

Annual Report 2017/18 summary

SUMMARY OF THE THIRD ANNUAL REPORT
OF THE LONG-TERM PLAN 2015–2025



environment
SOUTHLAND
REGIONAL COUNCIL

Te Taiao Tonga

▶ INTRODUCTION

This Annual Report summary for 2017/18 provides an overview of the achievements for the third year of our 2015-2025 Long-term Plan, which focused on Southland's *Big 3* – water, air and biodiversity.

Overall, we achieved what we set out to do – progress freshwater management, support the community to improve air quality and better coordinate the efforts within the Council and across Southland to improve biodiversity.

Water quality continues to be our top priority and the comprehensive three-year research programme we committed to in the 2015-2025 Long-term Plan is now completed.

It included an extensive science programme in partnership with national science agencies and industry to better understand Southland's physical geography, how our water and land systems interact and the causes of variable water quality. The economic project included industry partners and explored the impact of potential policies for improving water quality on industry, business and the wider economy.

The proposed Southland Water and Land Plan is another significant piece of work that has now progressed to the final appeal stage. Its aim is to prevent any further deterioration in water quality by addressing issues we know have a negative impact on water quality.

Knowledge and outputs from the science and economic programmes firmly underpin our newly developed long-term People, Water and Land programme. This is an integrated programme of both regulation and on-the-ground action that supports people, businesses and organisations to significantly change

their activities, which adversely affect land and water. The proposed Southland Water and Land Plan provides the basis for the regulatory component of the programme.

Significant challenges lie ahead, but we now have a solid foundation for improving rural and urban water quality.

It is pleasing to note that indicators show we are making progress towards the ambition set three years ago, with 10 years of monitoring data demonstrating that more Southland rivers have improving water quality than those that are deteriorating (see Land and Water Aotearoa, www.LAWA.org.nz).

Three years ago we also committed to working more closely alongside communities and farmers to move all land users to good management practice.

This has seen the completion of 637 Focus Farm Plans during the past three years, covering more than 250,000 ha, supporting land owners to positively improve farm practices for water quality enhancement as well as pest and biodiversity management.

While we had planned for an overall deficit of \$1.66m we can report a better than expected overall result with a surplus of \$2.27m. Environment Southland's balance sheet remains strong with significant reserves underpinned by investments, however the balance of the reserves is changing with the disaster or specific purpose reserves increasing and the general purpose reserves declining.

◀ Nicol Horrell



- ▶ For a copy of the full Annual Report for 2017/18 please visit www.es.govt.nz or call Environment Southland on 0800 76 88 45.

Total comprehensive revenue was \$3.2m better than budgeted. This was mainly due to:

- a government grant for the Mid Dome wilding trees programme of \$1.25m
- increased income from local contributions and compliance recoveries of \$0.48m
- investment returns that were higher than anticipated at \$1.5m.

The better than anticipated result also came from prudent financial management (savings in some areas of expenditure) supported through lower depreciation and reduced employee costs.

Some of the highlights for the 2017/18 year include:

- the high level of engagement of our communities to improve water quality
- Gaining momentum with the Whakamana te Waituna programme; formalising our partnership through the creation of a trust with our partners – Southland District Council, Te Rūnanga o Awarua, Te Rūnanga o Ngāi Tahu, Living Water, Fonterra, Department of Conservation – and successfully accessing \$5 million of Government funding
- the increased emphasis being placed on biodiversity and biosecurity including significant wilding conifer control on mid dome and the ongoing success of our possum control area programme in partnership with the farming community
- progressing the proposed Southland Water and Land Plan to the appeals stage

- support for the community to improve air quality
- our financial position.

A continued challenge has been adapting and responding to government policy often requiring significant investment in resources and time.

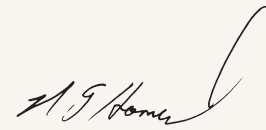
Our support of the Southland Regional Development Strategy (SoRDS) is ongoing. We recognise that we have a key regional leadership role and that we need to work closely with the other local councils to ensure sustainability remains fundamental to regional development. The strategy identifies Environment Southland as an enabler of regional economic success through our freshwater management responsibilities. There is no doubt that sustainable land, water and coastal management is critical to the future of Southland.

We are pleased that the three years of our last Long-term Plan (2015-2025) established such a strong foundation for improvements to water and air quality, as well as land/biodiversity and pest management.

