

Annual Report 2019/20



environment
SOUTHLAND
REGIONAL COUNCIL

Te Taiao Tonga

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Message from the Chairman and Chief Executive

Environment Southland's achievements from July 2019 to June 2020

This Annual Report for 2019/20 provides an overview of the achievements for the second year of our 2018-2028 Long-term Plan, which focused on water quality and quantity, community resilience, and investing in Southland.

The past year has been challenging. The record floods in the Maitava catchment in February and the COVID-19 pandemic that followed had serious impacts on the region; socially, environmentally and economically, and on the Council's business. We had a significant drop in income and there were a number of targets we missed.

Financially, we ended this year in a more positive position than we were anticipating thanks to our strong balance sheet. However, the years ahead will be not be easy. It is clear that we need to meet a number of challenges facing us. We will have an ongoing loss of income as a result of the COVID-19 pandemic, and we are experiencing increasing expectations from the government and the community, particularly in relation to freshwater and climate change.

The COVID-19 lockdown and subsequent movement through Alert Levels changed the way we worked for many months. During lockdown, we were able to provide support to the community, thanks to our quick response and putting the right infrastructure and processes in place so that our staff could work from home. Our essential services continued throughout the lockdown – flood protection management, pollution response, harbourmaster and flood warning services. A large contingent of our staff supported the Emergency Management Southland response for COVID-19.

The Maitava River experienced its biggest recorded flooding event, that threatened the towns of Gore, Maitava and Wyndham and required parts of the region to be evacuated. Trampers and holiday-makers were trapped in Fiordland National Park, with road access to Milford Sound wrecked by the floodwaters. A Fiordland, and then region-wide, state of emergency was declared. The floodwaters in Maitava largely stayed within the stop banks – a testament to the importance of our flood protection infrastructure and the future-proofing that previous councils have undertaken.

The Council's investment portfolio has provided a significant buffer to rates increases since 2011. The forecast loss of income due to COVID-19 followed hard on the heels of the need for the Council to call on its financial reserves to cover the non-insurable costs of the February floods, which amounted to about \$2 million. Fortunately, the Council has a strong balance sheet and is able to fund both the uninsurable costs of the February floods and also the projected loss of income forecast for the 2020/21 year.

The reserves, however, are not limitless and many are tagged for specific purposes. The Council needs to maintain reserves at a reasonable level to insure against future emergencies, as well as to invest to help fund our ongoing operations, rather than rely wholly on rates and fees.

In the 2019/20 Annual Plan, we forecast a deficit of \$187,000. During the year, it became clear the COVID-19 pandemic caused us a significant loss of income from our marine fees, which we do not expect to bank on in the next two to three years. Despite all the challenges, our finances fared better than expected, with a surplus of \$5,000. This was also thanks to staff reducing expenditure, while still delivering services to our community.

Despite the challenging circumstances, we were able to deliver on some of our priorities: water quantity and quality, community resilience and investing in Southland.

Freshwater management remains our top priority. For over 150 years we have been modifying our land and water resources, in urban and rural settings, to create a better life for ourselves and a stronger economy for our region. However, it has also created freshwater quality issues. Addressing these issues remains a complex and long-term challenge. The Council's People, Water and Land programme - Te Mana o te Tangata, te Wai, te Whenua - is about taking the next steps to improve Southland's water and land and is a partnership between Environment Southland and Te Ao Marama Inc (the environmental arm of Ngāi Tahu ki Murihiku).

This year, while some aspects of the programme were delayed, we broke new ground on significant parts of the programme. We're moving ahead with our work combining Southland's community outcomes with iwi outcomes – an achievement which highlights the close relationship we have with Te Ao Marama Inc. This work is nearing completion and we'll be able to share this work with you soon.

We held online workshops for the Regional Forum, so they could continue with their work during lockdown. The Forum was formed in April 2019 and is a community based group that will advise Council and Te Ao Marama Inc on methods to achieve community aspirations and goals for freshwater (including how to meet the limits that will be set). The Forum will continue to both seek feedback from Southland communities and share information.

In 2019/20, the proposed Southland Water and Land Plan continued to progress through the formal Environment Court process. Appeals to the plan are being heard by the Court in two parts. Three interim decisions were made this year, and mediation on some of the items are expected to happen early in the next financial year. Topic A (the objectives and some high level policies), is also likely to be resolved this year. The proposed Southland Water and Land Plan seeks to address activities that are known to have a significant effect on water quality, such as land use intensification, urban discharges, wintering and stock access to waterways; and provide a regulatory basis for limit setting.

The Government's Essential Freshwater package, which includes an updated National Policy for Freshwater Management and new National Environmental Standards for Freshwater, will have significant implications for the Council's work programme in the next few years. With the investment we've made in our People, Water and Land programme, and the proposed Southland Water and Land Plan, Environment Southland is well placed to respond to the new freshwater regulations, but it will still require a significant investment from the region.

The regulations are comprehensive and complex. We know that Southlanders can step up to challenges using innovation and a strong understanding of our land and how to manage it. To meet the rising expectations from our communities and the Government, we will need to be innovative. Achieving both will require investment and working in partnership within the region and nationally.

Taking action to address climate change impacts now and in the future is a priority for this Council. We are committed to making a difference in our business and doing the same for Southland. In December, a draft Climate Change Action Plan was developed and discussed with Councillors, and a Climate Change Action Working Group has been formed to work with staff on the development of the Action Plan as it progresses.

While it has undoubtedly caused many issues, COVID-19 has also given us an opportunity to ensure our communities are more resilient to the impacts of climate change, such as rising sea levels and increased likelihoods of flooding events. The Government's \$13.875 million funding for upgrading Southland's flood protection infrastructure allows us to fast-track projects which will repair, raise and upgrade stop banks around Southland.

Environment Southland has a long legacy of partnering with our community to achieve real results. We've partnered with catchment groups across Southland, including the Aparima Community Environment project in the Aparima catchment, and continue to be an advocate for water quality and biodiversity as a partner in the Whakamana te Waituna project. This year, we saw region-wide improvement in winter grazing practices – just one example of the results we have seen thanks to our close working relationships with industry leaders and key stakeholders.

Our vision is a thriving Southland for everyone who lives, works, and visits here, and this vision has never been so real. We're all facing huge challenges for the future, not only environmentally but also socially and economically. Rising to these will require increased engagement, partnership with government, sector-wide collaboration and a strong, trusting iwi relationship.

The effort we have made this year to ensure our organisation is resilient in the face of external pressures has been highly valuable, but in the future we need to continue focusing our attention on long term recovery and future resilience.



Nicol Horrell
Chairman



Rob Phillips
Chief Executive

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 26 November 2020.

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, signed with Te Ao Marama 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 rūnanga 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 Marama 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 responsibilities of the Council under the Local Government Act in relation to Māori are with all Māori, not solely the local iwi.

Te Roopu 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 Roopu Taiao meetings.

Consistent with the changes to the Charter referred to above, Te Roopu 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 2019/20 aimed at fostering Māori capacity to contribute to decision-making processes:

- continued to hold regular liaison meetings between Te Ao Marama Inc managers and Council executive, and regular contact at staff level;
- invited Māori representatives to attend Council hui (meetings) and wānanga (workshops) to become familiar with Council kawa (protocol);
- continued the partnership with Te Ao Marama Inc in the development of the Southland Water and Land Plan project; the People, Water and Land Programme; and the Whakamana te Waituna project to progress Te Mana o Te Wai;
- 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 Marama Inc, with Environment Southland acting as the central financial manager for all the Councils' contributions and distribution of funds to Te Ao Marama Inc;

- Council continued to offer the 50/50 shared arrangement to fund an Iwi Policy Officer position within Te Ao Marama Inc to assist with the development of the proposed Regional Water and Land Plan, and to participate in the People, Water and Land Programme. Council funded a seconded resource from our staff when the Iwi Policy Officer was on leave;
- Council continued to tiamana (chair) Te Roopu Taiao hui (meetings);
- approval granted to appoint two mana whenua representatives onto two of the Council's standing committees – Strategy and Policy Committee and Regional Services Committee.

Future challenges

- Continuing direct involvement in water management planning and decisions.
- Involvement in coastal planning and management.
- Involvement in understanding impacts of climate change.
- Assisting in setting water take and discharge limits.
- Improving capacity of Māori to participate in Council decisions.

2019/20 Year in Review (*Te Arotake O Te Tau 2019/20*)

Consolidated Funding Impact Statement for the year ended 30 June 2020

Annual Plan	Actual		Actual	Annual Plan	LTP
2018/19	2018/19		2019/20	2019/20	2019/20
\$000	\$000		\$000	\$000	\$000
		Sources of Operating Funding			
8,841	8,869	General rates, uniform annual charges, rates penalties	10,084	9,972	9,923
8,302	8,295	Targeted rates	8,335	8,344	8,536
0	0	Subsidies and grants for operating purposes	0	0	0
10,469	9,977	Fees and charges	12,886	10,312	10,343
4,575	4,584	Interest and Dividends from investments	4,558	4,575	4,575
1,115	954	Local authorities fuel tax, fines, infringement fees and other receipts	1,036	1,113	1,103
33,302	32,679	Total Operating Funding	36,899	34,316	34,480
		Applications of Operating Funding			
30,141	25,796	Payments to staff and suppliers	31,058	27,632	26,814
100	53	Financing Costs	96	75	100
4,457	7,142	Internal Charges and overheads recovered	7,220	7,655	8,001
34,697	32,991	Total Applications of Operating Funding	38,374	35,362	34,915
(1,395)	(313)	Surplus/(deficit) of operating funding	(1,475)	(1,046)	(435)
		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
501	24	Gross proceeds from the sale of assets	645	474	74
0	0	Lump sum contributions	0	0	0
501	24	Total sources of capital funding	645	474	74
		Applications of capital funding			
		Capital expenditure			
14	28	- to meet additional demand	2	9	9
3,005	77	- to improve the level of service	2,750	310	10
829	462	- to replace existing assets	384	1,437	1,437
259	1,323	Increase/(decrease) in Reserves	1,672	(1,308)	(967)
(5,000)	(2,179)	Increase/(decrease) in Investments	(5,639)	(1,020)	(850)
(894)	(289)	Total applications of capital funding	(830)	(572)	(361)
1,395	313	Surplus/(deficit) of capital funding	1,475	1,046	435
0	0	Funding Balance	0	0	0

Reconciliation of Funding Impact Statement to Statement of Comprehensive Revenue & Expense for the year ended 30 June 2020

(1,395)	(313)	Surplus / (deficit) of Operating Funding in Funding Impact Statement	(1,475)	(1,046)	(435)
		Add / (deduct)			
1,357	2,334	Increase / (decrease) in fair value of investment portfolio	1,550	1,342	1,295
350	(7)	Profit / (loss) on disposal of assets	588	350	0
(799)	(729)	Depreciation	(716)	(833)	(843)
0	(97)	(Increase) / decrease in provision for doubtful debts	58	0	0
(487)	1,187	Surplus / (deficit) in Statement of Comprehensive Revenue & Expense	5	(187)	17

Our activities in depth (*Ko Te Hohonutanga Ō Ā Tātou Mahi*)

Set out on the following pages are the activities we undertook and the associated financial forecasts and actuals for the year ended 30 June 2020.

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

We have not identified any significant negative effects on the social, economic, cultural and environmental wellbeing of the regional community. Most of the activities we undertake counteract negative effects produced by factors outside Environment Southland's control.

Some may argue that the community agreed work programme 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, any work programme we undertake which 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, activities proposed to be undertaken by the Council in the Long-term Plan have the objective of improving the existing work programme 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 2020, 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.

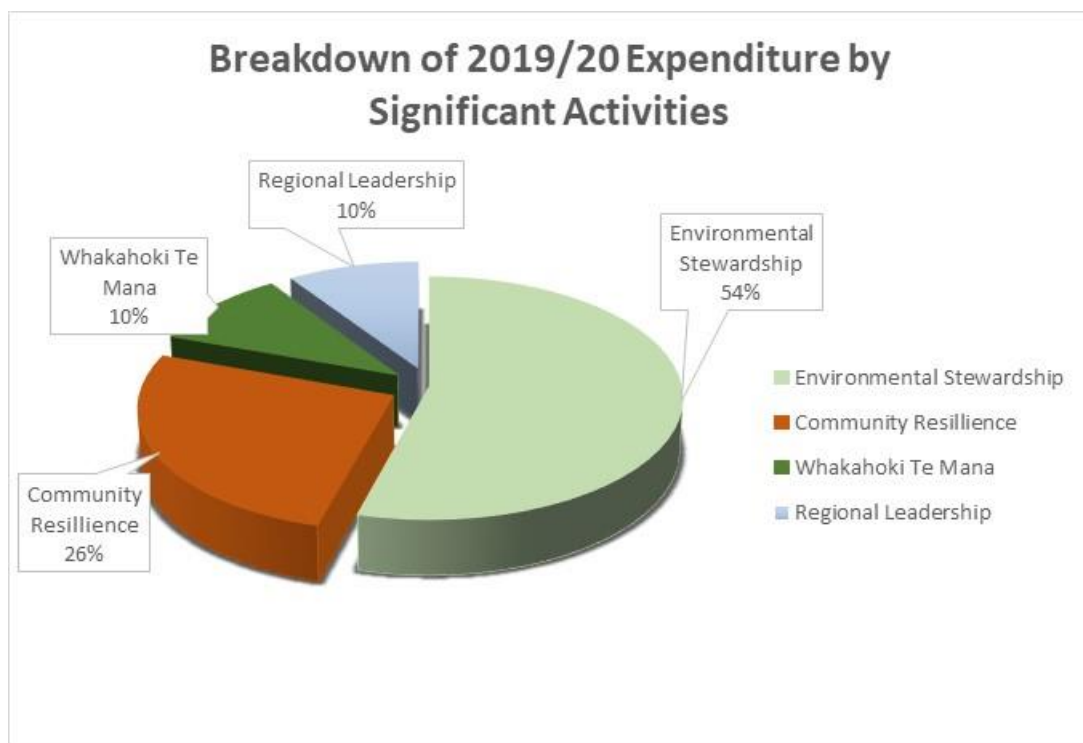
Results

The results against the performance measures and targets for the 2019/20 year are shown as Achieved, Not Achieved or Not Applicable, if the target relates to a different time period.

Results for 2019/20	
Achieved	7
Not Achieved	9
Not Applicable until 2020/21	2

Overall, the year-end result for the 2019/20 performance targets is 44% (7 of 16) achievement level. This compares with 62.5% (2018/19) and 62% (2017/18) and is reflective of some targets being aspirational and others having dependencies outside of our control.

