

# Annual Report 2020/21



environment  
**SOUTHLAND**  
REGIONAL COUNCIL

Te Taiao Tonga

# Contents

	Page
<b>Message from the Chairman and Acting Chief Executive</b>	<b>2</b>
<hr/>	
<b>Opportunities for Māori to contribute to decision making</b>	<b>4</b>
<hr/>	
<b>Our activities in depth (<i>Ko Te Hohonutanga Ō Ā Tātou Mahi</i>)</b>	
Our activities in depth – groups of activities	6
1. Regional Leadership	9
2. Environmental Stewardship	13
3. Whakahoki Te Mana (Restoring the Mana)	20
4. Community Resilience	26
<hr/>	
<b>Finances (<i>Pūtea</i>)</b>	
Financial statements and notes to the financial statements	30
Additional disclosure information	84
Local Government (Financial Reporting and Prudence) Regulations 2014	85
<hr/>	
<b>Audit opinion (<i>Arotake</i>)</b>	<b>92</b>
<hr/>	
<b>Collaboration across Councils – shared services</b>	<b>96</b>
<hr/>	

# Message from the Chairman and Acting Chief Executive

## ***Environment Southland's achievements from July 2020 to June 2021***

Our Annual Report for 2020/21 is a great opportunity to reflect on what we, as a region, have achieved.

Our community faced a tumultuous year, with the ongoing threat of COVID-19 and recovery from the February 2020 flooding event, yet we have demonstrated tremendous resilience.

With adversity comes opportunities and we've certainly seen that.

We were presented with significant funding opportunities through the Government's economic recovery package. This meant we were able to start planning for, and work on, upgrading our stopbanks and flood protection schemes in the Waiau, Mataura and Ōreti river catchments. It also meant we were able to get a range of Jobs for Nature funded biosecurity projects underway, particularly in Fiordland.

Freshwater management remains our top priority. While we have some big decisions ahead, which will require commitment, innovation and willingness from all sectors of the community, our People, Water and Land programme has continued to make progress to improve water quality and meet our statutory obligations.

In partnership, Environment Southland and Te Ao Marama Inc wove together one set of environmental outcomes for Southland. They articulate where our communities want to get to and what our region is aiming for in terms of freshwater and estuary health. This is leading edge work that has received national interest by other regional councils and interested groups.

We've supported our community – individuals, catchment groups, community groups and schools, to understand their local environment and take action, particularly through the work of our catchment integration team.

Despite intense pressure in an ever-changing regulatory world, our consents team has met compliance timeframes almost 100% of the time, while building staff experience and knowledge to face the challenges ahead of us, particularly in relation to new freshwater regulations.

We know that we can't achieve the outcomes we want for the environment and our community alone, so we have strengthened and built on our relationships with others – councils, catchment groups, industry partners and many more.

These partnerships have been critical in making change in areas such as intensive winter grazing, where we have seen very pleasing progress towards improved practice.

During the year we strove to find efficiencies and we achieved significant cost savings across the organisation of \$2.1 million. Even after these savings, our day-to-day operating expenses remained \$1.2 million in deficit, meaning our everyday income did not cover our everyday expenses.

We finished the year with a reported surplus of \$3.27 million. However, \$3.2 million of this relates to unrealised income from our investment portfolio and a further \$1.26 million is Government funds tagged for economic recovery projects that cannot be used for other work.

Faced with a loss of income and increasing costs of additional work, we had to make some difficult decisions in our Long-term Plan when it came to increasing rates and taking on debt, but this has been done with a firm plan to move us back to a financially prudent position. It will take a few years, but the plan is well mapped out to repay debt and ensure our everyday income meets our everyday costs.

Previously, we have used our financial reserves and relied on our investment income and we could not continue to do this. Our reserves are essential as a lifeline for when we really need them, as we did following the February floods.

We know we have some challenges ahead, with ongoing loss of cruise ship income and uncertain investment returns. Our plans are based around being prepared for these challenges and the others we know are coming, including implementation of the Government's most substantial change to freshwater management in a generation and the reform of the Resource Management Act.

There's no doubt that we've demonstrated our resilience as a region, never more so than over the past 18 months, so we are confident we can continue to do what is needed to ensure a thriving Southland for everyone who lives, works and visits here.

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

This report was approved and adopted by a meeting of the Council on 24 November 2021.



Nicol Horrell  
**Chairman**



Wilma Falconer  
**Acting Chief Executive**

# Opportunities for Māori to contribute to decision-making

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

## Charter of understanding

To help promote and develop its relationship with Māori, Environment Southland, together with six other local authorities in Southland/Otago, signed with Te Ao Marama Inc the Charter of Understanding *He Huarahi mō Ngā Uri Whakatapu - A Pathway for the Generations Coming Through*.

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

The Charter of Understanding provides:

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

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

Consistent with the changes to the Charter referred to above, Te Rōpu Taiao includes ngā mātāwaka representatives; and meetings are usually held quarterly.

## Fostering Māori capacity

The points below highlight progress with a number of initiatives undertaken during 2020/21 aimed at fostering Māori capacity:

- as part of the 2021-2031 Long-term Plan development process, Te Ao Marama Inc carried out a comprehensive assessment of capacity needs going forward and the outcomes of this assessment were built into Environment Southland's Long-term Plan;
- a Principal Advisor Māori was appointed to help build understanding and capacity within Environment Southland to support Māori involvement in decision making;
- regular liaison meetings between the Te Ao Marama Inc manager and Council executive were held, as well as regular contact at all staff levels;
- the partnership with Te Ao Marama Inc was continued in the People, Water and Land Programme and the Whakamana te Waituna project to progress Te Mana o Te Wai;
- existing protocols with Māori were maintained in relation to the ways in which Council undertakes its statutory duties;
- Te Tangi a Tauira, the Ngāi Tahu Murihiku Resource Management Plan, was referred to and reported against when assessing resource consent applications and policy and plan development;

- the commitment to ongoing funding of Te Ao Marama Inc was maintained, with Environment Southland acting as the central financial manager for all the Councils' contributions and distribution of funds to Te Ao Marama Inc;
- Council continued contribute to funding for a kaitohutohu position within Te Ao Marama Inc to assist with the People, Water and Land Programme;
- Council continued to tiamana (chair) Te Rōpu Taiao hui (meetings);
- an invitation for two mana whenua representatives to be appointed onto two of the Council's standing committees – Strategy and Policy Committee and Regional Services Committee – remained open.

### **Future challenges**

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

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

Set out on the following pages are the activities we undertook and the associated financial forecasts and actuals for the year ended 30 June 2021.

### Groups of activities, levels of service and performance measures

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

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

We manage our work in activities and these activities aggregate up to our divisional management structure. Each programme area contains a statement that shows which of our activities deliver the programmes, the cost, and the combined funding sources involved. The funding arrangements are in accordance with the Revenue and Financing Policy as set out in the 2018-2028 Long-term Plan.

### Effects of activities

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

Any work programme we undertake that enables natural resource use and development must balance the economic interests of the present with the need for sustainable use into the future, including any significant negative social, environmental or cultural effects that unsustainable use may deliver. In addition, activities proposed to be undertaken by the Council in the Long-term Plan have the objective of improving the existing work programme where negative environmental effects are evident, may arise, or need to be managed.

### Performance measures

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

Our performance is measured in terms of:

- **Timeliness** – completion of activities by 30 June 2021, unless otherwise stated.
- **Cost** – completion of activities within the planned costs.
- **Quantity** – completion of outputs to the quantity standards specified.
- **Quality** – completion of all activities to meet quality expectations of elected Councillors and quality control procedures in place.
- **Location** – in all cases where a location is specified, the target is to deliver the service in that location.

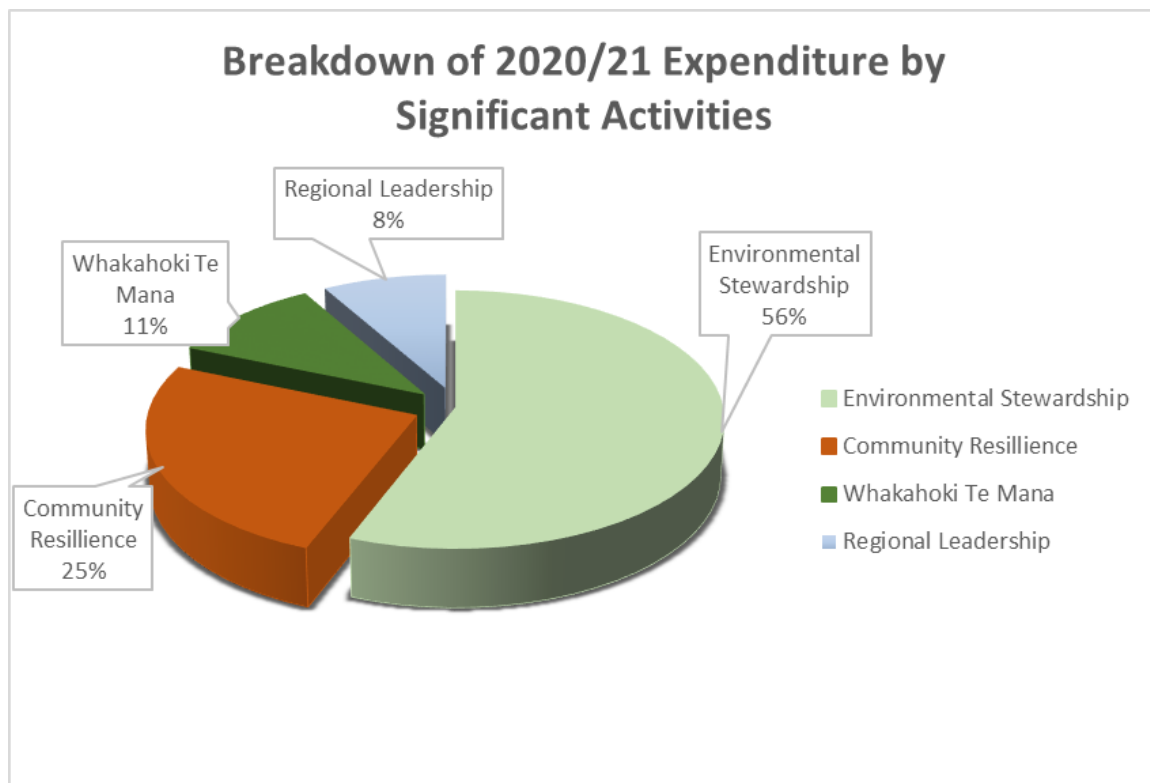
## Results

The results against the performance measures and targets for the 2020/21 year are shown as Achieved, Not Achieved or Not Applicable, if the target relates to a different time period.

Results for 2020/21	
Achieved	9
Not Achieved	9
Not Applicable	0

Overall, the year-end result for the 2020/21 performance targets is 50% (9 of 18) achievement level. This compares with 44% (2019/20) and 63% (2018/19) and is reflective of some targets being aspirational and others having dependencies outside of our control.

Events during the year contributed to the delays and non-achievement in some programmes e.g. the ongoing impacts from the February 2020 floods and the COVID-19 pandemic. Several new programmes of work were established as a result of gaining significant Government funding such as the flood protection shovel ready projects and biodiversity action on the ground projects.





**Consolidated Funding Impact Statement  
for the year ended 30 June 2021**

Annual Plan 2019/20	Actual 2019/20		Actual 2020/21	Annual Plan 2020/21	LTP 2020/21
\$000	\$000	Sources of Funding	\$000	\$000	\$000
9,972	10,084	General rates, uniform annual charges, rates penalties	10,814	10,764	10,623
8,344	8,335	Targeted rates	8,353	8,362	8,923
0	0	Subsidies and grants for operating purposes	0	0	0
10,312	12,886	Fees and charges	11,507	7,007	9,211
4,575	4,558	Interest and Dividends from investments	4,571	4,535	4,575
1,113	1,036	Local authorities fuel tax, fines, infringement fees and other receipts	1,245	1,007	1,157
<b>34,316</b>	<b>36,899</b>	<b>Total Operating Funding</b>	<b>36,491</b>	<b>31,674</b>	<b>34,490</b>
		<b>Applications of Operating Funding</b>			
27,632	31,058	Payments to staff and suppliers	29,795	26,232	26,561
75	96	Financing Costs	38	75	100
7,655	7,220	Internal Charges and overheads recovered	0	0	7,989
0	0	Other operating funding applications	7,628	7,878	0
<b>35,362</b>	<b>38,374</b>	<b>Total Applications of Operating Funding</b>	<b>37,460</b>	<b>34,185</b>	<b>34,650</b>
<b>(1,046)</b>	<b>(1,475)</b>	<b>Surplus/(deficit) of operating funding</b>	<b>(970)</b>	<b>(2,510)</b>	<b>(160)</b>
		<b>Sources of capital funding</b>			
0	0	Subsidies and grants for capital expenditure	1,261	0	0
0	0	Development and financial contributions	0	0	0
0	0	Increase / (decrease) in debt	0	0	0
0	0	Other dedicated capital funding	0	0	0
474	645	Gross proceeds from the sale of assets	101	97	97
0	0	Lump sum contributions	0	0	0
<b>474</b>	<b>645</b>	<b>Total sources of capital funding</b>	<b>1,361</b>	<b>97</b>	<b>97</b>
		<b>Applications of capital funding</b>			
		Capital expenditure			
9	2	- to meet additional demand	17	0	0
310	2,750	- to improve the level of service	10	500	0
1,437	384	- to replace existing assets	256	495	495
(1,308)	1,672	Increase/(decrease) in Reserves	3,356	(409)	(558)
(1,020)	(5,639)	Increase/(decrease) in Investments	(3,247)	(3,000)	0
<b>(572)</b>	<b>(830)</b>	<b>Total applications of capital funding</b>	<b>391</b>	<b>(2,413)</b>	<b>(63)</b>
<b>1,046</b>	<b>1,475</b>	<b>Surplus/(deficit) of capital funding</b>	<b>970</b>	<b>2,510</b>	<b>160</b>
<b>(0)</b>	<b>0</b>	<b>Funding Balance</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>

**Reconciliation of Funding Impact Statement to Statement of Comprehensive Revenue & Expense  
for the year ended 30 June 2021**

<b>(1,046)</b>	<b>(1,475)</b>	<b>Surplus / (deficit) of Operating Funding in Funding Impact Statement</b>	<b>(970)</b>	<b>(2,510)</b>	<b>(160)</b>
		<b>Add / (deduct)</b>			
1,342	1,550	Increase / (decrease) in fair value of investment portfolio	3,810	590	1,351
350	588	Profit / (loss) on disposal of assets	37	0	0
(833)	(716)	Depreciation	(703)	(808)	(845)
0	58	(Increase) / decrease in provision for doubtful debts	95	0	0
0	0	Impairment	(258)	0	0
0	0	Increase / (decrease) in subsidies and grants for capital expenditure	1,261	0	0
<b>(187)</b>	<b>5</b>	<b>Surplus / (deficit) in Statement of Comprehensive Revenue &amp; Expense</b>	<b>3,274</b>	<b>(2,728)</b>	<b>346</b>

# 1. Regional Leadership

Environment Southland provides leadership for regionally significant activities. The Regional Leadership group of activities focuses on the opportunities in leading and partnering with others to protect, enhance and achieve value from the region's natural resources.

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

## Relationship with Māori

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

## Regional initiatives and collaboration

- **The Governance Activity** – various situations and projects arise where local government, iwi and other organisations jointly need to be involved. Mechanisms to allow this to occur include the Mayoral Forum, Te Rōpu Taiao and the Regional Planning Working Group. An example of this is Emergency Management Southland, which is a readiness, response and recovery agency for emergency situations such as floods. It is a shared service between all the Southland councils and it works closely with communities and community groups.
- **The Policy and Planning Activity** – the Regional Planning Working Group (made up of senior planning staff from the four local authorities and Te Ao Marama Inc) is designed to enable a joint approach to regional matters, predominately in the resource management space. These items include a co-ordinated collaborative approach to the reform of the Resource Management Act and National Planning Standard implementation, as well as a number of joint projects such as Light Detection and Ranging (LiDAR) acquisition.

## Transport management

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

## Governance

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

**Communication and engagement**

- **The Communications Activity** – communication and engagement is a strategic function of the Council that works across the organisation, building relationships with stakeholders and Southland communities. The outcomes sought by the organisation require a community effort. Communication and engagement is about sharing information, gaining insight from the community to assist with governance decision making and helping the community to understand what they can do to meet those outcomes.

**Key results from the year**

- The development of the 2021-2031 Long-term Plan and new groups of activities, activities, levels of service, performance measures and targets.
- A co-ordinated, collaborative approach to national policy directives including the work of the Southland Intensive Winter Grazing Advisory Group and cross-Council work on the reform of the Resource Management Act and National Planning Standard implementation.