Responding to the challenges that lie ahead and reflecting a continuous improvement approach to the way we do things, the next Long-term Plan (2018-2028) has created four different workstreams. These are Regional Leadership, Environmental Stewardship, Whakahoki Te Mana and Community Resilience.

Some new measures have been developed for these work streams and we will begin reporting on them in the next Annual Report (2019).

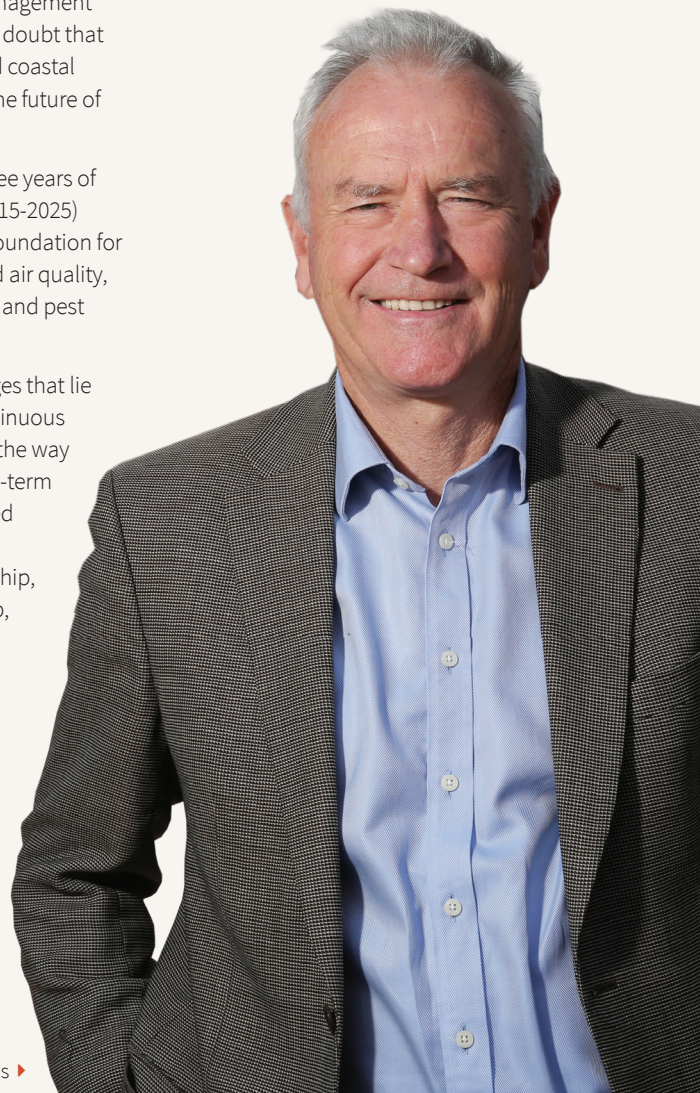
We look forward to working with our communities and partnering with others for a thriving Southland.



Nicol Horrell
CHAIRMAN



Rob Phillips
CHIEF EXECUTIVE



Rob Phillips ▶

ENVIRONMENT SOUTHLAND

Our Vision – A thriving Southland – te taurikura o Murihiku
Our Mission – Working with our communities to improve Southland's environment

▶ **BIG 3** PRIORITIES



01

WATER

Water quality and quantity

Managing Southland’s freshwater resource is our top priority. Since 2015 we have invested significantly in comprehensive research, which underpins our work programme to improve water quality. This has included an extensive science programme and an economic project.

The economic project included industry partners and explored the impact of potential policies for improving water quality on industry, business and the wider economy.

From this scientific research we now have a much better understanding of Southland’s geology, hydrology and water pathways and therefore greater

clarity about why different land use activities have different impacts on the environment.

This leading-edge science is one way we informed the development of our proposed Southland Water and Land Plan. Your ideas and feedback were another.

Since then, we’ve continued talking with people about what’s important to them, and we’ll be using the scientific and economic research to support the next steps in improving the quality and amount of water available for use.



▲ The Oreti River in northern Southland (PHOTO: LES LADBROOK).

Over the next two years, as part of our People, Water and Land programme (an evolution of Water and Land 2020 & Beyond which began in 2008) we will engage with a wide range of Southlanders on their priorities and expectations of water management.

The programme will also include providing supporting information, implementing on-the-ground action to improve water quality, finalising the proposed Southland Water and Land Plan, and setting limits, as required by the



▲ At the Southern Field Days 14-16 Feb 2018, Environment Southland asked nearly 700 visitors to our site what was important to them about Southland and why. Water management and environmental sustainability came out as priorities for the region. The data shows people in the region also place high importance on personal and social connections.

