



Annual Report Summary 2017/2018

SOUTHLAND
DISTRICT COUNCIL
Te Rohe Pōtae o Murihiku

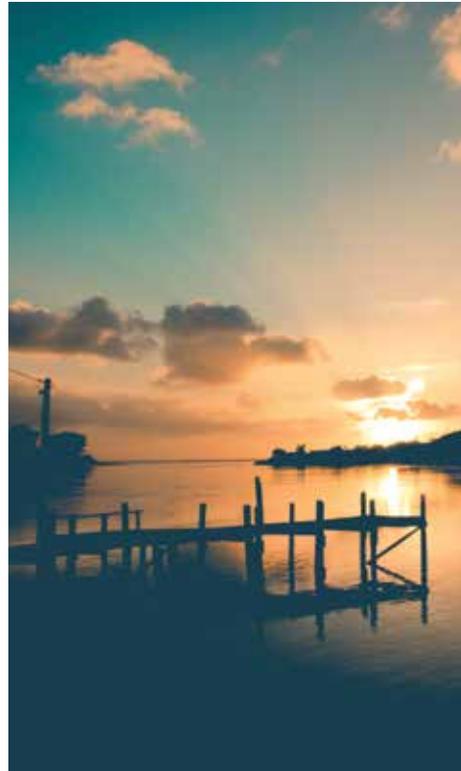


A DEFINING YEAR

Kia ora everyone. We're pleased to introduce Southland District Council's Annual Report for 2017/2018.



It was a defining year for Council in many ways. With the adoption of our Long Term Plan 2018-2028 and the decisions Council made on the key issues we consulted on, we are in a position to look at 2017/2018 as a year in which some bold, proactive measures were taken to forge a path forward.



We've talked a lot in the past couple of years about the challenges ahead. We think this LTP and the body of work done this year have 'set in stone' a plan of action on how Council will meet those challenges.

The LTP includes our new Strategic Framework, which represents a significant change in focus for



Council. Our vision of 'Southland – one community offering endless opportunities' signals a District-wide approach as we look to work in partnership with our communities for a better Southland.

This approach has been used in several ways in the past 12 months, where Southland District Council



has worked collaboratively with other agencies to achieve great community outcomes.

Notable examples include the multi-faceted work that culminated in the opening of the Tumu Toka Curisocape visitor centre at Curio Bay, the Milford Opportunities project, the establishment of

MESSAGE FROM THE MAYOR AND CHIEF EXECUTIVE



the Whakamana te Waituna trust and Stewart Island/Raikiura community planning – as well as ongoing work on the Southland Regional Development Strategy.

In all of these instances we've been able to show that when Southlanders unite for a common purpose we can make big things happen. This has not gone unnoticed at central government level, where there is real interest in seeing what results can be delivered by the Milford project, in particular. It does not hurt the region as a whole that Southland, coast to coast, is blessed with some pretty desirable landscape – from Milford Sound at one end to Curio Bay at the other.

Our open spaces are valuable currency. Southlanders choose to live here because our open spaces offer a unique lifestyle, and visitors choose to come here because our open spaces offer a unique experience.

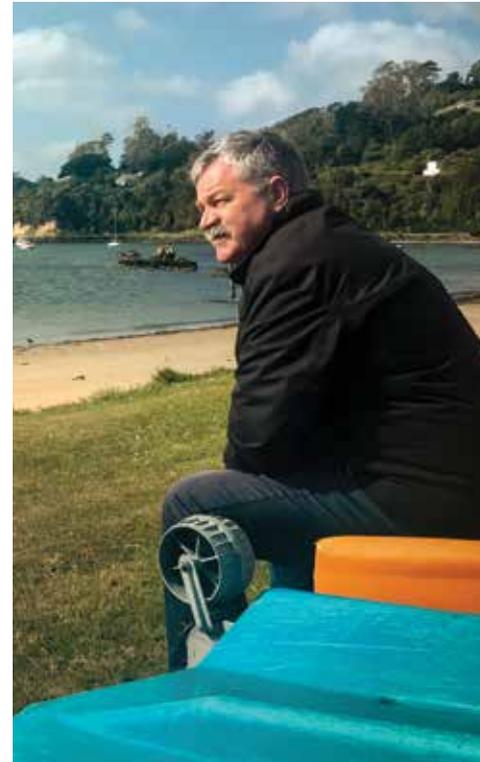
Taking care of these wonderful resources sustainably and for everyone's enjoyment is a top priority for Southland District Council. This was very much at the forefront of Council's thinking when it completed an open space priority setting project during the year and used this work to determine the level of funding that it should set aside for strategic design and development of the District's open spaces.

