

A MESSAGE FROM

MAYOR ROB SCOTT AND CHIEF EXECUTIVE CAMERON MCINTOSH



It's hard not to start this summary with the cliché "that was a challenging year" because the reality is it really was.

Despite this, some new initiatives that we launched were successful, such as the Otta seal dust suppression treatment, which Council co-funded for 24 properties across the district.

We also officially opened the new Te Anau wastewater plant, which after extensive work came in under budget and has been well received by the community.

Most of our ratepayers would agree that the mounting pressures with increasing costs and a challenging labour market have put a lot of pressure across multiple sectors, and Council is not immune to any of this.

When the 2021-2031 Long Term Plan was inalised, we were operating in a very low inflationary environment combined with equally low interest rates. The theme of "It's time, Southland" was all about investing in our infrastructure, with a strong focus on our ageing bridges.

At a recent conference in Christchurch, the CEO of the Infrastructure Commission reflected that the cost of building a bridge has gone up over 38% in the past 18 months.

These kinds of cost increases have also been reflected in our roading network and pretty much across the board for all the projects identified in our works programme for the year.

We also had quite a significant increase in the revaluation of our assets, climbing from around \$1.6 billion to around \$2 billion. While this doesn't have a day-to-day cash impact on Council (except for insurance premium increases), from a surplus/deficit point of view it has quite a marked impact. As this Annual Report identifies, it has put pressure on our key performance indicator (KPI) of running a balanced budget.

The report highlights that our cashflow is good. However, from a revenue and expenditure point of view we are challenged. This is not helped with what we refer to as "unfunded mandate", with a large volume of work coming from central government and no funding to cover it.

Our roading network which makes up a large proportion of our expenditure was subsidised 52% from Waka Kotahi, which is substantially less than some of our counterparts. The reality of this situation is that we need to look at other sources of revenue – we cannot keep relying on the blunt instrument of rates to fund everything that we do.







We were successful in receiving government funding for a number of projects from both the Tourism Infrastructure Fund and also from the "Better Off Funding" provided to help offset the transfer of our three waters services to the new entity. This additional funding that came through outside of the initial Long Term Plan budget for the year was delivered successfully. However, it came at a cost to the delivery of the planned works programme.

You will see that there are a number of projects being carried forward to the next financial year. While the list is quite long, and even though some of these projects are nearly complete, this will impact on our ability to deliver the following year's commitments.

Recognising the need to provide a realistic programme of work that is deliverable, staff have been working on a system to prioritise the projects across multiple years of the LTP. We are also looking at different ways of delivering the work with a focus on community-led projects where appropriate. Some of the KPIs reflect that there is room for improvement, and our building and resource consent areas are an example of that.

we don't want to make promises that we can't keep, and it is important that we do what we say we are going to do.

We are taking active measures in these spaces to improve these results which we know have an impact on our communities.

An added challenge this year was having the Council change with the elections in October.

This resulted in a new mayor, six new councillors and many new elected members joining the team of 69 across the district.

We would like to thank the combined team of staff and elected members who have all put a lot of hard yards into delivering for our communities. Together with our people, for our future, it's our Southland!



KEYHIGHLIGHTS

- 1 Te Anau Airport Manapouri Review
- 2 Te Anau Wastewater
- 3 Tourism Infrastructure Fund
- 4 Taramea Bay Development
- 5 Garston's Peter Rabbit Seat
- 6 Roading Challenges
- 7 Around The Mountains Cycle Trail
- 8 Community Funding
- 9 Local Government Elections
- 10 Honouring Our Community Heroes
- 11 Iwi liaison

A community-led in-depth review of Te Anau Airport Manapouri is being undertaken, which will consider all options for its future.

It was instigated because Southland District Council and the Fiordland Community Board are concerned about the ongoing viability of the airport.



TE ANAU AIRPORT MANAPOURI

REVIEW

A working group with industry expertise has been set up to manage the review, which involves conversations and feedback from many different stakeholders, including airport users, the Fiordland area business community and the fishing, aviation and tourism industries.