Government's National Policy Statement for Freshwater Management.

The only way we are going to find successful solutions for Southland's water quality issues, is for us to do it together, as a community.

There have been 220 farm plans developed during the year covering 82,604 ha. Those plans build on science, good practice advice and education about ways to positively improve farm practices for water quality enhancement.





02
AIR

Air quality

We are continuing to take an education-first approach towards improving air quality in Southland.

Invercargill and Gore have ongoing air quality problems during winter that do not always meet the Government's National Environmental Standards for Air Quality (NES). We know from scientific investigations that the primary cause of exceeding these standards is the pollutant PM10 due to smoke from home chimneys.

The NES sets a target of no more than three exceedances of PM10 for Invercargill, and no more than one for Gore.

The number of breaches were exceeded this past year and it is hoped that with

an emphasis on education and the continuation of the phase out of old inefficient home burners that the number of exceedances will reduce over coming years. This year has seen an increase in uptake of the Clean Air Loans scheme, which aims to help people move to cleaner forms of home heating. In 2017/18 there were 138 applications from Invercargill residents approved, and 13 from Gore.

The Council also initiated the Good Wood scheme and oversees the Breathe Easy Southland website for air quality information.

GOOD WOOD
Approved Supplier

GOOD WOOD SUPPLIERS SCHEME

The Good Wood Suppliers scheme has become well established over the last year, with Southland now having seven approved Good Wood suppliers. Good Wood suppliers are responding to community expectations for drier wood which meets Air Plan rules (requiring it to be under 25% moisture content).



Your website for air quality information
www.BreatheEasySouthland.co.nz



Biodiversity and biosecurity

Richness of biodiversity is highly desirable because it adds to, and is a good indicator of, the health and resilience of our natural resources.

In Southland we have areas with particularly high biodiversity values such as Fiordland and Stewart Island and therefore Environment Southland has made biodiversity and biosecurity a priority area of activity.

We are currently consulting on a new proposal for a Southland Regional Pest Management Plan and a proposed Biosecurity Strategy which will set the scene for how we oversee biosecurity management for the next 10 years.

Our High Value Area (HVA) programme helps to identify and highlight the value of native forest remnants, wetlands, dune systems and other important natural features that remain on properties, by providing ecological surveys.

We have a particularly strong and successful biosecurity programme for controlling certain pest animals (eg possums, ferrets, rabbits) and plants (eg gorse, broom, wilding trees).

Our environmental education, land sustainability teams and technical staff continue their work on the ground in communities and by monitoring species and habitat.



Protecting Fiordland

This year 221 Clean Vessel Passes were issued to vessels entering the area covered by the Fiordland Marine Regional Pathway Management Plan and two joint agency compliance trips were undertaken to promote, educate and check compliance with the biosecurity rules within the plan.

▶ ACTIVITY AREAS

Providing for sustainability

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



The proposed Southland Water and Land Plan was notified in 2016. In May 2017, a panel of commissioners began hearing submissions. After deliberating on submissions and formal evidence, the panel finalised its decisions. In early 2018, the panel presented these decisions to Council in a recommendation report which Council adopted.

The proposed Plan will progress through the appeals process in late 2018 and early 2019, before it is expected to become operative, once all appeals are resolved.

WE ARE ADDRESSING WATER QUALITY MONITORING AND RESPONSE THROUGH:

- a changed policy framework that addresses intensive land use and water quality standards
- undertaking compliance inspections and education in high risk areas
- responding to reported pollution incidents by concentrating on high priority incidents, followed by medium priority incidents.

▶ Implement the National Policy Statement for Freshwater Management (NPSFM)

Target has not yet been met or exceeded

This measure required an implementation programme with nutrient and sediment load limits established for five freshwater catchments.

The People, Water and Land Programme will be the delivery mechanism for this level of service and target and is well underway with plans in place for community engagement, support for on-the-ground actions and a proposed regional forum.

▶ All monitoring to show that the national bottom lines for ecosystem health contained in the NPS-FM are met

Target not yet achieved

This is a new measure.

Recently released results on the Land Air Water Aotearoa (LAWA) website, which uses our data, show that for all rivers monitored for water quality in Southland over a 10-year period (2008 to 2017), more sites were improving (91) than deteriorating (18).

Predicted and observed monitoring data shows that there is non-compliance with the national bottom line for periphyton (algae) in parts of the region.