Alongside this, the initial stages of a hugely influential body of community



future planning work was started during the year.

This work, which looks at the demographic and economic changes affecting our communities, will continue over the next year and be used to inform future decisions about the development of our District and the services we provide.



Sealing the Catlins coastal road, at 23km our biggest roading project in many years, was all but completed in 2017/2018, and Council signed off on a plan to finish the Around the Mountains Cycle Trail.

Our six-yearly Representation Review, which was completed during the year, enabled Council to

formulate a plan on how to plug the gaps in representation in the District while building a model that will give our communities the opportunity to have a greater say in their future. Within the organisation we strived to do better.

A lot of emphasis this year went on improving internal systems and processes in order to serve our customers, our residents and ratepayers, more efficiently and effectively. Our customer support team made some big changes that have improved the experience of interacting with Council.

Not the least of the changes you will have noticed was the public launch of our Southland District Story in October 2017, with new signage, a fresh new logo and a new promise to our residents and ratepayers: we will lead the way in working together for a better Southland.

Yes, it was a big year and there's much more to come. As our LTP document says, we're just getting started, Southland.

Steve Ruru
CHIEF EXECUTIVE

Gary Tong
MAYOR

SOUTHERN SCENIC ROUTE



Phase one of an integrated development package on the southernmost stretch of the Southern Scenic Route was largely completed in 2017/2018.

The official opening of the Tumu Toka Curioscape visitor centre at Curio Bay was the culmination of a 14-year, \$2.5 million project initiated by the South Catlins Charitable Trust and completed in partnership with Southland District Council and the Department of Conservation, with support from Venture Southland, the Awarua rūnanga, and local volunteers.

Related work included commissioning a new wastewater treatment plant at Curio Bay, constructing a new car park and amenities block, and progressing sealing of the Catlins Alternative Coastal Route to near completion.

Significant work was done by Council in 2017/2018 to enhance the Southern Scenic Route, and improve the visitor experience throughout the wider District.

An application was being put together for the second Tourism Infrastructure Fund funding round. If successful, this money would be used to help fund the visitor component of the Te Anau wastewater scheme and a bundle of Southern Scenic Route projects covering Waikawa Domain, Monkey Island, Clifden Bridge and Te Anau.

Council successfully applied to the Ministry of Business, Innovation and Employment's new Tourism Infrastructure Fund for \$220,565 to help upgrade Lumsden's historic railway precinct, a project that will enable better management of freedom camping in the town's centre.

HAVELOCK NORTH WATER INQUIRY



Central government's Three Waters Review following the 2016 water supply contamination in Havelock North could result in the largest reform to affect local government in New Zealand since 1989. Fundamental changes are proposed to the way New Zealand manages and regulates drinking water. This function is currently carried out by individual territorial authorities, including Southland District Council, but among the changes being considered is the establishment of a dedicated drinking-water regulator and dedicated water suppliers.

Many of the issues around how water is managed and regulated extend across all of the three waters services – drinking water, wastewater and stormwater. The review was expected to be completed and decisions made by Cabinet in October 2018. In response to the inquiry, Southland District Council has additional funding in place through its Long Term Plan.

SOUTHLAND DISTRICT COUNCIL STORY



The new Southland District Council Story was publicly launched on Monday 2 October 2017.

All the Council offices, libraries and vehicles have new signage, and there are new 'Welcome' signs at the District boundaries. Our pledge to our communities is that we will lead the way in working together for a better Southland.

We serve the people of the Southland District with our leadership, and will always consider how best we can meet their needs. This ethos is reflected in a wide range of collaborative work carried out in the District throughout 2017/2018.

LONG TERM PLAN



Council's Long Term Plan (LTP) 2018-2028, 'We're just getting started, Southland', provided an overview of the key challenges and issues Council faces over the next 10 years. The LTP was adopted on 20 June 2018.

