

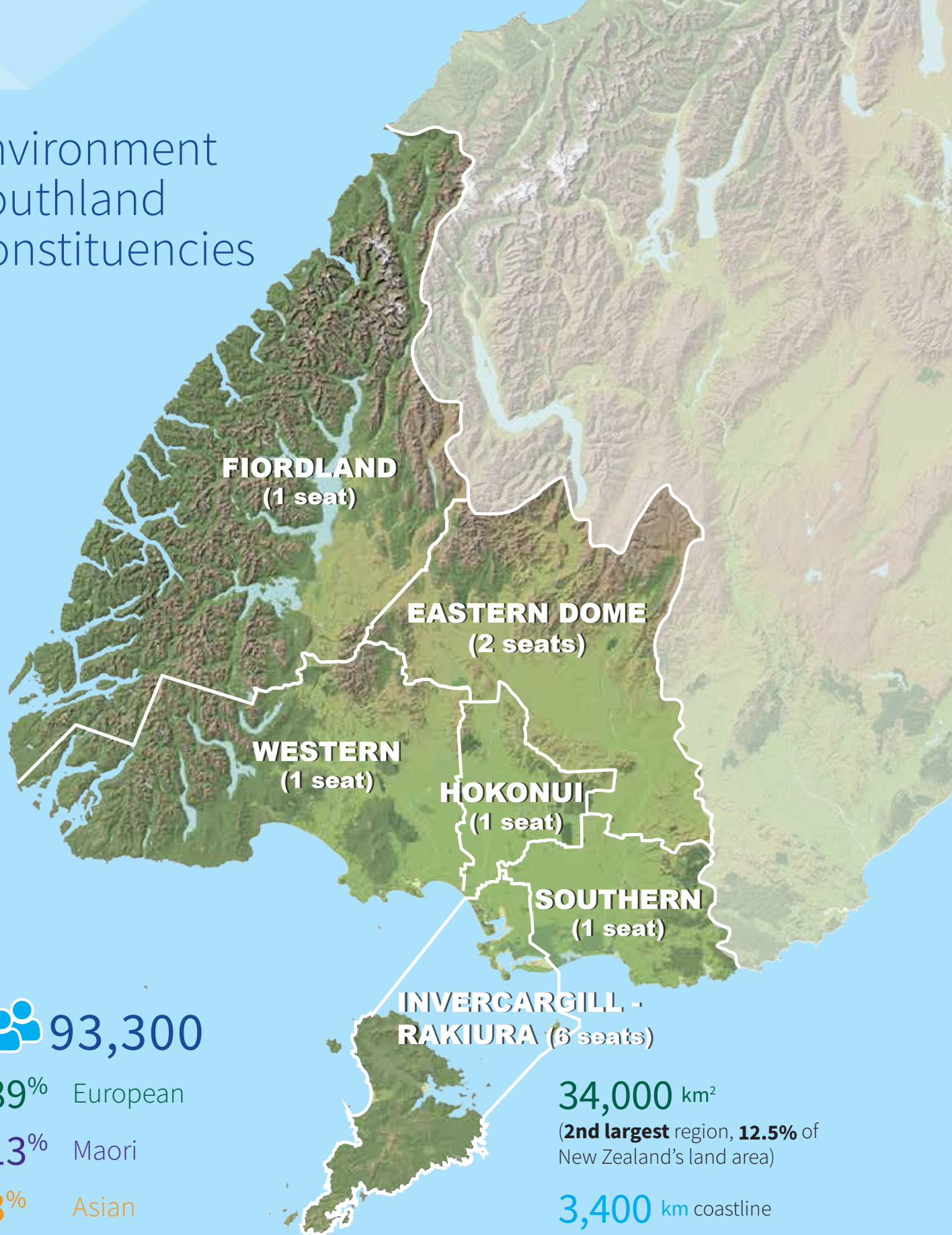
ENVIRONMENT SOUTHLAND
CHIEF EXECUTIVE'S

Pre-election Report 2019



environment
SOUTHLAND
REGIONAL COUNCIL
Te Taiao Tonga

Environment Southland Constituencies



 **93,300**

89% European

13% Maori

3% Asian

2% New Zealander

2% Pacifica

0.4% Other

34,000 km²

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

3,400 km coastline

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

4 river catchments

2 national parks

Source: Census 2013. (Note, percentages do not add up to 100 because where a person reported more than one ethnic group, they have been counted in each group.)



Meeting the challenges

This report is an opportunity for me to tell our story about the work we do and the challenges we face.

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

Like all councils, we exist to serve the people of Southland and we have an important role in leading the sustainable management of Southland's natural resources – water, land, air, coast.

As a regional council we have a regional leadership role and with that we take a long-term perspective. Our relationship with iwi is close and continuing to strengthen, and we set direction for Southland's city and district councils through our regional policy statement.

The Council's vision is for a thriving Southland now and for our future. Yet

times have never been more challenging. We are focused on a huge work programme to maintain and improve water quality, which will ultimately mean changes to the way we use land and manage discharges.

Central government is expecting and directing us to do more and to do it more quickly. The community is becoming knowledgeable and there is a ground swell of action on the ground to improve the situation.