**Future challenges**

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

**How much did we spend on this group of activities in 2020/21?**

\$3.1 million

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

Regional Leadership	
Achieved	1
Not Achieved	0
Not Applicable	0



Measures and targets	Results for 2020/21
<p><b>Level of service:</b> Engage with Southlanders by sharing information that is compelling, relevant and timely.</p>	
<p><b>Measures:</b> From the annual survey, percentage of respondents who name Environment Southland as the authority responsible for managing Southland’s natural resources.</p> <p><b>Targets (Years 1-10):</b> <math>\geq 90\%</math></p>	<div style="text-align: center; border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p><b>Achieved</b></p> </div> <p>The perceptions survey is carried out each year (September 2021), and reflects back on the financial year before.</p> <p>Prompted:</p> <ul style="list-style-type: none"> <li>▪ Residents - 99%</li> <li>▪ Farmers - 100%</li> </ul> <p>Unprompted:</p> <ul style="list-style-type: none"> <li>▪ Residents - 76%</li> <li>▪ Farmers - 88%</li> </ul> <p>(Average: 90.75%)</p>

**Funding Impact Statement - Regional Leadership  
for the year ended 30 June 2021**

LTP 2019/20	Actual 2019/20		Actual 2020/21	Annual Plan 2020/21	LTP 2020/21
\$000	\$000		\$000	\$000	\$000
<b>Sources of Funding</b>					
2,225	2,334	General rates, uniform annual charges, rates penalties	2,175	2,198	2,274
0	0	Targeted rates	0	0	0
0	0	Subsidies and grants for operating purposes	0	0	0
209	153	Fees and charges	158	210	219
0	0	Internal Charges and overheads recovered	0	0	0
988	1,045	Local authorities fuel tax, fines, infringement fees and other receipts	910	892	944
<b>3,422</b>	<b>3,532</b>	<b>Total Operating Funding</b>	<b>3,244</b>	<b>3,300</b>	<b>3,437</b>
<b>Applications of Operating Funding</b>					
2,883	2,580	Payments to staff and suppliers	2,002	2,645	2,807
11	9	Financing Costs	3	8	10
914	961	Internal Charges and overheads recovered	0	0	914
0	0	Other operating funding applications	1,118	964	0
<b>3,808</b>	<b>3,550</b>	<b>Total Applications of Operating Funding</b>	<b>3,124</b>	<b>3,618</b>	<b>3,732</b>
<b>(386)</b>	<b>(18)</b>	<b>Surplus/(deficit) of operating funding</b>	<b>120</b>	<b>(318)</b>	<b>(294)</b>
<b>Sources of capital funding</b>					
0	0	Subsidies and grants for capital expenditure	0	0	0
0	0	Development and financial contributions	0	0	0
0	0	Increase / (decrease) in debt	0	0	0
0	0	Other dedicated capital funding	0	0	0
0	0	Gross proceeds from the sale of assets	101	0	0
0	0	Lump sum contributions	0	0	0
<b>0</b>	<b>0</b>	<b>Total sources of capital funding</b>	<b>101</b>	<b>0</b>	<b>0</b>
<b>Applications of capital funding</b>					
Capital expenditure					
0	0	- to meet additional demand	1	0	0
0	0	- to improve the level of service	0	0	0
50	0	- to replace existing assets	3	0	12
(193)	0	Increase/(decrease) in Reserves	936	53	(161)
(242)	(18)	Increase/(decrease) in Investments	(720)	(372)	(146)
<b>(386)</b>	<b>(18)</b>	<b>Total applications of capital funding</b>	<b>221</b>	<b>(318)</b>	<b>(294)</b>
<b>386</b>	<b>18</b>	<b>Surplus/(deficit) of capital funding</b>	<b>(120)</b>	<b>318</b>	<b>294</b>
<b>(0)</b>	<b>0</b>	<b>Funding Balance</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
36	26	Depreciation and Impairment expense (not included in the above FIS)	43	31	35

## 2. Environmental Stewardship

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

### Resource management

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

### Community partnerships

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

### Biodiversity management and biosecurity

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

## Harbour management and marine oil spills

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

## Monitoring, data and information

- **The Science Informatics and Operations Activity** – carrying out much of the organisation's State of the Environment monitoring required by legislation, working closely with our scientists and ensuring that data/information collected meets appropriate standards, is fit for purpose and is readily available for informed science-based decision making. Priority areas of data use include maintaining and improving Southland's water quality and working towards achieving the National Environmental Standards for Air Quality, where legislation currently requires us to monitor PM<sub>10</sub> emissions in the Invercargill and Gore airsheds.
- **The Science Strategy and Investigations Activity** – ensuring timely access to high quality environmental information through effective monitoring, analysis and reporting systems. Responsibilities include the design of the long-term environmental monitoring programmes required by legislation and ensuring the data and information collected by the Science Informatics and Operations Division, as part of these programmes, is appropriately analysed and reported on. As well as showing compliance with national and regional environmental standards/objectives (state) and direction of travel (trend), the division also provides information about the natural systems of the region and advises on how best to manage natural resources.

Alongside the organisation's own monitoring, analysis and reporting of environmental information, the science division engages with research agencies and other knowledge holders to provide an integrated knowledge base for the region.

## Key Results from the Year

- Securing central government funding (Jobs for Nature) to significantly increase biodiversity and biosecurity action on the ground programmes in the region.
- Information and advice to the community on the health of their local environment and how to take action continued to be provided.
- Proposed Southland Water and Land Plan appeals heard by the Environment Court.
- Collaborative processes continued for transport planning at inter-region and South Island levels.
- The Fiordland VHF project to provide improved maritime communication from Doubtful Sound to Bluff was completed.

## Future Challenges

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

## How much did we spend on this group of activities in 2020/21?

\$20.9 million

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

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

Measures & Targets (Years 1-10)	Results for 2020/21
<p><b>Level of service:</b> Process and determine resource consent applications in accordance with statutory requirements.</p>	
<p><b>Measures:</b> Timeliness of resource consent processing. Rates of appeals upheld in Court.</p> <p><b>Targets:</b> 98% timeframe compliance. No resource consent decisions are overturned in Court unless the application is amended through that process.</p>	<div style="text-align: center; border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"> <p><b>Achieved</b></p> </div> <p>Target achieved.</p> <p>99% within the statutory timeframes for the period 1 July 2020 to 30 June 2021.</p> <p>One consent decision appeal was heard by the Environment Court, resulting in an interim decision reflecting an amended and agreed position by the parties. This subsequently resulted in the settlement of the appeal by agreement between the parties, although the formal resolution actually occurred in the 2021/22 reporting year.</p>
<p><b>Level of service:</b> Deliver a risk-based compliance monitoring programme for consented and permitted activities and provide 24 hour incident response to achieve compliance through encouragement, enabling, educating, and enforcing legislation.</p>	
<p><b>Measures:</b> Ensuring that the people, companies, consent holders and industries that utilise resources meet the expected behaviours outlined in the legislation, regional plans, National Environmental Standards and resource consents.</p> <p><b>Targets:</b> Environmental incidents requiring enforcement will be actioned within six months of the Council being made aware of the incident.</p> <p>A Compliance Monitoring Report for the previous financial year will be completed for the Southland community annually by December.</p>	<div style="text-align: center; border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"> <p><b>Achieved</b></p> </div> <p>All enforcement actions were completed within six months of becoming aware of the incident.</p> <p>The 2019/20 Compliance Monitoring Report was completed in November 2020.</p>



Measures & Targets (Years 1-10)	Results for 2020/21
<p><b>Level of service:</b> Allocation of natural resources.</p>	
<p><b>Measures:</b> The development of a plan change to the Water and Land Plan to set freshwater limits that comply with the National Policy Statement for Freshwater Management 2014 (amended 2017).</p> <p><b>Targets:</b> Freshwater values, objectives and targets for the community are identified by June 2019.</p> <p>A plan change to the Water and Land Plan to set NPSFM limits then being developed through a series of stages as per proposed project plan from June 2019.</p>	<div data-bbox="986 376 1235 454" style="border: 1px solid black; background-color: #c6e0b4; padding: 5px; text-align: center; margin-bottom: 10px;"> <p><b>Achieved</b></p> </div> <p>The plan change to the Water and Land Plan to set NPSFM limits continued to be developed. A package of values and draft objectives for freshwater was confirmed by Council and the Te Ao Marama Inc board in November 2020 and work on methods and limits (including targets) continued throughout the 2020/21 year.</p>
<p><b>Measures:</b> The Regional Coastal Plan is operative and complies with the New Zealand Coastal Policy Statement.</p> <p><b>Targets:</b> A plan change to the Regional Coastal Plan being developed through a series of stages as per proposed project plan from June 2019.</p>	<div data-bbox="970 860 1254 940" style="border: 1px solid black; background-color: #fce4d6; padding: 5px; text-align: center; margin-bottom: 10px;"> <p><b>Not achieved</b></p> </div> <p>The Regional Coastal Plan review drafting has been extended due to changes to Council priorities as a result of COVID-19 and the launch of the Essential Freshwater package.</p> <p>It is intended that the new Regional Coastal Plan will be publicly notified in 2023.</p>
<p><b>Measures:</b> The Regional Air Plan complies with the National Environmental Standards for Air Quality (NESAQ) and is fully operative.</p> <p><b>Targets:</b> The pending Government regulations on the NESAQ are adopted by the Council by June 2019.</p> <p>A plan change to the Regional Air Plan to set new air quality limits then being developed as per proposed project plan from June 2019.</p>	<div data-bbox="970 1317 1254 1397" style="border: 1px solid black; background-color: #fce4d6; padding: 5px; text-align: center; margin-bottom: 10px;"> <p><b>Not achieved</b></p> </div> <p>Environment Southland has been unable to achieve this target as the Government is developing new legislative changes.</p> <p>It is unclear when the NESAQ will be released.</p>
<p><b>Level of service:</b> Provide land management advice and education for sustainability to rural and urban Southland.</p>	

Measures & Targets (Years 1-10)	Results for 2020/21
<p><b>Measures:</b> Provide land management advice (including forestry advice) to agricultural and agri-business initiatives.</p> <p><b>Targets:</b> 100,000 hectares per year, as per agreed Farm Plans.</p>	<p style="text-align: center;"><b>Achieved</b></p> <p>Advice was provided to landowners on properties totalling 185,639 hectares.</p> <p>As part of this, 19 Farm Environment Plans have been completed.</p>
<p><b>Level of service:</b> To maintain and enhance indigenous biodiversity.</p>	
<p><b>Measures:</b> Projects in biodiversity management support the maintenance of indigenous biodiversity.</p> <p><b>Targets:</b> 100% of all high priority actions in the Regional Biodiversity Strategy's Action Plan are implemented and achieved, and reported on annually.</p>	<p style="text-align: center;"><b>Not achieved</b></p> <p>There has been no further work on the four priority projects identified by Biodiversity Southland, as these projects are yet to be approved or agreed to by individual partners.</p>
<p><b>Level of service:</b> To minimise the adverse effects of pests that disrupt the environment, economy and community.</p>	
<p><b>Measures:</b> Pest programmes are implemented according to best practice, which minimise the adverse effects of pests.</p> <p><b>Targets:</b> 100% of all high priority actions in the Regional Biosecurity Strategy's Action Plan are implemented and achieved and reported on annually.</p>	<p style="text-align: center;"><b>Not achieved</b></p> <p>88% of high priority actions were completed (107 of 121 actions). 91% (96 of 105) of low/medium priority actions were completed.</p> <p>Some actions were not completed as a result of lack of staff capacity due to the increased staff time required by the new Jobs for Nature projects. However, this has not significantly affected the effectiveness of biosecurity in the region.</p>
<p><b>Level of service:</b> To provide timely access to high quality environmental information through effective monitoring, analysis and reporting systems.</p>	
<p><b>Measures:</b> Environmental information is analysed and reported on to demonstrate compliance with national and regional standards/objectives (state) and show direction of travel (trend), as well as</p>	<p style="text-align: center;"><b>Achieved</b></p>

Measures & Targets (Years 1-10)	Results for 2020/21
<p>provide an understanding of the natural systems of the region and how best to manage these.</p> <p><b>Targets:</b> State and trend information is easily accessible and updated at least annually.</p> <p>Scientific information about the region’s natural systems is also easily accessible.</p>	<p>The state and trend of environmental data (water and air quality) is currently available on the Land Air Water Aotearoa (LAWA) and Environment Southland website.</p> <p>Ten reports this year have been prepared about the region’s natural systems in Southland.</p> <p>Up-to-date summer monitoring programme results are available on our website and on LAWA.  <a href="https://www.lawa.org.nz/explore-data/southland-region/river-quality/oreti-river/oreti-river-at-wallacetown/">https://www.lawa.org.nz/explore-data/southland-region/river-quality/oreti-river/oreti-river-at-wallacetown/</a>.</p> <p>A link is also available on the Environment Southland webpage <a href="http://gis.es.govt.nz/index.aspx?app=swimming-and-shellfish">http://gis.es.govt.nz/index.aspx?app=swimming-and-shellfish</a>.</p>
<p><b>Level of service:</b> To engage with research agencies and other knowledge holders to provide an integrated knowledge base for the region.</p>	
<p><b>Measures:</b> Environment Southland’s environmental information is connected with the work of research agencies and other knowledge holders.</p> <p><b>Targets:</b> A multi-agency approach to fish monitoring, estuary science, coastal monitoring and mitigation effectiveness and farm system monitoring is fully operative by 30 June 2020.</p>	<div style="text-align: center; border: 2px solid orange; padding: 5px; width: fit-content; margin: 0 auto;"> <p><b>Not achieved</b></p> </div> <p>This project has changed and is now focused on Fish Passage. Staff are working with a number of partners via Jobs for Nature funded projects.</p>

Funding Impact Statement - Environmental Stewardship  
for the year ended 30 June 2021

LTP 2019/20	Actual 2019/20		Actual 2020/21	Annual Plan 2020/21	LTP 2020/21
\$000	\$000	Sources of Funding	\$000	\$000	\$000
5,093	4,793	General rates, uniform annual charges, rates penalties	6,152	6,224	5,493
4,424	4,651	Targeted rates	4,477	4,477	4,739
0	0	Subsidies and grants for operating purposes	0	0	0
8,022	8,970	Fees and charges	7,668	4,860	7,096
0	0	Internal Charges and overheads recovered	0	0	0
3,362	3,837	Local authorities fuel tax, fines, infringement fees and other receipts	3,819	3,529	3,434
<b>20,901</b>	<b>22,251</b>	<b>Total Operating Funding</b>	<b>22,116</b>	<b>19,090</b>	<b>20,762</b>
		<b>Applications of Operating Funding</b>			
18,662	17,433	Payments to staff and suppliers	17,617	14,999	18,313
57	52	Financing Costs	21	42	57
1,260	3,345	Internal Charges and overheads recovered	0	0	1,208
0	0	Other operating funding applications	3,246	3,954	0
<b>19,979</b>	<b>20,831</b>	<b>Total Applications of Operating Funding</b>	<b>20,884</b>	<b>18,996</b>	<b>19,578</b>
<b>921</b>	<b>1,420</b>	<b>Surplus/(deficit) of operating funding</b>	<b>1,232</b>	<b>95</b>	<b>1,184</b>
		<b>Sources of capital funding</b>			
0	0	Subsidies and grants for capital expenditure	0	0	0
0	0	Development and financial contributions	0	0	0
0	0	Increase / (decrease) in debt	0	0	0
0	0	Other dedicated capital funding	0	0	0
52	645	Gross proceeds from the sale of assets	0	97	97
0	0	Lump sum contributions	0	0	0
<b>52</b>	<b>645</b>	<b>Total sources of capital funding</b>	<b>0</b>	<b>97</b>	<b>97</b>
		<b>Applications of capital funding</b>			
		Capital expenditure			
9	0	- to meet additional demand	12	0	0
10	89	- to improve the level of service	0	0	0
1,239	377	- to replace existing assets	220	495	483
125	1,688	Increase/(decrease) in Reserves	2,853	1,380	732
(410)	(89)	Increase/(decrease) in Investments	(1,853)	(1,683)	66
<b>973</b>	<b>2,065</b>	<b>Total applications of capital funding</b>	<b>1,232</b>	<b>192</b>	<b>1,281</b>
<b>(921)</b>	<b>(1,420)</b>	<b>Surplus/(deficit) of capital funding</b>	<b>(1,232)</b>	<b>(95)</b>	<b>(1,184)</b>
<b>(0)</b>	<b>0</b>	<b>Funding Balance</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
511	433	Depreciation and Impairment expense (not included in the above FIS)	574	489	512

### 3. Whakahoki Te Mana (*Restoring the Mana*)

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

#### People, Water and Land

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

We are part of a multi-agency partnership response to help ensure the wellbeing of the people, the land, the ecosystems, and the life-force of the Waituna catchment and lagoon, now and for future generations. While the level of knowledge has improved dramatically, some of the causes of poor water quality and ecosystem health in the catchment are still not well understood. Actions we know will lead to improvement are underway and further long-term actions are being thoroughly investigated.

The People, Water and Land Programme is the approach being taken to implement the requirements of the National Policy Statement for Freshwater Management (NPS-FM) and meeting the region’s goals for water.

#### Partnering in Waituna

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

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

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

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

#### Key results from the year

- The People, Water and Land programme continued to progress the limit-setting framework, with a key milestone being completed with the approval in principle of the values and objectives package. This was co-developed by Te Ao Marama Inc and Council and contains a set of draft freshwater objectives providing for hauora, the health and well-being of waterbodies in Murihiku Southland.
- Ongoing progress in the partnership programme for the Waituna catchment and lagoon.

## Future challenges

- The development of a community driven water limit setting process.
- Restoring the mana of the Waituna catchment and lagoon.