It enables an extensive programme of data collection and information-gathering work to be carried out in the next three years, the findings of which will inform key decisions in the future about the replacement of ageing infrastructure and the provision of services in our communities.

REPRESENTATION REVIEW



Council recommends having 12 councillors elected from five wards, with boundary changes for four of the wards.

Council also proposes that Stewart Island/Rakiura remain as an island community of interest and that there be nine community boards providing District-wide coverage.

The Local Government Commission will decide whether to implement Council's recommendations in time for the 2019 local elections.

AROUND THE MOUNTAINS CYCLE TRAIL



Council consulted on options to finish stage two of the Around the Mountains Cycle Trail, and to decide how the total net cost of \$4.6 million so far should be funded.

It was decided to fund the net cost by way of a 30-year loan, with repayments collected through the uniform annual general rate, and to use Centre Hill Road to connect the existing stretch of completed trail from Centre Hill to Walter Peak.

HEALTH AND SAFETY FRAMEWORK



Health and safety is a priority for Council. Our goal is for our people to think about their own safety and the safety and wellbeing of others so that we deliver safe and effective services and everyone gets home safe and well.

In 2017/2018 a new Health and Safety Framework outlined procedures that enable a risk-based approach to managing health and safety.

A series of e-learning modules were developed and there was a very high level of participation by staff.

MILFORD OPPORTUNITIES



While this is still in its early stages, the Milford Opportunities Project is nationally significant.

Southland District Council is working closely with stakeholders and agencies to develop a plan that will ensure the Milford experience is outstanding for years to come and continues to create benefit for Fiordland National Park, the region and New Zealand.

STEWART ISLAND/RAKIURA COMMUNITY PLAN



The 2017 outbreak of the parasite *bonamia ostreae* was devastating for the farmed oyster industry of Stewart Island/Rakiura. In August 2017, MBIE asked Council to lead a programme of development and consultation around opportunities and planning for the future of the Island.

A comprehensive community engagement process was carried out to identify residents' vision for the Island. The process has been beneficial in identifying issues that are not only important for Stewart Island, but are also relevant for a number of communities in the District.

TE ANAU WASTEWATER DISCHARGE



A business case was presented to Council in December 2017 recommending that Te Anau's treated wastewater be piped to the Kepler block and dispersed by centre-pivot irrigation. Councillors agreed the Kepler block was the best option and instructed staff to proceed with construction of a pipeline to the site. They also asked for further work be done on the design for a sub-surface dispersal field. The updated business case will be presented to the Te Anau Wastewater Committee and Council's Services and Assets and Finance and Audit committees, before going to the full Council who will make the final decision.

WHAKAMANA TE WAITUNA TRUST



Council approved the formation of a new trust to lead a \$10 million programme to improve the environmental well-being of the Waituna lagoon and wider catchment.

Forming the trust is an important milestone in the multi-agency partnership arrangement between Southland District Council, Ngāi Tahu, DOC, Environment Southland and Fonterra.

SUMMARY ACTIVITY REPORT



153 projects were planned for the 2017/2018 financial year and 69 of the performance targets were measured. Of the measured targets, 42 were achieved and 27 were not achieved.

PROJECT STATUS						
Activity Group	Completed	In progress	Not started	Deferred	Deleted	Total
Community Services	16	18	8	18	6	66
District Leadership	1	2	0	1	1	5
Regulatory Services	1	0	0	0	0	1
Roading and Transport	10	9	2	3	2	26
Solid Waste	0	0	0	0	0	0
Stormwater	3	1	0	0	0	4
Wastewater	4	11	0	3	0	18
Water Supply	18	12	0	2	1	33
Total	53	53	10	27	10	153

A project can be deferred for any number of reasons, for example, more design work being required or unsuitable weather preventing work being carried out within the specified timeframe. Projects are often deleted where the need for the work is reassessed.

PERFORMANCE RESULTS				
Activity Group	Achieved	Not Achieved	Not Measured	Total
Community Services	9	7	9	25
District Leadership	10	2	5	17
Emergency Management	1	0	1	2
Regulatory Services	4	8	6	18
Roads and Footpaths	3	2	1	6
Solid Waste	0	3	4	7
Stormwater	4	1	2	7
Sewerage	5	0	0	5
Water Supply	6	4	0	10
Total	42	27	30	99



FINANCIAL OVERVIEW



The financial overview provides a summary of the year-end financial results for Southland District Council.

