

Annual Report 2018/19



environment
SOUTHLAND
REGIONAL COUNCIL

Te Taiao Tonga

Annual Report

Environment Southland's achievements from July 2018 to June 2019

This Annual Report for 2018/19 provides an overview of the achievements for the first year of our 2018-2028 Long-term Plan, which focused on water quality and quantity, and community resilience.

Work programmes have been progressing at pace with central government now expecting us to do more and to do it more quickly, while also recently providing more direction than it has in the past. It is early days, but it looks like the Council is reasonably well aligned with the direction.

We recognise too, that we have a far more engaged community that is interested in how challenging issues like improving freshwater quality and managing climate change impacts are going to be addressed. We welcome the interest and also acknowledge the work of motivated people, organisations and our partners who are already active in this space. It's going to take an all-of-community effort to really make a difference.

As a regional council we take our responsibility to provide leadership on regionally significant issues and activities seriously. This report looks back over the past year and we are pleased to say that overall, we achieved what we set out to do, and that Environment Southland continues to be in a sound financial position. As this is our first report on our revised Long-term Plan there are some new measures that we are reporting on.

Managing Southland's freshwater resource continues to be our top priority. We have a clear trajectory for this that has flowed through from the comprehensive research programme of the last LTP to the work we are doing now and planning ahead for.

Our People, Water and Land Programme has and continues to make significant progress. We've engaged far and wide with Southlanders about their aspirations for freshwater, established a Regional Forum – of diverse members – to advise the Council on regulatory and non-regulatory ways of achieving those aspirations, and supported innovative on-ground projects with a view to sharing the learnings and inspiring more change.

The proposed Southland Water and Land Plan continues to progress and is currently under appeal in the Environment Court. It seeks to address the practices we know can have a negative impact on water quality.

While we had planned for an overall deficit of \$487,000 we can report a better than expected overall result with a surplus of \$1.187 m. 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.

Some of the highlights for the 2018/19 year include:

- Share Your Wai community engagement to understand people's aspirations for freshwater;
- establishing the Regional Forum;
- adoption of the Southland Regional Pest Management Plan, which includes a site-led programme on Stewart Island/Rakiura;
- completion of 166 Focus Activity Farm Plans;
- winning the New Zealand Biosecurity Supreme Award for the Fiordland Marine Regional Pathway Management Plan. Developed in partnership with the Fiordland Marine Guardians, Ministry for Primary Industries, Department of Conservation and Ngai Tahu, it is the first of its kind, and includes a clean vessel pass system to stop the introduction of pests hitchhiking on boat hulls and marine gear into the pristine waters;

- Environment Southland is in sound financial shape with a surplus of \$1.187 million compared with a planned deficit of \$487,000.
- Environment Southland's balance sheet remains strong, however, despite the year's good result the general purposes reserves declined.
- Environment Southland became a shareholder of the newly formed Great South (formerly Venture Southland), the regional development agency, which recognises our regional leadership role and follows on from our involvement in the Southland Regional Development Strategy (SoRDS).

The Council has had a good year overall which means we're in a positive position as we head into a period of increasing work, which was signalled in the Annual Plan. The future holds real challenges including planning for climate change impacts and the Government's new water and land management proposals. However, our direction for freshwater appears aligned to the Government's, which is also positive.

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 9 October 2019.

It correctly reflects the Council's financial position and operating results for the year ended 30 June 2019 and complies with all statutory requirements in relation to the Annual Report.



Nicol Horrell
Chairman



Rob Phillips
Chief Executive

Contents

Page

4 Key highlights from the year

Section 1: 2018/19 Year in Review (*Te Arotake O Te Tau 2018/19*)

5-6 How we've met our priorities – water quality and quantity, and community resilience

7-8 Financial Summary

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

9 Our Region

10-11 Our Strategic Intent and Values

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

13-14 Our Activities in Depth – Groups of Activities

15-17 1. Regional Leadership

18-23 2. Environmental Stewardship

24-29 3. Whakahoki Te Mana (Restoring the Mana)

30-32 4. Community Resilience

33-34 Report on Long-term Plan and Policies

Section 4: Finances (*Pūtea*)

35-79 Financial Statements and Notes to the Financial Statements

80 Additional Disclosure Information

81-86 Local Government (Financial Reporting and Prudence) Regulations 2014

Section 5: Audit Opinion (*Arotake*)

87-90 Audit Opinion

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

91-92 Opportunities for Māori to contribute to Decision-making

93-94 Collaboration across Councils – Shared Services

95 Equal Employment Opportunities

96 Health and Safety at Work

97 Council Directory

Key highlights from the year

We completed a region-wide “Share your Wai” community engagement to understand peoples aspirations for freshwater.

We established a 15-person, community-based Regional Forum, which will advise councillors of regulatory and non-regulatory methods to achieve Southlanders’ aspirations for freshwater.

We adopted the Regional Pest Management Plan, which included some changes as a result of listening to the community’s concerns and interests.

We have started our first biosecurity site-led programme which is on Stewart Island.

We have completed 166 Focus Activity Farm Plans.

We won the New Zealand Biosecurity Supreme Award for the Fiordland Marine Pathway Management Plan. It requires boats to have a clean vessel pass to stop marine pests hitching a ride on hulls.

Environment Southland is in sound financial shape with a surplus of \$1.187 million compared with a planned deficit of \$487,000.

Environment Southland’s balance sheet remains strong, however despite the year’s good result, the general purposes reserves declined.

Environment Southland became a shareholder of Great South (formerly Venture Southland), the regional development agency, which follows on from our involvement in the Southland Regional Development Strategy (SoRDS).

Section 1: 2018/19 Year in Review (*Te Arotake O Te Tau 2018/19*)

How we've met our priorities – water quality and quantity; and community resilience

Water Quality and Quantity

Managing Southland's water quality and quantity issues is the council's top priority.

Water quality is affected by what happens on land, both urban and rural. While changes during the past 150 years, including increased intensification, have led to economic prosperity, they have impacted our environment.

Building on the four-year comprehensive research science programme and economic project, the Council's People, Water and Land programme *Te Mana o te Tangata, te Wai, te Whenua* aims to inspire change to improve Southland's water and land.

It is a partnership with Te Ao Marama Inc and takes an integrated approach to freshwater management in Southland.

The programme includes on-the-ground action and a regulatory component to ensure we meet the requirements of the National Policy Statement for Freshwater Management (NPS-FM).

It consists of three main workstreams: The *Values and Objectives* workstream, which preceded and will inform the *Regional Forum* workstream, both of which will provide insights to guide the *Action on the Ground* workstream.

The values and objectives workstream is required by the Government's NPS-FM. Last year we engaged extensively with Southlanders to get an understanding of their aspirations for freshwater.

The Regional Forum, which was established in March 2019, is a community-based group that will advise the Council and Te Ao Marama board on how to achieve the communities' aspirations for freshwater. Forum members will consider the specific policies and rules, as well as the on-the-ground initiatives required to improve Southland's water and land.

Action on the ground relates to the practical steps needed to improve our water and land, with a focus on specific catchments. We have been supporting a number of existing and new projects and groups, with new ways of working to help meet community

expectations for water. Learnings and information from these projects will be shared with others to help inform future work and encourage positive change.

The proposed Southland Water and Land Plan provides the regulatory foundation for the *People, Water and Land Programme*. It seeks to address activities that are known to have a significant effect on water quality. The plan was adopted by council and was notified in April 2018, following significant community engagement in 2015 and 2016, and consideration of submissions by a hearing panel which included independent commissioners and councillors in late 2017. Appeals on the plan are currently before the Environment Court.

Community Resilience

When it comes to natural disasters, flooding is Southland's biggest risk, but emerging issues such as climate change impacts mean we need to plan for more threats and to build our environmental, social and economic resilience to ensure communities continue to thrive.

Environment Southland advocates for and is involved in collective leadership in Southland to acknowledge, plan and mitigate the potential impacts of climate change, while meeting its statutory obligations to deliver natural hazard planning and mitigation services.

There is work underway to better understand and reduce the impact of hazards and to identify opportunities and gaps.

Environment Southland's responsibilities relating to natural hazards include emergency management, flood warning, flood protection and drainage schemes (our major infrastructure), and hazard mitigation planning.

We maintain and improve stopbank flood protection infrastructure across Southland's four major rivers – the Aparima, Waiau, Mataura and Oreti. There are 458 kilometres of stopbanks designed to protect people, property and livelihoods.

Our biosecurity and biodiversity operations division works with central government and other agencies, sometimes alongside Emergency Management Southland, to support communities facing biosecurity threats. This past year the council adopted a new Southland Biosecurity Strategy and Regional Pest Management Plan.

The Council agreed in July that climate change needs urgent action and is currently developing an action plan.

Environment Southland and the other Southland councils commissioned a report, *Regional Climate Change Impact Assessment* by the National Institute of Water and Atmosphere (NIWA). It will be used by the councils to inform catchment-based planning, to assist in the development of asset management plans, and for engagement

with communities to help people understand how the range of impacts might affect them.

Sea-level rise and storm surge have been identified as high risk climate change impacts. To assist in our understanding, Southland councils have jointly invested in LiDAR (light detection and ranging) modelling to provide more accurate data.

LiDAR generates a precise, three-dimensional layer of the earth's surface and features and will be an important foundation for decision-making, providing critical data that can be used to map and model changes to the environment.

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

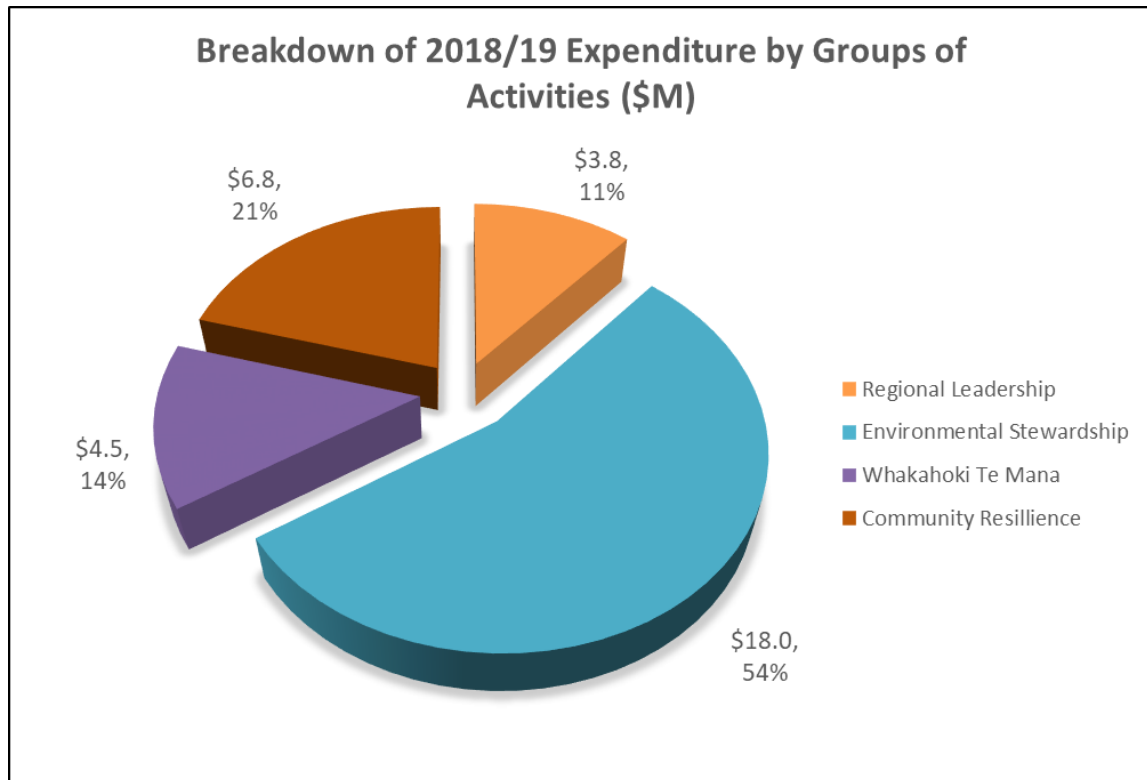
Financial Summary

Consolidated Funding Impact Statement for the year ended 30 June 2019

Annual Plan 2017/18	Actual 2017/18		Actual 2018/19	Annual Plan 2018/19	LTP 2018/19
\$000	\$000	Sources of Funding	\$000	\$000	\$000
7,858	7,912	General rates, uniform annual charges, rates penalties	8,869	8,841	8,841
7,977	7,971	Targeted rates	8,295	8,302	8,302
0	0	Subsidies and grants for operating purposes	0	0	0
7,610	8,761	Fees and charges	9,977	10,469	10,469
4,595	4,569	Interest and Dividends from investments	4,584	4,575	4,575
818	1,316	Local authorities fuel tax, fines, infringement fees and other receipts	954	1,115	1,115
28,858	30,530	Total Operating Funding	32,679	33,302	33,302
		Applications of Operating Funding			
24,127	23,935	Payments to staff and suppliers	25,796	30,141	30,141
65	212	Financing Costs	53	100	100
7,154	6,639	Other operating funding applications	7,142	4,457	4,457
31,346	30,786	Total Applications of Operating Funding	32,991	34,697	34,697
(2,488)	(257)	Surplus/(deficit) of operating funding	(313)	(1,395)	(1,395)
		Sources of capital funding			
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
102	46	Gross proceeds from the sale of assets	24	501	501
0	0	Lump sum contributions	0	0	0
102	46	Total sources of capital funding	24	501	501
		Applications of capital funding			
		Capital expenditure			
40	75	- to meet additional demand	28	14	14
20	25	- to improve the level of service	77	3,005	3,005
414	241	- to replace existing assets	462	829	829
(1,860)	(319)	Increase/(decrease) in Reserves	1,323	259	259
(1,000)	(231)	Increase/(decrease) in Investments	(2,179)	(5,000)	(5,000)
(2,386)	(210)	Total applications of capital funding	(289)	(894)	(894)
2,488	257		313	1,395	1,395
0	(0)	Funding Balance	0	(0)	(0)

Reconciliation of Funding Impact Statement to Statement of Comprehensive Revenue & Expense for the year ended 30 June 2019

(2,488)	(257)	Surplus / (deficit) of Operating Funding in Funding Impact Statement	(313)	(1,395)	(1,395)
		Add / (deduct)			
1,769	3,322	Increase / (decrease) in fair value of investment portfolio	2,334	1,357	1,357
0	14	Profit / (loss) on disposal of assets	(7)	350	350
(946)	(741)	Depreciation	(729)	(799)	(799)
0	(69)	(Increase) / decrease in provision for doubtful debts	(97)	0	0
(1,665)	2,269	Surplus / (deficit) in Statement of Comprehensive Revenue & Expense	1,187	(487)	(487)



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

KEY FINANCIAL INDICATORS

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue										
General Rates	5,472	5,333	5,750	6,033	6,421	7,076	7,523	7,318	7,712	8,695
Separate Rates	4,710	5,200	5,485	6,261	6,439	6,649	7,087	7,480	7,970	8,294
Levies and Contributions	296	606	1,163	974	735	845	1,108	1,156	1,936	1,652
Other Revenue	5,414	5,944	6,837	7,262	7,635	8,764	8,475	7,590	8,364	9,428
Dividends	2,355	3,139	3,488	3,663	3,750	4,012	4,273	4,535	4,535	4,535
Interest	1,862	2,463	1,743	999	1,257	3,932	1,196	1,045	3,357	2,383
	20,109	22,685	24,466	25,193	26,237	31,278	29,662	29,123	33,874	34,987
Expenditure	17,710	20,170	23,244	25,049	26,958	29,150	30,044	30,640	31,604	33,800
Surplus (Deficit)	2,399	2,515	1,222	144	(721)	2,128	(382)	(1,517)	2,270	1,187
Capital expenditure	1,407	914	697	672	770	2,094	828	1,483	342	592
Financial Position										
Property, Plant and Equipment	36,449	36,502	36,504	36,509	36,526	37,696	37,783	38,387	37,930	37,743
Total Assets	73,035	76,517	78,916	79,067	77,955	83,021	80,437	81,243	83,959	84,916
Net external public debt	-	-	-	-	-	-	-	-	-	-
Total Public Equity	70,670	73,185	74,407	74,551	73,830	75,958	75,576	74,058	76,328	77,514

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 Matakura. Combined, these catchments cover 54% (18,305 square kilometres) of the region.

The headwaters of the Matakura River lie in the Eyre Mountain range, west of Kingston. The Matakura 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. Most of the water from the catchment is diverted to Doubtful Sound.

Our Strategic Intent and Values

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

In order to make this work, Council needed to make some changes in the way it does things in order to achieve the identified outcomes (see diagram below).

Council has identified some underlying principles it intends to use and will activate those by using our culture and values to change our engagement, connectivity, and knowledge access approaches, while staying adaptable and responsive to community needs.