Events during the year contributed to the delays and non-achievement in some programmes e.g. December 2019 and February 2020 floods, and the COVID-19 pandemic.



1. Kaiarahitanga ā rohe

Regional Leadership

Environment Southland is obligated to provide responsible leadership for regionally significant activities. The Regional Leadership 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.

Southland's greatest strength is the ability to work together as a region in response to activities that affect the entire community.

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 resources 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 climate change impacts. This is likely to be dealt with through the Mayoral Forum.

- ***The Policy and Planning Activity*** – the Southland Economic Project (SEP), 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). It is another 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. Environment Southland 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** – 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 is key to building relationships with stakeholders and Southland communities. The outcomes sought by the organisation require a community effort. Communication and engagement is about sharing information, gaining insight from the community and helping the community to understand what they need to do 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

- Continuing water quality improvement.
- Coastal and aquaculture management.
- Adapting to the impacts of climate change.
- Setting water take and discharge limits.
- Cleaner air quality.

How much did we spend on this issue?

\$3.6 million

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

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

Measures and targets	Results for 2019/20
<p>Level of service: Engage with Southlanders by sharing information that is compelling, relevant and timely.</p>	
<p>Measures: From annual survey, percentage of respondents who name Environment Southland as the authority responsible for managing Southland’s natural resources.</p> <p>Targets (Years 1-10): ≥90%</p>	<div data-bbox="1013 416 1262 495" style="border: 1px solid black; background-color: #d4e0c4; padding: 5px; text-align: center; margin-bottom: 10px;"> <p>Achieved</p> </div> <p>The perceptions survey is carried out each year (October 2020), and reflects back on the financial year before.</p> <p>Prompted:</p> <ul style="list-style-type: none"> ▪ Residents - 99% ▪ Farmers - 100% <p>Unprompted:</p> <ul style="list-style-type: none"> ▪ Residents - 76% ▪ Farmers - 95% <p>(Average: 92.5%)</p>

Funding Impact Statement - Regional Leadership
for the year ended 30 June 2020

LTP 2018/19	Actual 2018/19		Actual 2019/20	Annual Plan 2019/20	LTP 2019/20
\$000	\$000	Sources of Operating Funding	\$000	\$000	\$000
1,795	1,919	General rates, uniform annual charges, rates penalties	2,334	2,174	2,225
0	0	Targeted rates	0	0	0
0	0	Subsidies and grants for operating purposes	0	0	0
200	159	Fees and charges	153	204	209
0	0	Internal Charges and overheads recovered	0	0	0
895	953	Local authorities fuel tax, fines, infringement fees and other receipts	1,045	961	988
2,891	3,031	Total Operating Funding	3,532	3,339	3,422
		Applications of Operating Funding			
2,515	2,561	Payments to staff and suppliers	2,580	2,863	2,883
10	7	Financing Costs	9	8	11
891	1,184	Internal Charges and overheads recovered	961	936	914
3,416	3,752	Total Applications of Operating Funding	3,550	3,807	3,808
(526)	(721)	Surplus/(deficit) of operating funding	(18)	(468)	(386)
		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	Gross proceeds from the sale of assets	0	0	0
0	0	Lump sum contributions	0	0	0
0	0	Total sources of capital funding	0	0	0
		Applications of capital funding			
		Capital expenditure			
0	1	- to meet additional demand	0	0	0
0	1	- to improve the level of service	0	0	0
19	1	- to replace existing assets	0	50	50
85	(239)	Increase/(decrease) in Reserves	0	(259)	(193)
(629)	(485)	Increase/(decrease) in Investments	(18)	(258)	(242)
(526)	(721)	Total applications of capital funding	(18)	(468)	(386)
526	721	Surplus/(deficit) of capital funding	18	468	386
0	0	Funding Balance	0	0	0
28	22	Depreciation expense (not included in the above FIS)	26	32	36

2. Te kaitiakitanga o Te Taiao *Environmental Stewardship*

The Council is legally responsible to the community for delivering on major environmental project areas.

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 ensuring that our rules, national environmental standards and consents are being complied with.
- ***The Policy and Planning Activity*** - the Southland Regional Policy Statement 2017 provides direction for the overall management of Southland's resources. A focus for this Long-term Plan is on creating regulatory work programmes that celebrate and improve integration in planning and natural resource allocation, and give 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. This leads to a more resilient and empowered community and assists 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 ensure the natural 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 identifies 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** – carrying 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** – ensuring 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.
- Proposed Southland Water and Land Plan appeals heard by the Environment Court.

Future Challenges

- Continuing water quality improvement.
- Adapting to the impacts of climate change.
- South Island-wide collaborative transport planning.
- Efficiently and effectively dealing with decision and appeal processes.

How much did we spend on this issue in 2019/20?

\$20.8 million

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

Environmental Stewardship	
Achieved	4
Not Achieved	6
Not Applicable until 2020/21	0

Measures & Targets (Years 1-10)	Results for 2019/20
<p>Level of service: Process and determine resource consent applications in accordance with statutory requirements.</p>	
<p>Measures: Timeliness of resource consent processing. Rates of appeals upheld in Court.</p> <p>Targets: 98% timeframe compliance. No resource consent decisions are overturned in Court unless the application is amended through that process.</p>	<div style="text-align: center; border: 2px solid orange; padding: 5px; width: fit-content; margin: 0 auto;"> <p>Not achieved</p> </div> <p>Target missed by 1%.</p> <p>97% within the statutory timeframes for the period 1 July 2019 to 30 June 2020. The lower timeframe compliance was due to staff being involved in states of emergency for flooding and COVID-19 responses. No decisions have been overruled in the Environment Court.</p>
<p>Level of service: 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.</p>	
<p>Measures: 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.</p> <p>Targets: Environmental incidents requiring enforcement will be actioned within six months of the Council being made aware of the incident.</p> <p>A Compliance Monitoring Report for the previous financial year will be completed for the Southland community annually by December.</p>	<div style="text-align: center; border: 2px solid green; padding: 5px; width: fit-content; margin: 0 auto;"> <p>Achieved</p> </div> <p>All enforcement actions were completed within six months of becoming aware of the incident.</p> <p>The 2018/19 Compliance Monitoring Report was completed in November 2019.</p>

Measures & Targets (Years 1-10)	Results for 2019/20
Level of service: Allocation of natural resources.	
<p>Measures: 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).</p> <p>Targets: Freshwater values, objectives and targets for the community are identified by June 2019.</p> <p>A plan change to the Water and Land Plan to set NPSFM limits then being developed through a series of stages as per proposed project plan from June 2019.</p>	<p style="text-align: center;">Not achieved</p> <p>The community's values have been identified.</p> <p>The objectives work has yet to be completed but has been delayed by their complexity and by COVID-19.</p> <p>The targets work is yet to be completed.</p>
<p>Measures: The Regional Coastal Plan is operative and complies with the New Zealand Coastal Policy Statement.</p> <p>Targets: A plan change to the Regional Coastal Plan being developed through a series of stages as per proposed project plan from June 2019.</p>	<p style="text-align: center;">Not achieved</p> <p>The Regional Coastal Plan is in the second part of its review process. Discussion papers were developed, and workshops conducted.</p> <p>Plan provision drafting timeframe extended due to flooding response in February 2020.</p>
<p>Measures: The Regional Air Plan complies with the National Environmental Standards for Air Quality and is fully operative.</p> <p>Targets: The pending Government regulations on the NES Air Quality are adopted by the Council by June 2019.</p> <p>A plan change to the Regional Air Plan to set new air quality limits then being developed as per proposed project plan from June 2019.</p>	<p style="text-align: center;">Not achieved</p> <p>Environment Southland has been unable to achieve this target as the Government has not yet completed its revision of NESAQ regulations.</p> <p>Government consultation on proposals undertaken February – July 2020.</p>
Level of service: Provide land management advice and education for sustainability to rural and urban Southland.	
<p>Measures: Provide land management advice (including forestry advice) to agricultural and agri-business initiatives.</p> <p>Targets: 100,000 hectares per year, as per agreed Farm Plans.</p>	<p style="text-align: center;">Achieved</p> <p>Advice was provided to landowners on properties totalling 183,000 hectares.</p> <p>As part of this, 50 Focus Activity Farm Plans have been completed.</p>

Measures & Targets (Years 1-10)	Results for 2019/20
Level of service: To maintain and enhance indigenous biodiversity.	
<p>Measures: Projects in biodiversity management support the maintenance of indigenous biodiversity.</p> <p>Targets: Develop and publish by 30 June 2019, a Regional Biodiversity Strategy.</p> <p>100% of all high priority actions in the Regional Biodiversity Strategy's Action Plan are implemented and achieved, and reported on annually.</p>	<p style="text-align: center;">Not achieved</p> <p>Progress has been made.</p> <p>Work undertaken with collaborative partners to develop a strategic action plan that supports the Regional Biodiversity Strategy.</p> <p>Facilitated action planning workshops commenced.</p>
Level of service: To minimise the adverse effects of pests that disrupt the environment, economy and community.	
<p>Measures: Pest programmes are implemented according to best practice, which minimise the adverse effects of pests.</p> <p>Targets: 100% of all high priority actions in the Regional Biosecurity Strategy's Action Plan are implemented and achieved and reported on annually.</p>	<p style="text-align: center;">Achieved</p> <p>All high and medium priority biosecurity programmes are assessed to align with the Regional Pest Management Plan and Biosecurity Strategy.</p> <p>New Regional Pest Hub successfully launched.</p> <p>Field work programmes completed with only minor interruptions due to the February flooding and COVID-19 lockdown.</p>
Level of service: To provide timely access to high quality environmental information through effective monitoring, analysis and reporting systems.	
<p>Measures: 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.</p> <p>Targets: State and trend information is easily accessible and updated at least annually.</p> <p>Scientific information about the region's natural systems is also easily accessible.</p>	<p style="text-align: center;">Achieved</p> <p>The state and trend of environmental data (water and air quality) is currently available on LAWA.</p> <p>Ten reports this year have been prepared about the region's natural systems in Southland.</p> <p>Up-to-date summer monitoring programme results are available on our website and on LAWA. https://www.lawa.org.nz/explore-data/southland-region/river-quality/oreti-river/oreti-river-at-wallacetown/.</p> <p>A link is also available on the environment Southland webpage http://gis.es.govt.nz/index.aspx?app=swimming-and-shellfish.</p>

Measures & Targets (Years 1-10)	Results for 2019/20
<p>Level of service: To engage with research agencies and other knowledge holders to provide an integrated knowledge base for the region.</p>	
<p>Measures: Environment Southland’s environmental information is connected with the work of research agencies and other knowledge holders.</p> <p>Targets: A multi-agency approach to fish monitoring, estuary science, coastal monitoring and mitigation effectiveness and farm system monitoring is fully operative by 30 June 2020.</p>	<div data-bbox="963 349 1246 432" style="border: 2px solid orange; padding: 5px; text-align: center; margin-bottom: 10px;"> <p>Not achieved</p> </div> <p>A workshop was held in Christchurch on 25 November 2019 with leading stakeholders. In the process of establishing a pilot multi-agency science project in Southland but was delayed because of COVID-19.</p>

**Funding Impact Statement - Environmental Stewardship
for the year ended 30 June 2020**

LTP 2018/19 \$000	Actual 2018/19 \$000		Actual 2019/20 \$000	Annual Plan 2019/20 \$000	LTP 2019/20 \$000
		Sources of Operating Funding			
4,443	5,696	General rates, uniform annual charges, rates penalties	4,793	4,903	5,093
4,242	4,460	Targeted rates	4,651	4,440	4,424
0	0	Subsidies and grants for operating purposes	0	0	0
8,031	7,895	Fees and charges	8,970	8,206	8,022
0	0	Internal Charges and overheads recovered	0	0	0
<u>3,327</u>	<u>3,763</u>	Local authorities fuel tax, fines, infringement fees and other receipts	<u>3,837</u>	<u>3,277</u>	<u>3,362</u>
20,043	21,815	Total Operating Funding	22,251	20,826	20,901
		Applications of Operating Funding			
18,594	15,298	Payments to staff and suppliers	17,433	18,815	18,662
57	29	Financing Costs	52	43	57
<u>1,271</u>	<u>2,656</u>	Internal Charges and overheads recovered	<u>3,345</u>	<u>1,231</u>	<u>1,260</u>
19,923	17,983	Total Applications of Operating Funding	20,831	20,088	19,979
120	3,832	Surplus/(deficit) of operating funding	1,420	738	921
		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
501	24	Gross proceeds from the sale of assets	645	452	52
<u>0</u>	<u>0</u>	Lump sum contributions	<u>0</u>	<u>0</u>	<u>0</u>
501	24	Total sources of capital funding	645	452	52
		Applications of capital funding			
		Capital expenditure			
14	27	- to meet additional demand		9	9
5	48	- to improve the level of service	89	310	10
810	335	- to replace existing assets	377	1,239	1,239
2,569	4,861	Increase/(decrease) in Reserves	1,688	109	125
<u>(2,776)</u>	<u>(1,415)</u>	Increase/(decrease) in Investments	<u>(89)</u>	<u>(477)</u>	<u>(410)</u>
621	3,856	Total applications of capital funding	2,065	1,190	973
(120)	(3,832)	Surplus/(deficit) of capital funding	(1,420)	(738)	(921)
0	0	Funding Balance	0	0	0
484	510	Depreciation expense (not included in the above FIS)	433	516	511

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. We can then consider how we can make a positive difference to our environment and, in particular, improve water quality.

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 poor water quality and ecosystem health in the catchment are still not well understood. Actions we know will lead to improvement are underway and further long term actions are being thoroughly investigated.

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 goals for water.

Partnering in Waituna

- ***The Land and Water Services Activity*** – Whakamana Te Waituna builds on past work undertaken in Waituna and contributes 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 multi-agency 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 and values, with further challenges ahead to set objectives and actions on the ground.
- Ongoing 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.

How much did we spend on this issue in 2019/20?