The information contained in this overview has been extracted from the full financial statements which contain detailed information about Council's finances and service performance.

The financial results include information about Council, Stewart Island Electricity Supply Authority and Council's share in Venture Southland.

The table shows the financial year-end results, as at 30 June 2018 and includes comparisons from the previous financial year and the budget as outlined in the 2017/2018 Annual Plan.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand.

The financial report has been prepared in accordance with New Zealand Generally Accepted Accounting Practise (NZ GAAP). These financial statements have been prepared in accordance with Tier 1 Public Benefit Entity ("PBE") accounting standards.

The information included in the summary report has been prepared in accordance with PBE FRS 43: Summary Financial Statements.

Definitions

NET SURPLUS	What income Council has left after operational costs are paid.
EQUITY	Net assets owned by ratepayers.
NET ASSETS	What Council owns less what it owes at the end of the year.
CASHFLOW	How Council generated and used cash during the year.

FINANCIAL SUMMARY			
Actual 2016/2017 (\$000)		Actual 2017/2018 (\$000)	Budget AP 2017/2018 (\$000)
COMPREHENSIVE REVENUE AND EXPENSE			
72,129	Revenue earned (incl asset development)	79,706	74,082
(71,980)	Less total expenditure	(75,976)	(72,680)
(22)	Less finance costs	(30)	(20)
127	Net surplus/(deficit) after tax	3,701	1,382
(67)	Movement in fair value reserve	453	-
95,408	Movement in asset revaluation reserve	48,941	30,067
95,469	Comprehensive revenue and expense	53,095	31,449
CHANGES IN EQUITY			
1,389,142	Equity at Start of Year	1,484,611	1,409,395
95,469	Total Comprehensive Income	53,095	31,449
1,484,611	Equity at the End of the Year	1,537,706	1,440,844
FINANCIAL POSITION			
1,484,611	Total Equity	1,537,706	1,440,844
27,866	Current Assets	26,767	8,375
1,467,978	Non-Current Assets	1,522,100	1,443,470
1,495,844	Total Assets	1,548,867	1,451,845
11,149	Current Liabilities	11,098	10,829
84	Non-Current Liabilities	63	172
11,232	Total Liabilities	11,161	11,001
1,484,611	Net Assets (Assets less Liabilities)	1,537,706	1,440,844
CASH FLOWS			
21,172	Operating Cashflow	28,183	22,873
(17,078)	Investing Cashflow	(27,071)	(34,649)
(37)	Financing Cashflow	-	(10)
4,056	Net Cashflow Increase/(Decrease)	1,112	(11,687)
5,715	Opening Cash Balance	9,771	9,559
9,771	Closing Cash Balance	10,883	(2,128)

FINANCIAL OVERVIEW



Financially 2017/2018 was a satisfactory year for Council.

Revenue was impacted by a higher NZTA subsidy being received of \$2 million, as a result of undertaking the Alternative Coastal Route project. In addition to this, Council has also seen an increase in forestry income due to increased harvesting (\$1.6 million).

Operating expenditure was over budget for the year, primarily due to costs associated with additional forestry harvesting. This resulted in Council's net surplus before tax being \$2.3 million higher than budgeted. As a result of improved market conditions there has been a significant increase of the roading asset valuation.