▶ Respond to all reported pollution incidents that could have a negative effect on water within Council's specified timeframes

Target not achieved

100% of high priority incidents were responded to within specified timeframes (within 1, 4 or 24 hours) for three-quarters of the year. The balance of the high priority and medium priority incidents were responded to, within specified timeframes, 80% of the time.

▶ 200 focus activity farm plans completed

Target has been exceeded

The number of farm plans completed this year was 220 covering 82,604 ha. This is ahead of expectations and brings the total number of farm plans completed to 637.

▶ Protect community from adverse environmental effects

Targets not achieved

(a) *National Bathing Guidelines (marine and freshwater quality) at established monitoring sites during summer (October to March) are met*

The annual contact recreation monitoring programme for marine and freshwater bathing sites was undertaken between 1 December 2017 and 30 March 2018.

Marine sites - 202 samples were taken from 13 marine sites. Eight of these samples reached yellow alert status for *E. coli* (4% of all samples taken), but six reached red alert levels for *E. coli* (3% of all samples taken).

Freshwater sites – 126 samples were taken from seven freshwater bathing sites and two alpine lake sites. 32 samples reached yellow alert levels for *E. coli* (25% of all samples), and eleven samples reached red alert status for *E. coli* (9% of all samples taken).

A yellow or red alert level of *E. coli* exceeds the National Bathing Guidelines.

(b) *Mahinga kai - National Shellfish Gathering Guidelines at monitored shellfish gathering sites are met*

During the period from 1 July 2017 to 30 June 2018, 96 samples were taken from eight shellfish monitoring sites. Seven of the eight monitored sites exceeded the red alert level of 400 faecal coliforms/100 ml. Of all samples, 12 exceeded the 400 faecal coliforms/100ml threshold (12.5% of all samples taken).

A red alert level of faecal coliforms exceeds the National Shellfish Gathering Guidelines.

(c) *Groundwater does not exceed specified National Water Drinking Standard levels*

- 32 groundwater bores were sampled
- 18.8% of bores sampled exceeded drinking water Nitrate-Nitrogen standards (compared to 17% in 2016/17)
- 46.9% of bores sampled exceeded the drinking water standards for *E. coli* (compared to 13% in 2016/17)



► **No more than four exceedances (in total) of National Environmental Standards for Air Quality (levels of particulate matter - PM₁₀)**

Target not achieved and prior year result has not improved

As regulatory and education initiatives are yet to realise their full potential, exceedances were higher than is desirable. Environment Southland is currently undertaking education concentrating on high risk areas including

development of clean heat and clean air incentives and promotion of domestic clean burning practices.

There is an increasing number of calls to the pollution hotline reporting nuisance smoke from domestic chimneys and outdoor burning, indicating the community is becoming less tolerant and more aware of the health implications of smoke pollution. There is also evidence of community demand for quality dry firewood.

A pilot project in conjunction with ESR (a crown research agency) is underway in South Invercargill to look at new ways to work with the community to improve air quality in the area.

For the financial year 1 July 2017 to 30 June 2018:

- 18 exceedances in the Invercargill airshed (compared to 13 in 2016/17)
- 3 exceedances in the Gore airshed (compared to 3 in 2016/17)



► **Minimising the adverse impacts of pests**

Achieved

- no exclusion pests found within the region (noting that three exemption permits for exclusion species were granted)
- no sites exceeding McLean Scale 3 rabbit population (the K5 virus was released at three sites)

Not achieved

We did not have quantitative data monitoring the total number of possums in Southland during the period from 1 July 2017 to 30 June 2018, however:

- eight possum control areas were monitored and follow up work organised

- three new possum control areas were established – this means a total of 47 possum control areas are in place, covering 314,000 hectares

► **Regional biodiversity protection/enhancement programmes are aligned and coordinated**

Achieved

- 33 High Value Area surveys were conducted covering roughly 1,936 ha of indigenous vegetation
- 10 biodiversity protection projects were funded through an Environmental Enhancement Grant
- a new programme was developed to provide landowners with site specific Biodiversity Management Plans
- increased support to community groups

A draft Regional Biodiversity Strategy has been drafted in collaboration with a wide range of partners and will go through consultation in 2018/19.

HIGH VALUE AREA PROGRAMME

The High Value Area (HVA) programme identified threatened or rare species at 15 survey sites this year. Last year six HVA reports led to successful Environmental Enhancement Fund assistance for fencing, animal pest control and weed control.

A total of 394 properties have now been surveyed since the programme began.