Climate change is in our midst and we are working with the other Southland councils and central government to plan how we adapt to the inevitable changes. We have 458 kilometres of flood banks that we maintain throughout Southland and they are our key infrastructure.

Overall, Environment Southland is in sound financial shape, but with the challenges ahead will require funding beyond what we can reasonably rate for

and the regional sector is in discussions with central government about this.

We manage our budget and financial investments prudently and are able to reduce rates increases with dividends from our 66.48% shareholding in South Port NZ Ltd.

We have highly skilled staff; our people are our greatest asset. And, wherever possible, we work with others who align with our values and goals on a range of projects, which all together, provides real value to ratepayers.

Engagement with partners, industries, organisations and our communities lies at the heart of our operations and their success.

Rob Phillips

Chief Executive, Environment Southland

Statutory context

Environment Southland's Pre-Election Report for the October 2019 local authority elections is a statutory requirement. Its purpose is to inform the Southland community and promote public discussion about any issues facing the council.

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

This report brings together information previously published in other council documents, including the Long-term

Plan 2018-2028, Annual Plans and Annual Reports. As such, the information reflects the policy and service delivery decisions of the current council. As is required by law, the Pre-Election Report is prepared by the council's chief executive.

The Pre-Election Report provides historic information for the last three years (2016 to 2019), an overview of the current election year (2019/20) and the council's planned performance and financial position for the next three years (2020 to 2023).

While the Pre-Election Report itself has not been audited, much of the information contained within it and derived from other sources has been audited by independent auditors.

The retrospective financial information from the most recent financial year has not been audited, as the timeframes within which councils are required to prepare this report are insufficient to complete an audit process. Some information, including that of the current year, may have changed since it was audited in the Long-term Plan 2018-2028.

The 2019/20 figures in the Pre-Election Report should not be relied upon for any other purpose than compliance with Section 99A of the Local Government Act 2002.

Strategic setting

The council serves the Southland community by meeting its responsibilities to lead the sustainable development of the region's natural resources – water, land, air and coast – in partnership with the community. This is clearly outlined in the Local Government Act, which requires councils to promote sustainable development for the social, economic, environmental and cultural wellbeing of their communities and businesses.

As a regional council, we also have a range of further statutory obligations

(e.g. Resource Management Act, Soil Conservation and Rivers Control Act, Biosecurity Act, etc.) that are often met through plans, which provide guidelines and set rules.

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

The council refreshed its strategic intent in preparation for the Long-term Plan 2018-2028 and identified four key outcomes: managed access to quality natural

resources; diverse opportunities to make a living; communities empowered and resilient; and communities expressing their diversity.

The Long-term Plan 2018-2028 outlines our budgets and work programmes, with a focus on the first three years. It prioritises our significant issues:

1. Water quality and quantity
2. Building community resilience
3. Investing in Southland



Financial overview

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

Our financial strategy takes a user pays approach, where possible. It also provides for the use of investment income and the dividends from the council's 66.48% shareholding in South Port New Zealand Limited is used to offset against the general rate.

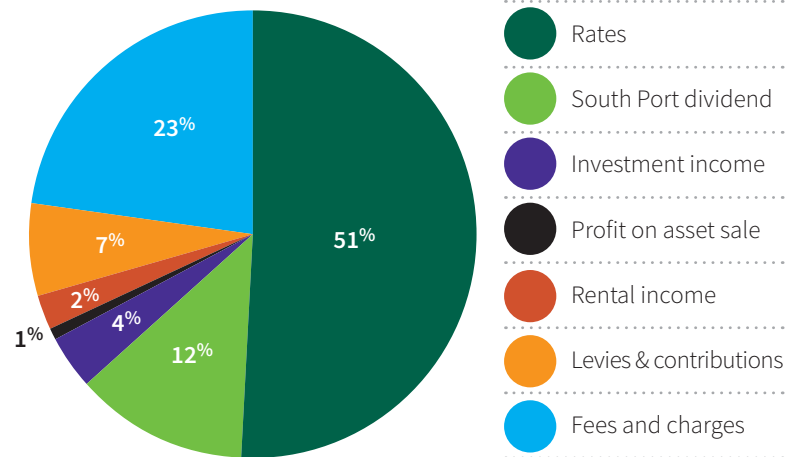
We reviewed our fees and charges in 2018, including applying a CPI (Consumers Price Index) adjustment and making minor simplifications. Fees and charges will be reviewed again in 2021 in tandem with the development of the 2021-2031 Long-term Plan.

