

Annual Report 2019/20 Summary



environment
SOUTHLAND
REGIONAL COUNCIL

Te Taiao Tonga

Message from the Chairman and Chief Executive

Environment Southland's achievements from July 2019 to June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Taking action to address climate change impacts now and in the future is a priority for this Council. We are committed to making a difference in our business and doing the same for Southland. In December, a draft Climate Change Action Plan was developed and discussed with Councillors, and a Climate Change Action Working Group has been formed to work with staff on the development of the Action Plan as it progresses. While it has undoubtedly caused many issues, COVID-19 has also given us an opportunity to ensure our communities are more resilient to the impacts of climate change, such as rising sea levels and increased likelihoods of flooding events. The Government's \$13.875 million funding for upgrading Southland's flood protection infrastructure allows us to fast-track projects which will repair, raise and upgrade stopbanks around Southland.

Environment Southland has a long legacy of partnering with our community to achieve real results. We've partnered with catchment groups across Southland, including the Aparima Community Environment project in the Aparima catchment, and continue to be an advocate for water quality and biodiversity as a partner in the Whakamana te Waituna project. This year, we saw region-wide improvement in winter

grazing practices – just one example of the results we have seen thanks to our close working relationships with industry leaders and key stakeholders.

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

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

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

This report was approved and adopted by a meeting of the Council on 26 November 2020.



Nicol Horrell
Chairman



Rob Phillips
Chief Executive

Our activities

The following activities provide summaries of our targets and what we achieved or didn't achieve for each activity.

Kaiarahitanga ā rohe (*Regional Leadership*)

Environment Southland provides responsible leadership for regionally significant activities in various ways. Its relationship with its communities is pivotal for achieving a thriving Southland. The focus is engagement with Southlanders to better understand their values and aspirations for freshwater quality; encouraging involvement in decision making processes; and seeking to support and work more closely with communities and our partners.

SERVICE: Engage with Southlanders by sharing information that is compelling, relevant and timely

Achieved

The percentage of people who named Environment Southland as the authority responsible for managing Southland's natural resources: 76% of residents and 95% of farmers – unprompted; 99% of residents and 100% of farmers – prompted; resulting in an average of 92.5%.

Te kaitiakitanga o Te Taiao (*Environmental stewardship*)

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

SERVICE: Process and determine resource consent applications in accordance with statutory requirements.

Not achieved

Target only missed by 1%. 97% within the statutory timeframes for the period 1 July 2019 to 30 June 2020. The lower timeframe compliance was due to staff being involved in states of emergency for flooding and COVID-19 responses. No decisions have been overruled in the Environment Court.

SERVICE: Deliver a risk-based compliance monitoring programme for consented and permitted activities and provide 24-hour incident response to achieve compliance through encouragement, enabling, educating, and enforcing legislation.

Achieved

All enforcement actions were completed within six months of becoming aware of the incident. The 2018/19 Compliance Monitoring Report was completed in November 2019.

SERVICE: Allocation of natural resources.

Not achieved

The community's values are identified through the People Water and Land Programme. The objectives work has yet to be completed but has been delayed by their complexity and by COVID-19. The targets work is yet to be completed.

Not achieved

The Regional Coastal Plan is in the second part of its review process. Discussion papers were developed, and workshops conducted. Plan provision drafting timeframe extended due to flooding response in February 2020.

Not achieved

Environment Southland has been unable to achieve this target as the Government has not yet completed its revision of NESAQ regulations. Government consultation on proposals undertaken February – July 2020.

SERVICE: Provide land management advice and education for sustainability to rural and urban Southland.

Achieved

Advice was provided to landowners on properties totalling 183,000 hectares. As part of this, 50 Focus Activity Farm Plans have been completed.

SERVICE: To maintain and enhance indigenous biodiversity.

Not achieved

Progress has been made. Work undertaken with collaborative partners to develop a strategic action plan that supports the Regional Biodiversity Strategy. Facilitated action planning workshops commenced.

SERVICE: To minimise the adverse effects of pests that disrupt the environment, economy and community.

Achieved

All high and medium priority biosecurity programmes and assessed to align with Regional Pest Management Plan and Biosecurity Strategy. New Regional Pest Hub successfully launched. Field work programmes completed with only minor interruptions due to the February flooding and COVID-19 lockdown.

SERVICE: To provide timely access to high quality environmental information through effective monitoring, analysis and reporting systems.

Achieved

The state and trend of environmental data (water and air quality) is currently available on LAWA. Ten reports this year have been prepared about the region's natural systems in Southland. Up-to-date summer monitoring programme results are available on our website and on LAWA. <https://www.lawa.org.nz/explore-data/southland-region/river-quality/oreti-river/oreti-river-at-wallacetown/>.