Enabling resource use

This activity goes hand in hand with the management of Southland's sustainability and the Big 3. It also takes account of consenting, compliance and policy/planning activities.

All measures achieved:

- ▶ **99% of applications processed within the statutory timeframes**
- ▶ **No decisions overruled in Environment Court resulting from a flaw or discrepancy in a regional plan**

Target not achieved:

- ▶ **100% compliance with legislation, regional rules and consent conditions**

There have been 36 infringements, 21 formal warnings and 93 abatement notices issues for various breaches of

consents, plan rules and/or regulations. There have also been 17 (1.8%) inspections rated as significant non-compliance from a total of 929.

Emergency response and preparedness

This activity focuses on ensuring the community is prepared to cope with natural event response and possible events requiring preparedness are planned for.

All measures achieved:

- ▶ **The Southland Civil Defence Emergency Management Group improves its capability (this is an independent score given by the Ministry of Civil Defence and Emergency Management)**
- ▶ **61% of residents and 64% of farmers have a household emergency plan**

- ▶ **83% of residents and 92% of farmers are prepared for self sufficiency for at least 3 days if there is a Civil Defence emergency**
- ▶ **Six flood warning events occurred during the 2017/18 year and the flood warning network was 100% operational during this time**



EMERGENCY MANAGEMENT WINNERS

Emergency Management Southland's communication efforts were recognised in the Emergency Communication - Readiness and Resilience category at the recent EMPA (Emergency Media and Public Affairs) conference in Wellington.

The community engagement programme won joint first prize, and the team took out second prize with their Alpine Fault video series (AF8). These annual awards recognise all aspects of excellence in emergency communication.



Flood protection and control

Flooding is Southland's highest risk natural hazard. This activity focuses on maintaining, repairing and/or renewing the council's 458 km network of stop bank flood protection schemes, and drainage infrastructure.

All measures achieved

- ▶ **Reduce the flood risk to people and property by retaining system adequacy and maintenance of flood protection works to agreed standards**
- ▶ **Improve the productive capability of land by maintaining land drainage works to agreed standards**

Stopbank and dam inspections were completed 670km for Oreti, Te Anau, Aparima and Mataura rural protection

and Invercargill, Otautau, Tuatapere, Gore, Mataura and Wyndham urban protection schemes.

One finding from these inspections identified a 400m length of stop bank in Gore needing a more consistent flood freeboard standard applied. This has been budgeted for in the 2018/19 financial year.

Inspections on 749km of drainage schemes, resulted in maintenance work being completed over 407km.

Environmental Code of Practice for River Works

BEST PRACTICE GUIDE

The purpose of the Code of Practice is to set out environmental standards of good practice that will apply to all river and drainage works, regardless of whether an activity requires a consent or not. Good river works practice that avoid, mitigate or minimise adverse environmental impacts, will streamline regulatory requirements and lead to improved efficiencies in the delivery of services and better environmental outcomes.

Community representation and communication

Environment Southland aims to have an empowered community engaged in the decision-making processes of the Council. We are making increasing efforts to strengthen levels of awareness and involve the community in what we do.

Two measures achieved and one not achieved

▶ **86% of residents and 92% of farmers can name Environment Southland as the authority responsible for managing Southland's natural resources, unprompted, 98% of residents and 100% of farmers prompted – achieved**

▶ **43% of residents and 62% of farmers believe Environment Southland is managing water quality issues well or very well – achieved**

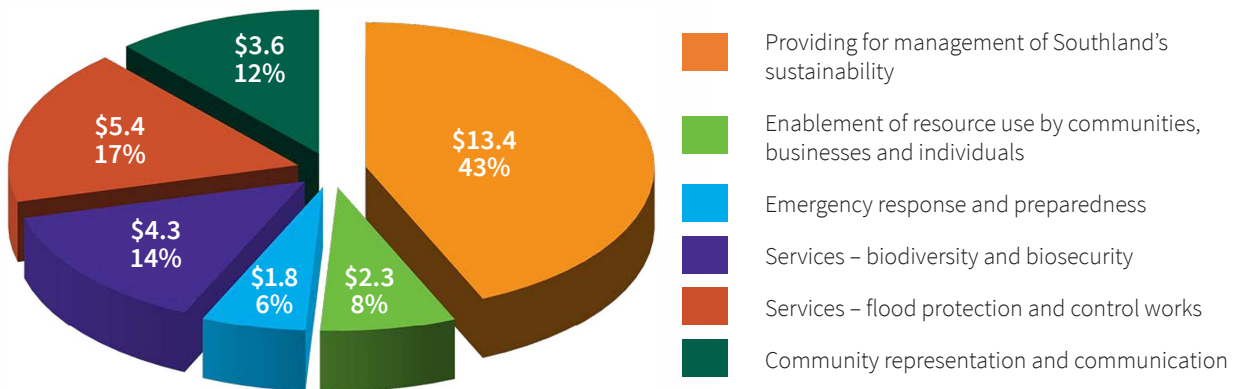
▶ **44% of residents and 62% of farmers agreed or strongly agreed that Environment Southland was effectively managing pressing environmental issues – not achieved**