## How much did we spend on this group of activities in 2020/21?

\$3.9 million

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

Whakahoki Te Mana	
Achieved	1
Not Achieved	3
Not Applicable	0

Measures & Performance Targets Years 1-10	Results for 2020/21
<p><b>Level of service:</b> To engage and partner with iwi, the community and others to meet the enduring goals for water on a Ki Uta, ki Tai (mountains to the sea) basis.</p>	
<p><b>Measures:</b> The community's values and objectives are established including the provision for compulsory values as set out in the National Policy Statement for Freshwater Management (NPS-FM). Evaluation framework is established.</p> <p><b>Targets:</b> Local and/or regional community engagement forum(s) are operational and reporting to Council at least quarterly by 30 June 2020.</p>	<div style="text-align: center; border: 1px solid black; padding: 5px; margin-bottom: 10px;"><b>Achieved</b></div> <p>Murihiku Southland values and draft objectives for freshwater have been identified as set out in the National Policy Statement for Freshwater Management 2017 (NPS-FM). The draft Murihiku Southland objectives for freshwater were confirmed by Council and Te Ao Marama Inc Board in November 2020.</p> <p>The Regional Forum was established in March 2019 and will assess the most efficient, effective and appropriate methods to achieve the community's objectives for water, including scenario testing. The Regional Forum will run through until 2022 and provides advice to Governance (Council and Te Ao Marama Inc). Reporting to Governance occurs through workshops at least quarterly. In addition, the Regional Forum provided their first package of advice to Governance in August 2020.</p>
<p><b>Measures:</b> Methods (both regulatory and non-regulatory) are identified to achieve the community's values and objectives. Indicators are defined and established.</p> <p><b>Targets:</b> Local and/or regional community engagement forum(s) undertaken and completed by 30 June 2021, scenario testing to understand the</p>	<div style="text-align: center; border: 1px solid black; padding: 5px; margin-bottom: 10px;"><b>Not achieved</b></div> <p>The Regional Forum was established in March 2019 and will assess the most efficient, effective and appropriate methods to achieve the community's objectives for water, including scenario testing. Due to delays in bringing together the communities</p>

Measures & Performance Targets Years 1-10	Results for 2020/21												
<p>implications of meeting the community's values, objectives and targets.</p> <p>Recommend the methods (both regulatory and non-regulatory) to achieve the community's values, objectives and targets to Council by 30 June 2021.</p>	<p>values and draft freshwater objectives (which were completed in November 2020), the Regional Forum will be presented the results of scenario testing starting late in 2021 and go through until 2022.</p> <p>The recommendations from the Regional Forum, which will include regulatory and non-regulatory methods, will be provided to Governance in 2022, in line with the delay noted above.</p>												
<p><b>Level of service:</b> To measure the effectiveness of the organisation's approach to meeting the enduring goals for water.</p>													
<p><b>Measures:</b> Compliance with the National Objectives Framework (Human Health and Ecosystem Health) and the New Zealand Drinking Water Standards is reported on and used to assist in determining the effectiveness of the organisation's approach to meeting the enduring goals for water.</p> <p><b>Targets:</b> Year on year improving trend of baseline metrics.</p>	<div style="text-align: center; border: 2px solid orange; padding: 5px; width: fit-content; margin: 0 auto 20px auto;"><b>Not achieved</b></div> <p>Progress has been made.</p> <p>The results for 2020/21 are:</p> <p><i>Human Health</i></p> <p>The Ministry for the Environment model used to set the baseline has been discontinued. As a result, we are unable to measure our performance against this criterion. Council continues to monitor our river water and lake water quality against the National Objectives Framework for Freshwater Management 2014 (revised 2017 and 2020).</p> <p>Against the 2020 NPSFM-FW:</p> <table border="1" data-bbox="829 1366 1388 1635"> <thead> <tr> <th>NPSFM 2020 <i>E.coli</i> grade ('16-'20)</th> <th>Southland long-term environmental sites</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>7</td> </tr> <tr> <td>B</td> <td>3</td> </tr> <tr> <td>C</td> <td>1</td> </tr> <tr> <td>D</td> <td>24</td> </tr> <tr> <td>E</td> <td>25</td> </tr> </tbody> </table> <p>4 of 33 bores (12%) regularly sampled for nitrate exceeded the drinking water standard at least once during the 2020/21 period.</p> <p>8 of 33 bores (24%) regularly sampled for <i>E. coli</i> exceeded the drinking water standard at least once during the 2020/21 period.</p> <p><i>Ecosystem Health</i></p> <p>In monitored rivers, 51 of 60 (85%) sites complied with national nitrate standards and 57 of 60 (95%) sites complied with ammonia toxicity standards.</p>	NPSFM 2020 <i>E.coli</i> grade ('16-'20)	Southland long-term environmental sites	A	7	B	3	C	1	D	24	E	25
NPSFM 2020 <i>E.coli</i> grade ('16-'20)	Southland long-term environmental sites												
A	7												
B	3												
C	1												
D	24												
E	25												

Measures & Performance Targets Years 1-10	Results for 2020/21
	<p>Models continue to suggest that nutrients (nitrogen and phosphorus) present a high risk of problematic periphyton growth likely to occur in many waterways. Councils are required to set limits on resource use to protect waterways from problematic algae growth and the number of sites compliant does not reflect the locations where nutrient management is required. 28 of 30 (93%) sites complied with national periphyton standard.</p> <p><i>State and trends in macroinvertebrate community health:</i></p> <p>Of 82 sites considered in the Southland region, 33% of the sites were classified into 'Excellent - Good' state, while 67% of the sites classified into 'Fair – Poor' state under the National Policy Statement for Fresh Water Management 2020 (NPS-FM 2020), while 24% of the sites failed to comply with the respective MCI thresholds in the proposed Southland Water and Land Plan (pSWLP, 2018).</p> <p>44% of SOE macroinvertebrate monitoring sites in the Southland region show declining MCI trends for the last 10 years, and 78% of sites assessed in the 21-year time period shows declining MCI trends, indicating degrading ecosystem quality trends at many locations across Southland.</p> <p><i>Compliance with the National Objective Framework (NOF) Attributes</i></p> <p>In accordance with the Attributes as detailed in Appendix 2 of the National Policy Statement for Freshwater Management 2017, we fully comply with seven of the nine attributes. We partially comply with Cyanobacteria-Planktonic as we only monitor lakes and not lake-fed rivers. No monitoring in line with the NOF for dissolved oxygen currently takes place.</p> <p><i>Note: The National Policy Statement for Freshwater Management was further amended in 2020, to include 10 attributes which require limits on resource use and a further 12 requiring action plans be developed where not met, and those changes are not reported against here.</i></p>



Measures & Performance Targets Years 1-10	Results for 2020/21
<p><b>Measures:</b> To partner in the Whakamana te Waituna programme to restore the mana, aquatic and ecosystem health to the Waituna catchment and lagoon.</p> <p>Consistent progress towards achieving the outcomes and actions of the work programme of the Whakamana Te Waituna programme</p> <p><b>Target:</b> Complete yearly actions as per the approved programme of works.</p>	<div data-bbox="979 277 1262 356" style="border: 2px solid orange; padding: 5px; text-align: center; font-weight: bold; font-size: 1.2em;">Not achieved</div> <p>Progress has been made in a number of workstreams, including awareness and engagement, lagoon hydrology and contaminant. Work underway is being carried over into the next financial year to be completed.</p>

Funding Impact Statement - Whakahoki Te Mana  
for the year ended 30 June 2021

LTP 2019/20	Actual 2019/20		Actual 2020/21	Annual Plan 2020/21	LTP 2020/21
<b>\$000</b>	<b>\$000</b>	<b>Sources of Funding</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
886	1,488	General rates, uniform annual charges, rates penalties	689	694	1,073
304	45	Targeted rates	165	165	299
0	0	Subsidies and grants for operating purposes	0	0	0
691	528	Fees and charges	461	455	445
0	0	Internal Charges and overheads recovered	0	0	0
401	3	Local authorities fuel tax, fines, infringement fees and other receipts	289	290	452
<b>2,281</b>	<b>2,064</b>	<b>Total Operating Funding</b>	<b>1,603</b>	<b>1,604</b>	<b>2,269</b>
		<b>Applications of Operating Funding</b>			
1,560	2,198	Payments to staff and suppliers	1,950	1,967	1,599
9	10	Financing Costs	4	8	9
1,636	1,705	Internal Charges and overheads recovered	0	0	1,655
0	0	Other operating funding applications	1,992	1,766	0
<b>3,205</b>	<b>3,912</b>	<b>Total Applications of Operating Funding</b>	<b>3,946</b>	<b>3,741</b>	<b>3,263</b>
<b>(923)</b>	<b>(1,848)</b>	<b>Surplus/(deficit) of operating funding</b>	<b>(2,343)</b>	<b>(2,137)</b>	<b>(995)</b>
		<b>Sources of capital funding</b>			
0	0	Subsidies and grants for capital expenditure	0	0	0
0	0	Development and financial contributions	0	0	0
0	0	Increase / (decrease) in debt	0	0	0
0	0	Other dedicated capital funding	0	0	0
0	0	Gross proceeds from the sale of assets	0	0	0
0	0	Lump sum contributions	0	0	0
<b>0</b>	<b>0</b>	<b>Total sources of capital funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
		<b>Applications of capital funding</b>			
		Capital expenditure			
0	0	- to meet additional demand	0	0	0
0	2,655	- to improve the level of service	5	500	0
0	0	- to replace existing assets	0	0	0
(849)	0	Increase/(decrease) in Reserves	(2,165)	(2,334)	(986)
(74)	(4,503)	Increase/(decrease) in Investments	(182)	(302)	(8)
<b>(923)</b>	<b>(1,848)</b>	<b>Total applications of capital funding</b>	<b>(2,343)</b>	<b>(2,137)</b>	<b>(995)</b>
<b>923</b>	<b>1,848</b>	<b>Surplus/(deficit) of capital funding</b>	<b>2,343</b>	<b>2,137</b>	<b>995</b>
<b>0</b>	<b>0</b>	<b>Funding Balance</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>
95	90	Depreciation and Impairment expense (not included in the above FIS)	117	95	95

## 4. Community Resilience

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

### Emergency Management

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

### Flood Warning

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

Computer-based modelling is used to predict flows and levels on Southland’s major rivers. Data is collected and automatically relayed to our offices every 15 minutes. If rainfall or river levels exceed certain trigger levels, the flood duty officer closely monitors the situation. If critical levels are reached, then Emergency Management Southland and the communications team are contacted and messaging is put out through a variety of channels to direct people to the Environment Southland website and the Environmental Data Information (EDI) phone-in system.

### Flood Protection and Control Works

- **The Catchment Management Activity** – the flood protection and control schemes maintained by Environment Southland protect property, lives and livelihoods. In urban areas they protect homes, businesses and infrastructure while the rural schemes protect the land and property outside the stop banks.

### Land Drainage

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

### Hazard Mitigation

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

**Key results from the year**

- Our emergency management capability maintained
- Southland households’ preparedness for an emergency remains at previous level
- Coverage of community emergency response plans increased
- Recovery of the flood protection network from the February 2020 floods
- The initiation of several new climate resilience projects for the flood protection network as a result of significant central government funding

**Future challenges**

- Continuing improvement of emergency management and flood warning systems
- Adapting to the impacts of climate change
- Responding to and mitigating a range of natural hazards
- Maintaining flood protection and drainage works

**How much did we spend on this group of activities in 2020/21?**

\$9.5 million

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

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

Measures & Performance Targets Years 1-10	Results for 2020/21
<p><b>Level of service:</b> To ensure the region is resilient and able (through the 4Rs of reduction, readiness, response and recovery) to cope with any civil defence emergency.</p>	
<p><b>Measures:</b> Number of Southland communities covered by a Community Response Plan.</p> <p><b>Targets:</b> To have developed 25 Community Response Plans in all areas of Southland by June 2021.</p>	<div style="text-align: center; border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"> <p><b>Achieved</b></p> </div> <p>25 Community Response Plans were completed by June 2021.</p>
<p><b>Level of service:</b> To reduce the flood risk to people and property by retaining system adequacy and maintenance of flood protection works to designed standards.</p>	
<p><b>Measures:</b> The major flood protection and control works are maintained, repaired and renewed to the key standards defined in the Council's asset management plans.</p> <p><b>Targets:</b> 100% of schemes maintained through scheduled annual programmes to ensure that they provide protection to the designed standard and the scheme assets are maintained as established in the adopted asset management plans.</p>	<div style="text-align: center; border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"> <p><b>Not achieved</b></p> </div> <p>68% of schemes formally inspected and maintained.</p>
<p><b>Level of service:</b> To investigate and plan for the impacts of climate change on our communities and businesses.</p>	
<p><b>Measures:</b> An agreed collaborative research, investigation and reporting programme to understand the risks and response options.</p> <p><b>Targets:</b> Investigate via a collaborative reduction working group, the likely climate change impacts and response options for our communities from the impacts of climate change over time.</p> <p>Reported through the Mayoral Forum annually.</p>	<div style="text-align: center; border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"> <p><b>Achieved</b></p> </div> <p>The Climate Change Impact Assessment report was endorsed by all four Councils, which included the members of the Mayoral Forum.</p> <p>In late 2019 Council formed a Climate Action Plan Working Group to assess Environment Southland's role in tackling climate change. The 2020 Climate Action Plan was ratified by Council on 27 January 2021.</p> <p>The group has reported to the Chief Executives Forum and a cross-Council workshop in March 2021.</p>

**Funding Impact Statement - Community Resilience  
for the year ended 30 June 2021**

LTP 2019/20	Actual 2019/20		Actual 2020/21	Annual Plan 2020/21	LTP 2020/21
\$000	\$000	<b>Sources of Funding</b>	\$000	\$000	\$000
1,721	1,470	General rates, uniform annual charges, rates penalties	1,798	1,648	1,785
3,809	3,639	Targeted rates	3,711	3,721	3,885
0	0	Subsidies and grants for operating purposes	0	0	0
1,421	3,235	Fees and charges	3,220	1,481	1,451
0	0	Internal Charges and overheads recovered	0	0	0
926	708	Local authorities fuel tax, fines, infringement fees and other receipts	799	831	903
<b>7,877</b>	<b>9,052</b>	<b>Total Operating Funding</b>	<b>9,528</b>	<b>7,680</b>	<b>8,024</b>
		<b>Applications of Operating Funding</b>			
7,088	8,847	Payments to staff and suppliers	8,226	6,621	7,239
23	25	Financing Costs	10	17	23
812	1,209	Internal Charges and overheads recovered	0	0	814
0	0	Other operating funding applications	1,272	1,193	0
<b>7,923</b>	<b>10,081</b>	<b>Total Applications of Operating Funding</b>	<b>9,507</b>	<b>7,831</b>	<b>8,076</b>
<b>(46)</b>	<b>(1,028)</b>	<b>Surplus/(deficit) of operating funding</b>	<b>21</b>	<b>(151)</b>	<b>(52)</b>
		<b>Sources of capital funding</b>			
0	0	Subsidies and grants for capital expenditure	1,261	0	0
0	0	Development and financial contributions	0	0	0
0	0	Increase / (decrease) in debt	0	0	0
0	0	Other dedicated capital funding	0	0	0
22	0	Gross proceeds from the sale of assets	0	0	0
0	0	Lump sum contributions	0	0	0
<b>22</b>	<b>0</b>	<b>Total sources of capital funding</b>	<b>1,261</b>	<b>0</b>	<b>0</b>
		<b>Applications of capital funding</b>			
		Capital expenditure			
0	2	- to meet additional demand	3	0	0
0	6	- to improve the level of service	5	0	0
149	8	- to replace existing assets	34	0	0
(49)	(16)	Increase/(decrease) in Reserves	1,731	492	(140)
(123)	(1,028)	Increase/(decrease) in Investments	(491)	(643)	88
<b>(24)</b>	<b>(1,028)</b>	<b>Total applications of capital funding</b>	<b>1,282</b>	<b>(151)</b>	<b>(52)</b>
<b>46</b>	<b>1,028</b>	<b>Surplus/(deficit) of capital funding</b>	<b>(21)</b>	<b>151</b>	<b>52</b>
<b>0</b>	<b>0</b>	<b>Funding Balance</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>
201	166	Depreciation and Impairment expense (not included in the above FIS)	228	193	202

# Finances (*Pūtea*)

## Financial Statements

### A guide to the financial pages which follow

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

**Statement of Comprehensive Revenue and Expenses  
for the Year Ended 30 June 2021**

	Note	Council			Group	
		Actual 2021 \$000	Annual Plan 2021 \$000	Actual 2020 \$000	2021 \$000	2020 \$000
<b>Revenue</b>						
Rates revenue	2 (a)	19,038	19,051	18,168	19,038	18,168
Government Grants	2 (b)	6,103	1,333	7,433	6,103	7,433
Other Revenue	2 (c)	13,758	11,880	17,268	56,520	57,317
Other gains/ (losses)	2 (d)	3,195	-	1,288	3,231	1,323
<b>Total Revenue</b>	2 (h)	<b>42,094</b>	<b>32,264</b>	<b>44,157</b>	<b>84,892</b>	<b>84,241</b>
<b>Expenditure</b>						
Employee benefits expense	2 (e)	15,986	17,706	17,504	27,701	28,839
Depreciation expense	10	703	808	715	4,733	4,500
Finance costs	2 (f)	38	75	96	387	645
Other expenses	2 (g)	22,093	16,404	25,837	38,653	41,429
<b>Total Operating Expenditure</b>		<b>38,820</b>	<b>34,993</b>	<b>44,152</b>	<b>71,474</b>	<b>75,413</b>
<b>Surplus/(Deficit) before income tax</b>		<b>3,274</b>	<b>(2,728)</b>	<b>5</b>	<b>13,418</b>	<b>8,828</b>
Income tax expense	3	-	-	-	(3,965)	(3,918)
<b>Surplus/(Deficit) for the period</b>		<b>3,274</b>	<b>(2,728)</b>	<b>5</b>	<b>9,453</b>	<b>4,910</b>
<b>Total Comprehensive Revenue and Expenses for the period</b>		<b>3,274</b>	<b>(2,728)</b>	<b>5</b>	<b>9,453</b>	<b>4,910</b>
<b>Total Comprehensive Revenue and Expenses attributable to:</b>						
Council		3,274	(2,728)	5	5,862	1,746
Minority interest	15(e)	-	-	-	3,591	3,164
	*	<b>3,274</b>	<b>(2,728)</b>	<b>5</b>	<b>9,453</b>	<b>4,910</b>

**Statement of Changes in Net Assets / Equity  
for the Year Ended 30 June 2021**

	Note	Council			Group	
		Actual 2021 \$000	Annual Plan 2021 \$000	Actual 2020 \$000	2021 \$000	2020 \$000
<b>Opening Equity</b>		<b>77,519</b>	<b>70,568</b>	<b>77,514</b>	<b>114,444</b>	<b>111,820</b>
<b>Total Comprehensive Revenue and Expenses attributable to:</b>						
Council		3,274	(2,728)	5	5,862	1,746
Minority interest	15(e)	-	-	-	3,591	3,164
Dividend distribution - Minority interest	15(e)	-	-	-	(2,286)	(2,286)
<b>Closing Equity</b>		<b>80,793</b>	<b>67,839</b>	<b>77,519</b>	<b>121,611</b>	<b>114,444</b>

