

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

This report has been prepared in accordance with the provisions of the Local Government Act 2002 and the Reporting Standards of the New Zealand Institute of Chartered Accountants.

This report was approved and adopted by a meeting of the Council on 22 October 2008.

It correctly reflects the Council's financial position and operating results for the year ended 30 June 2008 and complies with all statutory requirements in relation to the Annual Report.



Stuart Collie
Chairman



Ciaran Keogh
Chief Executive

SRC Publication Number 2008-12

Annual Report

***Environment
Southland's
achievements
for July 2007
to
June 2008***



Annual Report

to 30 June 2008

▲ Council Directory	page 3
▲ Annual Report Overview	pages 4-11
▲ Statement of Service Performance	
Our activities – what we do for the community	pages 12-14
- Water programme	pages 15-25
- Land programme	pages 26-35
- Coast programme	pages 36-42
- Air programme	pages 43-46
- Community representation and communication	pages 47-52
▲ Community Outcomes and Report on Progress	pages 53-59
▲ Report on Long-term Financial Strategy and Policies	pages 60-62
▲ Transition from Resource Areas to Activities and Divisions	pages 63-66
▲ Financial Statements and Notes to the Accounts	pages 69-114
▲ Auditor's Report	pages 115-117
▲ Equal Employment Opportunities	page 118
▲ Health and Safety in the Workplace	pages 119-120

Council Directory



Chairman

Stuart Collie

Councillors until October 2007

Derek Angus QSM, JP
Stuart Baird
David Falconer
Jim Fenton, QSO
Ted Loose
Brian Mason
Neil McPhail
Ted Tapper
Ali Timms
Diane Wilson (Deputy Chairman)
Mark Winter

Councillors from October 2007

Derek Angus QSM, JP
Ross Cockburn
Neville Cook
Jim Fenton, QSO
Nicol Horrell
Brian Mason
Neil McPhail
Marion Miller
Maurice Rodway
Ali Timms
Diane Wilson (Deputy Chairman)

Executive Staff

Acting Chief Executive
Chief Executive
Director of Environmental Management
Director of Corporate Services

Graham Alsweiler *(from 5 May 2007 until 8 July 2007)*
Ciaran Keogh *(from 9 July 2007)*
Warren Tuckey
Graham Alsweiler

Divisional Managers

Policy and Planning Manager
Environmental Information Manager
Catchment Manager
Biosecurity Manager
Compliance Manager
Consents Manager
Finance Manager
Information Technology Manager

Ken Swinney
Chris Arbuckle
Noel Hinton
Richard Bowman
Mark Hunter
John Engel
Elizabeth Marshall
Stephen Aldridge

Bankers

ANZ Banking
Kelvin Street, Invercargill

Auditor

Deloitte on behalf of the Controller and Auditor General
Wellington

Solicitors

AWS Legal
Spey Street
Invercargill

Barry Slowley
Spey Street
Invercargill

Postal Address

Environment Southland
Private Bag 90116
Invercargill

Phone (03) 211 5115

0800 76 88 45

Fax (03) 211 5252

E-mail Address service@es.govt.nz

Website www.es.govt.nz

Location

Corner of Price Street & North Road,
Invercargill

Environment Southland is the brand name of Southland Regional Council





Annual Report Overview

The past year provided something of an environmental reality check for many of us. As land use continued to intensify, Southland's natural resources all came under increased pressure. This is no new phenomenon. Environment Southland has been tracking and responding to these trends for several years. But 2007/08 was the year that the environmental consequences of economic growth became chronic, while at the same time the gap between demand and our organisation's capacity to respond became impossible to ignore or meet with short-term measures. This disconnect between demand and capacity provided the catalyst for a concerted response to the increased challenges to Southland's environment and in February the Council agreed unanimously to increase the organisation's resources, starting with a boost to planning and compliance staffing.

Land

The intensification of land use associated with dairy farming was at the root of many of the challenges that the Council faced during the year. For example, the Council processed 868 applications for consents – an increase of 138 on the previous year – and most of the additional workload related to consents associated with dairying, discharge permits for dairy effluent and wintering pad disposal, permits to take water, land use consents for bores, bridges and culverts, and other associated activities. Only 75% of the applications were processed within statutory timeframes, due to the increased workload. However, 67% of the applications that were notified and received submissions were resolved without recourse to a hearing. Only one consent decision was appealed to the Environment Court.

The trend of converting land for dairy farming and increasing the size of existing herds continued throughout the year. In response, the Council allocated more resources to working with farmers and the industry as a whole, to encourage the use of best practice and thereby limit the impact on the environment. These included the appointment of a full-time dairy liaison officer and the publication of a newsletter for dairy farmers. Routine inspections showed that most farmers were complying with the conditions of their consents, but it should be noted that older consent conditions are not as stringent as our current policies and rules require so we continue to require environmental best practice to be applied. Seven infringement notices were issued for violations relating to dairy operations and the Council brought eight successful prosecutions for the unlawful discharge of dairy effluent to land in circumstances where it entered waterways. The number of infringements was significantly lower than last year, because Council staff used their discretion to deal with incidents by way of cost recovery. Several of the enforcement actions were taken in response to complaints from members of the public, reflecting the increasing levels of public awareness and concern about the impact of intensive land use on the environment.

The Consents Committee moved to codify best practice for the disposal of dairy shed effluent by imposing new consent conditions requiring applicants to provide extended storage and encouraging the use of low-application rate systems. Requirements to monitor application rates are also being enforced.



Policy and Planning

The intensive winter grazing rule in the Water Plan took effect on 1 May, requiring stock to be kept at least 3 m away from watercourses between May and September. The new rule was widely publicised for several months before coming into effect and its uptake was actively monitored over the winter. Most farmers appeared to have made a genuine effort to comply with the rule.

The Council responded to public disgust at the pollution of roads and vehicles with effluent spilling from stock trucks, by promoting farmer responsibility for standing stock before transport. This is an annual problem associated with the seasonal migration of dairy cows to and from winter grazing, as well as the regular transport of all stock between properties. Two temporary stock effluent disposal sites were established over winter after agreements with transport operators to use facilities at their yards and the Council continued to work with transport agencies and the territorial local authorities to establish permanent roadside stock effluent disposal sites.

In the last stage of the targeted removal of old and unwanted agricultural chemicals from properties around the region, the Council arranged the collection of 12.8 tonnes of chemicals in December. Many of these were substances that are now banned from use, including DDT, Dieldrin etc. Of the 12.8 tonnes, 9.7 tonnes was comprised of intractable material that had to be shipped overseas for safe disposal. A total of 37.8 tonnes of agrichemicals has been collected in total over the last three years.

Catchment Management

The Council began developing a new management regime for the region's major river systems, with a pilot project being undertaken in the Te Anau basin. The new approach brings together all the agencies with land and resource management responsibilities in the area. It will limit duplication and ensure that river beds are managed holistically, rather than on a single-issue basis. The protocols are still being developed but once agreed and implemented are expected to become a model that can be adopted in other major catchments.

The final phase of the Lower Mararoa River Restoration Project's capital works began during the year. The project is the largest river management scheme to be undertaken in Southland in over 20 years, and the results are visible from the Key Bridge, where a viewing area is to be established.

Within Invercargill, work commenced on a new walking track within the Kingswell Creek catchment, that will provide a valuable amenity for the local community once it is completed. Scoping work also began on a coastal walkway linking Invercargill and Bluff.

Biosecurity

The division delivered another successful year of Tb vector management work, which was instrumental in reducing the number of Tb infected herds in the region to two (down from over 55 infected herds in 1997). Environment Southland has begun transitioning out of vector management as the Animal Health Board intends to take over this role fully in June 2009.

The mid term review of the Regional Pest Management Strategy (RPMS) was completed and as a consequence, some major initiatives began during the year. These included a regional work programme promoting landowner control of possums and predators to achieve compliance with the strategy's rules and a joint programme with the Compliance Division to achieve compliance with the rules relating to urban gorse and broom, ragwort and nodding thistle. The latter initiative has dramatically increased awareness of the need to comply with the RPMS and has reduced the incidence of the






four pest plants in key areas. A region-wide, scientific survey and monitoring programme has been implemented for existing and potential pest plants. The information generated from this programme will help us better understand the risks they present to Southland and provide better guidance for setting management priorities in the future.

The pinus contorta trees on Mid Dome continue to pose the most serious current threat to Southland’s biodiversity. As a consequence, the Council has supported the Mid Dome Wilding Trees Charitable Trust’s ongoing efforts to secure guaranteed Crown funding for its 12-year eradication programme. If left unchecked, the spread of these trees will cause irreversible environmental damage to the vulnerable high country ecosystems of Northern Southland and, ultimately, to the rest of the South Island.

For more about land, the issues and the options, see:



- Regional Effluent Land Application Plan
- Regional Pest Management Strategy
- Regional Transport Strategy
- Regional Solid Waste Management Plan
- Regional Policy Statement for Southland
- Long-term Council Community Plan 2006-16
- Annual Plan 2008/09

www.es.govt.nz



Water

The quality and quantity of Southland’s water resources came under closer public scrutiny than usual this year, particularly during the unusually dry summer. Restrictions were placed on some major water users, while community concerns about the quality of surface water were reflected in heightened awareness of the bathing water monitoring results reported on our website and in the media. As a result, the Council added another three sites to the annual monitoring programme. Staff also established a drought response group in January to provide the best possible information to resource users and the wider community. Another consequence of the dry summer was an increase in the number of potentially toxic cyanobacteria algae blooms in rivers and streams.

Prolonged water quality issues in the Waikaia catchment – including high levels of faecal contamination – were another symptom of the increasing pressure that the region’s water resources face through intensified land use. The lower reaches of the Maitai River were identified as among the most polluted in the country but the lower reaches of all major catchments are impacted by non-point source contamination.

Studies are continuing into the extent and nature of the region’s groundwater resources. The body of knowledge was extended with the completion of the report into the management of Southland’s confined aquifers and the review of the report into the relationship between ground and surface water resources in the Maitai catchment above Gore. One highlight was the confirmation that pesticide levels in the Edendale aquifer are dropping. At the same time, investigations began into three new nitrate hotspots which were identified in other aquifers during the year. The drought and the intensification of land use also led to a significant increase in the demand for





groundwater, especially in the number of landowners considering irrigation. The number of consents issued for drilling more than doubled during the year.

Phase Two of the Living Streams water quality project continued in the Waihopai catchment, with the intention that the model will eventually be implemented in other catchments. Work during the year included intensive monitoring of tributaries, close scrutiny of previously identified water quality “hot spots” and the community engagement programme to encourage landowners to recognise their contribution to water quality and encourage the implementation of best practice. In the lower catchment, urban stormwater has been monitored and analysed to establish the contribution that the Invercargill community is making to water quality issues in the Waihopai. A good relationship is being developed with the Invercargill City Council to address these issues.

Hydrological monitoring of the region’s major rivers was expanded with the installation of a water level and flow site in the Waikawa River in the coastal Catlins water resource zone. The increasing requirements for information about water resources was reflected in a 21% increase in the number of flow gaugings carried out in a year, to 584. There were four floods that triggered floodwarnings in August, September, October and March. The largest of these was a flood affecting the headwaters of the Aparima, Oreti and Mataura rivers in August, which had a three-year return period.

The Council now carries out lake sampling, which was previously contracted out. We purchased state-of-the-art lake monitoring equipment to enable the collection of accurate data on lake temperature, dissolved oxygen and other parameters at any depth.

In July 2007, the remaining decisions on submissions to the Water Plan were released. It was pleasing that there were relatively few appeals on these decisions to the Environment Court. During the year, there was significant progress towards resolving these appeals through agreements reached in Council-led negotiations. The only matter which seems destined for a court hearing relates to stock access to surface water. With the resolution of most appeals, large sections of the Water Plan are now operative.

For more about water, the issues and the options, see:



- Annual Monitoring Summary Report Cards 2007
- Long-term Council Community Plan 2006-16
- Annual Plan 2008/09
- Compliance Monitoring Report 2007/08
- Proposed Regional Water Plan for Southland
- Regional Policy Statement for Southland
- www.es.govt.nz





Air

Domestic fires continue to be the biggest source of air pollution in the region, with winds having the most influence on air quality in the Invercargill and Gore air sheds. There were nine official breaches of the national air quality guidelines in Invercargill through the winter and three in Gore. However, the establishment of a second monitoring site in Invercargill, at Pomona Street, has confirmed suspicions that the original site in Miller Street is not consistently representative of the state of air quality across the city and that there are variations within the urban air shed that are not fully depicted in the official results. Further work is planned in this area.

Public awareness of air quality was promoted through the winter on both Cue Television and Hokonui Radio. Invercargill results were broadcast each weeknight on television, with a hint on reducing chimney emissions or improving home heating efficiency. Similar information targeted at Gore residents was broadcast each weeknight on Hokonui Radio.

For more about air, the problems and the solutions, see:



Regional Air Quality Plan for Southland
 Annual Monitoring Summary Report Cards 2007
 Compliance Monitoring Report 2007/08
 Regional Policy Statement for Southland
 Long-term Council Community Plan 2006-16
 Annual Plan 2008/09
www.mfe.govt.nz
www.es.govt.nz



Coast

The Council employed its first coastal compliance officer during the year, in recognition of the increasing need to monitor coastal activities and educate coastal users, particularly in Fiordland.

For more about the coastal environment, see:



State of Southland's Coastal Marine Environment Report –
www.ara.org.nz
 Regional Coastal Plan for Southland
 Long-term Council Community Plan 2006-16
 Annual Plan 2008/09
 Annual Monitoring Summary Report Cards 2007
 Cruise Ship Deed of Agreement
 Regional Policy Statement for Southland
www.es.govt.nz





Community and partnerships

Southland's local authorities have a close working relationship with tangata whenua. The Council assisted with the development of the second generation resource management guide for Ngai Tahu in Southland, Te Tangi a Taurira, which was formally adopted during the year.

Environmental education remains a major focus for our staff, many of whom provide advice and education as part of their daily interaction with the public. During the year, the number of dedicated Environmental Education staff was doubled from one to two full-timers. The number of schools taking part in the Enviroschools programme reached 13 and the Council entered into a partnership with the Royal Society of New Zealand to support the Stream Connections programme and the Environmental Monitoring and Action Project.

Biosecurity staff actively support several highly successful community-based ecological restoration projects, including the Aparima Pestbusters' work at Mores Reserve in Riverton, the Otatara Landcare Group's development of Bushy Point in Otatara, SIRCET's ongoing efforts at Halfmoon Bay on Stewart Island and the Myross Bush school and landcare group's new project at Myross Bush outside Invercargill.

The annual environment awards attracted a record 42 nominations this year, recognising the work of individuals, companies, schools and community groups around the region. And over 500 people, ranging in age from primary school children to octogenarians, took part in the Wai Tri multi-sport event in April.

For more information about our community and partnership programmes, see:



Local Governance Statement
Policy on Partnerships between Environment Southland
and the Private Sector
www.bruciegull.com
www.enviroschools.org.nz
www.ourwaysouthland.org.nz
www.es.govt.nz



Ourselves

In October, the triennial elections resulted in the election of five new Councillors.

New Chief Executive, Ciaran Keogh, took charge of the Council in July. His appointment became the catalyst that has enabled the organisation to tackle some of the longstanding issues that have impacted on our ability to respond effectively to pressures on Southland's environment.

Finances



The Council achieved an operating deficit of \$1,076,000, which is larger than the budgeted deficit by \$692,000. The primary cause of the increased deficit was a reduction in investment returns resulting from the volatile international economic circumstances prevailing during the 2008 calendar year. The balanced investment approach adopted by the Council saw the \$14.7 million bond portfolio, combined with deposits, return \$199,999 more than budget but the \$9.4 million equity portfolio resulted in a loss of \$420,000 (which was \$1,191,000 less than budget). We continue to hold the majority shareholding in South Port New Zealand Limited with 66.48% of the shares and the dividend was \$1,352,000 – as was anticipated.

While there was a deficit in 2007 as well (\$11,000) the previous year we reported a surplus of \$2,778,000. The Council's finances are sound but resolution of the ongoing investment market problems will be key to recovering losses in the future.

For more information about the Council's affairs and finances, see:



Long-term Council Community Plan 2006-16
Annual Plan 2008/09
Funding Impact Statement
www.es.govt.nz



Looking ahead

Economic turmoil both internationally and within New Zealand is not predicted to diminish the pressures on Southland's environment. Even if the rate of dairy conversions dropped dramatically, we would still be responding to the ongoing impacts of the expansion that has already occurred. Much of what we do is necessarily reactive. The ongoing dairy boom started in Southland in the 1990s and we have been in catch-up mode with resourcing to deal with the environmental consequences ever since. Assuming that the community agrees with our assessment of the appropriate response, we will be developing policies, obtaining resources and requiring funding to allow us to implement that response.



Stuart Collie
Chairman

Ciaran Keogh
Chief Executive

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

KEY FINANCIAL INDICATORS

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue										
General Rates	2,020	2,278	2,309	2,454	2,745	2,634	2,765	2,949	3,313	3,399
Separate Rates	2,973	2,859	2,971	3,216	3,361	3,569	3,721	4,178	4,323	4,567
Government Grants	3,331	3,709	4,098	4,518	7,231	5,375	5,823	4,723	3,427	2,921
Other Revenue	2,678	3,600	2,492	2,723	3,223	2,979	3,049	4,110	3,778	4,613
Dividends	3,476	1,233	1,046	3,139	1,177	1,134	1,134	1,221	1,352	1,352
Interest	653	691	1,144	1,269	2,058	1,423	1,875	3,116	1,293	800
Profit on Share Selldown	-	-	2,990	-	-	-	-	-	-	-
	15,131	14,370	17,050	17,319	19,795	17,114	18,367	20,297	17,486	17,652
Expenditure	(12,551)	(14,419)	(13,715)	(14,404)	(18,166)	(16,695)	(18,012)	(17,519)	(17,497)	(18,728)
Surplus (Deficit)	2,580	(49)	3,335	2,915	1,629	419	355	2,778	(11)	(1,076)
Capital expenditure	293	101	340	369	420	442	360	578	656	671
Financial Position										
Property, Plant and Equipment	36,231	35,634	35,367	35,286	35,328	35,378	35,260	35,366	35,492	35,654
Total Assets	60,071	60,356	63,862	65,926	68,288	68,279	69,109	71,050	70,625	70,084
Net external public debt	159	136	112	86	59	30	-	-	-	-
Total Public Equity	58,103	58,054	61,389	64,304	65,933	66,352	66,707	68,689	68,678	67,602
Ratio Current Assets to current liabilities	2.20:1	2.01:1	1.84:1	2.18:1	1.62:1	1.22:1	0.94:1	11.64:1	13.80:1	10.49:1

Note Figures from 2006 onwards have been restated to comply with NZ IFRS.





Statement of Service Performance for the year ending 30 June 2008

Our activities - what we do for the community

Programme presentation

Set out on the following pages are the programmes we undertook and associated financial forecasts and actuals for the year ending 30 June 2008.

Groups of Activities, Levels of Service and Performance Measures

Within this document we report on our outputs under **groups of activities** being Water, Land, Coast, Air and Community Representation. We believe that the first four areas, which we refer to as our environmental icons, provide a framework within which environmental issues can be laid out in an accessible fashion. Within those **icons**, we detail the outputs for each of our **programmes** detailed under:

- ▲ policy development and planning
- ▲ investigations and research
- ▲ monitoring
- ▲ works and services
- ▲ extension and education
- ▲ regulatory

The outputs under each of these programmes detail the level of service delivered and provide a direct link to the relevant Environment Southland **community outcome**.

We manage our work in **activities** (detailed below) and these activities aggregate up to our **divisional management** structure. Each programme area contains a statement showing which of our activities delivers the programmes, the cost thereof, and the combined funding sources involved. Expenditure in our statement of financial performance is presented in both icon and divisional form. The funding arrangements are in accordance with the Revenue and Financing Policy set out in the Long-term Council Community Plan.



The following table details the activities and their home:

Activity	Division	Activity	Division
Environmental Monitoring	Environmental Information	Pest Animal Strategy	Biosecurity
Environmental Education		Pest Plant Strategy	
Floodwarning		Bovine Tb Vector Control	
Photography		Consent Administration	Consents
Regional Planning	Policy & Planning	Environmental Compliance	Environmental Compliance
Council Policy & Planning		Community Representation	Community Representation
Hazard Mitigation		Property	Property
Oil Spills			
Catchment Planning	Catchment Management		
River Works			
Land Drainage			
Land Sustainability			

Support costs of corporate, finance, administration, information technology, council servicing and secretarial are allocated to each of the activities and therefore to each of our outputs.

Effects of activities

Consideration has been given to other courses of action such as increased regulation and enforcement, but it is considered that these would entail negative effects from an economic and social viewpoint without corresponding environmental benefits. Accordingly, establishing community agreed policy frameworks, education and encouragement are the initial approach taken with enforcement the second level of action.

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

Performance measures

Performance measures are included in the programmes and each programme is a summary of project briefs which are combined into the organisation's work plan. Management control over each programme is based on the 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 programmes, please contact us. Our contact details are on page 3.





We intend that performance will be measured in terms of:

- ▲ **Timeliness** completion of programmes by 30 June 2007, unless otherwise stated.
- ▲ **Cost** completion of programmes within the planned costs.
- ▲ **Quantity** completion of outputs to the quantity standards specified.
- ▲ **Quality** completion of all programmes 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.

Ensuring that Southland has plentiful clean water resources to meet current and future needs for aquatic life, human consumption, recreation and commerce.



Our Strategic Challenges relating to water management

- ▲ Managing point and non-point discharge effects on surface and groundwater quality.
- ▲ Managing the effect of land use on adjacent water bodies.
- ▲ Managing the use of surface and groundwater, while ensuring instream flow needs are met;
- ▲ Meeting the demand for water for irrigation and the concern for lowering of groundwater levels.
- ▲ Controlling activities in, and uses of, riverbeds.
- ▲ Retaining the benefits of the region's wetlands.

Desired Environmental Outcomes for our community

- ▲ Southland's water resources are available for multiple uses in a way that protects social, economic, cultural and environmental values.
- ▲ Decisions made about the community's use of water resources are based on credible, scientific information.
- ▲ The short and long term effects of resource use on the region's waters are understood, including the consequences of possible hydro-electric and industrial demands, and adverse effects are addressed in a timely manner.
- ▲ Instream values and fish and wildlife habitats are protected at levels which should be expected, given the underlying natural physical conditions of the catchments.
- ▲ The farming community, industry and other floodplain users are aware of the standard of protection received from flood protection schemes, make informed decisions on floodplain development and take timely action to minimise the effects of flooding on their activities and reduce the threat to life and property.
- ▲ The needs of the community for land drainage are met, whilst enhancing water quality, riparian function, fish and riparian habitats.
- ▲ The community's requirement for gravel is met in the short and long term with minimal environmental effects and by enhancing, wherever possible, natural values and the recreational opportunities of the community.
- ▲ The community takes an active role in and responsibility for caring for water resources.
- ▲ The community can be sure that uses of water, including discharges into water, do not contravene agreed standards that seek to minimise adverse effects.
- ▲ Pollution events and unauthorised discharges to water are minimised and repeat occurrences are avoided.