\$3.9 million

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

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

Measures & Performance Targets Years 1-10	Results for 2019/20
<p>Level of service: 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.</p>	
<p>Measures: 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.</p> <p>Targets: Local and/or regional community engagement forum(s) are operational and reporting to Council at least quarterly by 30 June 2020.</p>	<p style="text-align: center;">Not achieved</p> <p>The Regional Forum (established March 2019 with 15 members) met five times during the year.</p> <p>Collation of freshwater objectives was delayed for six months by COVID-19 and complexity of issues.</p> <p>A work plan for the Forum has been developed through to 2022, which includes an approach to scenario testing.</p>
<p>Measures: Methods (both regulatory and non-regulatory) are identified to achieve the community's values and objectives. Indicators are defined and established.</p> <p>Targets: Local and/or regional community engagement forum(s) undertaken and completed by 30 June 2021, scenario testing to understand the implications of meeting the 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 style="text-align: center;">Not applicable</p> <p>Not Applicable until 2020/21</p> <p>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.</p>

Measures & Performance Targets Years 1-10	Results for 2019/20
<p>Level of service: To measure the effectiveness of the organisation’s approach to meeting the enduring goals for water.</p>	
<p>Measures: 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>Targets: Year on year improving trend of baseline metrics.</p>	<div data-bbox="954 360 1238 443" style="border: 2px solid orange; padding: 5px; text-align: center; margin-bottom: 10px;"> <p>Not achieved</p> </div> <p>Progress has been made.</p> <p>The results for 2019/20 are:</p> <p><i>Human Health</i></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 criterion. Council continues to monitor our river water and lake water quality against the National Objectives Framework for Freshwater Management 2014 (revised 2017).</p> <p>6 of 55 bores (11%) sampled to the higher standard for nitrate exceeded the drinking water standard at least once during the 2019/20 period.</p> <p>20 of 55 bores (36%) sampled to the higher standard for <i>E. coli</i> exceeded the drinking water standard at least once during the 2019/20 period.</p> <p><i>Ecosystem Health</i></p> <p>In monitored rivers, 51 of 60 (85%) sites complied with national nitrate standards and 57 of 60 (95%) sites complied with ammonia toxicity standards.</p> <p>Models continue to suggest breaches are likely to occur in these waterways. 28 of 30 (93%) sites complied with national periphyton standard.</p> <p><i>Compliance with the National Objective Framework (NOF) Attributes</i></p> <p>In accordance with the Attributes as detailed in Appendix 2 of the National Policy Statement for Freshwater Management 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>

Measures & Performance Targets Years 1-10	Results for 2019/20
<p>Measures: To partner in the Whakamana te Waituna programme to restore the mana, aquatic and ecosystem health to the Waituna catchment and lagoon.</p> <p>Consistent progress towards achieving the outcomes and actions of the work programme of the Whakamana Te Waituna programme</p> <p>Target: Complete yearly actions as per the approved programme of works.</p>	<div data-bbox="948 271 1195 344" style="border: 1px solid black; background-color: #d4e0c4; padding: 5px; text-align: center; margin-bottom: 10px;"> <p>Achieved</p> </div> <p>Environment Southland has completed its assigned actions, as per the milestones and the approved programme of works.</p>

Funding Impact Statement - Whakahoki Te Mana
for the year ended 30 June 2020

LTP 2018/19	Actual 2018/19		Actual 2019/20	Annual Plan 2019/20	LTP 2019/20
\$000	\$000	Sources of Operating Funding	\$000	\$000	\$000
981	7	General rates, uniform annual charges, rates penalties	1,488	1,271	886
296	78	Targeted rates	45	256	304
0	0	Subsidies and grants for operating purposes	0	0	0
675	489	Fees and charges	528	455	691
0	0	Internal Charges and overheads recovered	0	0	0
497	8	Local authorities fuel tax, fines, infringement fees and other receipts	3	570	401
2,449	582	Total Operating Funding	2,064	2,552	2,281
		Applications of Operating Funding			
1,563	2,449	Payments to staff and suppliers	2,198	1,652	1,560
9	7	Financing Costs	10	8	9
1,541	2,013	Internal Charges and overheads recovered	1,705	1,988	1,636
3,113	4,470	Total Applications of Operating Funding	3,912	3,648	3,205
(664)	(3,888)	Surplus/(deficit) of operating funding	(1,848)	(1,097)	(923)
		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	Gross proceeds from the sale of assets	0	0	0
0	0	Lump sum contributions	0	0	0
0	0	Total sources of capital funding	0	0	0
		Applications of capital funding			
		Capital expenditure			
0	0	- to meet additional demand		0	0
3,000	0	- to improve the level of service	2,655	0	0
0	0	- to replace existing assets	0	0	0
(3,185)	(3,907)	Increase/(decrease) in Reserves		(959)	(849)
(479)	19	Increase/(decrease) in Investments	(4,503)	(138)	(74)
(664)	(3,888)	Total applications of capital funding	(1,848)	(1,097)	(923)
664	3,888	Surplus/(deficit) of capital funding	1,848	1,097	923
0	0	Funding Balance	0	0	0
90	70	Depreciation expense (not included in the above FIS)	90	94	95

4. Manawaroa o te hāpori *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 Science Informatics and Operations Activity*** – 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 Environment Southland 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 stop banks.

Land Drainage

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

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 and 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.

How much did we spend on this issue in 2019/20?

\$10.1 million

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

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

Measures & Performance Targets Years 1-10	Results for 2019/20
<p>Level of service: To ensure the region is resilient and able (through the 4Rs of reduction, readiness, response and recovery) to cope with any civil defence emergency.</p>	
<p>Measures: Number of Southland communities covered by a Community Response Plan.</p> <p>Targets: To have developed 25 Community Response Plans in all areas of Southland by June 2021.</p>	<div style="text-align: center; border: 1px solid gray; padding: 5px; margin-bottom: 10px;">Not applicable</div> <p>On track as have developed 23 plans out of the proposed 25 to be completed by June 2021.</p>
<p>Level of service: To reduce the flood risk to people and property by retaining system adequacy and maintenance of flood protection works to designed standards.</p>	
<p>Measures: The major flood protection and control works are maintained, repaired and renewed to the key standards defined in the Council's asset management plans.</p> <p>Targets: 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.</p>	<div style="text-align: center; border: 2px solid orange; padding: 5px; margin-bottom: 10px;">Not achieved</div> <p>85% of schemes inspected and maintained, including flood repairs.</p> <p>Due to COVID-19, some inspections were unable to take place.</p>
<p>Level of service: To investigate and plan for the impacts of climate change on our communities and businesses.</p>	
<p>Measures: An agreed collaborative research, investigation and reporting programme to understand the risks and response options.</p> <p>Targets: 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.</p> <p>Reported through the Mayoral Forum annually.</p>	<div style="text-align: center; border: 1px solid green; padding: 5px; margin-bottom: 10px;">Achieved</div> <p>The Climate Change Impact Assessment report was endorsed by all four Councils, which included the members of the Mayoral Forum.</p> <p>In late 2019 Council formed a Climate Action Plan Working Group to assess Environment Southland's role in tackling climate change. A draft Climate Change Action Plan was discussed at the Strategy and Policy Committee meeting on 22 July 2020 and will be adopted by Council before the end of 2020.</p> <p>The annual outcomes are to be reported to the Mayoral Forum.</p>

Funding Impact Statement - Community Resilience
for the year ended 30 June 2020

LTP 2018/19	Actual 2018/19		Actual 2019/20	Annual Plan 2019/20	LTP 2019/20
\$000	\$000		\$000	\$000	\$000
		Sources of Operating Funding			
1,622	1,247	General rates, uniform annual charges, rates penalties	1,470	1,624	1,721
3,765	3,757	Targeted rates	3,639	3,648	3,809
0	0	Subsidies and grants for operating purposes	0	0	0
1,563	1,436	Fees and charges	3,235	1,447	1,421
0	0	Internal Charges and overheads recovered	0	0	0
971	813	Local authorities fuel tax, fines, infringement fees and other receipts	708	880	926
7,920	7,253	Total Operating Funding	9,052	7,599	7,877
		Applications of Operating Funding			
7,468	5,488	Payments to staff and suppliers	8,847	6,755	7,088
24	11	Financing Costs	25	17	23
754	1,289	Internal Charges and overheads recovered	1,209	1,047	812
8,245	6,788	Total Applications of Operating Funding	10,081	7,818	7,923
(325)	465	Surplus/(deficit) of operating funding	(1,028)	(219)	(46)
		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	Gross proceeds from the sale of assets	0	22	22
0	0	Lump sum contributions	0	0	0
0	0	Total sources of capital funding	0	22	22
		Applications of capital funding			
		Capital expenditure			
0	0	- to meet additional demand	2	0	0
0	29	- to improve the level of service	6	0	0
0	126	- to replace existing assets	8	149	149
790	609	Increase/(decrease) in Reserves	(16)	(199)	(49)
(1,116)	(298)	Increase/(decrease) in Investments	(1,028)	(147)	(123)
(325)	465	Total applications of capital funding	(1,028)	(197)	(24)
325	(465)	Surplus/(deficit) of capital funding	1,028	219	46
0	0	Funding Balance	0	0	0
198	127	Depreciation expense (not included in the above FIS)	166	191	201

Finances (*Pūtea*)

Financial Statements

A guide to the financial pages which follow

- Statement of Comprehensive Revenue and Expenses page 31
- Statement of Changes in Net Assets/Equity page 31
- Statement of Financial Position page 32
- Statement of Cash Flows page 33
- Notes to the Financial Statements page 34

**Statement of Comprehensive Revenue and Expenses
for the Year Ended 30 June 2020**

	Note	Council			Group	
		Actual	Annual Plan	Actual		
		2020	2020	2019	2020	2019
		\$000	\$000	\$000	\$000	\$000
Revenue						
Rates revenue	2 (a)	18,168	18,161	16,989	18,168	16,989
Government Grants	2 (b)	7,433	2,402	1,652	7,433	1,652
Other Revenue	2 (c)	17,268	15,095	14,025	57,317	53,465
Other gains/ (losses)	2 (d)	1,288	350	2,321	1,323	2,372
Total Revenue	2 (h)	44,157	36,008	34,987	84,241	74,478
Expenditure						
Employee benefits expense	2 (e)	17,504	18,128	15,809	28,839	26,466
Depreciation expense	10	715	833	729	4,548	4,339
Finance costs	2 (f)	96	75	53	665	799
Other expenses	2 (g)	25,837	17,158	17,209	41,361	32,512
Total Operating Expenditure		44,152	36,195	33,800	75,413	64,116
Surplus/(Deficit) before income tax		5	(187)	1,187	8,828	10,362
Income tax expense	3	-	-	-	(3,918)	(3,923)
Surplus/(Deficit) for the period		5	(187)	1,187	4,910	6,439
Total Comprehensive Revenue and Expenses for the period		5	(187)	1,187	4,910	6,439
Total Comprehensive Revenue and Expenses attributable to:						
Council		5	(187)	1,187	1,746	3,158
Minority interest	15(e)	-	-	-	3,164	3,281
	*	5	(187)	1,187	4,910	6,439

**Statement of Changes in Net Assets / Equity
for the Year Ended 30 June 2020**

	Note	Council			Group	
		Actual	Annual Plan	Actual		
		2020	2020	2019	2020	2019
		\$000	\$000	\$000	\$000	\$000
Opening Equity		77,514	73,812	76,327	111,820	107,667
Total Comprehensive Revenue and Expenses attributable to:						
Council		5	(187)	1,187	1,746	3,158
Minority interest	15(e)	-	-	-	3,164	3,281
Dividend distribution - Minority interest	15(e)	-	-	-	(2,286)	(2,286)
Closing Equity		77,519	73,626	77,514	114,444	111,820

*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 2020

	Note	Actual 2020 \$000	Council Annual Plan 2020 \$000	Actual 2019 \$000	Group	
					2020 \$000	2019 \$000
Current Assets						
Cash and Deposits	22(a)	-	-	142	-	1,568
Trade and other receivables	6	5,891	2,035	2,997	12,304	8,647
Inventories	7	109	120	110	109	110
Managed Funds	8	28,308	30,322	33,946	28,308	33,946
Prepayments	9	425	166	289	472	340
Deferred Tax asset	3(d)	-	-	-	159	-
Total Current Assets		34,733	32,643	37,484	41,352	44,611
Non-Current Assets						
Shares in subsidiary	18	8,721	8,721	8,721	-	-
Other financial assets	8	195	151	170	195	170
Property, Plant and Equipment	10	40,097	41,728	37,743	91,286	87,316
Investment in Related Party	11	798	807	798	798	798
Total Non-Current Assets		49,811	51,407	47,432	92,279	88,284
TOTAL ASSETS		84,544	84,050	84,916	133,631	132,895
Current Liabilities						
Bank Overdraft	22(a)	1,609	5,507	-	380	-
Trade and other payables	12	3,521	3,246	5,552	7,248	8,704
Employee Entitlements	13	1,853	1,637	1,806	3,174	2,978
Borrowings	14	-	-	-	1,500	-
Current tax payable	3(c)	-	-	-	1,055	1,682
Other Financial Liabilities	8	-	-	-	-	70
Total Current Liabilities		6,983	10,390	7,358	13,357	13,434
Non-Current Liabilities						
Other Financial Liabilities	8	-	-	-	750	530
Employee entitlements	13	42	34	44	80	63
Borrowings	14	-	-	-	5,000	7,000
Deferred tax liabilities	3(d)	-	-	-	-	48
Total Non-Current Liabilities		42	34	44	5,830	7,641
TOTAL LIABILITIES		7,025	10,424	7,402	19,187	21,075
NET ASSETS		77,519	73,626	77,514	114,444	111,820
Equity						
Equity	15	77,519	73,626	77,514	114,444	111,820
TOTAL EQUITY		77,519	73,626	77,514	114,444	111,820
Attributable to:						
Council		77,519	73,626	77,514	99,550	97,804
Minority interest	15(e)	-	-	-	14,894	14,016
TOTAL EQUITY		77,519	73,626	77,514	114,444	111,820

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

**Statement of Cash Flows
for the Year Ended 30 June 2020**

	Note	Actual 2020 \$000	Council Annual Plan 2020 \$000	Actual 2019 \$000	Group 2020 \$000	2019 \$000
Cash flows from operating activities						
<i>Cash was provided by (applied to):</i>						
Receipts from customers		34,555	29,741	27,334	77,932	71,231
Interest received		33	40	63	44	88
Dividends received		4,543	4,535	4,535	8	-
Payments to suppliers and employees		(45,450)	(35,287)	(30,852)	(71,061)	(56,609)
Finance costs		(96)	(75)	(53)	(516)	(541)
Income tax paid		-	-	-	(4,752)	(4,123)
Net cash flow from operating activities	22(b)	(6,415)	(1,046)	1,027	1,655	10,046
Cash flows from investing activities						
<i>Cash was provided by (applied to):</i>						
Reduction of Managed Funds		7,170	1,020	2,174	7,170	2,174
Proceeds from sale of property, plant and equipment		653	474	26	713	74
Loan advance		(25)	-	(9)	(25)	(9)
Purchase of property, plant and equipment		(3,135)	(1,756)	(592)	(8,628)	(6,737)
Net cash flow from investing activities		4,663	(262)	1,599	(770)	(4,499)
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		-	-	-	(548)	(200)
Net cash flow from financing activities		-	-	-	(2,834)	(2,486)
Net increase/(decrease) in Cash and cash equivalents		(1,752)	(1,308)	2,626	(1,949)	3,062
Cash and cash equivalents at the beginning of the financial year		142	(4,198)	(2,484)	1,569	(1,493)
Net foreign exchange differences		-	-	-	-	-
Cash and cash equivalents at the end of the financial year	22(a)	(1,610)	(5,507)	142	(380)	1,569

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 for 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 2020. The financial statements were authorised for issue by Council on 26 November 2020.