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

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



**Statement of Financial Position**  
**As at 30 June 2021**

	Note	Actual 2021 \$000	Council Annual Plan 2021 \$000	Actual 2020 \$000	Group 2021 2020 \$000 \$000	
<b>Current Assets</b>						
Cash and Deposits	22(a)	5,316	-	-	6,943	-
Trade and other receivables	6	4,356	3,206	5,891	10,503	12,304
Inventories	7	109	110	109	109	109
Managed Funds	8	28,918	24,448	28,308	28,918	28,308
Prepayments	9	395	289	425	3,289	472
<b>Total Current Assets</b>		<b>39,094</b>	<b>28,053</b>	<b>34,733</b>	<b>49,762</b>	<b>41,193</b>
<b>Non-Current Assets</b>						
Shares in subsidiary	18	8,721	8,721	8,721	-	-
Other financial assets	8	206	170	195	206	195
Property, Plant and Equipment	10	41,282	37,833	40,097	98,499	91,286
Investment in Related Party	11	540	798	798	540	798
Deferred Tax asset	3(d)	-	-	-	466	159
<b>Total Non-Current Assets</b>		<b>50,749</b>	<b>47,522</b>	<b>49,811</b>	<b>99,711</b>	<b>92,438</b>
<b>TOTAL ASSETS</b>		<b>89,843</b>	<b>75,575</b>	<b>84,544</b>	<b>149,473</b>	<b>133,631</b>
<b>Current Liabilities</b>						
Bank Overdraft	22(a)	-	3,124	1,609	-	380
Trade and other payables	12(a)	5,294	2,945	3,521	11,847	7,249
Income Received in Advance	12(b)	2,437	-	-	2,437	-
Employee Entitlements	13	1,274	1,632	1,853	2,692	3,211
Borrowings	14	-	-	-	-	1,500
Current tax payable	3(c)	-	-	-	1,393	1,055
Other Financial Liabilities	8	-	-	-	182	182
<b>Total Current Liabilities</b>		<b>9,005</b>	<b>7,701</b>	<b>6,983</b>	<b>18,551</b>	<b>13,577</b>
<b>Non-Current Liabilities</b>						
Other Financial Liabilities	8	-	-	-	234	568
Employee entitlements	13	45	34	42	77	42
Borrowings	14	-	-	-	9,000	5,000
<b>Total Non-Current Liabilities</b>		<b>45</b>	<b>34</b>	<b>42</b>	<b>9,311</b>	<b>5,610</b>
<b>TOTAL LIABILITIES</b>		<b>9,050</b>	<b>7,735</b>	<b>7,025</b>	<b>27,862</b>	<b>19,187</b>
<b>NET ASSETS</b>		<b>80,793</b>	<b>67,839</b>	<b>77,519</b>	<b>121,611</b>	<b>114,444</b>
<b>Equity</b>						
Equity	15	80,793	67,839	77,519	121,611	114,444
<b>TOTAL EQUITY</b>		<b>80,793</b>	<b>67,839</b>	<b>77,519</b>	<b>121,611</b>	<b>114,444</b>
<b>Attributable to:</b>						
Council		80,793	67,839	77,519	105,412	99,550
Minority interest	15(e)	-	-	-	16,199	14,894
<b>TOTAL EQUITY</b>		<b>80,793</b>	<b>67,839</b>	<b>77,519</b>	<b>121,611</b>	<b>114,444</b>

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

## Statement of Cash Flows for the Year Ended 30 June 2021

	Note	Council			Group	
		Actual	Annual Plan	Actual	2021	2020
		2021	2021	2020	2021	2020
		\$000	\$000	\$000	\$000	\$000
<b>Cash flows from operating activities</b>						
<i>Cash was provided by (applied to):</i>						
Receipts from ratepayers and customers		34,782	27,140	34,556	82,339	77,932
Interest received		76	-	33	82	44
Dividends received		4,535	4,535	4,543	0	8
Payments to suppliers and employees		(34,695)	(37,110)	(45,450)	(62,140)	(71,061)
Finance costs		(38)	(75)	(96)	(396)	(516)
Income tax paid		-	-	-	(3,934)	(4,752)
<b>Net cash flow from operating activities</b>	22(b)	<b>4,660</b>	<b>(5,510)</b>	<b>(6,415)</b>	<b>15,951</b>	<b>1,655</b>
<b>Cash flows from investing activities</b>						
<i>Cash was provided by (applied to):</i>						
Drawdown of Managed Funds		3,161	3,142	7,170	3,161	7,170
Proceeds from sale of property, plant and equipment		100	97	653	162	713
Loan advance		(11)	-	(25)	(11)	(25)
Purchase of property, plant and equipment		(984)	(995)	(3,135)	(12,103)	(8,628)
<b>Net cash flow from investing activities</b>		<b>2,266</b>	<b>2,244</b>	<b>4,663</b>	<b>(8,791)</b>	<b>(770)</b>
<b>Cash flows from financing activities</b>						
<i>Cash was provided by (applied to):</i>						
Dividends paid to Non controlling interest		-	-	-	(2,286)	(2,286)
Drawdown / (Repayment) of borrowings		-	-	-	2,449	(548)
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>163</b>	<b>(2,834)</b>
Net increase/(decrease) in Cash and cash equivalents		6,925	(3,266)	(1,752)	7,323	(1,949)
Cash and cash equivalents at the beginning of the financial year		(1,609)	142	142	(380)	1,569
Net foreign exchange differences		-	-	-	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	22(a)	<b>5,316</b>	<b>(3,124)</b>	<b>(1,609)</b>	<b>6,943</b>	<b>(380)</b>

# Notes to the Financial Statements

## 1. Summary of Accounting Policies

### Reporting Entity

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

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

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

The financial statements of the Council and Group are for the year ended 30 June 2021. The financial statements were authorised for issue by Council on 24 November 2021.

### Statement of Compliance

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

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

### Basis of Preparation

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

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

### Significant Accounting Policies

#### Revenue Recognition

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

## Adoption of New and Revised Standard and Interpretations

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

- PBE IPSAS 40: PBE Combinations

None had a significant impact on these financial statements.

## Revenue from Non-exchange Transactions

### *Rates Revenue*

Rates are recognised as income when levied.

### *Grant Revenue and Subsidies*

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

<b>For</b>	<b>From</b>
Regional Civil Defence	National Emergency Management Agency
Land Transport	New Zealand Transport Agency
Marine Oil Spills	Maritime New Zealand

## Revenue from Exchange Transactions

### *Interest Revenue*

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

### *Dividend Revenue*

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

### *Rental Income*

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

## Other Revenue – full cost recovery

### *Rendering of Services*

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

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

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

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

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

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

### Other Gains and Losses

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

### Taxation

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

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

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

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

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

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

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

## Goods and Services Tax

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

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

## Statement of Cash Flows

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

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

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

## Financial Instruments

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

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

## Financial Assets

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

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

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

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

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

- has been acquired principally for the purpose of selling in the near future;

- is a part of an identified portfolio of financial instruments the Council and Group manages together and has a recent actual pattern of short-term profit-taking; or
- is a derivative that is not designated and effective as a hedging instrument.

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

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

**(c) Loans and Receivables**

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

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

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

**(d) Impairment of Financial Assets**

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

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

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

## Financial Liabilities

### (a) Trade & Other Payables

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

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

### (b) Borrowings

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

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

## Derivative Financial Instruments

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

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

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

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

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

### (a) Fair Value Estimation

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

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

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



## Inventories

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

## Property, Plant and Equipment

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

### (a) Operational Assets

Operational assets include:

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

### (b) Infrastructural Assets

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

### Cost

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

### Depreciation

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

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

Expenditure incurred to maintain these assets at full operating capability is charged to the surplus/(deficit) in the year incurred. The following estimated useful lives are used in the calculation of depreciation:

<b>Asset</b>	<b>Life</b>
<b>Operational Assets</b>	
Land – Council	Unlimited
Buildings – Council	2%-10% DV
Rental land - Council	Unlimited
Rental buildings - Council	2% - 10% DV
Other plant and equipment – Council	2.5% - 15% DV/SL
Motor vehicles - Council	15% SL
Land – South Port	Unlimited
Buildings – South Port	2% - 7 % SL
Plant and machinery – South Port	2% - 33% SL

### **Infrastructural Assets**

Stopbanks and earthworks	Unlimited
Bridges	1% SL
Large culverts	1% - 2.5% SL
Tide gate structures	1% - 2.5% SL

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

#### *Disposal*

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

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

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

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

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

In assessing value in use for cash-generating assets, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

### **Employee Entitlements**

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

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

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

## Superannuation Schemes

### *Defined Contribution Schemes*

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

## Provisions

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

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

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

## Basis of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council entity and its controlled entities as defined in PBE *IPSAS 35 Consolidated Financial Statements*. A list of controlled entities appears in the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

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

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

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

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

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

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

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

### **Joint Ventures**

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

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

In accordance with IPSAS 37 *Joint Arrangements*, the consolidated financial statements include the Council's share of the joint venture entity's assets, liabilities revenue and expenses. Refer to note 20 for further disclosure.

### **Investment in Related Parties**

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

The Council is a shareholder in another Council Controlled Organisation (CCO) known as the Southland Regional Development Agency Ltd, along with three other local councils and four external shareholders. The purpose of this organisation is to contribute to the wellbeing of the Southland Region, other commercial and non-commercial. This investment is held as an investment at cost under PBE IPSAS 29.

### **Equity**

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

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

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

## Restricted and Council Created Reserves

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

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

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

## Foreign Currency

### Foreign Currency Transactions

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

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

## Budget Amounts

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

## Allocation of Overheads

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

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

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

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

## Critical Accounting Estimates and Assumptions

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

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

## Critical Judgements

Management has exercised the following critical judgements in applying the Council's and Group's accounting policies for the period ended 30 June 2021:

### *Classification of Property*

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

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

## Fair value of shares in subsidiary

The Council considers that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values with the exception of the Council's investment in its subsidiary, South Port New Zealand Limited (South Port), which is carried at cost, less any impairment.

## PBE IFRS issued but not yet effective

PBE IPSAS 41 was issued in August 2018 and is based on PBE IFRS 9 Financial Instruments. PBE IPSAS 41 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IPSAS 41 is effective for the annual period beginning on or after 1 January 2022, with early application permitted. The main changes under PBE IPSAS 41 are:

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

The Council plans to apply this standard in preparing the 30 June 2022 financial statements. The new standard will not have a significant impact on the financial statements.

PBE FRS 48 Service Performance Reporting was issued in November 2017 and is effective for the annual period beginning on or after 1 January 2022. The new standard will not have a significant impact on the financial statements.

## Notes to the Financial Statements

### 2 Operating Revenue and Expenses

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
<b>Revenue</b>				
Revenue includes the following items:				
<b>(a) Rates Revenue:</b>				
General rates	10,685	9,833	10,685	9,833
Separate rates	8,122	8,104	8,122	8,104
Southern Pest Eradication Society rates	231	231	231	231
	<b>19,038</b>	<b>18,168</b>	<b>19,038</b>	<b>18,168</b>
<b>(b) Government Grants</b>				
Operating	840	2,324	840	2,324
Government funded projects	4,788	-	4,788	-
Ministry for the Environment - Waituna project	475	5,109	475	5,109
	<b>6,103</b>	<b>7,433</b>	<b>6,103</b>	<b>7,433</b>
Government funded projects include Climate Resilience and Jobs 4 Nature projects				
<b>(c) Other Revenue:</b>				
Revenue from rendering of services:				
Port Revenue	-	-	47,291	44,573
Local Contributions	1,285	1,239	1,285	1,239
Consent recoveries	2,239	2,261	2,239	2,261
Compliance Monitoring and Recoveries	1,344	1,249	1,344	1,249
Prosecutions, Fines and Infringements	248	130	248	130
Marine Fee revenue	7	2,407	7	2,407
Operating lease rental revenue	997	911	997	911
Interest on bank deposits	695	877	701	888
Dividends received	4,535	4,543	0	8
Other operating revenue	2,408	3,651	2,408	3,651
	<b>13,758</b>	<b>17,268</b>	<b>56,520</b>	<b>57,317</b>
<b>(d) Other Gains / (Losses)</b>				
Gain on disposal of property, plant and equipment	43	600	79	635
Net change in fair value of other financial assets and liabilities carried at fair value through profit or loss	3,152	688	3,152	688
	<b>3,195</b>	<b>1,288</b>	<b>3,231</b>	<b>1,323</b>

## 2 Operating Revenue and Expenses (continued)

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
<b>Expenses</b>				
Expenses include the following items:				
<b>(e) Employee Benefits Expense</b>				
Salaries and wages	14,907	16,033	26,052	26,830
Defined contribution plans	572	661	951	1,009
Other employee benefits	507	810	698	1,000
	<b>15,986</b>	<b>17,504</b>	<b>27,701</b>	<b>28,839</b>
<b>(f) Finance Costs</b>				
Interest on loans carried at amortised cost	-	-	349	399
Change in fair value of interest rate swaps	-	-	-	150
Other interest expense	38	96	38	96
	<b>38</b>	<b>96</b>	<b>387</b>	<b>645</b>
<b>(g) Other Expenses</b>				
Net bad and doubtful debts (recovered)	(96)	(58)	(85)	41
Loss on disposal of property, plant and equipment	6	13	13	19
Donations	-	-	4	2
Grants and contributions	2,182	6,374	2,182	6,374
Operating lease rental - minimum lease payments	257	142	389	248
Directors remuneration	-	-	290	278
Provisions	-	-	-	-
Asset impairment	258	-	258	-
Emergency expenses	213	2,091	213	2,091
Other operating expenses	19,273	17,275	35,389	32,376
	<b>22,093</b>	<b>25,837</b>	<b>38,653</b>	<b>41,429</b>

Note:

(i) Audit fees are disclosed under Note 5.

(ii) Grants and contributions paid include expenditure of \$475,000 (2020: \$5,109,000) to the Whakamana Te Waituna project for the Ministry for the Environment grant received.

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



## 2 Operating Revenue and Expenses (continued)

### (h) Disclosure of Exchange and Non-exchange transactions

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

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
<b>Revenue from Non-exchange transactions</b>				
General Rates	10,685	9,833	10,685	9,833
Separate Rates	8,122	8,104	8,122	8,104
Southern Pest Eradication Society Rate	231	231	231	231
Levies and Contributions	6,103	7,433	6,103	7,433
Rates Penalties	183	241	183	241
Prosecutions and Infringements	248	130	248	130
Insurance Recoveries	213	1,594	213	1,594
Donations Received	-	6	-	6
<b>Revenue from Exchange transactions</b>				
Local Contributions	1,285	1,239	1,285	1,239
Rental Income	997	911	997	911
Investment Income	3,847	1,565	3,853	1,576
Gain on Sale of Assets	43	600	79	635
Dividends Received	4,535	4,543	0	8
External Recoveries	5,602	7,727	5,602	7,727
Rental Income Southport			5,103	4,918
Port Revenue			42,188	39,655
	<u>42,094</u>	<u>44,157</u>	<u>84,892</u>	<u>84,241</u>
<b>Current Assets</b>				
Receivables from Non-exchange transactions	824	1,116	824	3,177
Receivables from Exchange transactions	<u>3,532</u>	<u>4,775</u>	<u>9,679</u>	<u>9,127</u>
Total Receivables	<u>4,356</u>	<u>5,891</u>	<u>10,503</u>	<u>12,304</u>

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

### 3 Income Taxes

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
<b>(a) Income Tax Recognised in Profit or Loss</b>				
<b>Tax expense / (income) comprises:</b>				
<b>Current tax expense / (credit)</b>				
Current year	-	-	4,334	4,037
Adjustments for prior years	-	-	(62)	88
	-	-	4,272	4,125
<b>Deferred tax expense / (credit)</b>				
Origination and reversal of temporary differences	-	-	(307)	(207)
Adjustments for prior years	-	-	-	-
	-	-	(307)	(207)
<b>Tax expense / (income)</b>	<b>-</b>	<b>-</b>	<b>3,965</b>	<b>3,918</b>

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

Surplus / (deficit) before income tax	3,274	5	13,416	8,828
Income tax expense calculated at 28%	917	1	3,756	2,472
Temporary differences	-	-	(87)	115
Non deductible expenses	10,751	12,363	10,756	12,417
Non assessable income	(10,398)	(11,092)	(10,399)	(11,103)
	1,270	1,272	4,027	3,900
Taxation effect of imputation credits	-	-	-	-
Imputation credits utilised (28% of net dividend)	(1,270)	(1,272)	-	-
Adjustments for prior years	-	-	(62)	18
Temporary differences	-	-	-	-
	-	-	3,965	3,918

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

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

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

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
<b>(c) Current Tax Assets and Liabilities</b>				
<b>Current Tax Payable:</b>				
Current Tax Payable	-	-	1,393	1,055

### 3 Income Taxes (continued)

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

Taxable and deductible temporary differences arising from the following:

2021	Opening balance	Charged to income	Group Charged to other comprehensive revenue	Closing balance
	\$000	\$000	\$000	\$000
<b>Gross deferred tax liabilities:</b>				
Property, plant and equipment	(234)	283	-	49
	<u>(234)</u>	<u>283</u>	<u>-</u>	<u>49</u>
<b>Gross deferred tax assets:</b>				
Provisions	393	24	-	417
	<u>393</u>	<u>24</u>	<u>-</u>	<u>417</u>
	<u><b>159</b></u>	<u><b>307</b></u>	<u><b>-</b></u>	<u><b>466</b></u>

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

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities has not been recognised is \$Nil (2020: \$Nil).

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
(e) Imputation Credit Account Balances				
Balance at 30 June 2021	-	-	15,032	13,413
	<u>-</u>	<u>-</u>	<u>15,032</u>	<u>13,413</u>

Imputation credits available directly and indirectly to Council through:

Council	-	-
Subsidiaries	15,032	13,413
	<u>15,032</u>	<u>13,413</u>

#### 4 Key Management Personnel Compensation

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

	Council		Group	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Short-term employee benefits	2,149	1,909	4,186	3,808
Other long-term employee benefits	-	-	52	49
	<u>2,149</u>	<u>1,909</u>	<u>4,238</u>	<u>3,857</u>

#### 5 Remuneration of Auditors

	Council		Group	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Audit fees for financial statement audit	124	122	124	122
Audit fees for the 2021-2031 Long-term Plan	107	-	107	-
Audit fees to other auditors for audit of financial statements of group entities	-	-	72	58
	<u>231</u>	<u>122</u>	<u>303</u>	<u>180</u>

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

#### 6 Trade and Other Receivables

	Council		Group	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Trade Receivables	3,857	2,618	10,058	9,081
Insurance Receivable	-	2,061	-	2,061
Allowance for doubtful debts	(124)	(220)	(174)	(270)
	<u>3,733</u>	<u>4,459</u>	<u>9,884</u>	<u>10,872</u>
Goods and services tax (GST) receivable	284	1,179	284	1,179
Other sundry receivables	339	253	335	253
	<u>4,356</u>	<u>5,891</u>	<u>10,503</u>	<u>12,304</u>
Current	4,356	5,891	10,503	12,304
Non-current	-	-	-	-
	<u>4,356</u>	<u>5,891</u>	<u>10,503</u>	<u>12,304</u>

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

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

Included within the Group's trade and other receivable balance are debtors with a carrying amount of \$2,757,958 (2020: \$2,589,839), Council \$2,361,958 (2020: \$1,580,839), which are past due at the reporting date for which the Group has not provided for impairment. The Group has not provided for these as \$1,162,971 (2020: \$1,116,164) relates to rates arrears (recoverable via the means outlined above) and there has not been a significant change in credit quality for other amounts owing, so the Group believes that the amounts are still considered recoverable.