Policy Development/Planning

In 2007/2008 we proposed to...

develop policies in relation to the sustainable use of Southland's water resources

Performance target achieved

- ▲ *number of appeals to Environment Court defended;*
Twelve appeals were lodged to Variations 2, 3 and 4 of the Proposed Regional Water Plan. Consents Orders were issued by the Environment Court for five of those, while the majority of the remaining appeals are resolved but awaiting Consent Memoranda to be signed or final details to be clarified.

Thirteen appeals were lodged to Variation 5 (Stock Access) with two Consent Orders having been issued by the Environment Court and one appeal being withdrawn. The remaining appeals are under negotiation with further Consent Memoranda pending.

- ▲ *plan implementation strategy approved;*
The Proposed Regional Water Plan implementation strategy was continued from the previous year and focused on a mix of priority locations and messages. The majority of effort was applied to the intensive winter grazing rule which came into effect on 1 May 2008. Additional effort was applied to stormwater management provisions of the Water Plan, and the development of guides to the various Plans.

An additional project called Living Streams was progressed with the communications, education and advocacy programme developed and implemented.

- ▲ *progress towards protection of significant wetlands on private land;*
Continued to facilitate a Southland Wetlands Working Party to achieve identification and protection of significant wetlands on private land within the region. The Working Party met on one occasion during the year with a wetlands toolkit for landowners being distributed around the region. A database of significant wetlands on private land has been developed using data from the different Southland organisations with and interest or jurisdiction in wetlands management.
- ▲ *progress towards effective management framework for stormwater discharges into waterways.*
Promoted the new stormwater management provisions of the Proposed Regional Water Plan to the local councils through a workshop.



Investigations/Research

In 2007/2008 we proposed to...

undertake an environmental investigations and research programme

Performance target achieved

- ▲ *completion of relevant surveys, investigations and reports;*
We completed an investigation and provided a report on the hydrogeology and water balance in the Mataura catchment above Gore.

We developed a model for the mid-Mataura groundwater system and completed a report which including a revision and recommendations for management of stream depletion affects.

Using Envirolink funding, GNS Science reviewed our isotope monitoring data and provided recommendations to improve the cost-effectiveness of future monitoring and Envirolink funded the University of Otago to provide new techniques to accurately monitor sediment at water quality monitoring sites throughout Southland.

- ▲ *completion of Annual Environmental Monitoring Report.*
The Annual Environmental Monitoring Report was adopted by Council on 13 February 2008.

Report cards overviewed water quality (ground and surface), water resource information on ground and surface water and *Didymo*.

Monitoring

In 2007/2008 we proposed to...

monitor and report on the state and trend of the region's water resources

Performance target achieved

- ▲ *percentage of time-dedicated web pages accessible to public;*
The various water resource related websites remained online for 99% of the time.
- ▲ *number of enquiries on web page;*
Enquires to our water resource websites, which include information on bathing water quality, groundwater, water quality and rainfall and river flows were accessed over 10,000 times.
- ▲ *number of monitoring sites and parameters measured;*
Rainfall was monitored at 25 automatic rainfall sites and 18 by rainfall readers. River flow and level was monitored at 46 sites. Water quality was monitored at 172 sites throughout Southland.





Groundwater resources were monitored in 32 management zones groundwater at 15 automatic level sites and levels monitoring quarterly at 91 bores. Groundwater quality was monitored at 41 sites throughout Southland, including nitrate measurements being taken at 15 additional sites.

Water Quality was sampled at monthly intervals at 64 long term sites. Annual samples of macroinvertebrates and algae were taken at 74 sites.

The quality of the water at bathing sites was monitored at six sites weekly over the summer. Public Health South was notified of all breaches of the Ministry of the Environment bathing water standard.

Freshwater fish monitoring was conducted on several rivers throughout Southland using electric fishing techniques. We monitored 10 sites throughout Southland.

Continued to assist Biosecurity New Zealand and the National Institute of Water and Atmospheric research with their research on *Didymo* and conducted two delimiting surveys of a number of rivers to examine the distribution and track the spread of *Didymo* in Southlands rivers.

▲ *completion of Annual Environmental Monitoring Report.*

The Annual Environmental Monitoring Report was adopted by Council on 13 February 2008. Report cards overviewed water quality (ground and surface), water resource information on ground and surface water and *Didymo*.



Water quality monitoring will assist the community to assess progress towards cleaning up our rivers, through such projects as the Waihopai Living Streams initiative



Works and Services

In 2007/2008 we proposed to...

prepare and implement catchment river management programmes

Performance target achieved

- ▲ *area of floodway over which vegetation was aerially controlled;*
Pre-control inspections resulted in 569 ha of aerial control being undertaken within the Oreti, Mataura, Aparima and Waiau River floodways. As well, 94 ha of vegetation was cleared as part of the programmed Lower Mararoa River Restoration capital works project.
- ▲ *length of floodway along which vegetation was ground controlled;*
In conjunction with the floodway aerial programme, intermittent handgun work to control isolated woody vegetation throughout 93 km length of river bed within the catchments was completed.
- ▲ *number of trees planted;*
The annual tree planting programme resulted in the planting of 16,115 hybrid willow and native trees.
- ▲ *completion of staged walkway construction programme;*
Planting of Stage 4 on the Otepunu (vicinity of Otepunu Bridge) was completed. The balance of the Waihopai walkway between Queens Drive and the Waihopai Dam has been put on hold as land ownership details are finalised with the Invercargill City Council. Stage 1 of the Kingswell, in the vicinity of Southland Hospital was commenced with the construction of 1.5 km of new walkway.
- ▲ *completion of annual report on results.*
An annual report on the results of the 2006/07 programme was adopted by Council on 10 October 2007.

provide for integrated river management programmes in the Te Anau basin

Performance target substantially achieved

- ▲ progress on lower Mararoa River restoration programme;
The restoration programme on the Mararoa saw the completion of year 2 and the commencement of year 3 of the capital works programme. The expectation is that Year 3 will be completed in the first quarter of the 2008/09 financial year (*Note: The project is based on calendar years rather than financial years as this report*).
- ▲ *public acceptance of proposed Waiau Catchment Rating District.*
With the successful, albeit late implementation and progress on the Lower Mararoa project, the commencement of the classification for a proposed Waiau Catchment Rating District occurred in June 2007 with the engagement of a consultant classifier. A draft classification was workshopped with the Council during November 2007 and further reported to Council in March 2008. Final determination of a go/no go of the Upper Waiau with the community has not been progressed past that, as Council is to undertake a Revenue and Financing Policy review in August/September 2008. The outcome of this review could



change funding assumption used by the draft classification. Allowance for the next stage with the community is allowed for within 2008/09 budgets.

prepare and implement land drainage work programmes

Performance target achieved

- ▲ *public notification of programme;*
The proposed work programme was publicly notified on 28 November 2007, as well as being circulated to the formal consultation list associated with the development of the programme.
- ▲ *length maintained to required standard;*
Drainage outfall was maintained over the 461.3 km of community outfall channel that on-site inspections identified required maintenance.
- ▲ *completion of annual report on results.*
An annual report on the results of the 2006/07 programme was adopted by Council on 10 October 2007.

establish and maintain stock truck effluent dump stations

Performance measures substantially achieved

- ▲ *success in locating a site;*
Investigations undertaken into confirming a site in the Matura vicinity continued during the year with this work being led by Transit New Zealand. Difficulties encountered in finalising a site because of opposition from adjoining land owners. A second possible site in the Winton vicinity is being investigated.

Discussions held with Transit New Zealand, farmers, and transport companies through the regional stock effluent working group around the issues of spillage from stock trucks resulting from the movement of dairy cattle associated with dairy farm changeovers and to and from winter grazing. Environment Southland worked with members of the transport industry to make available two temporary stock effluent disposal sites at Lumsden and Centre Bush during the winter grazing period.

Undertook a number of other tasks including preliminary investigation of a possible Winton heavy vehicle bypass, possible new effluent dump station at Mossburn along with other sites around the region, promoted changes to the Transport legislation relating to effluent spillages from stock trucks, and promoted the concept of on farm effluent disposal points with local product suppliers and farmers.

- ▲ *provision of application for funding of future maintenance.*
Not progressed until a site is made operational.



provide advance warning and expert advice

Performance target not achieved

- ▲ *number of flood events for which river level bulletins issued;*
Southland experienced four minor events where bulletins were issued to land owners.
- ▲ *progress with flood forecasting modelling;*
The Flood Forecasting model for the Waihopai was reviewed and is now ready to be implemented.
- ▲ *number of verbal and written responses to requests for hazard information;*
280 verbal and 63 written requests were received and responded to.
- ▲ *timeliness of response to requests.*
The 63 written requests were responded to, generally outside the target response time of 80% within four working days and six working days for the remainder. This was due to work demands on staff.

provide a 24-hour emergency response service

Performance target achieved

- ▲ *number of after hours calls received*
The phone system Environmental Data Information (EDI) was activated on 4 September 2006. It continues to provide up-to-date information about rainfall, river flow/level and bulletins regarding flooding (and other environmental information) at all times. The system can cope with 960 half minute calls per hour. During a flood event the phone system of 8 lines typically handles over 1,500 calls.

Our flood warning website and flood information sites received over 2,000 hits preceding, during and after the minor events were reported.

Extension/Education

In 2007/2008 we proposed to...

raise public awareness and understanding of the region's ground and surface waters;

Performance target achieved

- ▲ *number of schools participating in "Stream Connections";*
Five schools (approximately 270 Southland children) undertook a Stream Connections field trip.
- ▲ *number of "Enviroschools";*
There are now 13 schools involved in the Enviroschools programme, including the Department of Conservation/Enviroschools Pilot project.





- ▲ *number of events participated in;*
Staff gave presentations on water resource issues to varied groups, and spoke to farm interest group, rotary clubs, community boards and at national conferences. Staff participated in a number of field days and catchment programme presentations in the Waihopai and Sandstone catchments. Science staff visited and spoke to a number of schools on topics related to freshwater and participated in stream connections programmes from several schools.
- ▲ *educational material distributed during year.*
A waterways themed *Squawk* magazine was created in October 2007 and sent to every Southland school. The Southland Kindergarten Association requested the assistance of Environment Southland at a professional development workshop run in July 2007.

We published groundwater and surface water resource zone information cards. These cards provide information on the availability of water and provide other hydrological data specific to water management zones throughout Southland.

undertake a Waterways Action Programme

Performance target achieved

- ▲ *monitoring and investigations undertaken and reported on;*
We continued to investigate the water quality trends in the Waituna, Sandstone Stream and Waihopai catchments. We investigated stormwater contamination in the Waihopai as part of our Living Streams project and focused on sampling the Spurhead Creek catchment within the Waihopai. We also investigated septic tank discharges into the Waihopai. We established further monitoring sites in the Waituna catchment.
- ▲ *number of events organised;*
A children's field day with Balfour School was organised in the Sandstone catchment.

Environment Southland held a regional forum on land use and water quality in May 2008 where issues relating to land use intensification and water quality were discussed with stakeholders.

Environment Southland was the major sponsor of "Water: An Inconvenient Truth", a joint meeting of the New Zealand Freshwater Sciences Society and Australian Society of Limnology in Queenstown in December 2007. Staff gave a presentation and posters on issues related to water quality challenges in Southland. The conference was attended by over 350 freshwater scientists and resource managers from New Zealand, including participants from Australia, Asia, America and Europe.



- ▲ *number of events participated in;*
Staff assisted with field days in the Bog Burn and Sandstone catchments. Staff attended and presented at field days held in conjunction with the Waituna Landcare Group in the Waituna catchment.
- ▲ *completion of annual review of progress.*
Activities were reported monthly to the Environmental Management Committee.



Regulatory

In 2007/2008 we proposed to...

manage and promote best practice in gravel extraction

Performance target achieved

- ▲ *number of applications received;*
42 applications for the removal of 605,880 m³ gravel from watercourses were evaluated during the year.
- ▲ *volume of gravel extracted;*
Gravel extractors provided returns for the extraction of 246,973 m³ of gravel from watercourses through the year.
- ▲ *compliance with monitoring programme;*
A monitoring programme to confirm compliance with consent conditions was undertaken on 79% of active gravel extraction sites.
- ▲ *percentage of length of rivers and streams where significant gravel extraction has taken place over the last 10 years that have been assessed for the sustainability of gravel extraction;*
A monitoring programme for assessing the sustainability of gravel extraction is in place on rivers and streams used by gravel extractors to provide the region's gravel resource. This equates to approximately 50% of the length of Southland rivers. This year, the monitoring was undertaken on the Lower Upukerora River following two channel forming flood events. This equates to 1.4% of the length of rivers and streams being monitored. No other rivers or streams were scheduled for monitoring surveys.
- ▲ *approximate area of wetlands, backwaters and bare gravel bar habitats created through approved gravel extraction consents.*
From the 42 approved applications for removal of gravel during the year, completed extractions resulted in the creation of approximately 5.55 hectares of habitat ponds and 5.8 ha of bare gravel bar habitat.

provide a 24-hour, effective, immediate response to complaints and incidents

Performance target substantially achieved

- ▲ *number of complaints and incidents responded to;*
955 reported incidents were responded to;
- ▲ *percentage within specified timeframes.*
82% were responded to within specified timeframes.





process all applications for resource consents

Performance target not achieved

- ▲ *number of resource consents issued;*
170 water-related resource consents issued.

- ▲ *percentage within statutory timeframes;*
54% were responded to within statutory timeframes. The main reason for not achieving a higher compliance was the total number of applications received this year and the nature of some of the consents to be processed. There is still a strong emphasis on achieving the best outcome, with the co-operation of the applicant, to enable the concerns of the community to be established and resolved during the process but at times, this approach can result in delays.

- ▲ *release of Annual Environmental Compliance Monitoring Report.*
the Annual Environmental Compliance Monitoring Report was approved for release at the 10 October 2007 Committee meeting.



Coastal monitoring will better enable the community to respond to probable sea level rise

Programme Costings



Water

Costs by Programme and Activity with Funding Sources

	Actual 2007/08	Budget 2007/08
	\$000	\$000
Programme Outputs		
Policy Development & Planning	556	485
Investigations & Research	246	265
Monitoring	1,315	1,194
Works & Services	4,361	4,031
Extension & Education	263	269
Regulatory	759	661
Total Programme Costs	7,500	6,904

Resourced by the following Activities

Environmental Monitoring	1,537	1,391
Environmental Education	98	106
Floodwarning	45	138
Photography	16	28
Regional Planning	427	313
Council Policy & Planning	80	70
Civil Defence	36	39
Harbour Management	145	66
Hazard Management	9	28
Catchment Planning	196	314
River Works	3,392	3,047
Land Drainage	878	809
Pest Plants	25	28
Consents Admin	186	168
Environmental Compliance	429	359
Total Activities	7,500	6,904

Funded (per the Revenue and Financing Policy) by

External Recoveries	781	791
Levies and Contributions	31	2
General Rate	2,255	1,597
Investment Income	1,171	1,296
Prior Year Surplus	214	152
Interest on Rating Districts	180	165
Local Contribution	1,081	658
Separate Rates	2,213	2,244
Reserves / Capital / Surpluses	-426	-1
Total Funding	7,500	6,904





*Ensuring that the land continues to be productive,
safe and supportive of life and encouraging
sustainable land use practices to reduce
environmental damage*

Our Strategic Challenges relating to land management

- ▲ Maintaining the image and reputation of Southland's land resource, which is critical to our national and international market positioning.
- ▲ Achieving a balanced, sustainable approach to land management.
- ▲ Ensuring that land uses do not lead to the degradation of the natural quality, or a reduction in the natural quantity of water in the region's lakes, rivers, wetlands and streams in a significant, measurable way.
- ▲ Achieving good land and riparian management practices.
- ▲ Protecting the land and its productivity from the effects of natural hazards.
- ▲ Identifying and responding to threats to indigenous flora and fauna and the economic costs from pest plants and animals.

Desired Environmental Outcomes for our community

- ▲ Pest animals and plants that threaten the environment and economy in the region are identified and an appropriate management framework to minimise threats is put in place.
- ▲ Landowners are protected from the spread, social, economic, cultural and environmental effects of specific pest animals and plants and new pest animals and plants do not become established.
- ▲ Bovine Tb vectors including possums and ferrets are controlled in defined programme areas.
- ▲ The land transport system is safe and efficient, minimises adverse effects on the environment, and meets the community needs.
- ▲ An appropriate level of public transport is available to assist everyone to fully partake in the community's activities.
- ▲ Decisions made about the community's use of land are based on credible, scientific information.
- ▲ The short and long term effects of resource use on soils and associated ecosystems are understood, and adverse effects are addressed in a timely manner.
- ▲ The community is empowered and encouraged to make decisions about land use that protect their economic viability and minimise on-site and downstream adverse effects on land and water resources.
- ▲ The community can be sure that uses of land do not contravene agreed standards that seek to minimise adverse effects.



Policy Development/Planning

In 2007/2008 we proposed to...

continue to have the capability to respond to a regional civil defence emergency

Performance measure achieved

- ▲ *number of meetings of Civil Defence Emergency Management Group and its sub-committees serviced;*

The CDEM Group and its various sub-committees met as follows:

Activity	Meetings
Southland Civil Defence and Emergency Management Group	December 2007
CDEM Co-ordinating Executive Group	August and November 2007, and May 2008
Civil Defence Officers Committee	Monthly except January and June 2008
Emergency Services Co-ordinating Committee	September and December 2007, and February and May 2008
Hazardous Substances Co-ordinating Committee	September and December 2007, and February and May 2008

- ▲ *status of Civil Defence Emergency Group Plan;*

The Southland Group Plan was updated in order to keep it current.

- ▲ *compliance with plan "Objectives, Targets and Actions" timetable.*

Continued to provide administration services to, and taking an active part in, the Civil Defence Emergency Management Group, and support services for the Welfare Advisory Group, and the Hazardous Substances Technical Liaison Committee, through the Civil Defence Emergency Management Group Co-ordinator.

Maintained the capability to undertake the responsibilities identified for Environment Southland in the operative Civil Defence Emergency Group Plan.

provide for regional land transport needs

Performance measures achieved

- ▲ *timeliness of providing Regional Land Transport Programme;*

The annual Regional Land Transport Programme for the 2007/08 financial year was forwarded to Land Transport New Zealand ahead of the deadline date.

- ▲ *timeliness of providing Annual Report on Regional Land Transport Strategy;*

The Annual Report on progress in implementing the Regional Land Transport Strategy for the year was completed ahead of the deadline date and forwarded to Land Transport New Zealand.





- ▲ *compliance of Regional Land Transport Strategy with Land Transport Management Act 2003;*
An Active Transport Strategy focusing on pedestrians and cyclists, but also considering the needs of others that use facilities designed primarily for walking and cycling (includes those on skates, skate boards or using motorised carts) was progressed to a final draft stage during the year.
- ▲ *Invercargill City Council compliance with passenger transport services transfer agreement;*
Monitoring of the Invercargill City Council's delivery of passenger transport services was undertaken through an annual progress report from the City Council.
- ▲ *acceptability of Regional Land Transport Programme to Land Transport New Zealand.*
Land Transport New Zealand accepted our regional land transport programme to access a Government partnership funding on an annual basis that allows consideration of transport initiatives, strategy development and monitoring, travel demand assessments, road safety issues, stock truck effluent transfer sites, regional development initiatives, and monitoring passenger and mobility services.

review the Regional Pest Management Strategy;

Performance target achieved

- ▲ *successful adoption of Regional Pest Management Strategy;*
The Strategy was adopted at a meeting of the Council on 22 August 2007 and became operative from 1 September 2007.
- ▲ *number of appeals to Environment Court defended;*
There were no appeals lodged
- ▲ *completion of implementation strategy.*
The implementation of the strategy work programme to 2012 is to be progressed through the upcoming LTCCP process.

Investigations/Research

In 2007/2008 we proposed to...

undertake a pest management investigation and research programme

Performance target achieved

- ▲ *number of surveys completed;*
Customer satisfaction survey of 300 rural ratepayers conducted and reported. Probability-based survey design for weed species developed and trialled.
- ▲ *number of sites assessed for biodiversity condition;*
A total of 12 sites have been assessed using new biodiversity site data recording sheets.





- ▲ *progress with regional high value area site inventory;*
Integration of regional wetland and terrestrial biodiversity site inventories achieved.
- ▲ *number of new biological control agents released;*
Two new biocontrol agents (i.e. Broom leaf beetle and Green thistle beetle) were released. There were also two additional releases of the Ragwort plume moth; one being a booster for a current site and the other for a new site.
- ▲ *number of existing biological control agents transferred to other sites;*
There were 17 transfers of the Ragwort flea beetle, 13 transfers of the Broom seed beetle and Broom psyllid (combined) and 1 transfer of the Californian thistle gall fly.
- ▲ *number of potential new pest threats identified and responded to;*
Two new to Southland exotic ant species identified at three sites.
- ▲ *completion of annual report on previous year's programme.*
The annual report on the previous year's programme was completed.

implement a soils and land investigation programme

Performance target achieved

- ▲ *progress reports;*
The soil moisture monitoring network was maintained throughout Southland and the website to assist dairy farmers to manage the application of farm dairy effluent was further improved.

We received a progress report on the Land Management Index (LMI) project for use in agricultural decision making. The LMI is a simple model designed to assist farmers and land managers to predict how changes in land management practices are likely to affect soil quality and future productivity and thereby improve their future soil and land management decisions. Environment Southland has contributed to this project for the past three year. The project has now reached the testing phase and is due for completion in October 2008.

- ▲ *completion of Annual Environmental Monitoring Report.*
The Annual Environmental Monitoring Report was adopted by Council on 13 February 2008.

Monitoring

In 2007/2008 we proposed to...

report publicly on the state of Southland's land resources

Performance target achieved

- ▲ *preparation of Land State of the Environment Report;*
The preparation of a Land State of the Environment report was not completed. We are awaiting important information on soil health and the complete





provision of a regional coverage of Digital Aerial Photography, which is needed to overview in detail land use throughout Southland.

