Groups of Activities, Levels of Service and Performance measures***

Within this document we report on our proposed output targets under groups of activities, which we believe summarises the key issues we need to address, or the key activities we undertake. The groups of activities are:

1. providing for management of Southland's sustainability;
2. enabling resource use by communities, businesses and individuals;
3. emergency response and preparedness;
- 4(a). services (e.g. biosecurity and biodiversity);
- 4(b). services – flood protection and control works;
5. community representation and communication.

We manage our work in activities and these activities aggregate up to our divisional management structure. Each programme area contains a statement which shows which of our activities delivers the

programmes, the cost thereof, and the combined funding sources involved. The funding arrangements are in accordance with the Revenue and Financing Policy as set out in the 2015-2025 Long-term Plan.

#### ***Effects of activities***

No significant negative effects on the social, economic, cultural and environmental wellbeing of the regional community have been identified for any of the activities undertaken by Environment Southland. On the contrary, most of the activities are undertaken to counteract negative effects produced by factors outside Environment Southland's control.

Some may argue that the community agreed resource management plan regime that the Council operates under may restrict the ability to maximise the immediate economic potential of the natural resources of the region and that represents a significant effect on the economic and social wellbeing of the local community.

However, the Council is of the view that a regime that enables natural resource use and development must balance the economic interests of the present with the need for sustainable use into the future, alongside any significant negative

social, environmental or cultural effects that unsustainable use may deliver. In addition, activity proposed to be undertaken by the Council in the Long-term Plan has the objective of improving the existing regime where negative environmental effects are evident, may arise, or need to be managed.

#### ***Performance measures***

Performance measures are included in the activities which are combined into the organisation's work plan. Management control over each activity is based on project briefs, which record outputs to be delivered and detail of budgeted costs and performance targets to be met. If you wish to know more about our projects or activities, please contact us.

Our performance is measured in terms of:

- ▲ **Timeliness** - completion of activities by 30 June 2018, unless otherwise stated.
- ▲ **Cost** - completion of activities within the planned costs.
- ▲ **Quantity** - completion of outputs to the quantity standards specified.
- ▲ **Quality** - completion of all activities to meet quality expectations of elected Councillors and quality

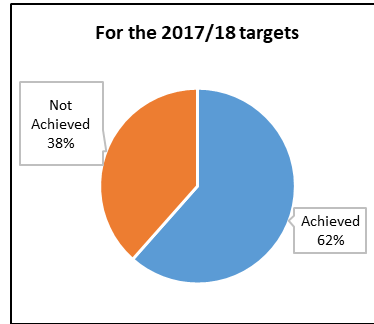
control procedures in place.

- ▲ **Location** - in all cases where a location is specified, the target is to deliver the service in that location.

**Results**

The results against the performance measures and targets for the 2017/18 year

are shown as Achieved or Not Achieved.



Overall, the year end results for the 2017/18 performance targets is a 62% achievement level (65% in 2016/17), with non-achievement of some targets being the result (in hindsight) of unrealistic quantitative measures.

# 1. Providing for Management of Southland's Sustainability

The Council's aims in this activity are to address the sustainable management and use of the natural resources of the Southland region and build on the day-to-day functions of the Council outlined in Activity 2 (enabling resource use by communities, businesses and individuals). This section primarily addresses the management frameworks for water, air quality and coastal resources.

The main topics for 2017/18 were focused around *Southland's Big 3* and specifically the banner projects:

## ▲ Water

The Physiographics of Southland project was developed to better understand why water quality varies across Southland. By understanding where water comes from and the processes it goes through the landscape, we are able to identify the most effective land management actions to improve water quality outcomes. This project involved a range of researchers, and has been extensively peer reviewed and validated.

Outputs from this project have been utilised in the proposed Southland Water and Land Plan which the Council notified in 2016 and

continues to progress through the appeals process.

## ▲ Air quality

The National Environmental Standard on Air Quality (NES) requires the Council to meet the health-inspired air quality standards.

In the 2015-2025 Long-term Plan, Environment Southland and the Invercargill City Council committed \$500,000 each per year for three years for a Clean Air loans scheme. That scheme was launched in early 2016 to assist people in the Invercargill airshed and is being delivered by Awarua Synergy on behalf of the Southland Warm Homes Trust. As at 30 June 2018, uptake within the Invercargill City area has resulted in 123 applications being approved and 15 declined. Loans approved amounted to \$531,961.

Environment Southland also committed to a joint loans scheme with the Gore District Council by allocating \$140,000 per year for three years. The Gore Clean Air Loans Scheme was launched in 2017 and as at 30 June 2018, \$57,461 of loans had been approved for 12 approved applications. One

application was declined and one withdrawn.

## **What are the community outcomes we seek?**

Environment Southland's outcomes are:

- ▲ Southland's waters are safe to drink, safe to gather and eat fish from, and safe to swim and play in;
- ▲ instream values and fish and wildlife habitats are protected at habitat sustaining levels, given the underlying natural physical conditions of the catchment;
- ▲ the community can be sure that uses of water, including discharges into water, land, coastal water and discharges to air do not contravene set standards that seek to minimise adverse effects;
- ▲ the community and tangata whenua take active roles in and responsibility for water resources within each Freshwater Management Unit;
- ▲ the short and long-term effects of resource use on the region's waters and associated ecosystems are understood and adverse effects are addressed in a timely manner;
- ▲ the community is empowered and encouraged to make decisions about land use that protect their economic viability and

- minimise on-site and downstream effects on land and water resources;
- ▲ risks to the built environment by natural hazards are avoided;
- ▲ the community better understands the region's soil resources and land users make management decisions taking into account risk to the properties of soil;
- ▲ the community's and tangata whenua's expectation of being able to use the coastal environment for their livelihood and recreation, while protecting significant areas and/or minimising the environmental effects of resource use, is met;
- ▲ the short and long-term effects of resource use on the region's air quality and ecosystems are understood and the community takes an active role and responsibility for improving local air quality;
- ▲ nuisance and offensive odours are minimised and repeat occurrences are avoided.

### ***What are the key issues?***

Environment Southland needs to deliver a limit-setting framework for freshwater, which leads to a reduction in contaminants from non-point discharges reaching fresh and estuarine

water. This work will be delivered through the People, Water and Land programme. Indicators are showing deterioration in water quality from the standards agreed by the community and that deterioration is caused by the intensification of land and resource use.

Resource use that is authorised under the Resource Management Act may occur, which may still have a negative effect on the environment. Examples are:

- ▲ inappropriate use of stormwater drainage discharges from industries and urban areas;
- ▲ discharge of contaminants to air via inefficient burning of solid fuel;
- ▲ over-allocation of surface and groundwater resources;
- ▲ coastal management/marine farms/cruise ships/navigational safety.

### ***Why are they issues for the Southland region?***

- ◆ Southland's rich farmland is made viable by regular rainfall onto our land, which is predominately flat or rolling country. At times, the Southland soils are too wet for optimum agricultural activity so the developers of the land have installed efficient drainage systems to assist the

natural delivery of water to creeks, streams and rivers.

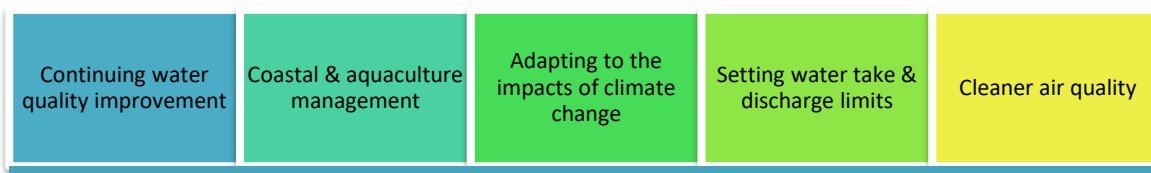
- ▲ The recent intensification of agricultural activity and of settlement means that at times too many nutrients and too much sediment is being carried off the land.
- ▲ The negative effects which result have now reached a level where more action needs to be taken to reduce the known and increasing risks to freshwater quality and quantity, and to comply with the National Objectives Framework within the National Policy Statement on Freshwater Management (NPSFM).
- ▲ The economy in Southland is based on rural production and servicing, tourism, energy production and industrial processing. To be sustainable, the natural resources which underpin these activities need to be sustainably managed.
- ▲ It has been established that health outcomes for vulnerable people are reduced when winter air quality in closely settled communities is managed by clean heat options.
- ▲ We need to deal with both the cause and effect of any discharge. If discharges have an immediate adverse effect on natural and/or human life, a response is required immediately. Other discharges can have cumulative issues that arise over time.



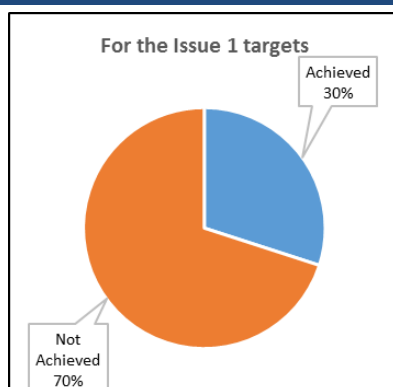
## Key Results from the Year

- ▲ Recent monitoring has shown encouraging improvement in water quality at some sites.
- ▲ Crucial support remains in place to support community efforts to improve air quality.
- ▲ The People, Water and Land programme has been initiated to deliver the limit-setting framework and actions.
- ▲ Proposed Southland Water and Land Plan appeals received by Environment Court.

## Future Challenges



## What we were aiming to do and how successful we were ...



How much did we spend on this Issue in 2017/18?

**\$13.4 million**

Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18
Implement the National Policy Statement for Freshwater Management	Produce implementation programme, and nutrients limits and sediment load limits for 5 freshwater management units/ catchments.	No baseline measure required.	By 30 June 2017, commence catchment limit-setting process.	<b>Achieved</b> The catchment limit setting process commenced and the People, Water and Land Programme will be the delivery mechanism for this level of service and target. Development of region-wide values will commence in November 2018 along with the development of a Regional Forum and Action on the Ground work streams.
	Incorporate provisions to address adverse effects of non-point source discharges into Regional Water and Land Plan.	No baseline measure required.	Process Regional Water and Land Plan changes.	<b>Achieved</b> The provisions in the Measure have been included in the Water and Land Plan. The appeals process on the Plan has now closed and mediation is likely to commence by the end of 2018.

Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18
Improving water quality	Monitoring sites show an improving regional trend (whether significant or indicative) for human health attributes contained in the NPSFM and for ecosystem health attributes contained in the NPSFM.	New measure. All monitoring sites meet the national bottom lines for ecosystem health contained in the NPSFM in September 2014 for attributes that we have sufficient monitoring data for.  Attribute states have been assigned for each monitoring site to enable water quality maintenance and improvement to be tracked.	All monitoring to show that: <ul style="list-style-type: none"> <li>the national bottom lines for ecosystem health contained in the NPSFM are met; and</li> <li>the attributes for ecosystem health contained in Appendix 2 of the NPSFM (or listed in a regional plan as part of a process to give effect to the NPSFM) remain in their current attribute state (band) or improve.</li> </ul>	<b>Not Achieved</b> ... but progress was made.  Water quality state and trend information is hosted on the Land Air Water Aotearoa (LAWA) website.  Recently released scientific trend results on LAWA show that for all rivers monitored for water quality in Southland over a 10-year period (2008 to 2017), more sites were improving (91) than deteriorating (18). The majority of sites had an indeterminate trend (197).  Predicted and observed monitoring data shows that there is non-compliance with the national bottom line for periphyton in parts of the region.
Respond to all reported pollution incidents that could have a negative effect on water within Council's specified timeframes	<ol style="list-style-type: none"> <li>All high priority reported pollution incidents are physically responded to within either 1, 4 or 24 hours according to required response timeframe.</li> <li>All medium priority reported pollution incidents are physically responded to within either 2 days, 1 week or 2 weeks according to required response timeframe.</li> <li>All low priority reported pollution incidents are physically responded to when resources permit.</li> </ol>	High Priority Incidents: 39% Medium Priority Incidents: 55% <i>Note: Low priority incidents will not be reported on.</i>	100%  100%	<b>Not Achieved</b>  Spot audits were conducted throughout the year of 10% of high and medium priority incidents.  Of those: <ul style="list-style-type: none"> <li>95% of high priority incidents were responded to within specified timeframes (within 1, 4 or 24 hours).</li> <li>80% of medium priority incidents were responded to within specified timeframes (within 2 days, 1 week, or 2 weeks).</li> </ul>
Provision of advice, education and assistance to	Number of focus activity farm plans completed – goal is 200 per annum.	<i>New measure</i> Baseline will be measured in 2015/16	≥200 focus activity farm plans completed (≥ 600 focus activity farm plans in total completed to	<b>Achieved</b>  There were 220 Focus Activity Farm Plans (covering 82,604

Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18
the community encouraging uptake of good management practices			date)	hectares) completed. We are pleased to report that the number of farm plans completed and delivered are ahead of what was planned.  Since project inception in 2015, there has been 637 plans completed over 250,176 hectares). Strong demand continues for individual focus activity farm plans, with rapidly increasing demand to respond to catchment group or collective efforts.
Protect community health from adverse environmental effects	<b>Contact recreation:</b> Exceedances of National Bathing Guidelines (Marine and Freshwater) at established monitoring sites during summer (October to March)	No exceedances (Marine).  Freshwater areas met the bathing guidelines in 63.9% of samples.	Nil exceedances.  Water quality at established freshwater bathing monitoring sites during summer (October to March) meets the bathing guidelines in ≥90% of samples by 2022. <i>Notes: Natural events preclude a target at 100% being achievable.</i> <i>Targets to be reached by response concentrating on:</i> <ul style="list-style-type: none"> <li>changing the policy framework addressing intensive land use and water quality standards;</li> <li>undertaking compliance inspections and education concentrating on high risk areas; and</li> <li>responding to reported pollution incidents by concentrating on high priority incidents, followed by medium priority incidents.</li> </ul>	<b>Not Achieved</b>  The annual contact recreation monitoring programme for marine and freshwater bathing sites was undertaken between 1 December 2017 and 30 March 2018.  <i>Marine Sites</i> 202 samples were taken from 13 marine sites. Eight of these samples reached yellow alert status for <i>E.coli</i> (4% of all samples taken), but six reached red alert levels for <i>E.coli</i> (3% of all samples taken).  <i>Freshwater Sites</i> 126 samples were taken from seven freshwater bathing sites and two alpine lake sites. 32 samples reached yellow alert levels for <i>E.coli</i> (25% of all samples) 11 samples reached red alert status for <i>E.coli</i> (9% of all samples taken).  A yellow or red alert level of <i>E.coli</i> exceeds the National Bathing Guidelines.
	<b>Mahinga Kai:</b> Exceedances of National Shellfish Gathering Guidelines at monitored recreational shellfish harvesting sites	6 of 8 monitored shellfish gathering sites exceeded guidelines.	Nil exceedances. <i>Note: Targets to be reached by response concentrating on:</i> <ul style="list-style-type: none"> <li>changing the policy framework addressing intensive land use and water quality standards;</li> <li>undertaking compliance inspections</li> </ul>	<b>Not Achieved</b>  During the period from 1 July 2017 to 30 June 2018, 96 samples were taken in total from eight shellfish monitoring sites.  Seven of the eight monitored sites exceeded the red alert

Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18
			<p><i>and education concentrating on high risk areas; and</i></p> <ul style="list-style-type: none"> <li><i>responding to reported pollution incidents by concentrating on high priority incidents, followed by medium priority incidents.</i></li> </ul>	<p>level of 400 faecal coliforms/100 ml. Of all samples 12 exceeded 400 faecal coliforms/100ml (12.5% of all samples taken).</p> <p>A red alert level of faecal coliforms exceeds the National Shellfish Gathering Guidelines.</p>
	<p><b>Groundwater:</b> Exceedances of National Drinking Water Standards in groundwater (excluding aquifers where ambient water quality naturally exceeds guidelines).</p>	<ul style="list-style-type: none"> <li>10% of bores sampled had a nitrate-nitrogen concentration that exceeded the drinking water standards.</li> <li>14% of bores sampled had bacteria levels which exceeded the drinking water standards.</li> </ul>	<p>Exceedances in less than 10% of bores sampled.</p> <p><i>Note: Targets to be reached by response concentrating on:</i></p> <ul style="list-style-type: none"> <li><i>changing the policy framework addressing intensive land use and water quality standards;</i></li> <li><i>undertaking compliance inspections and education concentrating on high risk areas; and</i></li> <li><i>responding to reported pollution incidents by concentrating on high priority incidents, followed by medium priority incidents.</i></li> </ul>	<p><b>Not Achieved</b></p> <p>During the period from 1 July 2017 to 30 June 2018, 32 groundwater bores were sampled as part of the state of the environment monitoring programme.</p> <p><i>For Nitrate-Nitrogen</i> 18.8% of bores sampled exceeded drinking water Nitrate-Nitrogen standards, compared to 17% in 2016/17.</p> <p><i>For E.coli</i> 46.9% of bores sampled exceeded the drinking water standards for <i>E.coli</i> compared to 13% in 2016/17.</p>
	<p><b>Air Quality:</b> Breaches of the National Environmental Standards (Air Quality) for levels of particulate matter (PM<sub>10</sub>) in specified locations.</p>	<p>In winter 2011 (1 May-31 August), there were a total of:</p> <ul style="list-style-type: none"> <li>13 exceedances reported in the Invercargill airshed;</li> <li>4 exceedances reported in the Gore airshed.</li> </ul>	<p>No more 3 exceedances for levels of particulate matter (PM<sub>10</sub>) by 1 September 2016 for Invercargill airshed.</p> <p>No more than one exceedance for levels of particulate matter (PM<sub>10</sub>) by 1 September 2016 for the Gore airshed.</p> <p><i>Note: Target to be reached by response concentrating on:</i></p> <ul style="list-style-type: none"> <li><i>changing the policy framework addressing air quality;</i></li> <li><i>undertaking education concentrating on high risk areas;</i></li> </ul> <p><i>development of clean heat and clean air incentives and promotion of domestic clean burning practices</i></p>	<p><b>Not Achieved</b></p> <p>For the financial year (since 1 July 2017 to 30 June 2018) there have been a total of:</p> <ul style="list-style-type: none"> <li>18 exceedances in the Invercargill airshed; and</li> <li>3 exceedances in the Gore airshed.</li> </ul> <p>Regulatory and education initiatives are yet to have an observable effect on the number of exceedances recorded. As a result, the performance targets have not been achieved for 2017/18.</p> <p>Totals for the 2017 winter (1 May – 31 August) were:</p> <ul style="list-style-type: none"> <li>14 exceedances for Invercargill; and</li> <li>2 exceedances for Gore.</li> </ul>



Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18
Protect the environment from pollution arising from unauthorised discharges.	Compliance with legislation, regional rules and consent conditions, particularly those with permitted activity status.	<p><i>Note: There is no baseline measure for permitted activity inspections because previous permitted activities data cannot be separated out from other pollution incidents.</i></p> <p>14% for dairy discharge consents <i>Note: There is no baseline measure for other activity type including permitted activity re-inspections because data not collated.</i></p>	<p>100% compliance with legislation, regional rules and consent conditions, including those with permitted activity status.</p> <p>No re-inspections required for consented significant non-compliant activities. <i>Note: Targets to be reached by response concentrating on high risk areas.</i></p>	<p><b>Not Achieved</b></p> <p>There have been 36 infringements, 21 formal warnings and 93 abatement notices issued for various breaches of consents, plan rules and/or regulations.</p> <p>There have been 17 (1.8%) significant non-compliant inspections from a total of 929 inspections undertaken.</p>

Notes:

1. The performance target for the improvement in water quality has a time horizon of 31 January 2020. Progress will be measured and reported annually.
2. The performance targets elsewhere in the performance management framework are for each year of the Long-term Plan.

## Funding Impact Statement - Providing for management of Southland's sustainability

LTP 2016/17	Actual 2016/17		Actual 2017/18	Annual Plan 2017/18	LTP 2017/18
\$000	\$000	Sources of Funding	\$000	\$000	\$000
4,531	4,563	General rates, uniform annual charges, rates penalties	4,637	4,674	5,060
1,731	1,714	Targeted rates	1,817	1,816	1,774
0	0	Subsidies and grants for operating purposes	0	0	0
2,784	1,648	Fees and charges	1,910	2,098	2,884
0	0	Internal Charges and overheads recovered	0	0	0
1,830	2,675	Local authorities fuel tax, fines, infringement fees and other receipts	3,033	2,587	1,859
<b>10,876</b>	<b>10,600</b>	<b>Total Operating Funding</b>	<b>11,396</b>	<b>11,176</b>	<b>11,578</b>
<b>Applications of Operating Funding</b>					
10,714	10,979	Payments to staff and suppliers	10,532	10,429	11,635
28	35	Financing Costs	92	30	28
3,148	2,695	Internal Charges and overheads recovered	2,731	3,785	2,685
0	0	Other operating funding applications	0	0	0
<b>13,890</b>	<b>13,709</b>	<b>Total Applications of Operating Funding</b>	<b>13,356</b>	<b>14,243</b>	<b>14,348</b>
<b>(3,013)</b>	<b>(3,108)</b>	<b>Surplus/(deficit) of operating funding</b>	<b>(1,959)</b>	<b>(3,067)</b>	<b>(2,771)</b>
<b>Sources of capital funding</b>					
0	0	Subsidies and grants for capital expenditure	0	0	0
0	0	Development and financial contributions	0	0	0
0	0	Increase / (decrease) in debt	0	0	0
96	193	Gross proceeds from the sale of assets	27	53	53
0	0	Lump sum contributions	0	0	0
<b>96</b>	<b>193</b>	<b>Total sources of capital funding</b>	<b>27</b>	<b>53</b>	<b>53</b>
<b>Applications of capital funding</b>					
Capital expenditure					
8	101	- to meet additional demand	62	8	8
0	277	- to improve the level of service	22	10	9
373	533	- to replace existing assets	126	286	215
(2,212)	(3,670)	Increase/(decrease) in Reserves	(1,547)	(2,620)	(1,953)
(1,087)	(157)	Increase/(decrease) in Investments	(595)	(699)	(997)
<b>(2,917)</b>	<b>(2,915)</b>	<b>Total applications of capital funding</b>	<b>(1,932)</b>	<b>(3,014)</b>	<b>(2,718)</b>
<b>3,013</b>	<b>3,108</b>	<b>Surplus/(deficit) of capital funding</b>	<b>1,959</b>	<b>3,067</b>	<b>2,771</b>
<b>0</b>	<b>0</b>	<b>Funding Balance</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
597	441	Depreciation expense (not included in the above FIS)	448	612	585

## 2. Enabling Resource Use by Communities, Businesses and Individuals

### *What are the community outcomes we seek?*

- ▲ Southland's water resources are available for use in a way which protects cultural, aesthetic, recreational and natural values.
- ▲ Instream values and fish and wildlife habitats are protected at habitat sustaining levels, given the underlying natural physical conditions of the catchment.
- ▲ The short and long-term effects of resource use on the region's waters and associated ecosystems are understood and adverse effects are addressed in a timely manner.
- ▲ The community is sure that uses of water, including discharges into water, land, coastal water and discharges to air do not contravene agreed standards that seek to minimise adverse effects.
- ▲ The community takes an active role in, and responsibility for, water resources.
- ▲ The community's requirement for gravel is met in the short and long-term with minimal environmental effects, and by enhancing, whenever possible, the community's recreational opportunities and biodiversity gains.

▲ The land transport system meets community needs, is safe and efficient, and minimises adverse effects on the environment.

- ▲ A Passenger Transport Transfer Agreement is in place with the Invercargill City Council to enable availability of a public transport system to assist everyone to fully partake in the community's activities. This Agreement may need to be updated within the next three years to recognise legislative changes.

### *What is the key issue?*

Wealth creation using the natural capital of the region may be measured in terms of employment, business profitability, asset growth and debt reduction. Those are measures of private wealth. In addition to the contribution this makes to the communities' environmental interests, the region needs to allow natural resource use within sustainable limits so that social, cultural and environmental interests of all the community are also maintained and enhanced. A fair and accountable process of allocation of the resources is required, which looks at the sustainability of the usage of resources and the management of any negative

environmental effects that usage may incur so that wealth in all its senses is delivered, both today and to future generations.

### *Why is it an issue for the Southland region?*

- ▲ The Resource Management Act charges the Regional Council with the responsibility to manage the impact of natural resource use.
- ▲ Land and resource use intensification has increased demand for water.
- ▲ The economy in Southland has seen a major shift in agricultural activity into dairy and dairy support.
- ▲ Use for agricultural wash down, stock drinking water and irrigation now competes with the retention of water availability for recreational uses, and with urban and business purposes, particularly in extended dry periods.

Over application of fertilisers, forest harvesting and intensive farming can have an impact on the quality of soils causing erosion which then has a negative impact on our land (production of soils), on our freshwater quality and quantity, and subsequently on our estuaries. Responding to the requirements of the National Policy Statement on

Freshwater Management will address the causes and enable the resources to be used within sustainable limits.