Covid-19 restrictions had a significant effect on the entire Fiordland basin tourism industry including use of the airport, which has yet to return to pre-Covid levels of usage.

Airports generally rely on non-airside income streams such as leases, renting or hire of terminal space for retail and food outlets and so on. However, even at peak times the airside operations are more expensive to run than the non-airside operations can support. The shortfall for Te Anau Airport Manapouri over the past five years has ranged between around \$217,000 and \$318,000 annually.

A targeted rate within the Fiordland Community Board area is required to make up the shortfall, which enables the airport to remain open. Part of the focus for the working group is to explore ways to increase revenue and profitability. Meanwhile, Te Anau Airport Manapouri's part 139 certification was maintained until 28 February 2027, enabling large passenger aircraft to land there more than four times a month.

It was a New Zealand first when Te Anau's state-of-the-art wastewater treatment plant became operational.



TE ANAU WASTEWATER

The multi-million-dollar environmentally friendly facility utilises subsoil irrigation with wastewater from the plant pumped to the Kepler disposal field near Te Anau Airport Manapouri where it is discharged underground.

The project was completed at a cost of \$26,299,340, under its allocated \$27 million budget, including two grants from the government's Tourism Infrastructure Fund (TIF).

Officially opened in October 2022, the future-proofed plant is designed for expansion when required to ensure it continues to meet the needs of the Fiordland community.







Lengthy engagement on the eco-friendly concept began in 2006 with construction of the high-tech facility beginning in 2021.

An ambitious work programme was successfully completed under budget in Te Anau and Manapouri.



TOURISM INFRASTRUCTURE FUND

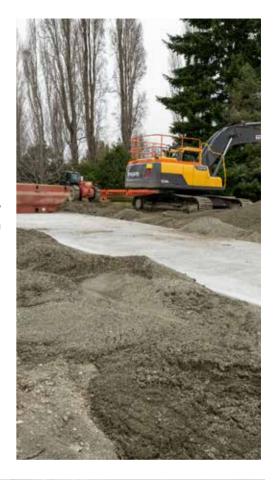


The 10 projects were identified in Council's 2021-2031 Long Term Plan, and Council applied to the Tourism Infrastructure Fund (TIF) for funding to carry out the work.

The total actual cost to deliver the 10 projects was \$3,045,234, which was \$51,751 under the total programme budget.

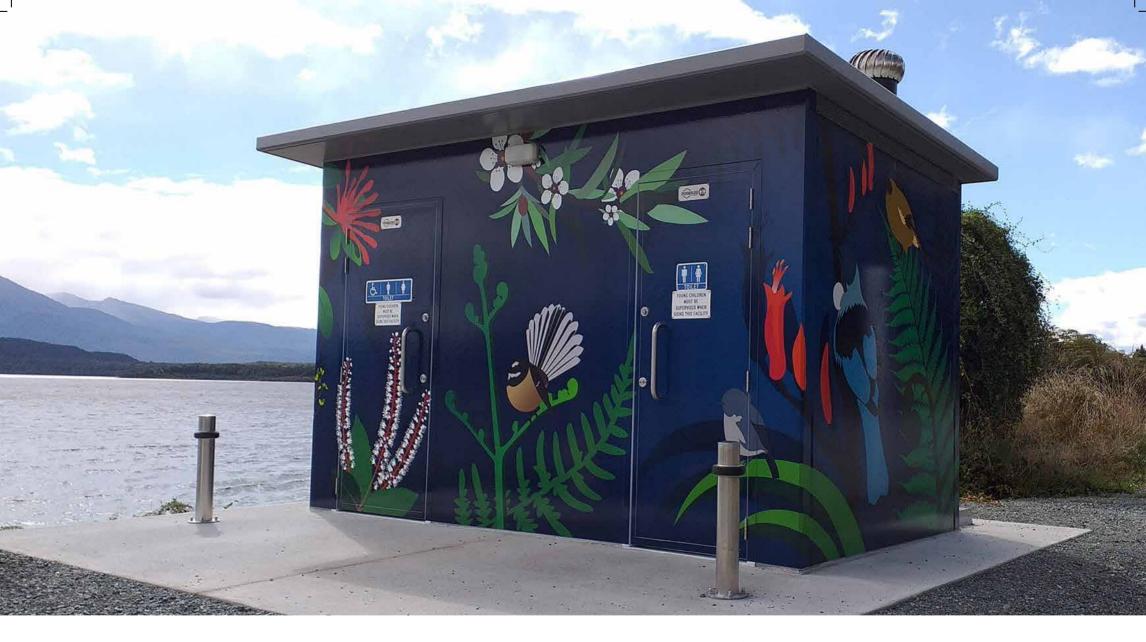
Half of that is being paid for from TIF funding, the maximum the fund usually allows.