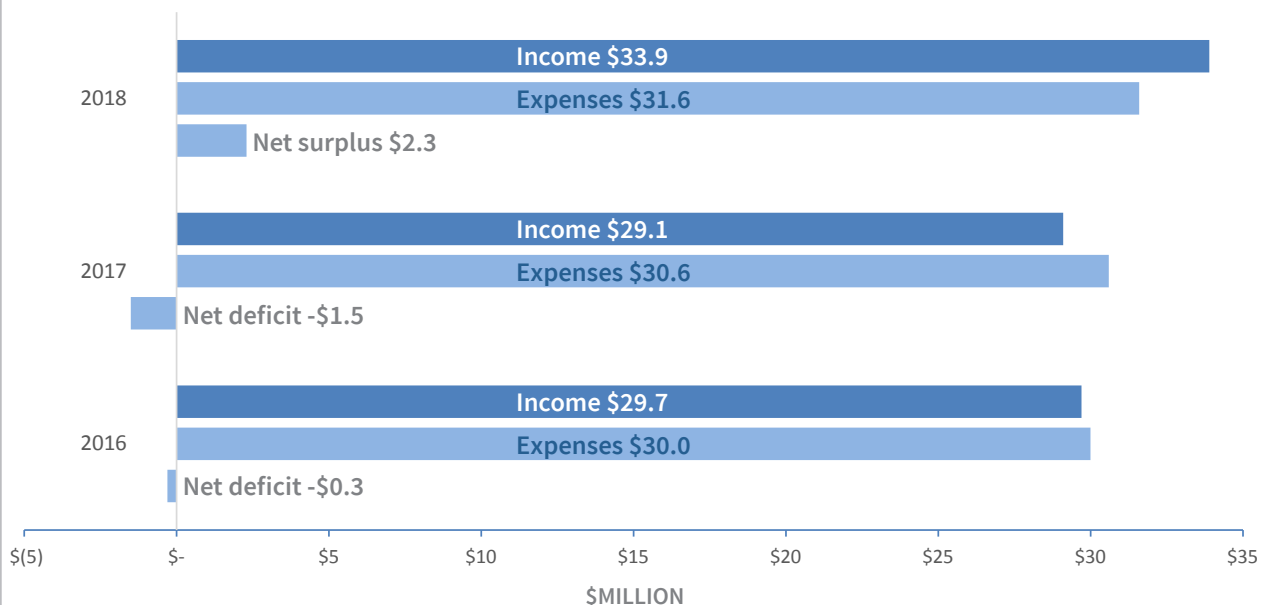
▶ At the 2018 ALGIM Web and Customer Services Conference, Environment Southland was named the top regional council for its customer experience and most improved across all 78 councils, coming 12th overall.

▶ OUR FINANCES FOR 2017/18

Breakdown of 2017/18 expenditure by strategic issue (\$m)



Environment Southland's income and expenses
Three-year trends (\$M)



Financial summary for 2017/18

Set out below is a summary of the financial statements for the 2017/18 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 expense for the year ended 30 June 2018

	COUNCIL			GROUP	
	2018 (\$000)	Annual Plan (\$000)	2017 (\$000)	2018 (\$000)	2017 (\$000)
Revenue					
Rates revenue	15,682	15,685	14,798	15,682	14,798
Other revenue	12,909	12,432	11,927	49,101	44,387
Government grants	1,936	681	1,156	1,936	1,156
Other gains/ (losses)	3,347	1,829	1,242	3,637	1,244
TOTAL REVENUE	33,874	30,627	29,123	70,356	61,585
Expenditure					
Employee benefits expense	14,867	15,496	14,585	24,847	24,314
Depreciation expense	741	946	729	4,102	4,020
Finance costs	212	65	75	813	651
Other expenses	15,784	15,785	15,251	29,351	26,840
TOTAL OPERATING EXPENDITURE	31,604	32,292	30,640	59,113	55,825
Surplus/(deficit) before income tax	2,270	(1,665)	(1,517)	11,243	5,760
Income tax expense	-	-	-	(3,850)	(3,364)
SURPLUS/(DEFICIT) FOR THE PERIOD	2,270	(1,665)	(1,517)	7,393	2,396
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE PERIOD	2,270	(1,665)	(1,517)	7,393	2,396
Total comprehensive revenue and expense attributable to:					
Council	2,270	(1,665)	(1,517)	4,156	(436)
Minority interest	-	-	-	3,237	2,832
	2,270	(1,665)	(1,517)	7,393	2,396