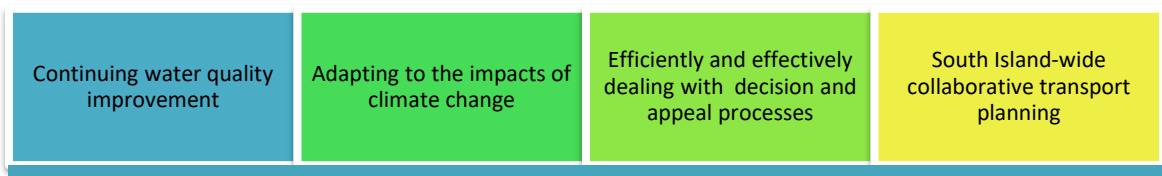
That shift in addition to established patterns of economic activity and settlement has been accompanied by a reduction in quality of water and

pressure on the availability of water.

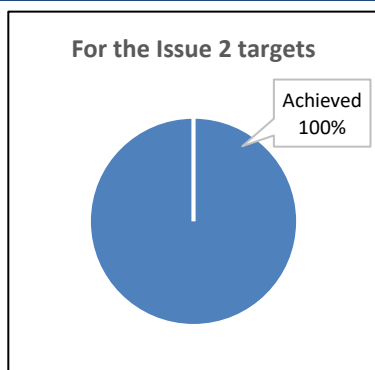
## Key Results from the Year

- ▲ Collaborative processes continued for transport planning at inter-region and South Island levels.
- ▲ Resource consents processed in a timely manner.

## Future Challenges



## What we were aiming to do and how successful we were ...



How much did we spend on this Issue in 2017/18?

**\$2.3 million**

Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18
Resource consent applications are processed within the statutory timeframes.	Percentage of applications processed within the statutory timeframes	92%	≥93% for all consents	<b>Achieved</b> 99% within the statutory timeframes for the period 1 July 2017 to 30 June 2018.
Provision of effective regional plans	Number of decisions overruled in Environment Court as a result of a flaw or discrepancy in a regional plan.	No decisions overruled	No decisions overruled	<b>Achieved</b> No decisions have been overruled in the Environment Court.



Funding Impact Statement - Enablement of resource use by communities, industries and individuals

LTP 2016/17 \$000	Actual 2016/17 \$000		Actual 2017/18 \$000	Annual Plan 2017/18 \$000	LTP 2017/18 \$000
		<b>Sources of Funding</b>			
371	420	General rates, uniform annual charges, rates penalties	278	359	401
0	0	Targeted rates	0	0	0
0	0	Subsidies and grants for operating purposes	0	0	0
2,257	1,589	Fees and charges	1,793	2,095	2,211
0	0	Internal Charges and overheads recovered	0	0	0
151	230	Local authorities fuel tax, fines, infringement fees and other receipts	154	198	149
<b>2,778</b>	<b>2,239</b>	<b>Total Operating Funding</b>	<b>2,225</b>	<b>2,652</b>	<b>2,761</b>
		<b>Applications of Operating Funding</b>			
1,883	1,608	Payments to staff and suppliers	1,630	1,758	1,773
6	6	Financing Costs	16	6	5
912	846	Internal Charges and overheads recovered	690	912	1,009
0	0	Other operating funding applications	0	0	0
<b>2,801</b>	<b>2,460</b>	<b>Total Applications of Operating Funding</b>	<b>2,336</b>	<b>2,675</b>	<b>2,787</b>
<b>(23)</b>	<b>(220)</b>	<b>Surplus/(deficit) of operating funding</b>	<b>(111)</b>	<b>(23)</b>	<b>(26)</b>
		<b>Sources of capital funding</b>			
0	0	Subsidies and grants for capital expenditure	0	0	0
0	0	Development and financial contributions	0	0	0
0	0	Increase / (decrease) in debt	0	0	0
4	7	Gross proceeds from the sale of assets	1	1	20
0	0	Lump sum contributions	0	0	0
<b>4</b>	<b>7</b>	<b>Total sources of capital funding</b>	<b>1</b>	<b>1</b>	<b>20</b>
		<b>Applications of capital funding</b>			
		Capital expenditure			
0	1	- to meet additional demand	2	0	0
0	33	- to improve the level of service	0	2	2
25	20	- to replace existing assets	0	12	56
63	(292)	Increase/(decrease) in Reserves	(231)	(19)	22
(107)	24	Increase/(decrease) in Investments	118	(17)	(85)
<b>(18)</b>	<b>(214)</b>	<b>Total applications of capital funding</b>	<b>(110)</b>	<b>(22)</b>	<b>(6)</b>
<b>23</b>	<b>220</b>	<b>Surplus/(deficit) of capital funding</b>	<b>111</b>	<b>23</b>	<b>26</b>
<b>(0)</b>	<b>0</b>	<b>Funding Balance</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
20	21	Depreciation expense (not included in the above FIS)	20	18	20

### 3. Emergency Response and Preparedness

#### ***What are the community outcomes we seek?***

- ▲ The farming community, industry, urban and rural communities and other floodplain users take timely action to minimise the effects of flooding on their activities and reduce the threat to life and property and the environment.
- ▲ To support the joint regional emergency management framework.
- ▲ To help people to prepare for emergencies and build their capacity to effectively respond to and recover quickly from these events. Council also has systems and processes in place to help co-ordinate and restore a safe, healthy and accessible built environment.
- ▲ To develop and maintain policy direction within the provisions of the Resource Management Act (1991) and direction from Maritime New Zealand for the protection and minimisation of environmental effects from activities within the coastal environment and to provide for harbour safety.

#### ***What is the key issue?***

When an emergency occurs, the usual pattern of life is disrupted and new challenges are created for personal safety and wellbeing, for property and for community functioning. The Canterbury earthquakes have raised greater awareness of the possible extent of challenges that can present themselves during and following a major event. The community will expect an organised, co-ordinated, effective and fit for purpose response in any lead up to, during and after an emergency.

Emergency may be defined as a condition of urgent need for action or assistance. Our preparedness is for natural emergencies, some of which if major (like earthquakes and tsunamis) can cause damage which, if occurs quickly the response is more about the recovery after the event. In other natural emergencies, like the effects of prolonged or heavy rain causing flooding, the response is more about community coping during and immediately after the event.

In addition, we are the first responders to the environmental effects of any marine oil spills and are likely to be involved in any

biosecurity emergency such as foot and mouth disease.

#### ***Why is emergency response and preparedness a key issue for the Southland region?***

The nature of Southland's geography means that much of the urban settlement and farmland is at risk from flood or tidal inundation when extreme weather or seismic events occur. While community-based flood protection schemes are designed to withstand historic levels of flooding and new sites in floodplains can have risk lessened by high enough building platforms, the prospect of any higher or faster flows than previous means all flood protection is at risk of failure.

The flood schemes maintained by Environment Southland protect property, lives and livelihoods. In urban areas they protect homes, businesses and infrastructure while the rural schemes protect the land and property outside the stopbanks. In addition, there is a need to forecast the likelihood of flooding so livestock (and stock feed stores like baleage) may be shifted out of the path of rising waters.

## Key Results from the Year

- ▲ Our emergency management capability maintained.
- ▲ Southland households' preparedness for an emergency remains at previous level.

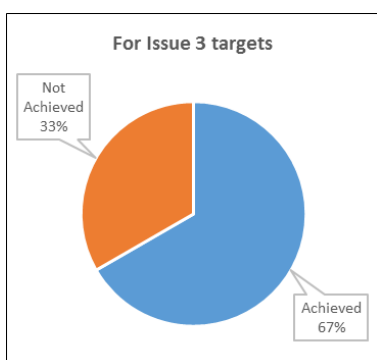
## Future Challenges

Continuing improvement of the emergency management & warning systems

Adapting to the impacts of climate change

Responding to range of natural hazards

## What we were aiming to do and how successful we were ...



How much did we spend on this Issue in 2017/18?

**\$1.8 million**

Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18
Ensure the region is resilient and able (through the 4Rs of reduction, readiness, response and recovery) to cope with any civil defence emergencies.	Overall score from the Ministry of Civil Defence Emergency Management assessment of the Southland Civil Defence Emergency Management Group's capability (five yearly assessment).	71% (September 2011) <i>(Note: New measure 2015/16)</i>	≥75% in 2016 assessment	<b>Not Achieved</b>  2017/18 results – 74.2%  Slightly different measures were used and tested in this assessment.  The methodology has changed since the last audit and a comparison score of 76.3% was provided on a like for like basis to compare with previous results. Under the original methodology this score would have "achieved" the target.
	Percentage of surveyed households prepared for an emergency including self-sufficiency for 3 days.	47% (2011) <i>(Note: New measure 2015/16)</i>	≥50% by 2016	<b>Achieved</b>  Percentage of surveyed households with a household emergency plan.  2017/18 results: <ul style="list-style-type: none"> <li>Residents - 61%</li> <li>Farmers - 64%.</li> </ul> 2016/17 results: <ul style="list-style-type: none"> <li>Residents - 51%</li> </ul>

Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18
				<ul style="list-style-type: none"> <li>• Farmers – 52%</li> </ul> <p>Percentage of surveyed households that would be self-sufficient for at least three days.</p> <p>2017/18 results:</p> <ul style="list-style-type: none"> <li>• Residents - 83%</li> <li>• Farmers - 92%.</li> </ul> <p>2016/17 results:</p> <ul style="list-style-type: none"> <li>• Residents - 81%</li> <li>• Farmers – 92%</li> </ul>
Flood warning	Percentage of time that the flood warning network (real time telemetered rainfall and river level sites) is operational.	98%	100%	<p><b>Achieved</b></p> <p>Six flood warning events occurred over the year (5 July 2017, 21 July 2017, 1 February 2018, 29 April 2018, 22 May 2018 and 26 June 2018).</p> <p>The flood warning network 100% operational during these events.</p>

Funding Impact Statement - Emergency response and preparedness

LTP 2016/17	Actual 2016/17		Actual 2017/18	Annual Plan 2017/18	LTP 2017/18
\$000	\$000	Sources of Funding	\$000	\$000	\$000
408	315	General rates, uniform annual charges, rates penalties	374	383	427
0	0	Targeted rates	0	0	0
0	0	Subsidies and grants for operating purposes	0	0	0
2,452	2,233	Fees and charges	2,489	2,644	2,511
0	0	Internal Charges and overheads recovered	0	0	0
164	173	Local authorities fuel tax, fines, infringement fees and other receipts	207	212	156
<b>3,024</b>	<b>2,722</b>	<b>Total Operating Funding</b>	<b>3,069</b>	<b>3,240</b>	<b>3,094</b>
		<b>Applications of Operating Funding</b>			
1,517	630	Payments to staff and suppliers	821	1,597	1,523
4	4	Financing Costs	12	4	4
406	873	Internal Charges and overheads recovered	962	472	412
0	0	Other operating funding applications	0	0	0
<b>1,927</b>	<b>1,507</b>	<b>Total Applications of Operating Funding</b>	<b>1,796</b>	<b>2,073</b>	<b>1,939</b>
<b>1,097</b>	<b>1,215</b>	<b>Surplus/(deficit) of operating funding</b>	<b>1,274</b>	<b>1,166</b>	<b>1,155</b>
		<b>Sources of capital funding</b>			
0	0	Subsidies and grants for capital expenditure	0	0	0
0	0	Development and financial contributions	0	0	0
0	0	Increase / (decrease) in debt	0	0	0
3	7	Gross proceeds from the sale of assets	1	1	1
0	0	Lump sum contributions	0	0	0
<b>3</b>	<b>7</b>	<b>Total sources of capital funding</b>	<b>1</b>	<b>1</b>	<b>1</b>
		<b>Applications of capital funding</b>			
		Capital expenditure			
0	1	- to meet additional demand	2	0	0
0	73	- to improve the level of service	0	2	1
17	17	- to replace existing assets	39	12	7
1,187	1,123	Increase/(decrease) in Reserves	1,211	1,189	1,233
(105)	8	Increase/(decrease) in Investments	23	(35)	(86)
<b>1,100</b>	<b>1,221</b>	<b>Total applications of capital funding</b>	<b>1,275</b>	<b>1,168</b>	<b>1,156</b>
<b>(1,097)</b>	<b>(1,215)</b>	<b>Surplus/(deficit) of capital funding</b>	<b>(1,274)</b>	<b>(1,166)</b>	<b>(1,155)</b>
<b>(0)</b>	<b>(0)</b>	<b>Funding Balance</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
72	44	Depreciation expense (not included in the above FIS)	43	65	65

## 4(a). Services – Biodiversity and Biosecurity

### What are the agreed community outcomes we seek?

- ▲ Pest animals and plants that threaten the environment and economy in the region are identified and an appropriate management framework to minimise threats is in place.
- ▲ Landowners and marine users (e.g. aquaculture) are protected from the spread, environmental and economic effects of specific pest animals and plants and new pest animals and plants do not become established.
- ▲ Unique terrestrial and marine biodiversity of

the region is treasured and enhanced.

- ▲ Develop and implement a Marine Pathway Management Plan to prevent spread of marine pests in Fiordland.

### What is the key issue?

We need to provide and maintain services to ensure potential risks to our community are avoided or minimised.

Such services include the:

- ▲ co-ordination of activity to reduce the impact of pests;
- ▲ encouragement of activities of individuals, agencies and community groups leading to the maintenance and

enhancement of biological diversity.

### Why is it an issue for the Southland region?

- ▲ Pests are no respecters of property boundaries.
- ▲ Individual land occupiers are assigned the responsibility, but there is a need to retain specialist knowledge for removal of pests, and inspection against Regional Pest Management Plan responsibilities.
- ▲ Allowing pockets of infestation from which new infestations spring is to be avoided.
- ▲ Control of numbers means biodiversity is maintained and pest populations are unlikely to multiply rapidly.

## Key Results from the Year

- ▲ A Regional Biodiversity Strategy has been prepared and has yet to be consulted on.
- ▲ The Biodiversity programme has been expanded.

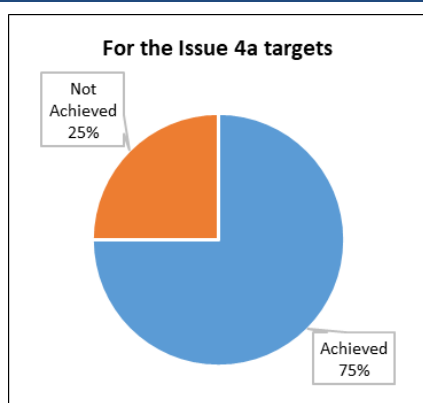
## Future Challenges

Continuing improvement of the pest management systems and processes

Adapting to the impacts of climate change and impacts on biodiversity

Responding to pest incursions into the region

## What we were aiming to do and how successful we were ...



How much did we spend on this Issue in 2017/18?

**\$4.3 million**



Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18
Minimise the adverse impacts of pests plants and animals as identified in the Regional Pest Management Plan and Marine Pathways Plan	Number of exclusion pest incursions in terrestrial or marine areas.	No exclusion pests (i.e. pests which could cause serious adverse impacts on the Southland environment if they did arrive here) found within the region.	No exclusion pests found.	<p><b>Achieved</b></p> <p>One exclusion pest (wallaby) was reported, but it was deemed that the animal was dead before it arrived in Southland.</p> <p>There is no evidence that there is a live wallaby population in the region.</p> <p>Exemption permits were approved for exclusion species:</p> <ul style="list-style-type: none"> <li>• a wallaby exemption provided to Invercargill City Council to retain a pair of non-breeding wallaby at the Queens Park Animal Reserve;</li> <li>• two new Bengal cat exemptions;</li> <li>• two new Chinchilla exemptions.</li> </ul>
	Level of rabbit populations in rabbit prone areas.	One site was in excess of McLean Scale 3.	Achieve McLean Scale 3 or below at all monitored sites.	<p><b>Achieved</b></p> <p>All monitored sites achieved McLean Scale 3 or below.</p> <p>The K5 virus was released at three sites in the region during April 2018.</p>
	Level of possum populations in Possum Control Areas.	Five possum control areas established in former Tb vector management areas.	Monitor five possum control areas to ensure possum population levels are reducing.	<p><b>Not Achieved</b></p> <p>While we did not have quantitative data monitoring the total number of possums in Southland, during the period from 1 July 2017 to 30 June 2018:</p> <ul style="list-style-type: none"> <li>• eight Possum Control Areas were monitored and follow-up work was organised with landowners as appropriate.</li> <li>• three new Possum Control Areas were created bringing an additional 22,000 ha into the programme.</li> </ul>

Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18
				The total area of Southland under possum control is 314,000 ha.
Maintaining regional biodiversity	Council and regional biodiversity protection/enhancement programmes are aligned and co-ordinated.	<i>New measure</i> Baseline measure to be developed from 2015/16 monitoring.	Expand biodiversity protection and enhancement plan to include and co-ordinate activities of other agencies/ groups with a mutual interest in biodiversity, by means of an accord or similar agreement.	<p><b>Achieved</b></p> <p>During the period from 1 July 2017 to 30 June 2018 the Biodiversity programme achieved:</p> <ul style="list-style-type: none"> <li>• 33 High Value Area Surveys covering roughly 1,936 ha of indigenous vegetation;</li> <li>• full allocation of the Environmental Enhancement Grant funding to 10 projects throughout Southland for projects that protect biodiversity;</li> <li>• a new programme to provide landowners with site specific Biodiversity Management Plans; and</li> <li>• increased support to community groups.</li> </ul> <p>A draft Regional Biodiversity Strategy has been drafted in collaboration with a wide range of partners and will go through consultation in 2018/19.</p>

## Funding Impact Statement - Services

LTP 2016/17 \$000	Actual 2016/17 \$000		Actual 2017/18 \$000	Annual Plan 2017/18 \$000	LTP 2017/18 \$000
<b>Sources of Funding</b>					
21	29	General rates, uniform annual charges, rates penalties	41	35	23
2,354	2,256	Targeted rates	2,506	2,504	2,415
0	0	Subsidies and grants for operating purposes	0	0	0
93	510	Fees and charges	1,421	251	96
0	0	Internal Charges and overheads recovered	0	0	0
991	1,017	Local authorities fuel tax, fines, infringement fees and other receipts	855	837	950
<b>3,459</b>	<b>3,812</b>	<b>Total Operating Funding</b>	<b>4,823</b>	<b>3,627</b>	<b>3,485</b>
<b>Applications of Operating Funding</b>					
2,854	2,868	Payments to staff and suppliers	3,637	3,008	2,869
7	9	Financing Costs	30	8	7
548	608	Internal Charges and overheads recovered	674	644	557
0	0	Other operating funding applications	0	0	0
<b>3,410</b>	<b>3,485</b>	<b>Total Applications of Operating Funding</b>	<b>4,341</b>	<b>3,659</b>	<b>3,433</b>
<b>50</b>	<b>327</b>	<b>Surplus/(deficit) of operating funding</b>	<b>482</b>	<b>(32)</b>	<b>52</b>
<b>Sources of capital funding</b>					
0	0	Subsidies and grants for capital expenditure	0	0	0
0	0	Development and financial contributions	0	0	0
0	0	Increase / (decrease) in debt	0	0	0
20	36	Gross proceeds from the sale of assets	5	1	1
0	0	Lump sum contributions	0	0	0
<b>20</b>	<b>36</b>	<b>Total sources of capital funding</b>	<b>5</b>	<b>1</b>	<b>1</b>
<b>Applications of capital funding</b>					
Capital expenditure					
0	1	- to meet additional demand	3	0	0
0	42	- to improve the level of service	1	2	2
61	92	- to replace existing assets	0	12	13
50	115	Increase/(decrease) in Reserves	68	(126)	54
(41)	113	Increase/(decrease) in Investments	416	82	(16)
<b>70</b>	<b>363</b>	<b>Total applications of capital funding</b>	<b>487</b>	<b>(31)</b>	<b>53</b>
<b>(50)</b>	<b>(327)</b>	<b>Surplus/(deficit) of capital funding</b>	<b>(482)</b>	<b>32</b>	<b>(52)</b>
<b>(0)</b>	<b>0</b>	<b>Funding Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>
97	80	Depreciation expense (not included in the above FIS)	83	97	97

## 4(b). Services – Flood Protection and Control Works

### *What are the agreed community outcomes we seek?*

- ▲ The farming community, industry, urban and rural communities and other floodplain users:
  - are assured of the standard of protection received from flood protection schemes;
  - make informed decisions on floodplain development;
  - take timely action to minimise the effects of flooding of their activities and reduce the threat to life and property and the environment.
- ▲ To enhance the network of walkways/cycleways

within the Southland region by working with other organisations to determine future coastal walkway/cycleway construction.

### *What is the key issue?*

We need to provide and maintain services to ensure potential risks to our community are avoided or minimised.

Such services include the:

- ▲ management of river protection works and sustainable gravel extraction;
- ▲ co-ordination of community drainage outfall maintenance schemes;

- ▲ provision of information to communities and individuals.

### *Why is it an issue for the Southland region?*

- ▲ River management needs knowledge, skill and experience, and a whole-of-system management approach is required because of the interconnectedness of the catchment.
- ▲ Community has asked for a co-ordinated approach to drainage maintenance so efficient outfall is maintained.

## Key Results from the Year

- ▲ Only maintenance and repairs to the community protection schemes were required during the year.
- ▲ Drainage schemes inspected and maintained to keep outfall integrity.
- ▲ Ongoing discussions with the Gore and Mataura communities on investigation options for additional urban protection.

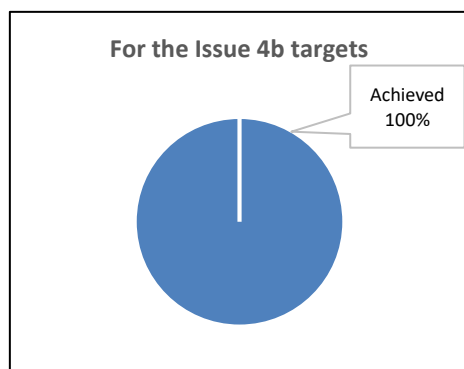
## Future Challenges

Continuing repair and maintenance of the community protection schemes

Impacts of climate change

Responding to range of natural hazards

## What we were aiming to do and how successful we were ...



How much did we spend on this Issue in 2017/18?

**\$5.4 million**

Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18														
Reduce the flood risk to people and property by retaining system adequacy and maintenance of flood protection works to agreed standards.	The major flood protection and control works are maintained, repaired and renewed to the key standards defined in the Council's asset management plans.	All major flood protection and control schemes meet their full service potential.	<p><b>Maintenance</b> - Our stopbanks are maintained to their original constructed standard:</p> <table border="1"> <thead> <tr> <th>Location</th> <th>Key standard</th> </tr> </thead> <tbody> <tr> <td>Garston, Eyre Creek, Athol, Thornbury</td> <td>&lt;10 yr return period<sup>1</sup> with freeboard<sup>2</sup></td> </tr> <tr> <td>Gore, Maitaura, Wyndham, Yellow Bluffs (Otautau), Tuatapere</td> <td>60 yr return period with freeboard</td> </tr> <tr> <td>Cattle Flat, Lower Maitaura, Wallacetown</td> <td>&lt;20 yr return period with freeboard</td> </tr> <tr> <td>Waikaia</td> <td>&lt;5 yr return period with freeboard</td> </tr> <tr> <td>Lumsden cableway</td> <td>17 yr return period with freeboard</td> </tr> <tr> <td>Invercargill, Oreti Districts (between Wallacetown &amp; Lumsden)</td> <td>To protect against a January 1984 size flood event</td> </tr> </tbody> </table> <p><b>Repaired</b> – Flood damage identified, prioritised and a repair programme agreed with the community. High priority works</p>	Location	Key standard	Garston, Eyre Creek, Athol, Thornbury	<10 yr return period <sup>1</sup> with freeboard <sup>2</sup>	Gore, Maitaura, Wyndham, Yellow Bluffs (Otautau), Tuatapere	60 yr return period with freeboard	Cattle Flat, Lower Maitaura, Wallacetown	<20 yr return period with freeboard	Waikaia	<5 yr return period with freeboard	Lumsden cableway	17 yr return period with freeboard	Invercargill, Oreti Districts (between Wallacetown & Lumsden)	To protect against a January 1984 size flood event	<p><b>Achieved</b> 669.1 km of scheduled stopbank and seven dam inspections were completed for Oreti, Te Anau, Aparima and Maitaura rural protection and Invercargill, Otautau, Tuatapere, Gore, Maitaura and Wyndham urban protection schemes.</p> <p><b>Achieved</b> All minor deficiencies identified in the inspection programme</p>
Location	Key standard																	
Garston, Eyre Creek, Athol, Thornbury	<10 yr return period <sup>1</sup> with freeboard <sup>2</sup>																	
Gore, Maitaura, Wyndham, Yellow Bluffs (Otautau), Tuatapere	60 yr return period with freeboard																	
Cattle Flat, Lower Maitaura, Wallacetown	<20 yr return period with freeboard																	
Waikaia	<5 yr return period with freeboard																	
Lumsden cableway	17 yr return period with freeboard																	
Invercargill, Oreti Districts (between Wallacetown & Lumsden)	To protect against a January 1984 size flood event																	

<sup>1</sup> "Return period" The probability that events such as floods, wind storms or tornadoes will occur is often expressed as a return period. The inverse of probability (generally expressed in %), gives the estimated time interval between events of a similar size or intensity. For example, the return period of a flood might be 100 years; otherwise expressed as its probability of occurring being 1/100, or 1% in any one year.