The remaining 50% of a project was split between Southland district-wide funding for new toilets, and the Fiordland Community Board for the remaining projects.





The Tourism Infrastructure Fund was set up in 2017 and provides up to \$25 million annually to develop tourism-related infrastructure that supports regions facing pressure from tourism growth. It is managed by the Ministry of Business, Innovation and Employment.



MANAPOURI PROJECTS

- Pearl Harbour boat ramp
- Pearl Harbour gabion basket replacement
- Pearl Harbour toilet

- Frasers Beach Otta seal
- Frasers Beach toilet
- Flying fox toilet
- View Street car park development

TE ANAU PROJECTS

- Te Anau Terrace boat ramp
- Steamers Beach boat ramp
- Boat harbour toilet

A much-loved destination for generations of Southlanders, Taramea Bay in Riverton Aparima has enjoyed significant enhancements.



TARAMEA BAY

DEVELOPMENT

A revamp of Pilots Reserve includes a new slide, free public barbecue facilities, a picnic area, a viewing platform and a frame for photo opportunities.

The ribbon was officially cut by Mayor Rob Scott and about 100 excited local kids in May, marking the final part of a wider development of Taramea Bay incorporating the creation of a walking track and car park extension.

The project cost \$112,579.25 plus GST to complete, funded by a mixture of loan and Oraka Aparima Community Board reserves.







The next phase of a wider master plan for the area will feature a striking new shower and toilet facility, which will prove to be an asset given the growing use of nearby play spaces and adjacent beach.

The story of Peter Rabbit is famed around the world and now there is a Southland twist to the plucky little bunny's tale.



GARSTON'S

PETER RABBIT SEAT



For over three decades children have been hopping along to the mythical Peter Rabbit's house, nestled near the Garston Presbyterian Church. Part of the town's folklore, it inspired the concept of the Peter Rabbit Thinking Seat.

The epitome of collaboration between community and Council, the end result is a poignant addition.

The eventual wording etched onto the seat itself speaks as to its reasons for being.

"This seat was made with love, for you to sit, share your thoughts, tell secrets, be thankful, or just cry and laugh. Enjoy this moment to remember those who have left us and are now forever in our hearts."

The biggest challenge proved to be copyright for the famous illustrations created by Beatrix Potter but, remarkably, councillor Margie Ruddenklau had a childhood connection to the famed author through an association with her niece Ester Nicolson, who lived in Te Anau.





The personal touch ultimately earned permission to use the iconic imagery and, since it was established on site in November 2022, the seat has captured the attention of locals and visitors alike, including national media attention.

Our roading team continues to operate in a challenging environment.



ROADING CHALLENGES



- Roading material costs have increased (for example, bitumen) while budgets have remained static, so budgets have been reprioritised.
- Contracting resourcing in general has been a challenge due to the volume of work in the market.
- There were 24 successful applicants for our subsidised Otta seal dust suppression treatment, and there was a total of 4,773 metres of seal applied outside the 24 properties.
- Road Safety Southland's work was recognised nationally with the VTNZ Community Award at the national Supporting Excellence in Road Safety Awards.

- Work began on creating Speed Management Plans and a review of Council's Roading Bylaw. Following a change in government legislation designed to implement safe speed limits around schools by December 2027, Council will begin to change speed signs around schools in January 2024.
- with Invercargill City Council to secure funding through the Transport Choices funding package for the installation of lockable bike stands at locations in Invercargill and Southland district. The Southland district bike stand sites are in Te Anau, Riverton and Winton.