Explanations for statement of comprehensive revenue and expense variances:

The actual operating surplus of \$2.27 m was better than the planned budgeted deficit by \$3.935m. The major components of this favourable result are explained below.

Total comprehensive revenue received for the year was \$3.247m better than budget. The major items contributing to this variance were:

- Government grants were \$1.255m above budget due to funding received for the Mid Dome wilding pines programme.
- Other revenue was \$477,000 above budget mainly due to increased income from local contributions and compliance recoveries.
- Other gains/(losses) was over budget by \$1.5m due to higher than expected investment returns.

Actual operating expenditure was \$688,000 below budget primarily due to:

- d. Employee benefits were below budget by \$629,000 mainly due to unfilled vacancies.
- e. Depreciation expense was less than budget because the budgeted provision was too high.
- f. Finance costs were \$147,000 above budget due the writing down to present value of the Clean Air Loans in this financial year.
- g. Other expenses were below budget by \$45,000 due to expenditure in wilding pines over budget by \$1.1m and underspends in catchment by \$800,000 and property lease by \$342,000.

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 2018

	COUNCIL			GROUP	
	2018 (\$000)	Annual Plan (\$000)	2017 (\$000)	2018 (\$000)	2017 (\$000)
OPENING EQUITY	74,058	76,018	75,576	102,560	102,451
Total comprehensive revenue and expense attributable to:					
Council	2,270	(1,665)	(1,517)	4,156	(436)
Minority interest	-	-	-	3,237	2,832
Dividend distribution - minority interest	-	-	-	(2,286)	(2,286)
CLOSING EQUITY	76,328	74,353	74,058	107,667	102,560

Summary statement of financial position as at 30 June 2018

	COUNCIL			GROUP	
	2018 (\$000)	Annual Plan (\$000)	2017 (\$000)	2018 (\$000)	2017 (\$000)
Council	76,328	74,353	74,058	94,646	90,489
Minority interest	-	-	-	13,021	12,070
TOTAL EQUITY	76,328	74,353	74,058	107,667	102,560
Current assets	36,349	32,417	33,129	42,988	39,114
Non-current assets	47,610	48,220	48,114	86,361	85,964
Current liabilities	7,593	6,252	7,151	13,743	12,121
Non-current liabilities	38	32	34	7,939	10,396
NET ASSETS	76,328	74,353	74,058	107,667	102,560

Explanations for statement of financial position variances:

- a. Equity of \$76.328m is \$2m above budget. This is due to a the operating surplus being ahead of budget.
- b. Current assets are \$36.349m against a budget of \$32.417.m due to the increased in investment income in the Managed Funds portfolio.
- c. Non current assets at \$47.610m is \$610,000 lower than budget due the amounts loaned to ICC and GDC for the Clean Air Loan scheme being less than budget.
- d. Current liabilities of \$7.593m are higher than budget by \$1.341m due to the bank overdraft and trade payables being higher than budget.

Summary statement of cash flows for the year ended 30 June 2018

	COUNCIL			GROUP	
	2018 (\$000)	Annual Plan (\$000)	2017 (\$000)	2018 (\$000)	2017 (\$000)
Net cash flow from operating activities	88	(2,591)	(2,244)	7,895	5,289
Net cash flow from investing activities	(66)	628	(1,140)	(3,871)	(4,520)
Net cash flow from financing activities	-	-	-	(4,686)	(3,386)
Increase/(decrease) in cash held	22	(1,963)	(3,384)	(662)	(2,617)
Add opening cash brought forward	(2,507)	256	877	(832)	1,785
ENDING CASH CARRIED FORWARD	(2,484)	(1,707)	(2,507)	(1,493)	(832)

Explanations for statement of cash flows variances:

- Operating activities are \$2,679,000 higher than budget due to \$1,255,000 government grants including funding for the Mid-dome wilding pines programme and \$477,000 higher than budgeted other revenue due to local contributions and compliance recoveries. Employee benefits expense were 629,000 lower than budget due to unfilled vacancies.
- Net cash flows from investing activities was behind budget due to \$770,000 lower withdrawals of managed funds not required due to cost savings and provision of other revenues.
- Opening cash brought forward varied due to the Annual plan due to worse than budgeted operation performance in the prior year.