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", that allow the region to thrive.

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: **"thriving Southland – *te taurikura o Murihiku*"**.

This is a 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 community resilience. 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 make a living, or the people themselves.

Our Vision: thriving Southland... *te taurikura o Murihiku*

Our Mission

Working with the community to enhance Southland's environment

Our Outcomes

By 2028:

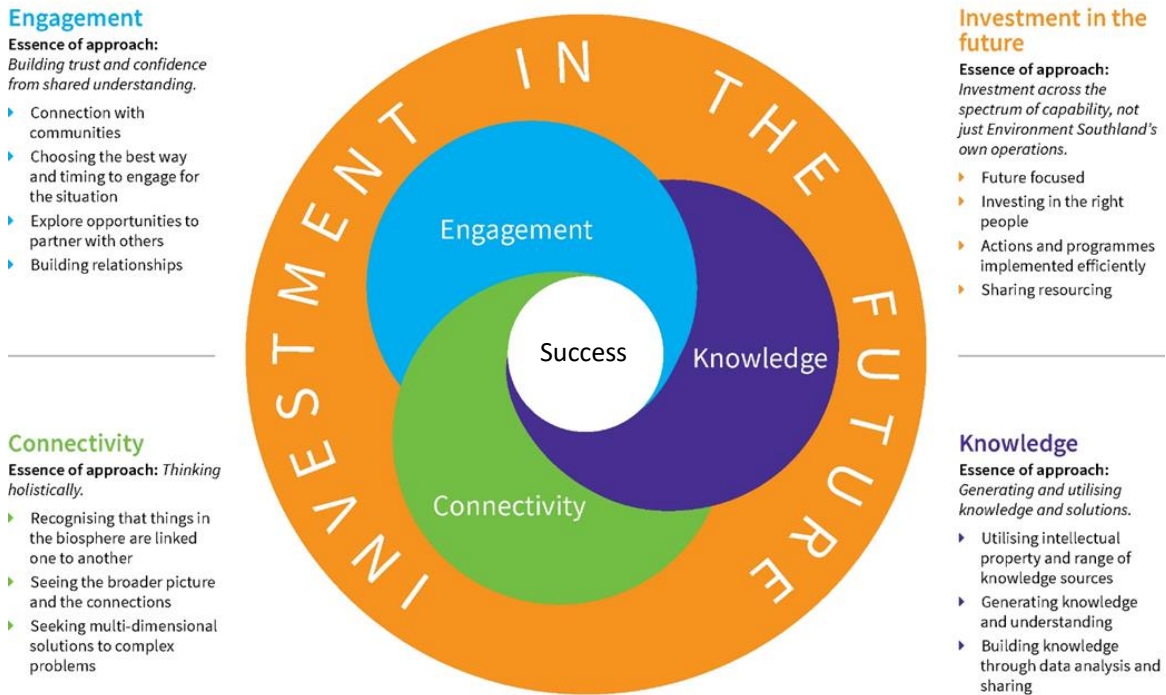
- managed access to quality natural resources;
- diverse opportunities to make a living;
- communities empowered and resilient;
- communities expressing their diversity.

The following diagram captures the essence of the Council’s 2018-2028 strategic intent.

Environment Southland will draw on the wider resources from inside and outside the region to assist. It will need other parties to make tangible contributions through information, skills, finance

and personnel, which would be aligned to ensure a consistent and purposeful approach.

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



Underlying Principles that we use

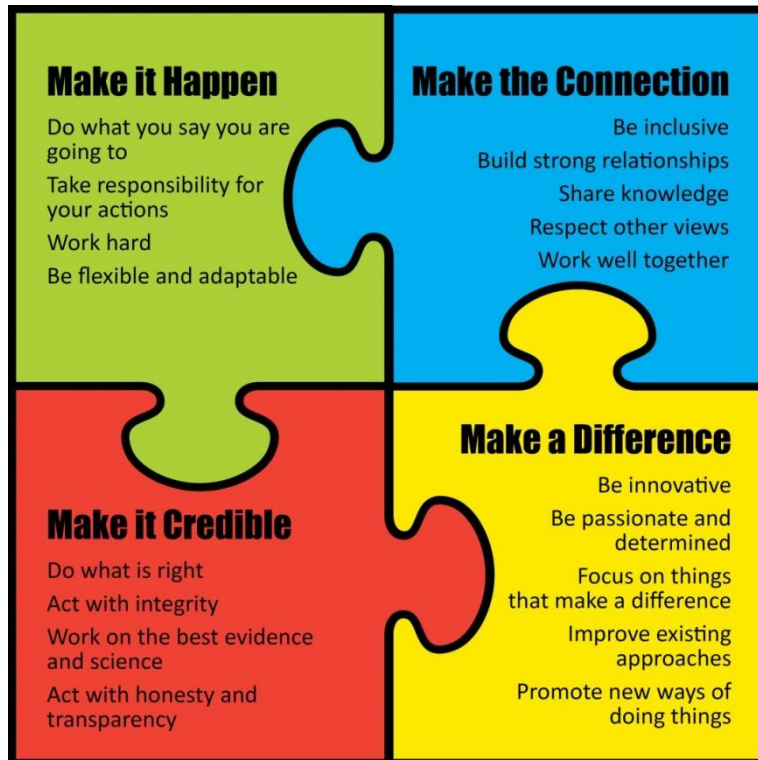
- **Rerekētanga (Innovation)**
To stimulate the pace of innovation and behaviour change through the active uptake of science, technology and best practice in natural resource use.
- **Nga Aranui (Pathways)**
To support people to take opportunities to make a living from the region’s natural resource base.
- **Whakatakoko (Accessibility)**
To enhance access to knowledge and information for Southlanders to make sound decisions.
- **Kaitiakitanga (Guardianship/Stewardship)**
To promote kaitiakitanga as the guiding principle that drives our actions and resource use in the region.
- **Whakapono (Trust)**
To retain community trust and confidence.
- **Whakamau (Efficiency)**
To encourage the efficient use of all resources.
- **Whakararu mahi (Risk management)**
To provide information and systems to build the region’s resilience to cope with biosecurity threats and adverse natural events.

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.

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

The values jigsaw diagram demonstrates recognition about what is unique about Environment Southland; what our community needs us to be; and our essence in the community.



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 2019.

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. Regional Leadership;
2. Environmental Stewardship;
3. Whakahoki Te Mana (Restoring the Mana);
4. Community Resilience.

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 2018-2028 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 2019, 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 2018/19 year are shown as Achieved, Not Achieved or Not Applicable, if the target relates to a different time period.

Results for 2018/19	
Achieved	10
Not Achieved	6
Not Applicable until 2020/21	2

Overall, the year-end result for the 2018/19 performance targets is a 62.5% (10 of 16) achievement level. This compares with 62% - 2017/18 and 65% - 2016/17, and is reflective of some targets being aspirational and others having dependencies outside of our control.

1. Regional Leadership

The Regional Leadership group of activities reflect the ways in which Environment Southland acts on its obligations to provide responsible leadership for regionally significant activities. This Group of Activities focuses on the opportunities in leading and partnering with all stakeholders to protect, enhance and achieve value from the region's natural resources.

The greatest strength that Southland has is the ability to work together through a co-ordinated regional response to activities that can cross organisational jurisdictions.

Relationship with Māori

- ***The Governance/Cross Organisational Activity*** – Environment Southland's relationship with tangata whenua in Murihiku is unique. Environment Southland together with six other local authorities from around Southland and Otago are signatories in a Charter of Understanding with the four papatipu rūnanga in Murihiku. This is a shared relationship between the parties that assists tangata whenua and local government to undertake day-to-day business and also satisfy the legal requirements for local government to assist Māori in building capacity and participating in decision-making. The councils jointly assist tangata whenua with a range of resourcing and assistance to enable Māori to be engaged.

Regional Initiatives and Collaboration

- ***The Governance Activity*** – various projects arise where local government jointly needs to be involved or take advantage of. An example is the Southland Regional Development Strategy (SoRDS) work where the councils, together with the community and businesses, have set out an action plan to work on a variety of projects that will assist Southland to gain more from its natural advantages in people, innovation and education. That work will be ongoing.

A further challenge for the Southland councils will be to work collaboratively on investigating how the region will need to adapt to the potential impacts of sea-level rise and other climatic changes. This is likely to be dealt with through the Mayoral Forum.

- ***The Policy and Planning Activity*** - the Southland Economic Project (SEP), that aims to create ways of understanding the possible socio-economic impacts of achieving "limits" for fresh water in Southland under the National Policy Statement for Freshwater Management (2014), is one example of regional initiatives and collaboration. The project is a joint venture with multiple partners and support agencies and will undertake three major studies to support limit setting – the first is a study of the economic sectors, the second is the Southland economy through the development of the Southland Economic Model, and the third is a Community Outcomes study.

Transport Management

- ***The Policy and Planning Activity*** – regional transport management is a responsibility of Council set by legislation. The regional council sets the strategic direction and long-term goals for the region's transport infrastructure and provides guidance to Road Controlling Authorities (TAs and NZTA) on the preparation of their roading programmes to obtain funding from the National Land Transport Fund.

Governance

- ***The Governance Activity*** – this activity is the political structure made up of the elected members, and the various resources required to support and assist them in their decision-making responsibilities.

Communication and Engagement

- ***The Communications Activity*** - communication and engagement is a strategic function of the Council that works across the organisation. It plays a part in the statutory business of Council, but also has a much wider role in building relationships with stakeholders and Southland communities. The outcomes sought by the organisation require a community effort. Interaction through the sharing of relevant information and ideas via appropriate channels is essential for helping to build the momentum and participation needed to develop and implement solutions to meet those outcomes.

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.

Future Challenges



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

Regional Leadership	
Achieved	1
Not Achieved	0
Not Applicable until 2020/21	0

How much did we spend on this Issue in 2018/19?

\$3.8 million

Level of Service	Measures	Baseline	Performance Targets Years 1-10	Results for 2018/19
Engage with Southlanders by sharing information that is compelling, relevant and timely.	From annual survey, percentage of respondents who name Environment Southland as the authority responsible for managing Southland's natural resources.	82% in 2016/17	≥90%	<p>Achieved</p> <p>The perceptions survey is carried out in July each year, and reflects back on the financial year before.</p> <p>2018/19 results:</p> <p>Prompted:</p> <ul style="list-style-type: none"> • Residents – 98% • Farmers - 100% <p>Unprompted:</p> <ul style="list-style-type: none"> • Residents - 78% • Farmers - 94% <p>Average: 92.5%</p>

**Funding Impact Statement - Regional Leadership
for the year ended 30 June 2019**

LTP 2017/18	Actual 2018/19	Annual Plan 2018/19	LTP 2018/19
\$000 Sources of Funding	\$000	\$000	\$000
1,806 General rates, uniform annual charges, rates penalties	1,919	1,795	1,795
0 Targeted rates	0	0	0
0 Subsidies and grants for operating purposes	0	0	0
165 Fees and charges	159	200	200
0 Internal Charges and overheads recovered	0	0	0
739 Local authorities fuel tax, fines, infringement fees and other receipts	953	895	895
2,710 Total Operating Funding	3,031	2,891	2,891
Applications of Operating Funding			
2,213 Payments to staff and suppliers	2,561	2,515	2,515
7 Financing Costs	7	10	10
1,067 Internal Charges and overheads recovered	1,184	891	891
0 Other operating funding applications	0	0	0
3,287 Total Applications of Operating Funding	3,752	3,416	3,416
(577) Surplus/(deficit) of operating funding	(721)	(526)	(526)
Sources of capital funding			
0 Subsidies and grants for capital expenditure	0	0	0
0 Development and financial contributions	0	0	0
0 Increase / (decrease) in debt	0	0	0
1 Gross proceeds from the sale of assets	0	0	0
0 Lump sum contributions	0	0	0
1 Total sources of capital funding	0	0	0
Applications of capital funding			
Capital expenditure			
0 - to meet additional demand	1	0	0
2 - to improve the level of service	1	0	0
11 - to replace existing assets	1	19	19
(91) Increase/(decrease) in Reserves	(239)	85	85
(498) Increase/(decrease) in Investments	(485)	(629)	(629)
(576) Total applications of capital funding	(721)	(526)	(526)
577 Surplus/(deficit) of capital funding	721	526	526
(0) Funding Balance	-	0	(0)
23 Depreciation expense (not included in the above FIS)	22	28	28

2. Environmental Stewardship

The Environmental Stewardship group of activities include some of the major environmental project areas that the Council is legally responsible to the community for delivering on.

Resource Management

- **The Consents Activity** - national and regional environmental policy is applied in part through resource consenting, where Council has oversight and influence over activities that may damage or degrade the environment. Policy implementation through resource consents ensures our community environmental objectives can be achieved.
- **The Compliance Activity** - plan rules and consents are essential to ensuring that there is fair and equitable distribution of natural resources. Compliance, monitoring and enforcement safeguards impacts on the environment by making sure that rules, national environmental standards and consents are being complied with.
- **The Policy and Planning Activity** - the operative Southland Regional Policy Statement 2017 provides direction for the overall management of Southland's resources. A focus for this LTP is on creating regulatory regimes that celebrate and improve integration in planning and natural resource allocation, and giving effect to National Policy Statements, including the National Planning Standards and the National Policy Statement for Freshwater Management.

Community Partnerships

- **The Land and Water Services Activity** - community partnerships allow Council to connect with individuals, community groups and agencies across the region. It spans both rural and urban areas encouraging a greater understanding of the environmental challenges, and provides a platform for developing solutions as well as creating networks. This activity will lead to a more resilient and empowered community and assist to manage access to quality natural resources.

Biodiversity Management and Biosecurity

- **The Biodiversity Management Activity** - biodiversity management is undertaken to protect and enhance the natural components of our landscape. It aims to maintain the diversity of species present and to allow the natural and processes in water, soil and living ecosystems to continue to provide sustainable benefits to our economy, community and lifestyle. A biodiversity work programme led by the Biosecurity Division will operate across all Council activities and will extend beyond into the wider community through a range of partnerships and collaborative projects.
- **The Biosecurity Activity** - biosecurity management is about protecting our environment, economy and community from the adverse impacts of harmful organisms. This is done through the development and implementation of a Regional Pest Management Plan under the Biosecurity Act. This designates a range of plants and animals as pests, which are managed under a work programme to assist landowners to deal with them and, where necessary, to apply and enforce rules. The division also provides advice and information to manage other organisms of interest using non-statutory means.

Harbour Management and Marine Oil Spills

- **The Maritime/Harbours Activity** - fulfilling maritime, navigation safety and harbour management responsibilities, as well as providing effective response capability for oil spills in the region's coastal waters.

Monitoring, Data and Information

- **The Science Informatics and Operations Activity** – the division carries out much of the organisation's State of the Environment monitoring required by legislation, working closely with our scientists and ensuring that data/information collected meets appropriate standards, is fit for purpose and is readily available for informed science-based decision making. Priority areas of data use include maintaining and improving Southland's water

quality and working towards achieving the National Environmental Standard for Air Quality, where legislation requires us to monitor PM₁₀ emissions in the Invercargill and Gore airsheds.

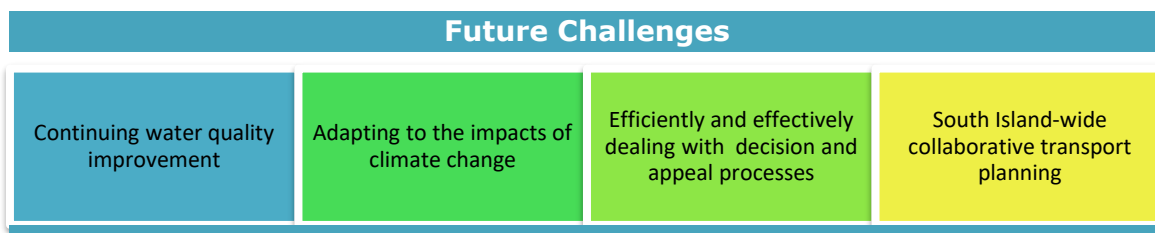
- **The Science Strategy and Investigations Activity** – the Division ensures timely access to high quality environmental information through effective monitoring, analysis and reporting systems. Responsibilities include the design of the long-term environmental monitoring programmes required by legislation and ensuring the data and information collected by the Science Informatics and Operations Division, as part of

these programmes, are appropriately analysed and reported on. As well as showing compliance with national and regional environmental standards/objectives (state) and direction of travel (trend), the division also provides information about the natural systems of the region and advises on how best to manage natural resources.

As well as undertaking the organisation’s own monitoring, analysis and reporting of environmental information, the Science Division engages with research agencies and other knowledge holders to provide an integrated knowledge base for the region.