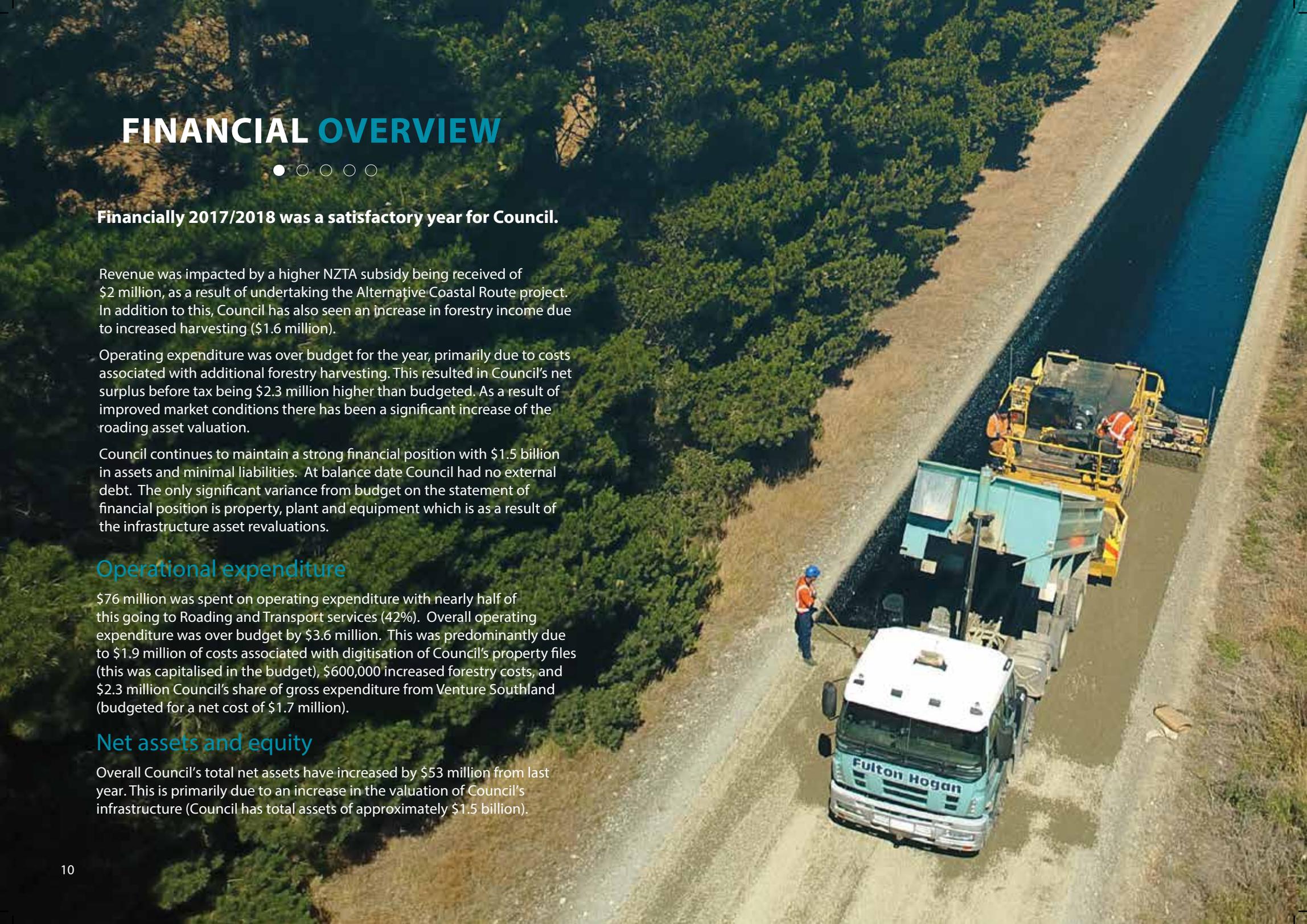
Council continues to maintain a strong financial position with \$1.5 billion in assets and minimal liabilities. At balance date Council had no external debt. The only significant variance from budget on the statement of financial position is property, plant and equipment which is as a result of the infrastructure asset revaluations.

Operational expenditure

\$76 million was spent on operating expenditure with nearly half of this going to Roding and Transport services (42%). Overall operating expenditure was over budget by \$3.6 million. This was predominantly due to \$1.9 million of costs associated with digitisation of Council's property files (this was capitalised in the budget), \$600,000 increased forestry costs, and \$2.3 million Council's share of gross expenditure from Venture Southland (budgeted for a net cost of \$1.7 million).

Net assets and equity

Overall Council's total net assets have increased by \$53 million from last year. This is primarily due to an increase in the valuation of Council's infrastructure (Council has total assets of approximately \$1.5 billion).



Where your rates were spent

The following table shows the breakdown of where the rates per property were spent in 2017 /2018.

The most significant areas were Roading and Transport, followed by Stormwater, Wastewater and Water, Other District Services, Governance, Strategy and Communication, Other Local Services, and Solid Waste Management. "Other District Services" groups together the Emergency Management, District Support and Library activities. "Other Local Services" groups together community buildings, cemeteries, pools, public conveniences, jetties etc.