- ▲ *completion of Annual Environmental Monitoring Report.*
The Annual Environmental Monitoring Report was adopted by Council on 13 February 2008.

monitor and report on the spread, levels and impacts of pest animals and plants

Performance target achieved

- ▲ *number of surveys undertaken;*
89 sites surveyed for presence/absence of pest plants.
- ▲ *completion of rabbit monitoring programme and night counts;*
Regional rabbit monitoring at 100 sites and summer and winter night counts at three sites was completed.
- ▲ *number of rabbit compliance inspections;*
24 rabbit compliance site inspections completed.
- ▲ *number of new incursion reports;*
Two exotic ant species identified at three sites.
- ▲ *number of new species confirmed.*
Rough horsetail (*Equisetum hyemale*) reported for the first time in the region. Twenty-three sites of this species recorded.

Works and Services

In 2007/2008 we proposed to...

control those animals which spread Bovine Tb

Performance target achieved

- ▲ *area over which control undertaken;*
Possum control was undertaken on approximately 181,200 hectares and ferret control (surveys) over approximately 342,700 hectares.
- ▲ *number of contracts let;*
111 vector control contracts were let and completed.
- ▲ *number of re-monitors required;*
A total of 11 re-monitors were required from five contracts.
- ▲ *number of herds on movement control;*
Two herds were on movement control as at 30 June 2008.



- ▲ *any non-compliance with Animal Health Board management contract requirements.*
No non-compliance issues were identified with regard to the vector management contract.

undertake an agricultural chemical collection

Performance measure achieved

- ▲ *number of properties from which agrichemicals collected;*
The targeted agrichemical collection programme involved 227 properties.
- ▲ *amount of material collected.*
12.8 tonne of material was collected from 180 properties. The 9.7 tonne of intractable material within the amount collected will be destroyed safely overseas at the Ministry for the Environment's cost.

Extension/Education

In 2007/2008 we proposed to...

provide leadership and co-ordination of waste minimisation in the region

Performance measure achieved

- ▲ *number of businesses assisted with "Cleaner Production";*
Continued and completed a contract to audit and review 10 local small businesses. Success with the project means that it will be supported again next year along with the development of a sustainable business network within the region.

- ▲ *number of public enquiries responded to;*

Activity	Number of enquiries
Contaminated land	20
General waste issues	63
General hazardous waste issues	33

- ▲ *number of publications on waste minimisation;*
Southland Resource Directory for Waste was revised during the year. Material produced to support the Wai Tri and Clean Up Week. An in-house group (GOES – Greening of Environment Southland) was established to assess monitor and promote sustainability throughout Regional House.
- ▲ *number of community projects involved with or supported.*
Supported Southland Community Wastebusters' Trust; Wai Tri event on the Waihopai River; Clean Up New Zealand Week; assisted education and waste minimisation initiatives in schools. Ongoing liaison occurred with WasteNet councils.





implement a comprehensive land sustainability programme

Performance target achieved

- ▲ *number of landowners assisted with advice and farm planning;*
On-farm advice was provided on an “as requested” basis to 347 landowners.
- ▲ *number of farmers provided with financial assistance and kilometres of stream bank under sustainable riparian management;*
Targeted financial assistance to promote sustainable land management, particularly on riparian margins, was approved for 13 properties covering 20.32 km of stream bank
- ▲ *compliance with response time targets;*
All recorded request for assisted were responded to in compliance with response time targets.
- ▲ *number of dairy farm conversions;*
- ▲ *number of potential dairy farms consulted on;*
Consultation was undertaken on 42 potential dairy farm conversions.
- ▲ *number of dairy farms where staff assisted the farmer to achieve water and soil sustainability;*
Sixty-nine of the potential dairy farm conversions undertaken were visited and Land Sustainability staff assisted the farmer to achieve water and soil sustainability.
- ▲ *number of field days organised and number of people attending;*
Six field days were organised by Land Sustainability staff with attendance in excess of 635 interested people.
- ▲ *number of field days organised by others and number of people attending;*
Eight field days were arranged by others where Land Sustainability staff either contributed or attended. Attendance by others at these days was in excess of 380 people.
- ▲ *number of forestry operators assisted;*
Eight commercial forestry operations received inspection and advice on land preparation, roading and harvesting. Three private forestry operators also received advice.
- ▲ *number and percentage of “care” group meetings; attended;*
Staff continued to maintain a close relationship with the 12 “care” groups within the region attending more than 60% of their meetings (30% proposed).
- ▲ *completion of annual report on results.*
An annual report on the results of the 2006/07 programme was adopted by Council on 10 October 2007.



provide practical advice, relevant information and targeted assistance

Performance target achieved

- ▲ *number of requests for assistance;*
289 requests for assistance were received for pest animals and 36 for pest plants.
- ▲ *number of workshops/field days attended;*
22 talks given or workshops/field days either hosted or attended including Myross Bushcare Day, Southland Girls High School outreach day, the launch of the Plant Me Instead for Southland, QE II Board/Covenantors field day, Brucies birthday weedbusting event.
- ▲ *education material distributed during year.*
Over 1,000 Plant Me Instead Southland booklets distributed. Pest fact sheets distributed as pamphlets and on Environment Southland website.

Regulatory

In 2007/2008 we proposed to...

implement the Regional Pest Management Strategy

Performance target substantially achieved

- ▲ *number of pet shops and plant outlets inspected for compliance on sale of restricted species;*
Twenty-six plant outlets inspected as part of Environment Southland's role under the Regional Pest Management Strategy and the National Pest Plant Accord. Three pet shops inspected.
- ▲ *compliance with response time targets;*
Compliance with response time targets were generally met.
- ▲ *number of compliance actions undertaken;*
Biosecurity staff provided labour (one full-time equivalent) plus technical support to the Compliance Division under a service level agreement to enforce Regional Pest Management Strategy rules for urban/rural broom and gorse, nodding thistle and ragwort. All 30 specified urban areas were completely inspected for broom and gorse presence/absence. Fifty-four Notices of Direction were issued along with 307 warning letters. There were 23 Notices of Direction issued for ragwort non-compliance and 5 for nodding thistle non-compliance. No pest animal compliance actions required.
- ▲ *number of complaints received;*
139 complaints received for pest plants, which were all actioned. Three complaints for pest animals were received.





- ▲ *number of compliance notices issued;*
Eighty-two Notices of Direction were issued for pest plants. No notices were required for pest animals.
- ▲ *number of enforcement actions taken;*
Only two default enforcement actions were needed.
- ▲ *monthly reporting on activities within inspection and monitoring programmes.*
Reports present to Council through the Regional Services Committee.

process all applications for resource consents

Performance target substantially achieved

- ▲ *number of consents issued*
643 land-related resource consents issued;
- ▲ *percentage within statutory timeframes;*
87% were responded to within statutory timeframes. Applications taking longer than the statutory time were primarily due to the use of more time-consuming, informal methods for resolving issues with submitters and/or affected parties. There is still a strong emphasis on achieving the best outcome, with the co-operation of the applicant, to enable the concerns of the community to be established and resolved during the process;
- ▲ *release of Annual Environmental Compliance Monitoring Report.*
the Annual Environmental Compliance Monitoring Report was approved for release at the 10 October 2007 Committee meeting.

Programme Costings



Land

Costs by Programme and Activity with Funding Sources

	Actual 2007/08	Budget 2007/08
	\$000	\$000
Programme Outputs		
Policy Development & Planning	739	466
Investigations & Research	179	180
Monitoring	146	191
Works & Services	4,519	4,880
Extension & Education	1,083	1,268
Regulatory	1,117	937
Total Programme Costs	7,783	7,922

Resourced by the following Activities

Environmental Monitoring	82	100
Environmental Education	54	49
Photography	54	27
Regional Planning	259	184
Council Policy & Planning	129	70
Civil Defence	36	39
Hazard Management	197	116
Catchment Planning	220	149
Land Sustainability	376	533
Pest Animals	472	424
Pest Property Reserve	24	42
Bovine TB Vector Control	2,673	3,105
TB Management Agency	515	545
Pest Plants	909	966
Consents Admin	186	168
Environmental Compliance	697	528
Property Management	701	678
Southland Pest Eradication Soc	198	199
Total Activities	7,783	7,922

Funded (per the Revenue and Financing Policy) by

External Recoveries	636	544
Levies and Contributions	2,806	3,188
General Rate	715	403
Investment Income	371	329
Prior Year Surplus	68	39
Rental Income	608	582
Interest on Lease Districts	130	126
Local Contribution	97	88
Separate Rates	2,353	2,326
Reserves / Capital / Surpluses	-2	297
Total Funding	7,783	7,922





Providing a healthy, clean and attractive coastal environment that sustains life, commercial activities and a lifestyle consistent with our unique natural heritage

Our Strategic Challenges relating to coast management

- ▲ Managing the coast/land interface in an integrated manner.
- ▲ Improving water quality, especially in estuarine areas.
- ▲ Allocating space, particularly for marine farming.
- ▲ Protecting natural character and ecologically and culturally sensitive area within the coastal environment;
- ▲ Identifying and resolving heritage issues.
- ▲ Protecting biodiversity, especially from incursions of pest plants and pest animals.

Desired Environmental Outcomes for our community

- ▲ The community can use the coastal environment for its livelihood and recreation, while protecting significant areas and/or minimising the environmental effects of activity.
- ▲ Decisions made about the community's use of the coastal environment are based on credible, scientific information.
- ▲ The short and long term effects of resource use on the coastal environment are understood, and adverse effects are addressed in a timely manner.
- ▲ The community is sure that their recreational water quality is healthy, and shellfish can be safely eaten.
- ▲ Coastal users are assured of safe navigation and conduct within our harbours and the effects of any marine oil spills are minimised.
- ▲ The community is aware of, and understands, the long-term implications of coastal resources use, and takes an active role and responsibility in protecting the coastal environment.
- ▲ The community is sure that uses of coastal water, including discharges into coastal water, and uses of the coastal marine area, do not contravene agreed standards that seek to minimise adverse effects.
- ▲ Pollution events and unauthorised discharges to coastal water and to the coastal marine area are minimised and repeat occurrences are avoided.



Policy Development/Planning

In 2007/2008 we proposed to...

implement the Regional Coastal Plan

Performance measure substantially achieved

- ▲ *completion of reports on plan effectiveness:*

The Coastal Plan became operative on 12 April 2007 (excluding the Chapter on Marine Farming which was being finalised by the Environment Court). The completion of this final Chapter of the Plan required additional and unbudgeted work to finalise the details of the appeal before the Environment Court. Investigation continued into the need to review the effectiveness of the Regional Coastal Plan with respect to the following issues:

 - surface water activities in Milford Sound – completion of the study on natural character and landscape assessment for Milford Sound was deferred pending the outcome of an Environment Court decision in Milford. Visitor and worker perception survey work carried out in Milford as part of a joint integrated management study by Council and Department of Conservation;
 - participated in a joint planning exercise with Department of Conservation and Southland District Council on integrated coastal planning at Rakiura;
 - aquaculture management, and in particular Bluff Harbour and Big Glory Bay – work has focussed on implementing the changes brought in by the Aquaculture Management legislation for the existing marine farming areas. This included surveys for those farms that were over-size and/or off site.
- ▲ *completion of reports on significant areas;*

Continued to identify significant areas of indigenous vegetation and significant habitats of indigenous fauna through inputs to coastal heritage and archaeological survey projects. A coastal landscape and natural character study was promoted for use in decision-making processes.
- ▲ *completion of plan implementation strategy;*

Continued progress on the development of a plan implementation strategy. Worked jointly with the Department of Conservation and others to better manage the land/coastal interface in order to provide for use while protecting the region's outstanding values including wilderness and remoteness for which Fiordland and Stewart Island are internationally renowned.
- ▲ *establishment of Aquaculture Liaison Group;*

Liaison Group made up of local marine farmers and marine farm owners continued to oversee the marine farm survey work which has been ongoing during the year.
- ▲ *aquaculture activities compliant with legislation and Regional Coastal Plan.*

No occurrences of non-compliance with the Aquaculture Reform Act 2004 or the Regional Coastal Plan were notified to the Council.





Co-ordinated planning of the coastal environment with the Department of Conservation will ensure that future options are not foreclosed by overuse

Investigations/Research

In 2007/2008 we proposed to...

prevent the incursion and establishment of new pest plants and pest animals in the coastal marine environment

Performance target achieved

- ▲ *number of potential new pest threats identified and responded to.*
No new marine pest incursions detected.

Monitoring

In 2007/2008 we proposed to...

report publicly on the state of Southland's coastal environment

Performance target achieved

- ▲ *number of enquiries to State of Environment Coastal dedicated website;*
The Coastal State of the Environment website received over 1,012 enquires, 20% of these enquires were from overseas. The majority of the enquires were from people accessing the information locally.



- ▲ *release of Annual Environmental Monitoring Report.*
The Annual Environmental Monitoring Report was adopted by Council on 13 February 2008. Report cards on Estuarine Health and Water Quality for Bathing and Shellfish Gathering were provided.

monitor and report publicly on the health of the region's estuaries and the condition of coastal recreational water quality

Performance target achieved

- ▲ *number of water quality sites monitored;*
Thirteen sites were monitored for coastal recreational water quality. These were located at the main beach bathing and recreational sites located from Awarua Bay, through to Porpoise Bay in the Catlins.

Additional fine sediment deposition monitoring commenced in the Jacobs River Estuary and Freshwater Estuary on Stewart Island. Monitoring continued in the New River Estuary, Waituna Lagoon and Waikawa Estuary to examine sediment deposition.

Habitat assessment (broad scale mapping) macro algal surveys were completed for New River Estuary and Jacobs River Estuary. Broad mapping was completed for the Waiau, Freshwater and Fortrose Estuaries, as part of our long-term monitoring of estuary habitats and health were completed at the end of April 2008.

We commenced a Coastal Habitat Mapping and Environmental Risk Assessment project.

- ▲ *number of shellfish gathering areas monitored;*
Eight sites were monitored for recreational shell fish gathering.
- ▲ *number of enquiries to web page;*
Information on condition of coastal recreational water quality was available on EDI and the website throughout the summer.
- ▲ *release of Annual Environmental Monitoring Report.*
The Annual Environmental Monitoring Report was adopted by Council on 13 February 2008. This included a report card on overviewing the results from monitoring of water quality for bathing and recreational shellfish gathering.

Works and Services

In 2007/2008 we proposed to...

provide harbourmaster and navigation safety services and maintain an ability to respond effectively to oil spills

Performance measures achieved





- ▲ *provision of monthly maritime management reports;*
Monthly report included in each agenda for the Environmental Management Committee.
- ▲ *number of public events attended and deployment of "Toroa";*
The "Toroa" is not now usually deployed for public events, with the exception of the Gore Boat Club time trials on 17 May 2008. The "Toroa" was deployed generally at Lake Te Anau, over long weekends and the summer holidays in December and January.
- ▲ *number of infringement notices issued;*
Warning letters were sent out to four offenders and no Infringement Notices were issued under the provisions of the Navigation Safety Bylaw. A prosecution was also completed against one offender.
- ▲ *compliance with New Zealand Port and Maritime Safety Code.*
The Code Compliance process was continued - the risk assessment for Bluff Harbour was accepted by Maritime New Zealand and development of a Safety Plan commenced. A review of the risk assessment for the Fiordland harbours was received and would further modify the Fiordland risk assessment prior to the implementation of a Safety Plan for the Fiordland harbours.

Extension/Education

In 2007/2008 we proposed to...

gather information and raise public awareness and understanding of the region's coastal environment

Performance target achieved

- ▲ *number of activities and events organised;*
Staff helped the Department of Conservation organised cleanup events during Sea Week.
- ▲ *number of activities and events participated in;*
Staff participated in cleanups organised by various estuary and landcare groups.
- ▲ *education material distributed during year;*
Staff distributed education material to schools and individuals with information on the Coast. Bruce Seagull's "Squawk" publication had a issue dedicated to Sea Week.
- ▲ *number of enquiries to State of the Environment Coastal dedicated website.*
The Coastal SOE site was viewed 1,136 times during the year.



Regulatory

In 2007/2008 we proposed to...

undertake a compliance monitoring programme and provide a 24 hour, effective, immediate response to complaints and incidents;

Performance target substantially achieved

- ▲ *number of complaints and incidents responded to;*
36 reported incidents were responded to;
- ▲ *percentage within specified timeframes.*
64% were responded to within specified timeframes.

process all applications for resource consents;

Performance target substantially achieved

- ▲ *number of consents issued;*
43 coast-related resource consents issued;
- ▲ *percentage within statutory timeframes;*
70% were processed within statutory timeframes. Applications taking longer than the statutory time were primarily due to the use of more time-consuming, informal methods for resolving issues with submitters and/or affected parties. There is still a strong emphasis on achieving the best outcome, with the co-operation of the applicant, to enable the concerns of the community to be established and resolved during the process.
- ▲ *release of Annual Environmental Compliance Monitoring Report.*
the Annual Environmental Compliance Monitoring Report was approved for release at the 10 October 2007 Committee meeting.





Programme Costings

Coast

Costs by Programme and Activity with Funding Sources

	Actual 2007/08	Budget 2007/08
	\$000	\$000
Programme Outputs		
Policy Development & Planning	220	416
Investigations & Research	4	9
Monitoring	246	409
Works & Services	84	100
Extension & Education	168	237
Regulatory	332	186
Total Programme Costs	1,055	1,357

Resourced by the following Activities

Environmental Monitoring	223	255
Environmental Education	54	49
Photography	16	27
Regional Planning	121	245
Council Policy & Planning	74	75
Civil Defence	36	39
Harbour Management	151	205
Hazard Management	8	24
Oil Spills	68	68
Coastal Fund	1	0
Consents Admin	186	168
Environmental Compliance	116	203
Total Activities	1,055	1,357

Funded (per the Revenue and Financing Policy) by

External Recoveries	964	963
Levies and Contributions	11	0
General Rate	10	275
Investment Income	5	223
Prior Year Surplus	1	26
Reserves / Capital / Surpluses	64	-129
Total Funding	1,055	1,357

Ensuring that Southland's air quality is of a high standard and does not compromise people's health or pose a danger to other physical and natural resources of the region



Our Strategic Challenges relating to air management

- ▲ Maintaining the high overall standard of air quality within the region.
- ▲ Managing discharges to the air, particularly localised odour problems.
- ▲ Improving our understanding of the ambient air quality of the region and minimising any associated health risks.

Desired Environmental Outcomes for our community

- ▲ The community's expectation of a high level of air quality is met.
- ▲ Decisions made about the community's use of air are based on credible, scientific information.
- ▲ The short and long term effects of resource use on the region's air quality are understood, and adverse effects are addressed in a timely manner.
- ▲ The community takes an active role in and responsibility for protecting local air quality.
- ▲ The community is sure that air discharges do not contravene agreed standards that seek to minimise adverse effects.
- ▲ Nuisance and offensive odours are minimised and repeat occurrences are avoided.

Policy Development/Planning

In 2007/2008 we proposed to...

review the Regional Air Quality Plan

Performance measures not achieved

- ▲ *compliance with statutory processes; timelines met; number of submissions.*
The specific outputs for review of the Plan were not achieved. However, the following measures were achieved:
 - attendance at National Air Quality Working Group meeting in December 2007;
 - ongoing scientific air data gathering, from Environment Southland's environmental monitoring programmes;





- ongoing response to various Regional Air Plan enquiries (i.e. public enquiries, Air Plan administration issues raised by ES staff and other users).

Monitoring

In 2007/2008 we proposed to...

undertake a regional air quality monitoring programme

Performance target achieved

- ▲ *maintaining 100% public access to online live regional data on air quality;*
Real time air quality monitoring data (PM₁₀) has been available at all times on our website for the Invercargill and Gore airsheds. Monitoring of the air quality during the winter continued in Winton. A new monitoring site was established in Invercargill at Pomona Street.
- ▲ *public reporting of National Environmental Standard exceedances in Invercargill and Gore;*
Exceedances were reported to the media. During winter 2008 (1 May-31 August), air quality in Invercargill exceeded the standards about 4% of the time at the Miller Street site and 15% of the time at the Pomona Street site. Monitoring in different areas of Invercargill tells us that air quality is worse in some suburbs than others. Overall in Invercargill, we had nine exceedances of the National Environmental Standard, as opposed to two last year.

Gore exceeded 2% of the time (three exceedances) in comparison to 2007, when Gore had no exceedances. Air quality during the 2008 winter was worse in Gore compared to last year. Monitoring in Winton recorded one exceedance of the standard.
- ▲ *completion of Annual Air Quality Monitoring Report.*
The Annual Monitoring Report: Regional Air Quality – PM₁₀ 2007 was adopted by Council on 16 April 2008.

Extension/Education

In 2007/2008 we proposed to...

implement the Regional Air Quality Plan

Performance target achieved

- ▲ *convening of "Healthy Homes Expo";*
It was decided by the organising committee that the Healthy Homes Expo would not be held in 2008.





- ▲ *education material distributed during year;*
During the winter months air quality information was reported Monday through Friday on CueTV for Invercargill and Hokonui Radio for Gore. The monitoring information was summarised as Green, Amber and Red, which related to good air quality, almost breaching standard and breaching standards.
- ▲ *an increasing level of public awareness of air quality issues.*
Although not measured during the year, public awareness of air quality issues was raised by ensuring air quality information on Council's website was up-to-date, the release of the Air Quality report card and implementation of the media strategy. This included nightly air quality broadcasts on Cue TV and Hokonui Radio.

Regulatory

In 2007/2008 we proposed to...

provide a 24-hour, effective, immediate response to complaints and air pollution

Performance target substantially achieved

- ▲ *number of complaints and incidents responded to;*
395 reported incidents were responded to;
- ▲ *percentage within specified timeframe.*
89% were responded to within the specified timeframe.

process all applications for resource consents

Performance target not achieved

- ▲ *number of consents issued;*
12 air-related resource consents issued;
- ▲ *percentage within statutory timeframes;*
50% were processed within the statutory timeframes. The main reason for not achieving a higher compliance was the total number of applications received this year and the nature of some of the consents to be processed. There is still a strong emphasis on achieving the best outcome, with the co-operation of the applicant, to enable the concerns of the community to be established and resolved during the process but at times, this approach can result in delays.
- ▲ *release of Annual Environmental Compliance Monitoring Report.*
the Annual Environmental Compliance Monitoring Report was approved for release at the 10 October 2007 Committee meeting.