<sup>2</sup> "Freeboard" is a term used to describe a factor of safety above a design flood level for flood mitigation works. Freeboard allows for the uncertainties in hydrological predictions, wave action, modelling accuracy, topographical accuracy, final flood defence levels and the quality of the digital elevation models. The increase in flood levels associated with climate change is *in addition* to freeboard, because the uncertainty freeboard incorporates remains in future climate scenarios. Therefore, freeboard should not contain the "core" component of climate change impacts, but it may be increased to account for climate change uncertainties.

Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18
			<p>undertaken as soon as possible.</p> <p><b>Renewed</b> – Reconstruct floodbank(s) to restore the key standard flood control level(s), where required.</p>	<p>scheduled for repair in the calendar year.</p> <p>Ongoing analysis of channel capacity, level of protection and risk assessment.</p> <p>Findings from above has resulted in the identification of a 400 m length of the stopbank in Gore being budgeted for and programmed to be raised in the 2018/19 financial year to provide a consistent flood freeboard standard for the township.</p> <p><b>Achieved</b> No renewal or reconstruction was required or undertaken in 2017/18.</p>
<p>Improve the productive capability of land by maintaining land drainage works to agreed standards.</p>	<p>Council-maintained land drainage schemes perform to agreed standards.</p>	<p>No failures of drainage schemes occurred.</p>	<p>All outfall or bank stability issues arising from pre-works inspections are resolved by that year's maintenance drainage works programme.</p>	<p><b>Achieved</b></p> <p>The inspection regime associated with Council managed and maintained drainage schemes resulted in 749 km of scheduled inspections being completed.</p> <p>Inspections resulted in maintenance work being completed over 407 km.</p> <p>No failures of drainage schemes occurred.</p>



Funding Impact Statement - Services - flood protection and control works

LTP 2016/17 \$000	Actual 2016/17 \$000		Actual 2017/18 \$000	Annual Plan 2017/18 \$000	LTP 2017/18 \$000
		<b>Sources of Funding</b>			
834	783	General rates, uniform annual charges, rates penalties	794	757	904
3,606	3,511	Targeted rates	3,648	3,656	3,775
0	0	Subsidies and grants for operating purposes	0	0	0
511	789	Fees and charges	845	510	526
0	0	Internal Charges and overheads recovered	0	0	0
571	719	Local authorities fuel tax, fines, infringement fees and other receipts	641	664	576
<b>5,523</b>	<b>5,801</b>	<b>Total Operating Funding</b>	<b>5,928</b>	<b>5,588</b>	<b>5,782</b>
		<b>Applications of Operating Funding</b>			
5,240	5,067	Payments to staff and suppliers	4,808	5,325	5,482
11	14	Financing Costs	37	12	11
215	497	Internal Charges and overheads recovered	544	254	231
0	0	Other operating funding applications	0	0	0
<b>5,465</b>	<b>5,579</b>	<b>Total Applications of Operating Funding</b>	<b>5,389</b>	<b>5,590</b>	<b>5,724</b>
<b>57</b>	<b>223</b>	<b>Surplus/(deficit) of operating funding</b>	<b>538</b>	<b>(2)</b>	<b>57</b>
		<b>Sources of capital funding</b>			
0	0	Subsidies and grants for capital expenditure	0	0	0
0	0	Development and financial contributions	0	0	0
0	0	Increase / (decrease) in debt	0	0	0
8	62	Gross proceeds from the sale of assets	9	44	26
0	0	Lump sum contributions	0	0	0
<b>8</b>	<b>62</b>	<b>Total sources of capital funding</b>	<b>9</b>	<b>44</b>	<b>26</b>
		<b>Applications of capital funding</b>			
		Capital expenditure			
0	2	- to meet additional demand	4	32	0
0	63	- to improve the level of service	1	2	4
49	174	- to replace existing assets	76	82	77
247	(34)	Increase/(decrease) in Reserves	260	(40)	190
(230)	81	Increase/(decrease) in Investments	206	(34)	(188)
<b>65</b>	<b>285</b>	<b>Total applications of capital funding</b>	<b>547</b>	<b>42</b>	<b>83</b>
<b>(57)</b>	<b>(223)</b>	<b>Surplus/(deficit) of capital funding</b>	<b>(538)</b>	<b>2</b>	<b>(57)</b>
<b>0</b>	<b>0</b>	<b>Funding Balance</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>
132	116	Depreciation expense (not included in the above FIS)	118	130	133

## 5. Community Representation and Communication

### ***What are the community outcomes we seek?***

- ▲ The community is empowered and encouraged to make decisions about the use of natural capital and ecosystems to protect its economic viability and minimise on-site and downstream adverse effects on land and water resources.
- ▲ The community's interest is represented and individual constituents are assisted by sound decision-making.
- ▲ Quality stewardship of Environment Southland's reputation and assets.

### ***What is the key issue?***

The purpose of local government is:

- ▲ to enable democratic local decision-making and action by, and on behalf of, communities; and
- ▲ to promote the social, economic, environmental and cultural interests of communities, in the present and in the future.

### ***What is the key issue for Southland?***

There are significant economic changes occurring in the use of natural resources within the Southland region. Intensification of land use is the catch-all description for

activity like dairy farming, dairy support (e.g. winter grazing, provision of feed), hill country development and other changing land uses arising, for example, from irrigation. The changes are having environmental, social, economic and cultural effects.

The work of the Council is mandated by the Local Government Act 2002. The following principles relating to local authorities are contained in Section 14 of the Act and the oversight of the business of the Council is delivered in accordance with the principles:

In performing its role, a local authority must act in accordance with the following principles:

- (a) a local authority should:
  - ▲ conduct its business in an open, transparent, and democratically accountable manner; and
  - ▲ give effect to its identified priorities and desired outcomes in an efficient and effective manner;
- (b) a local authority should make itself aware of, and should have regard to, the views of all its communities;
- (c) when making a decision, a local authority should take account of:

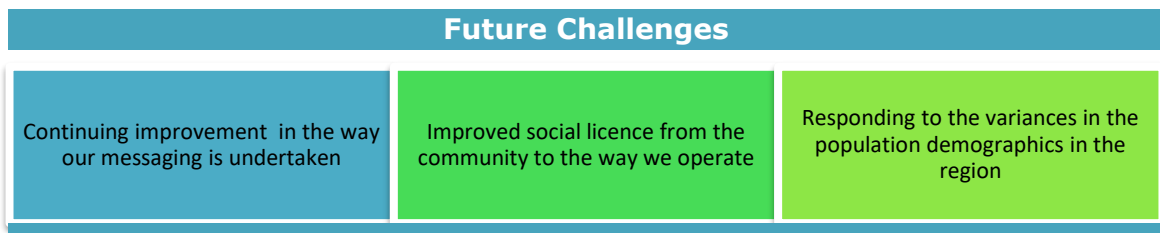
- ▲ the diversity of the community and the community's interests, within its district or region;
- ▲ the interests of future as well as current communities; and
- ▲ the likely impact of any decision on the interests referred to in the preceding bullet points;

- (d) a local authority should provide opportunities for Maori to contribute to its decision-making processes;
- (e) a local authority should actively seek to collaborate and co-operate with other local authorities and bodies to improve the effectiveness and efficiency with which it achieves its priorities and desired outcomes;
- (f) a local authority should undertake any commercial transactions in accordance with sound business practices;
- (fa) a local authority should periodically:
  - ▲ assess the expected returns to the authority from investing in, or undertaking, a commercial activity; and
  - ▲ satisfy itself that the expected returns are likely to

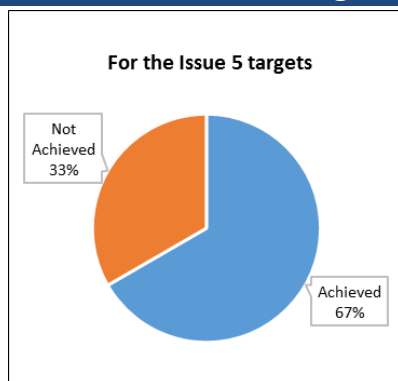
- outweigh the risks inherent in the investment or activity;
- (g) a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning
- effectively for the future management of its assets; and
- (h) in taking a sustainable development approach, a local authority should take into account:
- ▲ the social, economic, and cultural interests of people and communities;
  - ▲ the need to maintain and enhance the quality of the environment; and
  - ▲ the reasonably foreseeable needs of future generations.

## Key Results from the Year

- ▲ Ongoing efforts in strengthening levels of recognition of Environment Southland’s work.
- ▲ Adapting the way Council engages with its community to discuss issues of the day.
- ▲ The community understands the issues that the region faces.



## What we were aiming to do and how successful we were ...



How much did we spend on this Issue in 2017/18?

**\$3.6 million**

Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18
We will provide quality stewardship of Environment Southland’s functions through robust decision-	Percentage of respondents who name Environment Southland as the authority responsible for managing Southland’s natural resources.	76%	≥90%	<p><b>Achieved</b></p> <p>The perceptions survey is carried out at the end of each financial year, and reflects back on the year just gone.</p> <p>2017/18 results: Prompted:</p> <ul style="list-style-type: none"> <li>• Residents - 98%</li> </ul>

Level of Service	Measures	Baseline Measure (2010/11)	Performance Targets 2017/18	Results for 2017/18
making and public awareness.				<ul style="list-style-type: none"> <li>Farmers - 100%</li> </ul> Unprompted: <ul style="list-style-type: none"> <li>Residents - 86%</li> <li>Farmers - 92%</li> <li>(Average: 94%)</li> </ul> 2016/17 results (for comparison): <ul style="list-style-type: none"> <li>Prompted               <ul style="list-style-type: none"> <li>Residents and Farmers - 99%</li> </ul> </li> <li>Unprompted               <ul style="list-style-type: none"> <li>Residents - 82%</li> <li>Farmers - 92%</li> <li>(Average: 91%)</li> </ul> </li> </ul>
	Percentage of respondents who believe Environment Southland is managing water quality issues well or very well.	27%	≥35%	<b>Achieved</b>  2017/18 results: <ul style="list-style-type: none"> <li>Residents - 43%</li> <li>Farmers - 63%</li> </ul> 2016/17 results (for comparison): <ul style="list-style-type: none"> <li>Residents - 43%</li> <li>Farmers - 62%</li> </ul>
	Percentage of respondents agreed or strongly agreed that Environment Southland was effectively managing pressing environmental issues.	57%	≥60%	<b>Not Achieved</b>  2017/18 results: <ul style="list-style-type: none"> <li>Residents - 44%</li> <li>Farmers - 62%</li> </ul> 2016/17 results (for comparison): <ul style="list-style-type: none"> <li>Residents - 44%</li> <li>Farmers - 60%</li> </ul>

## Funding Impact Statement - Community representation and communication

LTP 2016/17 \$000	Actual 2016/17 \$000		Actual 2017/18 \$000	Annual Plan 2017/18 \$000	LTP 2017/18 \$000
<b>Sources of Funding</b>					
1,683	1,373	General rates, uniform annual charges, rates penalties	1,789	1,651	1,787
0	0	Targeted rates	0	0	0
0	0	Subsidies and grants for operating purposes	0	0	0
11	489	Fees and charges	303	11	12
0	0	Internal Charges and overheads recovered	0	0	0
680	760	Local authorities fuel tax, fines, infringement fees and other receipts	996	914	656
<b>2,374</b>	<b>2,621</b>	<b>Total Operating Funding</b>	<b>3,088</b>	<b>2,575</b>	<b>2,454</b>
<b>Applications of Operating Funding</b>					
2,011	2,190	Payments to staff and suppliers	2,506	2,239	1,985
5	8	Financing Costs	25	6	5
706	861	Internal Charges and overheads recovered	1,038	860	707
0	0	Other operating funding applications	0	0	0
<b>2,723</b>	<b>3,059</b>	<b>Total Applications of Operating Funding</b>	<b>3,569</b>	<b>3,105</b>	<b>2,698</b>
<b>(348)</b>	<b>(438)</b>	<b>Surplus/(deficit) of operating funding</b>	<b>(480)</b>	<b>(529)</b>	<b>(243)</b>
<b>Sources of capital funding</b>					
0	0	Subsidies and grants for capital expenditure	0	0	0
0	0	Development and financial contributions	0	0	0
0	0	Increase / (decrease) in debt	0	0	0
4	23	Gross proceeds from the sale of assets	3	1	1
0	0	Lump sum contributions	0	0	0
<b>4</b>	<b>23</b>	<b>Total sources of capital funding</b>	<b>3</b>	<b>1</b>	<b>1</b>
<b>Applications of capital funding</b>					
Capital expenditure					
0	1	- to meet additional demand	2	0	0
0	33	- to improve the level of service	0	2	2
24	20	- to replace existing assets	0	12	10
8	(384)	Increase/(decrease) in Reserves	(80)	(245)	90
(376)	(85)	Increase/(decrease) in Investments	(399)	(297)	(343)
<b>(344)</b>	<b>(415)</b>	<b>Total applications of capital funding</b>	<b>(477)</b>	<b>(528)</b>	<b>(242)</b>
<b>348</b>	<b>438</b>	<b>Surplus/(deficit) of capital funding</b>	<b>480</b>	<b>529</b>	<b>243</b>
<b>(0)</b>	<b>(0)</b>	<b>Funding Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>
21	27	Depreciation expense (not included in the above FIS)	30	22	21

## Report on Long-term Plan and Policies

### Revenue and Financing Policy

All activities were funded according to the Revenue and Financing Policy. Variations from the public/private percentage allocations in the Revenue and Financing Policy did occur, as set out below:

Activities	Reason (see below)	Actual Funding Allocation		Proposed Funding Allocation	
		Public	Private	Public	Private
Environmental Monitoring	(i)	96%	4%	100%	0%
Environmental Education	(i)	94%	6%	100%	0%
Hazard Mitigation	(i)	100%	0%	100%	0%
Regional Planning	(i)	84%	16%	100%	0%
River Management	(ii)	24%	76%	30%	70%
Consent Processing	(iii)	64%	36%	25%	75%
Consent Compliance	(i)	36%	64%	50%	50%
Community Representation	(i)	92%	8%	100%	0%
Council Policy & Planning Analysis	(ii)	66%	34%	100%	0%
Catchment Planning	(iii)	85%	15%	60%	40%
Land Sustainability	(ii)	0%	100%	16%	84%
Pollution Prevention	(i)	100%	0%	100%	0%
Science	(i)	64%	36%	100%	0%

- (i) Where goods and services which have a clear value to identifiable persons have been provided, these have been charged directly, resulting in more private funding.
- (ii) Where costs have varied from budget, but the funding source is fixed (e.g. rates), the percentage allocations will be different.
- (iii) Where insufficient private funding has been obtained, the balance has been funded from general funds, or where extra funding has become available, the general funds requirement has reduced.

### Investment Policy

#### ▲ Longer term funds managed by funds managers:

This is the first full year with the new funds managers, JBWere. Council adopted a new Statement of Investment Policy and Objectives (SIPO) with the following exposure parameters:

Asset Class	Minimum Allowable Exposure	Strategic Asset Allocation	Maximum Allowable Exposure	Performance Target Met
	%	%	%	
New Zealand Equities	6.0%	8.0%	10.0%	Yes
Australian Equities	6.0%	8.0%	10.0%	Yes
International Equities	22.0%	27.0%	32.0%	Yes
New Zealand Property	3.8%	5.0%	6.3%	Yes
International Property	1.5%	2.0%	2.5%	Yes
New Zealand Fixed Interest	43.0%	48.0%	53.0%	Yes
New Zealand Cash	1.5%	2.0%	2.5%	No
<b>Total</b>		<b>100%</b>		

Due to the variation in the other asset classes, the New Zealand cash as at 30 June 2018 temporarily exceeded the maximum performance parameter.



- ▲ *Monitor holding in South Port, with a full review every three years.*  
**Performance target met.** The holding in South Port is monitored through the South Port Sub-committee. Regular briefings are held with the Chairman of Directors and Chief Executive, as and when announcements are made by the company to the Stock Exchange.
- ▲ *Review property portfolio annually*  
**Performance target met.** The property portfolio is reviewed annually as part of the annual planning process. Land held as part of a floodway scheme cannot be sold while it is part of a flood scheme.
- ▲ *Comply with procedures in Investment Policy*  
**Performance target met.**

### ***Liability Management Policy***

The following prudential limits apply in the policy:

- ▲ *Proportion of borrowing due for repayment in any one year should be no more than the larger of 25% of total borrowings or \$100,000.*  
**Performance target met.** No borrowings. Council's overdraft is seasonal, not long-term borrowings.
- ▲ *The maximum level of borrowing will not exceed 35% of total operational assets.*  
**Performance target met.** The debt outstanding at 30 June 2018 is Nil.
- ▲ *The interest cost of all borrowings will not exceed 8% of total operating revenue*  
**Performance target met.** The interest cost of borrowing equals 0.73% of total operating revenue.
- ▲ *The interest cost of all borrowings will not exceed 20% of total rates revenue*  
**Performance target met.** The interest cost of borrowing equals 1.43% of total rates revenue.
- ▲ *Net operating cash flows excluding interest costs shall exceed interest cost by 2.5 times*  
**Performance target not met.** Interest was \$212,380 for the year. This target was not met as the Council budgeted for a negative cash flow but achieved a small positive net operating cash flow which did not exceed the interest by 2.5 times.
- ▲ *Comply with procedures in Liability Management Policy*  
**Performance target met.**

## SECTION 4: FINANCES | PŪTEA

### Financial Statements

#### A guide to the financial pages which follow

▲	Statement of Comprehensive Revenue and Expense	page 44
▲	Statement of Changes in Net Assets/Equity	page 44
▲	Statement of Financial Position	page 45
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**Statement of Comprehensive Revenue and Expense  
for the Year Ended 30 June 2018**

	Note	Council			Group	
		2018 \$000	Annual Plan \$000	2017 \$000	2018 \$000	2017 \$000
<b>Revenue</b>						
Rates revenue	2 (a)	15,682	15,685	14,798	15,682	14,798
Government Grants		1,936	681	1,156	1,936	1,156
Other Revenue	2 (b)	12,909	12,432	11,927	49,101	44,387
Other gains/ (losses)	2 (c)	3,347	1,829	1,242	3,637	1,244
<b>Total Revenue</b>	2 (g)	<b>33,874</b>	<b>30,627</b>	<b>29,123</b>	<b>70,356</b>	<b>61,585</b>
<b>Expenditure</b>						
Employee benefits expense	2 (d)	14,867	15,496	14,585	24,847	24,314
Depreciation expense	10	741	946	729	4,102	4,020
Finance costs	2 (e)	212	65	75	813	651
Other expenses	2 (f)	15,784	15,785	15,251	29,351	26,840
<b>Total Operating Expenditure</b>		<b>31,604</b>	<b>32,292</b>	<b>30,640</b>	<b>59,113</b>	<b>55,825</b>
<b>Surplus/(Deficit) before income tax</b>		<b>2,270</b>	<b>(1,665)</b>	<b>(1,517)</b>	<b>11,243</b>	<b>5,760</b>
Income tax expense	3	-	-	-	(3,850)	(3,364)
<b>Surplus/(Deficit) for the period</b>		<b>2,270</b>	<b>(1,665)</b>	<b>(1,517)</b>	<b>7,393</b>	<b>2,396</b>
<b>Total Comprehensive Revenue and Expense for the period</b>		<b>2,270</b>	<b>(1,665)</b>	<b>(1,517)</b>	<b>7,393</b>	<b>2,396</b>
<b>Total Comprehensive Revenue and Expense attributable to:</b>						
Council		2,270	(1,665)	(1,517)	4,156	(436)
Minority interest	15 (e)	-	-	-	3,237	2,832
	*	<b>2,270</b>	<b>(1,665)</b>	<b>(1,517)</b>	<b>7,393</b>	<b>2,396</b>

**Statement of Changes in Net Assets / Equity  
for the Year Ended 30 June 2018**

	Note	Council			Group	
		2018 \$000	Annual Plan \$000	2017 \$000	2018 \$000	2017 \$000
<b>Opening Equity</b>		74,058	76,018	75,576	102,560	102,451
<b>Total Comprehensive Revenue and Expense attributable to:</b>						
Council		2,270	(1,665)	(1,517)	4,156	(436)
Minority interest	15(e)	-	-	-	3,237	2,832
Dividend distribution - Minority interest	15(e)	-	-	-	(2,286)	(2,286)
<b>Closing Equity</b>		<b>76,328</b>	<b>74,353</b>	<b>74,058</b>	<b>107,667</b>	<b>102,560</b>

*The accompanying accounting policies and notes form part of these financial statements*

*\* An explanation of major variances from the Annual Plan is contained in Note 26*

**Statement of Financial Position**  
**As at 30 June 2018**

	Note	2018 \$000	Council Annual Plan \$000	2017 \$000	Group 2018 \$000	2017 \$000
<b>Current Assets</b>						
Cash and Deposits	22(a)	-	-	1	991	1,676
Trade and other receivables	6	2,263	1,776	2,136	7,870	6,399
Inventories	7	120	121	120	120	120
Managed Funds	8	33,800	30,281	30,660	33,800	30,660
Prepayments	9	166	239	213	207	260
<b>Total Current Assets</b>		<b>36,349</b>	<b>32,417</b>	<b>33,129</b>	<b>42,988</b>	<b>39,114</b>
<b>Non-Current Assets</b>						
Shares in subsidiary	18	8,721	8,721	8,721	-	-
Other financial assets	8	161	1,380	209	161	209
Property, Plant and Equipment	10	37,930	37,312	38,387	85,402	84,957
Investment in Related Party	11	798	807	798	798	798
<b>Total Non-Current Assets</b>		<b>47,610</b>	<b>48,220</b>	<b>48,114</b>	<b>86,361</b>	<b>85,964</b>
<b>TOTAL ASSETS</b>		<b>83,959</b>	<b>80,637</b>	<b>81,243</b>	<b>129,349</b>	<b>125,077</b>
<b>Current Liabilities</b>						
Bank Overdraft	22(a) (i)	2,484	1,707	2,507	2,484	2,507
Trade and other payables	12	3,309	3,034	2,693	6,697	5,591
Employee Entitlements	13	1,800	1,511	1,951	2,932	2,819
Borrowings	14	-	-	-	-	-
Current tax payable	3c	-	-	-	1,630	1,204
<b>Total Current Liabilities</b>		<b>7,593</b>	<b>6,252</b>	<b>7,151</b>	<b>13,743</b>	<b>12,121</b>
<b>Non-Current Liabilities</b>						
Other Financial Liabilities	8	-	-	-	353	254
Employee entitlements	13	38	32	34	85	101
Borrowings	14	-	-	-	7,200	9,600
Deferred tax liabilities	3d	-	-	-	301	441
<b>Total Non-Current Liabilities</b>		<b>38</b>	<b>32</b>	<b>34</b>	<b>7,939</b>	<b>10,396</b>
<b>TOTAL LIABILITIES</b>		<b>7,631</b>	<b>6,284</b>	<b>7,185</b>	<b>21,682</b>	<b>22,517</b>
<b>NET ASSETS</b>		<b>76,328</b>	<b>74,353</b>	<b>74,058</b>	<b>107,667</b>	<b>102,560</b>
<b>Equity</b>						
Equity	15	76,328	74,353	74,058	107,667	102,560
<b>TOTAL EQUITY</b>		<b>76,328</b>	<b>74,353</b>	<b>74,058</b>	<b>107,667</b>	<b>102,560</b>
<b>Attributable to:</b>						
Council		76,328	74,353	74,058	94,646	90,489
Minority interest	15(e)	-	-	-	13,021	12,070
<b>TOTAL EQUITY</b>		<b>76,328</b>	<b>74,353</b>	<b>74,058</b>	<b>107,667</b>	<b>102,560</b>

*The accompanying accounting policies and notes form part of these financial statements*

**Statement of Cash Flows  
for the Year Ended 30 June 2018**

	Note	2018 \$000	Council Annual Plan \$000	2017 \$000	Group 2018 \$000	2017 \$000
<b>Cash flows from operating activities</b>						
<i>Cash was provided by (applied to):</i>						
Receipts from customers		25,830	24,263	23,290	65,196	60,592
Interest received		35	60	26	57	36
Dividends received		4,535	4,535	4,535	-	(0)
Payments to suppliers and employees		(30,100)	(31,384)	(30,019)	(53,077)	(51,506)
Finance costs		(212)	(65)	(75)	(717)	(647)
Income tax paid		-	-	-	(3,564)	(3,185)
<b>Net cash flow from operating activities</b>	22( b )	<b>88</b>	<b>(2,591)</b>	<b>(2,244)</b>	<b>7,895</b>	<b>5,289</b>
<b>Cash flows from investing activities</b>						
<i>Cash was provided by (applied to):</i>						
Reduction of Managed Funds		183	1,640	117	183	117
Proceeds from sale of property, plant and equipment		47	102	326	435	328
Acquisition of shares / investments		48	(640)	(100)	48	(100)
Purchase of property, plant and equipment		(344)	(474)	(1,483)	(4,537)	(4,865)
<b>Net cash flow from investing activities</b>		<b>(66)</b>	<b>628</b>	<b>(1,140)</b>	<b>(3,871)</b>	<b>(4,520)</b>
<b>Cash flows from financing activities</b>						
<i>Cash was provided by (applied to):</i>						
Dividends paid to Non controlling interest		-	-	-	(2,286)	(2,286)
Drawdown / (Repayment) of borrowings		-	-	-	(2,400)	(1,100)
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,686)</b>	<b>(3,386)</b>
Net increase/(decrease) in Cash and cash equivalents		22	(1,963)	(3,384)	(662)	(2,617)
Cash and cash equivalents at the beginning of the financial year		(2,507)	256	877	(832)	1,785
<b>Cash and cash equivalents at the end of the financial year</b>	22(a)	<b>(2,484)</b>	<b>(1,707)</b>	<b>(2,507)</b>	<b>(1,493)</b>	<b>(832)</b>

*The accompanying accounting policies and notes form part of these financial statements*

## Notes to the Financial Statements

### 1. Summary of Accounting Policies

#### **Reporting Entity**

Southland Regional Council is a Regional Council governed by the Local Government Act 2002.