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.

Adoption of New and Revised Standard and Interpretations

All mandatory new or amended accounting standards and interpretations were adopted in the current year, including:

- PBE IPSAS 34: Separate Financial Statements
- PBE IPSAS 35: Consolidated Financial Statements
- PBE IPSAS 37: Joint Arrangements
- PBE IPSAS 39: Employee Benefits

None had a significant impact on these financial statements.

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	National Emergency Management Agency
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

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

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

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

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

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

- resource consent processing;
- pest animal contract work;
- grazing leases;
- consent monitoring;
- 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 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 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 at 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

Stop banks 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 35: Consolidated 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.

The consolidated financial statements incorporate the financial statements of the Council and its subsidiaries. Control is achieved when the Council:

- has power over the other entity;
- has exposure or rights, to variable benefits from its involvement with the other entity;
- has the ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity.

The Group financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council and its subsidiaries as defined by PBE *IPSAS 35: Consolidated Financial Statements*. Consistent accounting policies are employed in the preparation and presentation of the Group 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 37 Joint Arrangements*, 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, other 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 2020:

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.

Fair value of shares in subsidiary

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).

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	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Revenue				
Revenue includes the following items:				
(a) Rates Revenue:				
General rates	9,833	8,695	9,833	8,695
Separate rates	8,104	8,063	8,104	8,063
Southern Pest Eradication Society rates	231	231	231	231
	18,168	16,989	18,168	16,989
(b) Government Grants				
Operating	2,324	1,652	2,324	1,652
Ministry for the Environment - Waituna project	5,109	-	5,109	-
	7,433	1,652	7,433	1,652
(c) Other Revenue:				
Revenue from rendering of services:				
Port Revenue	-	-	44,573	43,950
Local Contributions	1,239	1,000	1,239	1,000
Consent recoveries	2,261	1,905	2,261	1,905
Compliance Monitoring and Recoveries	1,249	1,170	1,249	1,170
Prosecutions, Fines and Infringements	130	91	130	91
Marine Fee revenue	2,407	2,533	2,407	2,533
Operating lease rental revenue	911	859	911	859
Interest on bank deposits	877	63	888	88
Dividends received	4,543	4,535	8	-
Other operating revenue	3,651	1,869	3,651	1,869
	17,268	14,025	57,317	53,465
(d) Other Gains / (Losses)				
Gain on disposal of property, plant and equipment	600	1	635	52
Net change in fair value of other financial assets and liabilities carried at fair value through profit or loss	688	2,320	688	2,320
	1,288	2,321	1,323	2,372

2 Operating Revenue and Expenses (continued)

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Expenses				
Expenses include the following items:				
(e) Employee Benefits Expense				
Salaries and wages	16,033	14,141	26,830	24,273
Defined contribution plans	661	523	1,009	865
Other employee benefits	810	1,145	1,000	1,328
	17,504	15,809	28,839	26,466
(f) Finance Costs				
Interest on loans carried at amortised cost	-	-	399	500
Change in fair value of interest rate swaps	-	-	150	246
Other interest expense	96	53	116	53
	96	53	665	799
(g) Other Expenses				
Net bad and doubtful debts (recovered)	(58)	97	41	97
Loss on disposal of property, plant and equipment	13	8	19	218
Donations	-	-	2	4
Grants and contributions	6,374	1,625	6,374	1,625
Operating lease rental - minimum lease payments	142	65	180	185
Directors remuneration	-	-	278	278
Provisions	-	-	-	-
Asset impairment	-	-	-	-
Emergency expenses	2,091	-	2,091	-
Other operating expenses	17,275	15,414	32,376	30,105
	25,837	17,209	41,361	32,512

Note:

(i) Audit fees are disclosed under Note 5.

(ii) Grants and contributions include one off expenditure for the Ministry for the Environment grant received.

(iii) Emergency expenses include February 2020 Civil Defence Emergency and associated flood damage costs.

2 Operating Revenue and Expenses (continued)

(h) 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.

	Council		Group	
	2020	2019	2020	2019
Revenue from Non-exchange transactions	\$000	\$000	\$000	\$000
General Rates	9,833	8,695	9,833	8,695
Separate Rates	8,104	8,063	8,104	8,063
Southern Pest Eradication Society Rate	231	231	231	231
Levies and Contributions	7,433	1,652	7,433	1,652
Rates Penalties	241	172	241	172
Prosecutions and Infringements	130	91	130	91
Donations Received	6	6	6	6
Revenue from Exchange transactions				
Local Contributions	1,239	1,000	1,239	1,000
Rental Income	911	859	911	859
Investment Income	1,565	2,383	1,576	2,408
Gain on Sale of Assets	600	1	635	52
Dividends Received	4,543	4,535	8	-
External Recoveries	9,321	7,299	9,321	7,299
Port Revenue			44,573	43,950
	<u>44,157</u>	<u>34,987</u>	<u>84,241</u>	<u>74,478</u>
Current Assets				
Receivables from Non-exchange transactions (Rates)	1,116	881	3,177	881
Receivables from Exchange transactions	<u>4,775</u>	<u>2,116</u>	<u>9,127</u>	<u>7,766</u>
Total Receivables	<u>5,891</u>	<u>2,997</u>	<u>12,304</u>	<u>8,647</u>

Note: Levies and contributions include government grants disclosed in Note 2(b)

3 Income Taxes

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
(a) Income Tax Recognised in Profit or Loss				
Tax expense / (income) comprises:				
<i>Current tax expense / (credit)</i>				
Current year	-	-	4,037	4,150
Adjustments for prior years	-	-	88	26
	-	-	4,125	4,176
<i>Deferred tax expense / (credit)</i>				
Origination and reversal of temporary differences	-	-	(207)	(253)
Adjustments for prior years	-	-	-	-
	-	-	(207)	(253)
Tax expense / (income)	-	-	3,918	3,923

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	5	1,187	8,828	10,362
Income tax expense calculated at 28%	1	332	2,472	2,901
Temporary differences	-	-	115	(3)
Non deductible expenses	12,363	9,464	12,417	9,670
Non assessable income	(11,092)	(8,527)	(11,103)	(8,672)
	1,272	1,270	3,900	3,897
Taxation effect of imputation credits	-	-	-	-
Imputation credits utilised (28% of net dividend)	(1,272)	(1,270)	-	-
Adjustments for prior years	-	-	18	26
Temporary differences	-	-	-	-
	-	-	3,918	3,923

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	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
(c) Current Tax Assets and Liabilities				
<i>Current Tax Payable:</i>				
Current Tax Payable	-	-	1,055	1,682

3 Income Taxes (continued)

(d) Deferred Tax Balances Comprise:

Taxable and deductible temporary differences arising from the following:

2020	Opening	Charged to	Group	Closing
	balance	income	Charged to other comprehensive revenue	balance
	\$000	\$000	\$000	\$000
Gross deferred tax liabilities:				
Property, plant and equipment	(409)	175	-	(234)
	<u>(409)</u>	<u>175</u>	<u>-</u>	<u>(234)</u>
Gross deferred tax assets:				
Provisions	361	32	-	393
	<u>361</u>	<u>32</u>	<u>-</u>	<u>393</u>
	<u>(48)</u>	<u>207</u>	<u>-</u>	<u>159</u>

2019	Opening	Charged to	Group	Closing
	balance	income	Charged to other comprehensive revenue	balance
	\$000	\$000	\$000	\$000
Gross deferred tax liabilities:				
Property, plant and equipment	(565)	156	-	(409)
	<u>(565)</u>	<u>156</u>	<u>-</u>	<u>(409)</u>
Gross deferred tax 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>

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities has not been recognised is \$Nil (2019: \$Nil).

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
(e) Imputation Credit Account Balances				
Balance at 30 June 2020	-	-	13,413	11,941
	<u>-</u>	<u>-</u>	<u>13,413</u>	<u>11,941</u>

Imputation credits available directly and indirectly to Council through:

Council	-	-
Subsidiaries	13,413	11,941
	<u>13,413</u>	<u>11,941</u>

4 Key Management Personnel Compensation

The key management personnel for council are the Councillors, Chief Executive and five General Managers. 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	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Short-term employee benefits	1,909	1,847	3,808	3,678
Other long-term employee benefits	-	-	49	51
	<u>1,909</u>	<u>1,847</u>	<u>3,857</u>	<u>3,729</u>

5 Remuneration of Auditors

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Audit fees for financial statement audit	122	116	122	116
Audit fees to other auditors for audit of financial statements of group entities	-	-	61	52
	<u>122</u>	<u>116</u>	<u>183</u>	<u>168</u>

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 Findex.

6 Trade and Other Receivables

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Trade Receivables	2,618	2,278	9,081	7,978
Insurance Receivable	2,061	-	2,061	-
Allowance for doubtful debts	(220)	(270)	(270)	(320)
	<u>4,459</u>	<u>2,008</u>	<u>10,872</u>	<u>7,658</u>
Goods and services tax (GST) receivable	1,179	536	1,179	536
Other sundry receivables	253	453	253	453
	<u>5,891</u>	<u>2,997</u>	<u>12,304</u>	<u>8,647</u>
Current	5,891	2,997	12,304	8,647
Non-current	-	-	-	-
	<u>5,891</u>	<u>2,997</u>	<u>12,304</u>	<u>8,647</u>

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

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

Included within the Group's trade and other receivable balance are debtors with a carrying amount of \$2,589,839 (2019: \$1,426,911), Council \$1,580,839 (2019: \$1,181,911), which are past due at the reporting date for which the Group has not provided for impairment. The Group has not provided for these as \$1,116,164 (2019: \$794,295) 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: 41 days (2019: 30 days) and Group: 48 days (2019: 30 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	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Raw materials (at cost)	109	110	109	110
	109	110	109	110

8 Other Financial Assets and Liabilities

		Council		Group	
		2020	2019	2020	2019
		\$000	\$000	\$000	\$000
Fair value through Profit or Loss:					
Classified as held for trading					
<u>Managed Funds</u>					
JBWere - NZ Government and Local Authority	(i)	-	3,711	-	3,711
JBWere - Other Bonds	(i)	11,602	11,325	11,602	11,325
JBWere - Cash	(i)	3,852	2,987	3,852	2,987
JBWere - Equities	(i)	12,854	15,923	12,854	15,923
		<u>28,308</u>	<u>33,946</u>	<u>28,308</u>	<u>33,946</u>
Classified as loans and receivables					
Loan to Invercargill City Council	(iv)	142	134	142	134
Loan to Gore District Council	(iv)	44	27	44	27
		<u>186</u>	<u>161</u>	<u>186</u>	<u>161</u>
Classified as other financial assets and liabilities					
Interest rate derivatives	(iii)	-	-	(750)	(600)
Shares - Civic Assurance Limited		9	9	9	9
		<u>28,503</u>	<u>34,116</u>	<u>27,753</u>	<u>33,516</u>
Disclosed in the financial statements as:					
Current Assets		28,308	33,946	28,308	33,946
Non-current Assets		195	170	195	170
Current Liabilities		-	-	-	(70)
Non-current Liabilities		-	-	(750)	(530)
		<u>28,503</u>	<u>34,116</u>	<u>27,753</u>	<u>33,516</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 JB Were. 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 2020 (2019: \$3,711).
- (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 had an interest rate swap in place which matured in November 2019. The interest rate swap had a fixed swap rate of 4.45% with a notional contract amount of \$5 million at 30 June 2019, however this swap matured before balance date - 30 June 2020.

Interest rate swap - South Port NZ Ltd has an interest rate swap in place which commenced 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 2020 (2019: contract in place for \$5 million @3.64%, commencing November 2019 and maturing November 2024).

- (iv) The Group advanced \$22,124 to Gore District Council during the year (2019: \$Nil) \$Nil was advanced to Invercargill City Council (2019: \$Nil) to support the low interest loans offered on the Clean Air scheme. This is interest free and repayable in seven years time. The total amount able to be drawn down under this scheme is \$1,500,000 (2019: \$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	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Prepayments	425	289	472	340
	425	289	472	340

10 Property, Plant and Equipment

2020												
<u>COUNCIL ONLY</u>												
	Cost 1 July 2019	Additions	Disposals	Transfers	Cost 30 June 2020	Accumulated depreciation and impairment charges 1 July 2019	Impairment losses charged in Statement of Comprehensive Revenue	Depreciation expense *	Accumulated depreciation reversed on disposal	Other	Accumulated depreciation and impairment charges 30 June 2020	Carrying amount 30 June 2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Council Operational Assets												
Land	161	-	(10)	-	151	-	-	-	-	-	-	151
Buildings	5,039	13	(106)	-	4,946	(1,736)	-	(118)	85	-	(1,769)	3,177
Rental Land	4,591	2,557	-	-	7,148	-	-	-	-	-	-	7,148
Rental Buildings	1,055	-	-	-	1,055	(747)	-	(20)	-	-	(767)	288
Motor Vehicles	2,344	118	(221)	-	2,241	(1,407)	-	(258)	200	-	(1,465)	776
Other Plant and Equipment	4,981	447	(142)	-	5,286	(3,662)	-	(281)	140	-	(3,803)	1,483
Total Operational Assets	18,171	3,135	(479)	-	20,827	(7,553)	-	(677)	425	-	(7,805)	13,022
Council Infrastructural Assets												
Stopbanks and Earthworks	24,668	-	-	-	24,668	(2)	-	-	-	-	(2)	24,666
Bridges	106	-	-	-	106	(17)	-	(2)	-	-	(19)	87
Large Culverts	2,275	-	-	-	2,275	(481)	-	(39)	-	-	(520)	1,755
Tidegate Structures	719	-	-	-	719	(147)	-	(10)	-	-	(157)	562
Total Infrastructural Assets	27,768	-	-	-	27,768	(647)	-	(51)	-	-	(698)	27,070
Council Work in Progress												
Buildings	5	-	-	-	5	-	-	-	-	-	-	5
Total Council Property, Plant and Equipment	45,944	3,135	(479)	-	48,600	(8,200)	-	(728)	425	-	(8,503)	40,097

* Depreciation differs from the Statement of Comprehensive Revenue and Expenses by \$13k which is the Joint Venture share of Emergency Management Southland total depreciation.