Southland's unique cycle trail continues to evolve following the formation of a dedicated trust.



AROUNDTHE MOUNTAINS CYCLE TRAIL



The trust structure sees Council retain ownership of the 186km asset and all associated intellectual property, together with responsibility for asset management and maintenance.

Responsibilities of the trust are focused on the user experience, partnership with commercial operators, marketing and new project development.

A proactive marketing approach has resulted in improved user numbers during the past season with a total of about 8,000 pedestrians and 7,000 cyclists experiencing the trail, which is certified as one of New Zealand's 23 Great Rides.





A new website has been launched. www.aroundthemountains.co.nz

Investing proudly in our people and places, we granted \$147,777 in total for the Community Partnership Fund over our nine community board areas, together with an additional \$63,700 from the District Initiatives Fund.



COMMUNITY

FUNDING

Whether it's the arts, sport and recreation, education, health or social welfare, we have a variety of funding options available to help community groups have a positive impact.

One of our favourites is Surfing for Farmers – an initiative designed to improve mental health and wellbeing in rural communities. The programme provides an opportunity for farmers to step away from what can be an all-consuming business, get some fresh air and exercise, and interact with other farmers, rural families and industry professionals ... all while having a blast on the waves.

We embrace the chance to work collaboratively with other organisations to get the job done. A fantastic example is Southland's regional portable pump track – affectionately dubbed TunaTuna (slippery eel) – which is now delighting kids around the region.



The 64-metre-long track allows communities to activate underutilised green spaces and unite through active recreation with the creation of a temporary community hub in areas where such facilities are in short supply.





Funded by the Transport Choices package, which is part of the Waka Kotahi Climate Emergency Response Fund (CERF) programme, we linked up with Community Trust South, Tū Manawa Active Aotearoa Sport NZ, ILT Foundation and Invercargill City Council (ICC) to make it a reality.

Southland produced a nail-biter in the race for the mayoralty at the 2022 local government elections and a positive improvement in voter participation.



LOCAL GOVERNMENT

ELECTIONS

Initially too close to call, Lumsden's Rob Scott got the nod with just 45 votes separating the top three candidates.

Voter return was a respectable 47.62%, being 10,017 votes, while Stewart Island Rakiura impressed with 59.05% (212 votes) in February's community board by-election.

Councillors duly elected for the next triennium ventured to Takutai o Te Tītī Marae in Colac Bay Oraka for their inaugural meeting, setting a scene of community connection which continues to evolve under their leadership.







This is reflected in a focus to host more meetings in the district, the introduction of chairs' nights for our community board leaders to share experiences, increased transparency with livestreaming of more workshops and changes to the governance structure to less committees and fortnightly Council meetings.

Designed to recognise outstanding contributions, community service awards were bestowed on 10 deserving Southlanders.



HONOURING OUR

COMMUNITY HEROES



Garston stalwart Peter Naylor received an award for his lengthy list of inspirational contributions to the Northern Southland rural community and local primary school.

Murray Johns was honoured for many years of volunteer service to the Dipton community, including 50 years with the Dipton Volunteer Fire Brigade.

Drummond's Graeme Appleby was recognised for an extensive array of voluntary contributions, including lifesaving roles spanning more than 45 years with Land search and Rescue New Zealand (LandSAR) and 15 years with the Drummond Volunteer Fire Brigade (now Fire and Emergency New Zealand).

Margaret McKelvie was honoured for her dedicated service to the Wyndham Rest Home and wider community, Progress Valley musical duo Marylyn and Steven Hayes were applauded for their unrivalled commitment to music and entertainment and Woodland's 'Mr Fix-It' Keith McKenzie was acknowledged for his huge contribution to the community.

"Selfless" St John Ambulance volunteer Tony McDonald received recognition for his more than 20 years of dedicated service to the Tuatapere community.

Winton firefighter and tireless volunteer Guy Johnstone was honoured for his "massive" input into his community.





Community service awards are an opportunity to honour and celebrate those people in our communities who go the extra mile to make a difference.