Key Results from the Year

- Collaborative processes continued for transport planning at inter-region and South Island levels.
- Biosecurity management within the region improved through a new Strategy and associated Management Plan.
- A significant increase in hectares covered by Farm Plans.
- Science and environmental information continued to be shared and made publicly available.
- First topics of Proposed Southland Water and Land Plan appeals heard by the Environment Court.



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

Environmental Stewardship	
Achieved	5
Not Achieved	5
Not Applicable until 2020/21	0

How much did we spend on this Issue in 2018/19?

\$18 million

Level of Service	Measures	Baseline	Performance Targets Years 1-10	Results for 2018/19
Process and determine resource consent applications in accordance with statutory requirements.	Timeliness of resource consent processing. Rates of appeals upheld in Court.	99% timeframe compliance 2016/17.	98% timeframe compliance.	Not Achieved ... but target only missed by 3%. 95% within the statutory timeframes for the period 1 July 2018 to 30 June 2019. The lower timeframe compliance was due to resourcing issues.

Level of Service	Measures	Baseline	Performance Targets Years 1-10	Results for 2018/19
			No resource consent decisions are overturned in Court unless the application is amended through that process.	No decisions have been overruled in the Environment Court.
Deliver a risk-based compliance monitoring programme for consented and permitted activities and provide 24 hour incident response to achieve compliance through encouragement, enabling, educating, and enforcing legislation.	Ensuring that the people, companies, consent holders and industries that utilise resources meet the expected behaviours outlined in the legislation, regional plans, National Environmental Standards and resource consents.	100% of enforcement incidents actioned within six months 2017/18. Compliance Monitoring Reports issued annually 2017/18.	Environmental incidents requiring enforcement will be actioned within six months of the Council being made aware of the incident. A Compliance Monitoring Report for the previous financial year will be completed for the Southland community annually by December.	Achieved All enforcement actions were completed within six months of becoming aware of the incident. The 2017/18 Compliance Monitoring Report was completed in November 2018.
Allocation of natural resources.	The development of a plan change to the Water and Land Plan to set freshwater limits that comply with the National Policy Statement for Freshwater Management 2014 (amended 2017).	No limits currently set for Southland.	Freshwater values, objectives and targets for the community are identified by June 2019.	Not Achieved The community's values and objectives were identified through the People Water and Land Programme. The targets work is yet to be completed.
	The Regional Coastal Plan is operative and complies with the New Zealand Coastal Policy Statement.	Regional Coastal Plan for Southland 2010.	The strategic direction provided by Council for management of the coastal area is approved by Council by June 2019.	Achieved The Strategic Direction was approved by Council in February 2019 and feedback from key stakeholders and interested parties was incorporated.
	The Regional Air Plan complies with the National Environmental Standards for Air Quality and is fully operative.	Regional Air Plan 2016.	The pending Government regulations on the NES Air Quality are adopted by the Council by June 2019.	Not Achieved Environment Southland has been unable to achieve this target as the Government has not yet released the revised NESAQ regulations.

Level of Service	Measures	Baseline	Performance Targets Years 1-10	Results for 2018/19
Provide land management advice and education for sustainability to rural and urban Southland.	Provide land management advice (including forestry advice) to agricultural and agri-business initiatives.	Number of hectares of land visited to provide land management advice (including forestry).	100,000 hectares per year, as per agreed Farm Plans.	Achieved Advice was provided to landowners on properties totalling 191,633 hectares. As part of this, 166 Focus Activity Farm Plans have been completed.
To maintain and enhance indigenous biodiversity.	Projects in biodiversity management support the maintenance of indigenous biodiversity.	Projects within the biodiversity programme are successful.	Develop and publish by 30 June 2019, a Regional Biodiversity Strategy.	Not Achieved ... but progress has been made. A discussion document for the Regional Biodiversity Strategy, including a vision, goals and objectives, has been developed by Biodiversity Southland. Following feedback, additional work was needed to complete the document, resulting in the Regional Biodiversity Strategy not being published in full by 30 June 2019, as proposed.
To minimise the adverse effects of pests that disrupt the environment, economy and community.	Pest programmes are implemented according to best practice, which minimise the adverse effects of pests.	Pest programmes within the Biosecurity Strategy are successful.	Develop and publish by 30 June 2019, a Regional Biosecurity Strategy and a Regional Pest Management Plan.	Achieved The new Southland Biosecurity Strategy and Regional Pest Management Plan were formally adopted and became operative on 14 June 2019.
To provide timely access to high quality environmental information through effective monitoring, analysis and reporting systems.	Environmental information is analysed and reported on to demonstrate compliance with national and regional standards/objectives (state) and show direction of travel (trend), as well as provide an understanding of the natural systems of the region and how best to manage these.	In 2017, state and trend information was available via the Land Air Water Aotearoa (LAWA) website, the Water Quality (National Objectives Framework) Map on Environment Southland's website and via various publications. A significant programme of work characterising the region's natural systems	State and trend information is easily accessible and updated at least annually. Scientific information about the region's natural systems is also easily accessible.	Achieved Environment Southland carries out extensive monitoring of the State of the environmental monitoring network sites. This analysis data is collated within an IANZ accredited database and exported to Cawthron Institute for annual analysis. The result of this analysis is available prior to the bathing season each year and was done in October 2018. https://www.lawa.org.nz/explore-data/southland-region/river-quality/oreti-river/oreti-river-at-wallacetown/ A link is also available on the environment Southland webpage http://gis.es.govt.nz/index.aspx?app=swimming-and-shellfish A communication plan is being developed and the results are

Level of Service	Measures	Baseline	Performance Targets Years 1-10	Results for 2018/19
		was undertaken during the 2015-2018 Long-term Plan period to develop the knowledge base available to the public.		socialised heavily during the summer period. The weekly bathing water quality and shellfish sampling results are emailed to a list of interested stakeholders each week and in the event of a cyanobacterial warning, the public are advised via media releases.
To engage with research agencies and other knowledge holders to provide an integrated knowledge base for the region.	Environment Southland's environmental information is connected with the work of research agencies and other knowledge holders.		A multi-agency approach to fish monitoring, estuary science, coastal monitoring and mitigation effectiveness and farm system monitoring is developed and in place by 30 June 2019.	<p>Not Achieved</p> <p>Two Southland Science Inc hui have been held (27 September 2018 and 27 May 2019) and a plan going forward has been developed.</p>

Funding Impact Statement - Environmental Stewardship
for the year ended 30 June 2019

LTP 2017/18	Actual 2018/19	Annual Plan 2018/19	LTP 2018/19
\$000 Sources of Funding	\$000	\$000	\$000
5,591 General rates, uniform annual charges, rates penalties	5,696	4,443	4,443
4,301 Targeted rates	4,460	4,242	4,242
0 Subsidies and grants for operating purposes	0	0	0
6,510 Fees and charges	7,895	8,031	8,031
0 Internal Charges and overheads recovered	0	0	0
2,911 Local authorities fuel tax, fines, infringement fees and other receipts	3,763	3,327	3,327
19,313 Total Operating Funding	21,815	20,043	20,043
Applications of Operating Funding			
16,231 Payments to staff and suppliers	15,298	18,594	18,594
40 Financing Costs	29	57	57
4,079 Internal Charges and overheads recovered	2,656	1,271	1,271
0 Other operating funding applications	0	0	0
20,350 Total Applications of Operating Funding	17,983	19,923	19,923
(1,037) Surplus/(deficit) of operating funding	3,832	120	120
Sources of capital funding			
0 Subsidies and grants for capital expenditure	0	0	0
0 Development and financial contributions	0	0	0
0 Increase / (decrease) in debt	0	0	0
55 Gross proceeds from the sale of assets	24	501	501
0 Lump sum contributions	0	0	0
55 Total sources of capital funding	24	501	501
Applications of capital funding			
Capital expenditure			
2 - to meet additional demand	27	14	14
14 - to improve the level of service	48	5	5
284 - to replace existing assets	335	810	810
(182) Increase/(decrease) in Reserves	4,861	2,569	2,569
(1,099) Increase/(decrease) in Investments	(1,415)	(2,776)	(2,776)
(981) Total applications of capital funding	3,856	621	621
1,037 Surplus/(deficit) of capital funding	(3,832)	(120)	(120)
(0) Funding Balance	(0)	0	(0)
718 Depreciation expense (not included in the above FIS)	510	484	484

3. Whakahoki Te Mana (Restoring the Mana)

The Whakahoki Te Mana group of activities include two major environmental project areas that the Council is delivering on for the community with a variety of partners.

People, Water and Land

- **The Science Strategy and Investigations Activity** – for Southland to thrive, we believe Southland needs to be considered as a whole. The health and wellbeing of our people are intrinsically linked to the environment. By developing and strengthening partnerships, we aim to utilise our resources, skills and knowledge to ensure we all understand the important role our environment plays in connecting us together and how we make a positive difference to our environment.

We are part of a multi-agency response to help ensure the wellbeing of the people, the land, the ecosystems, and the life-force of the Waituna catchment and lagoon, now and for future generations through a partnership approach. While the level of knowledge has improved dramatically, some of the causes of the water quality decline, and the relationships between land use activities, lagoon openings and lagoon ecosystem health are still not fully understood. Therefore, the agencies and community are taking an incremental approach to undertake actions with known benefits now, whilst continuing to investigate the feasibility of potential actions.

The People, Water and Land Programme is the approach being taken to implement the

requirements of the National Policy Statement for Freshwater Management (NPS-FM) and meeting the region's enduring goals for water. By developing and strengthening partnerships, we aim to utilise our resources, skills and knowledge to ensure we all understand the important role our environment plays in connecting us together. We can then consider how we can make a positive difference to our environment and in particular improve water quality.

Partnering in Waituna

- **The Land and Water Services Activity** – Whakamana Te Waituna builds on past work undertaken in Waituna and continues to contribute to the vision:

Mana oranga; Mana tangata; Mana ki uta; Mana ki tai; Mana Waituna.

Ensuring the wellbeing of the people, the land, the waters, the ecosystems, and the life-force of the Waituna catchment and lagoon, for now and for future generations through a partnership approach.

Whakamana Te Waituna is an integrated multiagency partnership project that aims to restore the mana of Waituna. The work programme has key work streams of governance, access, community and resilience, lagoon hydrology and landward buffer establishment, and managing catchment nutrient and sediment pathways.

Key Results from the Year

- The People, Water and Land programme continued to deliver the limit-setting framework, values and objectives, and actions on the ground.
- Significant progress in the partnership programme for the Waituna catchment and lagoon.

Future Challenges

The development of a community driven water limit setting process

Restoring the mana of the Waituna Catchment and Lagoon

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

Whakahoki Te Mana	
Achieved	2
Not Achieved	1
Not Applicable until 2020/21	1

How much did we spend on this Issue in 2018/19?

\$4.5 million

Level of Service	Measures	Baseline	Performance Targets Years 1-10	Results for 2018/19
To engage and partner with iwi, the community and others to meet the enduring goals for water on a Ki Uta, ki Tai (mountains to the sea) basis.	The community's values and objectives are established including the provision for compulsory values as set out in the National Policy Statement for Freshwater Management (NPS-FM). Evaluation framework is established.	NPS-FM requirements and objectives in Regional Policy Statement and iwi management plans.	Local and/or regional community engagement forum(s) are established by 30 June 2019. By 30 June 2019, an approach to scenario testing is developed for the local and/or regional community engagement forum(s).	Achieved The Regional Forum was established in March 2019, with 15 members. A work plan for the Forum has been developed which includes an approach to scenario testing.
	Methods (both regulatory and non-regulatory) are identified to achieve the community's values and objectives. Indicators are defined and established.	Building from National Policy Statement – Freshwater Management (NPS-FM) requirements.	Local and/or regional community engagement forum(s) undertaken and completed by 30 June 2021, scenario testing to understand the implications of meeting the	Not Applicable until 2020/21 The Regional Forum will assess the most efficient, effective and appropriate methods to achieve the community's objectives for water which will include scenario testing.

Level of Service	Measures	Baseline	Performance Targets Years 1-10	Results for 2018/19
			<p>community's values, objectives and targets.</p> <p>Recommend the methods (both regulatory and non-regulatory) to achieve the community's values, objectives and targets to Council by 30 June 2021.</p>	
<p>To measure the effectiveness of the organisation's approach to meeting the enduring goals for water.</p>	<p>Compliance with the National Objectives Framework (Human Health and Ecosystem Health) and the New Zealand Drinking Water Standards is reported on and used to assist in determining the effectiveness of the organisation's approach to meeting the enduring goals for water.</p>	<p>In 2017, the level of compliance was reported:</p> <p><u>Human Health</u> 62 percent of rivers (by length) met national swimmability targets.</p> <p>98% of lakes (over 1.5 km in perimeter) met national swimmability targets.</p> <p>58 out of 334 bores with nitrate above the New Zealand drinking water standard.</p> <p><u>Baseline Update:</u> Council has aligned the measurement criteria with the</p>	<p>Year on year improving trend of baseline metrics.</p>	<p>Not Achieved ... but progress has been made.</p> <p>The results for 2018/19 are:</p> <p><u>Human Health</u> The Ministry for the Environment model used to set the baseline has been discontinued. As a result we are unable to measure our performance against this criterion. Council continues to monitor our river water quality against the National Objectives Framework for Freshwater Management 2014 (revised 2017).</p> <p>The Ministry for the Environment model used to set the baseline has been discontinued. As a result we are unable to measure our performance against this criteria. Council continues to monitor our lake water quality against the National Objectives Framework for Freshwater Management 2014 (revised 2017).</p> <p>8 of 94 bores (8.5%) sampled to the higher standard for nitrate exceeded the drinking water standard at least once during the 2018/19 period.</p>

Level of Service	Measures	Baseline	Performance Targets Years 1-10	Results for 2018/19
		<p>drinking water standards. Of the 334 bores measured in 2017, 77 were measured to the new standard. Out of these 6 (7.8%) contained nitrate above the New Zealand Drinking Water Standard.</p> <p>80 out of 300 bores with <i>E.coli</i> above the New Zealand drinking water standard.</p> <p><u>Baseline update:</u> Council has aligned the measurement criteria with the drinking water standards. Of the 300 bores measured in 2017, 32 were measured to the new standard. Out of these 15 (47%) contained <i>E.coli</i> above the New Zealand Drinking Water Standard.</p> <p><u>Ecosystem Health</u> All river monitoring sites complied with national nitrate and ammonia toxicity standards.</p> <p>Modelling suggesting breaches of the national standards for periphyton are</p>		<p>16 of 40 bores (40%) sampled to the higher standard for <i>E. coli</i> exceeded the drinking water standard at least once during the 2018/19 period.</p> <p><u>Ecosystem Health</u> All monitored rivers complied with national nitrate and ammonia toxicity standards.</p> <p>Models continue to suggest breaches are likely to occur in these waterways.</p>

Level of Service	Measures	Baseline	Performance Targets Years 1-10	Results for 2018/19
		likely to occur in the lower reaches of the main stem of the Mataura River and tributaries of the Aparima, Oreti, Waimatuku and Makarewa Rivers.		<p><u>Compliance with the National Objective Framework Attributes</u></p> <p>In accordance with the Attributes as detailed in Appendix 2 of the NPSFW 2017, we fully comply with seven of the nine attributes. We partially comply with Cyanobacteria-Planktonic as we only monitor lakes and not lake-fed rivers. No monitoring in line with the NOF for dissolved oxygen currently takes place.</p>
To partner in the Whakamana te Waituna project to restore the mana, aquatic and ecosystem health to the Waituna catchment and lagoon.	Consistent progress towards achieving the outcomes and actions of the work programme of the Whakamana Te Waituna project.		Complete yearly actions as per the approved programme of works.	<p>Achieved</p> <p>Environment Southland has completed all of its assigned actions, as per the approved programme of works.</p>

Funding Impact Statement - Whakahoki Te Mana
for the year ended 30 June 2019

LTP 2017/18	Actual 2018/19	Annual Plan 2018/19	LTP 2018/19
\$000 Sources of Funding	\$000	\$000	\$000
0 General rates, uniform annual charges, rates penalties	7	981	981
0 Targeted rates	78	296	296
0 Subsidies and grants for operating purposes	0	0	0
0 Fees and charges	489	675	675
0 Internal Charges and overheads recovered	0	0	0
0 Local authorities fuel tax, fines, infringement fees and other receipts	8	497	497
0 Total Operating Funding	582	2,449	2,449
Applications of Operating Funding			
0 Payments to staff and suppliers	2,449	1,563	1,563
0 Financing Costs	7	9	9
0 Internal Charges and overheads recovered	2,013	1,541	1,541
0 Other operating funding applications	0	0	0
0 Total Applications of Operating Funding	4,470	3,113	3,113
0 Surplus/(deficit) of operating funding	(3,888)	(664)	(664)
Sources of capital funding			
0 Subsidies and grants for capital expenditure	0	0	0
0 Development and financial contributions	0	0	0
0 Increase / (decrease) in debt	0	0	0
0 Gross proceeds from the sale of assets	0	0	0
0 Lump sum contributions	0	0	0
0 Total sources of capital funding	0	0	0
Applications of capital funding			
Capital expenditure			
0 - to meet additional demand	0	0	0
0 - to improve the level of service	0	3,000	3,000
0 - to replace existing assets	0	0	0
0 Increase/(decrease) in Reserves	(3,907)	(3,185)	(3,185)
0 Increase/(decrease) in Investments	19	(479)	(479)
0 Total applications of capital funding	(3,888)	(664)	(664)
0 Surplus/(deficit) of capital funding	3,888	664	664
0 Funding Balance	0	(0)	0
0 Depreciation expense (not included in the above FIS)	70	90	90

4. Community Resilience

The Community Resilience group of activities include some of the major project areas that the Council is legally responsible to the community for delivering on.