Programme Costings

Air

Costs by Programme and Activity with Funding Sources

	Actual 2007/08	Budget 2007/08
	\$000	\$000
Programme Outputs		
Policy Development & Planning	156	157
Monitoring	133	150
Extension & Education	168	167
Regulatory	304	201
Total Programme Costs	761	675
Resourced by the following Activities		
Environmental Monitoring	130	141
Environmental Education	63	67
Regional Planning	75	50
Council Policy & Planning	70	70
Civil Defence	36	39
Hazard Management	8	24
Consents Admin	186	168
Environmental Compliance	194	116
Total Activities	761	675
Funded (per the Revenue and Financing Policy) by		
External Recoveries	222	167
Levies & Contributions	9	0
General Rate	295	258
Investment Income	153	209
Prior Year Surplus	28	25
Reserves / Capital / Surpluses	53	16
Total Funding	761	675

Community representation and Communication



Our Strategic Challenges

- ▲ Achieving community wellbeing through the policies and priorities of Environment Southland.
- ▲ Encouraging community participation in policy and plan development and activity programmes.
- ▲ Ensuring access is available to Councillors and staff for advice, advocacy, support and action.
- ▲ Making informed policy decisions that serve the community, while meeting individual needs.
- ▲ Monitoring planned outputs and outcomes for achievement, relevance and community understanding.
- ▲ Providing timely, accurate and relevant information so the community can make informed decisions.
- ▲ Striving to be a service focused and accessible organisation for all.
- ▲ Collaborating with other councils to achieve quality in local governance in the region.

Desired Community Outcomes

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

In 2007/2008 we proposed to...

provide the following Communications initiatives:

- ▲ *Healthy Homes Expo;*
Due to insufficient support from exhibitors, the expo was not held in 2008. Instead, the budget was redirected to television and radio advertising building awareness of the link between domestic fires and air quality, specifically in the Invercargill and Gore airsheds.
- ▲ *air quality awareness programme;*
During July and August 2007 and again from the end of May 2008 over winter, Environment Southland broadcast air quality information about the Invercargill airshed on Cue TV, twice a night, as part of the weeknight news and weather. The information was followed by an air quality/energy saving hint. In winter 2008, similar information about air quality in Gore and a hint was also broadcast on Hokonui Radio before the 5.00 pm and 6.00 pm news. Radio advertisements were also broadcast on the Radio Network stations in early winter 2008, and complementary information was published in The Southland Express and The Ensign.





- ▲ *Environment Award filming:*
The 2007 Environment Awards were held in July 2007 and were filmed for later broadcast on Cue Television, broadcast locally and on Sky Channel 110. It is also available on UHF.

Performance target achieved

monitor the performance of the activities programmed through this LTCCP; and report results of our consultation, decision making, quality assurance and stewardship role.

Performance target achieved, as set out below:

- ▲ *Participate in joint community efforts to bring about desired environmental results*
Environment Southland staff participated in several joint activities with an environmental theme. These ranged from nationwide initiatives such as Clean Up New Zealand week to local planting days. Specific events that were jointly organised included a Farm Dairy Effluent field day, Wetlands day, Land Sustainability field day and Youth Beach Clean Up. Partner organisations in these activities included the Department of Conservation, Men of Trees, YMCA, landcare groups and schools.
- ▲ *Continue to implement the provisions of the Local Government Act 2002*
Annual Plan was adopted in draft in March 2008 and in final form in June 2008, giving effect to the provisions of the third year of the LTCCP and highlighting changes where these were proposed.
- ▲ *Publish an Annual Report*
The Annual Report for the year ended 30 June 2007, including an unqualified audit report, was adopted by Council on 10 October 2007 and published immediately thereafter.
- ▲ *Meet Catchment Management liaison groups and holding community meetings*
Liaison groups met with Regional Services Committee on 13 February 2008 following staff and individuals attending meetings with each liaison group in their area.
- ▲ *Monitor progress of work on the Lower Mararoa River Restoration Project and widening efforts to deliver a whole catchment approach, to meet the unique needs of the Te Anau basin in relation to river and berm land management, natural values and biodiversity*
Year 3 of the Lower Mararoa River Restoration Project progressing on schedule for completion within contract specifications. Community support established for a comprehensive Waiiau Catchment Rating District for the management of river and drainage systems within the Waiiau River catchment above the Meridian Energy Weir at Maraora. Trial rating estimates prepared for community consideration.
- ▲ *Monitor the effectiveness of the self-insurance scheme for the stopbanks in our flood protection scheme. The self-insurance option of maintaining and building up disaster reserves is supported by policies on usage should claims occur. The self-insurance is supplemented by joining the Local Authority Protection Programme (LAPP), which provides cover for 40% of serious disruptive loss or damage caused by sudden events or situations*
Council signed, under seal, the Participation Deed Admitting Environment Southland to membership of the New Zealand Local Authority Protection Programme Disaster Fund. Environment Southland was welcomed to the fund in June 2005.





- ▲ *Support the promotion of Southland's environment by providing a \$20,000 contribution to a Venture Southland "spirit" or environment project*
 A contribution of \$20,000 was made for "spirit" projects.
- ▲ *Support the Southland Warm Homes initiative by providing a \$36,500 contribution to be applied to assist the home heating retrofit aspect of the initiative in areas with worst air quality in the region, Gore and Invercargill.*
 A contribution of \$36,500 was made for Southland Warm Homes project.
- ▲ *Support community initiatives to remove wilding pines from Mid Dome, including financial support for the Mid Dome Wilding Trees Charitable Trust funding support for landholders removal of trees contingent on the seed source on public land being removed*
 Environment Southland supported community initiatives to remove wilding trees from Mid Dome by providing administrative support for the launch and ongoing functions of the Mid Dome Wilding Trees Charitable Trust. It also approved the contribution of \$300,000 to the Trust from Pest Reserves in 2007/08 toward the 12 year programme to remove wilding tress from Mid Dome. Council staff also assisted the Department of Conservation with the holding of the two volunteer work days at Mid Dome on 3 November 2007 and 29 March 2008.
- ▲ *Lead approaches by local government to support Government providing more resources for the control of pest plants and pest animals on all Crown land*
 Environment Southland has led initiatives to Crown agencies to encourage them to increase the levels of funding for pest compliance on Crown riverbeds and in the rail corridors. Encouraging results are occurring in the Te Anau basin where the Lower Mararoa River Restoration Project and other joint initiatives have increased understanding and should lead to greater co-operation.
- ▲ *Support the Shared Services Forum to achieve efficiency in local government services and in particular in waste recycling and management*
 Environment Southland Councillors and staff took an active approach in supporting in waste recycling management, working closely with WasteNET councils to achieve common goals with continuing planning and education in promoting recycling.
- ▲ *Undertake a joint review of the provisions of Te Whakatau Kaupapa o Murihiku with Iwi and the territorial authorities of the region*
 Assisted nga runanga on behalf with technical and policy, resources in the development of Te Tangi a Tauri which replaces Te Whakatau Kaupapa o Murihiku. Te Tangi a Tauri was completed and launched on 5 March 2008, and received national recognition with an award from the New Zealand Planning Institute.
- ▲ *Work with the Invercargill City Council on developing a proposal to investigate the physical processes occurring in the New River Estuary, consult the community on the potential impacts identified and on strategies to mitigate these*
 Sediment and habitat mapping was undertaken in the New River Estuary in 2007. Sediment condition was rated "moderate" as 21.5 % of the estuary is covered by soft muds. There has been no significant change in the area of soft muds since 2001. Historical sedimentation rates in the estuary were relatively low (3 mm per year 1906-1967), however, recent sedimentation rates are high when compared to other New Zealand estuaries (12.7-163.4 mm per year).





No significant loss of saltmarsh or seagrass habitat was observed since 2001-2007, which places both habitats in the very good category. The eradication of spartina in the estuary has greatly increased the area available for both these habitats.

Macroalgal monitoring was undertaken during the year as part of the monitoring programme. Macroalgal cover was rated 'fair' with 9% of the estuary having a > 50 % macroalgal cover. This result was an increase from the previous year and macroalgal conditions in parts of the estuary are now at nuisance levels. The estuary will be monitored annually to enable the development of a response plan for the increase in macroalgal cover.

- ▲ *Continue to develop and enhance Council's relationship with Iwi, while recognising Ngai Tahu's kaitiakitanga responsibilities over the natural and physical resources of the region*
Continued to develop and enhance the important and strong relationship that the Council has with Ngai Tahu Iwi, through continuous interaction and assistance in the wider management of the region's natural and physical resources.
- ▲ *Support the implementation of the foreshore and seabed legislation regionally*
Continued to provide input as and when required on the implementation of the foreshore and seabed legislation around the region.
- ▲ *Deliver a comprehensive communications programme that supports and enhances the organisation's activities*
Environment Southland's communications programme aims to inform the community about our significant activities, engage stakeholders and build awareness of how individual, group and community actions impact on the environment. Major communications activities included use of the media through news releases and advertising, direct communication with target audiences (two issues of the new dairy newsletter Enviromoos were sent to all dairy consent holders and a brochure on excluding stock from waterways during intensive winter grazing was sent to all landowners with more than 10 ha), the weekly environmental column "Enviroweek" in the Southland Express and The Ensign, the Wai Tri multi-sport event which attracted over 500 participants, and the Southland community Environment Awards, which attracted a record number of nominations.
- ▲ *Collaborate with key stakeholders in developing a code of conduct for foot access to waterways, the coast and high country*
Environment Southland continued to monitor the progress of the Government's proposals for the completion and implementation of the new walking access legislation, which will include a code of conduct.
- ▲ *Work closely with the Department of Conservation and others to better manage the land/coastal interface in order to provide for use while protecting the region's outstanding values including wilderness and remoteness for which Fiordland and Stewart Island are internationally renowned;*
Met approximately quarterly at governance and senior staff level with Southland Conservation Board and Department of Conservation Regional Conservancy. Staff worked together on the Fiordland National Park Management Plan, the Regional Coastal Plan, the proposed Rakiura National Park Management Plan, and the joint project on integrated management around Fiordland coast.



Effective coastal management needs a strong partnership between the users, the community and regulatory bodies

In 2007/2008, in developing Maori capacity to contribute to decision making, we proposed to...

- ▲ *employ a tikanga Maori student;*
While allowance was made for employing a student, no student was offered this opportunity this year.
- ▲ *fulfil its obligations in He Huaraki mō Ngā Uri Whakatupu (Charter of Understanding) to those who hold manawhenua and to mata waka living in te takiva o Murihiku;*
Council continued to develop, enhance and implement the relationship arrangements with Iwi through the provisions of the Charter of Understanding. This include attendance at four Te Roopu Taiao hui during the year.
- ▲ *create awareness of Maori electoral opportunities;*
Maori have previously decided to remain with the status quo arrangements as far as representation in Southland local government was concerned, relying on the Charter of Understanding to continue its joint participation in the decision-making and governance matters.





- ▲ *make appointments to specialist working parties, committees and hearing panels, where appropriate;*
Appointments were made for Iwi representation on the Committee hearing and deliberating on the Proposed Regional Water Plan, and on the Regional Transport Committee.
- ▲ *participate in a review of Te Whakatau Kaupapa o Murihiku.*
Assisted a joint review of Te Whakatau Kaupapa o Murihiku with Iwi and the territorial authorities of the region, and the subsequent development of Te Tangi a Taurira.

Performance target achieved

Programme Costings

Community

Costs by Activity with Funding Sources

Actual 2007/08	Budget 2007/08
\$000	\$000

Resourced by the following Activities

Council Members	1,372	1,392
Publicity & Promotion	258	281
Total Activities	1,630	1,673

Funded (per the Revenue and Financing Policy) by

External Recoveries	34	0
Levies and Contributions	63	0
General Rate	921	851
Investment Income	478	691
Prior Year Surplus	87	81
Reserves / Capital / Surpluses	46	50
Total Funding	1,630	1,673

Community outcomes

and report on progress



A community outcome defines what is important for the current and future Social, Economic, Environmental and Cultural well-being of a community. The Local Government Act 2002 requires local authorities to identify community outcomes “not less than once every six years”, and to monitor and report on progress towards the achievement of the identified outcomes “not less than once every three years”.

Since 2003, Southland’s community outcomes have been identified and monitored on a regional basis by the Our Way Southland project. This project is supported by all of the four Southland local authorities, and reports to the Shared Services Forum.

Seven Community Outcomes have been identified for the Southland region:

1. Southland is a great place to live.
2. A diverse economy built from our strengths for growth and prosperity.
3. Safe places in a caring society that is free from crime.
4. We are healthy people.
5. Strong effective leadership taking us into the future.
6. A treasured environment which we care for and which supports us now and into the future.
7. A well-educated and skilled community continually seeking further opportunities to learn.

The seven statements describe the outcomes desired by the Southland community for the period August 2005 to August 2011. Each of the outcomes requires a co-ordinated regional approach in order for change to be effected, combining the resources and activities of local government, central government and the business and volunteer sectors.

A Community Outcomes Regional Co-ordinator for the Our Way Southland project was appointed in March 2008. One of the key tasks of this position is to monitor and report on the progress which has been made towards the achievement of Southland’s community outcomes. The first monitoring report for the period August 2005 to August 2008 will be presented to the Shared Services Forum in October 2008. The report is divided into seven sections, with each of the outcomes and associated intermediate considered separately. A select number of indicators has been utilised to establish baselines for each outcome against which the future achievement of that outcome can be monitored. The data in the report has been compiled from a variety of sources, including Statistics New Zealand, the New Zealand Police, the Ministry of Education, the Ministry of Social Development, the Department of Internal Affairs, Land Transport New Zealand and the Southland District Health Board, as well as the four Southland local authorities and Venture Southland.

Further indicators will be introduced during the second monitoring and reporting period for the project (August 2008 to August 2011). The community outcomes themselves will be re-identified no later than August 2011.





Outcomes description

To maintain and improve the lifestyle we have in Southland, residents have identified, through the “Our Way Southland” project, the following as the outcomes they want for themselves, their families and their communities. The “Our Way Southland” report not only describes the seven community outcomes identified by Southlanders, it identifies the layers of intermediate outcomes and outputs that support them.

Outcome 1	<i>Southland is a great place to live</i>	<i>Lifestyle and Culture</i>
<ul style="list-style-type: none"> ▲ We value our history and heritage ▲ We have a choice of quality places to go and things to do ▲ We embrace and respect a diverse community ▲ We are proud to be Southlanders ▲ We live in a creative place 		
Outcome 2	<i>A diverse economy built from our strengths for growth and prosperity</i>	<i>Economy and Employment</i>
<ul style="list-style-type: none"> ▲ We have a quality infrastructure with potential for growth ▲ We have an innovative and vibrant culture that supports business ▲ We have a business friendly environment in which to operate ▲ We have an economy built on our competitive advantage ▲ We have full employment and rewarding careers ▲ We retain and build on our skills base ▲ We keep the things about living here that we value 		
Outcome 3	<i>Safe places in a caring society that is free from crime</i>	<i>Law and Order</i>
<ul style="list-style-type: none"> ▲ We have safe roads ▲ We have safe homes ▲ We have public places safe for children and families ▲ We apprehend and hold law breakers appropriately accountable ▲ We support the victims of crime 		



Outcome 4	<i>We are healthy people</i>	<i>Health and Wellbeing</i>
<ul style="list-style-type: none"> ▲ We are able to live healthy lifestyles ▲ We have good quality affordable housing ▲ We live in a compassionate caring community ▲ We have equity of access to health services 		
Outcome 5	<i>Strong, effective leadership taking us into the future</i>	<i>Leadership</i>
<ul style="list-style-type: none"> ▲ Citizens and communities are inspired, motivated and empowered ▲ Decisions are progressive, forward looking and robust ▲ The community has confidence in its leaders 		
Outcome 6	<i>A treasured environment which we care for and which supports us now and into the future</i>	<i>Environment</i>
<ul style="list-style-type: none"> ▲ We have an informed community ▲ We have a healthy, safe and accessible built environment ▲ We have an environment protected from the negative effects of human activities 		
Outcome 7	<i>A well-educated and skilled community continually seeking further opportunities to learn</i>	<i>Education and Training</i>
<ul style="list-style-type: none"> ▲ We have accessible learning opportunities ▲ We have high quality learning opportunities available to meet community needs and demands ▲ We deliver innovative, integrated and effective learning programmes ▲ We have a culture of continuous learning 		

Environment Southland has taken these overall community outcomes and linked them to where it makes contributions to the outcomes and where it participates with others. On the following pages Outcome 6 is illustrated first, as it is the primary focus of the organisation.

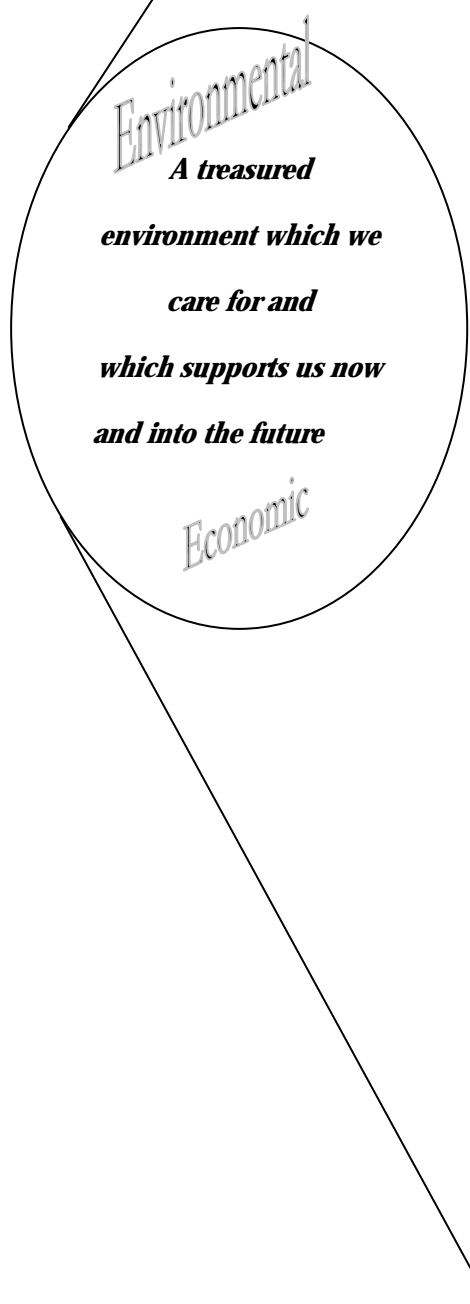




Our contributions to Community Outcomes

ES Contribution - Water	Intermediate Outcome
<p>The community takes an active role in, and responsibility for, caring for water resources.</p>	<p>We have an informed community caring for the environment</p>
<p>The farming community, industry and other floodplain users:</p> <ul style="list-style-type: none"> • are assured of the standard of protection received from flood protection schemes; • make informed decisions on floodplain development; • take timely action to minimise the effects of flooding on their activities and reduce the threat to life and property and the environment. 	<p>We have a healthy, safe and accessible built environment</p>
<p>Southland's water resources are available for use in a way which protects cultural, aesthetic, recreational and natural values.</p> <p>The short and long term effects of resource use on the region's waters and associated ecosystems are understood and adverse effects are addressed in a timely manner.</p> <p>Instream values and fish and wildlife habitats are protected at levels which should be expected, given the underlying natural physical conditions of the catchments.</p> <p>The community can be sure that uses of water, including discharges into water, land, coastal water and discharges to air do not contravene agreed standards that seek to minimise adverse effects.</p> <p>Pollution events and unauthorised discharges to water and the coastal marine area are minimised and repeat occurrences are avoided.</p> <p>The needs of the community for land drainage are met, whilst enhancing water quality, riparian function and riparian habitats and fishery values.</p> <p>The community's requirement for gravel is met in the short and long term with minimal environmental effects and by enhancing, wherever possible, the recreational opportunities of the community.</p>	<p>We have an environment protected from the negative effects of human activities</p>





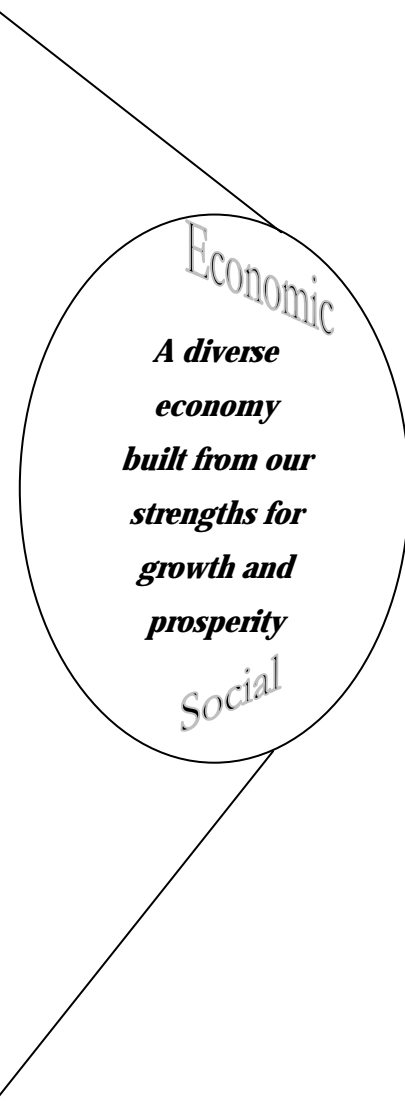
Intermediate Outcome	ES Contribution
<p>We have an informed community caring for the environment</p>	<p><i>Land:</i> The community better understands the region's soil resources and land users make management decisions taking into account "risk" to soil properties.</p> <p><i>Coast:</i> The community is aware of and understands the long-term implications of coastal resources use and takes an active role in and responsibility for protecting the coastal environment.</p> <p><i>Air:</i> The community takes an active role in and responsibility for protecting local air quality.</p>
<p>We have a healthy, safe and accessible built environment</p>	<p><i>Land:</i> The short and long term effects of resource use on the region's soils and associated ecosystems are understood and adverse effects are addressed in a timely manner.</p> <p><i>Coast:</i> The short and long term effects of resource use on the region's coast and associated ecosystems are understood and adverse effects are addressed in a timely manner.</p> <p><i>Air:</i> The short and long term effects of resource use on the region's air quality and ecosystems are understood and adverse effects are addressed in a timely manner.</p>
<p>We have an environment protected from the negative effects of human activities</p>	<p><i>Land:</i> Pest animals and plants that threaten the environment and economy in the region are identified and an appropriate management framework to minimise threats is in place.</p> <p>Landowners are protected from the spread, environmental and economic effects of specific pest animals and plants and new pest animals and plants do not become established. Bovine Tb vectors including possums and ferrets are controlled in defined programme areas.</p> <p><i>Coast:</i> The community's expectation of being able to use the coastal environment for its livelihood and recreation, while protecting significant areas and/or minimising the environmental effects of activity, is met.</p> <p>Coastal users are assured of safe navigation and conduct within our harbours and the effects of any marine oil spills are minimised.</p> <p><i>Air:</i> Nuisance and offensive odours are minimised and repeat occurrences are avoided.</p>



ES Participation	Intermediate Outcome
The community is aware of and values the region's natural history and cultural heritage, and archaeological sites and <i>wahi tapu</i> are protected.	We value our history and heritage
The lifestyle needs and wants of the community are recognised and provided for.	We have a choice of quality places to go and things to do
Everyone in the community has an opportunity to participate in policy and plan development and the delivery and prioritisation of services.	We embrace and respect a diverse community
Southlanders have a strong connection to the environment that nurtures us all.	We are proud to be Southlanders
The quality of the region's environment remains an inspiration and a source of creativity to the community.	We live in a creative place



ES Participation	Intermediate Outcome
The land transport system meets community needs, is safe and efficient and minimises adverse effects on the environment. An appropriate level of public transport is available to assist everyone to fully partake in the community's activities.	We have a quality infrastructure with potential for growth
Timely, accurate and relevant information on the region's environment is available to assist community innovation and business development.	We have an innovative and vibrant culture that supports business
The regional policy and regulatory framework is clear and unambiguous, is implemented consistently and is supported by quality, timely advice to the business sector.	We have a business-friendly environment in which to operate
The natural resources of the region are available for sustainable utilisation by a range of industries.	We have an economy built on our competitive advantage
There is no unnecessary impingement on economic activity.	We have full employment and rewarding careers
Environment Southland plays an active role in education and training of its own people and in the programmes of business and training sectors.	We retain and build on our skills base
Decisions made about the community's use of water, land, air and coastal resources are based on credible, scientific information.	We keep the things about living here that we value





Social
Safe places in a caring society that is free from crime
Cultural

Intermediate Outcome	ES Participation
We have safe roads	Southland's roading networks are designed and managed to ensure a high standard of road safety.