2019												
<u>COUNCIL ONLY</u>												
	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 Revenue	Depreciation expense *	Accumulated depreciation reversed on disposal	Other	Accumulated depreciation and impairment charges 30 June 2019	Carrying amount 30 June 2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
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 Revenue and Expenses by \$18k which is the Joint Venture share of Emergency Management Southland total depreciation.

2020												
GROUP	Cost 1 July 2019	Additions	Disposals	Transfers	Cost 30 June 2020	Accumulated depreciation and impairment charges 1 July 2019	Impairment losses charged in Statement of Comprehensive Revenue	Depreciation expense *	Accumulated depreciation reversed on disposal	Other	Accumulated depreciation and impairment charges 30 June 2020	Carrying amount 30 June 2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Group Operational Assets												
Land - Council	161	-	(10)	-	151	-	-	-	-	-	-	151
Buildings - Council	5,039	13	(106)	-	4,946	(1,736)	-	(118)	85	-	(1,769)	3,177
Rental Land - Council	4,591	2,557	-	-	7,148	-	-	-	-	-	-	7,148
Rental Buildings - Council	1,055	-	-	-	1,055	(747)	-	(20)	-	-	(767)	288
Motor Vehicles - Council	2,344	118	(221)	-	2,241	(1,407)	-	(258)	200	-	(1,465)	776
Other Plant and equipment - Council	4,981	447	(142)	-	5,286	(3,662)	-	(281)	140	-	(3,803)	1,483
Land - Subsidiary	3,078	-	-	-	3,078	-	-	-	-	-	-	3,078
Buildings - Subsidiary	22,509	319	-	(395)	22,433	(6,958)	7	(477)	-	-	(7,428)	15,005
Plant and Machinery - Subsidiary	72,220	5,177	(1,532)	395	76,260	(41,275)	(33)	(3,366)	1,521	-	(43,153)	33,107
Total Operational Assets	115,977	8,631	(2,011)	-	122,597	(55,786)	(26)	(4,520)	1,946	-	(58,386)	64,211
Council Infrastructural Assets												
Stopbanks and Earthworks	24,668	-	-	-	24,668	(2)	-	-	-	-	(2)	24,666
Bridges	106	-	-	-	106	(17)	-	(2)	-	-	(19)	87
Large Culverts	2,275	-	-	-	2,275	(481)	-	(39)	-	-	(520)	1,755
Tidegate Structures	719	-	-	-	719	(147)	-	(10)	-	-	(157)	562
Total Infrastructural Assets	27,768	-	-	-	27,768	(647)	-	(51)	-	-	(698)	27,070
Work in Progress												
Buildings	5	-	-	-	5	-	-	-	-	-	-	5
Total Group Property, Plant and Equipment	143,750	8,631	(2,011)	-	150,370	(56,433)	(26)	(4,571)	1,946	-	(59,084)	91,286

* Depreciation differs from the Statement of Comprehensive Revenue and Expenses by \$23k which is the Joint Venture share of Emergency Management Southland total depreciation and South Port right-of-use asset.

2019												
GROUP	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 Revenue	Depreciation expense *	Accumulated depreciation reversed on disposal	Other	Accumulated depreciation and impairment charges 30 June 2019	Carrying amount 30 June 2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Group Operational Assets												
Land - Council	145	16	-	-	161	-	-	-	-	-	0	161
Buildings - Council	5,035	4	-	-	5,039	(1,618)	-	(118)	-	-	(1,736)	3,303
Rental Land - Council	4,591	-	-	-	4,591	-	-	-	-	-	0	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	-	-	-	-	-	0	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 Revenue and Expenses by \$18k which is the Joint Venture share of Emergency Management Southland total depreciation.

11 Investment in Related Party

As at 30 June 2020, the council has a 15.50%. (2019: 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 2020, the council has a 0.17%. (2019: 18.75%) 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	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Trade payables	2,752	5,053	6,480	8,205
Other accrued charges	769	456	769	456
Income Received in Advance	-	43	-	43
	3,521	5,552	7,249	8,704

The average credit period on purchases is 30 days

13 Employee Entitlements

	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Accrued salary and wages	597	807	812	1,138
Annual leave	1,295	1,041	2,345	1,829
Long service leave	3	2	96	74
	1,895	1,850	3,253	3,041

Disclosed in the financial statements as:

Current Employee Entitlements	1,853	1,806	3,174	2,978
Non-Current Employee Entitlements	42	44	80	63
	1,895	1,850	3,254	3,041

14 Borrowings

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
<i>Secured - at amortised cost</i>				
Current borrowings	-	-	1,500	-
Non-current borrowings	-	-	5,000	7,000
	<u>-</u>	<u>-</u>	<u>6,500</u>	<u>7,000</u>

South Port New Zealand Limited's credit facility of \$17 million from ANZ (Last year HSBC) (2019: \$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 2024) the Company has with ANZ. 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	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Lease area balances (a)	5,502	5,081	5,502	5,081
Special reserves (b)	18,150	18,033	18,150	18,033
Rating district balances (c)	4,824	5,379	4,824	5,379
Retained earnings (d)	49,043	49,021	71,074	69,311
Non controlling interest (e)	-	-	14,894	14,016
	<u>77,519</u>	<u>77,514</u>	<u>114,444</u>	<u>111,820</u>

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

	2020			
	Balance	Plus	Less	Balance
	1/07/2019	Income	Costs	30/06/2020
	\$000	\$000	\$000	\$000
Aparima	36	3	(2)	37
Ferry Road	1,669	292	(106)	1,855
Kingswell	31	5	(3)	33
Mataura	2,297	455	(338)	2,414
Oreti	511	202	(120)	593
Otepunu	211	30	(12)	229
Winton	182	12	(10)	184
Waihopai	144	24	(11)	157
	<u>5,081</u>	<u>1,023</u>	<u>(602)</u>	<u>5,502</u>

	2019			
	Balance	Plus	Less	Balance
	1/07/2018	Income	Costs	30/06/2019
	\$000	\$000	\$000	\$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>(544)</u>	<u>5,081</u>

(b) Special Reserves (Council and Group)

	2020			
	Balance	Transfers	Transfers	Balance
	1/07/2019	to	from	30/06/2020
	\$000	\$000	\$000	\$000
Building Reserve	227	105	-	332
Lease Building Reserve	557	-	(28)	529
Furniture and Equipment Reserve	101	18	-	119
Plant Renewal Reserve	101	11	-	112
Vehicle reserve	511	210	-	721
Infrastructure Assets Reserve	473	43	-	516
Disaster Damage General Reserve	2,000	-	-	2,000
Makarewa Disaster Damage Reserve-Restricted	174	2	-	176
Oreti Disaster Damage Reserve-Restricted	1,527	15	-	1,542
Mataura Disaster Damage Reserve-Restricted	1,306	13	-	1,319
Aparima Disaster Damage Reserve-Restricted	579	19	-	598
Orauea Disaster Damage Reserve-Restricted	9	-	-	9
Invercargill Disaster Damage Reserve-Restricted	953	70	-	1,023
Waiau Disaster Damage Reserve-Restricted	1,708	45	(67)	1,686
Regional Assistance to Projects	6	-	-	6
Coastal Rental Reserve	84	85	-	169
Marine Fee Reserve-Restricted	3,453	2,429	(2,732)	3,150
South Port Special Dividend Reserve	669	-	-	669
South Port Share Buy Back Reserve	1,866	-	(488)	1,378
Election Funding Reserve	76	-	(76)	-
Pest Property Reserve Fund	319	553	-	872
Pest Plant Reserve	70	3	-	73
Pest Disposals Reserve	299	-	-	299
Te Anau Basin Reserve	321	21	-	342
Waimatuku Stream Disaster Reserve - Restricted	58	1	-	59
Aerial Photography Reserve	49	-	-	49
Emergency Management Southland Reserve	208	-	(143)	65
Lake Hawkins Pumphouse-Restricted	329	8	-	337
	18,033	3,651	(3,534)	18,150

(b) Special Reserves (Council and Group) continued

	2019			
	Balance	Transfers	Transfers	Balance
	1/07/2018	to	from	30/06/2019
	\$000	\$000	\$000	\$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
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
Mataura Disaster Damage Reserve-Restricted	1,271	35	-	1,306
Aparima Disaster Damage Reserve-Restricted	551	28	-	579
Orauea Disaster Damage Reserve-Restricted	9	-	-	9
Invercargill Disaster Damage Reserve-Restricted	869	84	-	953
Waiau Disaster Damage Reserve-Restricted	1,698	77	(67)	1,708
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
Lake Hawkins Pumphouse-Restricted	315	14	0	329
	17,550	3,759	(3,276)	18,033

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

	2020			Balance 30/06/2020 \$000
	Balance 1/07/2019 \$000	Plus Income \$000	Less Costs \$000	
Aparima	598	727	(663)	662
Clifton Drainage	18	7	(10)	15
Duck Creek	41	69	(74)	36
Invercargill	136	661	(558)	239
Lake Hawkins	(89)	139	(131)	(81)
Makarewa	224	403	(432)	195
Makarewa Special	115	-	-	115
Mataura	650	2,089	(2,159)	580
Otepunui Creek	-	18	-	18
Oreti	687	2,007	(2,076)	618
Te Anau Basin	740	387	(435)	692
Waituna Creek	63	53	(68)	48
Waihopai	60	35	(28)	67
Waiau	596	444	(1,015)	25
Waiau - Sharpridge	56	10	(12)	54
Waiau - Orauea	23	53	(79)	(3)
Waiau - Upper Lillburn	373	33	(29)	377
Waiau - Wairaki	32	47	(49)	30
Waiau - Fenham	124	11	-	135
Waiau - Boundary Creek	2	1	1	4
Waiau Special Projects	742	4	36	782
Waimatuku	21	61	(51)	31
Upper Waihopai	51	26	(30)	47
Upper Waikiwi	86	19	(7)	98
Lower Waikawa	12	4	(2)	14
Upper Waikawa	17	9	-	26
	5,379	7,317	(7,871)	4,824

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

	2019			
	Balance	Plus	Less	Balance
	1/07/2018	Income	Costs	30/06/2019
	\$000	\$000	\$000	\$000
Aparima	541	57	0	598
Clifton Drainage	14	4	0	18
Duck Creek	38	3	(0)	41
Invercargill	83	53	0	136
Lake Hawkins	(86)	-	(3)	(89)
Makarewa	336	-	(112)	224
Makarewa Special	-	115	(0)	115
Mataura	362	288	(0)	650
Otepunui Creek	23	-	(23)	-
Oreti	594	93	(0)	687
Te Anau Basin	706	34	(0)	740
Waituna Creek	130	-	(67)	63
Waihopai	35	25	(0)	60
Waiau	569	27	0	596
Waiau - Sharpridge	47	9	0	56
Waiau - Orauea	16	7	(0)	23
Waiau -Upper Lillburn	381	-	(8)	373
Waiau - Wairaki	40	-	(8)	32
Waiau - Fenham	117	7	(0)	124
Waiau - Boundary Creek	7	-	(5)	2
Waiau Special Projects	699	43	0	742
Waimatuku	7	14	0	21
Upper Waihopai	33	18	0	51
Upper Waikiwi	73	13	0	86
Lower Waikawa	14	-	(2)	12
Upper Waikawa	11	6	(0)	17
	4,790	816	(226)	5,379

(d) Retained Earnings

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Balance at beginning of year	49,021	49,336	69,311	67,655
Net surplus / (deficit) attributable to Council	5	1,187	1,746	3,158
Net movement in lease areas	(421)	(429)	(421)	(429)
Net movement in special reserves	(117)	(483)	(117)	(483)
Net movement in rating districts	554	(590)	554	(590)
Balance at end of year	49,042	49,021	71,074	69,311

Note: Included in retained earnings is an internal loan for land purchases of \$2,557k

(e) Non Controlling Interests

	Group	
	2020	2019
	\$000	\$000
Balance at beginning of year	14,016	13,021
Share of comprehensive revenue for the year	3,164	3,281
Dividend distribution for the year	(2,286)	(2,286)
Balance at end of year	14,894	14,016

16 Commitments for Expenditure

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
(a) Capital Expenditure Commitments				
Buildings	-	-	744	280
Land	-	1,906	-	1,906
Plant and equipment	-	144	-	144
	-	2,050	744	2,330

As at 30 June 2020, the Council had no capital expenditure commitments:

- (i) Funds committed at 30 June 2020 were \$Nil (2019: \$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).

As at 30 June 2020, the Group has the following capital expenditure commitments:

- (i) Additional funds committed \$744k as South Port Group entered into commitments to complete new storm bollards for berths 4 and 8, a light tower at FML, repairs to the service duct at berth 1, a new water connection for the town and ferry wharf and other minor capital projects (2019: minor capital projects \$280k).

(b) Operating Lease Commitments

Finance lease commitments

Finance lease liabilities at 30 June 2020 were \$Nil (2019: \$Nil)

Operating lease commitments

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Within one year	199	67	250	135
One to five years	256	26	486	198
More than five years	-	-	103	-
	455	93	839	333

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	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Within one year	877	658	4,137	3,815
One to five years	1,433	858	9,953	9,999
More than five years	-	-	38,084	39,158
	2,310	1,516	52,174	52,972

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.

This 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 a contingent liability pending the outcome of a Court appeal for a disputed consent as at 30 June 2020 (2019: \$Nil). South Port Group \$Nil (2019: \$Nil)

The Council has no contingent assets as at 30 June 2020 (2019: \$Nil). South Port Group \$Nil (2019: \$Nil)

18 Subsidiaries

Parent Entity	Country of Incorporation	Ownership Interest	
		2020 %	2019 %
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	
	2020 \$000	2019 \$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	13	10
Regional Software Holdings Limited		
	Council 2020 \$000	2019 \$000
Administration fees and support paid by Council	(224)	(185)

Regional Software Holdings Limited has no subsidiaries.