Emergency Management

- **The Emergency Management Southland Activity** - Emergency Management Southland carries out the civil defence emergency management obligations of the four councils in Southland. Having communities that are well informed of hazards and prepared for any emergency is a priority.

Flood Warning

- **The Environmental Information Activity** – the Environmental Information Division operates a flood warning network/system enabling communities to make informed timely decisions relating to flood risk potential. As such, it is important that the system remains fully operational and can be relied upon during any flood event.

Computer based modelling is used to predict flows and levels on Southland's major rivers. Data is collected and automatically relayed to our offices every 15 minutes. If rainfall or river levels exceed certain trigger levels, the flood duty officer closely monitors the situation. If critical levels are reached then Emergency Management Southland and the Communications Team are contacted and pre-recorded radio broadcasts direct listeners to the ES website and the Environmental Data Information (EDI) phone-in system.

Flood Protection and Control Works

- **The Catchment Management Activity** – the flood protection and control 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.

Land Drainage

- **The Catchment Management Activity** – provides and maintains services that include:
 - management of river protection works and sustainable gravel management;
 - co-ordination of community drainage outfall maintenance schemes;
 - provision of information to communities and individuals;to ensure potential risks to our community from inundation are avoided or minimised.

Hazard Mitigation

- **The Policy and Planning Activity** - the impacts that natural hazards have on people's homes, businesses and wellbeing can be devastating. The more we can learn, understand and plan for these events, the greater our likelihood of developing a community resilient to weather the storm. One of the focuses of community resilience is increasing the knowledge and understanding of hazards to enable people to make better and more informed choices for now and in the future.

Key Results from the Year

- Our emergency management capability maintained.
- Southland households' preparedness for an emergency remains at previous level.
- Coverage of community emergency response plans increased.
- Climate change impact assessment completed for the region.

Future Challenges

Continuing improvement of emergency management & flood warning systems

Adapting to the impacts of climate change

Responding to and mitigating a range of natural hazards

Maintaining flood protection and drainage works

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

Community Resilience	
Achieved	2
Not Achieved	0
Not Applicable until 2020/21	1

How much did we spend on this Issue in 2018/19?

\$6.8 million

Level of Service	Measures	Baseline	Performance Targets Years 1-10	Results for 2018/19
To ensure the region is resilient and able (through the 4Rs of reduction, readiness, response and recovery) to cope with any civil defence emergency.	Number of Southland communities covered by a Community Response Plan.	Community consultations and plans are completed by 2021.	To have developed 25 Community Response Plans in all areas of Southland by June 2021.	Not Applicable until 2020/21 However, we appear to be on track as we have produced 13 out of the proposed 25 community plans to date in the 2018/19 year.
To reduce the flood risk to people and property by retaining system adequacy and maintenance of flood protection works to designed 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.	As at 30 June 2016, 100% flood control schemes were maintained to their full service potential.	100% of schemes maintained through scheduled annual programmes to ensure that they provide protection to the designed standard and the scheme assets are maintained as established in the adopted asset management plans.	Achieved 100% of schemes inspected and maintained.
To investigate and plan for the impacts of climate change on our communities and businesses.	An agreed collaborative research, investigation and reporting programme to understand the risks and response options.		Investigate via a collaborative reduction working group, the likely climate change impacts and response options for our communities from the impacts of climate change over time. Reported through the Mayoral Forum annually.	Achieved The Climate Change Impact Assessment report was endorsed by all four Councils, which included the members of the Mayoral Forum. The annual outcomes are to be reported to the Mayoral Forum.

Funding Impact Statement - Community Resilience
for the year ended 30 June 2019

LTP 2017/18	Actual 2018/19	Annual Plan 2018/19	LTP 2018/19
\$000 Sources of Funding	\$000	\$000	\$000
1,204 General rates, uniform annual charges, rates penalties	1,247	1,622	1,622
3,664 Targeted rates	3,757	3,765	3,765
0 Subsidies and grants for operating purposes	0	0	0
1,566 Fees and charges	1,436	1,563	1,563
0 Internal Charges and overheads recovered	0	0	0
695 Local authorities fuel tax, fines, infringement fees and other receipts	813	971	971
7,129 Total Operating Funding	7,253	7,920	7,920
Applications of Operating Funding			
6,148 Payments to staff and suppliers	5,488	7,468	7,468
14 Financing Costs	11	24	24
1,130 Internal Charges and overheads recovered	1,289	754	754
0 Other operating funding applications	0	0	0
7,292 Total Applications of Operating Funding	6,788	8,245	8,245
(163) Surplus/(deficit) of operating funding	465	(325)	(325)
Sources of capital funding			
0 Subsidies and grants for capital expenditure	0	0	0
0 Development and financial contributions	0	0	0
0 Increase / (decrease) in debt	0	0	0
46 Gross proceeds from the sale of assets	0	0	0
0 Lump sum contributions	0	0	0
46 Total sources of capital funding	0	0	0
Applications of capital funding			
Capital expenditure			
6 - to meet additional demand	0	0	0
4 - to improve the level of service	29	0	0
83 - to replace existing assets	126	0	0
(90) Increase/(decrease) in Reserves	609	790	790
(120) Increase/(decrease) in Investments	(298)	(1,116)	(1,116)
(117) Total applications of capital funding	465	(325)	(325)
163 Surplus/(deficit) of capital funding	(465)	325	325
(0) Funding Balance	(0)	(0)	(0)
204 Depreciation expense (not included in the above FIS)	127	198	198

Report on Long-term Plan and Policies

Revenue and Financing Policy

All activities were funded according to the Revenue and Financing Policy. Some minor 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)	79%	21%	100%	0%
Environmental Education	(i)	93%	7%	100%	0%
Hazard Mitigation	(i)	100%	0%	100%	0%
Regional Planning	(i)	86%	14%	100%	0%
River Management	(ii)	23%	77%	30%	70%
Consent Processing	(iii)	35%	65%	25%	75%
Consent Compliance	(i)	47%	53%	40%	60%
Community Representation	(i)	99%	1%	100%	0%
Council Policy & Planning Analysis	(ii)	75%	25%	100%	0%
Catchment Planning	(iii)	73%	27%	60%	40%
Land Sustainability	(ii)	0%	100%	0%	100%
Pollution Prevention	(i)	100%	0%	100%	0%
Science	(i)	89%	11%	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 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:*
Council amended the 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	4.0%	8.0%	12.0%	Yes
Australian Equities	4.0%	8.0%	12.0%	Yes
International Equities	20.0%	29.0%	40.0%	Yes
Property	2.5%	5.0%	7.5%	Yes
Global Fixed Interest	5.0%	13.0%	20.0%	Yes
New Zealand Fixed Interest	25.0%	35.0%	45.0%	Yes
New Zealand Cash	1.0%	2.0%	20.0%	Yes
Total		100%		

- *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 South Port Chairman 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.

SECTION 4: FINANCES | PŪTEA

Financial Statements

A guide to the financial pages which follow

• Statement of Comprehensive Revenue and Expense	page	36
• Statement of Changes in Net Assets/Equity	page	36
• Statement of Financial Position	page	37
• Statement of Cash Flows	page	38
• Notes to the Financial Statements		
1. Summary of accounting policies	pages	39-48
2. Operating revenue and expenses	pages	49-50
3. Income taxes	pages	51-52
4. Key management personnel compensation	page	53
5. Remuneration of auditors	page	53
6. Trade and other receivables	pages	53-54
7. Inventories	page	54
8. Other financial assets and liabilities	page	55
9. Other current assets	page	56
10. Property, plant and equipment	pages	51-58
11. Investment in Related Party	page	59
12. Trade and other payables	page	59
13. Employee entitlements	page	59
14. Borrowings	page	60
15. Equity	pages	61-65
16. Commitments for expenditure	page	66
17. Contingent liabilities and contingent assets	page	67
18. Subsidiaries	page	67
19. Related party disclosures	pages	67-68
20. Joint Venture – Emergency Management Southland	page	68
21. Subsequent events	page	68
22. Notes to the cash flow statement	page	69
23. Severance payments (Council only)	page	70
24. Remuneration (Council only)	pages	70-71
25. Financial Instruments	pages	71-77
26. Explanation of major variances against Annual Plan	pages	78-79

**Statement of Comprehensive Revenue and Expenses
for the Year Ended 30 June 2019**

	Note	Council			Group	
		2019 \$000	Annual Plan \$000	2018 \$000	2019 \$000	2018 \$000
Revenue						
Rates revenue	2 (a)	16,989	16,988	15,682	16,989	15,682
Government Grants		1,652	2,483	1,936	1,652	1,936
Other Revenue	2 (b)	14,025	13,792	12,909	53,465	49,101
Other gains/ (losses)	2 (c)	2,321	1,747	3,347	2,372	3,637
Total Revenue	2 (g)	34,987	35,009	33,874	74,478	70,356
Expenditure						
Employee benefits expense	2 (d)	15,809	16,777	14,867	26,466	24,847
Depreciation expense	10	729	799	741	4,339	4,102
Finance costs	2 (e)	53	100	212	799	813
Other expenses	2 (f)	17,209	17,820	15,784	32,512	29,351
Total Operating Expenditure		33,800	35,497	31,604	64,116	59,113
Surplus/(Deficit) before income tax		1,187	(487)	2,270	10,362	11,243
Income tax expense	3	-	-	-	(3,923)	(3,850)
Surplus/(Deficit) for the period		1,187	(487)	2,270	6,439	7,393
Total Comprehensive Revenue and Expense for the period		1,187	(487)	2,270	6,439	7,393
Total Comprehensive Revenue and Expense attributable to:						
Council		1,187	(487)	2,270	3,158	4,156
Minority interest	15 (e)	-	-	-	3,281	3,237
	*	1,187	(487)	2,270	6,439	7,393

**Statement of Changes in Net Assets / Equity
for the Year Ended 30 June 2019**

	Note	Council			Group	
		2019 \$000	Annual Plan \$000	2018 \$000	2019 \$000	2018 \$000
Opening Equity		76,328	73,924	74,058	107,667	102,560
Total Comprehensive Revenue and Expense attributable to:						
Council		1,187	(487)	2,270	3,158	4,156
Minority interest	15(e)	-	-	-	3,281	3,237
Dividend distribution - Minority interest	15(e)	-	-	-	(2,286)	(2,286)
Closing Equity		77,514	73,436	76,328	111,821	107,667

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 2019

	Note	2019 \$000	Council Annual Plan \$000	2018 \$000	Group 2019 \$000	2018 \$000
Current Assets						
Cash and Deposits	22(a)	142	-	-	1,568	991
Trade and other receivables	6	2,997	1,929	2,263	8,648	7,870
Inventories	7	110	120	120	110	120
Managed Funds	8	33,946	28,957	33,800	33,946	33,800
Prepayments	9	289	213	166	340	207
Total Current Assets		37,484	31,219	36,349	44,612	42,988
Non-Current Assets						
Shares in subsidiary	18	8,721	8,721	8,721	-	-
Other financial assets	8	170	840	161	170	161
Property, Plant and Equipment	10	37,743	41,283	37,930	87,316	85,402
Investment in Related Party	11	798	807	798	798	798
Total Non-Current Assets		47,432	51,651	47,610	88,284	86,361
TOTAL ASSETS		84,916	82,870	83,959	132,896	129,349
Current Liabilities						
Bank Overdraft	22(a)(i)	-	4,962	2,484	-	2,484
Trade and other payables	12	5,552	2,487	3,309	8,704	6,697
Employee Entitlements	13	1,806	1,951	1,800	2,978	2,932
Borrowings	14	-	-	-	-	-
Current tax payable	3c	-	-	-	1,682	1,630
Other Financial Liabilities	8	-	-	-	70	-
Total Current Liabilities		7,358	9,400	7,593	13,434	13,743
Non-Current Liabilities						
Other Financial Liabilities	8	-	-	-	530	353
Employee entitlements	13	44	34	38	63	85
Borrowings	14	-	-	-	7,000	7,200
Deferred tax liabilities	3d	-	-	-	48	301
Total Non-Current Liabilities		44	34	38	7,641	7,939
TOTAL LIABILITIES		7,402	9,434	7,631	21,075	21,682
NET ASSETS		77,514	73,436	76,328	111,821	107,667
Equity						
Equity	15	77,514	73,436	76,328	111,821	107,667
TOTAL EQUITY		77,514	73,436	76,328	111,821	107,667
Attributable to:						
Council		77,514	73,436	76,328	97,805	94,646
Minority interest	15(e)	-	-	-	14,016	13,021
TOTAL EQUITY		77,514	73,436	76,328	111,821	107,667

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

**Statement of Cash Flows
for the Year Ended 30 June 2019**

	Note	2019 \$000	Council Annual Plan \$000	2018 \$000	Group 2019 \$000	2018 \$000
Cash flows from operating activities						
<i>Cash was provided by (applied to):</i>						
Receipts from customers		27,334	28,728	25,830	71,231	65,196
Interest received		63	40	35	88	57
Dividends received		4,535	4,535	4,535	-	-
Payments to suppliers and employees		(30,852)	(34,597)	(30,100)	(56,609)	(53,077)
Finance costs		(53)	(100)	(212)	(541)	(717)
Income tax paid		-	-	-	(4,123)	(3,564)
Net cash flow from operating activities	22(b)	1,027	(1,394)	88	10,046	7,895
Cash flows from investing activities						
<i>Cash was provided by (applied to):</i>						
Reduction of Term Investment		2,174	5,000	183	2,174	183
Proceeds from sale of property, plant and equipment		26	501	47	74	435
Acquisition of shares / investments		(9)	-	48	(9)	48
Purchase of property, plant and equipment		(592)	(3,847)	(344)	(6,737)	(4,537)
Net cash flow from investing activities		1,599	1,654	(66)	(4,499)	(3,871)
Cash flows from financing activities						
<i>Cash was provided by (applied to):</i>						
Dividends paid to Non controlling interest		-	-	-	(2,286)	(2,286)
Drawdown / (Repayment) of borrowings		-	-	-	(200)	(2,400)
Net cash flow from financing activities		-	-	-	(2,486)	(4,686)
Net increase/(decrease) in Cash and cash equivalents		2,626	260	22	3,062	(661.81)
Cash and cash equivalents at the beginning of the financial year		(2,484)	(5,222)	(2,506)	(1,493)	(831.50)
Net foreign exchange differences		-	-	-	-	-
Cash and cash equivalents at the end of the financial year	22(a)	142	(4,962)	(2,484)	1,568	(1,493)

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 2019. The financial statements were authorised for issue by Council on 9 October 2019.

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:

For	From
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.

The Group 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 off the South Port NZ Limited and its subsidiaries.

Goods and Services Tax

All 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:

Asset	Life
Operational Assets	
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% - 15% 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
Infrastructural Assets	
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 Parties

The Council has established a Council Controlled Organisation (CCO) known as Regional Software Holdings Ltd, 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.

The Council is a shareholder in another Council Controlled Organisation (CCO) known as the Southland Regional Development Agency Ltd, along with three other local councils and four external shareholders. The purpose of this organisation is to contribute to the wellbeing of the Southland Region, both commercial and non-commercial. 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 2019:

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 2019, the fair value of this investment based on the NZX quoted bid price was \$117,730,618 (2018: \$122,091,011).

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.