Social
We are healthy people
Cultural

Intermediate Outcome	ES Participation
We are able to live healthy lifestyles	The community's expectation of a high level of air quality is met. The community can be sure that recreational water quality is healthy and shellfish can safely be eaten.
We have good quality, affordable housing	The region's homes are energy efficient and healthy.
We live in a compassionate, caring society	The public transport provides for the needs of the transport disadvantaged.

Social
Strong, effective leadership taking us into the future
Cultural

Intermediate Outcome	ES Participation
Citizens and communities are inspired, motivated and empowered	The community is empowered and encouraged to make decisions about the use of natural capital and ecosystems to protect its economic viability and minimise on-site and downstream adverse effects on land resources.
Decisions are progressive, forward looking and robust	The community interest is represented and individual constituents are assisted by sound decision-making.
The community has confidence in its leaders	Quality stewardship of Environment Southland's reputation and assets

Social
A well-educated and skilled community continually seeking further opportunities to learn
Economic Cultural

Intermediate Outcome	ES Participation
We have accessible learning opportunities	The public transport system provides for safe and convenient access to education and training providers.



Report on Long-term Council Community Plan and Policies

Revenue and Financing Policy

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

Activities	Reason (see below)	Actual Funding Allocation		Proposed Funding Allocation	
		Public	Private	Public	Private
Environmental Monitoring	(iii)	99%	1%	100%	-
Environmental Education	(iii)	90%	10%	100%	-
Hazard Mitigation	(i)	35%	65%	100%	-
Regional Planning	(i)	72%	28%	100%	-
River Management	(ii)	22%	78%	30%	70%
Consent Processing	(iii)	30%	70%	25%	75%
Consent Compliance	(iii)	51%	49%	60%	40%
Community Representation	(i)	91%	9%	100%	-
Council Policy & Planning	(i)	56%	44%	100%	-
Catchment Planning	(ii)	66%	35%	60%	40%
Photography	(i)	71%	29%	100%	-

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



Investment Policy

- ▲ *Short term funds managed by finance division to be:*
 - *Invested for no longer than 12 months*
Performance target met.
 - *If funds invested in one institution exceed \$0.5 million, a maximum of 50% of funds in any one institution*
Performance target met.
 - *Invested with approved parties*
Performance target met.

- ▲ *Longer term fixed interest funds managed by funds managers to be:*
 - *Minimum 50% of portfolio in government stock*
 - *Maximum 25% of portfolio in local authority stock*
 - *Maximum 25% of portfolio in corporate bonds*
 - *Maximum in any one security other than government stock should be 5% of portfolio*
 - *Invest in corporate securities rated at least A- for bonds more than 1 year, or A1 for those less than 1 year*
 - *Portfolio duration compared to CS First Boston indices should be within the range of minus one year to plus 0.5 years***Performance target not met.** One bond re-rated to BBB, but kept in portfolio in anticipation of eventual improvement in rating.

- ▲ *Longer term equity investments managed by fund managers to be:*
 - *up to 100% of the fund in equities*
 - *initial aim to be up to 50% international equity*
 - *up to 50% Australian and New Zealand equities*
 - *remainder in bonds, capital protected notes, or cash management facilities.***Performance target met.**

- ▲ *monitor holding in South Port, with a full review every 3 years*
Performance target met. The holding in South Port is monitored through the South Port sub-committee. Regular briefings are held with the Chairman of Directors and Chief Executive as and when announcements are made by the company to the Stock Exchange.

- ▲ *review property portfolio annually*
Performance target met. The property portfolio is reviewed annually as part of the annual planning process. Land held as part of a floodway scheme cannot be sold while it is part of a flood scheme.

- ▲ *Comply with procedures in Investment Policy*
Performance target met.



Liability Management Policy

The following prudential limits apply in the policy:

- ▲ *Proportion of borrowing due for repayment in any one year should be no more than the larger of 25% or \$100,000.*
Performance target met.
- ▲ *The maximum level of borrowing will not exceed 35% of total operational assets*
Performance target met. The debt outstanding at 30 June 2008 is Nil.
- ▲ *The interest cost of all borrowings will not exceed 8% of total operating revenue*
Performance target met. The interest cost of borrowing equals 0.14% of total operating revenue.
- ▲ *The interest cost of all borrowings will not exceed 20% of total rates revenue*
Performance target met. The interest cost of borrowing equals 0.31% of total rates revenue.
- ▲ *Net operating cash flows excluding interest costs shall exceed interest cost by 2.5 times*
Performance target not met. Interest was \$24,801 for the year.
- ▲ *Comply with procedures in Liability Management Policy*
Performance target met.

Transition from Resource Areas to Activities and Divisions



We believe that the allocation of our outputs into the areas of air, land, water, coast and community representation will provide the community with a better understanding of the outputs we deliver and the outcomes we seek.

We continue, however, to manage the projects that deliver our outputs according to our identified activities and the divisional structure that supports them. Our forward planning is based on having suitably trained and experienced staff and contractors available to deliver the changing range of projects required over time.

The following pages further link the information provided on our outputs under the resource areas of water, land, coast and air with the activities within which the projects we undertake are delivered.

Here is how our activities are aggregated to our divisional organisation structure:

Activity	Division
Environmental Monitoring Environmental Education Floodwarning and After Hours Water and Wastewater Analysis Photography - Image Sales - Information and Advice	Environmental Information
Regional Planning Council Policy & Planning Hazard Mitigation Marine Oil Spills	Policy & Planning
Catchment Planning River Management Land Drainage Co-ordination Land Sustainability	Catchment Management
Pest Animal Strategy Bovine Tb Vector Control Pest Plant Strategy	Biosecurity
Consent Processing	Consents
Consent Compliance	Environmental Compliance
Property Management	Property
Community Representation	Community Representation





The Significant Activities of Environment Southland and the Programmes they provided for the year ended 30 June 2008

Significant Activity	Programme	Land	Water	Coast	Air	Community Representation	Programme Costs	A
							\$000	
Community Representation						1,630	1,630	
Environmental Monitoring	Investigations & Research	23	225		4		252	
	Monitoring	51	1,302		219	130	1,702	
	Extension & Education	7	10				17	
Environmental Education	Extension & Education	54	98		55	63	270	
Floodwarning & After Hours	Works & Services		45				45	
Water & Wastewater Analysis	Works & Services						0	
Photography - Image Sales	Works & Services		1				1	
Photography - Information & Advice	Works & Services	53	16	16			85	
Resource Mgmt Policy & Plan	Policy Development & Planning	211	377	92	48		728	
	Monitoring	3	3	3			9	
	Works & Services	8	8				16	
	Extension & Education	31	31	18	18		98	
	Regulatory	8	8	8	8		32	
Council Policy & Planning	Policy Development & Planning	129	80	74	69		352	
Hazard Mitigation	Policy Development & Planning	156	44	54	38		292	
	Investigations & Research						0	
	Monitoring	3	8	18	3		32	
	Works & Services						0	
	Extension & Education	3	8	19	3		33	
	Regulatory	70	129	104			303	
Marine Oil Spills	Works & Services				68		68	
Catchment Planning	Policy Development & Planning	167	55				222	
	Monitoring						0	
	Extension & Education	31					31	
	Regulatory		141				141	
	Works & Services	22					22	
River Management	Works & Services		3,392				3,392	
Land Drainage Co-ordination	Works & Services		878				878	
Land Sustainability	Investigations & Research	59					59	
	Extension & Education	317					317	
Pest Animal Strategy	Policy Development & Planning	48					48	
	Investigations & Research	82					82	
	Monitoring	24					24	
	Works & Services	43					43	
	Extension & Education	297					297	
	Regulatory	200					200	
Bovine TB Vector Control	Works & Services	3,189					3,189	
Pest Plant Strategy	Policy Development & Planning	29					29	
	Investigations & Research	13	2				15	
	Monitoring	49	1				50	
	Works & Services	503	21				524	
	Extension & Education	132	2				134	
	Regulatory	182					182	
Consent Processing	Extension & Education	56	56	56	56		224	
	Regulatory	130	130	131	130		521	
Consent Compliance	Investigations & Research		19				19	
	Monitoring	15	1	6	1		23	
	Extension & Education	154	58	21	28		261	
	Regulatory	527	352	89	166		1,134	
Property Management	Works & Services	701					701	
		7,782	7,500	1,055	761	1,630		



Actual Funding of Activities 2007/2008

The following table describes the actual cost of activities and their funding sources for the year ending 30 June 2008

Expenditure \$000					Activity	Expenditure \$000	Funding Sources \$000										Total Funding
Air	Land	Water	Coast	Community			Separate Rates	SPES Rate	General Rate	UAGC	Investments & Reserves *	Levies & Contributions	Rental Income	Other Income	Interest on Reserves	Reserves /Surpluses	
130	82	1,536	223		Environmental Monitoring	1,971	-	(769)	(192)	(989)	-	-	(21)	-	-	(1,971)	
63	54	99	54		Environmental Education	270	-		(119)	(123)	-	-	(28)	-	-	(270)	
		45			Floodwarning & After Hours Services	45	-	(22)		(23)	-	-	-	-	-	(45)	
	1				Photography - Image Sales	1	-	-		-	-	-	(1)	-	-	(1)	
	53	16	16		Photography - Information & Advice	85	-	(30)		(30)	-	-	(25)	-	-	(85)	
74	259	428	122		Resource Management Policy & Planning	883	-	(250)	(63)	(322)	(46)	-	(1)	-	(201)	(883)	
70	129	79	74		Council Policy & Planning Analysis	352	-		(98)	(100)	-	-	(99)	-	(55)	(352)	
44	232	189	195		Hazard Mitigation	660	(88)	(68)	(45)	(117)	-	-	(867)	-	525	(660)	
			68		Oil Spills	68	-	3		3	-	-	(74)	-	-	(68)	
	220	196			Catchment Planning	416	-	(134)		(138)	-	-	(173)	-	29	(416)	
		3,392			River Management	3,392	(1,579)	(364)		(374)	-	-	(1,064)	(128)	117	(3,392)	
		878			Land Drainage Co-ordination	878	(634)	(42)		(44)	-	-	(65)	(52)	(41)	(878)	
	376				Land Sustainability	376	(533)	-		-	-	-	(4)	-	161	(376)	
	694				Pest Animal Strategy	694	(424)	(198)	-	-	(8)	(12)	(16)	-	(36)	(694)	
	3,189				Bovine TB Vector Control	3,189	(417)	-		-	(2,777)	-	(21)	-	26	(3,189)	
	909	25			Pest Plant Strategy	934	(695)	-		-	(27)	-	(9)	-	(203)	(934)	
186	185	188	187		Consent Processing	746	-	(111)		(115)	-	-	(572)	-	52	(746)	
194	698	429	116		Consent Compliance	1,437	-	(217)	(144)	(371)	-	-	(684)	-	(21)	(1,437)	
				1,630	Community Representation	1,630	-		(733)	(699)	(63)	-	(89)	-	(46)	(1,630)	
	701				Property Management	701	-	-		-	-	(596)	(99)	(130)	124	(701)	
761	7,782	7,500	1,055	1,630		18,728	(4,370)	(198)	(2,004)	(1,395)	(3,441)	(2,921)	(608)	(3,912)	(310)	431	(18,728)

* Investments & Reserves Comprise:

Dividend from South Port	1,352
Investment Income	800
Penalty Income	94
Less Interest allocated to Rating/Lease Districts	(310)
Less interest allocated to reserves	(171)
2005/06 General Rate Surplus	322
Prior year adjustment to General Funds	(55)
General Funds Deficit	1,409
	<u>3,441</u>



Budget Funding of Activities 2007/2008

The following table describes the budgeted cost of activities and their funding sources for the year ending 30 June 2008

Expenditure \$000					Activity	Total Expenditure		Funding Sources \$000									Total Funding
Air	Land	Water	Coast	Community		\$000	Separate Rates	SPES Rate	General Rate on CV	UAGC Rate	Investments & Reserves *	Levies & Contributions	Rental Income	Other Income	Interest on Reserves	Reserves /Surpluses	
141	100	1,391	255		Environmental Monitoring	1,887			(773)	(193)	(876)			(45)	-	(1,887)	
66	49	106	49		Environmental Education	270				(128)	(116)			(25)		(270)	
		138			Floodwarning	138			(72)		(66)					(138)	
	13	13	12		Photography - Image Sales	38			-		-			(38)		(38)	
	14	15	15		Photography - Information & Advice	44			(23)		(21)					(44)	
51	182	314	244		Regional Planning	791			(231)	(58)	(262)	(14)		(1)	(225)	(791)	
70	70	69	75		Council Policy & Planning	284				(91)	(83)			(78)	(32)	(284)	
63	155	134	267		Hazard Mitigation	620	(88)		(77)	(51)	(116)			(808)	520	(620)	
			68		Oil Spills	68			-	-	-			(68)		(68)	
	149	314			Catchment Planning	463	-		(114)		(103)			(247)		(463)	
		3,047			River Works	3,047	(1,579)		(330)		(299)			(610)	(114)	(115)	(3,047)
		809			Land Drainage	809	(636)		(38)		(34)			(48)	(51)	(1)	(809)
	533				Land Sustainability	533	(533)		-	-	-						(533)
	666				Pest Animal Strategy (incl SPES)	666	(424)	(199)	-	-	-		(14)			(29)	(666)
	3,650				Bovine TB Vector Control	3,650	(416)		-	-	-	(3,176)				(58)	(3,650)
	967	28			Pest Plant Strategy	995	(695)		-	-	-					(300)	(995)
168	168	168	169		Consent Admin	673			(88)		(79)			(552)		46	(673)
116	528	358	203		Environmental Compliance	1,206			(161)	(107)	(242)			(602)		(94)	(1,206)
				1,673	Community Representation	1,673			(851)		(772)					(50)	(1,673)
	678				Property Management	678			-	-	-		(568)	(88)	(126)	104	(678)
675	7,922	6,904	1,357	1,673		18,532	(4,371)	(199)	(1,906)	(1,480)	(3,069)	(3,190)	(582)	(3,211)	(291)	(233)	(18,532)

* Investments & Reserves Comprise:

Dividend from South Port	1,352
Investment Income	1,792
Penalty Income	65
2006 General Rate Surplus	322
Less Interest allocated to Rating/Lease Districts	(291)
Less interest allocated to reserves	(170)
	<u>3,069</u>



A guide to the financial pages which follow

▲ Statement of Financial Performance	page 70
▲ Statement of Financial Position	page 71
▲ Statement of Recognised Income and Expense	page 72
▲ Statement of Movements in Equity	page 72
▲ Cash Flow Statement	page 73
▲ Notes to the Financial Statements	
1. Summary of accounting policies	pages 74-85
2. Operating revenue and expenses	pages 86-88
3. Income taxes	pages 89-91
4. Key management personnel compensation	page 91
5. Remuneration of auditors	page 91
6. Trade and other receivables	page 92
7. Inventories	page 93
8. Other financial assets	page 93
9. Other current assets	page 93
10. Property, plant and equipment	pages 94-95
11. Investment property	page 96
12. Trade and other payables	page 96
13. Provisions	page 96
14. Employee entitlements	page 97
15. Borrowings	page 97
16. Equity	pages 97-103
17. Commitments for expenditure	page 103
18. Contingent liabilities and contingent assets	page 103
19. Subsidiaries	page 103
20. Related party disclosures	page 104
21. Subsequent events	page 104
22. Notes to the cash flow statement	pages 105-106
23. Severance payments (Council only)	page 106
24. Remuneration (Council only)	page 107
25. Financial Instruments	pages 108-112
26. Explanation of major variances against budget	pages 113-114



Financial Statements and Notes to the Accounts



Statement of Financial Performance for the Year Ended 30 June 2008

	Note	Council			Group	
		2008 \$000	Budget \$000	2007 \$000	2008 \$000	2007 \$000
Income						
Rates revenue	2 (a)	7,965	7,956	7,636	7,965	7,636
Other Revenue	2 (a)	8,999	8,622	8,677	22,885	21,787
Other gains/ (losses)	2 (b)	688	1,570	1,173	816	1,330
Total Income	2 (f)	<u>17,652</u>	<u>18,148</u>	<u>17,486</u>	<u>31,666</u>	<u>30,753</u>
Expenditure						
Employee benefits expense	2 (c)	(6,944)	(6,519)	(6,255)	(10,595)	(9,811)
Depreciation expense	10	(449)	(413)	(424)	(2,316)	(2,502)
Finance costs	2 (d)	(25)	(28)	(28)	(111)	(244)
Other expenses	2 (e)	(11,310)	(11,572)	(10,790)	(17,033)	(16,302)
Total Operating Expenditure	2 (f)	<u>(18,728)</u>	<u>(18,532)</u>	<u>(17,497)</u>	<u>(30,055)</u>	<u>(28,859)</u>
Surplus/(Deficit) before income tax		(1,076)	(384)	(11)	1,611	1,894
Income tax expense	3	-	-	-	(1,367)	(1,188)
Surplus/(Deficit) for the period		<u>(\$1,076)</u>	<u>(\$384)</u>	<u>(\$11)</u>	<u>\$244</u>	<u>\$706</u>
Surplus/(Deficit) attributable to:						
Council		(1,076)	(384)	(11)	(652)	12
Minority interest		-	-	-	896	694
		<u>(\$1,076)</u>	<u>(\$384)</u>	<u>(\$11)</u>	<u>\$244</u>	<u>\$706</u>

Statement of Financial Position as at 30 June 2008

	Note	Council			Group	
		2008 \$000	Budget \$000	2007 \$000	2008 \$000	2007 \$000
Current Assets						
Cash and Deposits	22(a)	404	(544)	533	500	1,573
Trade and other receivables	6	891	1,730	867	5,257	2,588
Inventories	7	158	200	162	158	162
Other financial assets	8	24,126	23,970	24,774	24,126	24,774
Other current assets	9	130	50	76	231	176
Current tax refundable	3	-	-	-	-	17
Total Current Assets		25,709	25,406	26,412	30,272	29,290
Non-Current Assets						
Trade and other receivables	6	-	-	-	15	17
Shares in subsidiary	19	8,721	8,721	8,721	-	-
Other financial assets	8	-	-	-	811	369
Property, Plant and Equipment	10	35,654	35,281	35,492	57,949	58,279
Investment Property	11	-	-	-	-	1,810
Deferred Taxation asset	3	-	-	-	1,550	1,603
Total Non-Current Assets		44,375	44,002	44,213	60,325	62,078
Total Assets		70,084	69,408	70,625	90,597	91,368
Current Liabilities						
Trade and other payables	12	1,664	1,500	1,170	3,024	2,368
Provisions	13	-	-	-	100	210
Employee Entitlements	14	787	565	744	1,212	1,192
Borrowings	15	-	-	-	150	-
Current tax payable	3	-	-	-	14	-
Total Current Liabilities		2,451	2,065	1,914	4,500	3,770
Non-Current Liabilities						
Borrowings	15	-	-	-	-	1,500
Employee entitlements	14	31	-	33	87	93
Total Non-Current Liabilities		31	-	33	87	1,593
Total Liabilities		2,482	2,065	1,947	4,587	5,363
Net Assets		\$67,602	\$67,343	\$68,678	\$86,010	\$86,005
Equity						
Equity	16	67,602	67,343	68,678	86,010	86,005
		\$67,602	\$67,343	\$68,678	\$86,010	\$86,005
Attributable to:						
Council		67,602	67,343	68,678	77,288	77,646
Minority Interest	16(f)	-	-	-	8,722	8,359
Total Equity		\$67,602	\$67,343	\$68,678	\$86,010	\$86,005

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

Statement of Recognised Income & Expense for the Year Ended 30 June 2008

Note	Council			Group	
	2008 \$000	Budget \$000	2007 \$000	2008 \$000	2007 \$000
Available for sale financial assets valuation gain / (loss) taken to equity	-	-	-	442	3
Net income recognised directly in equity	-	-	-	442	3
Surplus / (deficit) for the period	(1,076)	(384)	(11)	244	706
Total recognised income and expense for the year	(\$1,076)	(\$384)	(\$11)	\$686	\$709
Attributable to:					
Council	(1,076)	(384)	(11)	(358)	15
Minority interest	-	-	-	1,044	694
	(\$1,076)	(\$384)	(\$11)	\$686	\$709

Statement of Changes in Equity for the Year Ended 30 June 2008

Note	Council			Group	
	2008 \$000	Budget \$000	2007 \$000	2008 \$000	2007 \$000
Opening Equity	68,678	67,727	68,689	86,005	85,977
Surplus / (deficit) attributable to				-	
- Council	(1,076)	(384)	(11)	(652)	12
- Minority Interests	16 (f)	-	-	896	694
Movement in available for sale revaluation reserve					
- Council	16 (a)	-	-	294	3
- Minority Interests	16 (a)	-	-	148	-
Total recognised revenues and expenses	(1,076)	(384)	(11)	686	709
Dividend Distribution - Minority Interest	16 (f)	-	-	(681)	(681)
Closing Equity	\$67,602	\$67,343	\$68,678	\$86,010	\$86,005

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

Cash Flow Statement for the year ended 30 June 2008

Cash flows from operating activities	Note	Council			Group	
		2008 \$000	Budget \$000	2007 \$000	2008 \$000	2007 \$000
Receipts from customers		15,240	14,972	15,641	29,618	30,122
Interest received		148	75	112	171	209
Dividends received		1,352	1,352	1,352	1	1
Payments to suppliers and employees		(17,576)	(18,091)	(17,126)	(26,924)	(26,194)
Finance costs		(25)	(28)	(28)	(110)	(208)
Income tax paid		-	-	-	(1,282)	(1,186)
Net cash inflow / (outflow) from operating activities	22(c)	(861)	(1,720)	(49)	1,474	2,744
Cash flows from investing activities						
Proceeds from sale of other financial assets		1,300	1,300	1,300	1,300	1,300
Proceeds from sale of property, plant and equipment		96	99	98	307	131
Purchase of property, plant and equipment		(664)	(330)	(650)	(2,123)	(1,833)
Net cash inflow / (outflow) from investing activities		732	1,069	748	(516)	(402)
Cash flows from financing activities						
Dividends paid to Minority interests		-	-	-	(681)	(681)
Repayment of borrowings		-	-	-	(1,350)	(1,500)
Net cash inflow / (outflow) from financing activities		-	-	-	(2,031)	(2,181)
Net decrease in Cash and cash equivalents		(129)	(651)	699	(1,073)	161
Cash and cash equivalents at the beginning of the financial year		533	107	(166)	1,573	1,412
Cash and cash equivalents at the end of the financial year	22(a)	404	(544)	533	500	1,573

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

Notes to the Financial Statements For the Financial Year ended 30 June 2008

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 is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, the Council has designated itself and the Group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

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 New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for public benefit entities.