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

Investments

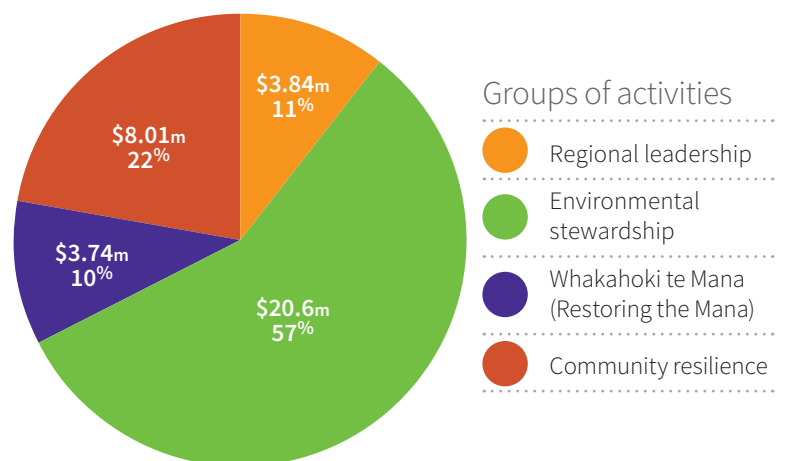
The council has investments that have been accumulated as a result of past operational and investment decisions. They are held in part to fund the various reserves we hold which are available for emergency and appropriate strategic purposes. In total these investments are valued at nearly \$42 million.

Budgeted funding sources (2019/20)



Where the money goes...

Budgeted total expenditure (2019/20)



What we do

All of Environment Southland's work programmes and core activities are represented across four broad groups of activities.

Regional leadership

1 Environment Southland acts on its obligations to provide responsible leadership for regionally significant activities in various ways. The focus is on opportunities to lead and partner with stakeholders to protect, enhance and achieve value from the region's natural resources.

Environmental stewardship

2 This covers some of the major environmental project areas the council is legally responsible for delivering to the community. This includes resource management; community partnerships; biodiversity management and biosecurity; harbour management; marine oil spills; monitoring, data and information.

Whakahoki te Mana (restoring the mana)

3 Whakahoki te Mana relates to the coordination, planning and oversight of the council's water management activities. It includes two major environmental project areas with a variety of partners: the People, Water and Land programme and partnering in Waituna through Whakamana te Waituna.

Community resilience

4 This includes some of the major project areas the council is legally responsible for delivering to the community such as emergency management, flood warning, flood protection and control works (our major infrastructure), land drainage, and hazards' mitigation.

Environment Southland's Long-term Plan identifies our priorities



Water quality and quantity



Community resilience



Investing in Southland



Core activities

- ▶ Environmental information, e.g. science programmes, technical field work, data management, monitoring of water, air, etc.
- ▶ Catchment management, e.g. river and drainage works, stop bank infrastructure
- ▶ Policy and planning
- ▶ Biosecurity and biodiversity, e.g. pest animals, pest plants
- ▶ Environmental compliance
- ▶ Land and water services, e.g. land sustainability advice, pollution prevention, schools' education
- ▶ Property management
- ▶ Consent processing
- ▶ Emergency Management Southland (shared service)
- ▶ Community representation

Environment Southland's 2018-2028 strategic intent



OUR VISION: A thriving Southland – *te taurikura o Murihiku*

OUR MISSION: Working with our communities to improve Southland's environment

Our outcomes

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

By 2028:

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

Our role

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

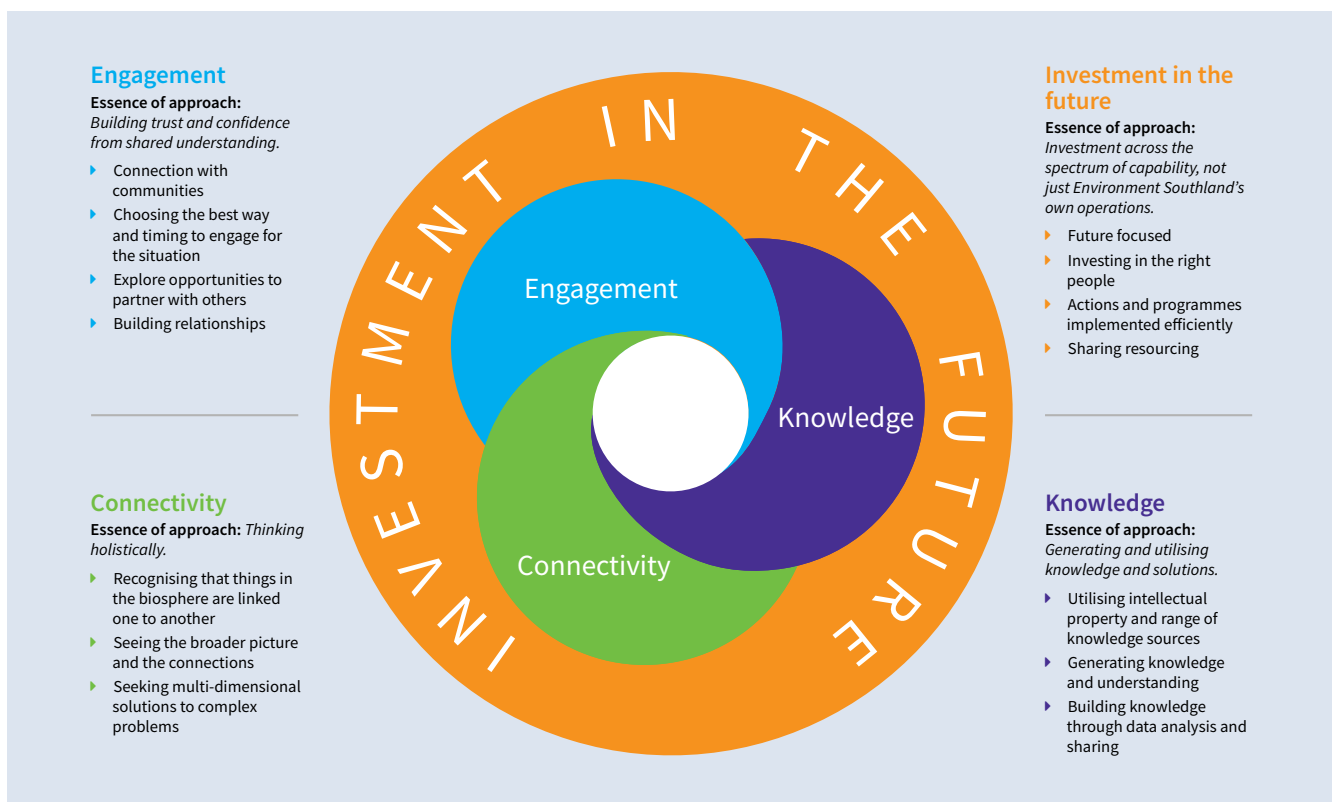
How we will make it work

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

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

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

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



Major Projects



Water quality and quantity

The council's top priority is addressing Southland's water quality and quantity issues. Water quality is affected by what happens on land, both urban and rural. While changes during the past 150 years, including increased intensification, have led to economic prosperity, it has impacted our environment.

Back in 2014 the council decided it would undertake a comprehensive research programme before beginning the required limit setting process (for discharges to and abstractions from fresh water).

It included a four-year science programme that is now complete, which has given us a better understanding of how contaminants move through land and water, and how our activities impact the environment. The Southland Economic Project examined how potential changes to land and water use could affect our lives, environment and businesses.

We also initiated the proposed Southland Water and Land Plan to halt any further decline in water quality and to provide the regulatory foundation for the setting of limits.

Current research is focused on building on existing knowledge and partnerships, and exploring evolving areas such as social science and mātauranga Māori.

People, Water and Land programme

Using this research as a base, the council's *People, Water and Land* programme – *Te Mana o te Tangata, te Wai, te Whenua* takes an integrated approach to freshwater management in Southland.

The programme is a partnership between Environment Southland and Te Ao Mārama Inc (as the resource management arm of Ngāi Tahu), with a vision to 'inspire change to improve Southland's water and land'. It recognises that we will need to make changes to reduce the impact our land use practices have on the environment, while enabling our economy and communities to thrive.

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

The programme consists of three main workstreams. The *Values and Objectives* workstream precedes and will inform the *Regional Forum* workstream and both will provide insights to guide *Action on the Ground*.

These workstreams will identify both regulatory and non regulatory methods for achieving the community's aspirations for freshwater. The programme will ultimately lead to a change to the proposed Southland Water and Land Plan to meet the NPS-FM requirement of setting limits by 2025. The NPS-FM gives national direction for freshwater management, recognising it as a matter of national importance.

To implement the programme in 2019/20, resources are required to manage and facilitate the forum, and to provide for technical advice and support. Looking ahead, the council will need additional funding to support the on-the-ground activity that is required to support the implementation of the changes needed for improving water quality.

▶ Action on the ground (making the change)

These are the practical steps to improve our water and land, with a focus on specific catchments. It is about supporting a number of existing and new projects and groups with new ways of working to help meet community expectations for water. Learnings and information from these projects will be shared to help inform future work.

▶ Values and objectives (setting the direction)

This workstream will determine the values and objectives for Southland's freshwater as required by the Government's National Policy Statement for Freshwater Management (NPSFM). Community conversations underpin the programme as we engage with Southlanders to understand more about their aspirations for water.

▶ Regional Forum (defining the goalposts)

The Regional Forum is a community-based group that will advise Environment Southland's council and Te Ao Marama board members on how we can achieve the communities' aspirations for freshwater. Members of the forum will consider the specific policies and rules, as well as the on-ground initiatives required to make change and improve Southland's water and land for generations to come.



Proposed Southland Water and Land Plan

The proposed Southland Water and Land Plan provides the regulatory foundation for the *People, Water and Land Programme*. It seeks to address activities that are known to have a significant effect on water quality. The plan was adopted by council and was notified on 4 April 2018, following significant community engagement in 2015 and 2016, and consideration of submissions by a hearing panel which included independent commissioners and councillors in late 2017. Appeals on the plan are currently before the Environment Court.

Working with our communities

We are committed to improving ecosystem health in the Waituna Lagoon and catchment through the multi-agency programme, Whakamana te Waituna. This partnership is with Te Rūnanga o Awarua and Te Rūnanga o Ngāi Tahu, the Department of Conservation, Living Water, Southland District Council and Fonterra, with financial support from the Freshwater Improvement Fund administered by the Ministry for the Environment.

The approach involves the coordination of action on the ground, plus the establishment of lagoon buffers to enable lagoon openings to be managed in line with ecological objectives, rather than for drainage purposes.

The programme is expected to act as a demonstration for the delivery of an integrated programme of water quality improvement works at a catchment scale

In a capacity-building project, we are also working closely with Southland's river liaison committees to look at how they can meet the wide-ranging future needs of communities facing river and water related issues.