Notes to the Financial Statements

2 Operating Revenue and Expenses

	Council		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Revenue				
Revenue includes the following items:				
(a) Rates Revenue:				
General rates	8,695	7,712	8,695	7,712
Separate rates	8,063	7,739	8,063	7,739
Southern Pest Eradication Society rates	231	231	231.00	231
	16,989	15,682	16,989	15,682
(b) Other Revenue:				
Revenue from rendering of services:				
Port Revenue	-	-	43,950	40,705
Local Contributions	1,000	850	1,000	850
Consent recoveries	1,905	1,575	1,905	1,575
Compliance Monitoring and Recoveries	1,170	1,071	1,170	1,071
Prosecutions, Fines and Infringements	91	469	91	469
Marine Fee revenue	2,533	2,071	2,533	2,071
Operating lease rental revenue	859	832	859	832
Interest on bank deposits	63	35	88	57
Dividend from Subsidiary	4,535	4,535	-	-
Other operating revenue	1,869	1,471	1,869	1,471
	14,025	12,909	53,465	49,101
(c) Other Gains / (Losses)				
Gain on disposal of property, plant and equipment	1	25	52	315
Impairment losses reversed	-	-	-	-
Net change in fair value of other financial assets and liabilities carried at fair value through profit or loss	2,320	3,322	2,320	3,322
	2,321	3,347	2,372	3,637
Expenses				
Expenses include the following items:				
(d) Employee Benefits Expense				
Salaries and wages	14,141	13,278	24,273	22,783
Defined contribution plans	523	535	865	854
Other employee benefits	1,145	1,054	1,328	1,210
	15,809	14,867	26,466	24,847

2 Operating Revenue and Expenses (continued)

	Council		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
(e) Finance Costs				
Interest on loans carried at amortised cost	-	-	500	501
Change in fair value of interest rate swaps	-	-	246	100
Other interest expense	53	212	53	212
	53	212	799	813
(f) Other Expenses				
Net bad and doubtful debts (recovered)	97	69	97	69
Loss on disposal of property, plant and equipment	8	11	218	58
Donations	-	-	4	4
Grants and contributions	1,625	1,188	1,625	1,188
Operating lease rental - minimum lease payments	65	115	185	293
Directors remuneration	-	-	278	270
Other operating expenses	15,414	14,401	30,105	27,469
	17,209	15,784	32,512	29,351

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	
		2019 \$000	2018 \$000	2019 \$000	2018 \$000
Revenue from Non-exchange transactions					
General Rates		8,695	7,712	8,695	7,712
Separate Rates		8,063	7,739	8,063	7,739
Southern Pest Eradication Society Rate		231	231	231	231
Levies and Contributions		1,652	1,936	1,652	1,936
Rates Penalties		172	208	172	208
Prosecutions and Infringements		91	469	91	469
Donations Received		6	7	6	7
Revenue from Exchange transactions					
Local Contributions		1,000	850	1,000	850
Rental Income		859	832	859	832
Investment Income		2,383	3,357	2,408	3,379
Gain on Sale of Assets		1	25	52	315
Dividend from South Port		4,535	4,535	-	-
External Recoveries		7,299	5,973	7,299	5,973
Port Revenue				43,950	40,705
		34,987	33,874	74,478	70,356
Current Assets					
Receivables from Non-exchange transactions (Rates)		881	784	881	784
Receivables from Exchange transactions		2,116	1,479	7,767	7,086
Total Receivables	6	2,997	2,263	8,648	7,870

3 Income Taxes

	Council		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
(a) Income Tax Recognised in Profit or Loss				
Tax expense / (income) comprises:				
<i>Current tax expense / (credit)</i>				
Current year	-	-	4,150	3,996
Adjustments for prior years	-	-	26	(6)
	-	-	4,176	3,990
<i>Deferred tax expense / (credit)</i>				
Origination and reversal of temporary differences	-	-	(253)	(140)
Adjustments for prior years	-	-	-	-
	-	-	(253)	(140)
Tax expense / (income)	-	-	3,923	3,850

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	1,187	2,270	10,362	11,285
Income tax expense calculated at 28%	332	636	2,901	3,160
Temporary differences	-	-	(3)	21
Non deductible expenses	9,464	8,849	9,670	8,898
Non assessable income	(8,527)	(8,215)	(8,672)	(8,223)
	1,270	1,270	3,897	3,856
Taxation effect of imputation credits	-	-	-	-
Imputation credits utilised (28% of net dividend)	(1,270)	(1,270)	-	-
Adjustments for prior years	-	-	26	(6)
Temporary differences	-	-	-	-
	-	-	3,923	3,850

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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
(c) Current Tax Assets and Liabilities				
<i>Current Tax Payable:</i>				
Current Tax Payable	-	-	1,682	1,630

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

Taxable and deductible temporary differences arising from the following:

2019	Opening balance	Charged to income	Group Charged to other comprehensive income	Closing balance
	\$000	\$000	\$000	\$000
Gross deferred tax liabilities:				
Other financial assets and receivables	-	-	-	-
Property, plant and equipment	(565)	156	-	(409)
	<u>(565)</u>	<u>156</u>	<u>-</u>	<u>(409)</u>
Gross deferred tax assets:				
Other financial assets	-	-	-	-
Provisions	264	97	-	361
	<u>264</u>	<u>97</u>	<u>-</u>	<u>361</u>
	<u>(301)</u>	<u>253</u>	<u>-</u>	<u>(48)</u>

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

	Council		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
(e) Imputation Credit Account Balances				
Balance at 30 June 2019	-	-	11,941	10,418
	<u>-</u>	<u>-</u>	<u>11,941</u>	<u>10,418</u>
Imputation credits available directly and indirectly to Council through:				
Council			-	-
Subsidiaries			11,941	10,418
			<u>11,941</u>	<u>10,418</u>

4 Key Management Personnel Compensation

The key management personnel for council are the Councillors, Chief Executive, Strategy and Corporate Planning Manager and four divisional Directors. The key personnel for the Group includes South Port Directors, Chief Executive and other senior management. The compensation for these are set out below:

	Council		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Short-term employee benefits	1,847	1,840	3,678	3,695
Other long-term employee benefits	-	-	51	55
	1,847	1,840	3,729	3,750

5 Remuneration of Auditors

	Council		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Audit fees for financial statement audit	116	112	116	112
Audit fees for the 2018-2028 Long Term Plan	-	94	-	94
	116	206	116	206
Audit fees to other auditors for audit of financial statements of group entities	-	-	52	54
	-	-	52	54
	116	206	168	260

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

6 Trade and Other Receivables

	Council		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Trade Receivables	2,278	1,942	7,979	7,599
Allowance for doubtful debts	(270)	(180)	(320)	(230)
	2,008	1,762	7,659	7,369
Goods and services tax (GST) receivable	536	229	536	229
Other sundry receivables	453	272	453	272
	2,997	2,263	8,648	7,870
Current	2,997	2,263	8,648	7,870
Non-current	-	-	-	-
	2,997	2,263	8,648	7,870

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 \$1,426,911 (2018: \$1,638,469), Council \$1,181,911 (2018: \$1,003,469), which are past due at the reporting date for which the Group has not provided. The Group has not provided for these as \$794,295 (2018: \$783,659) relates to rates arrears (recoverable via the means outlined above) and there has not been a significant change in credit quality for other amounts owing, 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: 30 days (2018: 39 days) and Group: 30 days (2018: 39 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Raw materials (at cost)	110	120	110	120
	110	120	110	120

8 Other Financial Assets and Liabilities

		Council		Group	
		2019 \$000	2018 \$000	2019 \$000	2018 \$000
Fair value through Profit or Loss:					
Classified as held for trading					
<u>Managed Funds</u>					
JBWere - NZ Government and Local Authority Stock	(i)	3,711	3,824	3,711	3,824
JBWere - Other Bonds	(i)	11,325	11,549	11,325	11,549
JBWere - Cash	(i)	2,987	1,463	2,987	1,463
JBWere - Equities	(i)	15,923	16,964	15,923	16,964
		<u>33,946</u>	<u>33,800</u>	<u>33,946</u>	<u>33,800</u>
Classified as loans and receivables					
Loan to Invercargill City Council	(iv)	134	127	134	127
Loan to Gore District Council	(iv)	27	25	27	25
Classified as other financial assets and liabilities					
Interest rate derivatives	(iii)	-	-	(600)	(353)
Shares - Civic Assurance Limited		9	9	9	9
		<u>34,116</u>	<u>33,961</u>	<u>33,516</u>	<u>33,608</u>
Disclosed in the financial statements as:					
Current Assets		33,946	33,800	33,946	33,800
Non-current Assets		170	161	170	161
Current Liabilities		-	-	(70)	-
Non-current Liabilities		-	-	(530)	(353)
		<u>34,116</u>	<u>33,961</u>	<u>33,516</u>	<u>33,608</u>

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 2019 (2018: \$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 2019 (2018: \$5 Million at 4.45% maturing November 2019).

Interest Rate Swap - South Port NZ Ltd has an additional 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 2019 (2018: contract in place for \$5 Million at 3.64% commencing November 2019 and maturing November 2024).

- (iv) The Group advanced \$Nil to Gore District Council during the year (2018: 40,000) \$Nil was advanced to Invercargill City Council (2018: \$Nil) to support the low interest loans offered on the Clean Air scheme. This is interest free and repayable in eight years time. The total amount able to be drawn down under this scheme is \$1,500,000 (2018: \$1,500,000). These loans are recorded at present value applying a discounted rate of 5.9% over the life of the loan.

9 Other Current Assets

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Prepayments	289	166	340	207
	289	166	340	207

10 Property, Plant and Equipment

COUNCIL ONLY

	2019											
	Cost 1 July 2018	Additions	Disposals	Transfers	Cost 30 June 2019	Accumulated depreciation and impairment charges 1 July 2018	Impairment losses charged in Statement of Comprehensive Income	Depreciation expense *	Accumulated depreciation reversed on disposal	Other	Accumulated depreciation and impairment charges 30 June 2019	Carrying amount 30 June 2019
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Council Operational Assets												
Land	145	16	-	-	161	-	-	-	-	-	-	161
Buildings	5,035	4	-	-	5,039	(1,618)	-	(118)	-	-	(1,736)	3,303
Rental Land	4,591	-	-	-	4,591	-	-	-	-	-	-	4,591
Rental Buildings	1,065	-	(10)	-	1,055	(737)	-	(20)	10	-	(747)	308
Motor Vehicles	2,180	195	(31)	-	2,344	(1,159)	-	(260)	12	-	(1,407)	936
Other Plant and Equipment	4,682	324	(25)	-	4,981	(3,382)	-	(297)	17	-	(3,662)	1,319
Total Operational Assets	17,698	539	(66)	-	18,170	(6,896)	-	(696)	39	-	(7,553)	10,618
Council Infrastructural Assets												
Stopbanks and Earthworks	24,668	-	-	-	24,668	-	-	(2)	-	-	(2)	24,666
Bridges	106	-	-	-	106	(16)	-	(1)	-	-	(17)	89
Large Culverts	2,238	48	(11)	-	2,275	(448)	-	(39)	6	-	(481)	1,794
Tidegate Structures	719	-	-	-	719	(138)	-	(9)	-	-	(147)	572
Total Infrastructural Assets	27,731	48	(11)	-	27,768	(602)	-	(51)	6	-	(647)	27,120
Council Work in Progress												
Buildings	-	5	-	-	5	-	-	-	-	-	-	5
Total Council Property, Plant and Equipment	45,429	592	(78)	-	45,943	(7,498)	-	(747)	45	-	(8,200)	37,743

* Depreciation differs from the Statement of Comprehensive Income and Expense by \$19k which is the Joint Venture share of Emergency Management Southland total depreciation.

COUNCIL ONLY

	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
Council Operational Assets												
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)	113	-	(1,159)	1,021
Other Plant and Equipment	4,475	207	-	-	4,682	(3,092)	-	(290)	-	-	(3,382)	1,300
Total Operational Assets	17,542	295	(139)	-	17,698	(6,288)	-	(721)	113	-	(6,896)	10,802
Council Infrastructural Assets												
Stopbanks and Earthworks	24,668	-	-	-	24,668	-	-	-	-	-	-	24,668
Bridges	106	-	-	-	106	(14)	-	(2)	-	-	(16)	90
Large Culverts	2,203	47	(12)	-	2,238	(420)	-	(34)	6	-	(448)	1,790
Tidegate Structures	719	-	-	-	719	(128)	-	(10)	-	-	(138)	581
Total Infrastructural Assets	27,696	47	(12)	-	27,731	(562)	-	(46)	6	-	(602)	27,128
Total Council Property, Plant and Equipment	45,238	342	(151)	-	45,429	(6,850)	-	(767)	119	-	(7,498)	37,930

* 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	2019											
	Cost 1 July 2018	Additions	Disposals	Transfers	Cost 30 June 2019	Accumulated depreciation and impairment charges 1 July 2018	Impairment losses charged in Statement of Comprehensive Income	Depreciation expense *	Accumulated depreciation reversed on disposal	Other	Accumulated depreciation and impairment charges 30 June 2019	Carrying amount 30 June 2019
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Group Operational Assets												
Land - Council	145	16	-	-	161	-	-	-	-	-	-	161
Buildings - Council	5,035	4	-	-	5,039	(1,618)	-	(118)	-	-	(1,736)	3,303
Rental Land - Council	4,591	-	-	-	4,591	-	-	-	-	-	-	4,591
Rental Buildings - Council	1,065	-	(10)	-	1,055	(737)	-	(20)	10	-	(747)	308
Motor Vehicles - Council	2,180	195	(31)	-	2,344	(1,159)	-	(260)	12	-	(1,407)	936
Other Plant and equipment - Council	4,682	324	(25)	-	4,981	(3,382)	-	(297)	17	-	(3,662)	1,319
Land - Subsidiary	3,078	-	-	-	3,078	-	-	-	-	-	-	3,078
Buildings - Subsidiary	20,630	1,964	(85)	-	22,509	(6,517)	-	(465)	24	-	(6,958)	15,551
Plant and Machinery - Subsidiary	68,767	4,012	(559)	-	72,220	(38,484)	-	(3,145)	354	-	(41,275)	30,945
Total Operational Assets	110,173	6,515	(711)	-	115,977	(51,897)	-	(4,306)	417	-	(55,786)	60,191
Council Infrastructural Assets												
Stopbanks and Earthworks	24,668	-	-	-	24,668	-	-	(2)	-	-	(2)	24,666
Bridges	106	-	-	-	106	(16)	-	(1)	-	-	(17)	89
Large Culverts	2,238	48	(11)	-	2,275	(448)	-	(39)	6	-	(481)	1,794
Tidegate Structures	719	-	-	-	719	(138)	-	(9)	-	-	(147)	572
Total Infrastructural Assets	27,731	48	(11)	-	27,768	(602)	-	(51)	6	-	(647)	27,120
Work in Progress												
Buildings	-	5	-	-	5	-	-	-	-	-	-	5
Total Group Property, Plant and Equipment	137,904	6,568	(722)	-	143,749	(52,499)	-	(4,357)	423	-	(56,433)	87,316

* Depreciation differs from the Statement of Comprehensive Income and Expense by \$19k which is the Joint Venture share of Emergency Management Southland total depreciation.

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
Group Operational Assets												
Land - Council	145	-	-	-	145	-	-	-	-	-	0	145
Buildings - Council	4,990	45	-	-	5,035	(1,499)	-	(119)	-	-	(1,618)	3,417
Rental Land - Council	4,591	-	-	-	4,591	-	-	-	-	-	0	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	4,475	207	-	-	4,682	(3,092)	-	(290)	-	-	(3,382)	1,300
Land - Subsidiary	2,944	134	-	-	3,078	-	-	-	-	-	0	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	(36,857)	-	(2,940)	1,304	9	(38,484)	30,282
Total Operational Assets	107,070	4,680	(1,578)	-	110,173	(49,244)	-	(4,082)	1,419	9	(51,897)	58,273
Council Infrastructural Assets												
Stopbanks and Earthworks	24,668	-	-	-	24,668	-	-	-	-	-	0	24,668
Bridges	106	-	-	-	106	(15)	-	(2)	-	-	(17)	89
Large Culverts	2,203	47	(12)	-	2,238	(419)	-	(34)	6	-	(447)	1,791
Tidegate Structures	719	-	-	-	719	(128)	-	(10)	-	-	(138)	581
Total Infrastructural Assets	27,696	47	(12)	-	27,731	(562)	-	(46)	6	-	(602)	27,129
Total Group Property, Plant and Equipment	134,766	4,727	(1,590)	-	137,904	(49,806)	-	(4,128)	1,425	9	(52,499)	85,402

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

11 Investment in Related Party

As at 30 June 2019, the council has a 15.50%. (2018: 15.50%) shareholding in a limited liability company called Regional Software Holdings Limited (RSHL), incorporated on 17 October 2012 with the shareholders being the 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.

As at 30 June 2019, the council has a 18.75%. (2018: Nil) shareholding in another limited liability company called Southland Regional Development Agency Limited (Great South), incorporated on 29 March 2019 with the shareholders being the four local regional councils together with four external Shareholders. This company is a Council Controlled Organisation established for the purpose of contributing to the wellbeing of the Southland Region, both commercial and non-commercial. The objective will be met with a strong sense of environmental and social responsibility.