The entity being reported on is the Southland Regional Council. Environment Southland (“the Council”) is the brand name of the Southland Regional Council. The parent entity is the Council and the consolidated entity (“the Group”) includes South Port New Zealand Limited (“South Port”) and its group. The Council owns 66.48% of the issued shares of South Port New Zealand Limited.

The primary objective of the Council and Group is to provide goods or services for the community or social benefit rather than making a financial return. The Council has designated itself and the Group as public benefit entities for financial reporting purposes.

The financial statements of the Council and Group are for the year ended 30 June 2018. The financial statements were authorised for issue by Council on 31 October 2018.

#### **Statement of Compliance**

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements comply with Public Benefit Entity (PBE) standards. The financial statements have been prepared in accordance with Tier 1 PBE standards.

#### **Basis of Preparation**

The financial statements have been prepared on the basis of historical cost except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements are presented in thousands of New Zealand dollars. New Zealand dollars are the Council’s and Group’s functional currency. All values are rounded to the nearest thousand dollars (\$000). As the numbers are presented in thousands small rounding differences may occur. These rounding differences are considered immaterial to the financial statements as a whole.

#### **Significant Accounting Policies**

##### **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable and represents receivables for goods and services provided in the normal course of business, net of discounts and GST.



## Revenue from Non-exchange Transactions

### *Rates Revenue*

Rates are recognised as income when levied.

### *Grant Revenue and Subsidies*

Grants and subsidies are recognised upon entitlement as conditions pertaining to eligible expenditure have been fulfilled. Government grants are recognised as income when eligibility has been established with the grantor agency. The Council receives central government contributions:

<b>For</b>	<b>From</b>
Regional Civil Defence	Ministry of Civil Defence
Land Transport	New Zealand Transport Agency
Marine Oil Spills	Maritime New Zealand

## Revenue from Exchange Transactions

### *Interest Revenue*

Interest revenue is recognised on a time proportionate basis using the effective interest method.

### *Dividend Revenue*

Dividend revenue is recognised when the right to receive payments is established on a receivable basis.

### *Rental Income*

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

## Other Revenue – full cost recovery

### *Rendering of Services*

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Revenue from port services is recognised in the accounting period in which the actual service is provided to the customer.

Fees and charges are recognised as income when supplies and services have been rendered.

Revenue relating to contracts and consent applications that are in progress at balance date is recognised by reference to the stage of completion at balance date.

Fees received from the following activities are recognised as revenue from exchange transactions:

- resource consent processing;
- pest animal contract work;
- grazing leases and license;
- enforcement work;
- dividends, interest and rental income.

## Other Gains and Losses

Net gains or losses on the sale of investment property, property plant and equipment, property intended for sale and financial assets are recognised when an unconditional contract is in place and it is probable that the Council and/or Group will receive the consideration due.

## **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax, except to the extent that it relates to items recognised directly in equity, in which case the tax expense is also recognised in equity.

Tax currently payable is based on taxable profit for the period. Taxable profit differs from net surplus/(deficit) before tax as reported in the Statement of Comprehensive Revenue and Expense because it excludes items of income or expense that are taxable in other years and it further excludes items that are never taxable or deductible. The Council's and Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Council and Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised as an expense or income in the surplus/(deficit), except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

The Council itself is not subject to income tax. All income tax relates to that of the South Port NZ Limited and its subsidiaries.

## **Goods and Services Tax**

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## **Statement of Cash Flows**

For the purpose of the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

The following terms are used in the Statement of Cash Flows:

- operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities;

- investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents; and
- financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

## **Financial Instruments**

Financial assets and financial liabilities are recognised on the Council's or Group's Statement of Financial Position when the Council and/or Group becomes a party to contractual provisions of the instrument.

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through profit or loss which are initially valued at fair value.

## **Financial Assets**

Financial Assets are classified into the following specified categories: financial assets "at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### **(a) Effective Interest Method**

The effective interest method referred to below, is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

### **(b) Financial Assets at Fair Value through Surplus or Deficit**

Financial assets are classified as financial assets at fair value through surplus or deficit where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is a part of an identified portfolio of financial instruments the Council and Group manages together and has a recent actual pattern of short-term profit-taking; or
- is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through surplus or deficit are stated at fair value, with any resultant gain or loss recognised in the Statement of Comprehensive Revenue and Expense. The net gain or loss is recognised in the Statement of Comprehensive Revenue and Expense and incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described later in this note.

The Council and Group have classified their managed funds as financial assets at fair value through surplus or deficit. This fund includes cash, bonds and equities. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the surplus (deficit).

### **(c) Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment is established when there is objective evidence that the Council or Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is expensed in surplus for the year.

(d) **Impairment of Financial Assets**

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus for the year.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus for the year to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## **Financial Liabilities**

(a) **Trade & Other Payables**

Trade payables and other accounts payable are recognised when the Council and Group becomes obliged to make future payments resulting from the purchase of goods and services.

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

(b) **Borrowings**

Borrowings are recorded initially at fair value, net of transaction costs. Borrowing costs attributable to qualifying assets are capitalised as part of the cost of those assets.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the surplus/(deficit) over the period of the borrowing using the effective interest method.

## **Derivative Financial Instruments**

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange risk using interest rate swaps and forward exchange contracts.

The Council and Group do not hold derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance date.

Derivative instruments entered into by the Council and Group do not qualify for hedge accounting. The resulting gain or loss is recognised in surplus for the period immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(a) **Fair Value Estimation**

The fair value of financial instruments traded in active markets (such as held for trading assets and available-for-sale equities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Council and Group is the current bid price; the appropriate quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council and Group use a variety of methods and makes assumptions that are based on market conditions existing as each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term investment and debt instruments held. The fair value of interest rate swaps, or foreign exchange contracts, is the estimated amount that the Council and Group would receive or pay to terminate the swap/contract at the reporting date, taking into account current interest rates and/or exchange rates.

***Inventories***

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis with an appropriate allowance for obsolescence and deterioration.

***Property, Plant and Equipment***

The Council and Group have the following classes of property, plant and equipment:

(a) **Operational Assets**

Operational assets include:

- Council owned land, buildings, rental land, rental buildings, motor vehicles and other plant and equipment; and
- South Port New Zealand Limited land, buildings and improvements, wharves and berths dredging, and plant, equipment and vehicles.

(b) **Infrastructural Assets**

Infrastructural assets deliver benefits direct to the community and are associated with major flood protection and land drainage schemes. Infrastructural assets include flood banks, protection works, structures, drains, bridges and culverts

***Cost***

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

***Depreciation***

Operational and infrastructural assets, with the exception of land, are depreciated on either a straight-line or diminishing value basis depending on the class of asset. Rates are calculated to allocate the cost depending on the class less estimated residual value over their estimated useful life.

The nature of infrastructural stop banks and earthworks assets is considered equivalent to land improvements and as such they do not incur a loss of service potential over time. Accordingly, stop banks and earthworks assets are not depreciated. Other infrastructural assets are depreciated on a straight-line basis to write off the cost of the asset to its estimated residual values over its estimated useful life.

Expenditure incurred to maintain these assets at full operating capability is charged to the surplus/deficit in the year incurred.

The following estimated useful lives are used in the calculation of depreciation:

<b>Asset</b>	<b>Life</b>
<b>Operational Assets</b>	
Land – Council	Unlimited
Buildings – Council	2%-10% DV
Rental land - Council	Unlimited
Rental buildings - Council	2% - 10% DV
Other plant and equipment – Council	2.5% - 10% DV/SL
Motor vehicles - Council	15% SL
Land – South Port	Unlimited
Buildings – South Port	2% - 7 % SL
Plant and machinery – South Port	2% - 33% SL
<b>Infrastructural Assets</b>	
Stopbanks and earthworks	Unlimited
Bridges	1% SL
Large culverts	1% - 2.5% SL
Tide gate structures	1% - 2.5% SL

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

#### *Disposal*

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

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

#### ***Impairment of Property, Plant and Equipment***

At each reporting date, the Council and Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Council and Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

In assessing value in use for cash-generating assets, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of

money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in surplus for the year immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in surplus for the year immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### ***Employee Entitlements***

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

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

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

### ***Superannuation Schemes***

#### ***Defined Contribution Schemes***

Obligations for contributions to Kiwisaver Schemes are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

### ***Provisions***

Provisions are recognised when the Council and Group have a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

### ***Basis of Consolidation***

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council entity and its controlled entities as defined in PBE *IPSAS 6 Consolidated and Separate Financial Statements*. A list of controlled entities appears in the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.



On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the excess is credited to profit and loss in the period of acquisition.

The interest of non-controlling shareholders is stated at the non-controlling interests' proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Council obtains control and until such time as the Council ceases to control the subsidiary.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

The Council's investment in South Port New Zealand Limited is carried at cost less any impairment losses in the Council's own parent entity financial statements.

### ***Joint Ventures***

The Council is a member of the joint venture known as Emergency Management Southland, which delivers the civil defence and emergency management responsibilities of the four councils in the Southland region, namely Environment Southland, Invercargill City Council, Gore District Council, and Southland District Council.

Governance of the operation is provided by the Southland Civil Defence and Emergency Management Group, a joint standing committee of the four councils.

In accordance with IPSAS 8 *Interests in Joint Ventures*, the consolidated financial statements include the Council's share of the joint venture entity's assets, liabilities revenue and expenses. Refer to note 20 for further disclosure.

### ***Investment in Related Party***

The Council has established a Council Controlled Organisation (CCO) with five other regional councils for the purposes of collaboratively developing and maintaining a software application suite for use by the regional councils in the delivery of their activities under a Long-term Plan. This investment is held as an investment at cost under PBE IPSAS 29.

### ***Equity***

Equity is the community's interest in the Council and Group and is measured as the difference between total assets and total liabilities. Equity consists of a number of reserves to enable clearer identification of the specified uses that the Council makes of its accumulated surpluses.

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

The components of equity are: capital lease area balances, special reserves, rating district balances, and retained earnings.

### ***Restricted and Council Created Reserves***

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Restricted reserves are those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

### ***Foreign Currency***

#### **Foreign Currency Transactions**

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in surplus for the year in which they arise.

### ***Budget Amounts***

The budget amounts are those approved by the Council at the beginning of the year in the Long Term Plan/Annual Plan. The budget amounts have been prepared using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements. The budget figures are for Council only and do not include budget information relating to subsidiaries.

### ***Allocation of Overheads***

The cost of service for each significant activity of the Council has been derived using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Where possible costs are charged or allocated directly to the beneficiary of the service. The remaining indirect costs have been allocated on the following basis:

Corporate Management	-	per staff member
Information Technology	-	per computer
Council Servicing/Secretarial	-	allocated according to estimated use of services
Administration	-	per staff member
Finance	-	per staff member

### ***Critical Accounting Estimates and Assumptions***

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

There were no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Critical Judgements

Management has exercised the following critical judgements in applying the Council's and Group's accounting policies for the period ended 30 June 2018:

### *Classification of Property*

#### (a) **Council and Group**

The Council owns a number of properties that are held for service delivery objectives as part of the Council's various flood protection schemes. The receipt of market based rental from these properties is incidental to holding these properties. These properties are accounted for as property, plant and equipment.

### **Estimate of fair value of shares in subsidiary**

Council's investment of \$8,720,786 in its subsidiary, South Port New Zealand Limited (South Port) is at cost. At 30 June 2018, the fair value of this investment based on the NZX quoted bid price was \$122,091,011 (2017: \$103,428,528).

### **PBE IFRS issued but not yet effective**

In January 2017 the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual period beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- new financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost;
- a new impairment model for financial assets based on expected losses which may result in the earlier recognition of impairment losses;
- revised hedge accounting requirements to better reflect the management of risks.

The Council plans to apply this standard in preparing the 30 June 2022 financial statements. The Council and Group have not yet assessed the effects of the new standard.

2 **Operating Revenue and Expenses**

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Revenue</b>				
Revenue includes the following items:				
<b>(a) Rates Revenue:</b>				
General rates	7,712	7,318	7,712	7,318
Separate rates	7,739	7,258	7,739	7,258
Southern Pest Eradication Society rates	231	222	231	222
	<b>15,682</b>	<b>14,798</b>	<b>15,682</b>	<b>14,798</b>
<b>(b) Other Revenue:</b>				
Revenue from rendering of services:				
Port Revenue	-	-	40,705	36,868
Local Contributions	850	791	850	791
Consent recoveries	1,575	1,334	1,575	1,334
Compliance Monitoring and Recoveries	1,071	907	1,071	907
Prosecutions, Fines and Infringements	469	171	469	171
Marine Fee revenue	2,071	1,855	2,071	1,855
Operating lease rental revenue	832	822	832	822
Interest on bank deposits	35	26	57	36
Dividend from Subsidiary	4,535	4,535	-	-
Other operating revenue	1,471	1,485	1,471	1,602
	<b>12,909</b>	<b>11,927</b>	<b>49,101</b>	<b>44,387</b>
<b>(c) Other Gains / (Losses)</b>				
Gain on disposal of property, plant and equipment	25	223	315	225
Impairment losses reversed	-	-	-	-
Net change in fair value of other financial assets and liabilities carried at fair value through profit or loss	3,322	1,019	3,322	1,019
	<b>3,347</b>	<b>1,242</b>	<b>3,637</b>	<b>1,244</b>
<b>(d) Employee Benefits Expense</b>				
Salaries and wages	13,278	12,996	22,783	22,245
Defined contribution plans	535	601	854	900
Other employee benefits	1,054	988	1,210	1,169
	<b>14,867</b>	<b>14,585</b>	<b>24,847</b>	<b>24,314</b>

2 **Operating Revenue and Expenses (continued)**

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>(e) Finance Costs</b>				
Interest on loans carried at amortised cost	-	-	501	576
Change in fair value of interest rate swaps	-	-	100	-
Other interest expense	212	75	212	75
	<b>212</b>	<b>75</b>	<b>813</b>	<b>651</b>
<b>(f) Other Expenses</b>				
Net bad and doubtful debts	69	9	69	20
Loss on disposal of property, plant and equipment	11	19	58	24
Donations	-	-	4	4
Grants and contributions	1,188	1,092	1,188	1,092
Operating lease rental - minimum lease payments	115	127	293	507
Directors remuneration	-	-	270	273
Other operating expenses	14,401	14,005	27,469	24,921
	<b>15,784</b>	<b>15,251</b>	<b>29,351</b>	<b>26,840</b>

Note: Audit fees are disclosed under Note 5.

**(g) Disclosure of Exchange and Non-exchange transactions**

In accordance with PBE IPSAS 9: Exchange transactions and PBE IPSAS 23: Non-exchange transactions, income and current assets are disclosed below according to whether they are Exchange or Non-exchange transactions.

	Note	Council		Group	
		2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Revenue from Non-exchange transactions</b>					
General Rates		7,712	7,318	7,712	7,318
Separate Rates		7,739	7,258	7,739	7,258
Southern Pest Eradication Society Rate		231	222	231	222
Levies and Contributions		1,936	1,156	1,936	1,156
Rates Penalties		208	177	208	177
Prosecutions and Infringements		469	171	469	171
Donations Received		7	6	7	6
<b>Revenue from Exchange transactions</b>					
Local Contributions		850	791	850	791
Rental Income		832	822	832	822
Investment Income		3,357	1,045	3,379	1,055
Gain on Sale of Assets		25	223	315	225
Dividend from South Port		4,535	4,535	-	-
External Recoveries		5,973	5,399	5,973	201
Port Revenue		-	-	40,705	42,183
		<b>33,874</b>	<b>29,123</b>	<b>70,356</b>	<b>61,585</b>
<b>Current Assets</b>					
Receivables from Non-exchange transactions (Rates)		784	819	784	819
Receivables from Exchange transactions		1,479	1,316	7,086	5,579
Total Receivables	6	<b>2,263</b>	<b>2,136</b>	<b>7,870</b>	<b>6,399</b>

**3 Income Taxes**

	Note	Council		Group	
		2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>(a) Income Tax Recognised in Profit or Loss</b>					
<b>Tax expense / (income) comprises:</b>					
<b>Current tax expense / (credit)</b>					
Current year		-	-	3,996	3,319
Adjustments for prior years		-	-	(6)	(17)
		-	-	3,990	3,302
<b>Deferred tax expense / (credit)</b>					
Origination and reversal of temporary differences	<b>3(d)</b>	-	-	(140)	62
Adjustments for prior years		-	-	-	-
		-	-	(140)	62
<b>Tax expense</b>		-	-	<b>3,850</b>	<b>3,364</b>

The prima facie income tax expense on pre-tax accounting surplus reconciles to the income tax expense in the financial statements as follows:

Surplus / (deficit) before income tax	2,270	(1,517)	11,287	5,760
Income tax expense calculated at 28%	636	(425)	3,160	1,613
Temporary differences	-	-	21	15
Non deductible expenses	8,849	8,579	8,898	8,614
Non assessable income	(8,215)	(6,885)	(8,223)	(6,860)
	1,270	1,270	3,856	3,381
Taxation effect of imputation credits	-	-	-	-
Imputation credits utilised (28% of net dividend)	(1,270)	(1,270)	-	-
Adjustments for prior years	-	-	(6)	(17)
Temporary differences	-	-	-	-
	-	-	<b>3,850</b>	<b>3,364</b>

The tax rate used in the above reconciliation is the corporate tax rate of 28% payable on taxable profits under New Zealand tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

**(b) Income Tax Recognised in Other Comprehensive Income**

There was no current or deferred tax charged/(credited) directly to equity during the period.

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>(c) Current Tax Assets and Liabilities</b>				
<b>Current Tax Payable:</b>				
Current Tax Payable	-	-	1,630	1,204

(d) **Deferred Tax Balances Comprise:**

Taxable and deductible temporary differences arising from the following:

	Group			
	Opening balance	Charged to income	Charged to other comprehensive income	Closing balance
2018	\$000	\$000	\$000	\$000
<b>Gross deferred tax liabilities:</b>				
Other financial assets and receivables	-	-	-	-
Property, plant and equipment	(638)	73	-	(565)
	<u>(638)</u>	<u>73</u>	<u>-</u>	<u>(565)</u>
<b>Gross deferred tax assets:</b>				
Other financial assets	-	-	-	-
Provisions	197	67	-	264
	<u>197</u>	<u>67</u>	<u>-</u>	<u>264</u>
3(a)	<u><b>(441)</b></u>	<u><b>140</b></u>	<u><b>-</b></u>	<u><b>(301)</b></u>

	Group			
	Opening balance	Charged to income	Charged to other comprehensive income	Closing balance
2017	\$000	\$000	\$000	\$000
<b>Gross deferred tax liabilities:</b>				
Other financial assets and receivables	-	-	-	-
Property, plant and equipment	(638)	-	-	(638)
	<u>(638)</u>	<u>-</u>	<u>-</u>	<u>(638)</u>
<b>Gross deferred tax assets:</b>				
Other financial assets	-	-	-	-
Provisions	259	(62)	-	197
	<u>259</u>	<u>(62)</u>	<u>-</u>	<u>197</u>
3(a)	<u><b>(379)</b></u>	<u><b>(62)</b></u>	<u><b>-</b></u>	<u><b>(441)</b></u>

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is \$Nil (2017: \$Nil).

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
(e) <b>Imputation Credit Account Balances</b>				
Balance at 30 June 2018	-	-	10,418	9,082
	<u>-</u>	<u>-</u>	<u>10,418</u>	<u>9,082</u>
Imputation credits available directly and indirectly to Council through:				
Council			-	-
Subsidiaries			10,418	9,082
			<u>10,418</u>	<u>9,082</u>

#### 4 Key Management Personnel Compensation

The compensation of the Councillors, Chief Executive, Policy and Planning Manager and four divisional Directors, being the key management personnel of the entity, is set out below:

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Short-term employee benefits	1,840	1,746	3,695	3,266
Other long-term employee benefits	-	-	55	68
	<u>1,840</u>	<u>1,746</u>	<u>3,750</u>	<u>3,334</u>

#### 5 Remuneration of Auditors

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Audit fees for financial statement audit	112	110	112	110
Audit fees for the 2018-2028 Long Term Plan	94	-	94	-
Fees for tax services	-	-	-	-
Fees for other services	-	-	-	-
	<u>206</u>	<u>110</u>	<u>206</u>	<u>110</u>
Audit fees to other auditors for audit of financial statements of group entities	-	-	54	50
	<u>-</u>	<u>-</u>	<u>54</u>	<u>50</u>
	<u>206</u>	<u>110</u>	<u>260</u>	<u>160</u>

The auditor of Environment Southland, for and on behalf of the Office of the Auditor-General is Mike Hawken of Deloitte Limited. The auditor of South Port New Zealand Limited is Crowe Horwath.



## 6 Trade and Other Receivables

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Trade Receivables	1,942	1,883	7,599	6,171
Allowance for doubtful debts	(180)	(131)	(230)	(156)
	<u>1,762</u>	<u>1,752</u>	<u>7,369</u>	<u>6,015</u>
Goods and services tax (GST) receivable	229	205	229	205
Other sundry receivables	272	178	272	178
	<u><b>2,263</b></u>	<u><b>2,136</b></u>	<u><b>7,870</b></u>	<u><b>6,399</b></u>
Current	2,263	2,136	7,870	6,399
Non-current	-	-	-	-
	<u><u>2,263</u></u>	<u><u>2,136</u></u>	<u><u>7,870</u></u>	<u><u>6,399</u></u>

Trade receivables are non-interest bearing and generally on monthly terms.

The Council does not provide for impairment on rates receivables less than six years past due, as it has various powers under Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances. Where such payment plans are in place, debts are discounted to the present value of future repayments.

Included within the Group's trade and other receivable balance are debtors with a carrying amount of \$1,638,469 (2017: \$1,131,416), Council \$1,003,469 (Council 2017: \$1,057,416), which are past due at the reporting date for which the Group has not provided. The Group has not provided for these as \$783,659 (2017: \$863,830) relates to rates arrears (recoverable via the means outlined above) and there has not been a significant change in credit quality of the remaining debtors, so the Group believes that the amounts are still considered recoverable.

The Group holds no collateral as security or other credit enhancements over receivables that are either past due or impaired. The average collection period of these receivables is Council: 27 days (2017: 27 days) and Group: 39 days (2017: 40 days).

An allowance has been made for estimated irrecoverable amounts and has been calculated based on expected losses. Expected losses have been determined based on reference to past default experience and review of specific debtors.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group is exposed to credit risk arising from a small number of shipping line and warehouse clients. Regular monitoring of trade receivables is undertaken to ensure that the credit exposure remains within the Group's normal trading terms of trade.

For Council, the concentration of credit risk is limited due to the customer base being large and unrelated. The Council and Group believes no further credit provision is required in excess of the allowance for doubtful debts.

7 Inventories

	Council		Group	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Raw materials (at cost)	120	120	120	120
	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>

8 Other Financial Assets and Liabilities

		Council		Group	
		2018	2017	2018	2017
		\$000	\$000	\$000	\$000
<b>Fair value through Surplus or Deficit:</b>					
<b>Classified as held for trading</b>					
<u>Managed Funds</u>					
JBWere - NZ Government and Local Authority Stock	(i)	3,824	6,324	3,824	6,324
JBWere - Other Bonds	(i)	11,549	7,904	11,549	7,904
JBWere - Cash	(i)	1,463	1,280	1,463	1,280
JBWere - Equities	(i)	16,964	15,152	16,964	15,152
		<b>33,800</b>	<b>30,660</b>	<b>33,800</b>	<b>30,660</b>
<b>Classified as loans and receivables</b>					
Loan to Invercargill City Council	(iv)	127	200	127	200
Loan to Gore District Council	(iv)	25	-	25	-
<b>Classified as other financial assets and liabilities</b>					
Interest rate derivatives	(iii)	-	-	(353)	(254)
Shares - Civic Assurance Limited		9	9	9	9
		<b>33,961</b>	<b>30,869</b>	<b>33,608</b>	<b>30,615</b>
<b>Disclosed in the financial statements as:</b>					
Current Assets		33,800	30,660	33,800	30,660
Non-current Assets		161	209	161	209
Non-current Liabilities		-	-	(353)	(254)
		<b>33,961</b>	<b>30,869</b>	<b>33,608</b>	<b>30,615</b>

There are no impairment provisions for other financial assets.