Southland Regional Development Agency Limited (Great South)

Environment Southland provided funding of \$140,000 to Southland Regional Development Agency for the year ended 30 June 2020.

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 \$620,000 (2019: \$484,000). Sanford Limited debtors balance at 30 June 2020 \$49,500 (2019: \$25,000). 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

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 2020 no amounts invoiced to Sanford were written off as bad debts or included in the doubtful debts provision at balance date (2019: Nil).

In Environment Southland's role as agent for the Whakamana Te Waituna project, as at 30 June 2020 funds held on behalf of the project amounted to \$384,000 (2019: \$435,000). 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 project.

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:

	2020	2019
	\$000	\$000
Current Assets	35	178
Revenue	717	335
Expenses	859	284

21 Subsequent Events

(a) Council

Council had no significant events after balance date.

(b) Group (South Port New Zealand Limited)

On 27 Aug 2020 the Board declared a final dividend for the year to 30 June 2020 of 18.50 cents per share amounting to \$4,854 million (before supplementary dividends). (2019 Final dividend declared for 18.50 cents per share amounting to \$4,854 million).

On 9 July 2020, Rio Tinto announced that it would start planning for the wind-down of operations and the eventual closure of New Zealand Aluminium Smelters (NZAS) in August 2021. The Company estimates that the smelter's overall contribution to net profit after tax, excluding the licence fee, which is payable until 2043, is approximately \$2 million.

Impairment Testing

A high-level assessment of the impact of an unmitigated NZAS exit in August 2021 on the value in use of the Group's CGUs has been completed. This assessment indicated that as at 30 June 2020, there is no impairment of assets as a result of the unexpected closure of NZAS in August 2021.

The following assumptions were used in the value in use calculations:

Post-tax discount rate 6%

Annual growth factor 2%

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 are shown as follows: Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Cash	-	142	-	1,568
Bank Overdraft	(1,609)	-	(380)	-
Cash and cash equivalents	(1,609)	142	(380)	1,568

Council has an overdraft facility with ANZ Bank New Zealand Limited, with a limit of \$4 million as at 30 June 2020. 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 January 2021. The interest rate is 1.93%.

South Port NZ has an overdraft facility of \$200,000 (2019: \$200,000), of which \$Nil (2019: \$Nil) had been drawn down.

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

	Council		Group	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Surplus/(Deficit)	5	1,187	4,910	6,439
Add/(less) non-cash items				
Depreciation	714	745	4,607	4,355
(Gain) / loss on disposal of property, plant and equipment	(587)	7	(616)	166
Net change in fair value of forward exchange contracts and interest rate swaps	-	-	150	246
Interest realised not received	(844)	-	(844)	-
Fair value gain/loss on other financial assets	(688)	(2,320)	(688)	(2,320)
Deferred Tax Expense	-	-	(207)	(253)
	(1,405)	(1,568)	2,402	2,194
Add/(less) movement in working capital:				
Trade and other receivables	(2,894)	(734)	(3,657)	(996)
Inventories	1	10	1	10
Prepayments	(136)	(123)	(132)	(123)
Trade and other payables	(2,031)	2,243	(1,455)	2,445
Employee Entitlements	45	12	213	24
Taxation payable	-	-	(627)	53
	(5,015)	1,408	(5,657)	1,413
Net cash inflow/(outflow) from operating activities	(6,415)	1,027	1,655	10,046

23 Severance Payments (Council only)

For the year ended 30 June 2020 Council had severance payments of \$13,650 (2019: \$Nil)

24 Remuneration (Council only)

(a) During the year to 30 June 2020, 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 2020 year				
	Remuneration	Communication Allowance	Meeting fees	Mileage	Total
<i>Chair</i>					
Nicol Horrell	113,541	550	-	764	114,855
	113,541	550	-	764	114,855
<i>Elected members</i>					
Allan Baird	31,187	685	-	2,341	34,213
Ross Cockburn	14,870	169	-	1,630	16,669
Neville Cook	52,120	550	-	-	52,670
Ernest Currie	12,392	169	-	-	12,561
Lloyd Esler	31,187	-	-	-	31,187
Robert Guyton	43,579	-	-	-	43,579
Grant Hubber	14,870	169	-	322	15,361
Lyndall Ludlow	49,642	550	-	494	50,686
Bonnie Mager	31,187	796	-	-	31,983
Lloyd McCallum	58,183	1,150	-	3,610	62,943
Peter McDonald	31,187	408	-	3,228	34,823
Jeremy McPhail	49,642	550	-	4,098	54,290
Maurice Rodway	14,870	354	-	373	15,597
Eric Roy	49,642	-	-	-	49,642
David Stevens	43,579	550	-	8,193	52,322
	528,137	6,100	-	24,289	558,526
	641,678	6,650	-	25,053	673,381

	Cost 2019 year				
	Remuneration	Communication Allowance	Meeting fees	Mileage	Total
<i>Chair</i>					
Nicol Horrell	102,486	550	-	-	103,036
	102,486	550	-	-	103,036
<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
	459,453	7,546	8,880	32,206	508,085
	561,939	8,096	8,880	32,206	611,121

Chief Executive

For the year ending 30 June 2020 the total cost to the Council of the remuneration package being received by the Chief Executive, including the fringe benefit tax of \$6,118 (2019: \$5,077) is calculated at \$340,273 (2019: \$331,194).

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

	2020	2019
	Actual	Actual
Number of full-time employees	169	165
Full-time equivalent of all other employees	10	9
Council defines a full-time equivalent employee as working 37.5 hours per week.		
Number of employees receiving total annual remuneration below \$60,000	29	38
Number of employees receiving total annual remuneration between \$60,000 and \$79,999	46	44
Number of employees receiving total annual remuneration between \$80,000 and \$99,999	53	53
Number of employees receiving total annual remuneration between \$100,000 and \$119,999	30	21
Number of employees receiving total annual remuneration between \$120,000 and \$139,999	12	12
Number of employees receiving total annual remuneration between \$140,000 and \$199,999	5	3
Number of employees receiving total annual remuneration between \$200,000 and \$340,000	4	3

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/(deficit) relating to these separate areas of benefit is applied to the specific reserves.

The Group's overall strategy remains unchanged from 2019.

(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	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Financial Assets				
Cash and cash equivalents	-	142	-	1,568
Trade and other receivables - Amortised Cost	5,891	2,997	12,304	8,647
Other financial assets				
- Fair Value through profit or loss - held for trading	28,308	33,946	28,308	33,946
- Loans to Invercargill City Council	142	134	142	134
- Loans to Gore District Council	44	27	44	27
- Investments held at Cost	9	9	9	9
Financial Liabilities				
Bank overdraft	1,609	-	380	-
Trade and other payables - Amortised Cost	3,521	5,552	7,249	8,704
Borrowings - Amortised Cost	-	-	6,500	7,000
Other financial liabilities				
- Fair Value through profit or loss	-	-	750	530

(d) Financial Risk Management Objectives

The Council has a series of policies to manage the risks associated with financial instruments. The Council is risk averse 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 the Statement of Investment Policy and Objectives.

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

	Assets		Liabilities	
	2020	2019	2020	2019
	NZ \$000	NZ \$000	NZ \$000	NZ \$000
Council				
US Dollars	6,627	7,754	-	-
British Pounds	-	-	-	-
Euro	724	2,052	-	-
Australian Dollars	2,234	2,720	-	-
Group				
US Dollars	6,627	7,754	-	-
British Pounds	-	-	-	-
Euro	724	2,052	-	-
Australian Dollars	2,234	2,720	-	-

(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 JB Were. 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 1.16% and 2.69% (2019: 2.55% and 2.82%). The Company is exposed to normal fluctuations in market interest rates.

Interest rate swap – South Port NZ Ltd had an interest rate swap in place which matured in November 2019. The interest rate swap had a fixed swap rate of 4.45% with a notional contract amount of \$5 million at 30 June 2019, however this swap matured before balance date - 30 June 2020.

Interest rate swap - South Port NZ Ltd has an interest rate swap in place which commenced 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 2020 (2019: contract in place for \$5 million @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 JB Were (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 2020	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		
Financial Assets									
Cash and Cash equivalents		-						-	-
Trade Receivables		5,891	-	-	-	-	-	5,891	5,891
Managed Funds		28,308						28,308	28,308
Financial Liabilities									
Bank overdraft	1.93%	1,609	-	-	-	-	-	1,609	1,609
Trade and other payables		3,521	-	-	-	-	-	3,521	3,521
Borrowings		-	-	-	-	-	-	-	-

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		
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		-	-	-	-	-	-	-	-

GROUP 2020	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		
Financial Assets									
Cash and Cash equivalents	0.25%	-	-	-	-	-	-	-	-
Trade Receivables		12,304	-	-	-	-	-	12,304	12,304
Managed Funds		28,308						28,308	28,308
Financial Liabilities									
Bank overdraft	1.93%	380	-	-	-	-	-	380	380
Trade and other payables		7,249	-	-	-	-	-	7,249	7,249
Borrowings (non-current)	3.64%	58	58	58	5,034	-	-	5,208	5,000
Borrowings (current)		-	-	-	-	-	-	-	-
Interest rate derivatives	3.64%	182	182	182	182	92	-	1,002	750

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		
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

(j) Fair Value of Financial Instruments

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

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

The Council considers that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values with the exception of the Council's investment in its subsidiary, South Port New Zealand Limited (South Port). The Council records its investment in South Port at cost \$8,720,786 and at 30 June 2020 the fair value of this investment based on the NZX quoted bid price was \$121,218,932 (2019: \$117,730,618).

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 2020

	Total NZ \$000	Valuation Technique		
		Level 1 NZ \$000	Level 2 NZ \$000	Level 3 NZ \$000
Financial Assets				
Other financial assets	28,308	16,707	11,602	-
Financial Liabilities				
Derivatives - interest rate swaps	(750)	-	(750)	-

Group 2019

	Total NZ \$000	Valuation Technique		
		Level 1 NZ \$000	Level 2 NZ \$000	Level 3 NZ \$000
Financial Assets				
Other financial assets	33,946	18,910	15,036	-
Financial Liabilities				
Derivatives - interest rate swaps	(600)	-	(600)	-

(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 \$958,498 (2019: \$1,252,647). 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 \$94,391 (2019: \$140,510). This is mainly attributable to the Group's exposure to interest rates on its investments within its managed funds held with JB Were.
- 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 \$1,285,403 (2019: \$1,592,282) 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 2020

	Council Actual 2020 \$000	Council Annual Plan 2020 \$000	Variance \$000	Note
Revenue				
Rates revenue	18,168	18,161	7	
Government Grants	7,433	2,402	5,031	a.
Other revenue	17,268	15,095	2,173	b.
Other gains /(losses)	1,288	350	938	c.
Total Revenue	44,157	36,008	8,149	
Expenditure				
Employee benefits expense	17,504	18,128	(624)	d.
Depreciation expense	715	833	(118)	e.
Finance costs	96	75	21	f.
Other expenses	25,837	17,158	8,679	g.
Total Operating Expenditure	44,152	36,195	7,957	
Surplus (Deficit) before tax	5	(187)	192	
Income tax expense	-	-	-	
Surplus (deficit) for the period	5	(187)	192	
Total Comprehensive Revenue / Deficit	5	(187)	192	

Explanations for Council Statement of Comprehensive Revenue and Expenses Variances:

The actual operating surplus of \$5,000 was better than the planned budgeted deficit by \$192,000. The major components of this favourable result are explained below.

Total comprehensive revenue received for the year was \$8.1m above budget. The major items contributing to this variance were:

- Government grants were \$5m above budget due to a one off grant of \$5m received from the Ministry for the Environment for the Whakamana te Waituna project.
- Other revenue was \$2.2m above budget mainly due to insurance recoveries of \$1.6m.
- Other gains/(losses) was over budget by \$938,000 due to higher than expected investment returns and gain on sale of property.

Actual operating expenditure was \$8m above budget primarily due to:

- Employee expenses were below budget by \$624,000 mainly due to non salary costs being below budget.
- Depreciation expense was less than budget due to the overprovision for depreciation in the budget.
- Finance costs were \$21,000 above budget due to the extra use of bank overdraft facilities during the year.
- Other expenses were above budget by \$8.7m. Of this amount, \$5m was a one off expenditure for the Ministry for the Environment grant received. Most of the balance of the expense increase was due to Waiau flooding in December 2019 and the February 2020 Civil Defence Emergency with associated flood damage.

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

**Statement of Financial Position
As at 30 June 2020**

	Council Actual 2020 \$000	Council Annual Plan 2020 \$000	Variance \$000	Note
Equity	77,519	73,626	3,893	a.
Current Assets	34,733	32,643	2,090	b.
Non-Current Assets	49,811	51,407	(1,596)	c.
Current Liabilities	6,983	10,390	(3,407)	d.
Non Current Liabilities	42	34	8	
Net Assets	77,519	73,626	3,893	

Explanations for Council Statement of Financial Position Variances:

- a. Equity of \$77.5m is \$3.9m above budget. This is due to the operating surplus being ahead of budget combined with the following:
- b. Current assets are \$34.7m against a budget of \$32.6m due to an increase in debtors and accruals, and movement in managed funds.
- c. Non current assets of \$49.8m are \$1.6m lower than budget.
- d. Current liabilities of \$7m are lower than budget by \$3.4m as a result of the bank overdraft being lower than budget.

**Statement of Cash Flows
for the Year Ended 30 June 2020**

	Council Actual 2020 \$000	Council Annual Plan 2020 \$000	Variance \$000	Note
Net cash flow from operating activities	(6,415)	(1,046)	(5,369)	
Net cash flow from investing activities	4,663	(262)	4,925	
Net cash flow from financing activities	-	-	-	
Increase/(Decrease) in cash held	(1,752)	(1,308)	(444)	
Add opening cash brought forward	142	(4,198)	4,340	
Ending cash carried forward	(1,610)	(5,507)	3,897	a.

Explanations for Council Statement of Cash Flows Variances:

- a. The cash position was better than budget by \$3.9m This is partly due to a drawdown from the Investment Portfolio of \$7m and an opening cash balance that was \$4.3m ahead of budget.

27 COVID-19 Pandemic Impact

(a) Council

COVID-19 represents a significant and ongoing concern for peoples health and livelihood. The changing landscape means that the council had to be agile and make the necessary changes to continue to operate the necessary council services. In line with Government advice, all non-essential front facing roles were closed during the lockdown level and operated under restricted capacity. As NZ moved down the alert levels, council improved customer access and efficiency of their services.