A link is also available on the environment Southland webpage <http://gis.es.govt.nz/index.aspx?app=swimming-and-shellfish>.

SERVICE: To engage with research agencies and other knowledge holders to provide an integrated knowledge base for the region

Not achieved

A workshop was held in Christchurch on 25 November 2019 with leading stakeholders. In the process of establishing a pilot multi-agency science project in Southland but was delayed because of COVID-19.

Whakahoki te mana (*Restoring the Mana*)

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

SERVICE: To engage and partner with iwi, the community and others to meet the enduring goals for water on a Ki Uta, ki Tai (mountains to the sea) basis.

Not achieved

The Regional Forum (established March 2019 with 15 members) met five times during the year. Collation of freshwater objectives was delayed for six months by COVID-19 and complexity of issues. A work plan for the Forum has been developed through to 2022, which includes an approach to scenario testing.

Not applicable

Not Applicable until 2020/21. The Regional Forum will assess the most efficient, effective and appropriate methods to achieve the community's objectives for water, which will include scenario testing.

SERVICE: To measure the effectiveness of the organisation's approach to meeting the enduring goals for water.

Not achieved

Progress has been made. The results for 2019/20 are:

Human Health

The Ministry for the Environment model used to set the baseline has been discontinued. As a result, we are unable to measure our performance against this criterion. Council continues to monitor our river water quality against the National Objectives Framework for Freshwater Management 2014 (revised 2017).

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 that criteria. Council continues to monitor our lake water quality against the National Objectives Framework for Freshwater Management 2014 (revised 2017).

6 of 55 bores (11%) sampled to the higher standard for nitrate exceeded the drinking water standard at least once during the 2019/20 period.

20 of 55 bores (36%) sampled to the higher standard for *E. coli* exceeded the drinking water standard at least once during the 2019/20 period.

Ecosystem Health

In monitored rivers, 51 of 60 (85%) sites complied with national nitrate standards and 57 of 60 (95%) sites complied with ammonia toxicity standards.

Models continue to suggest breaches are likely to occur in these waterways. 28 of 30 (93%) sites complied with national periphyton standard.

Compliance with the National Objective Framework Attributes

In accordance with the Attributes as detailed in Appendix 2 of the NPSFW 2017, we fully comply with seven of the nine attributes. We partially comply with Cyanobacteria-Planktonic as we only monitor lakes and not lake-fed rivers. No monitoring in line with the NOF for dissolved oxygen currently takes place.

SERVICE: To partner in the Whakamana te Waituna programme to restore the mana, aquatic and ecosystem health to the Waituna catchment and lagoon.

Achieved

Environment Southland has completed its assigned actions, as per the milestones and the approved programme of works.

Manawarora o te hāpori (*Community Resilience*)

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

SERVICE: To ensure the region is resilient and able (through the 4Rs of reduction, readiness, response and recovery) to cope with any civil defence emergency.

Not applicable

On track as have developed 23 plans out of the proposed 25 to be completed by June 2021.

SERVICE: To reduce the flood risk to people and property by retaining system adequacy and maintenance of flood protection works to designed standards.

Not achieved

85% of schemes inspected and maintained, including flood repairs. Due to COVID-19, some inspections were unable to take place.

SERVICE: To investigate and plan for the impacts of climate change on our communities and businesses.

Achieved

The Climate Change Impact Assessment report was endorsed by all four Councils, which included the members of the Mayoral Forum. In late 2019 Council formed a Climate Action Plan Working Group to assess Environment Southland's role in tackling climate change. A draft Climate Change Action Plan was discussed at the Strategy and Policy Committee meeting on 22 July 2020 and will be adopted by Council before the end of 2020. The annual outcomes are to be reported to the Mayoral Forum.

Our finances for 2019/20

Set out below is a summary of the financial statements for the 2019/20 financial year. The amounts reported under the consolidated heading are the combined figures for Environment Southland (Council) and South Port New Zealand Limited. All amounts are presented in New Zealand dollars.