12 Trade and Other Payables

	Council		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Trade payables	5,053	2,802	8,205	6,190
Other accrued charges	456	507	456	507
Income Received in Advance	43	-	43	-
	5,552	3,309	8,704	6,697

The average credit period on purchases is 30 days

13 Employee Entitlements

	Council		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Accrued salary and wages	807	776	1,138	1,331
Annual leave	1,041	1,061	1,829	1,630
Long service leave	2	1	74	56
Retirement leave	-	-	-	-
Sick leave	-	-	-	-
	1,850	1,838	3,041	3,017
<i>Disclosed in the financial statements as:</i>				
Current Employee Entitlements	1,806	1,800	2,978	2,932
Non-Current Employee Entitlements	44	38	63	85
	1,850	1,838	3,041	3,017

14 Borrowings

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
<i>Secured - at amortised cost</i>				
Current borrowings	-	-	-	-
Non-current borrowings	-	-	7,000	7,200
	-	-	7,000	7,200

South Port New Zealand Limited's credit facility of \$17 million from ANZ (Last year HSBC) (2018: \$17 million) is split between three different lines of credit as follows:

Facility 1 - \$5 million expiring 1 February 2024

Facility 2 - \$11 million expiring 31 January 2021

Facility 3 - \$1 million revolving, reviewed annually

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. The same security was in place the previous year.

Interest on the first \$5 million drawn at any one time is payable according to the five year interest rate swap agreement (expiring November 2019, extended to November 2024) the Company has with ANZ (Last year 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Lease area balances (a)	5,081	4,652	5,081	4,652
Special reserves (b)	18,033	17,550	18,033	17,550
Rating district balances (c)	5,379	4,790	5,379	4,790
Retained earnings (d)	49,021	49,336	69,312	67,655
Non controlling interest (e)	-	-	14,016	13,021
	<u>77,514</u>	<u>76,328</u>	<u>111,821</u>	<u>107,667</u>

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

	Balance	Plus	2019	Transfers	Balance
	1/07/2018 \$000	Income \$000	Interest Paid \$000	Out \$000	30/06/2019 \$000
Aparima	35	3	-	(2)	36
Ferry Road	1,486	277	-	(94)	1,669
Kingswell	30	5	-	(4)	31
Mataura	2,171	435	-	(309)	2,297
Oreti	426	190	-	(105)	511
Otepunu	191	29	-	(9)	211
Winton	179	11	-	(8)	182
Waihopai	135	24	-	(14)	144
	<u>4,652</u>	<u>973</u>	<u>-</u>	<u>(544)</u>	<u>5,081</u>

	Balance	Plus	2018	Transfers	Balance
	1/07/2017 \$000	Income \$000	Interest Paid \$000	Out \$000	30/06/2018 \$000
Aparima	33	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>4,652</u>

(b) Special Reserves (Council and Group)

	2019			Balance 30/06/2019 \$000
	Balance 1/07/2018 \$000	Transfers to \$000	Transfers from \$000	
Building Reserve	123	127	(23)	227
Lease Building Reserve	537	20	-	557
Furniture and Equipment Reserve	80	24	(3)	101
Plant Renewal Reserve	156	264	(319)	101
Computer Reserve	-	-	-	-
Vehicle reserve	426	279	(194)	511
Infrastructure Assets Reserve	471	51	(49)	473
Disaster Damage General Reserve	2,000	-	-	2,000
Makarewa Disaster Damage Reserve-Restricted	169	5	-	174
Oreti Disaster Damage Reserve-Restricted	1,486	41	-	1,527
Lower Mararoa Disaster Damage Reserve-Restricted	-	-	-	-
Upper Mararoa Disaster Damage Reserve-Restricted	-	-	-	-
Mataura Disaster Damage Reserve-Restricted	1,271	35	-	1,306
Aparima Disaster Damage Reserve-Restricted	551	28	-	579
Upukerora Disaster Damage Reserve-Restricted	-	-	-	-
Whitestone Disaster Damage Reserve-Restricted	-	-	-	-
Orauea Disaster Damage Reserve-Restricted	9	-	-	9
Invercargill Disaster Damage Reserve-Restricted	869	84	-	953
Waiiau Disaster Damage Reserve-Restricted	1,698	77	(67)	1,708
Gratuity Reserve	-	-	-	-
Regional Assistance to Projects	6	-	-	6
Coastal Rental Reserve	5	79	-	84
Marine Fee Reserve-Restricted	3,007	2,557	(2,111)	3,453
South Port Special Dividend Reserve	669	-	-	669
South Port Share Buy Back Reserve	2,427	-	(561)	1,866
Election Funding Reserve	46	30	-	76
Pest Property Reserve Fund	309	11	(1)	319
Pest Plant Reserve	67	3	-	70
Pest Disposals Reserve	299	-	-	299
Te Anau Basin Reserve	293	28	-	321
Waimatuku Stream Disaster Reserve - Restricted	56	2	-	58
Aerial Photography Reserve	49	-	-	49
Emergency Management Southland Reserve	157	-	51	208
Emergency Mgmt Southland Capital Res	-	-	-	-
Lake Hawkins Pumphouse-Restricted	315	14	0	329
Building Security and Parking Reserve	-	-	-	-
	17,550	3,759	(3,276)	18,033

(b) Special Reserves (Council and Group) cont

	2018			Balance 30/06/2018 \$000
	Balance 1/07/2017 \$000	Transfers to \$000	Transfers from \$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	-	-	-	-
	<u>16,612</u>	<u>3,642</u>	<u>(2,703)</u>	<u>17,550</u>

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

	2019					
	Balance	Plus Rates	Other	Net	Cost to	Balance
	1/07/2018	18/19	Income	Transfers	District	30/06/2019
	\$000	\$000	\$000	\$000	\$000	\$000
Aparima	541	323	234	(13)	(487)	598
Clifton Drainage	14	5	1	-	(2)	18
Duck Creek	38	62	13	-	(72)	41
Invercargill	83	487	179	(60)	(553)	136
Lake Hawkins	(86)	113	26	(5)	(137)	(89)
Makarewa	336	208	146	-	(466)	224
Makarewa Special		-	-	-	115	115
Mataura	362	1,275	544	-	(1,532)	650
Otepunui Creek	23	18	5	-	(46)	(0)
Oreti	594	859	506	-	(1,272)	687
Te Anau Basin	706	211	224	(19)	(381)	740
Waituna Creek	130	78	20	-	(165)	63
Waihopai	35	32	3	-	(9)	60
Waiau	569	1	366	(30)	(309)	596
Waiau - Sharpridge	47	4	6	-	(1)	56
Waiau - Orauea	16	24	25	-	(42)	23
Waiau - Upper Lillburn	381	15	30	-	(53)	373
Waiau - Wairaki	40	15	46	-	(69)	32
Waiau - Fenham	117	5	8	-	(6)	124
Waiau - Boundary Creek	7	-	1	-	(5)	2
Waiau Special Projects	699	-	19	-	24	742
Waimatuku	7	54	7	-	(46)	21
Upper Waihopai	33	19	2	-	(3)	51
Upper Waikiwi	73	16	3	-	(5)	86
Lower Waikawa	14	3	1	-	(6)	12
Upper Waikawa	11	8	1	-	(4)	17
	4,790	3,833	2,413	(127)	(5,530)	5,379

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

	2018					
	Balance	Plus Rates	Other	Net	Cost to	Balance
	1/07/2017	17/18	Income	Transfers	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
Otepunui 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)	4,790

(d) Retained Earnings

	Council		Group	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Balance at beginning of year	49,336	48,837	67,655	65,268
Net surplus / (deficit) attributable to Council	1,187	2,270	3,158	4,156
Net movement in lease areas	(429)	(401)	(429)	(401)
Net movement in special reserves	(483)	(939)	(483)	(939)
Net movement in rating districts	(589)	(431)	(589)	(431)
Balance at end of year	49,021	49,336	69,312	67,655

(e) Non Controlling Interests

	Group	
	2019	2018
	\$000	\$000
Balance at beginning of year	13,021	12,070
Share of comprehensive income for the year	3,281	3,237
Dividend distribution for the year	(2,286)	(2,286)
Balance at end of year	14,016	13,021

16 Commitments for Expenditure

	Council		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
(a) Capital Expenditure Commitments				
Buildings	-	-	280	2,150
Land	1,906	-	1,906	-
Plant and equipment	144	-	144	-
	<u>2,050</u>	<u>-</u>	<u>2,330</u>	<u>2,150</u>

As at 30 June 2019, the Council has the following capital expenditure commitments:

- (i) Funds committed at 30 June 2019 were \$2.05m, comprising of \$1.91m for land acquisitions as part of Council's planned work programme and \$144k for a new Harbourmaster's vessel. (2018: \$Nil)

As at 30 June 2019, the Group has the following capital expenditure commitments:

- (i) Additional funds committed \$280,000 as South Port Group entered into commitments to complete minor capital projects. (2018: an extension of 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, funds committed \$2,150,000).

(b) Operating Lease Commitments

Finance lease commitments

Finance lease liabilities at 30 June 2019 were \$Nil (2018: \$Nil)

Operating lease commitments

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

	Council		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Within one year	67	54	135	148
One to five years	26	78	198	238
More than five years	-	-	-	-
	<u>93</u>	<u>132</u>	<u>333</u>	<u>386</u>

South Port New Zealand Limited has a ten year operating 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. There is a further lease commitment with Kiwirail for a parcel of land situated at Invercargill which expires in September 2027.

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

	Council		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Within one year	658	700	3,815	4,973
One to five years	858	1,364	9,999	10,437
More than five years	-	-	39,158	41,016
	<u>1,516</u>	<u>2,064</u>	<u>52,972</u>	<u>56,426</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 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 has no contingent liabilities as at 30 June 2019 (2018: Nil). South Port Group \$Nil (2018: \$Nil)

18 Subsidiaries

Parent Entity	Country of Incorporation	Ownership Interest	
		2019 %	2018 %
Southland Regional Council (i)	New Zealand		
Subsidiaries			
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	
	2019 \$000	2018 \$000
South Port New Zealand Limited		
Dividend payment made to Council	4,535	4,535
Expenses paid to Council as per normal terms of business	10	10

	Council	
	2019 \$000	2018 \$000
Admin fees and support paid by Council	(185)	(176)

Regional Software Holdings Limited has no subsidiaries.

Southland Regional Development Agency Limited (Great South)

There were no related party transactions with Southland Regional Development Agency Limited during 2019.

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 \$484,000 (2018: \$393,000). Sanford Limited debtors balance at 30 June 2019 \$25,000 (2018: \$29,000). Mr T M Foggo, a Director of South Port New Zealand Limited acted in the capacity of consultant for 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 2019 no amounts invoiced to Sanford were written off as bad debts or included in the doubtful debts provision at balance date (2018: Nil).

In Environment Southland's role as agent for the Whakamana Te Waituna Trust, as at 30 June 2019 funds held on behalf of the Trust amounted to \$435,000 (2018: \$170,000). These amounts are recorded in the cash and deposits balance and are considered restricted cash on the basis that the funds are held in trust for the Whakamana Te Waituna Trust.

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	34.04
Gore District Council	9.42
Invercargill City Council	28.27
Southland District Council	28.27

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

	2019	2018
	\$000	\$000
Current Assets	178	148
Revenue	335	355
Expenses	284	385

21 Subsequent Events

(a) Council

Council had no significant events after balance date.

(b) Group (South Port New Zealand Limited)

On 29 Aug 2019 the Board declared a final dividend for the year to 30 June 2019 of 18.50 cents per share amounting to \$4,854 million (before supplementary dividends). (2018 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Cash	142	-	1,568	991
Bank Overdraft	-	(2,484)	-	(2,484)
Cash and cash equivalents	142	(2,484)	1,568	(1,493)

Council has an overdraft facility with ANZ Bank New Zealand Limited, with a limit of 7 million as at 30 June 2019. 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 2020. The interest rate is 2.81%.

South Port NZ has an overdraft facility of \$200,000 (2018: \$200,000), of which \$0 (2018: \$0) had been drawn down.

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

	Council		Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Surplus / (Deficit)	1,187	2,270	6,439	7,393
Add (less) non-cash items				
Depreciation	729	741	4,339	4,102
EMS Depreciation	16	24	16	24
(Gain) / loss on disposal of property, plant and equipment	7	(14)	166	(257)
Net change in fair value of forward exchange contracts and interest rate swaps	-	-	246	99
Fair value gain/loss on other financial assets	(2,320)	(3,322)	(2,320)	(3,322)
Deferred Tax Expense	-	-	(253)	(140)
	(1,568)	(2,571)	2,194	506
Add/(less) movement in working capital:				
Trade and other receivables	(734)	(127)	(996)	(1,471)
Inventories	10	-	10	-
Prepayments	(123)	47	(123)	53
Trade and other payables	2,243	616	2,445	1,106
Employee Entitlements	12	(147)	24	97
Borrowings	-	-	-	-
Taxation payable	-	-	53	426
	1,408	389	1,413	211
Add/(less) items classified as Investing Activities:				
Property, plant and equipment included in trade and other payables	-	-	-	(214)
Investment property included in trade and other receivables	-	-	-	-
	-	-	-	(214)
Net cash inflow (outflow) from operating activities	1,027	88	10,046	7,895

23 Severance Payments (Council only)

For the year ended 30 June 2019 Council made no severance payments (2018: \$24,907)

24 Remuneration (Council only)

- (a) During the year to 30 June 2019, 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 2019 year				Total
	Remuneration	Communication Allowance	Meeting fees	Mileage	
<i>Chair</i>					
Nicol Horrell	102,486	550	-	-	103,036
	<u>102,486</u>	<u>550</u>	<u>-</u>	<u>-</u>	<u>103,036</u>
<i>Elected members</i>					
Ross Cockburn	45,945	780	-	9,264	55,989
Neville Cook	45,945	990	-	-	46,935
Ernest Currie	38,288	780	-	-	39,068
Robert Guyton	38,288	990	-	-	39,278
Grant Hubber	45,945	885	4,600	1,661	53,091
Lyndall Ludlow	38,288	-	4,280	448	43,016
Lloyd McCallum	45,945	1,190	-	3,920	51,055
Jeremy McPhail	38,288	-	-	9,401	47,689
Maurice Rodway	45,945	941	-	155	47,041
Eric Roy	38,288	-	-	-	38,288
David Stevens	38,288	990	-	7,357	46,635
	<u>459,453</u>	<u>7,546</u>	<u>8,880</u>	<u>32,206</u>	<u>508,085</u>
	<u>561,939</u>	<u>8,096</u>	<u>8,880</u>	<u>32,206</u>	<u>611,121</u>

	Cost 2018 year				Total
	Remuneration	Communication Allowance	Meeting fees	Mileage	
<i>Chair</i>					
Nicol Horrell	97,048	632	-	-	97,680
	<u>97,048</u>	<u>632</u>	<u>-</u>	<u>-</u>	<u>97,680</u>
<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
	<u>441,578</u>	<u>7,474</u>	<u>30,275</u>	<u>31,045</u>	<u>510,372</u>
	<u>538,626</u>	<u>8,106</u>	<u>30,275</u>	<u>31,045</u>	<u>608,052</u>

Chief Executive

For the year ending 30 June 2019 the total cost to the Council of the remuneration package being received by the Chief Executive, including the fringe benefit tax of \$5,077 (2018: \$5,114) is calculated at \$331,194 (2018: \$321,609).

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

	2019	2018
	Actual	Actual
Number of full-time employees	165	156
Fulltime equivalent of all other employees	9	3
Council defines a full-time equivalent employee as working 37.5 hours per week.		
Number of employees receiving total annual remuneration below \$60,000	38	28
Number of employees receiving total annual remuneration between \$60,000 and \$79,999	44	56
Number of employees receiving total annual remuneration between \$80,000 and \$99,999	53	41
Number of employees receiving total annual remuneration between \$100,000 and \$119,999	21	20
Number of employees receiving total annual remuneration between \$120,000 to \$139,999	12	9
Number of employees receiving total annual remuneration over \$140,000	6	5

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 2018.

(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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Financial Assets				
Cash and cash equivalents	142	-	1,568	991
Trade and other receivables - Amortised Cost	2,997	2,263	8,648	7,870
Other financial assets				
- Fair Value through profit or loss - held for trading	33,946	33,800	33,946	33,800
- Loans to Invercargill City Council	134	127	134	127
- Loans to Gore District Council	27	25	27	25
- Investments held at Cost	9	9	9	9
Financial Liabilities				
Bank overdraft	-	2,484	-	2,484
Trade and other payables - Amortised Cost	5,552	3,309	8,704	6,697
Borrowings - Amortised Cost	-	-	7,000	7,200
Other financial liabilities				
- Fair Value through profit or loss	-	-	530	353

(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	
	2019 NZ \$000	2018 NZ \$000	2019 NZ \$000	2018 NZ \$000
Council				
US Dollars	7,754	7,788	-	-
British Pounds	-	-	-	-
Euro	2,052	2,613	-	-
Australian Dollars	2,720	2,738	-	-
Group				
US Dollars	7,754	7,788	-	-
British Pounds	-	-	-	-
Euro	2,052	2,613	-	-
Australian Dollars	2,720	2,738	-	-

(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 ANZ 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 2.55% and 2.82% (2018: 2.56% and 2.69%). 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 2019 (2018: \$5 million at 4.45% maturing November 2019).