Council workplace changed to allow employees to work from home, and then to manage the number of people in the workplace as we navigated down the alert levels. Council has been able to continue to offer all services.

While COVID-19 affected the way that the Council operates, council staff have been able to assess the long-term impact and believe it to be reasonably minimal. In coming to this conclusion, the following factors have been considered:

Collectability of rates

Council has considered our ability to collect rates, but there is little feedback thus far that our ratepayers are unable to pay rates as they fall due. Council considered how they could support Southland ratepayers who were financially affected by COVID-19 and the following initiatives have been implemented:

- (i) The usual penalty for rates in arrears at 1 July 2020 has not been applied. This cost the Council approximately \$110,000.
- (ii) The 2020-21 rate increase was reduced to 4.9% from the original 5.9% forecast.
- (iii) This year people who will struggle to pay can avoid penalties by arranging to pay rates in three instalments.

The impact on rates is less than expected and we have decided not to make any changes to impairment, although we will continue to monitor the situation. We have not had any evidence that debtors require further impairment.

Valuations

We have assessed our judgements and estimates regarding the valuation of our assets. There has been no material impact on asset valuations.

Service performance measure

We have reviewed our core service performance measures. The measures that are vital to the performance of the Council have been largely unaffected. Several of our targets were not met partly due to the impact of COVID-19 and others have been delayed as a direct result of COVID-19. Performance targets can be explained in the context of the COVID-19 response.

Finally, we have assessed the likely impact on subsequent revenue streams:

It is assumed that there will be no visiting cruise ships during the 2020/21 financial year. The result is a reduction in other income of \$2.8m. The investment market has been altered substantially as a result of the pandemic. Council investments moved downwards in March in line with international markets. The recovery in markets has been significant, but forecast returns are not guaranteed.

The Council currently holds no debt and is in a good position to borrow and fund any revenue shortfalls if needed.

On the basis of our analysis above, other than the anticipated loss of income, we are cautiously optimistic that the council will operate as 'business as usual'. Any short-term impacts are managed through the Annual Plan and Long-term Plan budgeting process.

(b) Group (South Port New Zealand Limited)

During level four, South Port NZ continued to operate as an essential business; however, the Government deemed the forestry sector as non-essential. This resulted in logs and woodships not being exported during level four. However, the volumes picked up again significantly once New Zealand was back to level three. Therefore the overall impact on the Group was not material for the year ended 30 June 2020. No other divisions were significantly adversely affected.

Additional Disclosure Information

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

	2019
The number of rating units within the region	50,137
The total capital value of rating units within the region	\$33,090,566,200
The total land value of rating units within the region	\$19,570,252,950

Insurance on Assets

	2020	2019
	\$000	\$000
Total value of all assets of Council covered by insurance contracts.	48,600	45,943
Maximum amount to which insured.	172,031	155,615
Total value of all assets of Council covered by financial risk sharing arrangements.	Nil	Nil
Maximum amount available to Council under the arrangements.	Nil	Nil
Total value of all assets of the Council which are partly self-insured.	N/A	N/A
Value of funds maintained by the local authority for that purpose.	N/A	N/A

Notes:

Council holds funded reserves to cover shortfalls in risk sharing arrangements e.g. deductible, non-insured damage. Individual amounts are detailed in the Note 15(b).

Local Government (Financial Reporting and Prudence) Regulations 2014

Annual report disclosure statement for year ended 30 June 2020

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.

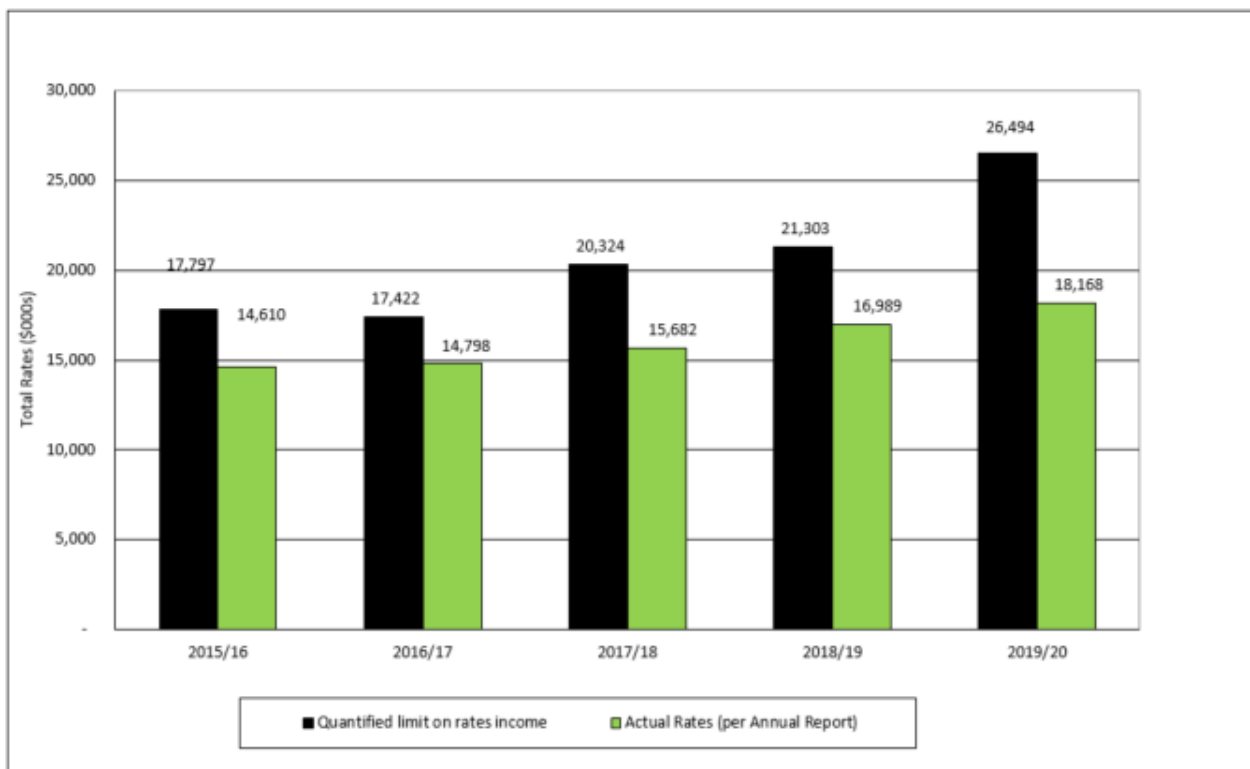
The Council is required to include this statement in its Annual Report in accordance with the *Local Government (Financial Reporting and Prudence) Regulations 2014* (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

1. Rates affordability benchmarks

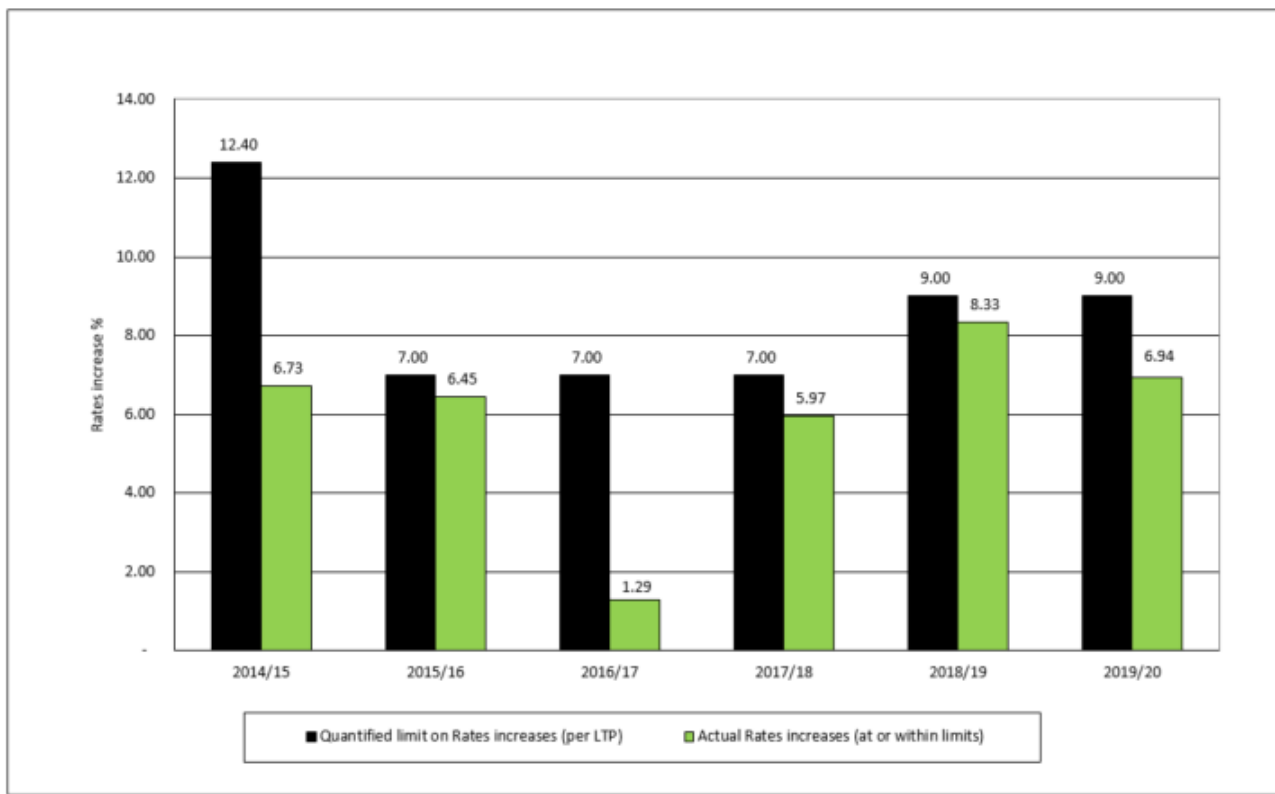
The Council meets the rates affordability benchmark if:

- 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 2015/16 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.



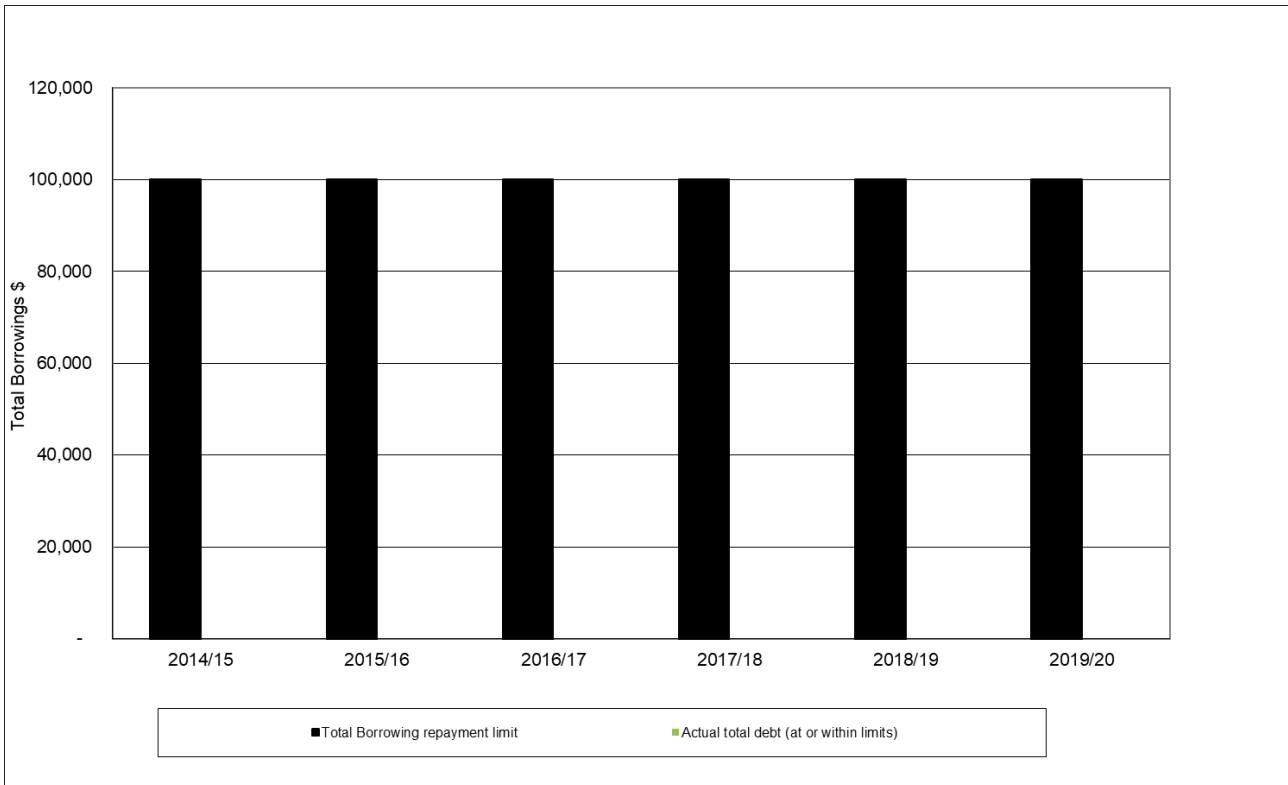
The Rates (increases) affordability benchmark requires a comparison of actual performance against quantified limits set in the Council's Financial Strategy.

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. From 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 2015-2028 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.