Southlanders can nominate an individual or group who have provided a significant contribution to their community board area through leadership, volunteering or community service.

Our nine community boards consider any nominations received and allocate up to two community service awards from their respective areas annually.

Three of the community service award recipients on this year's list were nominated by the late Ann Robbie QSM, who died in January 2023 after an illness.

Mrs Robbie was herself a former recipient of a Community Service Award and the inaugural Our Southlander Award, presented by the Southland Mayoral Forum in late 2022, for her tireless work over several decades discovering, recovering, restoring and documenting community war memorials and honours boards throughout the region.











The Southland councils have a long-standing and highly valued relationship with Ngāi Tahu ki Murihiku through the four Southland papatipu rūnanga, Te Ao Mārama Inc (the entity representing Southland rūnanga for resource management and local government matters) and Te Rūnanga o Ngāi Tahu (the iwi authority).



The councils continued to fund and support Te Ao Mārama Inc during the 2022/2023 year.

The four papatipu rūnanga and the participant councils also continued to meet through Te Rōpū Taiao hui, which allow for exchange of information and identification of opportunities to work together.



IWI LIAISON





Māori contribution to decision-making

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



Southland District Council was officially gifted its Māori name, Te Rohe Pōtae o Murihiku, at a naming ceremony at Takutai o te Tītī marae at Colac Bay Ōraka in November 2005, strengthening links between Council and the tangata whenua and emphasising the importance of Council's partnership with Ngāi Tahu.

Te Rohe Pōtae o Murihiku acknowledges Council's role as an all-embracing shelter ("umbrella/lid") for its district.

PERFORMANCE AND PROJECTS OVERVIEW

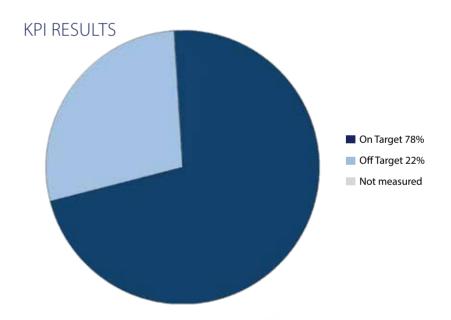
Council activities are broken down into seven activity groups.

Each activity group has performance measures and key performance indicator (KPI) targets that were set in the Long Term Plan 2021-2031, as well as capital expenditure projects.

For more detail, please refer to individual activity groups in the Council activities section.

KPIs

Activity group performance results	Achieved	Not achieved	Not measured	Total
Community leadership	3	-	-	3
Community resources	7	3	-	10
Environmental services	5	4	-	9
Stormwater	9	-	-	9
Transport	7	2	-	9
Sewerage	8	1	-	9
Water supply	6	3	-	9
Total	45	13	-	58
	On target 45	Off target 13		



CAPITAL EXPENDITURE PROJECTS

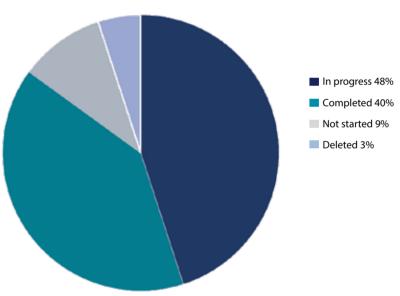
The project list is extracted from an internal system.

As at 30 June 2023. 40% of projects were completed, 48% were in progress, 9% were not started, 3% were terminated.

Activity group projects status	Completed	In progress	Not started	Terminated	Total
Community leadership	-	-	-	-	-
Community resources	56	46	12	5	119
Corporate services*	-	1	-	-	1
Environmental services	-	-	-	-	-
Stormwater	2	3	3	-	8
Sewerage	4	15	-	-	19
Transport	11	8	3	1	23
Water supply	8	24	-	1	33
Total	81	97	18	7	203

^{*} Council has various corporate services that are considered internal activities. These corporate services are funded through internal charges which are spread over the seven activities.

PROJECT STATUS



FINANCIAL

OVERVIEW

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

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, the Stewart Island Electrical Supply Authority, Milford Community Trust, as well as Council's share of its associated entities.