All available public benefit entity reporting exemptions under NZ IFRS have been adopted.

Basis of Preparation

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and in future periods if the revision affects both current and future periods.

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and 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.

Standards and interpretation issued not yet adopted and which may be relevant to the Council and Group

New standards and Interpretations

Standards and interpretations that have been issued or amended but are not yet effective that have not been adopted by the Council for the annual reporting period ended 30 June 2008 and which are relevant are as follows:

Reference	Title	Summary	Application date of standard	Impact on Council financial report	Application date for Council
NZ IAS-1	Presentation of Financial Statements' – Revised Standard	The revised NZ IAS 1 requires the presentation of all recognised income and expenses in one statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity.	January 2009	The revised NZ IAS 1 is a disclosure standard so will have no impact on the amounts included in the Council's financial statements. However, the amendments will result in changes to presentation of the Income Statement and Statement of changes in Equity included in the Council's financial report.	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the Council:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Amendments to NZ IFRS-4 "Insurance Contracts – The Scope of Insurance Activities and Differential Reporting Concessions"	1 January 2009	30 June 2010
NZ IFRIC-12 "Service Concession Arrangements"	1 January 2008	30 June 2009
NZ IFRIC-13 "Customer Loyalty Programmes"	1 July 2008	30 June 2009
NZ IFRIC-14 "NZ IAS-19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"	1 January 2008	30 June 2009
IFRIC-15 "Agreements for the Construction of Real Estate"	1 January 2009	30 June 2010
IFRIC-16 "Hedges of a Net Investment in a Foreign Operation"	1 October 2008	30 June 2010
NZ IAS-23 "Borrowing Costs" – revised 2007	1 January 2009	30 June 2010
Amendments to NZ IFRS-2 "Share-Based Payment" – Vesting Conditions and Cancellations	1 January 2009	30 June 2010
NZ IFRS-3 "Business Combinations" – revised 2008	1 July 2009	30 June 2010
NZ IAS-27 "Consolidated and Separate Financial Statements" – revised 2008	1 July 2009	30 June 2010
Revised Amendments to NZ IAS 32 "Financial Instruments: Presentation" and NZ IAS 1 "Presentation of Financial	1 January 2009	30 June 2010

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Statements” – Puttable Financial Instruments and Obligations Arising on Liquidation		
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2008	Various*	30 June 2010
Amendments to NZ IFRS 1 ‘First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards’ and NZ IAS 27 ‘Consolidated and Separate Financial Statements’ – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009	30 June 2010
Omnibus Amendments	1 January 2008	30 June 2009

* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2009, with earlier adoption permitted, and they are to be applied retrospectively.

The following accounting policies which materially affect the measurement of results and financial position have been applied:

Significant Accounting Policies

Revenue Recognition

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.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in the Council are recognised as revenue when control over the asset is obtained.

Rates Revenue

Rates revenue is recognised when it is levied.

Other Revenue

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Government grants are recognised as income when eligibility has been established with the grantor agency. The Council receives central government contributions:

For

Bovine Tb Vector Control
Regional Civil Defence
Land Transport
Marine Oil Spills

From

Animal Health Board
Ministry of Civil Defence
Land Transport New Zealand
Maritime New Zealand

Grants and bequests are recognised when control over the asset is obtained.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

Dividends are recognised when the entitlement to the dividends is established.

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.

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) Council and/or Group as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

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

(b) Council and/or Group as Lessee

Assets held under finance leases are recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Rentals payable under operating leases are charged to the Statement of Financial Performance on a basis representative of the pattern of benefits to be derived from the leased asset.

(c) Lease Incentives

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Statement of Financial Performance 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 and is accounted for using the comprehensive balance sheet liability method. 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Council and Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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 Statement of Financial Performance, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Goods and Services Tax

Revenues, expenses, assets and liabilities are recognised net of the amount of Goods and Services Tax (GST), except for receivables and payables which are shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and other short-term highly liquid investments that are readily convertible to a known amount of cash.

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.

(i) Financial Assets

Financial Assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity" investments, "available-for-sale" financial assets, 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.

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.

Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss 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 that 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 profit or loss are stated at fair value, with any resultant gain or loss recognised in the Statement of Financial Performance. The net gain or loss is recognised in the Statement of Financial Performance and incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described later in this note.

The Council and Group has classified its managed funds, held with Forsyth Barr and ING, as financial assets at fair value through profit or loss. These funds include 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 Statement of Financial Performance.

Held-to-Maturity Investments

Investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The Council and Group does not hold any financial assets in this category.

Available-for-Sale Financial Assets

Certain equity investments held by Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described later in this note. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, with the exception of interest calculated using the effective interest method and impairment losses which are recognised directly in the Statement of Financial Performance. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the Statement of Financial Performance for the period.

Dividends on available-for-sale equity instruments are recognised in the Statement of Financial Performance when the Council's and Group's right to receive payments is established.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

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 the Statement of Financial Performance.

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 the Statement of Financial Performance.

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 the Statement of Financial Performance 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.

(ii) **Financial Liabilities**

Trade and 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.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

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 Statement of Financial Performance over the period of the borrowing using the effective interest method.

(iii) **Derivative Financial Instruments**

The Group enters into derivative financial instruments to manage its exposure to interest rate risk using interest rate swaps. Further details of derivative financial instruments are disclosed in Note 25 to the financial statements.

The Council and Group does 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 remeasured 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 the Statement of Financial Performance immediately.

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 uses a variety of methods and makes assumptions that are based on market conditions existing as each balance date.

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

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the Statement of Financial Performance.

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
- ▲ subsidiary-owned land, buildings, and plant and machinery.

(b) Infrastructural Assets

Infrastructural Assets are the fixed utility systems owned by the Council. Each asset type includes all items that are required for the network to function:

- ▲ stopbanks and earthworks;
- ▲ bridges;
- ▲ large culverts;
- ▲ tidegate structures.

Cost

Property, plant and equipment is 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. When significant, interest costs incurred during the period required to construct an item of property, plant and equipment are capitalised as part of the asset's total cost.

Valuation

All assets are valued at cost.

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 stopbanks and earthworks assets is considered equivalent to land improvements and as such they do not incur a loss of service potential over time. Accordingly, stopbanks 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 Statement of Financial Performance 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% - 10% DV/SL
Motor vehicles - Council	15% SL
Land – South Port	Unlimited
Buildings – South Port	2% – 7 % SL
Plant and machinery – South Port	2% – 33% SL
Infrastructural Assets	
Stopbanks and Earthworks	Unlimited
Bridges	1% SL
Large Culverts	1% - 2.5% SL
Tidegate 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Performance in the period the asset is derecognised.

Impairment

The carrying amount of the non current assets is reviewed at each balance date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Financial Performance.

Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the balance sheet date. Fair value is determined annually by independent valuers. Revaluation gains or losses arising from changes in the fair value of investment property are reported in the Statement of Financial Performance in the period in which they arise.

Impairment of Non-Financial Assets

At each reporting date, the Council and Group reviews the carrying amounts of its tangible and intangible 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 it's 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 the Statement of Financial Performance 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 the Statement of Financial Performance 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

Contributions to defined contribution superannuation schemes are expensed when incurred.

Provisions

Provisions are recognised when the Council and Group has 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.

Principles 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 subsidiaries as defined in NZ IAS-27 "*Consolidated and Separate Financial Statements*". A list of subsidiaries appears in Note 19 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at

the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the excess is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's 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.

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:

- ▲ lease area balances;
- ▲ special reserves;
- ▲ rating district balances;
- ▲ 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.

The Council's objectives, policies and processes for managing capital are described in Note 25.

Foreign Currency

(a) 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 the Statement of Financial Performance in the period in which they arise.

Budget Figures

The budget figures are those approved by the Council at the beginning of the year in the annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

Cash Flow Statement

Cash means cash balances on hand, held in bank accounts and demand deposits the Council invests in as part of its day to day cash management.

Operating activities include cash received from all income sources of Council and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in equity and debt structure of the Council.

Allocation of Overheads

Where possible costs are charged or allocated directly to the beneficiary of the service. The remaining 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	-	allocated according to estimated use of services
Finance	-	allocated according to estimated use of services

Critical accounting estimates and assumptions

In preparing these financial statements the Council and Group has 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 2008:

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.

2 Operating Revenue and Expenses

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
(a) Revenue				
Revenue consisted of the following items:				
<u>Rates Revenue:</u>				
General rates	3,399	3,313	3,399	3,313
Separate rates	4,368	4,125	4,368	4,125
Southern Pest Eradication Society rates	198	198	198	198
	<u>\$7,965</u>	<u>\$7,636</u>	<u>\$7,965</u>	<u>\$7,636</u>
Other Revenue:				
Revenue from rendering of services:				
Port revenue	-	-	14,949	14,062
Government grants	2,921	3,427	2,921	3,427
Local Contributions	1,178	1,028	1,178	1,028
Other revenue	2,479	1,942	2,479	1,945
	<u>6,578</u>	<u>6,397</u>	<u>21,527</u>	<u>20,462</u>
Operating lease rental revenue:				
Investment properties	-	-	266	300
Other	608	583	608	583
	<u>608</u>	<u>583</u>	<u>874</u>	<u>883</u>
Interest revenue:				
Bank deposits	147	112	169	208
	<u>147</u>	<u>112</u>	<u>169</u>	<u>208</u>
Dividend revenue:				
Subsidiaries	1,352	1,352	-	-
Available for sale investments	-	-	1	1
	<u>1,352</u>	<u>1,352</u>	<u>1</u>	<u>1</u>
Other revenue	314	233	314	233
	<u>\$8,999</u>	<u>\$8,677</u>	<u>\$22,885</u>	<u>\$21,787</u>

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
(b) Other Gains / (Losses)				
Gain / (loss) on disposal of property, plant and equipment	35	(8)	32	(11)
Gain / (loss) on changes in fair value of investment property	-	-	131	160
Net change in fair value of other financial assets carried at fair value through profit or loss	653	1,181	653	1,181
Net change in fair value of derivative financial instruments classified as fair value through profit or loss (interest rate swaps)	-	-	-	-
	<u>\$688</u>	<u>\$1,173</u>	<u>\$816</u>	<u>\$1,330</u>
Gains	688	1,181	816	1,341
Losses	-	(8)	-	(11)
	<u>\$688</u>	<u>\$1,173</u>	<u>\$816</u>	<u>\$1,330</u>
(c) Employee Benefits Expense				
Salaries and wages	6,08	5,52	9,53	8,93
Defined contribution plans	35	33	42	39
Other employee benefits	51	39	63	47
	<u>\$6,944</u>	<u>\$6,255</u>	<u>\$10,595</u>	<u>\$9,811</u>
(d) Finance Costs				
Interest on loans carried at amortised cost	-	-	86	216
Other interest expense	25	28	25	28
	<u>\$25</u>	<u>\$28</u>	<u>\$111</u>	<u>\$244</u>
(e) Other Expenses				
Net bad and doubtful debts	14	(10)	14	(10)
Donations	-	-	3	29
Grants and Contributions	832	388	832	388
Rates Remissions	26	27	26	27
Operating lease rental - minimum lease payments	180	200	352	372
Directors remuneration	-	-	170	157
Provisions	-	-	-	85
Other operating expenses	10,258	10,185	15,636	15,254
	<u>\$11,310</u>	<u>\$10,790</u>	<u>\$17,033</u>	<u>\$16,302</u>

Council expenses by nature are disclosed under Note 2(f)

Audit fees are disclosed under Note 5.

	Council	
	2008	2007
	\$000	\$000
(f) Summary Cost of Services by Activity (Council only)		
Income		
Water	7,500	6,655
Land	7,783	7,755
Coast	1,055	1,063
Air	761	582
Community Representation	1,630	1,442
Total Activity Income	18,729	17,497
Add:		
Deficit required to fund expenditure	(1,076)	(11)
	(1,076)	(11)
Total Income	\$17,653	\$17,486
Expenditure		
Water	7,500	6,655
Land	7,783	7,755
Coast	1,055	1,063
Air	761	582
Community Representation	1,630	1,442
Total activity expenditure	18,729	17,497
Total Operating Expenditure	\$18,729	\$17,497

	Council		Group		
	2008	2007	2008	2007	
	\$000	\$000	\$000	\$000	
(g) Financial Instruments					
Surplus/(deficit) for the year includes the following income and expenses arising from financial instruments classified as:					
<u>Available-for-sale investments:</u>					
Dividend Revenue	2(a)	-	-	1	1
		\$Nil	\$Nil	\$1	\$1
<u>Financial assets at fair value through profit or loss:</u>					
Change in fair value of financial assets classified as held for trading	2(b)	653	1,181	653	1,181
		\$653	\$1,181	\$653	\$1,181
<u>Financial liabilities at amortised cost:</u>					
Interest expense	2(d)	-	-	86	216
		\$Nil	\$Nil	\$86	\$216

3 Income Taxes

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
(a) Income Tax Recognised in Profit or Loss				
Tax expense / (income) comprises:				
Current tax expense / (credit)				
Current year	-	-	1,307	1,123
Adjustments for prior years	-	-	7	-
	-	-	1,314	1,123
Deferred tax expense / (credit)				
Origination and reversal of temporary differences	-	-	75	(95)
Adjustments for prior years	-	-	(24)	-
Adjustments relating to changes in tax rates or imposition of new taxes	-	-	2	160
	-	-	53	65
Tax expense / (income)	\$Nil	\$Nil	\$1,367	\$1,188

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

Surplus / (deficit) before income tax	(1,076)	(11)	1,611	1,894
Income tax expense (credit) calculated at 33%	(355)	(4)	532	625
Non deductible expenses	6,180	5,773	6,199	5,781
Non assessable income	(5,379)	(5,324)	(5,427)	(5,380)
	446	445	1,304	1,026
Taxation effect of imputation credits	220	220	-	-
Imputation credits utilised	(666)	(665)	-	-
Adjustments for prior years	-	-	(14)	2
(Over) / under provision of income tax in previous year	-	-	75	-
Adjustments relating to changes in tax rates	-	-	2	160
	\$Nil	\$Nil	\$1,367	\$1,188

The tax rate used in the above reconciliation is the corporate tax rate of 33% payable by New Zealand corporate entities 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, although legislation has been passed which changes the corporate tax rate in 2008/2009 to 30%.

(b) Income Tax Recognised Directly in Equity

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

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
(c) Current Tax Assets and Liabilities				
Current Tax Refundable:				
Current Tax Refundable	\$Nil	\$Nil	-	\$17
Current Tax Payable:				
Current Tax Payable	\$Nil	\$Nil	\$14	-

(d) **Deferred Tax Balances Comprise:**
Taxable and deductible temporary differences arising from the following:

	Group			
	Opening balance	Charged to income	Charged to equity	Closing balance
2008	\$000	\$000	\$000	\$000
Gross deferred tax liabilities:				
Other financial assets	(41)	11	-	(30)
Property, plant and equipment	-	-	-	-
Investment property	(53)	53	-	-
	<u>(94)</u>	<u>64</u>	<u>-</u>	<u>(30)</u>
Gross deferred tax assets:				
Other financial assets	53	(53)	-	-
Provisions	209	(44)	-	165
Property, plant and equipment	1,435	(20)	-	1,415
	<u>1,697</u>	<u>(117)</u>	<u>-</u>	<u>1,580</u>
	<u>\$1,603</u>	<u>(\$53)</u>	<u>\$Nil</u>	<u>\$1,550</u>

	Group			
	Opening balance	Charged to income	Charged to equity	Closing balance
2007	\$000	\$000	\$000	\$000
Gross deferred tax liabilities:				
Other financial assets	(43)	2	-	(41)
Property, plant and equipment	-	-	-	-
Investment property	(16)	(37)	-	(53)
	<u>(59)</u>	<u>(35)</u>	<u>-</u>	<u>(94)</u>
Gross deferred tax assets:				
Other financial assets	86	(33)	-	53
Provisions	179	30	-	209
Property, plant and equipment	1,462	(27)	-	1,435
	<u>1,727</u>	<u>(30)</u>	<u>-</u>	<u>1,697</u>
	<u>\$1,668</u>	<u>(\$65)</u>	<u>\$Nil</u>	<u>\$1,603</u>

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is \$Nil (2007: \$Nil).

Legislation has been enacted which, from 2008/09, changes the corporate tax rate to 30% from 33%. Accordingly the deferred tax asset has been remeasured at 30% to the extent the underlying temporary differences are expected to reverse in 2008/09 and beyond.

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
(e) Imputation Credit Account Balances				
Balance at beginning of year	-	-	4,630	4,445
Taxation paid	-	-	1,238	1,147
Attached to dividends paid	-	-	(959)	(962)
	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$4,909</u>	<u>\$4,630</u>
Imputation credits available directly and indirectly to Council through:				
Council			-	-
Subsidiaries			4,909	4,630
			<u>\$4,909</u>	<u>\$4,630</u>

4 Key Management Personnel Compensation

The compensation of the Councillors, Chief Executive, Directors and other senior management, being the key management personnel of the entity, is set out below:

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Short-term employee benefits	880	875	1,816	1,676
Other long-term employee benefits	-	-	72	69
	<u>\$880</u>	<u>\$875</u>	<u>\$1,888</u>	<u>\$1,745</u>

5 Remuneration of Auditors

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Audit fees for financial statement audit	72	69	72	69
Audit fees for NZ IFRS transition	21	17	21	17
	93	86	93	86
Audit fees to other auditors for audit of financial statements of group entities	-	-	38	46
	-	-	38	46
	<u>\$93</u>	<u>\$86</u>	<u>\$131</u>	<u>\$132</u>

The auditor of Environment Southland, for and on behalf of the Office of the Auditor-General is Deloitte.

6 Trade and Other Receivables

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Trade Receivables (i)	719	702	3,345	2,465
Allowance for doubtful debts (ii)	(36)	(24)	(61)	(49)
	<u>683</u>	<u>678</u>	<u>3,284</u>	<u>2,416</u>
Goods and services tax (GST) receivable	170	123	170	123
Settlement of Investment property	-	-	1,780	-
Other sundry receivables	38	66	38	66
	<u>\$891</u>	<u>\$867</u>	<u>\$5,272</u>	<u>\$2,605</u>
Disclosed in the financial statements as:				
Current	891	867	5,257	2,588
Non-current	-	-	15	17
	<u>\$891</u>	<u>\$867</u>	<u>\$5,272</u>	<u>\$2,605</u>

(i) 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 the 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 \$577,000 (2007 \$728,000) (Council 2008 \$283,379, (2007 \$260,000)), which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and 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 age of these receivables is 241 days (2007: 179 days).

The age of trade and other receivables past due that are not impaired are as follows:

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
1 to 3 months	71	42	302	493
3 to 6 months	8	25	68	40
6 to 9 months	106	98	109	100
9 to 12 months	-	-	-	-
> 12 months	98	95	98	95
Carrying amount	<u>\$283</u>	<u>\$260</u>	<u>\$577</u>	<u>\$728</u>

(ii) Movement in the allowance for doubtful debts:

Balance at beginning of year	24	34	49	59
Amounts written off during year	-	3	2	3
Amounts recovered during year	2	15	11	15
Increase/(decrease) in allowance recognised in Statement of Financial Performance	10	(28)	(1)	(28)
Balance at end of year	<u>\$36</u>	<u>\$24</u>	<u>\$61</u>	<u>\$49</u>

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	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Raw materials (at cost)	158	162	158	162
	<u>\$158</u>	<u>\$162</u>	<u>\$158</u>	<u>\$162</u>

8 Other Financial Assets

Fair value through Profit or Loss:

Classified as held for trading

Current

Managed Funds

ING Asset Management - NZ Government and Local Authority Stock (i)	11,166	11,631	11,166	11,631
ING Asset Management - Other Bonds (i)	3,412	3,884	3,412	3,884
ING Asset Management - NZ Cash (i)	136	(1,073)	136	(1,073)
Forsyth Barr - Cash Management Funds (i)	2,341	91	2,341	91
Forsyth Barr - Property (i)	134	275	134	275
Forsyth Barr - Equities (i)	6,937	9,010	6,937	9,010
Forsyth Barr - Capital protected notes (i)	-	956	-	956
	<u>24,126</u>	<u>24,774</u>	<u>24,126</u>	<u>24,774</u>

Available-for-sale at fair value:

Non Current

Equity Investments	-	-	811	369
	<u>-</u>	<u>-</u>	<u>811</u>	<u>369</u>
	<u>\$24,126</u>	<u>\$24,774</u>	<u>\$24,937</u>	<u>\$25,143</u>

Disclosed in the financial statements as:

Current	24,126	24,774	24,126	24,774
Non-current	-	-	811	369
	<u>\$24,126</u>	<u>\$24,774</u>	<u>\$24,937</u>	<u>\$25,143</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 ING and Forsyth Barr. 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 2008 (2007: \$Nil).