The Group holds no collateral as security or other credit enhancements over receivables that are either past due or impaired. The average collection period of these receivables is Council: 49 days (2020: 41 days) and Group: 52 days (2020: 48 days).

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

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

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

## 7 Inventories

	Council		Group	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Raw materials (at cost)	109	109	109	109
	<b>109</b>	<b>109</b>	<b>109</b>	<b>109</b>

## 8 Other Financial Assets and Liabilities

		Council		Group	
		2021	2020	2021	2020
		\$000	\$000	\$000	\$000
<b>Fair value through Profit or Loss:</b>					
<b>Classified as held for trading</b>					
<u>Managed Funds</u>					
JBWere - NZ Government and Local Authority	(i)	461	-	461	-
JBWere - Other Bonds	(i)	12,656	11,602	12,656	11,602
JBWere - Cash	(i)	985	3,852	985	3,852
JBWere - Equities	(i)	14,816	12,854	14,816	12,854
		<u>28,918</u>	<u>28,308</u>	<u>28,918</u>	<u>28,308</u>
<b>Classified as loans and receivables</b>					
Loan to Invercargill City Council	(iii)	150	142	150	142
Loan to Gore District Council	(iii)	47	44	47	44
		<u>197</u>	<u>186</u>	<u>197</u>	<u>186</u>
<b>Classified as other financial assets and liabilities</b>					
Interest rate derivatives	(ii)	-	-	(416)	(750)
Shares - Civic Assurance Limited		9	9	9	9
		<u>29,124</u>	<u>28,503</u>	<u>28,708</u>	<u>27,753</u>
<b>Disclosed in the financial statements as:</b>					
Current Assets		28,918	28,308	28,918	28,308
Non-current Assets		206	195	206	195
Current Liabilities		-	-	(182)	(182)
Non-current Liabilities		-	-	(234)	(568)
		<u>29,124</u>	<u>28,503</u>	<u>28,708</u>	<u>27,753</u>

There are no impairment provisions for other financial assets.

- (i) Classified as held for trading. The Group holds a portfolio of floating and fixed interest deposits, bonds and equity securities that is managed externally by JB Were. This classification has been determined as all assets within this category are held for trading at any point should the Fund managers determine it is in the Council's best investment interests to do so.
- (ii) The Group has entered into a fixed for floating interest rate swap to hedge its floating debt. The Group has not adopted hedge accounting.

Interest rate swap – South Port NZ Ltd has entered into an interest rate swap which commences 1 July 2021 and matures in July 2026. The interest rate swap has a fixed swap rate of 1.27% with a notional contract amount of \$8 million.

Interest rate swap - South Port NZ Ltd has an interest rate swap in place which commenced in November 2019 and matures in November 2024. The interest rate swap has a fixed swap rate of 3.64% with a notional contract amount of \$5 million at 30 June 2021 (2020: contract in place for \$5 million @ 3.64%, commencing November 2019 and maturing November 2024).

- (iii) The Group has advanced \$Nil to Gore District Council during the year (2020: \$22,124) \$Nil was advanced to Invercargill City Council (2020: \$Nil) to support the low interest loans offered on the Clean Air scheme. This is interest free and repayable in six years time. The total amount able to be drawn down under this scheme is \$1,500,000 (2020: \$1,500,000). These loans are recorded at present value applying a discounted rate of 5.9% over the life of the loan.

9 Other Current Assets

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Prepayments	395	425	3,289	472
	<b>395</b>	<b>425</b>	<b>3,289</b>	<b>472</b>

10 Property, Plant and Equipment

2021											
<u>COUNCIL ONLY</u>											
	Cost 1 July 2020	Additions	Disposals	Transfers	Cost 30 June 2021	Accumulated depreciation and impairment charges 1 July 2020	Impairment losses charged in Statement of Comprehensive Revenue	Depreciation expense *	Accumulated depreciation reversed on disposal	Accumulated depreciation and impairment charges 30 June 2021	Carrying amount 30 June 2021
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Council Operational Assets</b>											
Land	151	-	-	-	151	-	-	-	-	-	151
Buildings	4,946	-	-	-	4,946	(1,769)	-	(115)	-	(1,884)	3,062
Rental Land	7,148	-	-	-	7,148	-	-	-	-	-	7,148
Rental Buildings	1,055	-	-	-	1,055	(767)	-	(19)	-	(786)	269
Motor Vehicles	2,241	-	(263)	-	1,978	(1,465)	-	(222)	205	(1,482)	496
Other Plant and Equipment	5,286	283	(189)	-	5,380	(3,803)	-	(309)	184	(3,928)	1,452
<b>Total Operational Assets</b>	<b>20,827</b>	<b>283</b>	<b>(452)</b>	<b>-</b>	<b>20,658</b>	<b>(7,805)</b>	<b>-</b>	<b>(665)</b>	<b>389</b>	<b>(8,081)</b>	<b>12,577</b>
<b>Council Infrastructural Assets</b>											
Stopbanks and Earthworks	24,668	-	-	-	24,668	(2)	-	-	-	(2)	24,666
Bridges	106	-	-	-	106	(19)	-	(1)	-	(20)	86
Large Culverts	2,275	-	-	-	2,275	(520)	-	(40)	-	(560)	1,715
Tidegate Structures	719	-	-	-	719	(157)	-	(10)	-	(167)	552
<b>Total Infrastructural Assets</b>	<b>27,768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,768</b>	<b>(698)</b>	<b>-</b>	<b>(51)</b>	<b>-</b>	<b>(749)</b>	<b>27,019</b>
<b>Council Work in Progress</b>											
Buildings	5	-	-	-	5	-	-	-	-	-	5
Infrastructure	-	1,681	-	-	1,681	-	-	-	-	-	1,681
<b>Total WIP</b>	<b>5</b>	<b>1,681</b>	<b>-</b>	<b>-</b>	<b>1,686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,686</b>
<b>Total Council Property, Plant and Equipment</b>	<b>48,600</b>	<b>1,964</b>	<b>(452)</b>	<b>-</b>	<b>50,112</b>	<b>(8,503)</b>	<b>-</b>	<b>(716)</b>	<b>389</b>	<b>(8,830)</b>	<b>41,282</b>

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

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

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



GROUP	2021										
	Cost 1 July 2020	Additions	Disposals	Transfers	Cost 30 June 2021	Accumulated depreciation and impairment charges 1 July 2020	Impairment losses charged in Statement of Comprehensive Revenue	Depreciation expense *	Accumulated depreciation reversed on disposal	Accumulated depreciation and impairment charges 30 June 2021	Carrying amount 30 June 2021
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Group Operational Assets</b>											
Land - Council	151	-	-	-	151	-	-	-	-	-	151
Buildings - Council	4,946	-	-	-	4,946	(1,769)	-	(115)	-	(1,884)	3,062
Rental Land - Council	7,148	-	-	-	7,148	-	-	-	-	-	7,148
Rental Buildings - Council	1,055	-	-	-	1,055	(767)	-	(19)	-	(786)	269
Motor Vehicles - Council	2,241	-	(263)	-	1,978	(1,465)	-	(222)	205	(1,482)	496
Other Plant and equipment - Council	5,286	283	(189)	-	5,380	(3,803)	-	(309)	184	(3,928)	1,452
Land - Subsidiary	3,078	658	-	-	3,736	-	-	-	-	-	3,736
Buildings - Subsidiary	22,397	153	-	-	22,550	(7,428)	-	(478)	-	(7,906)	14,644
Plant and Machinery - Subsidiary	75,096	3,647	(943)	-	77,800	(43,153)	(6)	(3,609)	881	(45,887)	31,913
<b>Total Operational Assets</b>	<b>121,397</b>	<b>4,741</b>	<b>(1,395)</b>	<b>-</b>	<b>124,743</b>	<b>(58,386)</b>	<b>(6)</b>	<b>(4,752)</b>	<b>1,270</b>	<b>(61,874)</b>	<b>62,869</b>
<b>Council Infrastructural Assets</b>											
Stopbanks and Earthworks	24,668	-	-	-	24,668	(2)	-	-	-	(2)	24,666
Bridges	106	-	-	-	106	(19)	-	(1)	-	(20)	86
Large Culverts	2,275	-	-	-	2,275	(520)	-	(40)	-	(560)	1,715
Tidegate Structures	719	-	-	-	719	(157)	-	(10)	-	(167)	552
<b>Total Infrastructural Assets</b>	<b>27,768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,768</b>	<b>(698)</b>	<b>-</b>	<b>(51)</b>	<b>-</b>	<b>(749)</b>	<b>27,019</b>
<b>Work in Progress</b>											
Buildings	5	-	-	-	5	-	-	-	-	-	5
Infrastructure	-	1,681	-	-	1,681	-	-	-	-	-	1,681
Buildings - Subsidiary	36	142	-	-	178	-	-	-	-	-	178
Plant and Machinery - Subsidiary	1,164	5,583	-	-	6,747	-	-	-	-	-	6,747
<b>Total Work in Progress</b>	<b>1,205</b>	<b>7,406</b>	<b>-</b>	<b>-</b>	<b>8,611</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,611</b>
<b>Total Group Property, Plant and Equipment</b>	<b>150,370</b>	<b>12,147</b>	<b>(1,395)</b>	<b>-</b>	<b>161,122</b>	<b>(59,084)</b>	<b>(6)</b>	<b>(4,803)</b>	<b>1,270</b>	<b>(62,623)</b>	<b>98,499</b>

\* Depreciation differs from the Statement of Comprehensive Revenue and Expenses by \$70k which is the Joint Venture share of Emergency Management Southland total depreciation and South Port right-of-use asset.

2020

**GROUP**

	Cost 1 July 2019	Additions	Disposals	Transfers	Cost 30 June 2020	Accumulated depreciation and impairment charges 1 July 2019	Impairment losses charged in Statement of Comprehensive Revenue	Depreciation expense *	Accumulated depreciation reversed on disposal	Accumulated depreciation and impairment charges 30 June 2020	Carrying amount 30 June 2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Group Operational Assets</b>											
Land - Council	161	-	(10)	-	151	-	-	-	-	-	151
Buildings - Council	5,039	13	(106)	-	4,946	(1,736)	-	(118)	85	(1,769)	3,177
Rental Land - Council	4,591	2,557	-	-	7,148	-	-	-	-	-	7,148
Rental Buildings - Council	1,055	-	-	-	1,055	(747)	-	(20)	-	(767)	288
Motor Vehicles - Council	2,344	118	(221)	-	2,241	(1,407)	-	(258)	200	(1,465)	776
Other Plant and equipment - Council	4,981	447	(142)	-	5,286	(3,662)	-	(281)	140	(3,803)	1,483
Land - Subsidiary	3,078	-	-	-	3,078	-	-	-	-	-	3,078
Buildings - Subsidiary	22,509	319	-	(431)	22,397	(6,958)	7	(477)	-	(7,428)	14,969
Plant and Machinery - Subsidiary	72,220	5,177	(1,532)	(769)	75,096	(41,275)	(33)	(3,366)	1,521	(43,153)	31,943
<b>Total Operational Assets</b>	<b>115,977</b>	<b>8,631</b>	<b>(2,011)</b>	<b>(1,200)</b>	<b>121,397</b>	<b>(55,786)</b>	<b>(26)</b>	<b>(4,520)</b>	<b>1,946</b>	<b>(58,386)</b>	<b>63,011</b>
<b>Council Infrastructural Assets</b>											
Stopbanks and Earthworks	24,668	-	-	-	24,668	(2)	-	-	-	(2)	24,666
Bridges	106	-	-	-	106	(17)	-	(2)	-	(19)	87
Large Culverts	2,275	-	-	-	2,275	(481)	-	(39)	-	(520)	1,755
Tidegate Structures	719	-	-	-	719	(147)	-	(10)	-	(157)	562
<b>Total Infrastructural Assets</b>	<b>27,768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,768</b>	<b>(647)</b>	<b>-</b>	<b>(51)</b>	<b>-</b>	<b>(698)</b>	<b>27,070</b>
<b>Work in Progress</b>											
Buildings	5	-	-	-	5	-	-	-	-	-	5
Buildings - Subsidiary	-	-	-	36	36	-	-	-	-	-	36
Plant and Machinery - Subsidiary	-	-	-	1,164	1,164	-	-	-	-	-	1,164
<b>Total Work in Progress</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>1,200</b>	<b>1,205</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,205</b>
<b>Total Group Property, Plant and Equipment</b>	<b>143,750</b>	<b>8,631</b>	<b>(2,011)</b>	<b>-</b>	<b>150,370</b>	<b>(56,433)</b>	<b>(26)</b>	<b>(4,571)</b>	<b>1,946</b>	<b>(59,084)</b>	<b>91,286</b>

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

## 11 Investment in Related Party

As at 30 June 2021, the council has a 15.50% (2020: 15.50%) shareholding in a limited liability company called Regional Software Holdings Limited (RSHL), incorporated on 17 October 2012 with the shareholders being the six regional councils. This company is a Council Controlled Organisation established for the purposes of collaboratively developing and maintaining a software application suite for use by regional councils in the delivery of their activities under a Long-term Plan.

RSHL Management considers it likely that on or about 30 June 2028 the current IRIS software platform and attendant e-learning software will be discontinued, with no residual value. On this basis RSHL Management considers that the current IRIS asset and attendant e-learning software has been impaired. The Council included an impairment expense of \$258,000. This is Environment Southland's 15.50% share of the impairment for the current financial year.

As at 30 June 2021, the council has a 0.17% (2020: 0.17%) shareholding in another limited liability company called Southland Regional Development Agency Limited (Great South), incorporated on 29 March 2019 with the shareholders being the four local regional councils together with four external Shareholders. This company is a Council Controlled Organisation established for the purpose of contributing to the wellbeing of the Southland Region, both commercial and non-commercial. The objective will be met with a strong sense of environmental and social responsibility.

## 12 Payables and Income in Advance

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
<b>(a) Trade and Other Payables</b>				
Trade payables	4,768	2,752	11,321	6,480
Other accrued charges	526	769	526	769
	<b>5,294</b>	<b>3,521</b>	<b>11,847</b>	<b>7,249</b>

The average credit period on purchases is 30 days

### (b) Income Received in Advance

Income in Advance	1,014	-	1,014	-
Government Funded Income in Advance	1,423	-	1,423	-
	<b>2,437</b>	<b>-</b>	<b>2,437</b>	<b>-</b>

Carry forward of project specific income to the next financial year

## 13 Employee Entitlements

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Accrued salary and wages	254	597	622	812
Annual leave	1,062	1,295	2,107	2,345
Long service leave	3	3	40	96
	<b>1,319</b>	<b>1,895</b>	<b>2,769</b>	<b>3,253</b>

### Disclosed in the financial statements as:

Current Employee Entitlements	1,274	1,853	2,692	3,211
Non-Current Employee Entitlements	45	42	77	42
	<b>1,319</b>	<b>1,895</b>	<b>2,769</b>	<b>3,253</b>

## 14 Borrowings

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
<b><i>Secured - at amortised cost</i></b>				
Current borrowings	-	-	-	1,500
Non-current borrowings	-	-	9,000	5,000
	-	-	<b>9,000</b>	<b>6,500</b>

South Port New Zealand Limited's credit facility of \$17 million from ANZ (2020: \$17 million) is split between two different lines of credit as follows:

Facility 1 - \$5 million expiring 1 February 2024

Facility 2 - \$12 million expiring 1 November 2022

The total facility is secured by way of a general security registered over all assets both present and future of South Port New Zealand Limited. The same security was in place the previous year.

Interest on the first \$5 million drawn at any one time is payable according to the five year interest rate swap agreement (expiring November 2024) the Company has with ANZ. Interest on the balance of funds drawn at any time is calculated using a variable rate based on the BKBM (3 month bank bill rate).