Interest Rate Swap - South Port NZ Ltd has an additional 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 2019 (2018: contract in place for \$5 Million at 3.64% commencing November 2019 and maturing November 2024).

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 2019	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
Financial Assets									
Cash and Cash equivalents		142						142	142
Trade Receivables		2,997	-	-	-	-	-	2,997	2,997
Managed Funds		33,946						33,946	33,946
Financial Liabilities									
Bank overdraft	2.81%	-	-	-	-	-	-	-	-
Trade and other payables		5,552	-	-	-	-	-	5,552	5,552
Borrowings		-	-	-	-	-	-	-	-

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
Financial Assets									
Cash and Cash equivalents		-							
Trade Receivables		2,263	-	-	-	-	-	2,263	2,263
Managed Funds		33,800						33,800	33,800
Financial Liabilities									
Bank overdraft	3.15%	2,484	-	-	-	-	-	2,484	2,484
Trade and other payables		3,309	-	-	-	-	-	3,309	3,309
Borrowings		-	-	-	-	-	-	-	-

GROUP 2019	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
Financial Assets									
Cash and Cash equivalents	1.50%	1,568	-	-	-	-	-	1,568	1,568
Trade Receivables		8,648	-	-	-	-	-	8,648	8,648
Managed Funds		33,946						33,946	33,946
Financial Liabilities									
Bank overdraft	2.81%	-	-	-	-	-	-	-	-
Trade and other payables		8,704	-	-	-	-	-	8,704	8,704
Borrowings (non-current)	3.93%	185	2,164	135	135	5,078	-	7,697	7,000
Borrowings (current)		-	-	-	-	-	-	-	-
Interest rate derivatives	4.45%	667	-	-	-	-	-	667	600

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
Financial Assets									
Cash and Cash equivalents	1.75%	991	-	-	-	-	-	991	991
Trade Receivables		7,870	-	-	-	-	-	7,870	7,870
Managed Funds		33,800						33,800	33,800
Financial Liabilities									
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

(i) 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 2019 the fair value of this investment based on the NZX quoted bid price was \$117,730,618 (2018: \$122,091,011).

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 2019

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
33,946	18,910	15,036	-
(600)	-	(600)	-

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)	-

(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 \$1,252,647 (2018: \$1,313,822). 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 \$140,510 (2018: \$123,933). 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 \$1,592,282 (2018: \$1,696,423) 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 2019

	Council 2019 \$000	Council 2019 Annual Plan \$000	Variance \$000	Note
Revenue				
Rates revenue	16,989	16,988	1	
Government Grants	1,652	2,483	(831)	a.
Other revenue	14,025	13,792	233	b.
Other gains /(losses)	2,321	1,747	574	c.
Total Revenue	34,987	35,009	(22)	
Expenditure				
Employee benefits expense	15,809	16,777	(968)	d.
Depreciation expense	729	799	(70)	e.
Finance costs	53	100	(47)	f.
Other expenses	17,209	17,820	(611)	g.
Total Operating Expenditure	33,800	35,497	(1,697)	
Surplus (Deficit) before tax	1,187	(487)	1,674	
Income tax expense	-	-	-	
Surplus (deficit) for the period	1,187	(487)	1,674	
Total Comprehensive Revenue / Deficit	1,187	(487)	1,674	

Explanations for Council Statement of Comprehensive Revenue and Expense Variances:

The actual operating surplus of \$1.19m was better than the planned budgeted deficit by \$1.67m. The major components of this favourable result are explained below.

Total comprehensive revenue received for the year was \$22,000 less than budget. The major items contributing to this variance were:

- a. Government grants were \$831,000 less than budget due to less funds received for several anticipated projects that did not run for the full year.
- b. Other revenue was \$233,000 above budget mainly due to increased income from local contributions and consent cost recoveries.
- c. Other Gains/(losses) was over budget by \$574,000 due to higher than expected investment returns, less an amount budgeted for Gain on Sale of assets, which did not occur within the financial year.

Actual operating expenditure was \$1.67m below budget primarily due to:

- d. Employee expenses were below budget by \$968,000 mainly due to staff vacancies.
- e. Depreciation expense was less than budget due to the overprovision for depreciation in the budget.
- f. Finance costs were \$47,000 below budget due to lower use of bank overdraft facilities during the year.
- g. Other expenses were below budget by \$611,000 due to a combined operational underspend of \$1.54m offset by increased expenditure of \$530,000 for regulatory costs and a \$400,000 contribution to the Bluff boat ramp.

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

Statement of Financial Position
As at 30 June 2019

	Council 2019 \$000	Council 2019 Annual Plan \$000	Variance \$000	Note
Equity	77,514	73,436	4,078	a.
Current Assets	37,484	31,219	6,265	b.
Non-Current Assets	47,432	51,651	(4,219)	c.
Current Liabilities	7,358	9,400	(2,042)	d.
Non Current Liabilities	44	34	10	
Net Assets	77,514	73,436	4,078	

Explanations for Council Statement of Financial Position Variances:

- a. Equity of \$77.5m is \$4.1m above budget. This is due to a the operating surplus being ahead of budget combined with the following:
- b. Current assets are \$37.48m against a budget of \$31.22m due to the increased in investment income in the Managed Funds portfolio and an increase in debtors.
- c. Non current assets at \$47.43m are \$4.22m lower than budget due to the amounts loaned being less than budget and anticipated asset purchases not occurring during the financial year.
- d. Current liabilities of \$7.36m are lower than budget by \$2.04m due to the bank overdraft being lower than budget by \$4.96m, offset by trade payables and employee entitlements being higher than budget by \$2.92m.

Statement of Cash Flows
for the Year Ended 30 June 2019

	Council 2019 \$000	Council 2019 Annual Plan \$000	Variance \$000	Note
Net cash flow from operating activities	1,027	(1,394)	2,421	
Net cash flow from investing activities	1,599	1,654	(55)	
Net cash flow from financing activities	-	-	-	
Increase/(Decrease) in cash held	2,626	260	2,366	
Add opening cash brought forward	(2,484)	(5,222)	2,738	
Ending cash carried forward	142	(4,962)	5,104	a.

Explanations for Council Statement of Cash Flows Variances:

- a. The cash position was better than budget by \$5.1m This is due to the operating surplus being better than budget by \$1.67m and asset purchases anticipated during the year not occurring until after balance date.

Additional Disclosure Information

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

	2018
The number of rating units within the region	50,169
The total capital value of rating units within the region	32,219,972,100
The total land value of rating units within the region	19,222,393,500

Insurance on Assets

	2019	2018
	\$000s	\$000s
Total value of all assets of Council covered by insurance contracts.	45,943	45,237
Maximum amount to which insured.	155,615	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

Note:

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 2019

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.

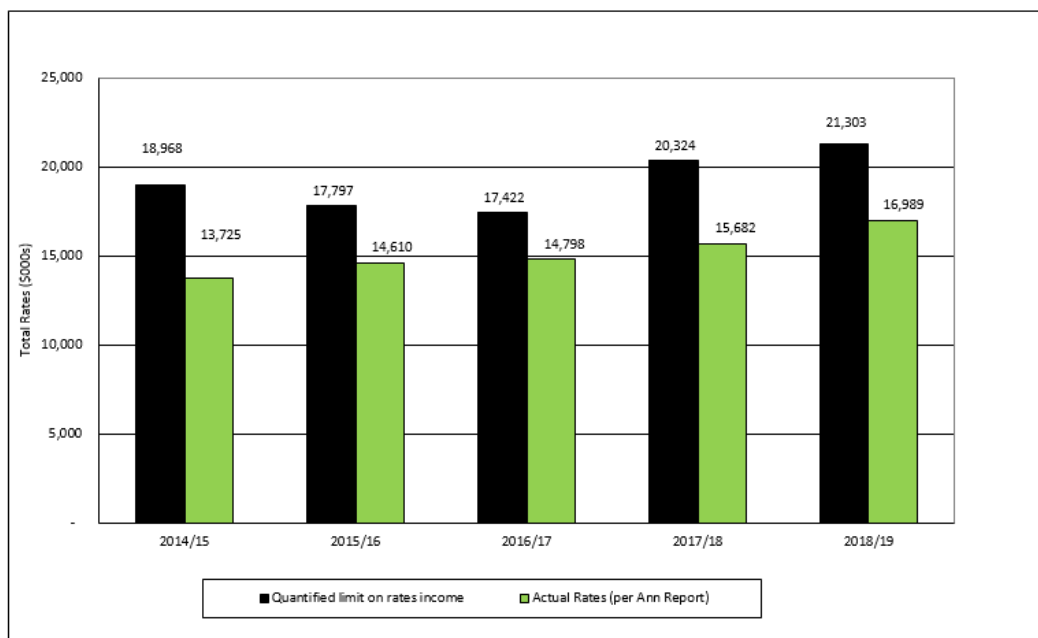
The Council is required to include this statement in its Annual Report in accordance with the *Local Government (Financial Reporting and Prudence) Regulations 2014* (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

1. Rates affordability benchmarks

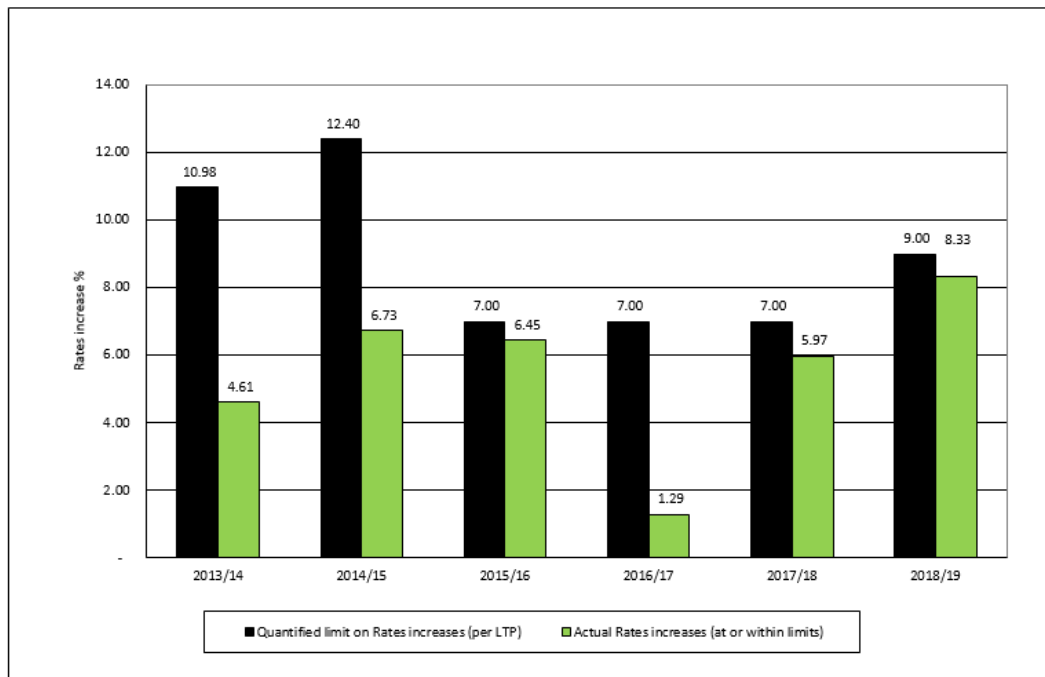
The Council meets the rates affordability benchmark if:

- 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 2014 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.



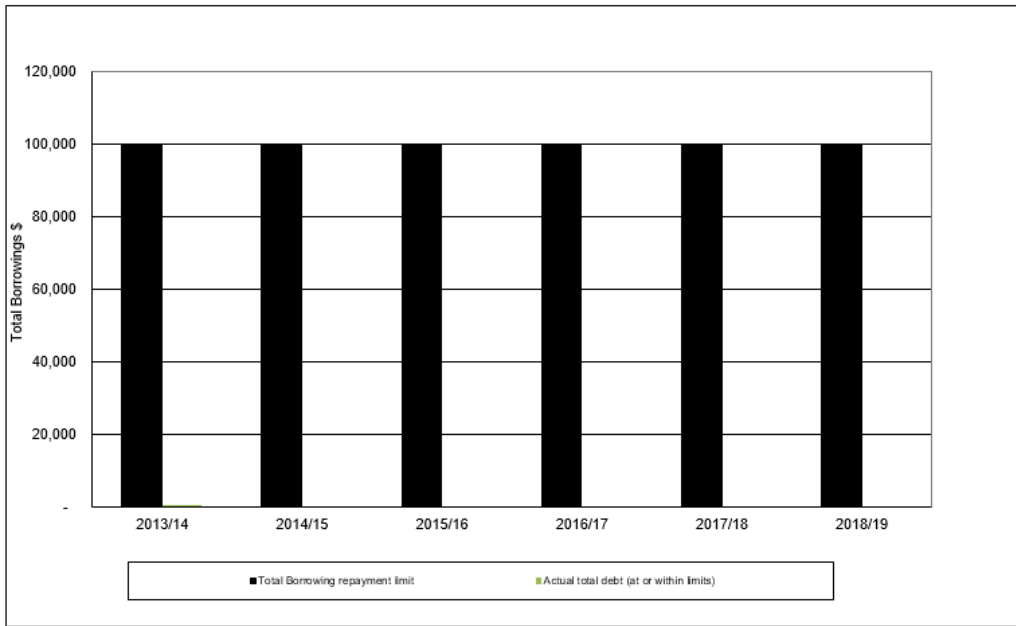
The Rates (increases) Affordability benchmark requires a comparison of actual performance against quantified limits set in the Council’s Financial Strategy.

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. In 2018/19 the quantified limit is that total rates increase will not exceed 9% for the first three years of the Council’s 2018-2028 Long-term Plan. The increase in quantified limit as forecast in the 2015 Long-term Plan is because of the greater rates income required to fund additional water projects.

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.



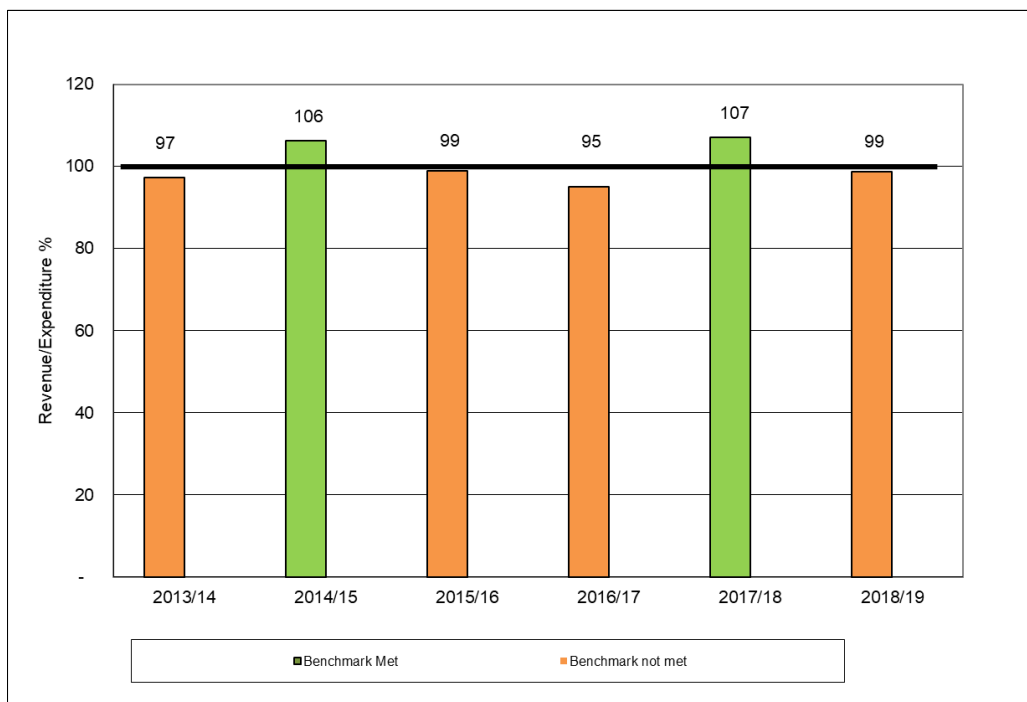
During the period 2013/14 to 2018/19, the Council had no external public debt therefore no actual total debt is shown in the above graph.

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.