(i) Classified as held for trading. The Group holds a portfolio of floating and fixed interest deposits, bonds and equity securities that is managed externally by JBWere. This classification has been determined as all assets within this category are held for trading at any point should the Fund managers determine it is in the Council's best investment interests to do so.

(ii) The Group held no fixed interest deposits via its managed fund portfolio at 30 June 2018 (2017: \$Nil).

(iii) The Group has entered into a fixed for floating interest rate swap to hedge its floating debt. The Group has not adopted hedge accounting.

Interest Rate Swap - South Port NZ Ltd has an interest rate swap in place which matures in November 2019. The interest rate swap has a fixed swap rate of 4.45% with a notional contract amount of \$5 million at 30 June 2018 (2017: \$5 Million at 4.45% maturing November 2019).

South Port NZ Ltd has another interest rate swap in place which commences in November 2019 and matures in November 2024. The interest rate swap has a fixed swap rate of 3.64% with a notional contract amount of \$5 million at 30 June 2018 (2017: Nil).

(iv) The Group advanced \$40,000 to Gore District Council during the year (2017: Nil), no funds were advanced to Invercargill City Council (2017: \$100,000) to support the low interest loans offered on the Clean Air scheme. This is interest free and repayable in nine years time. The total amount able to be drawn down under this scheme is \$1,500,000 (2017: \$1,500,000).

9 Other Current Assets

	Council		Group	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Prepayments	166	213	207	260
	<b>166</b>	<b>213</b>	<b>207</b>	<b>260</b>

10 Property, Plant and Equipment

	2018											
	COUNCIL ONLY											
	Cost 1 July 2017	Additions	Disposals	Transfers	Cost 30 June 2018	Accumulated depreciation and impairment charges 1 July 2017	Impairment losses charged in Statement of Comprehensive Income	Depreciation expense *	Accumulated depreciation reversed on disposal	Other	Accumulated depreciation and impairment charges 30 June 2018	Carrying amount 30 June 2018
\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	
<b>Council Operational Assets</b>												
Land	145	-	-	-	145	-	-	-	-	-	-	145
Buildings	4,990	45	-	-	5,035	(1,499)	-	(119)	-	-	(1,618)	3,417
Rental Land	4,591	-	-	-	4,591	-	-	-	-	-	-	4,591
Rental Buildings	1,065	-	-	-	1,065	(717)	-	(20)	-	-	(737)	328
Motor Vehicles	2,276	43	(139)	-	2,180	(980)	-	(292)	112	-	(1,159)	1,021
Other Plant and Equipment	4,475	207	-	-	4,682	(3,092)	-	(290)	-	-	(3,382)	1,300
<b>Total Operational Assets</b>	<b>17,542</b>	<b>295</b>	<b>(139)</b>	<b>-</b>	<b>17,698</b>	<b>(6,289)</b>	<b>-</b>	<b>(721)</b>	<b>112</b>	<b>-</b>	<b>(6,897)</b>	<b>10,801</b>
<b>Council Infrastructural Assets</b>												
Stopbanks and Earthworks	24,668	-	-	-	24,668	-	-	-	-	-	-	24,668
Bridges	106	-	-	-	106	(15)	-	(2)	-	-	(17)	89
Large Culverts	2,203	47	(12)	-	2,238	(420)	-	(34)	6	-	(448)	1,790
Tidegate Structures	719	-	-	-	719	(128)	-	(10)	-	-	(138)	581
<b>Total Infrastructural Assets</b>	<b>27,696</b>	<b>47</b>	<b>(12)</b>	<b>-</b>	<b>27,731</b>	<b>(562)</b>	<b>-</b>	<b>(46)</b>	<b>6</b>	<b>-</b>	<b>(602)</b>	<b>27,129</b>
<b>Total Council Property, Plant and Equipment</b>	<b>45,238</b>	<b>342</b>	<b>(151)</b>	<b>-</b>	<b>45,429</b>	<b>(6,851)</b>	<b>-</b>	<b>(767)</b>	<b>118</b>	<b>-</b>	<b>(7,499)</b>	<b>37,930</b>

\* Depreciation differs from the Statement of Comprehensive Income and Expense by \$26k which is the Joint Venture share of Emergency Management Southland total depreciation.

2017

COUNCIL ONLY

	Cost 1 July 2016	Additions	Disposals	Transfers	Cost 30 June 2017	Accumulated depreciation and impairment charges 1 July 2016	Impairment losses charged in Statement of Comprehensive Income	Depreciation expense	Accumulated depreciation reversed on disposal	Other	Accumulated depreciation and impairment charges 30 June 2017	Carrying amount 30 June 2017
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>Council Operational Assets</b>												
Land	145	-	-	-	145	-	-	-	-	-	-	145
Buildings	4,615	375	-	-	4,990	(1,381)	(118)	-	-	(1,499)	-	3,491
Rental Land	4,591	-	-	-	4,591	-	-	-	-	-	-	4,591
Rental Buildings	1,067	-	(2)	-	1,065	(698)	(21)	2	-	(717)	-	348
Motor Vehicles	2,351	759	(834)	-	2,276	(1,425)	(274)	718	-	(980)	-	1,296
Other Plant and Equipment	4,194	292	(11)	-	4,475	(2,800)	(302)	10	-	(3,092)	-	1,383
<b>Total Operational Assets</b>	<b>16,963</b>	<b>1,426</b>	<b>(847)</b>	<b>-</b>	<b>17,542</b>	<b>(6,305)</b>	<b>-</b>	<b>(715)</b>	<b>730</b>	<b>-</b>	<b>(6,289)</b>	<b>11,253</b>
<b>Council Infrastructural Assets</b>												
Stopbanks and Earthworks	24,668	-	-	-	24,668	-	-	-	-	-	-	24,668
Bridges	106	-	-	-	106	(13)	(2)	-	-	(15)	-	91
Large Culverts	2,157	57	(11)	-	2,203	(393)	(32)	5	-	(420)	-	1,783
Tidegate Structures	719	-	-	-	719	(119)	(9)	-	-	(128)	-	591
<b>Total Infrastructural Assets</b>	<b>27,650</b>	<b>57</b>	<b>(11)</b>	<b>-</b>	<b>27,696</b>	<b>(524)</b>	<b>-</b>	<b>(43)</b>	<b>5</b>	<b>-</b>	<b>(562)</b>	<b>27,134</b>
<b>Total Council Property, Plant and Equipmer</b>	<b>44,613</b>	<b>1,483</b>	<b>(858)</b>	<b>-</b>	<b>45,238</b>	<b>(6,829)</b>	<b>-</b>	<b>(758)</b>	<b>735</b>	<b>-</b>	<b>(6,851)</b>	<b>38,387</b>

\* Depreciation differs from the Statement of Comprehensive Income and Expense by \$29k which is the Joint Venture share of Emergency Management Southland total depreciation.

Council infrastructural assets represent Flood Protection and Control Works as defined in the Local Government (Financial Reporting and Prudence) Regulations 2014. All infrastructural assets acquired during the year were constructed by Council. There were no infrastructural assets transferred to the Council from External entities.

GROUP	2018											
	Cost 1 July 2017	Additions	Disposals	Transfers	Cost 30 June 2018	Accumulated depreciation and impairment charges 1 July 2017	Impairment losses charged in Statement of Comprehensive Income	Depreciation expense *	Accumulated depreciation reversed on disposal	Other	Accumulated depreciation and impairment charges 30 June 2018	Carrying amount 30 June 2018
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>Group Operational Assets</b>												
Land - Council	145	-	-	-	145	-	-	-	-	-	-	145
Buildings - Council	4,990	45	-	-	5,035	(1,499)	-	(119)	-	-	(1,618)	3,417
Rental Land - Council	4,591	-	-	-	4,591	-	-	-	-	-	-	4,591
Rental Buildings - Council	1,065	-	-	-	1,065	(717)	-	(20)	-	-	(737)	328
Motor Vehicles - Council	2,275	43	(139)	-	2,180	(980)	-	(292)	112	-	(1,159)	1,021
Other Plant and equipment - Council	4,472	207	-	-	4,680	(3,090)	-	(290)	-	-	(3,380)	1,300
Land - Subsidiary	2,944	134	-	-	3,078	-	-	-	-	-	-	3,078
Buildings - Subsidiary	20,065	569	(4)	-	20,630	(6,099)	-	(421)	3	-	(6,517)	14,111
Plant and Machinery - Subsidiary	66,520	3,682	(1,435)	-	68,767	(36,851)	-	(2,940)	1,304	-	(38,486)	30,280
<b>Total Operational Assets</b>	<b>107,067</b>	<b>4,680</b>	<b>(1,578)</b>	<b>-</b>	<b>110,171</b>	<b>(49,236)</b>	<b>-</b>	<b>(4,082)</b>	<b>1,419</b>	<b>-</b>	<b>(51,897)</b>	<b>58,271</b>
<b>Council Infrastructural Assets</b>												
Stopbanks and Earthworks	24,668	-	-	-	24,668	-	-	-	-	-	-	24,668
Bridges	106	-	-	-	106	(15)	-	(2)	-	-	(17)	89
Large Culverts	2,203	47	(12)	-	2,238	(417)	-	(34)	6	-	(445)	1,793
Tidegate Structures	719	-	-	-	719	(128)	-	(10)	-	-	(138)	581
<b>Total Infrastructural Assets</b>	<b>27,696</b>	<b>47</b>	<b>(12)</b>	<b>-</b>	<b>27,731</b>	<b>(560)</b>	<b>-</b>	<b>(46)</b>	<b>6</b>	<b>-</b>	<b>(600)</b>	<b>27,131</b>
<b>Total Group Property, Plant and Equipment</b>	<b>134,763</b>	<b>4,727</b>	<b>(1,590)</b>	<b>-</b>	<b>137,902</b>	<b>(49,796)</b>	<b>-</b>	<b>(4,128)</b>	<b>1,425</b>	<b>-</b>	<b>(52,497)</b>	<b>85,402</b>

\* Depreciation differs from the Statement of Comprehensive Income and Expense by \$26k which is the Joint Venture share of Emergency Management Southland total depreciation.

GROUP	2017											
	Cost 1 July 2016	Additions	Disposals	Transfers	Cost 30 June 2017	Accumulated depreciation and impairment charges 1 July 2016	Impairment losses charged in Statement of Comprehensive Income	Depreciation expense	Accumulated depreciation reversed on disposal	Other	Accumulated depreciation and impairment charges 30 June 2017	Carrying amount 30 June 2017
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>Group Operational Assets</b>												
Land - Council	145	-	-	-	145	-	-	-	-	-	-	145
Buildings - Council	4,615	375	-	-	4,990	(1,381)	-	(118)	-	-	(1,499)	3,491
Rental Land - Council	4,591	-	-	-	4,591	-	-	-	-	-	-	4,591
Rental Buildings - Council	1,067	-	(2)	-	1,065	(698)	-	(21)	2	-	(717)	348
Motor Vehicles - Council	2,351	759	(834)	-	2,275	(1,425)	-	(274)	718	-	(980)	1,293
Other Plant and equipment - Council	4,192	292	(11)	-	4,472	(2,797)	-	(302)	10	-	(3,090)	1,383
Land - Subsidiary	2,932	12	-	-	2,944	-	-	-	-	-	-	2,943
Buildings - Subsidiary	20,796	464	-	(1,195)	20,065	(5,689)	-	(411)	-	-	(6,099)	13,964
Plant and Machinery - Subsidiary	63,680	2,027	(382)	1,195	66,520	(34,350)	-	(2,880)	377	-	(36,851)	29,666
<b>Total Operational Assets</b>	<b>104,369</b>	<b>3,929</b>	<b>(1,229)</b>	<b>-</b>	<b>107,067</b>	<b>(46,340)</b>	<b>-</b>	<b>(4,006)</b>	<b>1,107</b>	<b>-</b>	<b>(49,239)</b>	<b>57,824</b>
<b>Council Infrastructural Assets</b>												
Stopbanks and Earthworks	24,668	-	-	-	24,668	-	-	-	-	-	-	24,668
Bridges	106	-	-	-	106	(13)	-	(2)	-	-	(15)	91
Large Culverts	2,157	57	(11)	-	2,203	(390)	-	(32)	5	-	(417)	1,786
Tidegate Structures	719	-	-	-	719	(119)	-	(9)	-	-	(128)	591
<b>Total Infrastructural Assets</b>	<b>27,650</b>	<b>57</b>	<b>(11)</b>	<b>-</b>	<b>27,696</b>	<b>(522)</b>	<b>-</b>	<b>(43)</b>	<b>5</b>	<b>-</b>	<b>(560)</b>	<b>27,136</b>
<b>Total Group Property, Plant and Equipment</b>	<b>132,019</b>	<b>3,986</b>	<b>(1,240)</b>	<b>-</b>	<b>134,763</b>	<b>(46,862)</b>	<b>-</b>	<b>(4,049)</b>	<b>1,112</b>	<b>-</b>	<b>(49,799)</b>	<b>84,960</b>

\* Depreciation differs from the Statement of Comprehensive Income and Expense by \$29k which is the Joint Venture share of Emergency Management Southland total depreciation.

## 11 Investment in Related Party

As at 30 June 2018, the Council has a 15.5% (2017: 15.5%) shareholding in a limited liability company called Regional Software Holdings Limited (RSHL), incorporated on 17 October 2012 with the shareholders being six regional councils. This company is a Council Controlled organisation established for the purposes of collaboratively developing and maintaining a software application suite for use by regional councils in the delivery of their activities under a long-term plan.

## 12 Trade and Other Payables

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Trade payables	2,802	2,296	6,190	5,194
Other accrued charges	507	397	507	397
	<b>3,309</b>	<b>2,693</b>	<b>6,697</b>	<b>5,591</b>

(i) The average credit period on purchases is 30 days

## 13 Employee Entitlements

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Accrued salary and wages	776	876	1,331	1,173
Annual leave	1,061	1,105	1,630	1,660
Long service leave	1	4	56	87
Retirement leave	-	-	-	-
Sick leave	-	-	-	-
	<b>1,838</b>	<b>1,985</b>	<b>3,017</b>	<b>2,920</b>

### *Disclosed in the financial statements as:*

Current Employee Entitlements	1,800	1,951	2,932	2,819
Non-Current Employee Entitlements	38	34	85	101
	<b>1,838</b>	<b>1,985</b>	<b>3,017</b>	<b>2,920</b>



## 14 Borrowings

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b><i>Secured - at amortised cost</i></b>				
Current borrowings	-	-	-	-
Non-current borrowings	-	-	7,200	9,600
	-	-	<b>7,200</b>	<b>9,600</b>

South Port New Zealand Limited's credit facility of \$17 million from HSBC (2017: \$17 million) is split between three different lines of credit as follows:

Facility 1 - \$8 million expiring 31 October 2019

Facility 2 - \$4 million expiring 31 October 2019

Facility 3 - \$5 million expiring 31 October 2019

The total facility is secured by way of a general security registered over all assets both present and future of South Port New Zealand Limited.

Interest on the first \$5 million drawn at any one time is payable according to the five year interest rate swap agreement (expiring 4 November 2019) the Company has with HSBC. Interest on the balance of funds drawn at any time is calculated using a variable rate based on the BKBM (3 month bank bill rate).

15 Equity

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Lease area balances (a)	4,651	4,250	4,651	4,250
Special reserves (b)	17,550	16,611	17,550	16,611
Rating district balances (c)	4,792	4,360	4,792	4,360
Retained earnings (d)	49,336	48,837	67,652	65,268
Non controlling interest (e)	-	-	13,021	12,070
	<u>76,328</u>	<u>74,058</u>	<u>107,667</u>	<u>102,560</u>

(a) Lease Areas (Council and Group) - Restricted Reserves

	Balance	Transfers in	2018	Transfers out	Balance
	1/07/2017 \$000	from Retained Earnings \$000	Interest Paid \$000	to Retained Earnings \$000	30/06/2018 \$000
Aparima	34	3	-	(1)	35
Ferry Road	1,306	277	-	(97)	1,486
Kingswell	27	5	-	(2)	30
Mataura	2,025	423	-	(277)	2,171
Oreti	379	174	-	(127)	426
Otepunu	175	28	-	(12)	191
Winton	183	10	-	(14)	179
Waihopai	122	23	-	(11)	135
	<u>4,250</u>	<u>942</u>	<u>-</u>	<u>(541)</u>	<u>4,651</u>

	Balance	Transfers in	2017	Transfers out	Balance
	1/07/2016 \$000	from Retained Earnings \$000	Interest Paid \$000	to Retained Earnings \$000	30/06/2017 \$000
Aparima	34	3	2	(5)	34
Ferry Road	1,143	292	54	(183)	1,306
Kingswell	24	5	1	(3)	27
Mataura	1,828	401	85	(289)	2,025
Oreti	339	168	16	(144)	379
Otepunu	161	26	7	(19)	175
Winton	200	9	8	(34)	183
Waihopai	109	24	5	(16)	122
	<u>3,837</u>	<u>928</u>	<u>178</u>	<u>(693)</u>	<u>4,250</u>

**(b) Special Reserves (Council and Group)**

	2018			
	Balance 1/07/2017 \$000	Transfers in from Retained Earnings \$000	Transfers out to Retained Earnings \$000	Balance 30/06/2018 \$000
Building Reserve	40	128	(45)	123
Lease Building Reserve	517	20	-	537
Furniture and Equipment Reserve	106	26	(52)	80
Plant Renewal Reserve	62	248	(154)	156
Computer Reserve	-	-	-	-
Vehicle reserve	131	338	(43)	426
Infrastructure Assets Reserve	472	46	(47)	471
Disaster Damage General Reserve	2,000	-	-	2,000
Makarewa Disaster Damage Reserve-Restricted	160	9	-	169
Oreti Disaster Damage Reserve-Restricted	1,422	64	-	1,486
Lower Mararoa Disaster Damage Reserve-Restricted	-	-	-	-
Upper Mararoa Disaster Damage Reserve-Restricted	-	-	-	-
Mataura Disaster Damage Reserve-Restricted	1,216	55	-	1,271
Aparima Disaster Damage Reserve-Restricted	515	36	-	551
Upukerora Disaster Damage Reserve-Restricted	-	-	-	-
Whitestone Disaster Damage Reserve-Restricted	-	-	-	-
Orauea Disaster Damage Reserve-Restricted	7	2	-	9
Invercargill Disaster Damage Reserve-Restricted	775	94	-	869
Waiau Disaster Damage Reserve-Restricted	1,643	121	(66)	1,698
Gratuity Reserve	-	-	-	-
Regional Assistance to Projects	6	-	-	6
Coastal Rental Reserve	(14)	77	(58)	5
Marine Fee Reserve-Restricted	2,371	2,087	(1,451)	3,007
South Port Special Dividend Reserve	669	-	-	669
South Port Share Buy Back Reserve	2,985	-	(558)	2,427
Election Funding Reserve	16	30	-	46
Pest Property Reserve Fund	301	11	(3)	309
Pest Plant Reserve	64	3	-	67
Pest Disposals Reserve	299	-	-	299
Te Anau Basin Reserve	261	32	-	293
Waimatuku Stream Disaster Reserve - Restricted	56	3	(3)	56
Aerial Photography Reserve	49	-	-	49
Emergency Management Southland Reserve	(4)	192	(31)	157
Emergency Mgmt Southland Capital Res	192	-	(192)	-
Lake Hawkins Pumphouse-Restricted	296	19	-	315
Building Security and Parking Reserve	-	-	-	-
	16,612	3,642	(2,703)	17,550

(b) Special Reserves (Council and Group) cont

	2017			
	Balance	Transfers in	Transfers out	Balance
	1/07/2016	from Retained Earnings	to Retained Earnings	30/06/2017
	\$000	\$000	\$000	\$000
Building Reserve	26	126	(112)	40
Lease Building Reserve	496	21	-	517
Furniture and Equipment Reserve	105	29	(28)	106
Plant Renewal Reserve	(391)	698	(245)	62
Computer Reserve	(311)	311	-	-
Vehicle Reserve	297	594	(760)	131
Infrastructure Assets Reserve	487	44	(59)	472
Disaster Damage General Reserve	2,000	-	-	2,000
Makarewa Disaster Damage Reserve-Restricted	150	10	-	160
Oreti Disaster Damage Reserve-Restricted	1,361	61	-	1,422
Lower Mararoa Disaster Damage Reserve-Restricted	-	-	-	-
Upper Mararoa Disaster Damage Reserve-Restricted	-	-	-	-
Mataura Disaster Damage Reserve-Restricted	1,164	52	-	1,216
Aparima Disaster Damage Reserve-Restricted	481	34	-	515
Upukerora Disaster Damage Reserve-Restricted	29	-	(29)	-
Whitestone Disaster Damage Reserve-Restricted	59	-	(59)	-
Orauea Disaster Damage Reserve-Restricted	7	-	-	7
Invercargill Disaster Damage Reserve-Restricted	684	91	-	775
Waiau Disaster Damage Reserve-Restricted	1,591	119	(67)	1,643
Gratuity Reserve	-	-	-	-
Regional Assistance to Projects	6	-	-	6
Coastal Rental Reserve	42	76	(132)	(14)
Marine Fee Reserve-Restricted	2,177	1,860	(1,666)	2,371
South Port Special Dividend Reserve	1,227	-	(558)	669
South Port Share Buy Back Reserve	2,985	-	-	2,985
Election Funding Reserve	60	30	(74)	16
Pest Property Reserve Fund	288	13	-	301
Pest Plant Reserve	61	3	-	64
Pest Disposals Reserve	299	-	-	299
Te Anau Basin Reserve	144	117	-	261
Waimatuku Stream Disaster Reserve - Restricted	56	3	(3)	56
Lake Hawkins Airport Extension Reserve-Restricted	49	-	-	49
Aerial Photography Reserve	21	-	(25)	(4)
Emergency Management Southland Reserve	192	-	-	192
Emergency Mgmt Southland Capital Res	279	17	-	296
Lake Hawkins Pumphouse-Restricted	278	74	(352)	-
	16,398	4,383	(4,169)	16,611

(c) Rating Districts Balances (Council and Group) - Restricted Reserves

	2018					
	Balance	Plus Rates	Other	Transfers out	Cost to	Balance
	1/07/2017	17/18	Income	to Retained Earnings	District	30/06/2018
	\$000	\$000	\$000	\$000	\$000	\$000
Aparima	524	279	205	(13)	(454)	541
Clifton Drainage	10	5	1	-	(2)	14
Duck Creek	39	60	9	-	(70)	38
Invercargill	84	426	166	(60)	(533)	83
Lake Hawkins	(41)	110	30	(5)	(179)	(86)
Makarewa	265	201	71	(3)	(199)	336
Mataura	247	1,140	516	-	(1,541)	362
Otepunu Creek	11	16	2	-	(6)	23
Oreti	492	859	400	-	(1,156)	594
Te Anau Basin	582	203	171	(20)	(231)	706
Waituna Creek	238	133	23	(170)	(94)	130
Waihopai	15	32	4	-	(16)	35
Waiau	583	1	339	(47)	(307)	569
Waiau - Sharpridge	36	4	6	-	0	47
Waiau - Orauea	18	24	24	-	(50)	16
Waiau - Upper Lillburn	336	29	45	-	(30)	381
Waiau - Wairaki	42	15	29	-	(47)	40
Waiau - Fenham	105	5	10	-	(2)	117
Waiau - Boundary Creek	8	-	1	-	(2)	7
Waiau Special Projects	606	-	28	-	66	699
Waimatuku	41	58	12	-	(104)	7
Upper Waihopai	18	20	2	-	(6)	33
Upper Waikiwi	82	15	7	-	(31)	73
Lower Waikawa	12	2	1	-	(1)	14
Upper Waikawa	7	8	1	-	(5)	11
	4,360	3,647	2,102	(317)	(5,000)	4,792

	2017					
	Balance	Plus Rates	Other	Transfers out	Cost to	Balance
	1/07/2016	16/17	Income	to Retained Earnings	District	30/06/2017
	\$000	\$000	\$000	\$000	\$000	\$000
Aparima	457	284	234	(13)	(438)	524
Clifton Drainage	15	4	2	-	(11)	10
Duck Creek	38	56	11	-	(66)	39
Invercargill	82	401	170	(60)	(509)	84
Lake Hawkins	54	96	38	(5)	(224)	(41)
Makarewa	336	204	121	(3)	(393)	265
Mataura	252	1,065	539	-	(1,609)	247
Otepunu Creek	30	16	6	-	(41)	11
Oreti	455	854	411	32	(1,260)	492
Te Anau Basin	486	203	174	(20)	(261)	582
Waituna Creek	131	132	13	-	(38)	238
Waihopai	56	30	10	-	(81)	15
Waiau	518	1	362	(47)	(251)	583
Waiau - Sharpridge	26	4	6	-	-	36
Waiau - Orauea	12	21	28	-	(43)	18
Waiau - Upper Lillburn	281	29	43	-	(17)	336
Waiau - Wairaki	34	13	15	-	(20)	42
Waiau - Fenham	91	5	9	-	-	105
Waiau - Boundary Creek	7	-	1	-	-	8
Waiau Special Projects	516	-	23	67	-	606
Waimatuku	37	49	8	3	(56)	41
Upper Waihopai	42	17	6	-	(47)	18
Upper Waikiwi	67	14	4	-	(3)	82
Lower Waikawa	11	3	1	-	(3)	12
Upper Waikawa	6	8	1	-	(8)	7
	4,040	3,509	2,236	(46)	(5,379)	4,360

**(d) Retained Earnings**

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance at beginning of year	48,837	51,300	65,268	66,651
Net surplus / (deficit) attributable to Council	2,270	(1,517)	4,156	(436)
Net movement in lease areas	(401)	(413)	(401)	(413)
Net movement in special reserves	(939)	(214)	(939)	(214)
Net movement in rating districts	(431)	(320)	(431)	(320)
<b>Balance at end of year</b>	<b>49,336</b>	<b>48,837</b>	<b>67,652</b>	<b>65,268</b>

**(e) Non Controlling Interests**

	Group	
	2018 \$000	2017 \$000
Balance at beginning of year	12,070	11,525
Share of comprehensive income for the year	3,237	2,832
Dividend distribution for the year	(2,286)	(2,286)
Balance at end of year	13,021	12,070

**16 Commitments for Expenditure**

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>(a) Capital Expenditure Commitments</b>				
Buildings	-	-	2,150	260
Vehicles	-	-	-	-
	-	-	2,150	260

As at 30 June 2018, the Council has the following capital expenditure commitments:

- (i) Funds committed \$Nil. (2017: \$Nil)

As at 30 June 2018, the Group has the following capital expenditure commitments:

- (i) Funds committed \$2,150,000 as South Port Group entered into commitments to complete an extension of the No.1 cold store ELA, build a blast freezer, install a new screw compressor, upgrade the access road paving, build a new security hut facility and upgrade fishing berth assets. (2017: Completion of paving on Berth 5 and the purchase of some land situated on the Island Harbour from KiwiRail at a total estimated cost of \$260,000)

**(b) Operating Lease Commitments**

**Finance lease commitments**

Finance lease liabilities at 30 June 2018 were \$Nil. (30 June 2017: \$Nil)

**Operating lease commitments**

Gross commitments under non-cancellable operating leases for the Group:

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Within one year	54	93	148	339
One to five years	78	55	238	310
More than five years	-	-	-	-
	<u>132</u>	<u>148</u>	<u>386</u>	<u>649</u>

South Port New Zealand Limited has operating lease commitments in relation to two forklift leases with Gough Finance Limited which both expire in September 2018 and a ten year land lease commitment with KiwiRail Limited for the lease of a parcel of land situated on the Island Harbour, Bluff, due to expire in December 2021.