9 Other Current Assets

Prepayments	130	76	231	176
	<u>\$130</u>	<u>\$76</u>	<u>\$231</u>	<u>\$176</u>

10 Property, Plant and Equipment

2008

COUNCIL ONLY

	Cost 1 July 2007 \$'000s	Additions \$'000s	Disposals \$'000s	Other \$'000s	Cost 30 June 2008 \$'000s	Accumulated depreciation and impairment charges 1 July 2007 \$'000s	Impairment losses charged in Statement of Financial Performance \$'000s	Depreciation expense \$'000s	Accumulated depreciation reversed on disposal \$'000s	Accumulated depreciation and impairment charges 30 June 2008 \$'000s	Carrying amount 30 June 2008 \$'000s
Council Operational Assets											
Land	174	-	-	-	174	-	-	-	-	-	174
Buildings	2,021	207	-	-	2,228	(692)	-	(54)	-	(746)	1,482
Rental Land	4,591	-	-	-	4,591	-	-	-	-	-	4,591
Rental Buildings	1,094	11	-	-	1,105	(524)	-	(28)	-	(552)	553
Motor Vehicles	1,171	351	(248)	-	1,274	(467)	-	(188)	192	(463)	811
Other Plant and Equipment	1,920	101	(37)	-	1,984	(1,320)	-	(135)	33	(1,422)	562
Total Operational Assets	10,971	670	(285)	-	11,356	(3,003)	-	(405)	225	(3,183)	8,173
Council Infrastructural Assets											
Stopbanks and Earthworks	24,707	-	-	-	24,707	-	-	-	-	-	24,707
Bridges	70	-	-	-	70	(1)	-	(1)	-	(2)	68
Large Culverts	2,157	-	-	-	2,157	(97)	-	(34)	-	(131)	2,026
Tidegate Structures	719	-	-	-	719	(30)	-	(9)	-	(39)	680
Total Infrastructural Assets	27,653	-	-	-	27,653	(128)	-	(44)	-	(172)	27,481
Total Council Property, Plant and Equipment	38,624	670	(285)	-	39,009	(3,131)	-	(449)	225	(3,355)	35,654

2007

COUNCIL ONLY

	Cost 1 July 2006 \$'000s	Additions \$'000s	Disposals \$'000s	Other \$'000s	Cost 30 June 2007 \$'000s	Accumulated depreciation and impairment charges 1 July 2006 \$'000s	Impairment losses charged in Statement of Financial Performance \$'000s	Depreciation expense \$'000s	Accumulated depreciation reversed on disposal \$'000s	Accumulated depreciation and impairment charges 30 June 2007 \$'000s	Carrying amount 30 June 2007 \$'000s
Council Operational Assets											
Land	174	-	-	-	174	-	-	-	-	-	174
Buildings	1,988	33	-	-	2,021	(639)	-	(53)	-	(692)	1,329
Rental Land	4,591	-	-	-	4,591	-	-	-	-	-	4,591
Rental Buildings	923	209	(38)	-	1,094	(541)	-	(21)	38	(524)	570
Motor Vehicles	1,091	319	(239)	-	1,171	(440)	-	(176)	149	(467)	704
Other Plant and Equipment	1,930	95	(106)	-	1,919	(1,279)	-	(131)	90	(1,320)	599
Total Operational Assets	10,697	656	(383)	-	10,970	(2,899)	-	(381)	277	(3,003)	7,967
Council Infrastructural Assets											
Stopbanks and Earthworks	24,707	-	-	-	24,707	-	-	-	-	-	24,707
Bridge	70	-	-	-	70	-	-	(1)	-	(1)	69
Large Culverts	2,157	-	-	-	2,157	(65)	-	(32)	-	(97)	2,060
Tidegate Structures	719	-	-	-	719	(20)	-	(10)	-	(30)	689
Total Infrastructural Assets	27,653	-	-	-	27,653	(85)	-	(43)	-	(128)	27,525
Total Council Property, Plant and Equipment	38,350	656	(383)	-	38,623	(2,984)	-	(424)	277	(3,131)	35,492

GROUP

2008

	Cost 1 July 2007 \$'000s	Additions \$'000s	Disposals \$'000s	Other \$'000s	Cost 30 June 2008 \$'000s	Accumulated depreciation and impairment charges 1 July 2007 \$'000s	Impairment losses charged in Statement of Financial Performance \$'000s	Depreciation expense \$'000s	Accumulated depreciation reversed on disposal \$'000s	Accumulated depreciation and impairment charges 30 June 2008 \$'000s	Carrying amount 30 June 2008 \$'000s
Group Operational Assets											
Land - Council	174	-	-	-	174	-	-	-	-	-	174
Buildings - Council	2,021	207	-	-	2,228	(692)	-	(54)	-	(746)	1,482
Rental Land - Council	4,591	-	-	-	4,591	-	-	-	-	-	4,591
Rental Buildings - Council	1,094	11	-	-	1,105	(524)	-	(28)	-	(552)	553
Motor Vehicles - Council	1,171	351	(248)	-	1,274	(467)	-	(188)	192	(463)	811
Other Plant and equipment - Council	1,920	101	(37)	-	1,984	(1,320)	-	(135)	33	(1,422)	562
Land - Subsidiary	2,043	-	-	-	2,043	-	-	-	-	-	2,043
Buildings - Subsidiary	7,008	264	-	-	7,272	(3,287)	-	(194)	-	(3,481)	3,791
Plant and Machinery - Subsidiary	39,671	1,195	(270)	-	40,596	(22,648)	-	(1,673)	186	(24,135)	16,461
Total Operational Assets	59,693	2,129	(555)	-	61,267	(28,938)	-	(2,272)	411	(30,799)	30,468
Council Infrastructural Assets											
Stopbanks and Earthworks	24,707	-	-	-	24,707	-	-	-	-	-	24,707
Bridges	70	-	-	-	70	(1)	-	(1)	-	(2)	68
Large Culverts	2,157	-	-	-	2,157	(97)	-	(34)	-	(131)	2,026
Tidegate Structures	719	-	-	-	719	(30)	-	(9)	-	(39)	680
Total Infrastructural Assets	27,653	-	-	-	27,653	(128)	-	(44)	-	(172)	27,481
Total Group Property, Plant and Equipment	87,346	2,129	(555)	-	88,920	(29,066)	-	(2,316)	411	(30,971)	57,949

GROUP

2007

	Cost 1 July 2006 \$'000s	Additions \$'000s	Disposals \$'000s	Other \$'000s	Cost 30 June 2007 \$'000s	Accumulated depreciation and impairment charges 1 July 2006 \$'000s	Impairment losses charged in Statement of Financial Performance \$'000s	Depreciation expense \$'000s	Accumulated depreciation reversed on disposal \$'000s	Accumulated depreciation and impairment charges 30 June 2007 \$'000s	Carrying amount 30 June 2007 \$'000s
Group Operational Assets											
Land - Council	174	-	-	-	174	-	-	-	-	-	174
Buildings - Council	1,988	33	-	-	2,021	(639)	-	(53)	-	(692)	1,329
Rental Land - Council	4,591	-	-	-	4,591	-	-	-	-	-	4,591
Rental Buildings - Council	923	209	(38)	-	1,094	(541)	-	(21)	38	(524)	570
Motor Vehicles - Council	1,091	319	(239)	-	1,171	(440)	-	(176)	149	(467)	704
Other Plant and equipment - Council	1,930	95	(106)	-	1,919	(1,279)	-	(131)	90	(1,320)	599
Land - Subsidiary	2,043	-	-	-	2,043	-	-	-	-	-	2,043
Buildings - Subsidiary	7,008	-	-	-	7,008	(3,096)	-	(191)	-	(3,287)	3,721
Plant and Machinery - Subsidiary	38,911	1,150	(390)	-	39,671	(21,151)	-	(1,887)	390	(22,648)	17,023
Total Operational Assets	58,659	1,806	(773)	-	59,692	(27,146)	-	(2,459)	667	(28,938)	30,754
Council Infrastructural Assets											
Stopbanks and Earthworks	24,707	-	-	-	24,707	-	-	-	-	-	24,707
Bridges	70	-	-	-	70	-	-	(1)	-	(1)	69
Large Culverts	2,157	-	-	-	2,157	(65)	-	(32)	-	(97)	2,060
Tidegate Structures	719	-	-	-	719	(20)	-	(10)	-	(30)	689
Total Infrastructural Assets	27,653	-	-	-	27,653	(85)	-	(43)	-	(128)	27,525
Total Group Property, Plant and Equipment	86,312	1,806	(773)	-	87,345	(27,231)	-	(2,502)	667	(29,066)	58,279

11 Investment Property

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Balance at beginning of year	-	-	1810	1650
Disposals	-	-	(1,941)	-
Gain on sale of investment property	-	-	131	-
Net gain / (loss) from fair value adjustments	-	-	-	160
Balance at end of year	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$1,810</u>

Investment property comprises commercial property in Parry Street, Dunedin, that is leased to third parties. At balance date there was an unconditional contract in place for the sale of the property. Settlement of the property was 1 July 2008.

The company has no property interests held under operating leases that are classified and accounted for as investment property. Investment properties are reported and valued in accordance with NZ IAS 40.

12 Trade and Other Payables

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Trade payables	1349	1045	2709	2243
Other accrued charges	315	125	315	125
	<u>\$1,664</u>	<u>\$1,170</u>	<u>\$3,024</u>	<u>\$2,368</u>

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

13 Provisions

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<u>Provision for Unforeseen Repairs and Maintenance</u>				
Balance at beginning of year	-	-	160	100
Additional provisions made	-	-	0	60
Amounts utilised	-	-	(60)	-
Balance at end of year	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$100</u>	<u>\$160</u>
<u>Provision for Swinging Basin Dredging</u>				
Balance at beginning of year	-	-	50	25
Additional provisions made	-	-	-	25
Amount reversed	-	-	(50)	-
Balance at end of year	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$50</u>
	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$100</u>	<u>\$210</u>

Unforeseen Repairs and Maintenance

The port industry requires substantial investment in infrastructural assets. As a result of this type of asset base, significant repairs and maintenance costs can arise unexpectedly. The Group unforeseen repairs and maintenance provision allows for events of this nature.

Swing Basin Dredging

The Group swinging basin dredging provision allowed for costs associated with the maintenance dredging of the harbour swinging basin. The dredging is carried out on a fifteen year cycle. Swinging basin dredging is programmed to occur in 2021. This provision has now been reversed to nil and will not exist in the future as dredging costs will be recognised when incurred and amortised over the useful life of the asset.

14 Employee Entitlements

Accrued salary and wages	316	262	452	461
Annual leave	442	402	731	651
Long service leave	60	113	116	173
	<u>\$818</u>	<u>\$777</u>	<u>\$1,299</u>	<u>\$1,285</u>

Disclosed in the financial statements as:

Current	787	744	1212	1192
Non-current	31	33	87	93
	<u>\$818</u>	<u>\$777</u>	<u>\$1,299</u>	<u>\$1,285</u>

15 Borrowings

Secured - at amortised cost

Current

Term borrowings	-	-	150	-
	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$150</u>	<u>\$Nil</u>

Non-current

Term borrowings	-	-	-	1500
	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$1,500</u>

South Port New Zealand Limited's credit line facility from Westpac is on a monthly rolling basis. The facility is secured by way of a general security registered over "all present and after acquired property" of South Port New Zealand Limited. Interest on this credit line is a variable rate based on daily money market call rates.

At balance date the current weighted average effective interest rate on the term borrowings is 8.82% (2007: 8.15%).

16 Equity

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Available-for-sale revaluation reserve (a)	-	-	295	1
Lease area balances (b)	2,297	2,103	2,297	2,103
Special reserves (c)	15,007	14,972	15,007	14,972
Rating district balances (d)	2,008	2,055	2,008	2,055
Retained Earnings (e)	48,290	49,548	57,681	58,515
Minority interest (f)	-	-	8,722	8,359
	<u>\$67,602</u>	<u>\$68,678</u>	<u>\$86,010</u>	<u>\$86,005</u>

(a) Available-for-Sale Revaluation Reserve

Balance at beginning of year	-	-	1	(2)
Valuation gain / (loss) recognised	-	-	294	3
Deferred tax arising on revaluation	-	-	-	-
Balance at end of year	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$295</u>	<u>\$1</u>

The available-for-sale revaluation reserve arises on the revaluation of equity investments (Group). Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in the Statement of Financial Performance. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the Statement of Financial Performance.

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

2008

	Balance 1/07/2007 \$000	Plus Income \$000	Interest Paid \$000	Transfers Out \$000	Balance 30/06/2008 \$000
Aparima	19	2	1	(2)	20
Ferry Road	505	169	33	(130)	577
Kingswell	18	4	1	(7)	16
Mataura	1,187	317	73	(296)	1,281
Oreti	99	143	6	(149)	99
Otepunu	79	23	5	(22)	85
Winton	108	9	7	(7)	117
Waihopai	88	19	6	(11)	102
	<u>\$2,103</u>	<u>\$686</u>	<u>\$132</u>	<u>(\$624)</u>	<u>\$2,297</u>

2007

	Balance 1/07/2006 \$000	Plus Income \$000	Interest Paid \$000	Transfers Out \$000	Balance 30/06/2007 \$000
Aparima	18	2	1	(2)	19
Ferry Road	645	165	40	(345)	505
Kingswell	16	4	1	(3)	18
Mataura	1,059	315	67	(254)	1,187
Oreti	98	129	6	(134)	99
Otepunu	75	16	4	(16)	79
Winton	96	9	6	(3)	108
Waihopai	89	18	5	(24)	88
	<u>\$2,096</u>	<u>\$658</u>	<u>\$130</u>	<u>(\$781)</u>	<u>\$2,103</u>

(c) Special Reserves (Council and Group)

	2008			
	Balance	Transfers	Transfers	Balance
	1/07/2007	to	from	30/06/2008
	\$000	\$000	\$000	\$000
Building Reserve	202	49	(208)	43
Lease Building Reserve	295	28	(11)	312
Furniture and Equipment Reserve	112	20	(15)	117
Plant Renewal Reserve	(18)	104	(82)	4
Computer Reserve	118	7	(40)	85
Vehicle reserve	131	282	(315)	98
Infrastructure Assets Reserve	129	43	-	172
Disaster Damage General Reserve	2,000	-	-	2,000
Makarewa Disaster Damage Reserve-Restricted	119	32	(30)	121
Oreti Disaster Damage Reserve-Restricted	531	121	-	652
Mataura Disaster Damage Reserve-Restricted	492	57	-	549
Aparima Disaster Damage Reserve-Restricted	217	24	-	241
Upu kerora Disaster Damage Reserve-Restricted	19	2	-	21
Whitestone Disaster Damage Reserve-Restricted	29	5	-	34
Orawia Disaster Damage Reserve-Restricted	2	1	-	3
Invercargill Disaster Damage Reserve-Restricted	387	46	(83)	350
Waiau Disaster Damage Reserve-Restricted	790	147	-	937
Gratuity Reserve	57	64	(70)	51
Regional Assistance to Projects	6	-	-	6
Coastal Rental Reserve	112	53	(35)	130
Marine Fee Reserve-Restricted	443	856	(622)	677
South Port Special Dividend Reserve	4,193	-	-	4,193
South Port Share Buy Back Reserve	2,985	-	-	2,985
General Reserve	385	25	(131)	279
Pest Property Reserve Fund	679	8	(312)	375
Pest Plant Reserve	50	2	-	52
Pest Disposals Reserve	299	-	-	299
Waimatuku Stream Special Project	56	3	(3)	56
Lake Hawkins Airport Extension Reserve-Restricted	11	-	-	11
Lake Hawkins Pumphouse-Restricted	141	13	-	154
	<u>\$14,972</u>	<u>\$1,992</u>	<u>(\$1,957)</u>	<u>\$15,007</u>

(c) Special Reserves (Council and Group) cont

	2007			
	Balance	Transfers	Transfers	Balance
	1/07/2006	to	from	30/06/2007
	\$000	\$000	\$000	\$000
Building Reserve	182	262	(242)	202
Lease Building Reserve	275	20	-	295
Furniture and Equipment Reserve	107	19	(14)	112
Plant Renewal Reserve	(32)	94	(80)	(18)
Computer Reserve	140	8	(30)	118
Vehicle reserve	167	267	(303)	131
Infrastructure Assets Reserve	85	44	-	129
Disaster Damage General Reserve	2,000	-	-	2,000
Makarewa Disaster Damage Reserve-Restricted	117	9	(7)	119
Oreti Disaster Damage Reserve-Restricted	417	114	-	531
Mataura Disaster Damage Reserve-Restricted	438	54	-	492
Aparima Disaster Damage Reserve-Restricted	195	22	-	217
Upukerora Disaster Damage Reserve-Restricted	18	1	-	19
Whitstone Disaster Damage Reserve-Restricted	24	5	-	29
Orawia Disaster Damage Reserve-Restricted	1	1	-	2
Invercargill Disaster Damage Reserve-Restricted	405	47	(65)	387
Waiau Disaster Damage Reserve-Restricted	646	144	-	790
Gratuity Reserve	54	3	-	57
Regional Assistance to Projects	6	-	-	6
Coastal Rental Reserve	63	49	-	112
Marine Fee Reserve-Restricted	285	540	(382)	443
South Port Special Dividend Reserve	4,193	-	-	4,193
South Port Share Buy Back Reserve	2,985	-	-	2,985
General Reserve	324	61	-	385
Pest Property Reserve Fund	683	8	(12)	679
Pest Plant Reserve	56	9	(15)	50
Pest Disposals Reserve	299	-	-	299
Waimatuku Stream Special Project	59	3	(6)	56
Lake Hawkins Airport Extension Reserve-Restricted	10	1	-	11
Lake Hawkins Pumphouse-Restricted	130	11	-	141
	<u>\$14,332</u>	<u>\$1,796</u>	<u>(\$1,156)</u>	<u>\$14,972</u>

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

	2008					
	Balance	Plus Rates	Other	Net	Cost to	Balance
	1/07/2007	07/08	Income	Transfers	District	30/06/2008
	\$000	\$000	\$000	\$000	\$000	\$000
Aparima	335	181	192	(3)	(327)	378
Clifton Drainage	7	3	1	-	(4)	7
Duck Creek	13	39	6	-	(33)	25
Ellis Creek	14	3	1	-	(1)	17
Invercargill	42	245	122	68	(407)	70
Lake Hawkins	10	74	8	(4)	(54)	34
Mararoa	339	165	566	-	(808)	262
Makarewa	109	128	58	5	(162)	138
Mataura	206	640	351	(27)	(1,032)	138
Mount York	36	4	5	-	(9)	36
Otepuni Creek	3	13	2	-	(2)	16
Oreti	218	494	349	(56)	(842)	163
Upukerora	72	10	24	-	(65)	41
Waituna Creek	31	31	4	-	(8)	58
Waihopai	46	22	7	-	(39)	36
Waiau	313	1	296	(129)	(175)	306
Waiau - Sharpridge	3	1	2	-	-	6
Waiau - Orawia	6	14	14	(1)	(32)	1
Waiau - Upper Lillburn	20	24	33	-	(52)	25
Waiau - Wairaki	69	7	11	-	(18)	69
Waiau - Fenham	11	3	3	-	-	17
Waimatuku	39	37	10	(5)	(42)	39
Whitestone	41	43	45	(3)	(54)	72
Upper Waihopai	30	11	4	-	(33)	12
Upper Waikiwi	34	13	4	-	(18)	33
Lower Waikawa	6	2	-	-	(3)	5
Upper Waikawa	2	5	1	-	(4)	4
	\$2,055	\$2,213	\$2,119	(\$155)	(\$4,224)	\$2,008

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

	2007					
	Balance	Plus Rates	Other	Net	Cost to	Balance
	1/07/2006	06/07	Income	Transfers	District	30/06/2007
	\$000	\$000	\$000	\$000	\$000	\$000
Aparima	313	166	94	(3)	(235)	335
Clifton Drainage	6	3	1	-	(3)	7
Duck Creek	23	37	11	-	(58)	13
Ellis Creek	11	3	1	-	(1)	14
Invercargill	106	216	120	43	(443)	42
Jamieson's Trib	4	-	-	-	(4)	-
Lake Hawkins	7	69	9	(4)	(71)	10
Mararoa	585	167	574	-	(987)	339
Makarewa	105	116	57	5	(174)	109
Mataura	193	608	411	(27)	(979)	206
Mount York	31	4	2	-	(1)	36
Otepunu Creek	10	11	3	-	(21)	3
Oreti	226	459	261	(58)	(670)	218
Upukerora	24	10	62	(1)	(23)	72
Waituna Creek	7	27	3	-	(6)	31
Waihopai	31	21	4	-	(10)	46
Waiau	329	1	293	(156)	(154)	313
Waiau - Sharpridge	1	1	1	-	-	3
Waiau - Orawia	3	12	16	9	(34)	6
Waiau -Upper Lillburn	27	21	24	-	(52)	20
Waiau - Wairaki	60	7	11	-	(9)	69
Waiau - Fenham	11	3	3	-	(6)	11
Waimatuku	29	36	7	(2)	(31)	39
Whitestone	24	42	45	(3)	(67)	41
Upper Waihopai	21	11	2	-	(4)	30
Upper Waikiwi	26	11	2	-	(5)	34
Lower Waikawa	4	2	-	-	-	6
Upper Waikawa	2	4	1	-	(5)	2
	\$2,219	\$2,068	\$2,018	(\$197)	(\$4,053)	\$2,055

(e) Retained Earnings

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Balance at beginning of year	49,548	50,042	58,515	58,986
Net surplus / (deficit) attributable to Council	(1,076)	(11)	(652)	12
Net movement in lease areas	(194)	(7)	(194)	(7)
Net movement in special reserves	(35)	(640)	(35)	(640)
Net movement in rating districts	47	164	47	164
Balance at end of year	\$48,290	\$49,548	\$57,681	\$58,515

(f) **Minority Interests**

	Group	
	2008	2007
	\$000	\$000
Balance at beginning of year	8,359	8,346
Share of surplus / (deficit) for the year	896	694
Share of change in value of available for sale financial assets	148	-
Dividend distribution for the year	(681)	(681)
Balance at end of year	<u>\$8,722</u>	<u>\$8,359</u>

17 Commitments for Expenditure

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
(a) Capital Expenditure Commitments				
Property, plant and equipment	-	-	3,300	-
Investment property	-	-	-	-
	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$3,300</u>	<u>\$Nil</u>

As at 30 June 2008, South Port Group has committed to building a 5,900m² dry warehouse at an estimated cost of \$3.3m (30 June 2007: \$Nil)

(b) Lease Commitments

Finance lease liabilities and non-cancellable operating lease commitments at 30 June 2008 were \$Nil (30 June 2007: \$Nil)

18 Contingent Liabilities and Contingent Assets

Council and Group

There were no known contingent liabilities for the Group at 30 June 2008 (30 June 2007: \$54,060 Council)

19 Subsidiaries

	Country of Incorporation	Ownership Interest	
		2008	2007
Parent Entity		%	%
Southland Regional Council (i)	New Zealand		
Subsidiaries			
South Port New Zealand Limited (ii)	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).

All companies in the Group have 30 June balance dates.