Finally, local councils have responsibilities in relation to "3 Waters" – drinking water, wastewater and stormwater. With growing community expectations around water quality, including for recreational use, we are emphasising the underlying importance of improving the quality of discharges into Southland's waterways and coast. We are also encouraging local councils to have systems that are fit for purpose and to make improvements where necessary, in wastewater and stormwater infrastructure to minimise failures that contaminate waterways.



Resilient communities

Community resilience relates not only to environmental resiliency, but also social and economic resiliency. When it comes to natural disasters, while flooding is our biggest risk, emerging issues such as climate change mean we need to be prepared to respond to more threats than before.

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

There is work underway around how to reduce the impact of hazards, increase community resilience and identify opportunities and gaps. Gaining an understanding of the risks of hazards in the future is key to ensuring Southland's long-term sustainability. Making hazard information more readily available, and improving the quality and type of information, is one of our priorities outlined in our 2018/28 Long-term Plan.

Our activities relating to natural hazards include emergency management, flood warning, flood protection and drainage schemes (our major infrastructure), and hazard mitigation planning. Our biosecurity division works with central government and other agencies, often alongside Emergency Management Southland, to support communities facing biosecurity threats.

We host Emergency Management Southland on our Invercargill site and support it as a shared service amongst Southland's four councils. It engages with the community to help people prepare for, respond to and recover from civil defence emergencies.

In the past, nearly all declared civil defence emergencies in Southland have related to rainfall, predominantly flooding and storm damage. Flooding is an ever-present risk in Southland, aided by big river systems, high rainfall and increasingly erratic weather patterns.

While flood risk is mostly managed through flood protection schemes, Southland's four major rivers – the Waiiau, Mataura, Oreti

and Aparima—and their tributaries remain a significant risk to several townships and surrounding areas. In some areas, coastal flooding is also a risk.

Invercargill has been relatively well protected since a major upgrade of flood protection works and non-structural flood alleviation measures were introduced after the big floods of 1984, although parts of the city are at risk of riverine and coastal flooding.

We provide a flood warning system by monitoring rainfall and the levels and flows of Southland's major rivers.

Maintaining and improving stop bank flood protection infrastructure is a critical part of our work. Through our comprehensive annual maintenance programme, we look after Southland's 458 kilometres of stop banks that protect people, property and livelihoods.

An upgrade of the Lake Hawkins pump station is planned for 2021/22. It protects the Invercargill airport as well as local properties and businesses, draining 1,556 ha of reclaimed land. Over the next 10 years, important decisions will need to be made about capital expenditure on

stop banks and other flood protection improvements. Up for consideration are the improvements to stop banks in Gore, and the upgrade of the pump station at Lake Hawkins in Invercargill.

There is an estimated 50 per cent chance of a magnitude 8-plus earthquake occurring on the South Island's Alpine Fault in the next 50 years. In Southland it is predicted to be particularly noticeable in Fiordland and northern Southland. Earthquakes have less public awareness in Southland, but Project AF8 is trying to change that by planning and encouraging people and businesses to prepare for the event of an Alpine Fault rupture.

Adapting to climate change

The council recently recognised climate change as requiring urgent action and is currently putting together an action plan. Adapting to and mitigating the effects of climate change is a major issue that will require a collective effort with the Government, local government sector and the community.

Environment Southland in conjunction with the other Southland councils commissioned the report, *Regional Climate Change Impact Assessment* by the National Institute of Water and Atmosphere (NIWA). The aim was to gain good information to address the risks associated with climate change. It will be used by the councils to inform catchment-based planning, to assist in the development of asset management plans, and for engagement with communities to help people understand how the range of impacts might affect them.

Sea level rise and storm surge have been identified as the higher risk elements of climate change impacts that coastal communities are going to need to gain a comprehensive understanding of.

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





Investing in Southland

Partnerships add tangible value to our work and ensuring we have adequate funding is key to making a real difference in meeting the challenges we face in Southland. Central government is expecting us to do more, and more quickly.

We need to be clear about what is important to our communities, to honestly evaluate the problems, work together on the solutions, seek mutually beneficial relationships, work smarter and make efficiencies, lobby central government and find the necessary funding.

Environment Southland partnered with some of New Zealand's best science minds and industry researchers on its recently completed comprehensive research programme, getting far greater value for money, and gaining more knowledge than if we had done this work alone. We continue to share innovative thinking in ongoing research areas.

Finding more funding

With the pressure on from central government and the challenges never greater, funding the council's work programmes is an ongoing challenge.

As a council we are fortunate to draw our funding from a range of sources and aren't completely reliant on rates. However, it is clear that for councils, land-based rates funding will not be sustainable in the long-term to tackle the big issues like 3 Waters (drinking water, wastewater and stormwater) and our communities' adaption to the impacts of climate change.

The Government's Productivity Commission investigation into local government funding and financing is indicating that other funding sources will be needed by local government over the next decade.

We will continue to work with Local Government New Zealand and central government on the range of potential funding options as we prepare to develop the 2021-2031 Long-term Plan.



Efficiency and effectiveness

Internally, we have stepped up our ongoing review of our processes and systems to make efficiencies and drive down costs.