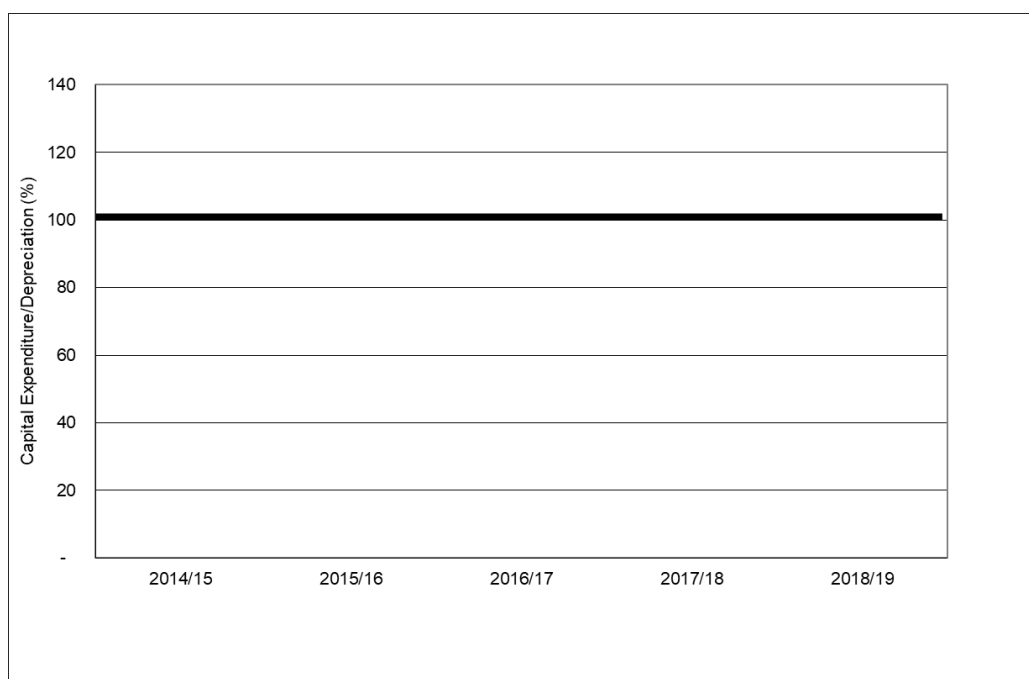
In each of the years 2013/14 to 2018/19, Council planned not to meet its balanced budget requirement. Council planned to incur more operating expenditure than revenue received as it had resolved that it was financially prudent to do so by making use of prior years' surpluses and reserves.

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.

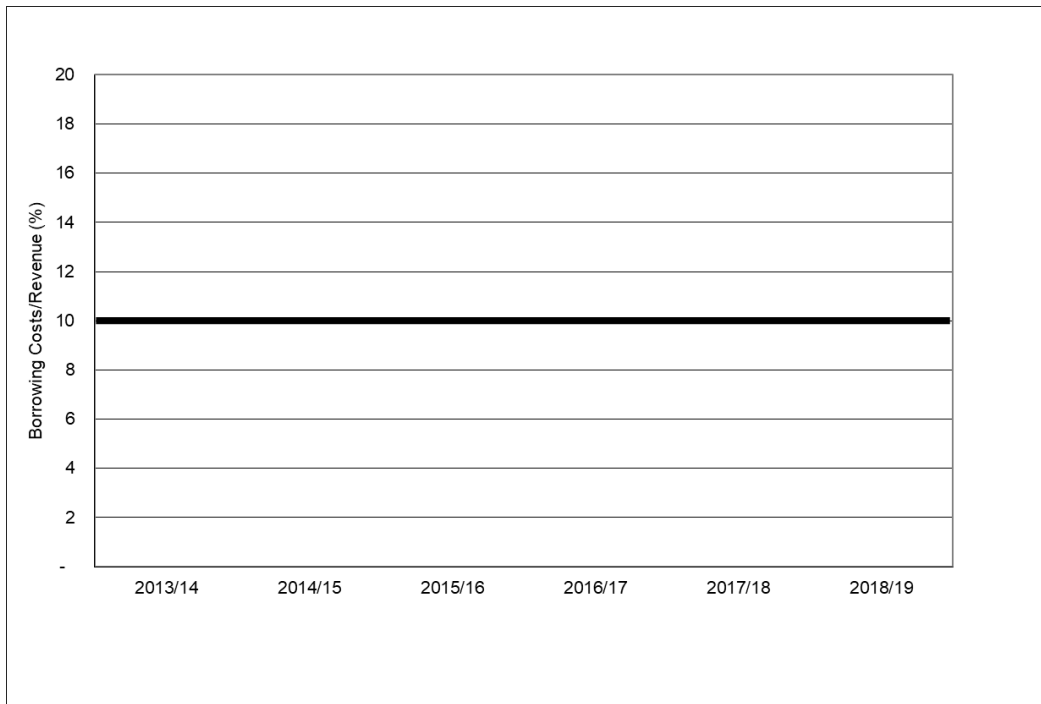
The Council's only network services are in relation to flood protection and control works. The Council does not provide any of the other network services. These network services are in the form of land assets. Accordingly, there is no depreciation on these assets. The Council's capital expenditure will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



As there is no depreciation provided for on the Council's flood protection and control works assets the above graph is blank.

5. Debt servicing benchmark

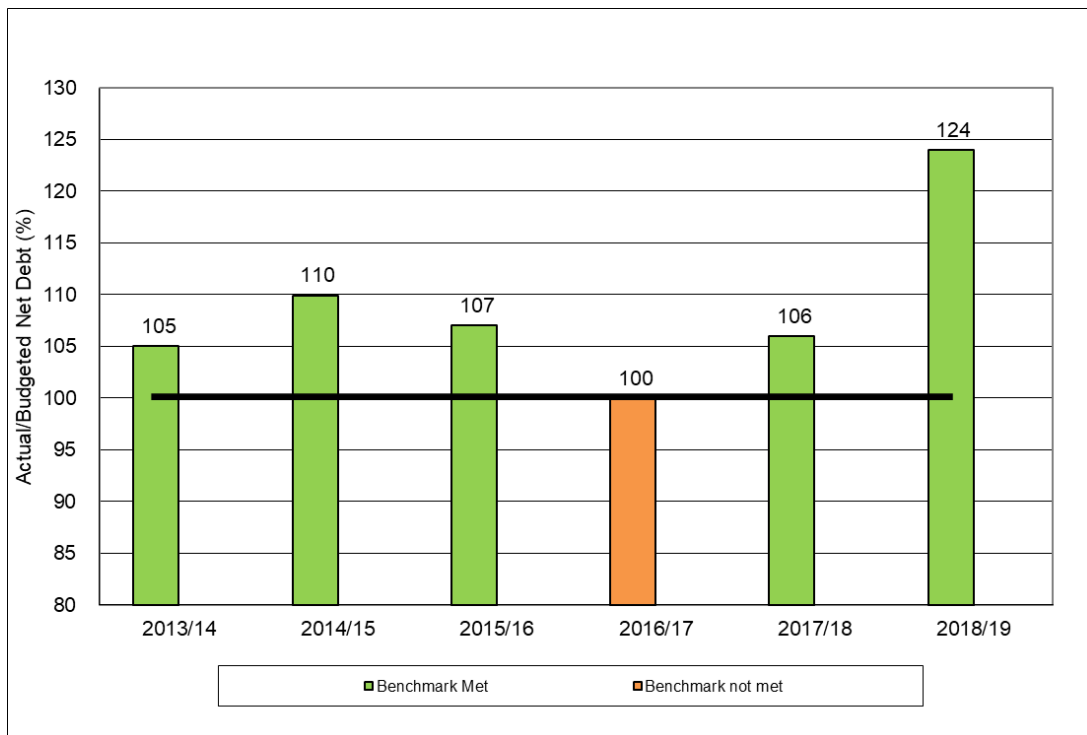
The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the 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 2018/19, the Council had no external public debt and no debt servicing therefore the above graph is blank.

6. Debt control benchmark

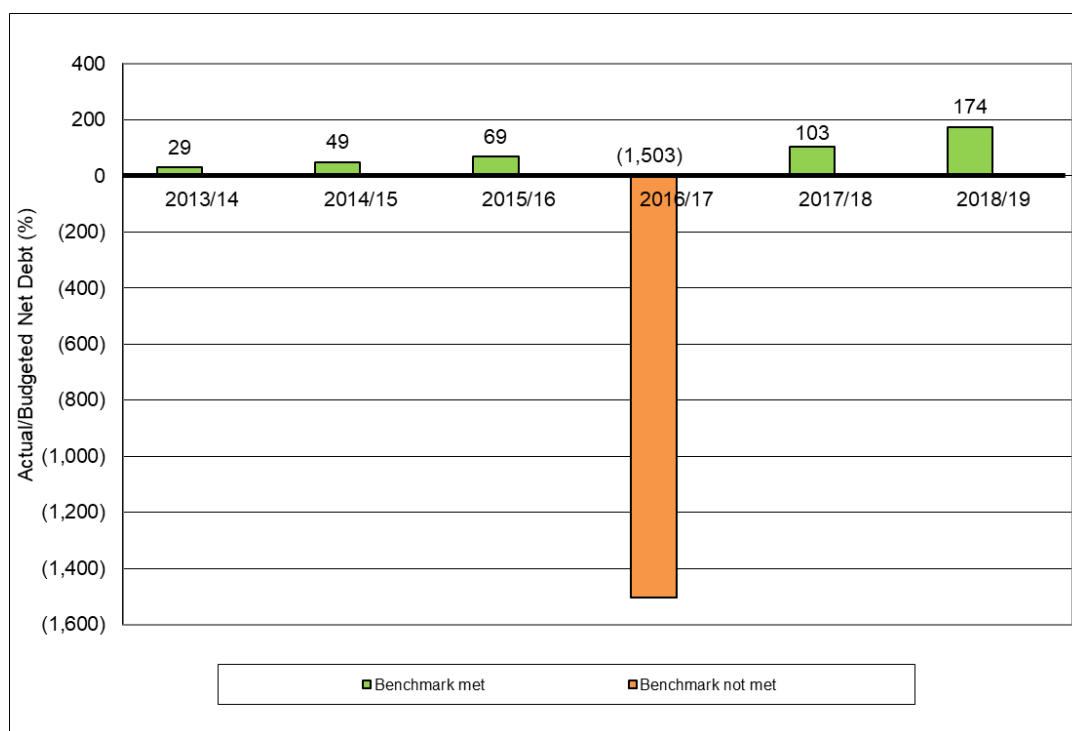
The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The Council meets the debt control benchmark if its actual net debt equals or is less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



During the period 2013/14 to 2018/19, 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 it's 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 2018/19 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 year's 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 from 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 greater than expected employee benefit costs.

In 2017/18 and 2018/19 actual cash flow from operating activities met the benchmark due to higher receipts from customers and lower than expected payments to suppliers and employees.

Section 5: Audit Opinion (*Arotake*)



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ENVIRONMENT SOUTHLAND'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

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 9 October 2019. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 36 to 80:
 - present fairly, in all material respects:
 - the Regional Council and Group's financial position as at 30 June 2019;
 - 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 13 to 32:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2019, 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 13 to 32, 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 13 to 32, 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 81 to 86, 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 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 12, 33 to 35 and 91 to 97, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

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 no relationship with or interests in the Regional Council or its subsidiaries and controlled entities.

Deloitte Limited

A handwritten signature in blue ink, appearing to read "MHL".

Mike Hawken, Deloitte Limited
On behalf of the Auditor-General
Dunedin, New Zealand
9 October 2019

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

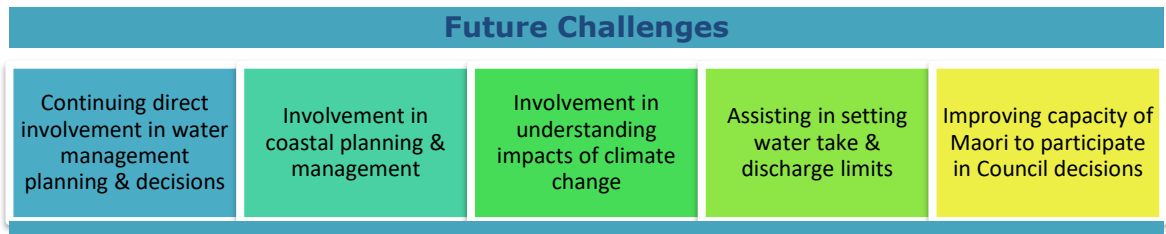
The points below highlight progress with a number of initiatives undertaken during 2018/19 aimed at fostering Māori capacity to contribute to decision-making processes:

- 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 Tauira, 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);
- Supporting iwi involvement in the People, Water and Land Programme.

Other Mahi (work)

- **Manawhenua appointments to Council Standing Committees**
 During 2018/19, the Council agreed to work with iwi to appoint two mana whenua representatives onto two of the Council’s standing committees – Strategy and Policy Committee and Regional Services Committee. Those appointments would likely take effect from the beginning of the new Council trimester commencing in October 2019.



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 four 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 2018/2019 and each of the councils has agreed in principle to support a combined fee structure and it is expected that such a structure will be implemented for the 2019/2020 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:

- 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

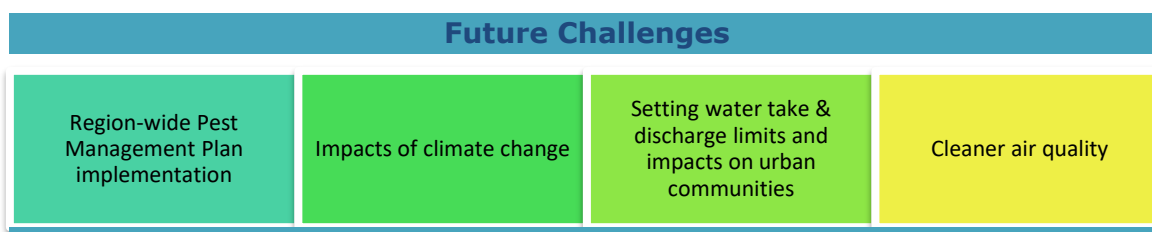
In October 2015, the Southland Mayoral Forum published the Southland Regional Development Strategy. This is a significant community collaborative project.

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.

Following public consultation in 2017/18, a Southland Regional Development Agency (branded as “Great South”) which integrates the former Venture Southland, was formed and directors appointed taking effect as of 1 July 2019.

Great South is a council-controlled organisation with a broad range of shareholders helping to drive regional growth including the Invercargill City Council, Southland District Council, Gore District Council, Environment Southland, Invercargill Licensing Trust, Maitauro Licensing Trust, Southland Chamber of Commerce and the Southern Institute of Technology.

Great South also has the support of Community Trust South who is a member of the shareholder committee.



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 very rarely use general print media. Social media, including platforms such as Facebook and LinkedIn, have proved to be very successful recruitment tools for us.

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 are arranged as in-house courses in order to allow more people to 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. We have offered all employees unconscious bias training during the past year. In addition, we have introduced a regular employee survey, to encourage all employees to share their thoughts and ideas.

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 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.

Council Directory

Council	
Chairman	Nicol Horrell
Councillors	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
Executive Staff	
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 (<i>to 22 March 2019</i>)
Acting Director of Science & Information	Ken Swinney (<i>from 25 March 2019</i>)
Divisional Managers	
Manager - Strategy & Corporate Planning	Ken Swinney
Policy and Planning Manager	Lucy Hicks
Science Informatics & Operations Manager	John Prince
Science Manager	Rachael Millar (<i>to 27 July 2018</i>)
Science Strategy & Investigations Manager	Elaine Moriarty (<i>from 4 February 2019</i>)
Catchment Manager	Noel Hinton (<i>to 28 December 2018</i>)
Catchment Operations Manager	Paddy Haynes (<i>from 29 September 2018</i>)
Biosecurity & Biodiversity Operations Manager	Ali Meade
Land & Water Services Manager	Fiona Young
Compliance Manager	Simon Mapp
Consents Manager	Michael Durand
Finance Manager	Tanea Hawkins
Information Systems Manager	Jane Carroll
Communications & Engagement Manager	Gail Jefferies
Emergency Management Southland Manager	Angus McKay
Bankers	Postal Address
ANZ Banking	Environment Southland
Kelvin Street, Invercargill 9810	Private Bag 90116, Invercargill 9840
Auditor	DX YX20175
Deloitte on behalf of the Controller and Auditor General, Wellington	Phone (03) 211 5115
Solicitors	0800 76 88 45
AWS Legal	(03) 211 5252
Spey Street, Invercargill 9810	E-mail Address service@es.govt.nz
<i>Other legal firms used during year (subject dependent):</i>	Website www.es.govt.nz
Anderson Lloyd, Dunedin	(you can find reports referred to within this document on our website, or contact us and we will assist you)
Wynn Williams, Christchurch	Office Location
Simpson Grierson, Wellington	Corner of Price Street & North Road
MacTodd Lawyers, Queenstown	Invercargill 9810
Copeland Ashcroft Law, Invercargill	

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, or (03) 211 5115, or Private Bag 90116, Invercargill 9840.