The Group also leases certain land and buildings. This lease is for a period of six years expiring in September 2018.

Future minimum lease payments under non-cancellable operating leases (as Lessor):

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Within one year	700	655	4,973	3,707
One to five years	1,364	795	10,437	9,437
More than five years	-	2	41,016	44,090
	<u>2,064</u>	<u>1,452</u>	<u>56,426</u>	<u>57,234</u>

Operating lease commitments (as Lessor) relate to various port land, wharves and buildings in Bluff that are leased (both short term and long term) to a number of tenants for port related activities. It also includes Floodway land owned by Environment Southland, for the purposes of flood control, which are leased for farming purposes under a Deed of Lease.

**17 Contingent Liabilities and Contingent Assets**

**Council and Group**

The Council is currently in the tendering phase for the acquisition of a new Harbourmaster's Vessel with an estimated cost of \$120,000 as at 30 June 2018 (30 June 2017: \$Nil), South Port \$Nil (2017: \$Nil).

**18 Subsidiaries**

Parent Entity	Country of Incorporation	Ownership Interest	
		2018 %	2017 %
Southland Regional Council (i)	New Zealand		
<b>Subsidiaries</b>			
South Port New Zealand Limited (iii)	New Zealand	66.48%	66.48%

- (i) Environment Southland (Southland Regional Council) is the ultimate parent entity within the consolidated group.
- (ii) South Port New Zealand Limited holds the Group's interests in subsidiaries as follows:  
 - South Port New Zealand Limited - Port facilities, cargo handling and warehousing. (100% owned);  
 - Awarua Holdings Limited - Management and administration services. (100% owned).
- (iii) Shares in South Port New Zealand Limited are carried at cost price.  
 All companies in the Group have 30 June balance dates.

**19 Related Party Disclosures**

**(a) Equity Interests in Related Parties**

Environment Southland is the ultimate parent of the Group and controls one entity, being South Port New Zealand Limited (66.48% ownership) including its subsidiaries.

**Equity Interests in Subsidiaries**

Details of the percentage of shares held in subsidiaries are disclosed in Note 18 to the financial statements.

**(b) Transactions with Related Parties**

**Transactions involving the Council**

During the year the following receipts / (payments) were received from / (paid to) related parties:

	Council	
	2018 \$000	2017 \$000
<b>South Port New Zealand Limited</b>		
Dividend payment made to Council	4,535	4,535
Expenses paid to Council as per normal terms of business	10	9

**Regional Software Holdings Ltd**

The transactions between the Council and Regional Software Holdings Limited (refer Note 11) were:

	Council	
	2018 \$000	2017 \$000
Admin fees and support	176	161

Regional Software Holdings Limited has no subsidiaries.



### ***Other Transactions Involving Related Parties***

During the year South Port New Zealand Limited provided cold storage facilities and leased warehousing, land and wharf facilities to Sanford Bluff for \$393,000 (2017: \$424,000). Sanford Limited debtors balance at 30 June 2018 was \$29,000 (2017: \$27,000). Mr T M Foggo, a Director of South Port New Zealand Limited was the Salmon & Aquaculture Manager of Sanford Limited. All of these transactions were conducted on an arms length basis at market rates.

All balances owing by Sanford are due by the 20th of the month following invoice and all overdue invoices are subject to interest on arrears. During the year ended 30 June 2018 no amounts invoiced to Sanford were written off as bad debts or included in the doubtful debts provision at balance date (2017: Nil).

In Environment Southland's role as agent for the Whakamana Te Waituna Trust, as at 30 June 2018 funds held on behalf of the Trust amounted to \$170,000.

### ***Transactions Eliminated on Consolidation***

Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial statements. Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the Group.

## **20 Joint Venture - Emergency Management Southland**

The Council is a member of the joint venture known as Emergency Management Southland, which delivers the civil defence and emergency management responsibilities of the four councils in the Southland region. Governance of the operation is provided by the Southland Civil Defence and Emergency Management Group, a joint standing committee of the four Councils.

Contributions of revenue and expenditure to the venture by the Councils are as follows:

	%
Environment Southland	39.52
Gore District Council	8.64
Invercargill City Council	25.92
Southland District Council	25.92

Environment Southland's interests in the venture are as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Current Assets	148	177
Revenue	355	312
Expenses	385	337

## **21 Subsequent Events**

### **(a) Council**

Council had no significant events after balance date.

### **(b) Group (South Port New Zealand Limited)**

On 23 August 2018 the Board declared a final dividend for the year to 30 June 2018 of 18.50 cents per share amounting to \$4.854 million (before supplementary dividends). (2017 Final dividend declared for 18.50 cents per share amounting to \$4.854 million).

There were no other significant events after balance date.

## 22 Notes to the Cash Flow Statement

### (a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in bank and deposits in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the as follows: Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Cash	-	1	991	1,676
Bank Overdraft	(2,484)	(2,507)	(2,484)	(2,507)
Cash and cash equivalents	<b>(2,484)</b>	<b>(2,506)</b>	<b>(1,493)</b>	<b>(831)</b>

Council has an overdraft facility with ANZ Bank New Zealand Limited, with a limit of \$5 million as at 30 June 2018. The facility can be drawn to a maximum of \$15 million upon application. This is subject to annual review, with the next review date on 31 May 2019. The interest rate is 3.15%.

South Port NZ has an overdraft facility of \$200,000 (2017: \$200,000), of which \$0 (2017: \$0) had been drawn down.

### (b) Reconciliation of Surplus for the period to Net Cash Flows From Operating Activities

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Surplus / (Deficit)	2,270	(1,517)	7,393	2,396
<b>Add (less) non-cash items</b>				
Depreciation	741	729	4,102	4,020
EMS Depreciation	24	29	24	29
(Gain) / loss on disposal of property, plant and equipment	(14)	(204)	(257)	(201)
Impairment of fixed assets	-	-	-	-
(Gain) / loss on wind up of available for sale asset	-	-	-	-
Net change in fair value of forward exchange contracts and interest rate swaps	-	-	99	(117)
Fair value gain/loss on other financial assets	(3,322)	(1,019)	(3,322)	(1,019)
Deferred Tax Expense	-	-	(140)	(62)
	<b>(2,571)</b>	<b>(465)</b>	<b>506</b>	<b>2,650</b>
<b>Add/(less) movement in working capital:</b>				
Trade and other receivables	(127)	(105)	(1,471)	290
Inventories	(0)	1	(0)	1
Prepayments	47	26	53	32
Trade and other payables	616	(596)	1,106	(459)
Employee Entitlements	(147)	412	97	262
Borrowings	-	-	-	-
Taxation payable	-	-	426	117
	<b>388</b>	<b>(261)</b>	<b>210</b>	<b>244</b>
<b>Add/(less) items classified as Investing Activities:</b>				
Property, plant and equipment included in trade and other payables	-	-	(214)	-
Investment property included in trade and other receivables	-	-	-	-
	<b>-</b>	<b>-</b>	<b>(214)</b>	<b>-</b>
<b>Net cash inflow (outflow) from operating activities</b>	<b>87</b>	<b>(2,244)</b>	<b>7,895</b>	<b>5,289</b>

## 23 Severance Payments (Council only)

For the year ended 30 June 2018 Council made severance payments to one staff member for \$24,907. (2017: Severance \$25,000).

## 24 Remuneration (Council only)

- (a) During the year to 30 June 2018, the total remuneration and value of other non-financial benefits received by or payable to the Chair, other elected members and the Chief Executive of the Council were as follows:

	Cost During 2017/18				Total
	Remuneration	Communication Allowance	Meeting fees	Mileage	
<i>Chair</i>					
Nicol Horrell	97,048	632	-	-	97,680
	97,048	632	-	-	97,680
<i>Elected members</i>					
Ross Cockburn	44,158	780	-	10,041	54,979
Neville Cook	44,158	1,074	2,509	98	47,839
Ernest Currie	36,798	780	-	-	37,578
Robert Guyton	36,798	1,077	-	-	37,875
Grant Hubber	44,158	885	953	2,455	48,451
Lyndall Ludlow	36,798	-	-	271	37,069
Lloyd McCallum	44,158	1,077	11,246	3,078	59,559
Jeremy McPhail	36,798	-	-	8,753	45,551
Maurice Rodway	44,158	155	15,566	428	60,307
Eric Roy	36,798	-	-	-	36,798
David Stevens	36,798	1,645	-	5,921	44,365
	441,578	7,474	30,275	31,045	510,372
	538,626	8,106	30,275	31,045	608,052

	Cost During 2016/17				Total
	Remuneration	Communication Allowance	Meeting fees	Mileage	
<i>Chair</i>					
Ali Timms	41,693	239	-	-	41,932
Nicol Horrell	82,286	919	750	3,047	87,002
	123,979	1,158	750	3,047	128,934
<i>Elected members</i>					
Ross Cockburn	44,771	810	-	10,588	56,169
Neville Cook	44,771	919	3,603	336	49,629
Ernest Currie	37,541	810	-	-	38,351
Robert Guyton	37,541	810	-	-	38,351
Grant Hubber	42,412	919	-	484	43,815
Peter Jones	11,795	289	-	1,428	13,513
Lyndall Ludlow	25,746	-	-	-	25,746
Lloyd McCallum	42,412	919	2,500	2,316	48,147
Jeremy McPhail	25,746	-	-	3,980	29,725
Marion Miller	11,795	255	-	-	12,050
Jan Riddell	14,154	255	-	677	15,086
Maurice Rodway	42,412	161	2,976	1,026	46,574
Eric Roy	25,746	-	-	-	25,746
David Stevens	25,746	-	-	4,024	29,769
	432,585	6,148	9,079	24,857	472,669
	556,563	7,306	9,829	27,904	601,603

### Chief Executive

For the year ending 30 June 2018 the total cost to the Council of the remuneration package being received by the Chief Executive, including the fringe benefit tax of \$5,114 (2017: \$4,617) is calculated at \$321,609 (2017: \$303,535)

(b) Council staff employed on the last day of the financial year received total remuneration as set out below:

	<b>2018</b>	<b>2017</b>
	<b>Actual</b>	<b>Actual</b>
Number of full-time employees	156	156
Fulltime equivalent of all other employees	3	8
Council defines a full-time equivalent employee as working 37.5 hours per week.		
Number of employees receiving total annual remuneration below \$60,000	28	48
Number of employees receiving total annual remuneration between \$60,000 and \$79,999	56	45
Number of employees receiving total annual remuneration between \$80,000 and \$99,999	41	43
Number of employees receiving total annual remuneration between \$100,000 and \$119,999	20	15
Number of employees receiving total annual remuneration between \$120,000 to \$139,999	9	5
Number of employees receiving total annual remuneration over \$140,000	5	8

## 25 Financial Instruments

### (a) Capital Risk Management

The Council's capital is its equity (or ratepayer's funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenue, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Retained Earnings is largely managed as a by product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted by the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally the Council has in place asset management plans for major asset classes detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies.

The Council has the following Council created reserves:

- Lease area balances
- Special reserves
- Rating district balances

These reserves are for different areas of benefit and are used where there is a discrete set of rate or levy payers as distinct from a general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

The Group's overall strategy remains unchanged from 2017.

**(b) Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

**(c) Categories of Financial Instruments**

	Council		Group	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Financial Assets</b>				
Cash and cash equivalents	-	1	991	1,676
Trade and other receivables - Amortised Cost	2,263	2,136	7,870	6,399
Other financial assets				
- Fair Value through profit or loss - held for trading	33,800	30,660	33,800	30,660
- Loans to Invercargill City Council	127	200	127	200
- Loans to Gore District Council	25	-	25	-
- Investments held at Cost	9	9	9	9
<b>Financial Liabilities</b>				
Bank overdraft	2,484	2,507	2,484	2,507
Trade and other payables - Amortised Cost	3,309	2,693	6,697	5,591
Borrowings - Amortised Cost	-	-	7,200	9,600
Other financial liabilities				
- Fair Value through profit or loss	-	-	353	254

**(d) Financial Risk Management Objectives**

The Council has a series of policies to manage the risks associated with financial instruments. The Council is risk adverse and seeks to minimise exposure from its treasury activities. The Council has established Council approved Liability Management and Investment Policies. These provide a framework for prudent debt management and the management of financial resources in an efficient and effective way.

The Council and Group does not enter into financial instruments, including derivative financial instruments, for speculative purposes.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

### (e) Currency Risk

The Group undertakes certain sale and purchase transactions and makes investments through its managed funds denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2018 NZ \$000	2017 NZ \$000	2018 NZ \$000	2017 NZ \$000
<b>Council</b>				
US Dollars	7,788	7,685	-	-
British Pounds	-	-	-	-
Euro	2,613	1,027	-	-
Australian Dollars	2,738	2,634	-	-
<b>Group</b>				
US Dollars	7,788	7,685	-	-
British Pounds	-	-	-	-
Euro	2,613	1,027	-	-
Australian Dollars	2,738	2,634	-	-

### (f) Interest Rate Risk

The Council and Group is exposed to interest rate risk as it has tradable bonds, notes and cash investments as part of its managed funds held with JBWere. The risk is managed by the diversification of the Council's investment portfolio in accordance with the limits set out in the Council's investment policy. The Group is also occasionally subject to interest rate risk in relation to borrowings at floating interest rates.

Interest payable by South Port (NZ) Ltd to HSBC is charged on the following basis:

- (i) 5 year interest rate swap; and
- (ii) Variable rates based on the BKBM.

During the period the range of variable interest rates applying to the credit facility were between 2.56% and 2.695% (2017: 2.63% and 3.155%). The Company is exposed to normal fluctuations in market interest rates.

Interest rate swap – South Port NZ Ltd has an interest rate swap in place which matures in November 2019. The interest rate swap has a fixed swap rate of 4.45% with a notional contract amount of \$5 million at 30 June 2018 (2017: \$5 million at 4.45% maturing November 2019).

South Port NZ has another interest rate swap in place which commences in November 2019 and matures in November 2024. The interest rate swap has a fixed swap rate of 3.64% with a notional contract amount of \$5 million at 30 June 2018 (2017: Nil).

The Council and Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk section of this note.

**(g) Other Price Risks**

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group is exposed to equity price risks arising from equity investments. Council has equity investments held for trading as part of its managed funds held with JBWere (refer to note 8).

The price risk is managed by diversification of the Council's investment portfolio in accordance with the limits set out in the Council's Investment policy.

**(h) Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Council has no significant concentrations of credit risk arising from trade receivables, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Financial instruments which potentially subject the Group to credit risk principally consist of cash and cash equivalents and trade and other receivables and term investments.

With respect to managed funds, credit risk is reduced by the number of securities held with different counterparties.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with credit-ratings assigned by international credit-rating agencies.

**(i) Liquidity Risk Management**

Liquidity risk is the risk that the Group will encounter difficulty in raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through adequate committed credit facilities, and the ability to close out market positions.

The Group manages liquidity risk by maintaining adequate funds on deposit, reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Notes 14 and 22(a) is information on additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following tables detail the Council's remaining contractual maturity for its non derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the liabilities except where the Council is entitled and intends to repay a liability before its maturity.

**Maturity Profile of Financial Instruments**

The following table details the Council's exposure to interest rate risk on financial instruments:

COUNCIL 2018	Weighted Average Effective Interest Rate	Fixed Maturity Dates						Contractual cash flows	Total Carrying Amount
		Less than 12 months	1-2 years	2-3 Years	3-4 Years	4 -5 Years	> 5 Years		
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial Assets</b>									
Trade Receivables	-	2,263	-	-	-	-	-	2,263	2,263
Managed Funds	-	33,800	-	-	-	-	-	33,800	33,800
<b>Financial Liabilities</b>									
Bank overdraft	3.15%	2,484	-	-	-	-	-	2,484	2,484
Trade and other payables	-	3,309	-	-	-	-	-	3,309	3,309
Borrowings	-	-	-	-	-	-	-	-	-

COUNCIL 2017	Weighted Average Effective Interest Rate	Fixed Maturity Dates						Contractual cash flows	Total Carrying Amount
		Less than 12 months	1-2 years	2-3 Years	3-4 Years	4 -5 Years	> 5 Years		
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial Liabilities</b>									
Trade Receivables	-	1,776	-	-	-	-	-	1,776	1,776
Managed Funds	-	30,660	-	-	-	-	-	30,660	30,660
<b>Financial Liabilities</b>									
Bank overdraft	4.15%	2,507	-	-	-	-	-	2,507	2,507
Trade and other payables	-	2,693	-	-	-	-	-	2,693	2,693
Borrowings	-	-	-	-	-	-	-	-	-

GROUP 2018	Weighted Average Effective Interest Rate	Fixed Maturity Dates						Contractual Cash flows	Total Carrying Amount
		Less than 12 months	1-2 years	2-3 Years	3-4 Years	4 -5 Years	> 5 Years		
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial Assets</b>									
Cash and Cash equivalents	1.75%	991	-	-	-	-	-	991	991
Trade Receivables		7,870	-	-	-	-	-	7,870	7,870
Managed Funds	0	33,800	-	-	-	-	-	33,800	33,800
<b>Financial Liabilities</b>									
Bank overdraft	3.15%	2,484	-	-	-	-	-	2,484	2,484
Trade and other payables		6,697	-	-	-	-	-	6,697	6,697
Borrowings (non-current)	3.91%	194	7,265	-	-	-	-	7,459	7,200
Borrowings (current)		-	-	-	-	-	-	-	-
Interest rate derivatives	4.45%	121	238	-	-	-	-	359	353

GROUP 2017	Weighted Average Effective Interest Rate	Fixed Maturity Dates						Contractual Cash flows	Total Carrying Amount
		Less than 12 months	1-2 years	2-3 Years	3-4 Years	4 -5 Years	> 5 Years		
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Financial Assets</b>									
Cash and Cash equivalents	1.75%	1,676	-	-	-	-	-	1,676	1,676
Trade Receivables		6,399	-	-	-	-	-	6,399	6,399
Managed Funds	0	30,660	-	-	-	-	-	30,660	30,660
<b>Financial Liabilities</b>									
Bank overdraft	4.02%	2,507	-	-	-	-	-	2,507	2,507
Trade and other payables		5,591	-	-	-	-	-	5,591	5,591
Borrowings (non-current)	3.58%	253	253	9,685	-	-	-	10,192	9,600
Borrowings (current)		-	-	-	-	-	-	-	-
Interest rate derivatives	4.45%	124	124	63	-	-	-	310	254



**(j) Fair Value of Financial Instruments**

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

The Council considers that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values with the exception of the Council's investment in its subsidiary, South Port New Zealand Limited (South Port). The Council records its investment in South Port at cost (\$8,720,786) and at 30 June 2018 the fair value of this investment based on the NZX quoted bid price was \$122,091,011 (2017: \$103,428,528).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Group 2018**

**Financial Assets**

Other financial assets

**Financial Liabilities**

Derivatives - interest rate swaps

Total NZ \$000	Valuation Technique		
	Level 1 NZ \$000	Level 2 NZ \$000	Level 3 NZ \$000
33,800	18,427	15,373	-
(353)	-	(353)	-

**Group 2017**

**Financial Assets**

Other financial assets

**Financial Liabilities**

Derivatives - interest rate swaps

Total NZ \$000	Valuation Technique		
	Level 1 NZ \$000	Level 2 NZ \$000	Level 3 NZ \$000
30,660	15,152	15,508	-
(254)	-	(254)	-

## **(k) Sensitivity Analysis**

### Foreign Currency Sensitivity Analysis

The Group is mainly exposed to the currency of Australia (AUD), the United States (USD) and Europe (Euro).

At reporting date, if foreign currency rates had been 10% higher or lower and all other variables were held constant, the Group's:

- Surplus would decrease or increase by \$1,313,822 (2017: \$1,134,648). This is mainly attributable to the Group's exposure to foreign currency on its investments within its managed funds held with JB Were.
- Equity reserves would be similarly affected.

### Interest Rate Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the report.

At reporting date, if interest rates had been 10% higher or lower and all other variables were held constant, the Group's:

- Surplus would decrease or increase by \$123,933 (2017: \$121,838). This is mainly attributable to the Group's exposure to interest rates on its investments within its managed funds held with JBWere.
- Equity reserves would be similarly affected.

The Group's sensitivity to interest rates has not changed significantly from the prior year.

### Price Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

At reporting date, if equity prices had been 10% higher or lower and all other variables were held constant, the Group's:

- Surplus would decrease or increase by \$1,696,423 (2017: \$1,515,248) in relation to the equity investments fair value through profit and loss.

The Group's sensitivity to equity prices has not changed significantly from the prior year.

## 26 Explanation of Major Variances against Annual Plan

### Council Statement of Comprehensive Revenue and Expenses for the Year Ended 30 June 2018

	Council 2018 \$000	Council Annual Plan \$000	Variance \$000	Note
<b>Revenue</b>				
Rates revenue	15,682	15,685	(3)	
Government Grants	1,936	681	1,255	a.
Other revenue	12,909	12,432	477	b.
Other gains /(losses)	3,347	1,829	1,518	c.
<b>Total Revenue</b>	<b>33,874</b>	<b>30,627</b>	<b>3,247</b>	
<b>Expenditure</b>				
Employee benefits expense	14,867	15,496	(629)	d.
Depreciation expense	741	946	(205)	e.
Finance costs	212	65	147	f.
Other expenses	15,784	15,785	(1)	g.
<b>Total Operating Expenditure</b>	<b>31,604</b>	<b>32,292</b>	<b>(688)</b>	
Surplus (Deficit) before tax	2,270	(1,665)	3,935	
Income tax expense	-	-	-	
<b>Surplus (deficit) for the period</b>	<b>2,270</b>	<b>(1,665)</b>	<b>3,935</b>	
<b>Total Comprehensive Revenue / Deficit</b>	<b>2,270</b>	<b>(1,665)</b>	<b>3,935</b>	

#### **Explanations for Statement of Comprehensive Revenue and Expense Variances:**

The actual operating surplus of \$2.27 m was better than the planned budgeted deficit by \$3.935m. The major components of this favourable result are explained below.