The majority of Council's expenditure (operational and capital) is on essential infrastructure such as roads, wastewater and water.

RATES EXPENDITURE	Actual (\$000)	% of Total Rates Expenditure
Roading and Transport	14,236	32%
Stormwater, Wastewater and Water	7,981	18%
Other District Services	5,894	13%
Governance, Strategy and Communication	5,395	12%
Other Local Services	4,679	10%
Solid Waste Management	4,316	10%
Regulatory Services	1,753	4%
Grants and Donations	580	1%
Total	44,834	100%

Where the revenue came from

Council's consolidated revenue this year is \$79.7 million, including \$44.8 million from rates. The breakdown of this revenue is shown in the table.

SOURCES OF REVENUE	Actual (\$000)	% of Total Revenue
Rates Revenue	44,834	56%
NZ Transport Agency	19,301	24%
Other Revenue	14,420	18%
Other Gains/(Losses)	(489)	-1%
Vested Assets	55	0%
Grants and Subsidies	932	1%
Interest and Dividends	625	1%
Development and Financial Contributions	28	0%
Total	79,706	100%

Overall revenue was \$6 million over budget primarily as a result of additional funding of \$2 million from NZTA in relation to the Southern Scenic Route sealing and also additional revenue received from forestry sales of \$1.6 million.

\$2.3 million is Council's share of gross revenue from Venture Southland (not separately budgeted for).

CASH FLOW



Council's net operating cashflows were higher than budgeted.

Receipts from NZTA were \$1.6 million above budget and also receipts from other revenue (\$5.6 million), primarily due to increased forestry harvesting.

Net cash outflows from investing activities were \$7.3 million lower than budgeted due to the deferral/delay of several significant capital projects being carried forward into future financial years and the costs associated with the digitisation of Council's property files being expensed.

Contingent liabilities

A contingent liability represents future expenditure that is dependent on an uncertain future event.

Council had \$2.2 million of contingent liabilities at 30 June in relation to:

- Building Act claims
- Emission Trading Scheme

There were no events after balance date.





Capital expenditure

Council spent \$28.7 million on capital projects in 2017/2018.

Of this total, \$24.8 million (87%) was spent on roading and transport projects throughout the District and \$3.6 million (12%) was spent on stormwater, wastewater and water projects in local townships.

The capital project spending was lower than the \$34.6 million budgeted for 2017/2018 in the Annual Plan as a number of roading, stormwater, wastewater and water capital projects were still in progress or not yet started at 30 June 2018.

Activity Capital Expenditure (Including Vested Assets)	Actual (\$'000)	% of Total Capital Expenditure
Roading and Transport	24,841	87%
Stormwater, Wastewater and Water	3,564	12%
Other Local Services	510	2%
Other District Services *	(510)	-2%
Solid Waste Management	50	0%
Regulatory Services	131	0%
District Leadership	74	0%
Total	28,660	100%

* Other District Services has negative capital expenditure due to prior year costs associated with the digitisation of Council property files being expensed in the current year.

Independent Auditor's Report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of Southland District Council'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 the Southland District Council (District Council) for the year ended 30 June 2018.

The summary of the annual report comprises the following summary statements on pages 8 to 13:

- the summary statement of financial position as at 30 June 2018;
- the summaries of the statement of comprehensive income, statement of changes in 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 activity report.

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 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 25 September 2018.

Council's responsibility for the summary of the annual report

The District 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.