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

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

Explanations for Council Statement of Comprehensive Revenue and Expenses Variances:

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

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

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

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

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

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

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

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

	Council			Group	
	Actual	Annual Plan	Actual	2020	2019
	2020	2020	2019		
\$000	\$000	\$000	\$000	\$000	
Council	77,519	73,626	77,514	99,550	97,804
Minority interest	-	-	-	14,894	14,016
Total Equity	77,519	73,626	77,514	114,444	111,820
Current assets	34,733	32,643	37,484	41,352	44,611
Non-current assets	49,811	51,407	47,432	92,279	88,284
Current liabilities	6,982	10,390	7,358	13,357	13,434
Non-Current liabilities	42	34	44	5,830	7,641
Net Assets	77,519	73,626	77,514	114,444	111,820

Explanations for Council Statement of Financial Position Variances:

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

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

	Council			Group	
	Actual	Annual Plan	Actual		
	2020	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000
Net cash flow from operating activities	(6,416)	(1,046)	1,027	1,654	10,046
Net cash flow from investing activities	4,663	(262)	1,599	(770)	(4,499)
Net cash flow from financing activities	-	-	-	(2,834)	(2,486)
Increase/(decrease) in cash held	(1,753)	(1,308)	2,626	(1,950)	3,062
Add opening cash brought forward	142	(4,198)	(2,484)	1,569	(1,493)
Ending cash carried forward	(1,611)	(5,506)	142	(381)	1,569

Explanations for Council Statement of Cash Flows Variances:

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

Notes

- Section 98(4)(b) Local Government Act 2002 requires Council to make publicly available a summary of the information contained in its Annual Report.
- The specific disclosures included in the summary financial report have been extracted from the full financial report adopted by Council on 26 November 2020. This summary financial report was approved and adopted by Council at the same time.
- The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report. The full financial report dated on 26 November 2020 has received an unqualified audit report. A full copy of the financial report may be obtained from Council's offices or on its website www.es.govt.nz.
- The Council's full financial report for the year ending 30 June 2020 and comparative information has complied with NZ GAAP and stated explicitly that they comply with Tier 1 Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS).
The full financial statements include disclosures in accordance with the requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014.
- The summary financial report complies with PBE 43 - Summary Financial Statements

Subsequent Events

The following subsequent events are disclosed in line with IPSAS 10:

(a) Council

Council had no significant events after balance date.

(b) Group (South Port New Zealand Limited)

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

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

Impairment Testing

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

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

Post-tax discount rate 6%

Annual growth factor 2%

Capital Expenditure Commitments

(a) Council

Funds committed at 30 June 2020 were \$Nil (2019: \$2.05m, comprising of \$1.91m for land acquisitions as part of Council's planned work programme and \$144k for a new Harbourmaster's vessel).

(b) Group (South Port New Zealand Limited)

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

Contingent Liabilities and Contingent Assets

Council & Group

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

Related Party Disclosures

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.

Transactions with Related Parties

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

	Council	
	2020	2019
	\$000	\$000
South Port New Zealand Limited		
Dividend payment made to Council	4,535	4,535
Rates paid to Council as per normal terms of business	13	10

	Council	
	2020	2019
	\$000	\$000
Regional Software Holdings Limited		
Admin fees and support paid by Council	(224)	(185)

Regional Software Holdings Limited has no subsidiaries.

Other Transactions Involving Related Parties

During the year South Port New Zealand Limited provided cold storage facilities and leased warehousing, land and wharf facilities to Sanford Bluff for \$620,000 (2019: \$484,000). Sanford Limited debtors balance at 30 June 2020 \$49,500 (2019: \$25,000). Mr T M Foggo, a Director of South Port New Zealand Limited acted in the capacity of consultant for Sanford Limited. All of these transactions were conducted on an arms length basis at market 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 2020 no amounts invoiced to Sanford were written off as bad debts or included in the doubtful debts provision at balance date (2019: Nil).

In Environment Southland's role as agent for the Whakamana Te Waituna project, as at 30 June 2020 funds held on behalf of the project amounted to \$384,000 (2019: \$435,000). These amounts are recorded in the cash and deposits balance and are considered restricted cash on the basis that the funds are held in trust for the Whakamana Te Waituna project.

Transactions Eliminated on Consolidation

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

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, 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.

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

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

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

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

COVID-19 Pandemic Impact

(a) Council

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

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

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

Collectability of rates

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

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

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

Valuations

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

Service performance measure

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

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

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

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

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

(b) Group (South Port New Zealand Limited)

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

Auditor's Report



INDEPENDENT AUDITOR'S REPORT

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

The summary of the annual report was derived from the annual report of the Environment Southland (the Regional Council) for the year ended 30 June 2020.

The summary of the annual report comprises the following summary statements on pages 5 to 18:

- the summary statement of financial position as at 30 June 2020;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2020;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance referred to as Activity Areas of the Regional Council.

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: *Summary Financial Statements*.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2020 in our auditor's report dated 26 November 2020. That report includes:

An emphasis of matter paragraph that draws attention to pages 81 to 82 in the financial statements, which describes the impact of COVID-19 on the Council's audited financial statements.

These matters are disclosed on pages 17 to 18 in the summary financial statements.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

Our opinion on the summary of the annual report is based on our procedures, which were carried out 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.

Other than in our capacity as auditor, we have no relationship with, or interests in the Regional Council.



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