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 31 October 2018. 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 31 October 2018 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 2018 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 23 August 2018 the Board declared a final dividend for the year to 30 June 2018 of 18.50 cents per share amounting to \$4.854 million (before supplementary dividends). (2017 Final dividend declared for 18.50 cents per share amounting to \$4.854 million).

Capital expenditure commitments

- (i) As at 30 June 2018, the Council has the following capital expenditure commitments:
Funds committed \$Nil. (2017: Funds committed \$Nil)
- (ii) As at 30 June 2018, the Group has the following capital expenditure commitments:
Funds committed \$2,150,000 as South Port Group entered into commitments to complete an extension of the No.1 cold store ELA, build a blast freezer, install a new screw compressor, upgrade the access road paving, build a new security hut facility and upgrade fishing berth assets. (2017: Completion of paving on Berth 5 and the purchase of some land situated on the Island Harbour from KiwiRail at a total estimated cost of \$260,000).

Contingent liabilities and contingent assets

Council and group

The Council is currently in the tendering phase for the acquisition of a new Harbourmaster's Vessel with an estimated cost of \$120,000 as at 30 June 2018 (30 June 2017: \$Nil), South Port \$Nil (2017: \$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:-

South Port New Zealand Limited

	COUNCIL	
	2018 (\$000)	2017 (\$000)
Dividend payment made to Council	4,535	4,535
Rates paid to Council as per normal terms of business	10	9

Regional Software Holdings Limited

The transactions between the Council and Regional Software Holdings Limited were:

	COUNCIL	
	2018 (\$000)	2017 (\$000)
Admin fees and support	176	161

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 \$393,000 (2017: \$424,000). Sanford Limited debtors balance at 30 June 2018 was \$29,000 (2017: \$27,000). Mr T M Foggo, a Director of South Port New Zealand Limited was the Salmon & Aquaculture Manager of 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 2018 no amounts invoiced to Sanford were written off as bad debts or included in the doubtful debts provision at balance date (2017: Nil).

In Environment Southland's role as agent for the Whakamana Te Waituna Trust, as at 30 June 2018 funds held on behalf of the Trust amounted to \$170,000.

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	39.52%
Gore District Council	8.64%
Invercargill City Council	25.92%
Southland District Council	25.92%

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

	2018 (\$000)	2017 (\$000)
Current assets	148	177
Revenue	355	312
Expenses	385	337



INDEPENDENT AUDITOR'S REPORT – TO THE READERS OF ENVIRONMENT SOUTHLAND'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

The summary of the annual report was derived from the annual report of Environment Southland (the Regional Council) for the year ended 30 June 2018.

The summary of the annual report comprises the following summary statements on pages 8 to 18:

- the summary statement of financial position as at 30 June 2018;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year ended 30 June 2018;
- 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 2018 in our auditor's report dated 31 October 2018.

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 Council's Long-term Plan, 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.

Deloitte Limited

Mike Hawken, Deloitte Limited
On behalf of the Auditor-General
Dunedin, New Zealand
31 October 2018

▶ 2017/18 HIGHLIGHTS



▶ We have commenced a five year comprehensive partnership programme to return the mana of the Waituna Lagoon.



▶ We continue to engage with our community on water related issues through our People, Water and Land Programme.



▶ We have placed more emphasis on biodiversity and biosecurity, developing a plan for the coordination of these activities.



▶ We have made progress on a framework for maintaining and improving water quality in Southland by progressing the proposed Southland Water and Land Plan to the appeal stage.



▶ We continued the Clean Air Loans scheme with the Invercargill City and Gore District Councils to help people change to cleaner home heating options.



▶ We completed 220 new farm plans covering over 82,600 hectares, making a total to date of 637 farm plans covering an area exceeding 250,000 ha.



▶ We activated the Fiordland Marine Pathway Management Plan and our Possum Control Areas Programme continued to grow.



▶ Environment Southland is in good financial shape with a surplus of \$2.27 million compared with a planned deficit of \$1.665 million.



▶ Environment Southland's balance sheet remains strong, however despite the year's good result, the general purposes reserves declined.