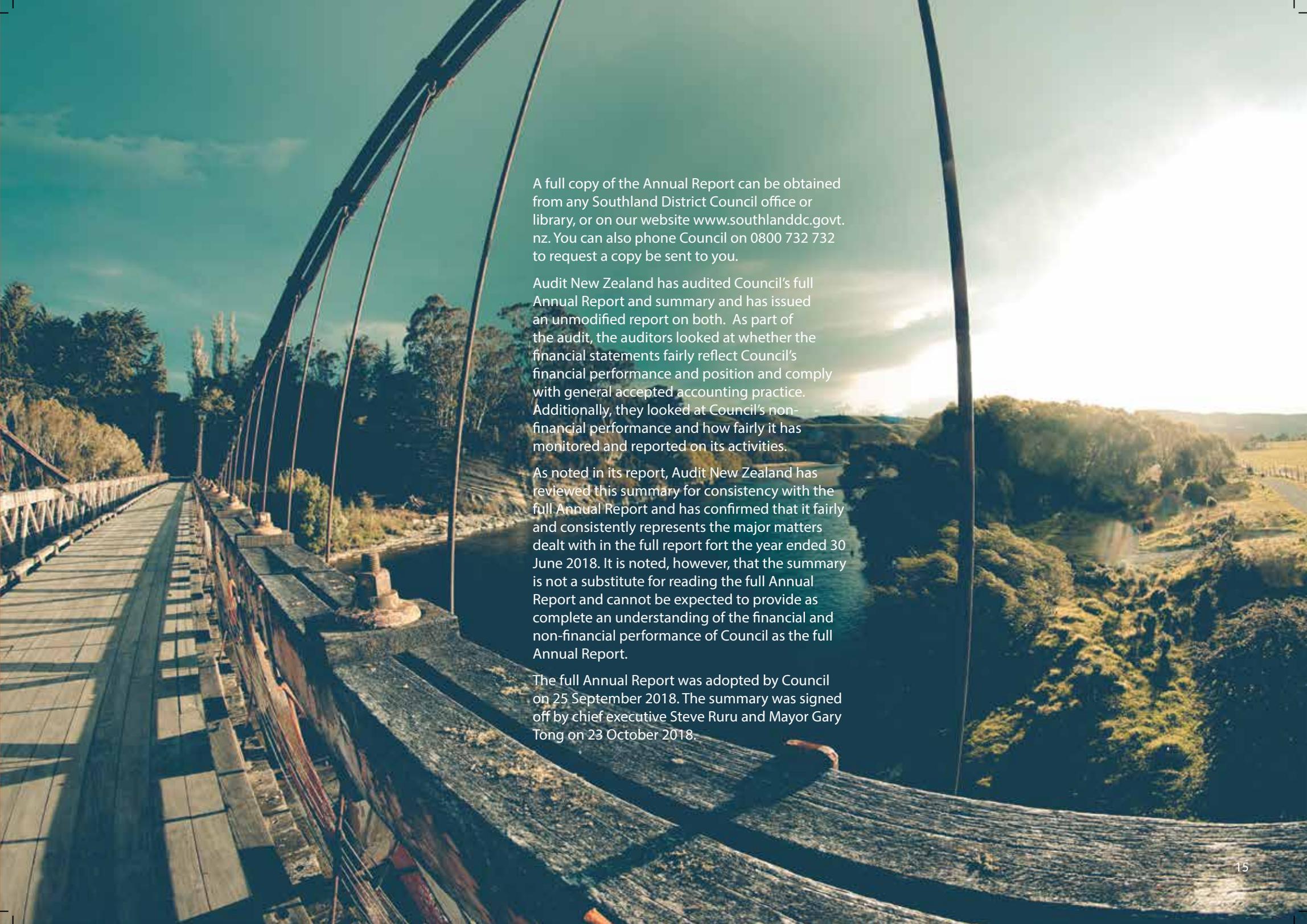
Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand 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 providing independent assurance services in relation to the Council's debenture trust deed which are compatible with those independence requirements.

Other than these engagements we have no relationship with or interests in the District Council.



Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand
23 October 2018



A full copy of the Annual Report can be obtained from any Southland District Council office or library, or on our website www.southlanddc.govt.nz. You can also phone Council on 0800 732 732 to request a copy be sent to you.

Audit New Zealand has audited Council's full Annual Report and summary and has issued an unmodified report on both. As part of the audit, the auditors looked at whether the financial statements fairly reflect Council's financial performance and position and comply with general accepted accounting practice. Additionally, they looked at Council's non-financial performance and how fairly it has monitored and reported on its activities.

As noted in its report, Audit New Zealand has reviewed this summary for consistency with the full Annual Report and has confirmed that it fairly and consistently represents the major matters dealt with in the full report for the year ended 30 June 2018. It is noted, however, that the summary is not a substitute for reading the full Annual Report and cannot be expected to provide as complete an understanding of the financial and non-financial performance of Council as the full Annual Report.

The full Annual Report was adopted by Council on 25 September 2018. The summary was signed off by chief executive Steve Ruru and Mayor Gary Tong on 23 October 2018.



• • **SOUTHLAND** • •
DISTRICT COUNCIL