The table shows the financial year-end results, as at 30 June 2023, and includes comparisons from the previous financial year and the budget for 2022/2023 as outlined in the Annual Plan 2022/2023.

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

The changes in the accounting policies relate to PBE IPSAS 41 which supersedes PBE IPSAS 29 Financial Instruments requirements for the various classes of financial instruments and PBE FRS 48 which replaces the service reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and are effective for the year ended 30 June 2023. Full details of Council's accounting policies can be found on pages 147-162.

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/(DEFICIT) What income the Council group **AFTER TAX**

has left after operational costs

are paid.

EQUITY Net assets owned by ratepayers.

NET ASSETS What the Council group has less

what it owes at the end of the year.

CASHFLOW How the Council group generated

and used cash during the year.

FINANCIAL SUMMARY

GROUP 2021/2022 Actual (\$000)		GROUP 2022/2023 Actual (\$000)	COUNCIL* 2022/2023 Budget AP (\$000)	VARIANCE (\$000)				
COMPREHENSIVE REVENUE AND EXPENSE								
96,559	Revenue earned (incl asset development)	105,521	89,488	16,033				
(95,248)	Less total expenditure	(113,664)	(92,416)	(21,248)				
(402)	Less finance costs	(649)	(2,259)	1,610				
319	Share of associate's surplus/deficit	434	<u>-</u> :	434				
1,228	Net surplus/(deficit)	(8,358)	(5,187)	(3,171)				
3,495	Movement in fair value reserve	(3,740)		(3,740)				
368,977	Movement in asset revaluation reserve	165,573	49,081	116,492				
373,699	Comprehensive revenue and expense	153,475	43,895	109,581				
	CHANGES IN EQUITY							
1,624,444	Equity at start of year	1,998,144	1,677,696	320,448				
373,699	Total comprehensive income	153,475	43,895	109,580				
1,998,144	Equity at the end of the Year	2,151,619	1,721,590	430,028				
1,998,144	Total equity	2,151,619	1,721,590	430,028				
21,777	Current assets	22,645	15,142	7,503				
2,008,951	Non-current assets	2,176,223	1,815,975	360,248				
2,030,728	Total assets	2,198,868	1,831,117	367,751				
15,758	Current liabilities	17,073	25,740	(8,667)				
16,826	Non-current liabilities	30,176	83,787	(53,611)				
32,584	Total liabilities	47,249	109,527	(62,278)				
1,998,144	Net assets (assets less liabilities)	2,151,619	1,721,590	430,028				
	CASH FLOWS							
29,294	Operating cashflow	24,740	22,757	1,983				
(34,213)	Investing cashflow	(26,486)	(43,021)	16,535				
11,800	Financing cashflow	5,000	20,435	(15,435)				
6,880	Net cashflow increase/(decrease)	3,254	171	3,083				
2,016	Opening cash Balance	8,897	94	8,803				
8,897	Closing cash balance	12,151	265	11,886				

^{*} The 2022/2023 budget is for Council only (ie excludes Milford Community Trust).

The Council group's revenue
was \$16 million higher
than budgeted as a result
of \$14.5 million of assets
transferred to Council from
developers, additional
government grants for projects
in Manapouri and Te Anau
as well as increased forestry
income as a result of
additional harvesting.



IN SUMMARY



Total expenditure was \$21.2 million over budget for the year, primarily due to higher depreciation costs resulting from the revaluation of roading and three water assets, additional forestry harvesting costs and an updated landfill provision. Finance costs were less than expected because Council has not commenced its investment and borrowing strategy, this will be started in 2023/2024.

As a result, the group's net deficit was \$3.2 million more than budgeted.

Group net assets are \$430 million more than budgeted due mainly to the revaluation of Council's infrastructure assets. Council continues to maintain a strong financial position with \$2.2 billion in assets and minimal liabilities.

Council's operating cash was \$2m higher than budget as a result of additional government grants received as well as increased forestry harvesting income. Due to Council undertaking less capital work than budgeted its investing cashflow was \$16.5m lower than budgeted.