15 Equity

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Lease area balances (a)	5,994	5,507	5,994	5,507
Special reserves (b)	15,880	18,150	15,880	18,150
Rating district balances (c)	4,351	4,824	4,351	4,824
Retained earnings (d)	54,568	49,038	79,187	71,069
Non controlling interest (e)	-	-	16,199	14,894
	80,793	77,519	121,611	114,444

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

	2021			
	Balance	Plus	Less	Balance
	1/07/2020	Income	Costs	30/06/2021
	\$000	\$000	\$000	\$000
Aparima	37	3	(2)	38
Ferry Road	1,855	310	(93)	2,072
Kingswell	33	10	(12)	31
Mataura	2,414	526	(384)	2,556
Oreti	593	214	(145)	662
Otepunu	229	33	(12)	250
Winton	184	13	(4)	193
Waihopai	157	26	(18)	165
Waituna	5	25	(3)	27
	5,507	1,161	(674)	5,994

	2020			
	Balance	Plus	Less	Balance
	1/07/2019	Income	Costs	30/06/2020
	\$000	\$000	\$000	\$000
Aparima	36	3	(2)	37
Ferry Road	1,669	292	(106)	1,855
Kingswell	31	5	(3)	33
Mataura	2,297	455	(338)	2,414
Oreti	511	202	(120)	593
Otepunu	211	30	(12)	229
Winton	182	12	(10)	184
Waihopai	144	24	(11)	157
Waituna	-	5	-	5
	5,081	1,028	(602)	5,507

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

	2021			Balance 30/06/2021 \$000
	Balance 1/07/2020 \$000	Transfers to \$000	Transfers from \$000	
Building Reserve	332	130	-	462
Lease Building Reserve	529	19	-	548
Furniture and Equipment Reserve	119	19	-	138
Plant Renewal Reserve	112	271	(282)	101
Vehicle reserve	721	323	-	1,044
Infrastructure Assets Reserve	516	52	(33)	535
Disaster Damage General Reserve	2,000	-	-	2,000
Makarewa Disaster Damage Reserve-Restricted	176	2	-	178
Oreti Disaster Damage Reserve-Restricted	1,542	15	-	1,557
Mataura Disaster Damage Reserve-Restricted	1,319	13	-	1,332
Aparima Disaster Damage Reserve-Restricted	598	18	-	616
Orauea Disaster Damage Reserve-Restricted	9	-	-	9
Invercargill Disaster Damage Reserve-Restricted	1,023	70	-	1,093
Waiau Disaster Damage Reserve-Restricted	1,686	40	(226)	1,500
Regional Assistance to Projects	6	-	-	6
Coastal Rental Reserve	169	89	-	258
Marine Fee Reserve-Restricted	3,150	-	(1,995)	1,155
South Port Special Dividend Reserve	669	-	-	669
South Port Share Buy Back Reserve	1,378	-	(784)	594
Election Funding Reserve	-	30	-	30
Pest Property Reserve Fund	872	7	-	879
Pest Plant Reserve	73	4	-	77
Pest Disposals Reserve	299	-	-	299
Te Anau Basin Reserve	342	22	-	364
Waimatuku Stream Disaster Reserve - Restricted	59	-	-	59
Aerial Photography Reserve	49	-	-	49
Emergency Management Southland Reserve	65	72	(45)	92
Lake Hawkins Pumphouse-Restricted	337	8	(109)	236
	18,150	1,204	(3,474)	15,880

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

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

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

	2021			
	Balance	Plus	Less	Balance
	1/07/2020	Income	Costs	30/06/2021
	\$000	\$000	\$000	\$000
Aparima	662	629	(627)	664
Clifton Drainage	15	5	(1)	19
Duck Creek	36	72	(80)	28
Invercargill	239	677	(635)	281
Lake Hawkins	(81)	141	(133)	(73)
Makarewa	195	297	(279)	213
Makarewa Special	115	1	(5)	111
Mataura	580	1,884	(2,020)	444
Otepunu Creek	18	22	(39)	1
Oreti	618	1,584	(1,894)	308
Te Anau Basin	692	638	(696)	634
Waituna Creek	48	57	(90)	15
Waihopai	67	39	(28)	78
Waiau	25	400	(407)	18
Waiau - Sharpridge	54	10	-	64
Waiau - Orauea	(3)	49	(43)	3
Waiau - Upper Lillburn	377	43	(58)	362
Waiau - Wairaki	30	48	(64)	14
Waiau - Fenham	135	7	(19)	123
Waiau - Boundary Creek	4	1	(7)	(2)
Waiau Special Projects	782	10	26	818
Waimatuku	31	61	(48)	44
Upper Waihopai	47	24	(4)	67
Upper Waikiwi	98	24	(38)	84
Lower Waikawa	14	3	(2)	15
Upper Waikawa	26	10	(18)	18
	4,824	6,736	(7,209)	4,351



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

	2020			Balance 30/06/2020 \$000
	Balance 1/07/2019 \$000	Plus Income \$000	Less Costs \$000	
Aparima	598	727	(663)	662
Clifton Drainage	18	7	(10)	15
Duck Creek	41	69	(74)	36
Invercargill	136	661	(558)	239
Lake Hawkins	(89)	139	(131)	(81)
Makarewa	224	403	(432)	195
Makarewa Special	115	-	-	115
Mataura	650	2,089	(2,159)	580
Otepunui Creek	-	18	-	18
Oreti	687	2,007	(2,076)	618
Te Anau Basin	740	387	(435)	692
Waituna Creek	63	53	(68)	48
Waihopai	60	35	(28)	67
Waiau	596	444	(1,015)	25
Waiau - Sharpridge	56	10	(12)	54
Waiau - Orauea	23	53	(79)	(3)
Waiau -Upper Lillburn	373	33	(29)	377
Waiau - Wairaki	32	47	(49)	30
Waiau - Fenham	124	11	-	135
Waiau - Boundary Creek	2	1	1	4
Waiau Special Projects	742	4	36	782
Waimatuku	21	61	(51)	31
Upper Waihopai	51	26	(30)	47
Upper Waikiwi	86	19	(7)	98
Lower Waikawa	12	4	(2)	14
Upper Waikawa	17	9	-	26
	5,378	7,317	(7,871)	4,824

(d) Retained Earnings

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Balance at beginning of year	49,038	49,022	71,074	69,317
Net surplus / (deficit) attributable to Council	3,274	5	5,862	1,746
Net movement in lease areas	(487)	(426)	(487)	(426)
Net movement in special reserves	2,270	(117)	2,270	(117)
Net movement in rating districts	473	554	473	554
<b>Balance at end of year</b>	<b>54,568</b>	<b>49,038</b>	<b>79,192</b>	<b>71,074</b>

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

(e) Non Controlling Interests

	Group	
	2021	2020
	\$000	\$000
Balance at beginning of year	14,894	14,016
Share of comprehensive revenue for the year	3,591	3,164
Dividend distribution for the year	(2,286)	(2,286)
Balance at end of year	16,199	14,894

## 16 Commitments for Expenditure

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
<b>(a) Capital Expenditure Commitments</b>				
Buildings	-	-	-	744
Infrastructure	4,800	-	4,800	-
Plant and equipment	-	-	13,712	-
Motor Vehicles	436	-	436	-
	<u>5,236</u>	<u>-</u>	<u>18,948</u>	<u>744</u>

As at 30 June 2021, the Council has the following capital expenditure commitments:

- (i) Funds committed \$5.2m. The Council entered into commitments on various stopbank upgrades as part of the Government Funded Shovel Ready Climate Resilience projects and eight new vehicles as part of fleet management. (2020: \$Nil).

As at 30 June 2021, in addition to the Council the Group has the following capital expenditure commitments:

- (i) Funds committed \$13.7m South Port Group entered into commitments on a tug replacement and the upgrade to the town wharf access corridor. (2020: new storm bollards for berths 4 and 8, a light tower at FML, repairs to the service duct at berth 1, a new water connection for the town and ferry wharf and other minor capital projects of \$744k).

### (b) Operating Lease Commitments

#### *Finance lease commitments*

Finance lease liabilities at 30 June 2021 were \$Nil (2020: \$Nil)

#### *Operating lease commitments*

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

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Within one year	243	199	296	250
One to five years	265	256	507	486
More than five years	-	-	38	103
	<u>508</u>	<u>455</u>	<u>841</u>	<u>839</u>

South Port New Zealand Limited has a ten year operating lease commitment with KiwiRail Limited for the lease of a parcel of land situated on the Island Harbour, Bluff, due to expire in December 2021 with a 5 year renewal option. There is a further lease commitment with KiwiRail for the lease of a parcel of land situated at Invercargill which expires in September 2027.

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

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Within one year	803	877	4,614	4,137
One to five years	711	1,433	10,375	9,953
More than five years	-	-	36,442	38,084
	<u>1,514</u>	<u>2,310</u>	<u>51,431</u>	<u>52,174</u>

Operating lease commitments (as Lessor) relate to various port land, wharves and buildings in Bluff that are leased (both short term and long term) to a number of tenants for port related activities.

This includes Floodway land owned by Environment Southland, for the purposes of flood control, which are leased for farming purposes under a Deed of Lease.

## 17 Contingent Liabilities and Contingent Assets

### Council and Group

The Council has no contingent liabilities as at 30 June 2021. (2020: The Council had a contingent liability pending the outcome of a Court appeal for a disputed consent). South Port Group has a claim against the Group for \$2.1m in damages, however the Group has a counter-claim against the claimant for \$5.2m. (2020: \$Nil)  
The Council has no contingent assets as at 30 June 2021. (2020: \$Nil) ). South Port Group \$Nil (2020: \$Nil)

## 18 Subsidiaries

Parent Entity	Country of Incorporation	Ownership Interest	
		2021 %	2020 %
Southland Regional Council (i)	New Zealand		
<b>Subsidiaries</b>			
South Port New Zealand Limited (iii)	New Zealand	66.48%	66.48%

(i) Environment Southland (Southland Regional Council) is the ultimate parent entity within the consolidated group.

(ii) South Port New Zealand Limited holds the Group's interests in subsidiaries as follows:

- South Port New Zealand Limited - Port facilities, cargo handling and warehousing. (100% owned);
- Awarua Holdings Limited - Management and administration services. (100% owned).

(iii) Shares in South Port New Zealand Limited are carried at cost price.

All companies in the Group have 30 June balance dates.

## 19 Related Party Disclosures

### (a) Equity Interests in Related Parties

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

#### **Equity Interests in Subsidiaries**

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

### (b) Transactions with Related Parties

#### **Transactions involving the Council**

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

	Council	
	2021 \$000	2020 \$000
<b>South Port New Zealand Limited</b>		
Dividend payment made to Council	4,535	4,535
Expenses paid to Council as per normal terms of business	27	13
<b>Regional Software Holdings Limited</b>		
	2021 \$000	2020 \$000
Administration fees and support paid by Council	(332)	(224)

Regional Software Holdings Limited has no subsidiaries.

#### **Southland Regional Development Agency Limited (Great South)**

Environment Southland provided funding of \$163,940 (2020: \$140,000) to Southland Regional Development Agency for the year ended 30 June 2021.

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

During the year South Port New Zealand Limited provided cold storage facilities and leased warehousing, land and wharf facilities to Sanford Bluff for \$665,000 (2020: \$620,000). Sanford Limited debtors balance at 30 June 2021 \$29,100 (2020: \$49,500). Mr T M Foggo, a Director of South Port New Zealand Limited acted in the capacity of consultant for Sanford Limited. All of these transactions were conducted on an arms length basis at market rates.

All balances owing by Sanford are due by the 20th of the month following invoice and all overdue invoices are subject to interest on arrears. During the year ended 30 June 2021 no amounts invoiced to Sanford were written off as bad debts or included in the doubtful debts provision at balance date (2020: Nil).

In Environment Southland's role as agent for the Whakamana Te Waituna project, as at 30 June 2021 funds held on behalf of the project amounted to \$1,553,000 (2020: \$384,000). These amounts are recorded in the cash and deposits balance and are considered restricted cash on the basis that the funds are held in trust as a payable for the Whakamana Te Waituna project.

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

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

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

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

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

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

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

	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Current Assets	67	35
Revenue	469	717
Expenses	438	859

## **21 Subsequent Events**

### **(a) Council**

Council had no significant events after balance date.

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

On 26 Aug 2021 the Board declared a final dividend for the year to 30 June 2021 of 19.50 cents per share amounting to \$5,116,000 (before supplementary dividends). (2020 Final dividend declared for 18.50 cents per share amounting to \$4,854,000).

On 1 July 2021 the Group entered into a new loan facility of \$8 million with ANZ. The Group is currently in discussions regarding further facilities required to meet future capital commitments

## 22 Notes to the Cash Flow Statement

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

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

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Cash	5,316	-	6,943	-
Bank Overdraft	-	(1,609)	-	(380)
Cash and cash equivalents	<b>5,316</b>	<b>(1,609)</b>	<b>6,943</b>	<b>(380)</b>

Council has an overdraft facility with ANZ Bank New Zealand Limited. The facility can be drawn to a maximum of \$15 million upon application. This is subject to annual review, with the next review date on 31 January 2021. The interest rate is 1.93%.

South Port NZ has an overdraft facility of \$200,000 (2020: \$200,000), of which \$Nil (2020: \$Nil) had been drawn down.

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

	Council		Group	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
Surplus/(Deficit)	3,274	5	9,453	4,910
<b>Add/(less) non-cash items</b>				
Depreciation	716	714	4,860	4,607
(Gain) / loss on disposal of property, plant and equipment	(37)	(587)	(66)	(616)
Impairment of fixed assets	258	-	258	-
(Gain) / loss on wind up of available for sale asset	-	-	-	-
Net change in fair value of forward exchange contracts and interest rate swaps	-	-	(334)	150
Interest realised not received	(619)	(844)	(619)	(844)
Fair value gain/loss on other financial assets	(3,152)	(688)	(3,152)	(688)
Deferred Tax Expense	-	-	(307)	(207)
	(2,834)	(1,405)	640	2,402
<b>Add/(less) movement in working capital:</b>				
Trade and other receivables	1,535	(2,894)	1,801	(3,657)
Inventories	-	1	-	1
Prepayments	30	(136)	30	(132)
Trade and other payables	4,211	(2,031)	7,117	(1,455)
Employee Entitlements	(576)	45	(576)	213
Borrowings	-	-	-	-
Taxation payable	-	-	339	(627)
	5,200	(5,015)	8,711	(5,657)
<b>Add/(less) items classified as Investing Activities:</b>				
Property, plant and equipment included in trade and other payables	(980)	-	(980)	-
Investment property included in trade and other receivables	-	-	-	-
Movement in other working capital items classified as investing activities	-	-	(1,873)	-
	(980)	-	(2,853)	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>4,660</b>	<b>(6,415)</b>	<b>15,951</b>	<b>1,655</b>

## 23 Severance Payments (Council only)

For the year ended 30 June 2021 Council had severance payments of \$79,500 (2020: \$13,650)

## 24 Remuneration (Council only)

(a) During the year to 30 June 2021, 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 2021 year				
	Remuneration	Communication Allowance	Meeting fees	Mileage	Total
<u>Chair</u>					
Nicol Horrell	115,736	550	-	-	116,286
	115,736	550	-	-	116,286
<u>Elected members</u>					
Allan Baird	45,560	990	-	5,994	52,544
Neville Cook	54,672	550	4,239	1,115	60,576
Lloyd Esler	45,560	-	-	771	46,331
Robert Guyton	45,560	-	-	-	45,560
Lyndall Ludlow	54,672	550	-	290	55,512
Bonnie Mager	45,560	1,150	1,893	128	48,731
Lloyd McCallum	63,784	1,150	-	3,877	68,811
Peter McDonald	45,560	590	-	7,019	53,169
Jeremy McPhail	54,672	550	-	8,329	63,551
Eric Roy	54,672	-	-	-	54,672
David Stevens	45,560	550	-	9,428	55,538
	555,832	6,080	6,132	36,951	604,995
	671,568	6,630	6,132	36,951	721,281

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



### **Chief Executive**

For the year ending 30 June 2021 the total cost to the Council of the remuneration package being received by the Chief Executive, including the fringe benefit tax of \$6,428 (2020: \$6,118) is calculated at \$339,364 (2020: \$340,273).

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

	<b>2021</b>	<b>2020</b>
	<b>Actual</b>	<b>Actual</b>
Number of full-time employees	159	169
Full-time equivalent of all other employees	8	10
Council defines a full-time equivalent employee as working 37.5 hours per week.		
Number of employees receiving total annual remuneration below \$60,000	20	29
Number of employees receiving total annual remuneration between \$60,000 and \$79,999	55	46
Number of employees receiving total annual remuneration between \$80,000 and \$99,999	44	53
Number of employees receiving total annual remuneration between \$100,000 and \$119,999	24	30
Number of employees receiving total annual remuneration between \$120,000 and \$139,999	8	12
Number of employees receiving total annual remuneration between \$140,000 and \$159,999	8	5
Number of employees receiving total annual remuneration between \$160,000 and \$219,999	5	5
Number of employees receiving total annual remuneration between \$220,000 and \$339,999	3	4

## 25 Financial Instruments

### (a) Capital Risk Management

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

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

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

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

The Council has the following Council created reserves:

- Lease area balances
- Special reserves
- Rating district balances

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

The Group's overall strategy remains unchanged from 2020.

### (b) Significant Accounting Policies

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

### (c) Categories of Financial Instruments

	Council		Group	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000
<b>Financial Assets</b>				
Cash and cash equivalents	5,316	-	6,943	-
Trade and other receivables - Amortised Cost	4,356	5,891	10,503	12,304
Other financial assets				
- Fair Value through profit or loss - held for trading	28,918	28,308	28,918	28,308
- Loans to Invercargill City Council	150	142	150	142
- Loans to Gore District Council	47	44	47	44
- Investments held at Cost	9	9	9	9
<b>Financial Liabilities</b>				
Bank overdraft	-	1,609	-	380
Trade and other payables - Amortised Cost	6,308	3,521	12,861	7,249
Borrowings - Amortised Cost	-	-	9,000	6,500
Other financial liabilities				
- Fair Value through profit or loss	-	-	234	568

**(d) Financial Risk Management Objectives**

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

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

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

**(e) Currency Risk**

The Group undertakes certain sale and purchase transactions and makes investments through its managed funds denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within the Statement of Investment Policy and Objectives.

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

	Assets		Liabilities	
	2021	2020	2021	2020
	NZ \$000	NZ \$000	NZ \$000	NZ \$000
<b>Council</b>				
US Dollars	7,660	6,627	-	-
British Pounds	419	-	-	-
Euro	615	724	-	-
Australian Dollars	2,790	2,234	-	-
<b>Group</b>				
US Dollars	7,660	6,627	-	-
British Pounds	419	-	-	-
Euro	615	724	-	-
Australian Dollars	2,790	2,234	-	-

#### **(f) Interest Rate Risk**

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

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

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

During the period the range of variable interest rates applying to the credit facility were between 1.16% and 2.34% (2020: 1.16% and 2.69%). The Company is exposed to normal fluctuations in market interest rates.

Interest rate swap – South Port NZ Ltd has entered into an interest rate swap which commences 1 July 2021 and matures in July 2026. The interest rate swap has a fixed swap rate of 1.27% with a notional contract amount of \$8 million.

Interest rate swap - South Port NZ Ltd has an interest rate swap in place which commenced in November 2019 and matures in November 2024. The interest rate swap has a fixed swap rate of 3.64% with a notional contract amount of \$5 million at 30 June 2021 (2020: contract in place for \$5 million @ 3.64%, commencing November 2019 and maturing November 2024).