20 Related Party Disclosures

(a) Council

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

(b) Equity Interests in Related Parties

Equity Interests in Subsidiaries

Details of the percentage of shares held in subsidiaries are disclosed in Note 19 to the financial statements.

(c) Transactions with Related Parties

Transactions involving the Council

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

	Council	
	2008	2007
	\$000	\$000
South Port New Zealand Limited		
Dividend payment made to Council	1352	1352

Other Transactions Involving Related Parties

There were no other transactions with related parties.

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.

21 Subsequent Events

(a) Council and Group

In September 2008, Council redeemed \$500,000 from its Managed Fund in Forsyth Barr Limited (2007: \$500,000) but Nil from its Managed Fund in ING (NZ) Limited (2007: \$800,000).

On 14 August 2008 the Council's overdraft facility held with ANZ bank was extended from \$2,000,000 to \$3,000,000 to reduce withdrawals from investments in current market conditions. The termination date of 30 November 2008 was not changed.

(b) Group (South Port New Zealand Limited)

On 2 July 2008, South Port New Zealand Ltd disposed of a P&H truck crane resulting in an estimated gain of \$280,000 which will be recognised in the 2009 financial year.

On 21 August 2008, South Port New Zealand Limited declared a final dividend for the year to 30 June 2008 of 6.75 cents per share amounting to approximately \$1.771 million (before supplementary dividends). (2007: 5.0 cents per share amounting to approximately \$1.312 million). Environment Southland will receive approximately \$1.177 million (2007: \$0.872 million).

There were no other significant events after balance date.

22 Notes to the Cash Flow Statement

(a) Reconciliation of Cash and Cash Equivalents

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

	Council		Group	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Cash and cash equivalents	404	533	427	673
Short Term Deposits with maturities < 3 months	-	-	100	900
	404	533	527	1,573
Bank overdraft	-	-	(27)	-
	<u>\$404</u>	<u>\$533</u>	<u>\$500</u>	<u>\$1,573</u>

(b) Borrowings - Facilities

Unsecured bank overdraft facility, expiring on 30 November 2008 and payable at call:

- Amount used	-	-	-	-
- Amount unused	2,000	1,800	2,000	1,800
	<u>\$2,000</u>	<u>\$1,800</u>	<u>\$2,000</u>	<u>\$1,800</u>

Secured credit line facility from Westpac on a monthly rolling basis:

- Amount used	-	-	150	1,500
- Amount unused	-	-	1,850	500
	<u>\$Nil</u>	<u>\$Nil</u>	<u>\$2,000</u>	<u>\$2,000</u>

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

	Council		Group	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Surplus / (Deficit)	(1,076)	(11)	244	706
Add (less) non-cash items				
Depreciation	449	424	2,316	2,502
(Gain) / loss on sale of property, plant and equipment	(35)	8	(163)	11
Net change in fair value of investment property and shares	-	-	-	(160)
Net change in fair value of derivative financial instruments	-	-	-	-
Net change in fair value of other financial assets	(653)	(1,181)	(653)	(1,181)
Deferred tax	-	-	52	65
	(239)	(749)	1,552	1,237
Movement in working capital:				
Trade and other receivables	(23)	871	(2,634)	966
Inventories	4	9	4	9
Other current assets	(54)	(6)	(55)	(1)
Trade and other payables	494	(371)	656	(412)
Provisions	-	-	(110)	85
Employee Entitlements	41	214	14	221
Taxation refundable	-	-	31	(61)
	462	717	(2,094)	807
Items classified as Investing Activities:				
Property, plant and equipment included in trade and other payables	(8)	(6)	1,772	(6)
Net cash inflow (outflow) from operating activities	(\$861)	(\$49)	\$1,474	\$2,744

23 Severance Payments (Council only)

For the year ended 30 June 2008 Council made Nil severance payments to employees (2007: Nil).

24 Remuneration (Council only)

During the year to 30 June 2008, the total remuneration and value of other non-financial benefits received by or payable to the Chair, other elected members and the Chief Executive of the Council were as follows:

	Cost During 2007/08			Total
	Remuneration	Meeting fees	Mileage	
<u>Chair</u>				
Stuart Collie	79,507	-	2,201	81,708
<u>Elected members</u>				
Derek Angus QSM, JP	23,416	764	448	24,628
Stuart Baird (up to 20/10/07)	7,016	-	1,121	8,137
Ross Cockburn (from 13/10/07)	16,850	246	4,543	21,639
Neville Cook (from 20/10/07)	16,400	194	398	16,992
David Falconer (up to 13/10/07)	6,634	-	605	7,239
Jim Fenton QSO	23,416	36	291	23,743
Nicol Horrell (from 20/10/07)	16,400	-	3,100	19,500
Ted Loose (up to 13/10/07)	6,634	239	2,564	9,437
Brian Mason	28,127	-	3,317	31,444
Neil McPhail	24,083	732	3,247	28,062
Marion Miller (from 20/10/07)	16,400	230	186	16,816
Maurice Rodway (from 20/10/07)	16,400	-	-	16,400
Ted Tapper (up to 13/10/07)	8,624	228	202	9,054
Ali Timms	30,117	311	6,128	36,556
Diane Wilson	34,283	1,425	-	35,708
Mark Winter (up to 13/10/07)	6,634	-	-	6,634
	<u>360,941</u>	<u>4,405</u>	<u>28,351</u>	<u>393,697</u>

Chief Executive

For the year ending 30 June 2008 the total cost to the Council of the remuneration package being received by the Chief Executive, including the fringe benefit tax of \$8,636 (2007: \$8,391) is calculated at \$189,446. (2007: \$186,285). The new Chief Executive was appointed in July 2007.

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

The Council has the following Council created reserves:

- lease area balances
- special reserves
- rating district balances

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

The Group's overall strategy remains unchanged from 2007.

(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 to the financial statements.

(c) Categories of Financial Instruments

	Council		Group	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Financial Assets				
Cash and cash equivalents	404	533	500	1,573
Trade and other receivables	891	867	5,257	2,588
Other financial assets				
- Fair Value through profit or loss - held for trading	24,126	24,774	24,126	24,774
- Available-for-sale financial assets	-	-	-	369
Financial Liabilities				
Trade and other payables	1,664	1,170	3,024	2,368
Borrowings	-	-	150	1,500

(d) Financial Risk Management Objectives

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

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

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

(e) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk in relation to sales, purchases and borrowings that are denominated in a currency other than the Group's functional currency, New Zealand dollars (\$), which is the presentation currency of the Group. The Group has no forward exchange contracts at the reporting date.

(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 ING and Forsyth Barr. 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 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 ING and Forsyth Barr (refer to Note 8). The Group also holds equity investments which are designated as available-for-sale.

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 other financial assets.

With respect to other financial assets, 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 Note 22 is a listing of 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 assets and financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets or liabilities except where the Council is entitled and intends to repay a liability before its maturity.

Maturity Profile of Financial Instruments

2008	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Maturity Dates						Non-Interest Bearing	Contractual Cashflows
			Less than 1 year	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	8.22%	504	-	-	-	-	-	-	23	527
Trade and other receivables	-	-	-	-	-	-	-	-	5,257	5,257
Other financial assets										
- ING - NZ Government and Local Authority Stock	7.05%	-	2,606	2,222	618	245	2,512	6,015	-	14,218
- ING Asset Management - Other Bonds	7.64%	-	458	-	-	245	2,094	1,772	-	4,569
- ING Asset Management - NZ Cash	-	-	-	-	-	-	-	-	136	136
- Forsyth Barr - Cash Management Funds	-	-	-	-	-	-	-	-	2,341	2,341
- Forsyth Barr - Property	-	-	-	-	-	-	-	-	134	134
- Forsyth Barr - Equities	-	-	-	-	-	-	-	-	6,937	6,937
- Forsyth Barr - Capital Protected Notes	-	-	-	-	-	-	-	-	-	-
- Equity investments	-	-	-	-	-	-	-	-	811	811
Financial Liabilities										
Bank overdraft	-	-	-	-	-	-	-	-	27	27
Trade and other payables	-	-	-	-	-	-	-	-	3,024	3,024
Borrowings	8.82%	150	-	-	-	-	-	-	-	150

2007	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Maturity Dates						Non-Interest Bearing	Contractual cashflows
			Less than 1 year	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	7.58%	1,433	-	-	-	-	-	-	140	1,573
Trade and other receivables	-	-	-	-	-	-	-	-	2,588	2,588
Other financial assets										
- ING - NZ Government and Local Authority Stock	7.03%	-	1,221	1,301	2,343	652	273	9,059	-	14,849
- ING Asset Management - Other Bonds	7.05%	-	1,368	57	-	-	805	2,652	-	4,882
- ING Asset Management - NZ Cash	-	-	-	-	-	-	-	-	(1,073)	(1,073)
- Forsyth Barr - Cash Management Funds	-	-	-	-	-	-	-	-	91	91
- Forsyth Barr - Property	-	-	-	-	-	-	-	-	275	275
- Forsyth Barr - Equities	-	-	-	-	-	-	-	-	9,010	9,010
- Forsyth Barr - Capital Protected Notes	-	-	-	-	-	-	-	-	956	956
- Interest rate swaps	-	-	-	-	-	-	-	-	-	-
- Equity investments	-	-	-	-	-	-	-	-	369	369
Financial Liabilities										
Bank overdraft	-	-	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-	-	-	2,368	2,368
Borrowings	8.15%	1,500	-	-	-	-	-	-	-	1,500

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

2008	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Maturity Dates						Non-Interest Bearing	Contractual cashflows
			Less than 1 year	1-2 years	2-3 Years	3-4 Years	4 -5 Years	> 5 Years		
			\$000	\$000	\$000	\$000	\$000	\$000		
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Financial Assets										
Cash and cash equivalents	8.25%	404	-	-	-	-	-	-	404	
Trade and other receivables	-	-	-	-	-	-	-	891	891	
Other financial assets										
- ING - NZ Government and Local Authority Stock	7.05%	-	2,606	2,222	618	245	2,512	6,015	14,218	
- ING Asset Management - Other Bonds	7.64%	-	458	-	-	245	2,094	1,772	4,569	
- ING Asset Management - NZ Cash	-	-	-	-	-	-	-	136	136	
- Forsyth Barr - Cash Management Funds	-	-	-	-	-	-	-	2,341	2,341	
- Forsyth Barr - Property	-	-	-	-	-	-	-	134	134	
- Forsyth Barr - Equities	-	-	-	-	-	-	-	6,937	6,937	
- Forsyth Barr - Capital Protected Notes	-	-	-	-	-	-	-	-	-	
- Equity investments	-	-	-	-	-	-	-	-	-	
Financial Liabilities										
Bank overdraft	0.00%	-	-	-	-	-	-	-	-	
Trade and other payables	-	-	-	-	-	-	-	1,664	1,664	
Borrowings	0.00%	-	-	-	-	-	-	-	-	

2007	Average	Interest	Fixed Maturity Dates						Bearing	Cashflows
			Less than 1 year	1-2 years	2-3 Years	3-4 Years	4 -5 Years	> 5 Years		
			\$000	\$000	\$000	\$000	\$000	\$000		
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Financial Assets										
Cash and cash equivalents	8.00%	533	-	-	-	-	-	-	533	
Trade and other receivables	-	-	-	-	-	-	-	867	867	
Other financial assets										
- ING - NZ Government and Local Authority Stock	7.03%	-	1,221	1,301	2,343	652	273	9,059	14,849	
- ING Asset Management - Other Bonds	7.05%	-	1,368	57	-	-	805	2,652	4,882	
- ING Asset Management - NZ Cash	-	-	-	-	-	-	-	(1,073)	(1,073)	
- Forsyth Barr - Cash Management Funds	-	-	-	-	-	-	-	91	91	
- Forsyth Barr - Property	-	-	-	-	-	-	-	275	275	
- Forsyth Barr - Equities	-	-	-	-	-	-	-	9,010	9,010	
- Forsyth Barr - Capital Protected Notes	-	-	-	-	-	-	-	956	956	
- Equity investments	-	-	-	-	-	-	-	-	-	
Financial Liabilities										
Bank overdraft	-	-	-	-	-	-	-	-	-	
Trade and other payables	-	-	-	-	-	-	-	1,170	1,170	
Borrowings	-	-	-	-	-	-	-	-	-	

(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 and directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

(k) Sensitivity Analysis

The Group is currently not exposed to any currency risk.

The Group is exposed to interest rate risk arising from tradable bonds, notes and cash investments held for trading as part of its managed funds held with ING and Forsyth Barr.

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 reporting period.

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

- Deficit would decrease/increase by \$171,078 (2007: \$54,795). This is mainly attributable to the Group's exposure to interest rates on its investments within its managed funds held with ING and Forsyth Barr.
- Other equity reserves would remain unaffected.

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

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:

- Deficit would increase/decrease by \$65,300 (2007: \$118,100) in relation to the equity investments at fair value through profit and loss.
- Other equity reserves would increase/decrease by \$29,500 (2007:\$100) in relation to the equity investments classified as available-for-sale.

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

26. Explanation of Major Variances against Budget

Council Statement of Financial Performance for the Year Ended 30 June 2008

	Actual 2008 \$000	LTCCP 2008 \$000	Variance from LTCCP \$000
Revenue			
Rates revenue	7,965	8,242	(277)
Other revenue	8,999	8,062	937
Other gains / (losses)	688	1,665	(977)
Total Operating Revenue	17,652	17,969	(317)
Expenditure			
Employee benefits expense	(6,944)	(6,522)	(422)
Depreciation expense	(449)	(398)	(51)
Finance costs	(25)	(25)	-
Other expenses	(11,310)	(10,721)	(589)
Total Operating Expenditure	(18,728)	(17,666)	(1,062)
Net Operating Surplus/(Deficit)	(\$1,076)	\$303	(\$1,379)

Long-term Council Community Plan

This is the second year of the Long-term Council Community Plan (LTCCP) which covers the 10 year period to 30 June 2016. The LTCCP was adopted in May 2006. The 2008 figures are the second year of those forecasts.

Statement of Financial Performance

The operating deficit of \$1,076,000 was \$1,379,000 below the LTCCP for the year ended 30 June 2008. The major components of this unfavourable result are explained below.

Revenue was below budget by \$317,000. The major items contributing to this variance were:

- rates revenue was \$277,000 less than forecast;
- other revenue was \$937,000 above budget. This was a result of increased activity and includes increased Marine Fee income (\$331,000), Compliance monitoring (\$175,000) and River Works local contributions (\$197,000). Dividend income was above budget by \$131,000 due to an increase in the final dividend payment from South Port New Zealand Limited;
- other gains and losses were \$977,000 below LTCCP. This was primarily due to less than forecasted returns from the managed fund investments held with ING and Forsyth Barr, with actual revenue being \$1,064,000 less than budget.

Operating expenditure was above budget by \$1,062,000. The major items contributing to this variance being:

- an increase in employment benefits expenses of \$422,000 over the LTCCP due to Council decisions to increase staffing, given greater levels of activities, and the financial impact of an extra week's leave entitlement.
- other additional expenses being \$589,000 above budget as a result of increased activity during the year.

Statement of Financial Position
Actual compared to Budget

	Actual	LTCCP
	\$000	\$000
Equity	67,602	68,063
Current Assets	25,709	26,170
Non-Current Assets	44,375	43,958
Current Liabilities	2,451	2,065
Non Current Liabilities	31	-
Net Assets	67,602	68,063

Statement of Cash Flows
Actual compared to Budget

	Actual	LTCCP
	\$000	\$000
Net cash flow from operating activities	(861)	(964)
Net cash flow from investing activities	732	1,126
Net cash flow from financing activities	-	-
Increase/(Decrease) in cash held	(129)	162
Add opening cash brought forward	533	107
Ending cash carried forward	\$404	\$269

Statement of Financial Position

The major difference in the forecast and actual Statement of Financial Position is from term investments, which at \$24,126,000 on 30 June 2008 compared with forecast \$23,298,000, exceed forecast by \$828,000. The reason for this increase is the investment of cash surpluses from greater than forecast investment returns by arranging coverage of short term cash needs by overdraft in the first instance before withdrawing investments. Offsetting this is a reduction in Accounts Receivable of \$809,000 and a permanent reduction in Dividend Receivable of \$654,000, resulting from a change in South Port's dividend recognition policy. Fixed Assets have increased by \$417,000 and employee entitlements have increased by \$253,000 due to increased staff numbers and an extra week's annual leave entitlement.

Cash Flow Statement

The budget variations explained above also contribute to the budget variations in the Cash Flow Statement, particularly cash flows from operating and investing activities.

Cash required for the purchase of property, plant and equipment was above budget by \$391,000 and opening cash brought forward exceeded forecast by \$426,000.

Auditor's Report



AUDIT REPORT TO THE READERS OF ENVIRONMENT SOUTHLAND AND GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2008

The Auditor-General is the auditor of Environment Southland (the Regional Council) and group. The Auditor-General has appointed me, P F Heslin, using the staff and resources of Deloitte, to carry out an audit on his behalf. The audit covers the Regional Council's compliance with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report of the Regional Council and group for the year ended 30 June, 2008, including the financial statements.

Unqualified Opinion

In our opinion:

- The financial statements of the Regional Council and group on pages 70 to 114:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect :
 - the Regional Council and group's financial position as at 30 June, 2008; and
 - the results of its operations and cash flows for the year ended on that date.
- The service provision information of the Regional Council and group on pages 12 to 66 fairly reflects the levels of service provision as measured against the intended levels of service provision adopted, as well as the reasons for any significant variances, for the year ended on that date; and
- The Council has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report (the "other requirements").

The audit was completed on 22 October, 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements, performance information and the other requirements did not have material misstatements, whether caused by fraud or error.

Deloitte.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, performance information and the other requirements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements, performance information and the other requirements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Council;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, performance information and the other requirements.

We evaluated the overall adequacy of the presentation of information in the financial statements, performance information and the other requirements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Regional Council and group as at 30 June, 2008. They must also fairly reflect the results of its operations and cash flows and the levels of service provision for the year ended on that date. The Council is also responsible for meeting the other requirements of schedule 10 and including that information in the annual report. The Council's responsibilities arise from Section 98 and Schedule 10 of the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements, performance information and the other requirements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.



Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit we have carried out assignments in the areas of conducting the audit of the Long Term Council Community Plan and provision of financial reporting advice which are compatible with these independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Regional Council or any of its subsidiaries.




P F Heslin
Partner, Deloitte
On behalf of the Auditor-General
Dunedin, New Zealand

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Matters Relating to the Electronic Presentation of the Audited Financial Statements, Performance Information and the Other Requirements

This audit report relates to the financial statements, performance information and the other requirements of Environment Southland for the year ended 30 June, 2008 included on the Environment Southland's website. Environment Southland is responsible for the maintenance and integrity of the Environment Southland website. We have not been engaged to report on the integrity of the Environment Southland website. We accept no responsibility for any changes that may have occurred to the financial statements since it was initially presented on the website.

The audit report refers only to the financial statements, performance information and the other requirements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements, performance information and the other requirements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, performance information and the other requirements as well as the related audit report dated 22 October, 2008 to confirm the information included in the audited financial statements, performance information and the other requirements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Equal Employment Opportunities

Policy Statement

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

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

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

Objectives

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

In each case, the best applicant was chosen after extensive newspaper and Internet advertising, reviewing education and experience appropriate for the job, and having regard to career development opportunities for internal applicants. Procedures for ensuring fairness to both internal and external applicants are monitored for consistency of approach.

The Internet is a significant tool for recruitment of professional staff. All permanent positions are advertised on our own website, as well as on nationwide recruitment sites, resulting in applications from throughout New Zealand and off-shore.

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

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

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

During the year, a new Flexible Working Hours Policy was developed and implemented, in consultation with staff. The policy addresses the process by which staff wishing to move to a flexible working arrangement within their existing position (because of their responsibilities of care for another person) will be handled. Educational material such as EEO Trust promotional information and human resource literature is made available in the staff cafeteria as it becomes available. Staff are encouraged to utilise these and other resources such as the Workplace Support contact should they have concerns.

Health and Safety in the Workplace

Policy Statement

Environment Southland is committed to providing and maintaining a safe and healthy working environment for all staff. Our commitment is to leadership, not mere compliance with the Health and Safety in Employment Act and Amendments.

We aim to enhance our health and safety performance by ensuring that best practice is followed at all times and that health and safety issues are an integral part of our organisational policies.

We also recognise our obligations to visitors to Environment Southland and to its contractors.

We will do this by:

- ▲ recognising that successful management of health and safety issues is best achieved through good faith co-operation in the place of work.
- ▲ involving all staff in all aspects of health and safety management.
- ▲ developing appropriate tools and processes to meet our health and safety obligations and seeking continuous improvement.
- ▲ meeting, or exceeding industry standards, statutes and regulations.
- ▲ making sure that all managers, supervisors, staff, volunteers and contractors understand and are able to meet their responsibilities.
- ▲ identifying, assessing and managing hazards to minimise accidents and incidents in the work place.
- ▲ providing resources, training and support to meet our health and safety plans and policies.
- ▲ recognising through internal communication any extra contribution individual staff may have made to Health and Safety management or systems.

Objectives

- ▲ *To encourage the present safety conscious workplace culture.*

40 staff hold current First Aid Certificates. A current list is placed beside all First Aid Kits in the building. Many staff also attended industry related health and safety courses.

- ▲ *To ensure policies or standard operating procedures to minimise incidents and accidents in the workplace continue to be effective and maintained.*

As per the Health and Safety Management Plan, Divisional Managers maintain divisional health and safety procedures in their sections. Copies of all Standard Operating Procedures are available to view on the intranet.

- ▲ *To have no serious harm accidents or injuries in the workplace.*

No serious harm incidents were reported during the period for all staff, however, a contractor did have a serious harm accident and all correct procedures were followed.

- ▲ *To continue support for the Health and Safety Committee at a staff level.*

An active Health and Safety Committee was maintained.

- ▲ *To continue to promote wellness activities in the workplace.*

Environment Southland promoted its own Health and Safety week with the focus being health and wellbeing. Southern Institute of Technology nursing students came and gave staff health checks, a fire DVD was shown, tyre changing demonstration given and exercycles and rowing machines available for staff to try during the week. Active participation in the Wai Tri multi-sport event and Corporate Rowing

Challenge was encouraged. Flu vaccinations offered annually to staff. General information on healthy living passed onto staff as this comes to hand.

- ▲ *To undertake an annual internal audit of divisional compliance with the Health and Safety Management Plan.*

The audit was conducted in July 2007.

- ▲ *To maintain the tertiary level of assessment under the ACC Workplace Safety Management Programme.*

The biannual audit was conducted on 29 September 2006. The tertiary level of the ACC Workplace Safety Management Programme was maintained.