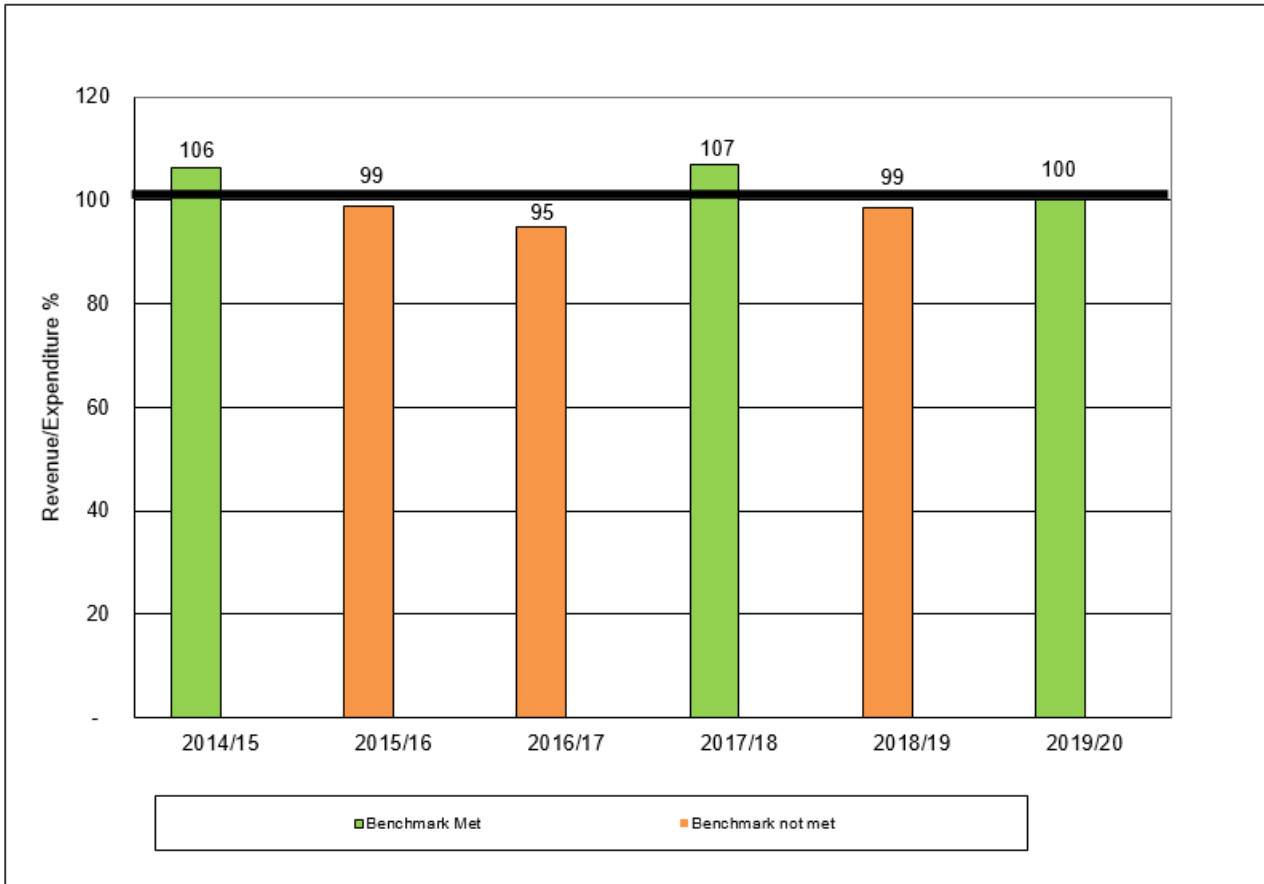
During the period 2014/15 to 2019/20, the Council had no external public debt therefore no actual total debt is shown in the above graph.

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 2014/15 to 2019/20, 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 essential services benchmark is the 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.

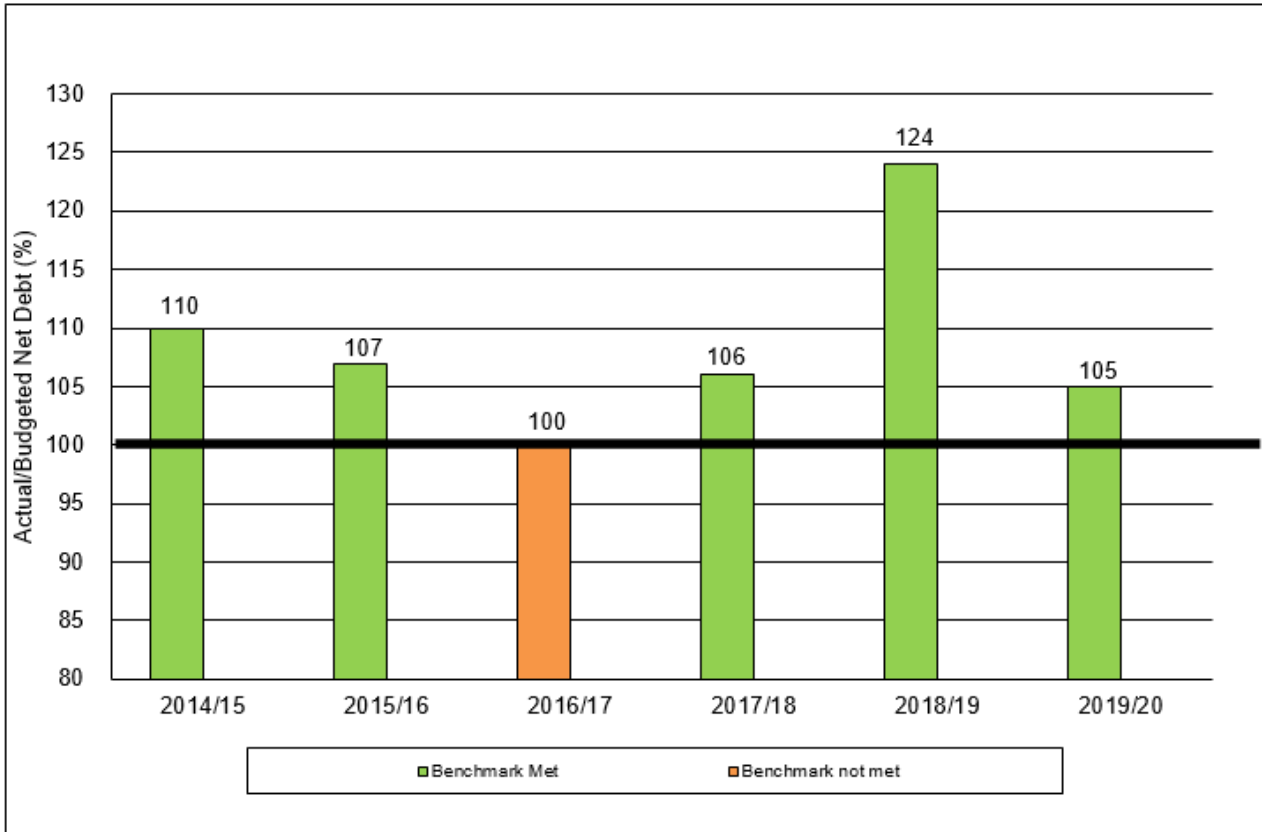
The Council's only network services are in relation to flood protection and control works. The Council does not provide any of the other network services. These network services are in the form of land assets. Accordingly, there is no depreciation on these assets. The Council's capital expenditure will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

5. Debt servicing benchmark

The debt servicing benchmark is the 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). Statistics New Zealand projects the Council's population will grow more slowly than the national population growth rate, therefore it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue. During the period 2014/15 to 2019/20, the Council had no external public debt and no debt servicing.

6. Debt control benchmark

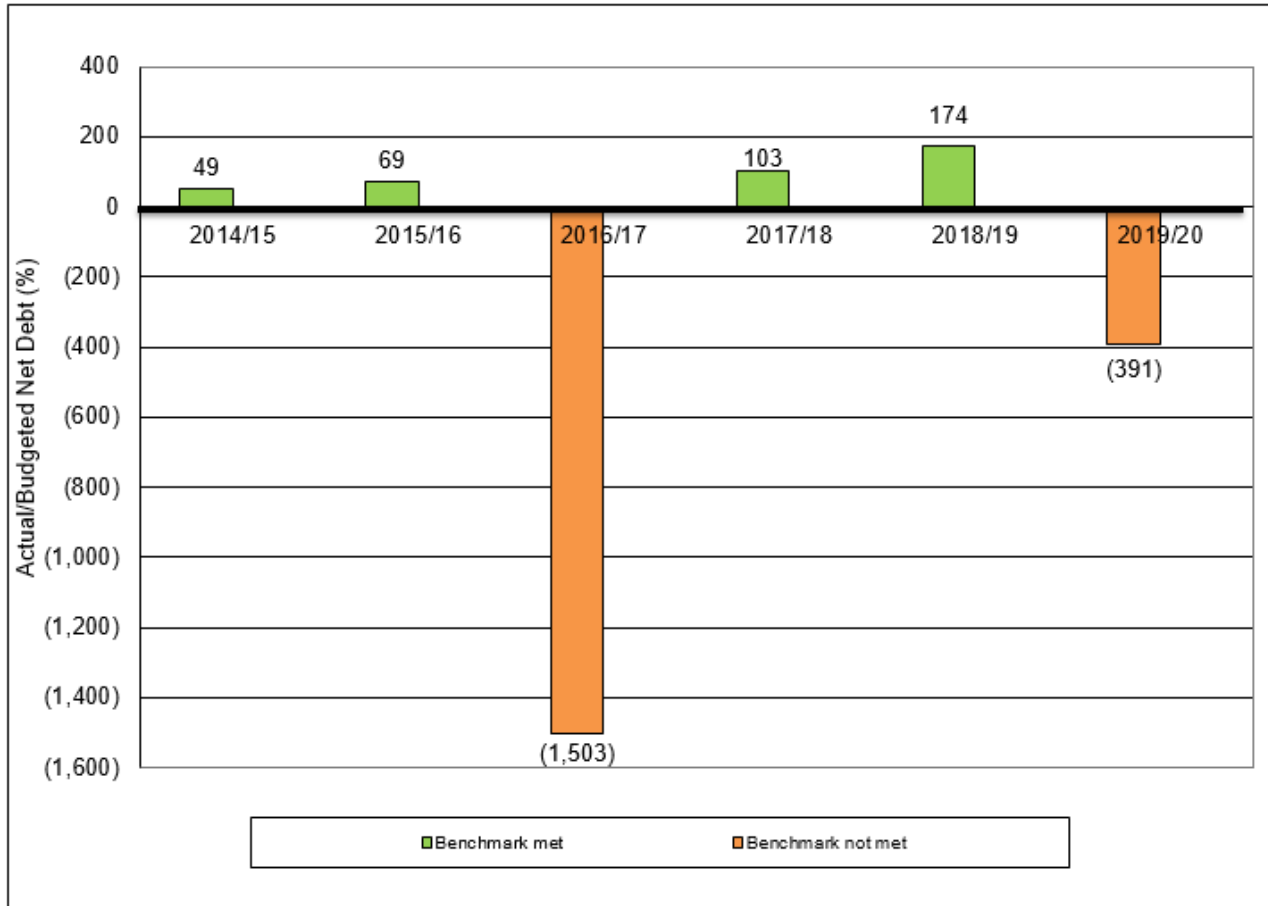
The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The Council meets the debt control benchmark if its actual net debt equals or is less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



During the period 2014/15 to 2019/20, the Council had no external public debt. This benchmark is recording actual net financial assets as a proportion of planned net financial assets. For the Council, the debt control benchmark is met if its actual net assets, financial assets (excluding trade and other receivables) less financial liabilities, equals or is more than its planned net assets.

7. Operations control benchmark

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



For the period 2014/15 to 2019/20 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 2014/15 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.

In 2016/17 the 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.

In 2019/20 the actual cash flow from operating activities did not meet the benchmark. This was due to greater than expected payments to suppliers.

Audit Opinion (*Arotake*)



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ENVIRONMENT SOUTHLAND'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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 26 November 2020. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 31 to 83:
 - present fairly, in all material respects:
 - the Regional Council and Group's financial position as at 30 June 2020;
 - 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 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 statement of service performance on pages 8 to 29:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2020, 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 8 to 29, 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 8 to 29, 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 84 to 90, 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.

Covid-19

Without modifying our opinion, we draw attention to the disclosure on Covid-19 on pages 81 to 82 to the financial statements, which explains the impact of the Covid-19 pandemic on the Regional Council and Group.

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, 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 1 to 6, 30 and 95 to 98, but does not include the audited information and the disclosure requirements.

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

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

Independence

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

Other than the 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.



Mike Hawken
Deloitte Limited
On behalf of the Auditor-General
Dunedin, New Zealand
26 November 2020

Collaboration across Councils – Shared Services

Council participates in relevant shared service arrangements via the Southland Triennial Agreement and 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.

Invercargill City Council (ICC), Gore District Council (GDC) and Southland District Council (SDC) with Clutha District Council (CDC) have developed a combined process and quality manual as well as shared regulation forms, which all four councils have adopted.

The shared manual and forms standardise the consent processing methodology and quality assurance processes and has been the subject of formal IANZ reaccreditation reviews with all four 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 councils, which is being considered as part of the Southland Regional Development Strategy Ease of Doing Business work.

Emergency Management

Emergency Management Southland (EMS) is a shared service between Invercargill City Council, Southland District Council, Environment Southland and Gore District Council. It focuses on ensuring resilience in communities by preparing for emergencies and ensuring communities 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.

During 2019/20 EMS managed two major emergencies – flooding, which affected the wider Southland region, and COVID-19.

Information Technology

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

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

- a shared review of backup and disaster recovery capabilities. This resulted in running a joint Request for Proposal to identify a suitable service which fulfilled the requirement to improve member councils' business continuity capability. The Request for Proposal was largely performed during the COVID-19 lockdown, benefiting from the ability to work remotely during this time;
- discussion has continued around a shared Geographic Information System portal to provide a comprehensive graphical view of member councils' information;

- member councils supported each other during the COVID-19 lockdown period to ensure high availability of networks and services to enable staff members to work effectively from remote locations;
- worked on closer alignment of services. Southland District Council was integrating with Environment Southland on a solicitor web portal to provide a single source for property rating information.

Iwi Liaison

All four Southland councils have continued to fund and support Te Ao Marama 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 Marama Inc.

The four papatipu rūnanga and the participant councils continue to meet quarterly at the Te Roopu 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. There is a potential change (which will become clearer during the 2020/21 year) to the membership of Te Ao Marama being considered with one of the rūnanga stepping out of the structure in order to manage its own resource management involvements directly with the local authority it is situated within.

SouthLib 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 most consortium members still use 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, e-book and e-audio 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. 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. 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.

The 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, Maitaura Licensing Trust, Southland Chamber of Commerce and the Southern Institute of Technology. Great South also has the support of Community Trust South which is a member of the shareholder committee.

In response to COVID-19, Great South introduced short-term goals alongside its long-term goals to grow the population, diversify the economy, grow innovative businesses and build a skilled workforce:

- retain jobs and a skilled workforce;
- support the economic recovery of the Southland region;
- facilitate economic restart and rebuild;
- champion significant projects;
- identify opportunities for diversification and to build economic resilience.

Future challenges

- Water and Land Plan implementation and monitoring
- Adapting to impacts of climate change
- Implementation of Te Mana o te Wai
- Direct involvement in Council decision-making

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.