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

#### **(g) Other Price Risks**

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

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

#### **(h) Credit Risk**

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

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

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

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

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

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

**(i) Liquidity Risk Management**

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

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

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

**Maturity Profile of Financial Instruments**

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

COUNCIL 2021	Weighted Average Effective Interest Rate	Fixed Maturity Dates						Contractual Cash Flows	Total Carrying Amount
		Less than 12 months	1-2 years	2-3 Years	3-4 Years	4 -5 Years	> 5 Years		
		%	\$000	\$000	\$000	\$000	\$000		
<b>Financial Assets</b>									
Cash and Cash equivalents		5,316					5,316	5,316	
Trade Receivables		4,356	-	-	-	-	4,356	4,356	
Loans to Invercargill City Council		-	-	-	-	-	150	300	
Loans to Gore District Council		-	-	-	-	-	47	94	
Managed Funds		28,918					28,918	28,918	
<b>Financial Liabilities</b>									
Bank overdraft	1.93%	-	-	-	-	-	-	-	
Trade and other payables		6,308	-	-	-	-	6,308	6,308	
Borrowings		-	-	-	-	-	-	-	

COUNCIL 2020	Weighted Average Effective Interest Rate	Fixed Maturity Dates						Contractual Cash Flows	Total Carrying Amount
		Less than 12 months	1-2 years	2-3 Years	3-4 Years	4 -5 Years	> 5 Years		
		%	\$000	\$000	\$000	\$000	\$000		
<b>Financial Assets</b>									
Cash and Cash equivalents		-	-	-	-	-	-	-	
Trade Receivables		5,891	-	-	-	-	5,891	5,891	
Managed Funds		28,308					28,308	28,308	
<b>Financial Liabilities</b>									
Bank overdraft	1.93%	1,609	-	-	-	-	1,609	1,609	
Trade and other payables		3,521	-	-	-	-	3,521	3,521	
Borrowings		-	-	-	-	-	-	-	

GROUP 2021	Weighted Average Effective Interest Rate	Fixed Maturity Dates						Contractual Cash flows	Total Carrying Amount
		Less than 12 months	1-2 years	2-3 Years	3-4 Years	4 -5 Years	> 5 Years		
		%	\$000	\$000	\$000	\$000	\$000		
<b>Financial Assets</b>									
Cash and Cash equivalents	0.25%	6,943	-	-	-	-	6,943	6,943	
Trade Receivables		10,503	-	-	-	-	10,503	10,503	
Managed Funds		28,918					28,918	28,918	
<b>Financial Liabilities</b>									
Bank overdraft	1.93%	-	-	-	-	-	-	-	
Trade and other payables		12,861	-	-	-	-	12,861	12,861	
Borrowings (non-current)	2.86%	170	4,135	5,068	-	-	9,373	9,000	
Borrowings (current)		-	-	-	-	-	-	-	
Interest rate derivatives (non-current)	3.64%	-	182	182	92	-	638	234	
Interest rate derivatives (current)	3.64%	182	-	-	-	-	182	182	

GROUP 2020	Weighted Average Effective Interest Rate	Fixed Maturity Dates						Contractual Cash flows	Total Carrying Amount
		Less than 12 months	1-2 years	2-3 Years	3-4 Years	4 -5 Years	> 5 Years		
		%	\$000	\$000	\$000	\$000	\$000		
<b>Financial Assets</b>									
Cash and Cash equivalents	0.25%	-	-	-	-	-	-	-	
Trade Receivables		12,304	-	-	-	-	12,304	12,304	
Managed Funds		28,308					28,308	28,308	
<b>Financial Liabilities</b>									
Bank overdraft	1.93%	380	-	-	-	-	380	380	
Trade and other payables		7,249	-	-	-	-	7,249	7,249	
Borrowings (non-current)	3.64%	58	58	58	5,034	-	5,208	5,000	
Borrowings (current)		-	-	-	-	-	-	-	
Interest rate derivatives (non-current)	3.64%	-	182	182	182	92	638	568	
Interest rate derivatives (current)	3.64%	182	-	-	-	-	182	182	

### (j) Fair Value of Financial Instruments

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

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

The Council considers that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values with the exception of the Council's investment in its subsidiary, South Port New Zealand Limited (South Port). The Council records its investment in South Port at cost \$8,720,786 and at 30 June 2021 the fair value of this investment based on the NZX quoted bid price was \$147,904,539 (2020: \$121,218,932).

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

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

#### Group 2021

	Total NZ \$000	Valuation Technique		
		Level 1 NZ \$000	Level 2 NZ \$000	Level 3 NZ \$000
<b>Financial Assets</b>				
Other financial assets	28,918	15,801	13,117	-
<b>Financial Liabilities</b>				
Derivatives - interest rate swaps	(416)	-	(416)	-

#### Group 2020

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

**(k) Sensitivity Analysis**

Foreign Currency Sensitivity Analysis

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

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

- Surplus would decrease or increase by \$1,148,468 (2020: \$958,498). This is mainly attributable to the Group's exposure to foreign currency on its investments within its managed funds held with JB Were.
- Equity reserves would be similarly affected.

Interest Rate Sensitivity Analysis

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

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

- Surplus would decrease or increase by \$28,811 (2020: \$94,391). This is mainly attributable to the Group's exposure to interest rates on its investments within its managed funds held with JB Were.
- Equity reserves would be similarly affected.

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

Price Sensitivity Analysis

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

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

- Surplus would decrease or increase by \$1,481,645 (2020: \$1,285,403) in relation to the equity investments fair value through profit and loss.

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



## 26 Explanation of Major Variances against Annual Plan

### Council Statement of Comprehensive Revenue and Expenses for the Year Ended 30 June 2021

	Council Actual 2021 \$000	Council Annual Plan 2021 \$000	Variance \$000	Note
<b>Revenue</b>				
Rates revenue	19,038	19,051	(13)	
Government Grants	6,103	1,333	4,770	a.
Other revenue	13,758	11,880	1,878	b.
Other gains /(losses)	3,195	-	3,195	c.
<b>Total Revenue</b>	<b>42,094</b>	<b>32,264</b>	<b>9,830</b>	
<b>Expenditure</b>				
Employee benefits expense	15,986	17,706	(1,720)	d.
Depreciation expense	703	808	(105)	e.
Finance costs	38	75	(37)	f.
Other expenses	22,093	16,404	5,689	g.
<b>Total Operating Expenditure</b>	<b>38,820</b>	<b>34,993</b>	<b>3,827</b>	
Surplus (Deficit) before tax	3,274	(2,728)	6,002	
Income tax expense	-	-	-	
<b>Surplus (deficit) for the period</b>	<b>3,274</b>	<b>(2,728)</b>	<b>6,002</b>	
<b>Total Comprehensive Revenue / Deficit</b>	<b>3,274</b>	<b>(2,728)</b>	<b>6,002</b>	

#### **Explanations for Council Statement of Comprehensive Revenue and Expenses Variances:**

The actual operating surplus of \$3.3m was better than the planned budgeted deficit by \$6m. The major components of this favourable result are explained below.

**Total comprehensive revenue received for the year was \$9.8m above budget. The major items contributing to this variance were:**

- a. Government grants were \$4.8m above budget due to funding received for Mid Dome, Climate Resilience and Jobs 4 Nature projects.
- b. Other revenue was \$1.9m above budget mainly due to local contributions for flood repairs and insurance recoveries.
- c. Other gains/(losses) were over budget by \$3m due to higher than expected unrealised investment returns.

**Actual operating expenditure was \$3.8m above budget primarily due to:**

- d. Employee expenses were below budget by \$1.7m mainly due to vacancies and unfilled positions.
- e. Depreciation expense was less than budget due to the overprovision for depreciation in the budget.
- f. Finance costs were \$37k under budget due to the decreased use of bank overdraft facilities during the year.
- g. Other expenses were above budget by \$5.7m. Of this amount, \$3m was expenditure for the Mid Dome project. Most of the balance of the expense increase was due to river works expenditure as a result of the carry forward work from the February 2020 floods.

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

**Statement of Financial Position  
As at 30 June 2021**

	Council Actual 2021 \$000	Council Annual Plan 2021 \$000	Variance \$000	Note
<b>Equity</b>	<b>80,793</b>	<b>67,839</b>	<b>12,954</b>	a.
Current Assets	39,094	28,053	11,041	b.
Non-Current Assets	50,749	47,522	3,228	c.
Current Liabilities	9,005	7,701	1,304	d.
Non Current Liabilities	45	34	11	
<b>Net Assets</b>	<b>80,793</b>	<b>67,839</b>	<b>12,954</b>	

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

- a. Equity of \$81m is \$13m above budget. This is due to the operating surplus being ahead of budget combined with the following:
- b. Current assets are \$39m against a budget of \$28m due to the movement in managed funds and cash and deposits.
- c. Non current assets of \$51m are \$3.2m higher than budget. This is mainly due to Climate Resilience work in progress.
- d. Current liabilities of \$9m are higher than budget by \$1.3m.

**Statement of Cash Flows  
for the Year Ended 30 June 2021**

	Council Actual 2021 \$000	Council Annual Plan 2021 \$000	Variance \$000	Note
Net cash flow from operating activities	4,660	(5,510)	10,170	
Net cash flow from investing activities	2,266	2,244	22	
Net cash flow from financing activities	-	-	-	
<b>Increase/(Decrease) in cash held</b>	<b>6,926</b>	<b>(3,266)</b>	<b>10,192</b>	
Add opening cash brought forward	(1,610)	142	(1,752)	
Ending cash carried forward	<b>5,316</b>	<b>(3,124)</b>	<b>8,440</b>	a.

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

- a. The cash position was better than budget by \$8.4m This is due to grant income received in advance and a drawdown from the Investment Portfolio of \$3m.

## 27 COVID-19 Pandemic Impact

### (a) Council

COVID-19 represents a significant and ongoing concern for peoples health and livelihood. The changing landscape means that the council had to be agile and make the necessary changes to continue to operate the necessary council services. In line with Government advice, all non-essential front facing roles are closed during lockdown and operate under restricted capacity.

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

#### ***Collectability of rates***

Council has considered our ability to collect rates, but there is little feedback thus far that our ratepayers are unable to pay rates as they fall due. Council considered how they could support Southland ratepayers who were financially affected by COVID-19. The initiative was implemented in 2020 to enable people to pay rates in three instalments which continues to be offered.

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

#### ***Valuations***

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

#### ***Service performance measure***

We have reviewed our core service performance measures. The measures that are vital to the performance of the Council have been largely unaffected.

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

It is assumed that there will be no visiting cruise ships during the 2021/22 financial year. The investment market has been altered substantially as a result of the pandemic. The recovery in markets has been significant, but forecast returns are not guaranteed.

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

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

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

The pandemic continued to cause major disruptions in the global supply chain which created both challenges and opportunities for the Group. The overall impact on the Group was not material during the 2020/21 financial year.

On 17 August 2021, New Zealand moved back to alert level four. South Port NZ continued to operate as an essential business and were not significantly adversely affected by the lockdown.

## Additional Disclosure Information

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

	<b>2020</b>
The number of rating units within the region	50,009
The total capital value of rating units within the region	\$33,094,570,900
The total land value of rating units within the region	\$19,572,439,150

### Insurance on Assets

	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Total value of all assets of Council covered by insurance contracts.	50,112	48,600
Maximum amount to which insured.	119,147	119,731
Total value of all assets of Council covered by financial risk sharing arrangements.		Nil
Maximum amount available to Council under the arrangements.		Nil
Total value of all assets of the Council which are partly self-insured.		N/A
Value of funds maintained by the local authority for that purpose.		N/A

#### Notes:

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

# Local Government (Financial Reporting and Prudence) Regulations 2014

## Annual report disclosure statement for year ended 30 June 2021

### What is the purpose of this statement?

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

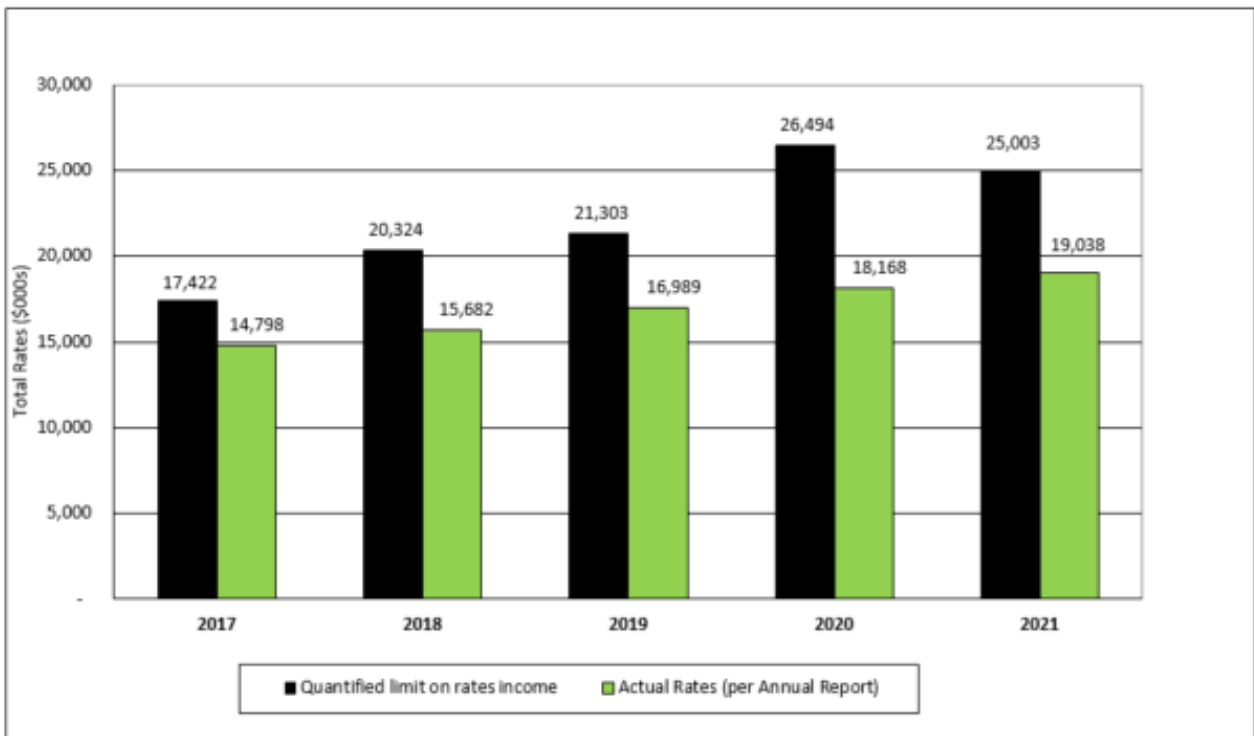
The Council is required to include this statement in its Annual Report in accordance with the *Local Government (Financial Reporting and Prudence) Regulations 2014* (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

### 1. Rates affordability benchmarks

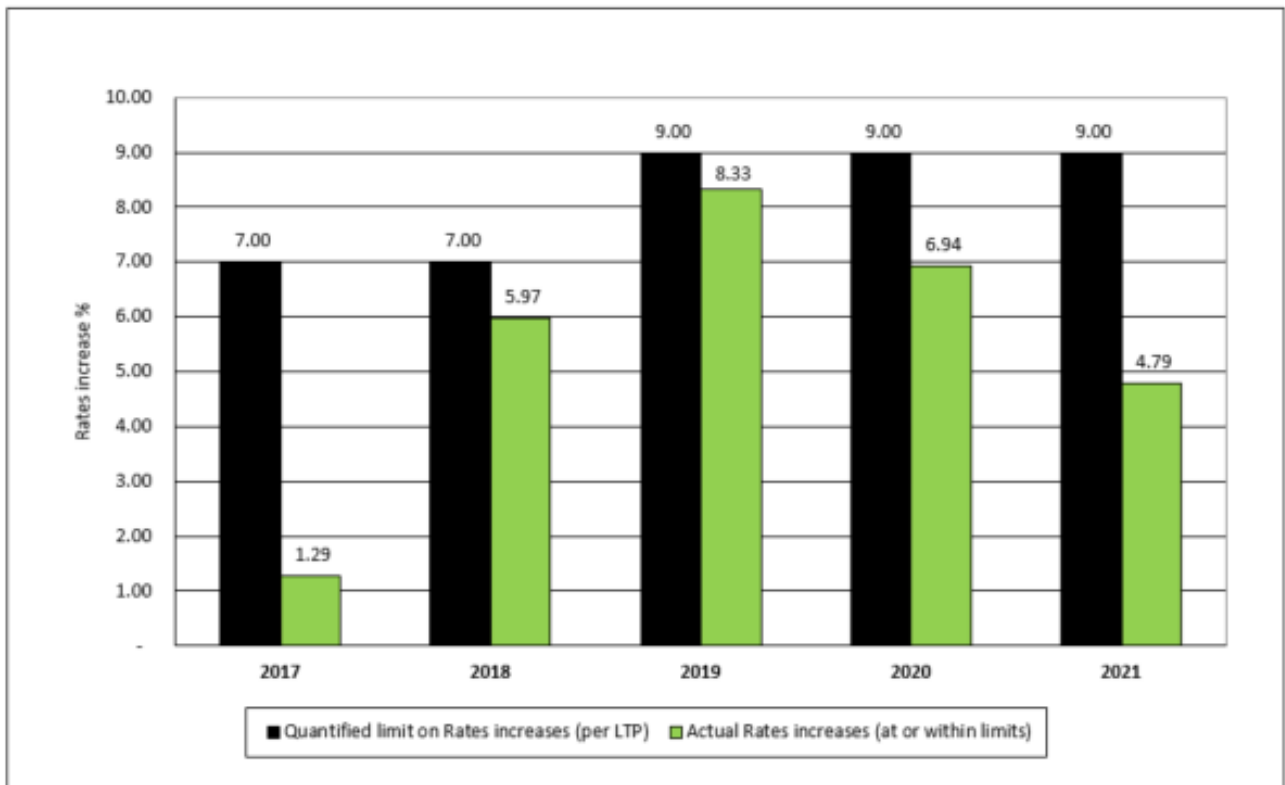
The Council meets the rates affordability benchmark if:

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

**Rates (income) affordability** - the following graph compares the Council’s actual rates income with a quantified limit on rates contained in the financial strategy included in the Council’s Long-term Plan. The quantified limit from 2017 is that total rates will not exceed 60% of total revenue.