We recognise that we need to work in a more integrated and efficient way to better support our communities and the outcomes we all want for a thriving Southland. As a result, we have identified a range of projects and changes and we are steadily working through them.

As part of this the council is implementing an information management programme that seeks to improve the capability of information management and accessibility of information and its use through systems, communication and innovation.

Shared services

Southland councils have a legacy of shared services, which maximise efficiency and reduce costs for ratepayers. Emergency Management Southland is a shining example, and we have many other examples of working together to get the maximum value e.g. a recent successful joint funding proposal to central government for LiDAR imaging and the joint commissioning of a climate change assessment report for Southland by NIWA.

The Southland Mayoral Forum addresses region-wide concerns. It initiated the Southland Regional Development Strategy SoRDS, which led to the establishment of Great South (superseding Venture

Southland) to promote sustainable regional development throughout the region. Funding for the agency is sourced primarily from the four local authorities, while other sources may be available to assist.

The Mayoral Forum continues to have a leadership role, addressing some of the challenges ahead, such as how communities fund expensive upgrades to wastewater and stormwater infrastructure, and adapting to and mitigating for the impacts of climate change. By joining with others in partnership, we can share costs and be better placed to successfully apply for funding from central government and other agencies.

Financial strategy

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

Our financial strategy takes a user pays approach where possible. We amended our fees and charges in 2018, including applying a CPI adjustment and making minor simplifications. Fees and charges will be reviewed again in 2021 in tandem with the development of the 2021-2031 Long-term Plan.

The council's Long-term Plan 2018-2028 projects an increase in council activities and associated costs as we deal with the key issues outlined in this report, and particularly for us to be able to fund our

increasing work around water quality. The level of work and whole of council involvement has increased significantly over the past years and the increase is expected to continue into the future.

In developing the financial strategy, council has been mindful of the need to maintain levels of service even though factors impacting on council services are uncertain and have the potential to impact on the work programmes that we undertake. Those factors include:

- Increasing requirements of central government;
- Predicted rising sea levels which may have an impact on flood prevention;
- Changes in weather patterns creating more extreme weather events which may have an impact on flood prevention;
- New farming and commercial practices and the impact that they may have on land and waterways.

The above factors apply pressure on council's funding requirements and, in particular, put upward pressure on its rate increases. However, council must balance these funding requirements against the current economic climate and the pressures on the community. At our current level, the council will be operating in a deficit situation, which in the long-term is untenable. Future funding solutions will need to be found or programmes will need to be cut.

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

▼ This table highlights the council's financial position.

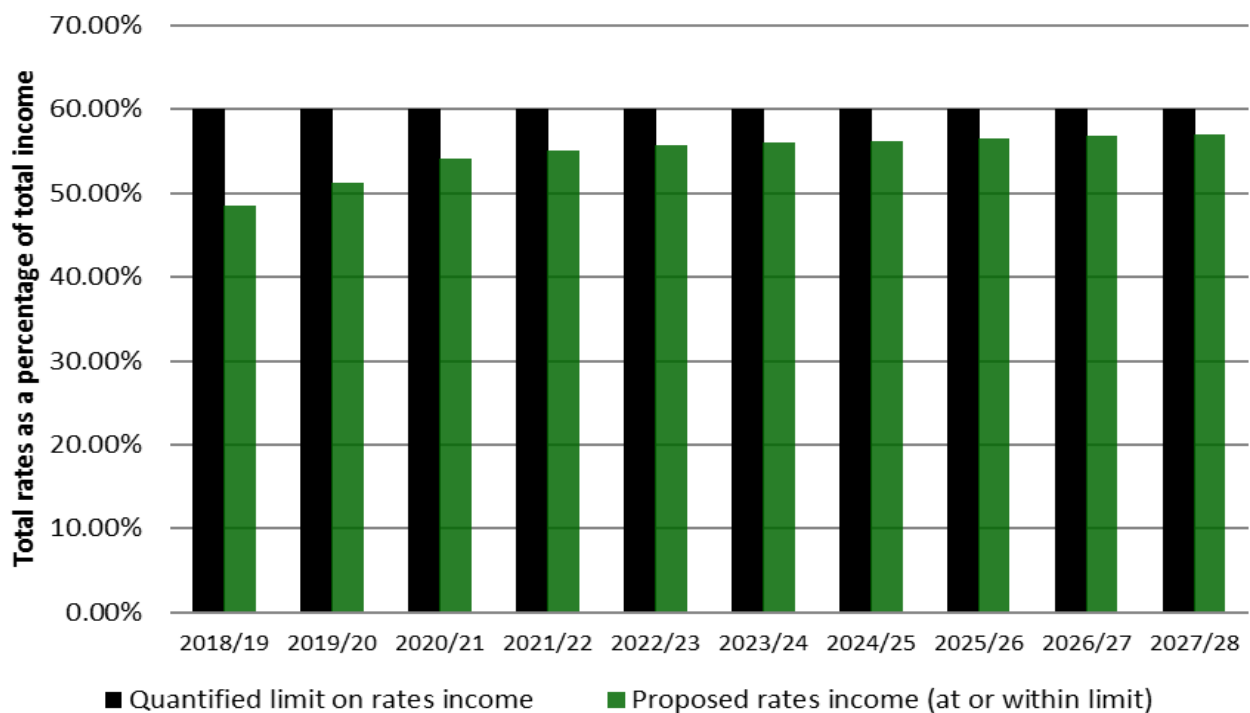
	ACTUAL 2016/17 (\$000)	ACTUAL 2017/18 (\$000)	ESTIMATED 2018/19 (\$000)	AP BUDGET 2019/20 (\$000)	LTP BUDGET 2020/21 (\$000)	LTP BUDGET 2021/22 (\$000)	LTP BUDGET 2022/23 (\$000)
Cash & other current assets	(37)	65	1,173	(3,187)	(4,225)	(3,430)	(2,581)
Managed funds	30,660	33,800	33,590	30,322	30,752	29,103	29,454
Other investments	1,007	959	968	958	1,647	1,647	1,647
South Port (NZ) Ltd shares	8,721	8,721	8,721	8,721	8,721	8,721	8,721
Property, plant & equipment	38,387	37,930	37,593	41,728	41,376	42,930	42,483
Total liabilities	4,678	5,147	5,414	4,918	4,472	4,472	4,472
Council net worth/equity	74,058	76,328	76,631	73,626	73,798	74,498	75,252