As a result of less capital work being undertaken, Council did not require the level of financing required (\$15.5m). Additionally, with a higher opening cash position (\$8.8m), the group's closing cash balance was \$12 million above budget.



Further explanations of financial statement variances from budget can be found in note 35 of the financial statements.

Where the revenue came from

The group's revenue this year was \$105.2 million which was \$16.0 million higher than budget. The breakdown of this is shown in the following table.

SOURCES OF REVENUE	Group Actual (\$000)	% of total revenue	Budget (AP) (\$000)	% of total budgeted revenue	Variance (\$000)	Variance Explanations
Rates revenue	59,087	56%	59,189	66%	(101)	
Waka Kotahi NZ Transport Agency	14,349	14%	17,347	19%	(2,997)	Lower due to delays in the bridge replacement programme, delivery for Road to Zero programme and extended procurement process for pavement rehabilitations and traffic services.
Other revenue	13,337	12%	8,766	10%	4,571	Higher due to: Forestry harvesting income (\$1.9 million). During the Annual Plan Council had not planned to undertake any harvesting activities. However, early in the 2022/2023 year the forestry management plan was reviewed and there was a decision to harvest, which resulted in unplanned harvesting income. Council has a 31% share in WasteNet, a jointly controlled operation of Council which has a principal activity of managing the disposal of rubbish and recycling in Southland. As we cannot anticipate the performance of WasteNet we did not budget in the Annual Plan (\$1.6 million)
Other gains/(losses)	337	0%	984	1%	(647)	
Grants and subsidies	2,486	2%	1,287	1%	1,199	Higher as Council replaced and built new toilets and improved other tourism infrastructure in Manapouri and Te Anau
Interest and dividends	475	0%	1,916	2%	(1,441)	Lower investment interest due to not implementing our proposed investment strategy during the year.
Vested assets	14,538	14%	-	0%	14,538	There were a number of subdivision developments where the developer created new assets, eg waterpipes and footpaths, and transferred these to Council. In particular around Te Anau, Riverton, Riversdale and Winton.
Development and financial contributions	912	1%	-	0%	912	Financial contributions were used to supply the following: - Riversdale Wastewater treatment plant upgrade - \$0.5 million - Sinclair Avenue watermain renewal - \$0.4 million. The use of these development contributions have resulted in lower loans drawn down and were at the request at the NTU.
TOTAL	105,251	100%	89,488	100%	16,033	



Where your rates were spent

The table shows the breakdown of where the rates collected by Council were spent in 2022/2023.

ACTIVITIES RATES WERE SPENT ON	Actual (\$000)	% of total rates
Transport	17,850	30%
Community Resources	13,401	23%
Community Leadership	8,715	15%
Water Supply	6,070	10%
Sewerage	6,144	10%
Environmental Services	5,542	9%
Stormwater	1,365	2%
TOTAL	59,087	100%

Operational expenditure

Group operating expenditure totalled \$114 million, with nearly half of this relating to roading and transport services (43%). Overall operating expenditure was over budget by \$19.7 million. The breakdown of this is shown in the following table.