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



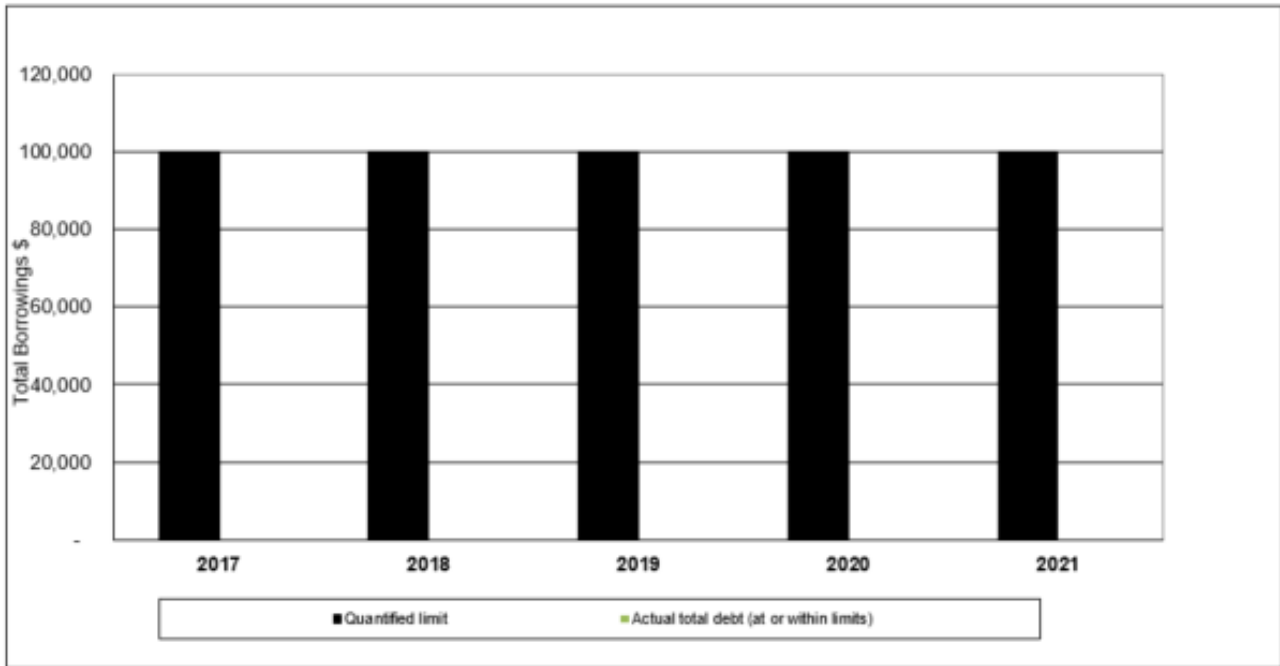
The Rates (increases) affordability benchmark requires a comparison of actual performance against quantified limits set in the Council’s Financial Strategy.

In 2016 the quantified limit is that total rates increase will not exceed 7% for the first three years of the Council’s 2015-2025 Long-term Plan. From 2019 the quantified limit is that total rates increase will not exceed 9% for the first three years of the Council’s 2018-2028 Long-term Plan. The increase in quantified limit as forecast in the 2015 Long-term Plan is because of the greater rates income required to fund additional water projects.

## 2. Debt affordability benchmark

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

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



During the period 2017 to 2021, the Council had no external public debt therefore no actual total debt is shown in the above graph.

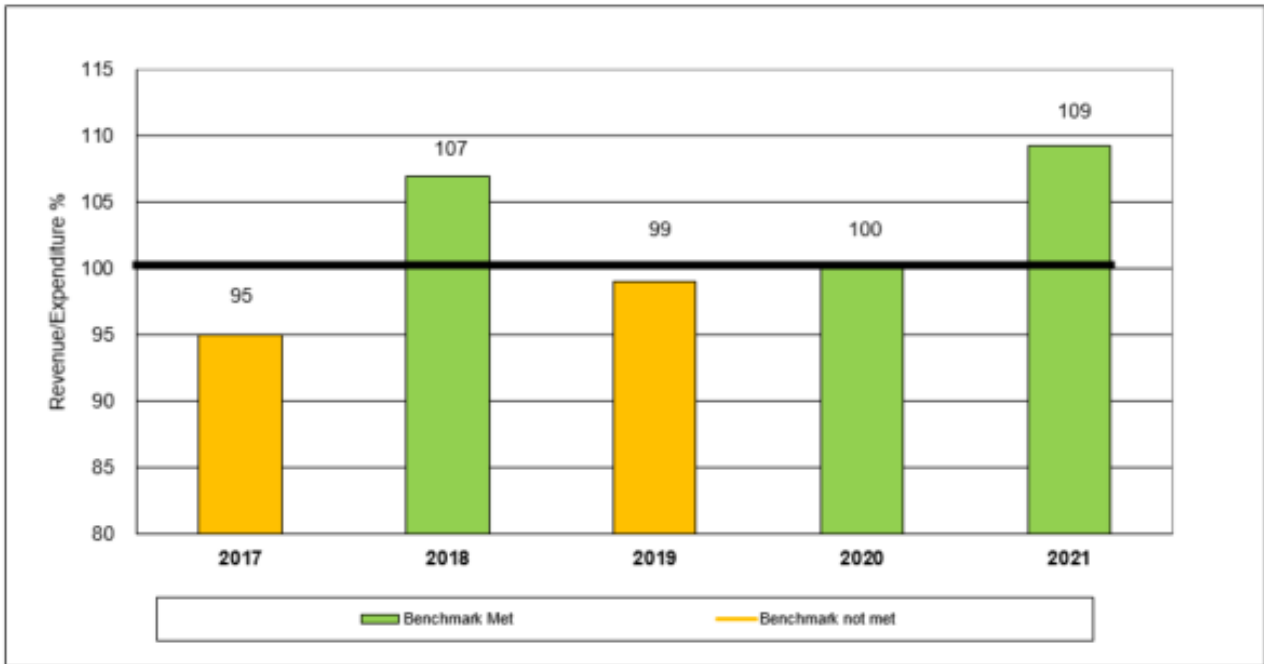
The Debt Affordability benchmark requires a comparison of actual performance against quantified limits set in the Council's Financial Strategy.



### 3. Balanced budget benchmark

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

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



In each of the years 2017 to 2021, Council planned not to meet its balanced budget requirement. Council planned to incur more operating expenditure than revenue received as it had resolved that it was financially prudent to do so by making use of prior years' surpluses and reserves.

#### **4. Essential services benchmark**

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

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

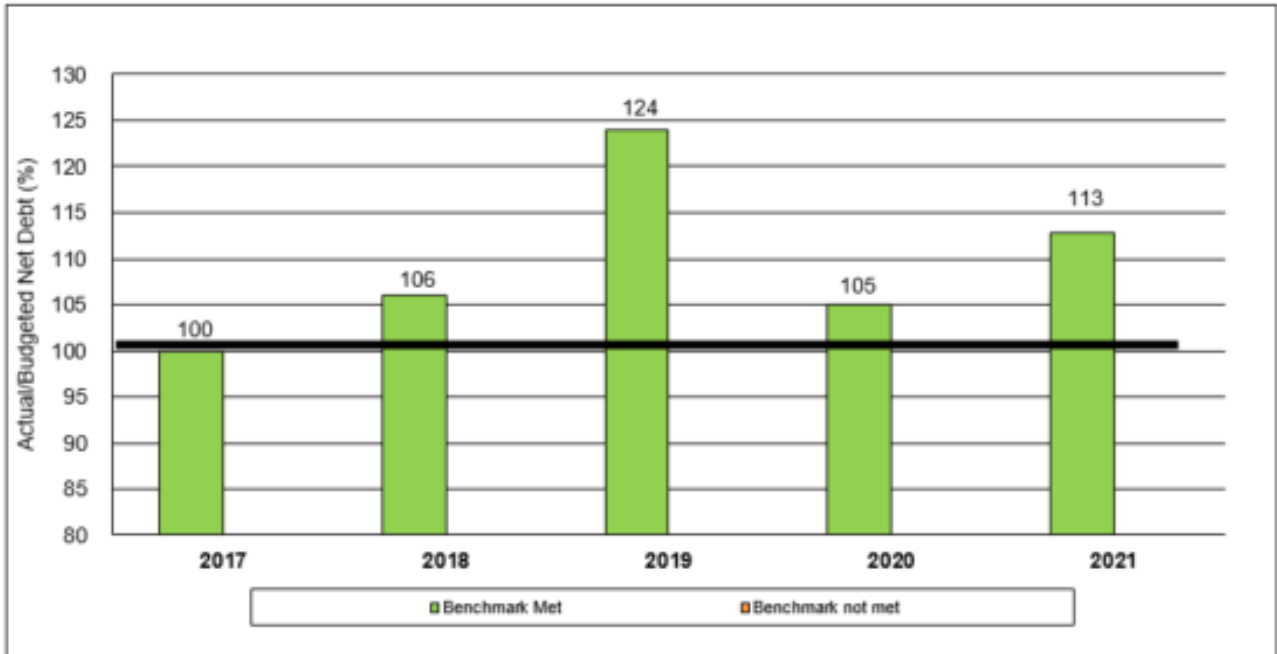
The Council's only network services are in relation to flood protection and control works. The Council does not provide any of the other network services. These network services are in the form of land assets. Accordingly, there is no depreciation on these assets. The Council's capital expenditure will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

#### **5. Debt servicing benchmark**

The debt servicing benchmark is the borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Statistics New Zealand projects the Council's population will grow more slowly than the national population growth rate, therefore it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue. During the period 2017 to 2021, the Council had no external public debt and no debt servicing.

## 6. Debt control benchmark

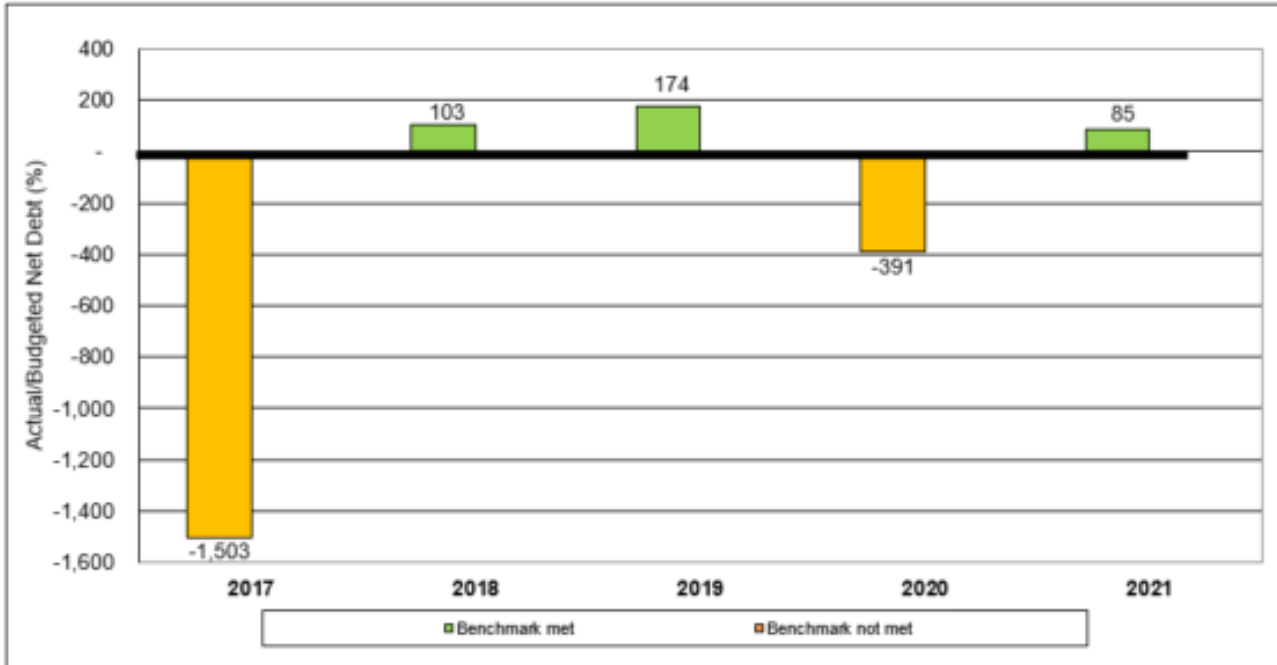
The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The Council meets the debt control benchmark if its actual net debt equals or is less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



During the period 2017 to 2021, the Council had no external public debt. This benchmark is recording actual net financial assets as a proportion of planned net financial assets. For the Council, the debt control benchmark is met if it's actual net assets, financial assets (excluding trade and other receivables) less financial liabilities, equals or is more than its planned net assets.

## 7. Operations control benchmark

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



For the period 2017 to 2021 Council planned to have negative cash flow from its operating activities as it considered it was prudent to do so as it drew down on prior year's surpluses and reserves.

In 2017 the actual cash flow from operating activities did not meet the benchmark. This was due to lower than expected returns from managed funds, less receipts from customers, and greater than expected employee benefit costs.

In 2018 and 2019 actual cash flow from operating activities met the benchmark due to higher receipts from customers and lower than expected payments to suppliers and employees.

In 2020 the actual cash flow from operating activities did not meet the benchmark. This was due to greater than expected payments to suppliers.

In 2021 actual cash flow from operating activities met the benchmark due to higher receipts from customers and lower than expected payments to suppliers and employees.

## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF ENVIRONMENT SOUTHLAND'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

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

We are also required to report on:

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

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

We completed our work on 24 November 2021. This is the date on which we give our report.

#### **Opinion on the audited information**

In our opinion:

- the financial statements on pages 31 to 84:
  - present fairly, in all material respects:
    - the Regional Council and Group's financial position as at 30 June 2021;
    - the results of the operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 8, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan;
- the statement of service performance on pages 6 to 29:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2021, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;

- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 6 to 29, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's annual plan; and
- the funding impact statement for each group of activities on pages 6 to 29, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.

## **Report on the disclosure requirements**

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 85 to 91, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council and Group's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

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

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

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

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

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

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

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

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

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or

cease all of the functions of the Regional Council and the Group or there is no realistic alternative but to do so.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

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

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

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

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

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

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

## **Other Information**

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 5, 30 and 96 to 99, but does not include the audited information and the disclosure requirements.

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

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

## **Independence**

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

In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of the long-term plan 2021-2031, which are compatible with those independence requirements. Other than these engagements we have no relationship with or interests in the Regional Council or its subsidiaries and controlled entities.



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



## Collaboration across Councils – Shared Services

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

### ***Building Control***

Four southern territorial authorities including Southland District Council, Invercargill City Council, Gore District Council and Clutha District Council continue to work closely together on building control matters under the Southern Shared Services Group in terms of both information sharing and staff exchanges to support each other at busy times.

Eleven building control authorities (BCAs), Southland District Council, Invercargill City Council, Gore District Council, Clutha District Council, Dunedin City Council, Central Otago District Council, Mackenzie District Council, Queenstown Lakes District Council, Timaru District Council, Waimate District Council and Waitaki District Council, meet regularly both as a BCA managers' group and a quality assurance leaders group under the Southern Building Controls Group. They have developed a collaborative environment for consistency in processes as well as shared regulation forms and continuous improvement ideas.

The networking and engagement of these collaboration groups helps to standardise the consent processing methodology and quality assurance processes, improving the communities' experiences when working with a variety of councils in the South Island.

### ***Emergency Management***

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

During 2020/21 EMS continued to support the COVID-19 response.

### ***Information Technology***

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

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

- a complete infrastructure resilience programme of work was implemented. Datto technology was chosen as the backup and recovery solution with a cloud-first approach being utilised that is scalable in the event of a disaster;
- the Geographic Information System (GIS) portal programme of work was commenced. Guiding principles, opportunities and outcome statements were developed and a timeline completed. Workshops have been held to advance the foundation work for a GIS shared service portal;
- member councils supported each other during the COVID-19 lockdown period to ensure high availability of networks and services to enable staff members to work effectively from remote locations;
- work on a cybersecurity programme was advanced, including security awareness training, penetration testing and incident response plans to ensure the right technologies, education, and resources are in place.

### ***Te Rōpu Taiao***

All four Southland councils have continued to fund and support Te Ao Marama Inc, the agency approved by Te Runanga o Ngāi Tahu to act on iwi liaison matters in Murihiku Southland under the Resource Management Act 1991 and the Local Government Act 2002. Since its inception, Queenstown Lakes District Council, Otago Regional Council and Clutha District Council have also joined supporting Te Ao Marama Inc. The four papatipu rūnanga and the participant councils also continue to meet through Te Rōpu Taiao hui, which allow for exchange of information and identification of opportunities to work together.

### ***SouthLib Library Consortium***

In 2009, all eight Councils in Otago and Southland (Central Otago District Council, Clutha District Council, Dunedin City Council, Gore District Council, Invercargill City Council, Southland District Council, Queenstown Lakes District Council and Waitaki District Council) signed a historic Memorandum of Understanding to collaborate in the delivery of public library services across the two regions.

The SouthLib Consortium provides free reciprocal membership of any public library in the Otago and Southland regions to permanent residents living anywhere in the regions. This means that the more than 300,000 people living in Otago Southland have free access to 35 public library branches, three book buses and a collection of more than 1.5 million items.

The consortium came together to share a range of services which originally included the Symphony Library Management system, which allowed access to the complete catalogues of Dunedin, Invercargill, Queenstown Lakes, Central Otago and Southland District Libraries for all residents. Differing demands by various councils saw a very amiable split from this in 2016/17 although most consortium members still use the symphony management system. Dunedin City, Central Otago, Queenstown Lakes Districts and Southland District have joined the national consortium, Kōtui, which provides enhanced support, searching and ongoing enhancements.

A range of other opportunities are also being explored between the districts and these include integrated holiday and reading programmes, requests and holds able to be placed across boundaries and the possibility of staff exchanges.

Purchase of large print, audio, e-book and e-audio collections have long been shared by the consortium and these collections are exchanged, or made available, to all members. Authors visits are co-ordinated to minimise costs, travel and accommodation.

### ***Regional Development***

In October 2015, the Southland Mayoral Forum published the Southland Regional Development Strategy. The major goal of the Strategy and its subsequent Action Plan is to increase the Southland population by 10,000 more people by 2025, through creating more jobs and taking up more development opportunities.

The Southland Regional Development Agency (branded as “Great South”), which integrates the former Venture Southland, was formed and directors appointed taking effect as of 1 July 2019. Great South is a Council-Controlled Organisation, with a broad range of shareholders helping to drive regional growth including the Invercargill City Council, Southland District Council, Gore District Council, Environment Southland, Invercargill Licensing Trust, Maitua Licensing Trust, Southland Chamber of Commerce and the Southern Institute of Technology. Great South also has the support of Community Trust South, which is a member of the shareholder committee.

### ***Regional Planning***

The Regional Planning Working Group (comprising staff from Environment Southland, Invercargill City Council, Southland District Council and Gore District Council) co-ordinated a joint elected representative workshop in February 2021. Present were officials from the four Councils along with Te Ao Marama Inc Board members. The workshop covered Three Waters reforms, regional climate change work, environmental

reform (repealing the RMA and introducing three new acts) and the national policy statements for water and biodiversity and explored opportunities to work together. Workshop participants were keen to progress the establishment of a joint Council approach to climate change action in the region with regional partners and the development of regional strategy has been incorporated into Environment Southland's 2021-2031 Long-term Plan.

### **Future challenges**

- Resource Management, Three Waters and Local Government Reform
- Adapting to impacts of climate change
- The proposed closure of Tiwai Aluminium Smelter
- Freshwater and estuary health and implementation of Te Mana o te Wai

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