Compliance with our financial strategy

▼ This table presents a summary of our financial condition indicators.

FINANCIAL CONDITION INDICATORS	ACTUAL 2017/18 (\$000)	ACTUAL 2018/19 (\$000)	FORECAST 2019/2020 (\$000)	AP BUDGET 2020/21 (\$000)	LTP BUDGET 2021/22 (\$000)	LTP BUDGET 2022/23 (\$000)
Rates revenue	15,682	16,988	18,161	19,385	20,606	20,978
Public debt	0	0	0	0	0	0
Total assets	81,475	82,045	78,543	78,270	78,970	79,724
Proportion of rates revenue to total revenue	46.30%	48.05%	50.44%	54.19%	57.49%	56.80%
Quantified rates limit on income	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
Rates increase to existing ratepayers year-on-year	5.97%	8.33%	6.90%	6.74%	6.30%	1.81%
Quantified rates limit increase	7.00%	9.00%	9.00%	9.00%	5.00%	5.00%
Public debt as a percentage of total assets	0	0	0	0	0	0
Proportion of rates revenue applied to service debt	0	0	0	0	0	0

Rates (income) affordability



▼ This graph shows the rate increases and limits established by the Long-term Plan 2018-2028

Borrowing levels and limits

The council currently has no long-term borrowing. Council's liability management policy contains a provision for only overdraft and short-term borrowing to fund working capital and for long-term borrowing to be raised in exceptional circumstances only. No long-term borrowing is planned.

Investments

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

- provide revenue for the operation of the council;
- hold funds from various reserves and rating district balances;
- invest proceeds from the sale of assets;
- invest funds for approved future expenditure, to implement strategic initiatives or to support intergenerational allocations.

We have two significant financial investments that are used to create investment income which, in turn, is used to fund operating costs and is offset against the general rate. These investments are JB Were managed funds, and the 66.48% shareholding in South Port New Zealand Limited.

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

There is a risk that there is a change in operating circumstances and South Port cannot maintain the forecast dividend, reducing the offset against the general rate. However, in recent years South Port's dividends have been stable or steadily growing and we are unaware of any circumstances that would prevent that from continuing.

At 31 May 2019, the investment values were:

- South Port New Zealand Limited \$8,720,787 (cost)
- JB Were \$33,256,849 (market)

Actual returns for the past three financial years

	ACTUAL 2016/17 (\$000)	ACTUAL 2017/18 (\$000)	ESTIMATE 2018/19 (\$000)
South Port (NZ) Ltd	4,535	4,535	4,535
Return per share	26c	26c	26c
JB Were	902	3,139	1,723
Rate of return	2.99%	9.74%	5.28%

Actual and targeted returns on investments

		ACTUAL 2016/17 (\$000)	ACTUAL 2017/18 (\$000)	ESTIMATE 2018/19 (\$000)
South Port (NZ) Ltd	Actual	4,535	4,535	4,535
	Target	3,837	4,535	4,535
JB Were	Actual	902	3,139	1,723
	Target	1,850	1,829	1,397

Performance to date and looking ahead

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

- Audited annual report – 2016/17 and 2017/18
- Projected unaudited information – 2018/19
- Annual Plan – 2019/20

- Long-term Plan – 2020/21, 2021/22 and 2022/23

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

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

Our annual reports explain in greater detail what we delivered compared with what we planned to do. Annual reports also contain information about what the activities and services cost compared to what was budgeted for. The 2016/17 and 2017/18 annual reports are available from Environment Southland and online at www.es.govt.nz. The council is scheduled to adopt the Annual Report 2018/19 in October 2019.