Total comprehensive revenue received for the year was \$3.247m better than budget. The major items contributing to this variance were:

- a. Government grants were \$1.255m above budget due to funding received for the Mid Dome wilding pines programme.
- b. Other revenue was \$477,000 above budget mainly due to increased income from local contributions and compliance recoveries.
- c. Other Gains/(losses) was over budget by \$1.5m due to higher than expected investment returns.

#### **Actual operating expenditure was \$688,000 below budget primarily due to:**

- d. Employee benefits were below budget by \$629,000 mainly due to unfilled vacancies.
- e. Depreciation expense was less than budget because the budgeted provision was too high.
- f. Finance costs were \$147,000 above budget due the writing down to present value of the Clean Air Loans in this financial year.
- g. Other expenses were below budget by \$45,000 due to expenditure in wilding pines over budget by \$1.1m and underspends in catchment by \$800,000 and property lease by \$342,000.

*Further explanations for these operating variances are reported under each activity along with programme costings.*

**Statement of Financial Position**  
**Actual compared to Annual Plan**

	Council 2018 \$000	Council Annual Plan \$000	Variance \$000	Note
<b>Equity</b>	<b>76,328</b>	<b>74,353</b>	<b>1,975</b>	a.
Current Assets	36,349	32,417	3,932	b.
Non-Current Assets	47,610	48,220	(610)	c.
Current Liabilities	7,593	6,252	1,341	d.
Non Current Liabilities	38	32	6	
<b>Net Assets</b>	<b>76,328</b>	<b>74,353</b>	<b>1,975</b>	

**Explanations for Statement of Financial Position Variances:**

- a. Equity of \$76.328m is \$2m above budget. This is due to a the operating surplus being ahead of budget.
- b. Current assets are \$36.349m against a budget of \$32.417.m due to the increased in invetment income in the Managed Funds portfolio.
- c. Non current assets at \$47.610m is \$610,000 lower than budget due the amounts loaned to ICC and GDC for the Clean Air Loan scheme being less than budget.
- d. Current liabilities of \$7.593m are higher than budget by \$1.341m due to the bank overdraft and trade payables being higher than budget.

**Statement of Cash Flows**  
**Actual compared to Annual Plan**

	Council 2018 \$000	Council Annual Plan \$000	Variance \$000	Note
Net cash flow from operating activities	88	(2,591)	2,679	
Net cash flow from investing activities	(66)	628	(694)	b.
Net cash flow from financing activities	-	-	-	
<b>Increase/(Decrease) in cash held</b>	<b>22</b>	<b>(1,963)</b>	<b>1,985</b>	
Add opening cash brought forward	(2,507)	256	(2,763)	c.
Ending cash carried forward	<b>(2,484)</b>	<b>(1,707)</b>	<b>(777)</b>	a.

**Explanations for Statement of Cash Flows Variances:**

- a. Operating Activities are \$2,679,000 higher than budget due to \$1,255,000 government grants including funding for the Mid-dome wilding pines programme and \$477,000 higher than budgeted other revenue due to local contributions and compliance recoveries. Employee benefits expense were 629,000 lower than budget due to unfilled vacancies.
- b. Net Cash flows from investing activities was behind budget due to \$770,000 lower withdrawals of Managed funds not required due to cost savings and provision of other revenues.
- c. Opening Cash brought forward varied due to the Annual plan due to worse than budgeted operation performance in the prior year.

## Additional Disclosure Information

### *Rating base information as at the end of the preceding financial year*

	<b>2017</b>
The number of rating units within the region	50,154
The total capital value of rating units within the region	\$30,950,986,908
The total land value of rating units within the region	\$18,824,863,400

### **Insurance on Assets**

	<b>2018</b> <b>\$000s</b>	<b>2017</b> <b>\$000s</b>
Total value of all assets of Council covered by insurance contracts.	45,237	44,613
Maximum amount to which insured.	148,199	148,199
Total value of all assets of Council covered by financial risk sharing arrangements.	Nil	Nil
Maximum amount available to Council under the arrangements.	Nil	Nil
Total value of all assets of the Council which are partly self-insured.	N/A	N/A
Value of funds maintained by the local authority for that purpose.	N/A	N/A

#### **Notes:**

Council is a member of Aon for flood protection and control works.

Council holds funded reserves to cover other costs related to incidents e.g. deductible, non-insured damage. Individual amounts are detailed in the Note 15b.

**Annual report disclosure statement for year ended 30 June 2018**

**What is the purpose of this statement?**

The purpose of this statement is to disclose the Council’s financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

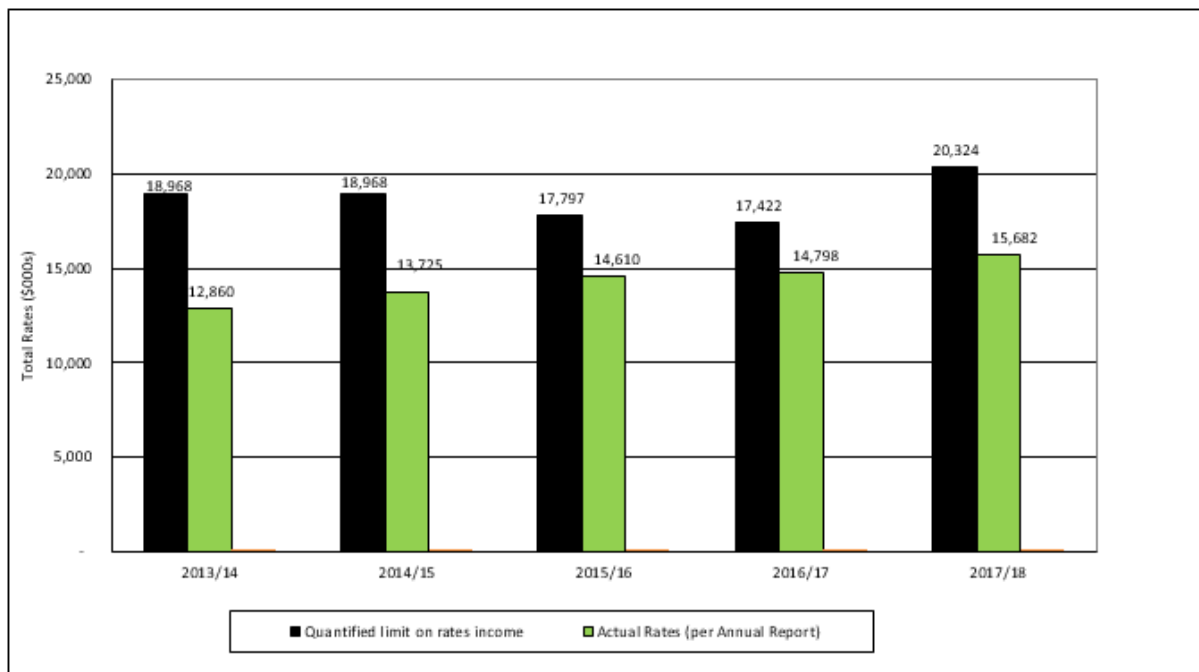
The Council is required to include this statement in its Annual Report in accordance with the *Local Government (Financial Reporting and Prudence) Regulations 2014* (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

**1. Rates affordability benchmarks**

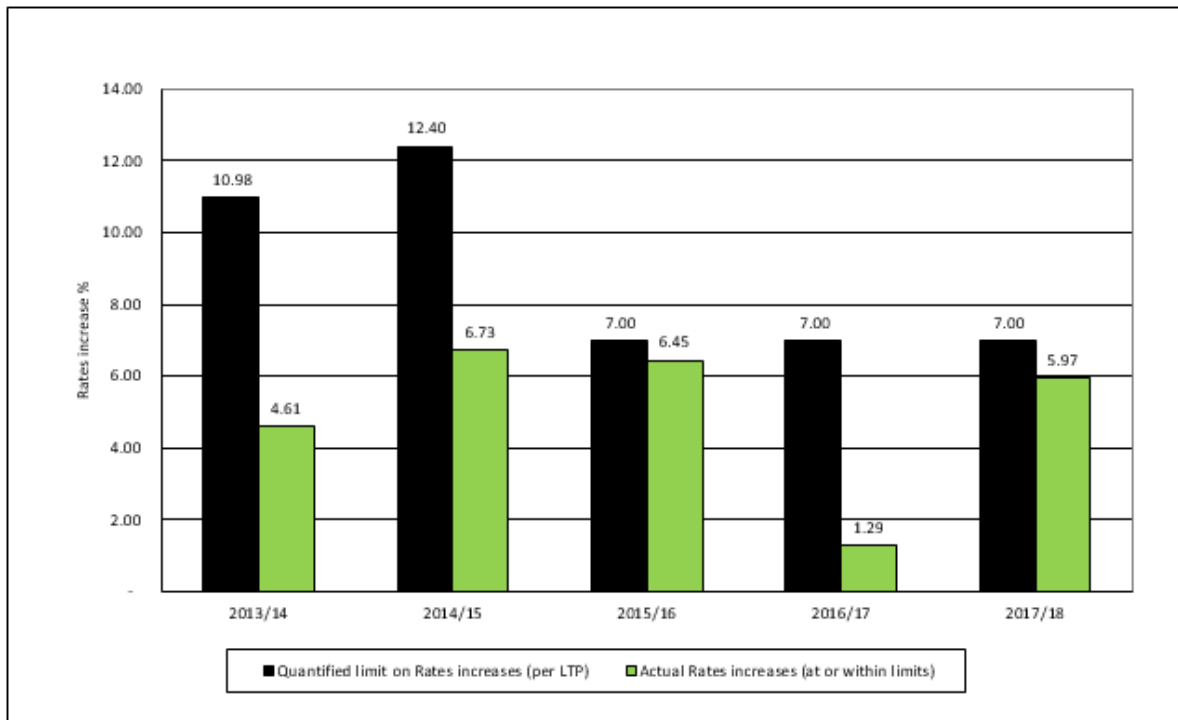
The Council meets the rates affordability benchmark if:

- its actual rates income equals or is less than each quantified limit on rates; and
- Its actual rates increases equal or are less than each quantified limit on rates increases.

**Rates (income) affordability** - the following graph compares the Council’s actual rates income with a quantified limit on rates contained in the financial strategy included in the Council’s Long-term Plan. The quantified limit from 2011 until 2015 was that total rates will not exceed \$18.968 million. From 2015/16 the quantified limit is that total rates will not exceed 60% of total revenue.



**Rates (increases) affordability** - the following graph compares the Council’s actual rates increases with a quantified limit on rates increases included in the Financial Strategy included in the Council’s Long-term Plan. The quantified limit is that total rates increases will not exceed planned increases.



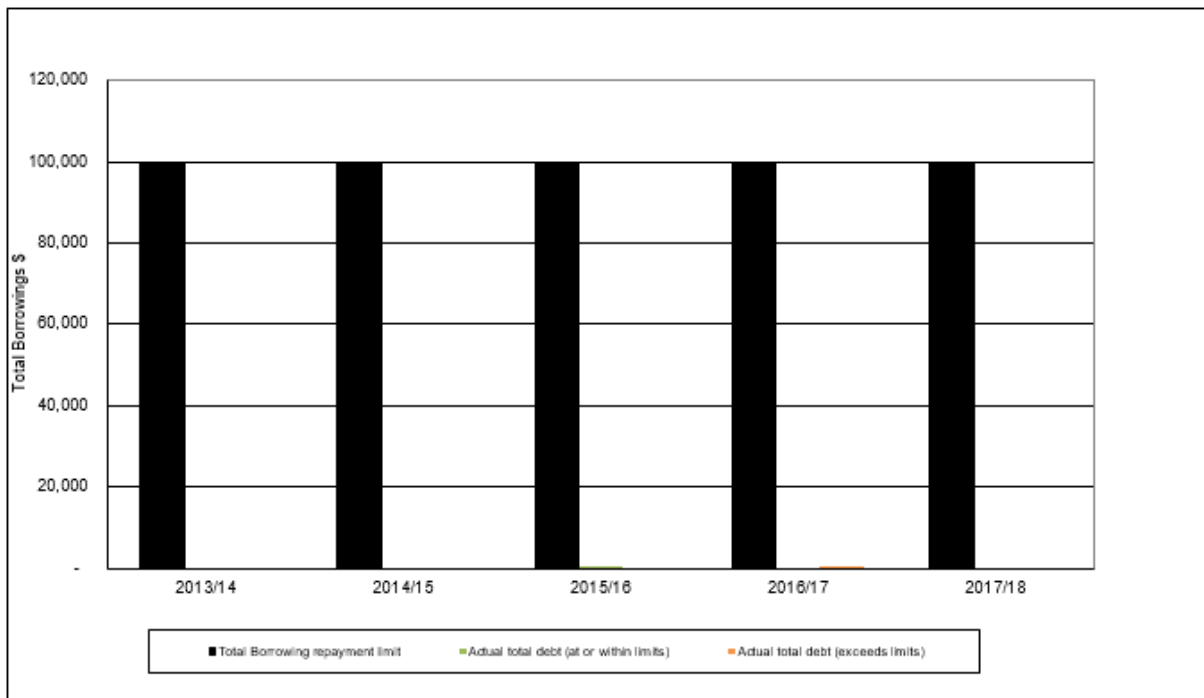
The Rates (increases) Affordability benchmark requires a comparison of actual performance against quantified limits set in the Council’s Financial Strategy.

In 2015/16, the quantified limit is that total rates increase will not exceed 7% for the first three years of the Council’s 2015-2025 Long-term Plan.

**2. Debt affordability benchmark**

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graph compares the Council’s actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council’s Long-term Plan. The quantified limit is that, other than overdrafts arranged to fund operating cash shortfalls immediately prior to the annual rate collection, the proportion of total borrowing subject to repayment or refinancing should be no greater than 25% of total borrowing or \$100,000, whichever is greater.



During the period 2013/14 to 2017/18, the Council had no external public debt.

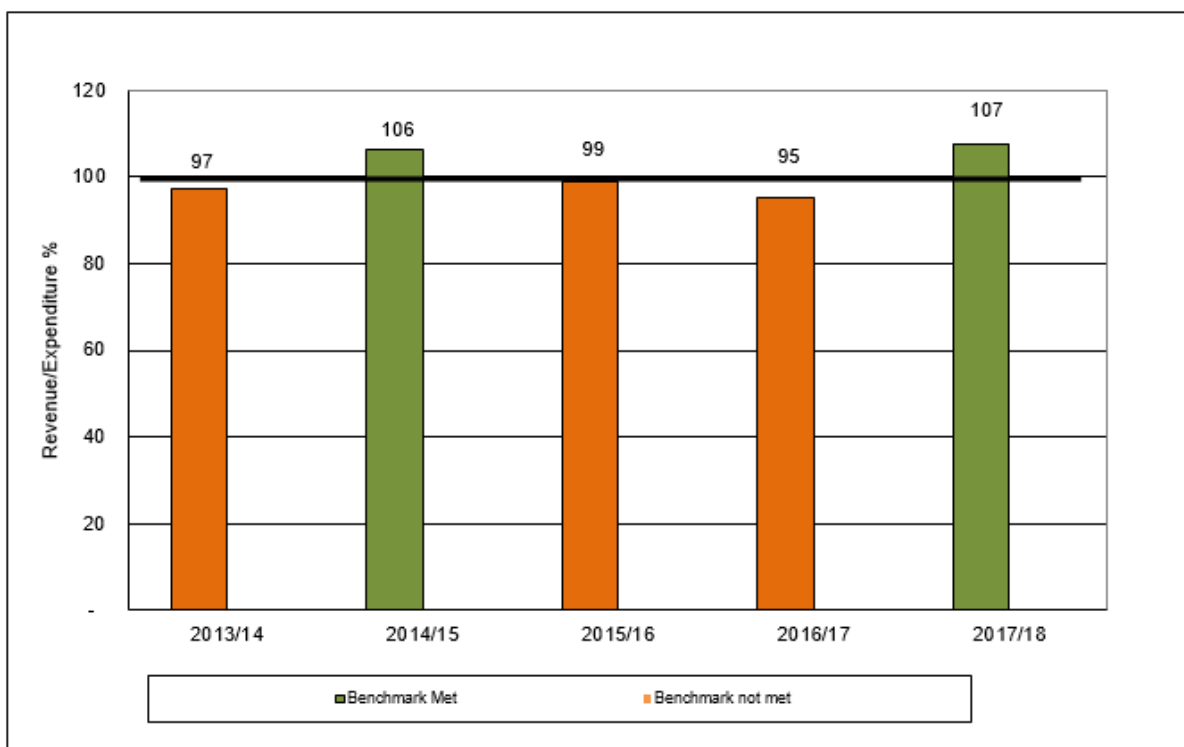
The Debt Affordability benchmark requires a comparison of actual performance against quantified limits set in the Council’s Financial Strategy.

### 3. Balanced budget benchmark

The following graph displays the Council’s revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

The Council meets this benchmark if its revenue equals or is greater than its operating expenses.





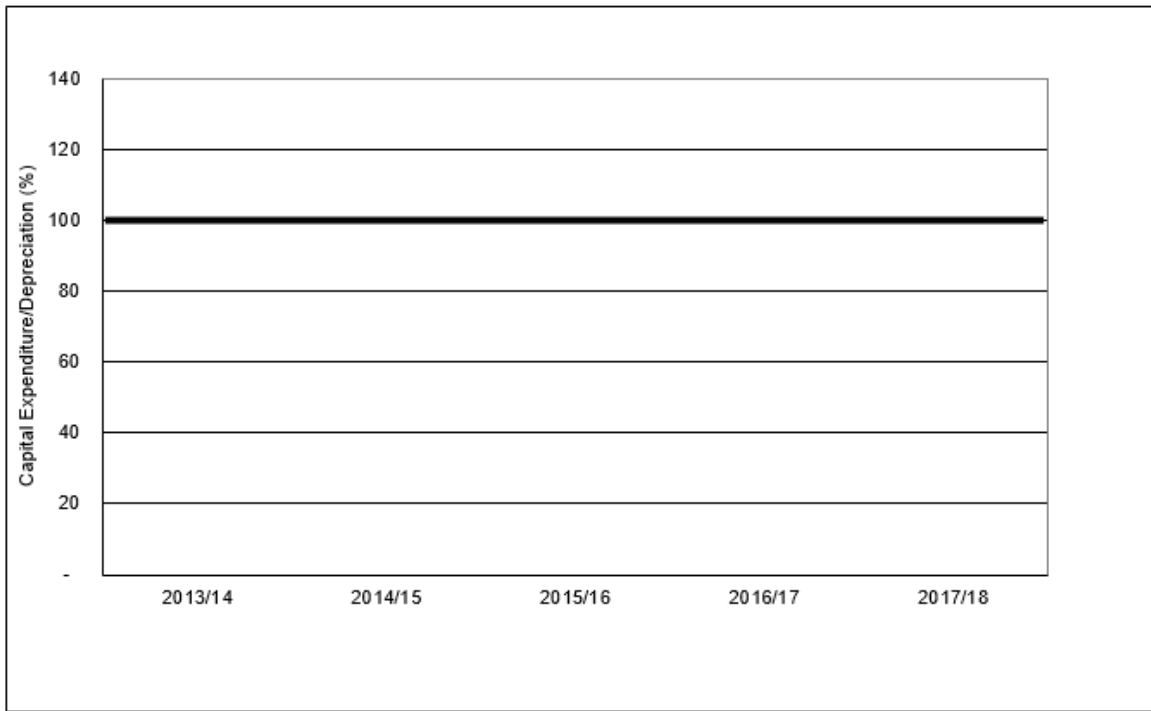
In 2013/14, 2015/16, 2016/17 and 2017/18 Council planned not to meet its balanced budget requirement. Council planned to incur more operating expenditure than revenue received as it had resolved that it was financially prudent to do so by making use of prior years' surpluses and reserves. In 2017/18, returns on investments meant the Council met this benchmark despite planning not to meet the balance budget benchmark.

#### 4. Essential services benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services. Network services means infrastructure related to:

- (a) water supply;
- (b) sewerage and the treatment and disposal of sewage;
- (c) stormwater drainage;
- (d) flood protection and control works;
- (e) the provision of roads and footpaths.

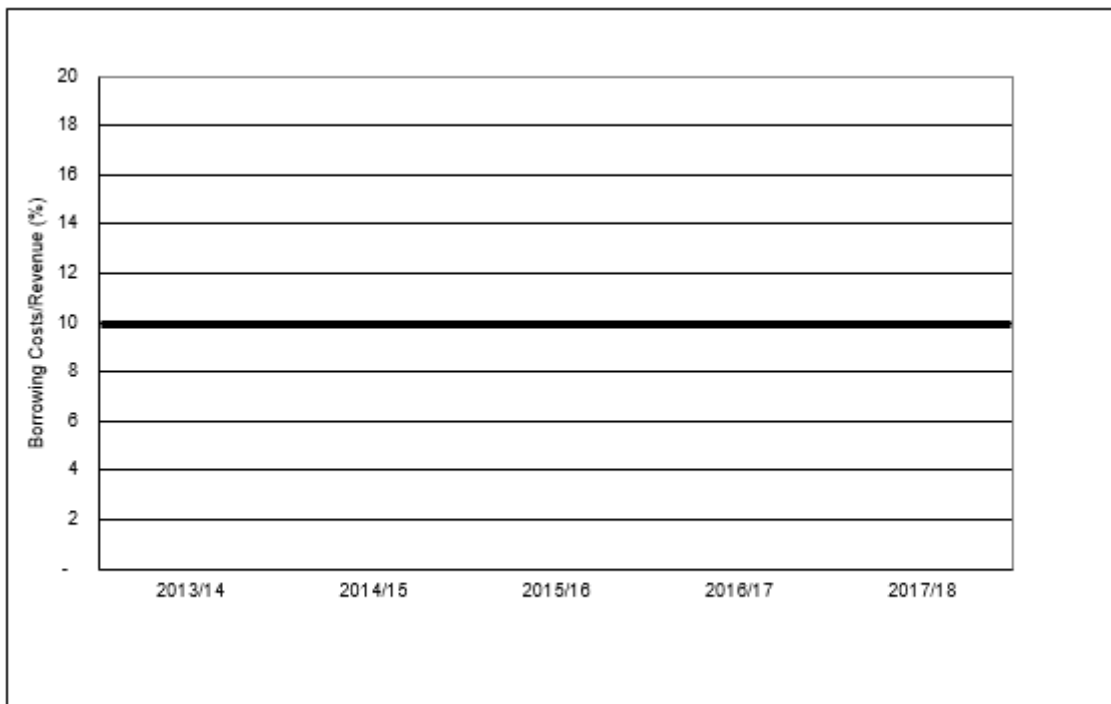
The Council's only network services are in relation to flood protection and control works. The Council does not provide any of the other network services. These network services are in the form of land assets. Accordingly, there is no depreciation on these assets. The Council's capital expenditure will always be equal to or greater than the depreciation expense.



As there is no depreciation, the graph required by Schedule 5 of the Local Government (Financial Reporting and Prudence) Regulations 2014 therefore the graph is blank.

**5. Debt servicing benchmark**

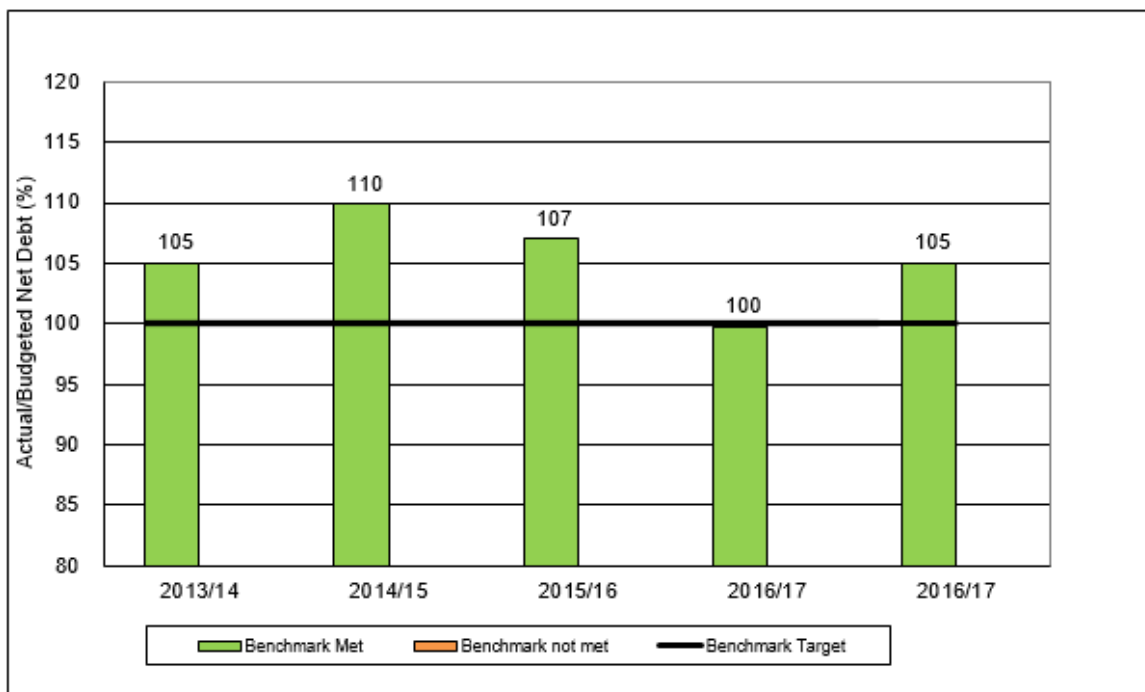
The following graph displays the Council’s borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the Council’s population will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal, or are less than, 10% of its revenue.



