

Annual Report Summary 2020/21



environment
SOUTHLAND
REGIONAL COUNCIL

Te Taiao Tonga

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 stop banks 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.



Nicol Horrell
Chairman



Wilma Falconer
Acting Chief Executive

Our activities

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

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.

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

Achieved

The percentage of people who named Environment Southland (through our annual perceptions survey) as the authority responsible for managing Southland's natural resources: 76% of residents and 88% of farmers – unprompted; 99% of residents and 100% of farmers – prompted; resulting in an average of 90.75%.

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 (consents, compliance and policy/planning); 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.

Achieved

Achieved 99% within the statutory timeframes for the period 1 July 2020 to 30 June 2021.

One consent decision appeal was heard by the Environment Court, resulting in an interim decision reflecting an amended and agreed position by the parties.

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 us becoming aware of an incident. The 2019/20 Compliance Monitoring Report was completed in November 2020.

SERVICE: Allocation of natural resources.

Achieved

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.

Not achieved

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.

Not achieved

A review of the Regional Air Plan to set new air quality limits based on a new National Environmental Standards for Air Quality (NESAQ) has not been completed as the Government has not yet released the new NESAQ.

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

Achieved

Advice was provided to landowners on properties totalling 185,639 hectares. As part of this, 19 Farm Environment Plans have been completed.

SERVICE: To maintain and enhance indigenous biodiversity.

Not achieved

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.

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

Not achieved

88% of high priority actions and 91% of low/medium priority actions were completed. Some actions were not completed as staff were redirected into the Jobs for Nature projects.

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

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.

Whakahoki Te Mana

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

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.

Achieved

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.

Not achieved

Due to delays in bringing together the communities 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.

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 2020/21 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 and 2020).

4 of 33 bores (12%) regularly sampled for nitrate exceeded the drinking water standard at least once during the 2020/21 period.

8 of 33 bores (24%) regularly sampled for *E. coli* exceeded the drinking water standard at least once during the 2020/21 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 that nutrients (nitrogen and phosphorus) present a high risk of problematic periphyton growth in many 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.

Not achieved

Progress has been made in a number of workstreams, including awareness and engagement, lagoon hydrology and contaminants. Work underway is being carried over into the next financial year to be completed.

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.

Achieved

25 Community Response Plans were 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

68% of schemes formally inspected and maintained.

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. The 2020 Climate Action Plan was ratified by Council on 27 January 2021.

Our finances for 2020/21

Set out below is a summary of the financial statements for the 2020/21 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 2021

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

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:

- Government grants were \$4.8m above budget due to funding received for Mid Dome, Climate Resilience and Jobs 4 Nature projects.
- Other revenue was \$1.9m above budget mainly due to local contributions for flood repairs and insurance recoveries.
- 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:

- Employee expenses were below budget by \$1.7m mainly due to vacancies and unfilled positions.
- Depreciation expense was less than budget due to the overprovision for depreciation in the budget.
- Finance costs were \$37k under budget due to the decreased use of bank overdraft facilities during the year.
- 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.

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

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

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

| | Council | | | Group | |
|-------------------------|---------------|---------------|---------------|----------------|----------------|
| | Actual | Annual Plan | Actual | 2021 | 2020 |
| | 2021 | 2021 | 2020 | | |
| \$000 | \$000 | \$000 | \$000 | \$000 | |
| Council | 80,793 | 67,839 | 77,519 | 105,412 | 99,550 |
| Minority interest | - | - | - | 16,199 | 14,894 |
| Total Equity | 80,793 | 67,839 | 77,519 | 121,611 | 114,444 |
| Current assets | 39,094 | 28,053 | 34,733 | 49,762 | 41,193 |
| Non-current assets | 50,749 | 47,522 | 49,811 | 99,711 | 92,438 |
| Current liabilities | 9,005 | 7,701 | 6,983 | 18,551 | 13,577 |
| Non-Current liabilities | 45 | 34 | 42 | 9,311 | 5,610 |
| Net Assets | 80,793 | 67,839 | 77,519 | 121,611 | 114,444 |

Explanations for Council Statement of Financial Position Variances:

Equity of \$81m is \$13m above budget. This is due to the operating surplus being ahead of budget combined with the following:

- Current assets are \$39m against a budget of \$28m due to the movement in managed funds and cash and deposits.
- Non current assets of \$51m are \$3.2m higher than budget. This is mainly due to Climate Resilience work in progress.
- Current liabilities of \$9m are higher than budget by \$1.3m.

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

| | Council | | | Group | |
|---|--------------|----------------|----------------|--------------|----------------|
| | Actual | Annual Plan | Actual | | |
| | 2021 | 2021 | 2020 | 2021 | 2020 |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Net cash flow from operating activities | 4,660 | (5,510) | (6,415) | 15,951 | 1,655 |
| Net cash flow from investing activities | 2,266 | 2,244 | 4,663 | (8,791) | (770) |
| Net cash flow from financing activities | - | - | - | 163 | (2,834) |
| Increase/(decrease) in cash held | 6,925 | (3,266) | (1,752) | 7,323 | (1,949) |
| Add opening cash brought forward | (1,609) | 142 | 142 | (380) | 1,569 |
| Ending cash carried forward | 5,316 | (3,124) | (1,609) | 6,943 | (380) |

Explanations for Council Statement of Cash Flows Variances:

- 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.

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 24 November 2021. 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 24 November 2021 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 2021 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 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).

Capital Expenditure Commitments

(a) Council

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).

(b) Group (South Port New Zealand Limited)

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).

Contingent Liabilities and Contingent Assets

Council & 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)

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 | |
|--|---------|-------|
| | 2021 | 2020 |
| | \$000 | \$000 |
| South Port New Zealand Limited | | |
| Dividend payment made to Council | 4,535 | 4,535 |
| Expenses paid to Council as per normal terms of business | 27 | 13 |

| | Council | |
|---|---------|-------|
| | 2021 | 2020 |
| | \$000 | \$000 |
| Regional Software Holdings Limited | | |
| Admin fees and support paid by Council | (332) | (224) |

Regional Software Holdings Limited has no subsidiaries.

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.

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:

| | 2021 | 2020 |
|----------------|--------------|--------------|
| | \$000 | \$000 |
| Current Assets | 67 | 35 |
| Revenue | 469 | 717 |
| Expenses | 438 | 859 |



INDEPENDENT AUDITOR'S REPORT

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

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 2021.

The summary of the annual report comprises the following summary statements on pages 4 to 15:

- the summary statement of financial position as at 30 June 2021;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2021;
- 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 2021 in our auditor's report dated 24 November 2021.

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.

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
24 November 2021