Statement of cash flows

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

▼ SUMMARY OF CASH FLOWS

	ACTUAL 2016/17 (\$000)	ACTUAL 2017/18 (\$000)	ESTIMATED 2018/19 (\$000)	AP BUDGET 2019/20 (\$000)	LTP BUDGET 2020/21 (\$000)	LTP BUDGET 2021/22 (\$000)	LTP BUDGET 2022/23 (\$000)
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from landowners, customers and government	23,290	25,830	26,195	29,741	29,915	31,097	31,806
Interest received	26	35	49	40	40	40	40
Dividends received	4,535	4,535	4,535	4,535	4,535	4,535	4,535
Payments to suppliers and employees	(30,019)	(30,100)	(31,885)	(35,287)	(34,550)	(35,288)	(35,944)
Interest paid	(75)	(212)	(54)	(75)	(100)	(100)	(100)
Net cash from operating activities	(2,242)	88	(1,160)	(1,045)	(160)	283	337
CASH FLOWS FROM INVESTING ACTIVITIES							
Sale of assets (predominately vehicles)	326	47	24	474	97	97	97
Withdrawal of investments	117	183	2,180	1,020	-	2,910	910
Acquisition of shares/investments	(100)	48	-	-	-	-	-
Purchase of assets	(1,483)	(344)	(275)	(1,756)	(495)	(2,495)	(495)
Net cash from investing activities	(1,142)	(65)	1,929	(262)	(398)	512	512
Increase/(decrease) in cash held	(3,384)	22	769	(1,307)	(558)	795	849
Add opening cash brought forward	877	(2,507)	(2,484)	(4,198)	(5,929)	(6,487)	(5,692)
CASH HELD AT YEAR END	(2,507)	(2,484)	(1,715)	(5,505)	(6,487)	(5,692)	(4,843)

Statement of financial position

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

▼ SUMMARY BALANCE SHEET

ASSETS	ACTUAL 2016/17 (\$000)	ACTUAL 2017/18 (\$000)	ESTIMATED 2018/19 (\$000)	AP BUDGET 2019/20 (\$000)	LTP BUDGET 2020/21 (\$000)	LTP BUDGET 2021/22 (\$000)	LTP BUDGET 2022/23 (\$000)
CURRENT ASSETS							
Cash and cash equivalents	(2,506)	(2,484)	(1,715)	(5,507)	(6,487)	(5,692)	(4,843)
Receivables and rates outstanding	2,136	2,263	2,590	2,035	1,929	1,929	1,929
Inventories	120	120	120	120	120	120	120
Investment funds	30,660	33,800	33,590	30,322	30,752	29,103	29,454
Prepayments	213	166	178	166	213	213	213
	30,622	33,865	34,763	27,135	26,527	25,672	26,874
NON-CURRENT ASSETS							
Shares in subsidiary	8,721	8,721	8,721	8,721	8,721	8,721	8,721
Property, plant and equipment	38,387	37,930	37,593	41,728	41,376	42,930	42,483
Loan to Gore District Council		25	27	25	140	140	140
Loan to Invercargill City Council	200	127	134	126	700	700	700
Investment in related party	807	807	807	807	807	807	807
	48,115	47,610	47,282	51,408	51,743	53,298	52,851
TOTAL ASSETS	78,737	81,475	82,045	78,543	78,270	78,970	79,724
LESS LIABILITIES							
CURRENT LIABILITIES							
Creditors and accruals	2,693	3,309	3,585	3,246	2,487	2,487	2,487
Employee entitlements	1,951	1,800	1,790	1,637	1,951	1,951	1,951
	4,644	5,109	5,375	4,884	4,438	4,438	4,438
NON-CURRENT LIABILITIES							
Employee entitlements	34	38	39	34	34	34	34
TOTAL LIABILITIES	4,678	5,147	5,414	4,918	4,472	4,472	4,472
NET ASSETS	74,058	76,328	76,631	73,626	73,798	74,498	75,252
EQUITY	74,058	76,328	76,631	73,626	73,798	74,498	75,252

Funding impact statement

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

▼ SUMMARY FUNDING IMPACT STATEMENT

	ACTUAL 2016/17 (\$000)	ACTUAL 2017/18 (\$000)	ESTIMATED 2018/19 (\$000)	AP BUDGET 2019/20 (\$000)	LTP BUDGET 2020/21 (\$000)	LTP BUDGET 2021/22 (\$000)	LTP BUDGET 2022/23 (\$000)
FUNDING APPLICATIONS							
Operating expenditure	29,797	30,786	34,246	35,362	34,650	35,388	35,964
Capital expenditure	1,483	341	375	1,756	495	2,495	495
Borrowing repayments	0	0	0	0	0	0	0
TOTAL TO BE FUNDED	31,280	31,127	34,621	37,118	35,145	37,883	36,459
FUNDING SOURCES							
General rates, uniform annual charges and rates penalties	7,483	7,912	8,956	9,972	10,623	11,388	11,763
Targeted rates	7,481	7,971	8,295	8,344	8,923	9,114	9,384
Fees, charges and targeted rates for water supply	7,259	8,761	9,963	10,312	9,211	9,413	9,452
Local authority fines, infringement fees and other receipts	5,900	5,933	5,975	6,162	5,830	5,853	5,879
Council reserves	3,157	550	1,432	2,328	558	2,115	(19)
	31,280	31,127	34,621	37,118	35,145	37,883	36,459