During the period 2013/14 to 2017/18, the Council had no external public debt and, consequently no borrowing costs, therefore the graph is blank.

## 6. Debt control benchmark

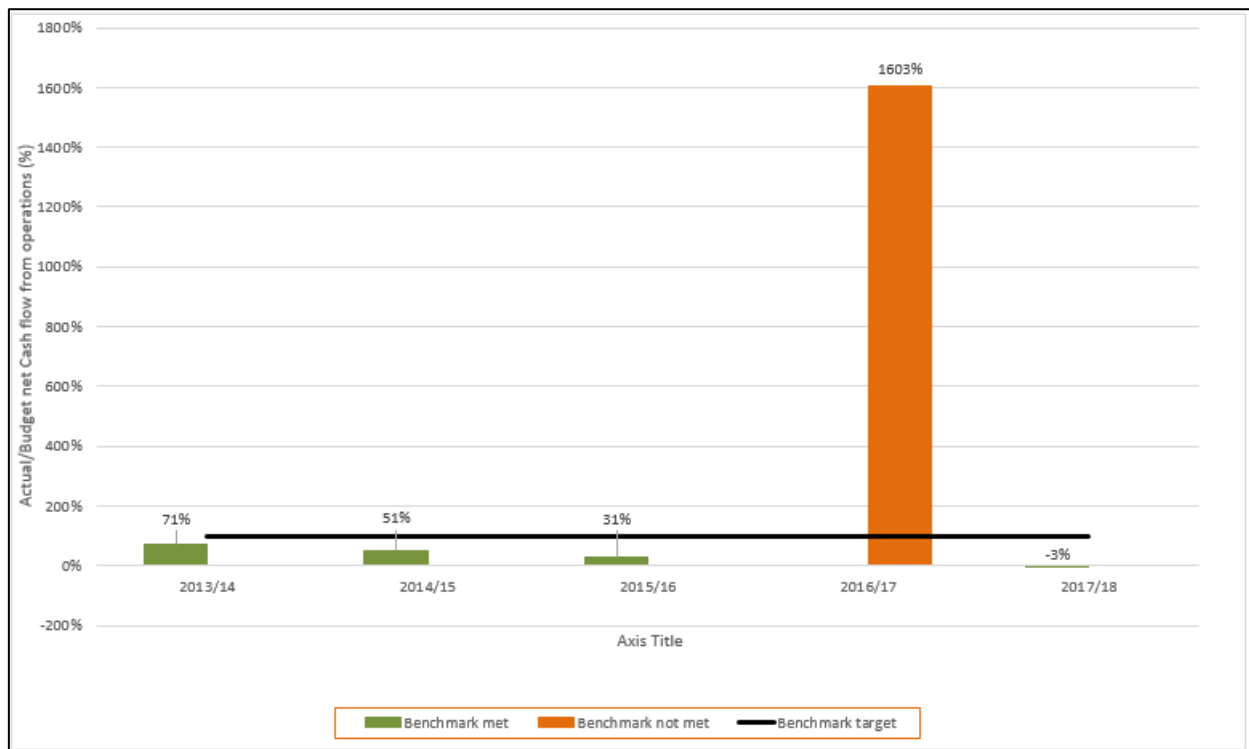
The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



During the period 2013/14 to 2017/18, the Council had no external public debt. This benchmark is recording actual net financial assets as a proportion of planned net financial assets. For the Council, the debt control benchmark is met if its actual net assets, financial assets (excluding trade and other receivables) less financial liabilities, equals or is more than its planned net assets.

## 7. Operations control benchmark

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



For the period 2013/14 to 2017/18 Council planned to have negative cash flow from its operating activities as it considered it was prudent to do so as it drew down on prior years surpluses and reserves. Due to increased dividend payments from South Port New Zealand Limited and decreased operational expenditure, the actual cash flow from operating activities in years 2013/14 to 2015/16 was better than what was planned. This underspending means that in each of those years, Council has had more cash from operating activities than what was planned.

The 2016/17 actual cash flow from operating activities did not meet the benchmark. This was due to lower than expected returns from managed funds, less receipts from customers, and a greater than expected employee benefit costs. Council budgeted a small cash flow loss, resulting in a large percentage excess shown in the 2016/17 year.

The 2017/18 actual cash flow from operating activities met the benchmark. This was due to higher than expected returns from managed funds, less receipts from customers, and lower than expected employee benefit costs. Cash flow was positive on a budgeted cash flow loss, therefore the negative percentage still meets the benchmark.

## Section 5: Audit Opinion (Arotake)



### INDEPENDENT AUDITOR'S REPORT

#### TO THE READERS OF ENVIRONMENT SOUTHLAND'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Auditor-General is the auditor of Environment Southland (the Regional Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Mike Hawken, using the staff and resources of Deloitte Limited, to report on the information in the Regional Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the Regional Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the Regional Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 31 October 2018. This is the date on which we give our report.

#### Opinion on the audited information

In our opinion:

- the financial statements on pages 44 to 91:
  - present fairly, in all material respects:
    - the Regional Council and Group's financial position as at 30 June 2018;
    - the results of the operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards;
- the funding impact statement on page 7, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Annual Plan;
- the statements of service performance, referred to as Group Activities, on pages 12 to 40:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2018, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand; and



- the statement about capital expenditure for each group of activities on pages 12 to 40, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's Annual Plan; and
- the funding impact statement for each group of activities on pages 12 to 40, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.

#### **Report on the disclosure requirements**

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 92 to 98, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council and Group's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

#### **Basis for our opinion on the audited information**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "*Responsibilities of the auditor for the audited information*" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

#### **Responsibilities of the Council for the audited information**

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the Regional Council and the Group or there is no realistic alternative but to do so.

#### **Responsibilities of the auditor for the audited information**

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement

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when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the Regional Council's Annual Plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service performance (Group Activities), as a reasonable basis for assessing the levels of service achieved and reported by the Regional Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Regional Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Regional Council and the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Other Information**

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 4 to 6, 8 to 11, 41 to 43 and 99 to 111, but does not include the audited information and the disclosure requirements.



Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the Regional Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of the Council's Long-term Plan, which are compatible with those independence requirements. Other than these engagements we have no relationship with or interests in the Regional Council or its subsidiaries and controlled entities.

*Deloitte Limited*

Mike Hawken  
Deloitte Limited  
On behalf of the Auditor-General  
Dunedin, New Zealand  
31 October 2018



## Section 6: Supplementary Material (*Ko Ētehi Atu Kōrero/Mea*)

### Opportunities for Māori to contribute to decision-making

Environment Southland acknowledges the importance of tikanga Māori and values its relationship with both Ngāi Tahu (through the four Southland papatipu rūnanga) and ngā matawaka (other Māori who are not Ngāi Tahu) living within Murihiku/Southland.

#### ***Charter of Understanding***

To help promote and develop its relationship with Māori, Environment Southland together with six other local authorities in Southland/Otago, namely Southland District Council, Invercargill City Council, Gore District Council, Queenstown Lakes District Council, Clutha District Council and Otago Regional Council signed with Te Ao Mārama Inc the Charter of Understanding *He Huarahi mō Ngā Uri Whakatapu - A Pathway for the Generations Coming Through*.

The revised Charter was re-signed by all the parties at Hokonui runanga marae on 7 March 2016.

The Charter of Understanding provides:

- ▲ the basis for an ongoing relationship between the seven councils and the tangata whenua of Murihiku to assist in developing the capacity of Māori to contribute to decision-making processes;
- ▲ a foundation for consultation on a wide range of local government issues;
- ▲ for the recognition and willingness of Te Ao Mārama Inc to assist all councils in consultation with all ngā matawaka living in Murihiku. This is important in terms of Māori contribution to decision-making in the Southland region, particularly as the Local Government Act responsibilities of the Council in relation to Māori are with all Māori, not solely the local Iwi.

Te Roopū Taiao is the collaborative structure put in place for the purposes of giving effect to the Charter of Understanding and the obligations of the parties to the charter. Senior Councillors and Council staff involved in resource management regularly attend Te Roopū Taiao meetings.

Consistent with the changes to the Charter referred to above, Te Roopū Taiao includes ngā matawaka (other Māori who are not Ngāi Tahu) representatives; and meetings are usually held quarterly.

#### ***Fostering Māori Capacity***

The points below highlight progress with a number of initiatives undertaken during 2017/18 aimed at fostering Māori capacity to contribute to decision-making processes:

- ▲ continued to hold regular liaison meetings between Te Ao Mārama Inc managers and Council Executive, and weekly contact at staff level;
- ▲ invited Māori representatives to attend Council hui (meetings) and wananga (workshops) to become familiar with Council kawa (protocol);
- ▲ provided for hearing commissioners with tikanga Māori skills to be appointed on key issues, such as major resource consent applications or plan developments that have issues of iwi significance;
- ▲ continued the partnership with Te Ao Mārama Inc in the development of the Southland Water and Land Plan project; the People, Water and Land Programme; and the Whakamana te Waituna programme.
- ▲ maintained existing protocols with Māori in relation to the ways in which Council undertakes its statutory duties;
- ▲ referred to and reported against Te Tangi a Taurira, the Ngāi Tahu Murihiku Resource Management Plan when assessing resource consent applications;

- ▲ maintained our commitment to ongoing funding of Te Ao Mārama Inc, with Environment Southland acting as the central financial manager for all the Councils’ contributions and distribution of funds to Te Ao Mārama Inc;
- ▲ Council continued to offer the 50/50 shared arrangement to fund the Iwi Policy Officer position within Te Ao Mārama Inc. to assist with the development of the proposed Regional Water and Land Plan;
- ▲ Council continued to tiamana (chair) Te Roopū Taiao hui (meetings).

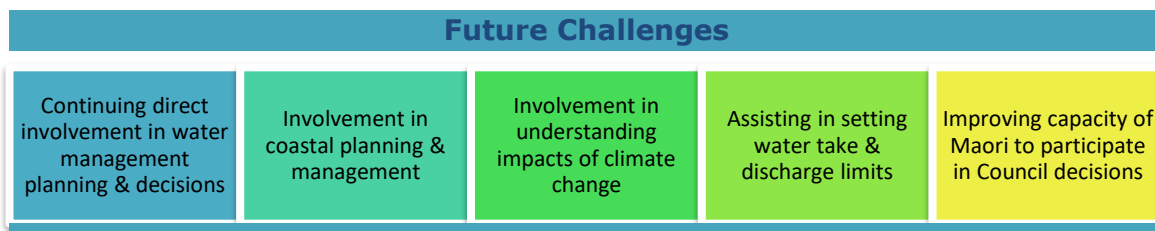
**Other Mahi (work)**

▲ **National Planning Standards**

During 2017/18, the Government initiated discussions and consultation on the proposed National Planning Standards, which incorporate a proposal to standardise how tangata whenua matters are to be dealt with in regional and district plans. The implications of those proposals are yet to be worked through, but it is likely that tangata whenua reaction will differ across the motu (country).

▲ **Mana Whakahono a Rohe**

Changes to the Resource Management Act introduced the iwi engagement mechanism called Mana Whakahono a Rohe.



## Collaboration across Councils – Shared Services

Council fully participates in relevant shared service arrangements via a Memorandum of Understanding with the other local authorities locally and nationally. There is better value obtained through those services than trying to undertake the work on our own. The following are examples of some of those collaborations.

### ***Building Control***

Four southern territorial authorities continue to work closely together on building control matters in terms of both information sharing and staff exchanges to support each other at busy times.

The Shared Services Forum had requested a combined Building Control Shared Service between Southland District Council (SDC), Gore District Council (GDC) and Invercargill City Council (ICC) with Clutha District Council (CDC) also opting to participate in this initiative.

The development of a combined process and quality manual as well as shared regulation forms, which all five councils have adopted. The shared manual and forms standardise the consent processing methodology and quality assurance processes and has been the subject of a formal IANZ reaccreditation reviews with all five councils. IANZ has complimented the shared manual approach and has referred several other building consent authorities to seek a copy of the manual.

The subsequent step was consideration of a shared approach to building consent fees across the five councils, which is being considered as part of the Southland Regional Development Strategy Ease of Doing Business Action Team work. The investigation on the concept of standardised building consent fees has been progressed during 2017/18. Each of the Councils will need to support a combined fee structure and it is expected that such a structure would be available for the 2019/20 year at the earliest.

### ***Emergency Management***

Emergency Management Southland (EMS) is a shared service between Southland District Council, Environment Southland, Invercargill City Council and Gore District Council. It focuses on ensuring communities are prepared for emergencies and they are able to respond to and recover from these when they do happen. Specific actions include public education and ensuring a pool of trained personnel.

### ***Information Technology***

The IT Shared Services Operations Sub-Committee has over the past 12 months undertaken some activities that will have a positive outcome to all the member councils and the ability to provide a more collaborative platform moving forward.

Shared Services projects that were completed during the past year were:

- ▲ continuation of the *CommVault* offsite Backup and Recovery project, including a full health check of the system, ensuring that we are staying compliant with upgrades to the latest releases;
- ▲ discussions have begun around a collaborative approach to the delivery of a Southland wide spatial and ePlan solution;
- ▲ increased our connectivity for all our data connections;
- ▲ continuation of the delivery of Retrolens website (a shared service with 11 other councils, including Southland Shared Services) makes use of the historic imagery that we purchased in conjunction with Land Information New Zealand. There are over 600,000 images across New Zealand being digitised over a period four years.

## ***Iwi Liaison***

All four Southland councils have continued to fund and support Te Ao Mārama Inc, the agency approved by Te Runanga o Ngāi Tahu to act on iwi liaison matters in Murihiku/ Southland under the Resource Management Act 1991 and the Local Government Act 2002. Since its inception, Queenstown Lakes District Council, Otago Regional Council and Clutha District Council have also joined supporting Te Ao Mārama Inc. The papatipu rūnanga and the participant councils continue to meet quarterly at the Te Roopū Taiao hui, which provides for excellent partnership and exchange of information. The key focus is to give these meetings more of a strategic focus and less focus on day-to-day operational/retrospective reporting back.

## ***Library Consortium***

The consortium came together to share a range of services during 2014/15 and these originally included the Symphony Library Management system, which allowed access to the complete catalogues of Dunedin, Invercargill, Queenstown Lakes, Central Otago and Southland District Libraries for all residents.

Differing demands by various councils saw a very amiable split from this in 2016/17 although all members are still using the Symphony management system. Dunedin City, Central Otago and Queenstown Lakes Districts and Southland District have joined the national consortium, Kōtui, which provides enhanced support, searching and ongoing enhancements.

A range of other opportunities are also being explored between the districts and these include integrated holiday and reading programmes, requests and holds able to be placed across boundaries and the possibility of staff exchanges. Purchase of large print, audio and e-book collections have long been shared by the consortium and these collections are exchanged, or made available, to all members. Authors visits are co-ordinated to minimise costs/travel and accommodation.

Although consortium membership remains unchanged, member authorities do some things slightly differently. However, this is unlikely to impact upon the level of service members of the public receive. Southland District Council borrowers are able to access all catalogues through their local branch. Reciprocal membership is available at all libraries from Waitaki south for any resident of those local authorities.

Training and professional development is at the forefront of SouthLib activities as this reduces costs, allows access to national and international speakers and offers benchmarking opportunities, which would possibly be outside the scope of a single authority. This also allows for networking and a spirit of collegiality for staff who often work in isolation.

## ***Regional Development***

In October 2015, the Southland Mayoral Forum published the Southland Regional Development Strategy. This is a significant community collaborative project.

The major goal of the Strategy and its subsequent Action Plan is to increase the Southland population by 10,000 more people by 2025, through creating more jobs and taking up more development opportunities.

During 2017/18, the public were consulted on a proposal to create a Southland Regional Development Agency, which would integrate the current Venture Southland and be based on a wider community-based organisational structure (such as a Council-controlled organisation) rather than the present joint committee arrangement run by the three territorial authorities. Support for the proposal came from the Government, Ngai Tahu, local industries and businesses and the community.

Following the consultation phase and the general endorsement obtained from the community, the Mayoral Forum continued through 2017/18 with developing arrangements for the creation of the new Agency. It is expected that the Agency will be established and launched in late 2018.

## Future Challenges

Region-wide Pest  
Management Plan  
implementation

Impacts of climate change

Setting water take &  
discharge limits and  
impacts on urban  
communities

Cleaner air quality

## Equal Employment Opportunities

### ***Policy Statement***

Environment Southland and senior management place a high value on maintaining a skilled, motivated and diverse workforce working in a safe environment.

The Council and management are committed to the principle of equal employment opportunity in the recruitment, employment, training and promotion of the Council's employees.

A philosophy of acceptance without prejudice of differences in race, colour, ethnic or national origin, gender, religion, marital status, family responsibilities, sexual orientation, age or disability is encouraged throughout the organisation.

### ***Objectives***

- ▲ *To select job applicants on the basis of merit, verifiable experience and ability to deliver our programmes to the community.*

The best applicant is chosen after extensive electronic media advertising, reviewing education, experience, fitting with Environment Southland's values and the team "fit". Career development opportunities for internal applicants are considered, with the intention to create a balance between engaging new employees and creating a career pathway for current Environment Southland employees.

The Internet is a significant tool for recruitment of professional employees. All Environment Southland positions are advertised on our own website, as well as on national and international recruitment sites, resulting in applications from throughout New Zealand and off-shore. We occasionally advertise in specific trade gazettes but no longer use general print media.

Environment Southland has a recruitment hub, which can be accessed through the vacancies tab on our website, resulting in a more streamlined applicant experience.

- ▲ *To provide job training programmes fairly and without bias to enable employees to best meet the requirements of their current positions and to develop additional skills.*

All employees are offered opportunities to attend short courses in skills specific to their field of work, or in personal skills, as they became available. Some of these were arranged as in-house courses in order that more people could attend. Requests from managers for specific skill training for employees were met.

- ▲ *To maintain a workplace free of discrimination and harassment.*

All Council policies are maintained to ensure the workplace remains free of discrimination and harassment. There have been no issues raised relating to discrimination or harassment during the year.

## Health and Safety at Work

### *Health and Safety Policy*

Environment Southland remains committed to providing and maintaining a safe and healthy working environment for all workers – this includes employees, contractors, Councillors and other visitors. Environment Southland's three 'top' safety risks are driving, working in and around water and working in the field.

This policy was developed and agreed in conjunction with the other three Southland Councils (Invercargill City Council, Southland District Council and Gore District Council) and expresses a commitment from each council to leadership in health, safety and wellbeing. The policy is reviewed biennially and the next review is December 2019. The current Health and Safety Policy was signed by the Chief Executive (Officer) on the 28 February 2018.

The mission statement is *"Working together for a safer South"*.  
The vision statement is *"A Safer You, A Safer Me, A Safer South"*.

Environment Southland will:

- ▲ **build culture:** ensure health, safety and wellness is a core value in our organisation;
- ▲ **communicate:** to ensure all workers are informed and understand this policy and any other documentation or initiatives; and communicate with workers in an honest, upfront and considered manner;
- ▲ **investigate and learn:** accurately report, record, investigate and take the initiative to improve work practices and learn from all workplace incidents, injuries, near misses, discomfort, pain and critical events;
- ▲ **take practicable steps:** educate workers in their responsibility to prevent harm to themselves, other workers and visitors;
- ▲ **develop knowledge:** workers are aware of and comply with relevant health and safety legislation, regulations, codes of practice and safe operating procedures;
- ▲ **be fit for work:** ensure workers are mentally and physically fit for work;
- ▲ **use targets:** establish, implement and biennially review measurable health and safety objectives and targets to ensure continual best practice by improvement of practices, procedures and performance;
- ▲ **induct:** ensure workers (including contractors) are inducted to understand their responsibilities and obligations;
- ▲ **train and refresh:** provide appropriate resources and training to achieve and maintain a safe and healthy work environment;
- ▲ **in an emergency:** take a proactive approach to emergency management and all workers will be willing to assist as required;
- ▲ **rehabilitate:** actively and respectfully manage the early rehabilitation and return to work of any employee who has suffered an injury or illness;
- ▲ **aim for zero harm:** aim to eliminate work related injuries by identifying and controlling workplace hazards by managing risks, monitoring employee health and implementing appropriate programmes;
- ▲ **manage contractors:** develop and maintain open communication and effective relationships and processes with contractors and suppliers of goods and services;

- ▲ **consult and encourage participation:** encourage active participation and personal responsibility in matters relating to health, safety and wellness including hazard management, and early reporting of incidents, injuries and near misses.

During the period 1 July 2017 to 30 June 2018, 43 safety incidents were reported. These included - near miss (12), strains and sprains from falls and slips (16), psychosocial [threatening, verbal aggression by customers] (5), vehicle damage (3), electric gate shock (2), person hit by moving object (2), equipment failure (1), hit body with object (1) and early reporting of pain and/or discomfort (1). In regard to the location of the safety incidents; there were 17 in the Environment Southland office and grounds and 26 in the field.

All Environment Southland's divisions have a health, safety and wellness element incorporated into their operational and field work.

The now discontinued ACC WSMP programme experience rating expires in February 2019. Environment Southland is currently considering other options for the monitoring and auditing of its health and safety management system.



## Council Directory

<b>Council</b>	
<b>Chairman</b>	Nicol Horrell
<b>Councillors</b>	Ross Cockburn Neville Cook Rowly Currie Robert Guyton Grant Hubber Lyndal Ludlow Lloyd McCallum ( <i>Deputy Chairman</i> ) Jeremy McPhail Maurice Rodway Eric Roy David Stevens
<b>Executive Staff</b>	
Chief Executive	Rob Phillips
Director of Operations	Jonathan Streat
Director of Corporate Services	Neil Selman
Director of Policy, Planning & Regulatory Services	Vin Smith
Director of Science & Information	Graham Sevicke-Jones
<b>Divisional Managers</b>	
Manager - Strategy & Corporate Planning	Ken Swinney
Policy and Planning Manager	Anita Dawe ( <i>to 4 April 2018</i> )
Acting Policy and Planning Manager	Fleur Matthews ( <i>from 5 April to 11 May 2018</i> )
Policy and Planning Manager	Lucy Hicks ( <i>from 14 May 2018</i> )
Environmental Information Manager	John Prince
Science Manager	Rachael Millar
Catchment Manager	Noel Hinton
Biosecurity Manager	Richard Bowman ( <i>to 13 April 2018</i> )
Acting Biosecurity Manager	Dave Burgess ( <i>from 16 April to 11 May 2018</i> )
Biosecurity Manager	Ali Meade ( <i>from 14 May 2018</i> )
Land & Water Services Manager	Fiona Young
Compliance Manager	Simon Mapp
Consents Manager	Michael Durand
Finance Manager	Vacant ( <i>from 1 July to 5 November 2017</i> )
Finance Manager	Tanea Hawkins ( <i>from 6 November 2017</i> )
Information Systems Manager	Jane Carroll
Communications & Engagement Manager	Gail Jefferies
Emergency Management Southland Manager	Angus McKay
<b>Bankers</b>	<b>ANZ Banking</b> Kelvin Street, Invercargill 9810
<b>Auditor</b>	<b>Deloitte on behalf of the Controller and Auditor General, Wellington</b>
<b>Solicitors</b>	<b>AWS Legal</b> Spey Street, Invercargill 9810
<b>Other legal firms used during year (subject dependent):</b> Barry Slowley, Invercargill Anderson Lloyd, Dunedin Wynn Williams, Christchurch	<b>Postal Address</b> Environment Southland Private Bag 90116, Invercargill 9840 DX YX20175 <b>Phone</b> (03) 211 5115 0800 76 88 45 <b>Fax</b> (03) 211 5252 <b>E-mail Address</b> <a href="mailto:service@es.govt.nz">service@es.govt.nz</a> <b>Website</b> <a href="http://www.es.govt.nz">www.es.govt.nz</a> (you can find reports referred to within this document on our website, or contact us and we will assist you) <b>Office Location</b> Corner of Price Street & North Road Invercargill 9810

*We collect personal information from you, including:*

- *your name;*
- *contact information;*
- *location;*
- *computer or network;*
- *interactions with us;*
- *billing or purchase information.*

*We collect your personal information in order to fulfil the legislative requirements of our business. Providing some information is optional. We keep your information safe by using secure systems and processes including policy and ensure secure access to your information by authorised staff only. You have the right to ask for a copy of any personal information we hold about you, and to ask for it to be corrected if you think it is wrong. If you would like to ask for a copy of your information, or have it corrected, please contact us at [service@es.govt.nz](mailto:service@es.govt.nz), or (03) 211 5115, or Private Bag 90116, Invercargill 9840.*