OPERATIONAL EXPENSES	Group Actual (\$000)	Budget (AP) (\$000)		Variance Explanations
Other Council Expenditure	59,620	45,206	(14,414)	Higher provision for landfill contingencies (\$8.4 million), which reflects the best estimate of the cost to remove or protect material in closed landfills across the district
				Council has a 31% share in WasteNet, a jointly controlled operation of Council which has a principal activity of managing the disposal of rubbish and recycling in Southland. As we cannot anticipate the performance of WasteNet we did not budget in the Annual Plan (\$1.4 million).
				Maintenance of sealed and unsealed roads (\$1.2 million). The roading activity has included a transfer of capital expenditure to operational spend. This adjustment is to cover inflation increases in the three main maintenance contracts. The result is no change to the overall roading spend but a change to the level of service delivered.
				Consultants were higher (\$1.1 million). As Council was unable to recruit the vacant positions it has at times hired other resources to fill the need and this cost has primarily been met by lower employee expenses. Extra consultants have also been required for water and waste extra funding.
				Forestry harvesting costs (\$1.0 million). During the Annual Plan Council had not planned to undertake any harvesting activities. However, early in the 2022/2023 year the forestry management plan was reviewed and there was a decision to harvest, which resulted in unplanned harvesting costs.
				There was unplanned reactive maintenance repairs (\$0.8 million) across the district being incurred to maintain an effective network that meets our regulatory requirements.
				Waste disposal costs (\$0.5 million). The increase in costs is based on the actual prices being paid currently for waste disposal. Waste disposal rates have increased by 47% from July 2020 to July 2022. This is primarily driven by the emission trading scheme levy increasing from \$50 to \$85 over this period and the Government waste disposal levy increasing from \$10 to \$20. Volumes of waste disposal also increased compared to 2021/2022.
Depreciation and Amortisation	36,487	28,760	(7,727)	Higher than budget primarily due to the revaluation of infrastructure for roading and three waters as the revaluations use the most recent contract rates and price indices to update the asset values.
Employee Benefit Expenses	17,559	18,450	891	Council was unable to recruit vacant positions, leading to a reduction in employee costs. However, this was offset by the higher cost of consultants required to cover vacant roles.
Finance Costs	649	2,259	1,610	Due to investment policy changes we have not borrowed funds as anticipated, which resulted in lower finance costs. The current finance charges only reflect the interest on the current LFGA borrowings.
TOTAL	114,315	94,675	(19,640)	

CAPITAL EXPENDITURE

Capital expenditure (including vested assets and WIP) totalled \$41.2 million in 2022/2023 with the majority of this occurring across the infrastructure activities as shown in the table below.

Overall capital expenditure was \$2.3 million less than the \$43.6 million budgeted due to delays completing projects and programmed works for roading, three waters and tourism infrastructure projects which were government-funded.

However, \$14.5 million of this expenditure relates to assets transferred to Council from developers (vested assets). Total capital expenditure excluding vested assets was \$26.7 million, which was \$16.8 million less than budget.

More detail on project status is included in the performance and projects overview on pages 26 and 27.

Activity capital expenditure	Group Actual (\$000)	% of total	Budget (\$000)	% of total capital budgeted	Variance Actuals to Annual Plan (\$000)
Transport	17,940	17%	24,859	57%	(6,919)
Sewerage	7,163	17%	5,185	12%	1,978
Community Resources	7,026	17%	4,001	9%	3,025
Water Supply	5,175	13%	7,200	17%	(2,025)
Stormwater	3,300	8%	898	2%	2,402
Corporate Services	383	1%	1,122	3%	(739)
Environmental Services	237	1%	229	1%	8
Community Leadership	43	0%	82	0%	(39)
Total	41,267	100%	43,576	100%	(2,309)

NET ASSETS AND EQUITY

Overall, Council's total net assets are \$430 million more than budget.

This is primarily due to the increase in the valuation of Council's infrastructure assets being significantly higher than budgeted.

CASHFLOW

The group's net operating cashflows were \$2.0 million higher than budgeted, which was due to additional government grants received as well as increased forestry harvesting income.

Net cash outflows from investing activities were \$16.5 million lower than budgeted as Council did not incur the full capital expenditure of the projected budget in 2022/2023. The remaining budget has been carried forward into 2023/2023.

Net cash inflow from financing activities was \$15.4 million less than budget as lower levels of external borrowings were required as there was lower capital expenditure.

Overall this resulted in a net cash increase over budget.





INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF SOUTHLAND DISTRICT COUNCIL AND GROUP'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

The summary of the annual report was derived from the annual report of the Southland District Council and group (the District Council) for the year ended 30 June 2023.

The summary of the annual report comprises the following summary statements on pages 18 to 26:

- the summary statement of financial position as at 30 June 2023;
- the summaries of the statement of financial performance, statement of other comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2023;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance.

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

Our audit report includes an emphasis of matter paragraph drawing attention to the disclosures about the Governments three waters reform programme as set out in the full annual report in note 31(i) to the financial statements.

Deloitte.

Note 31(i) on page 215, which outlines developments in the Government's water services reform programme. The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. Water services entities' establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026. The financial impact of the water services reform on the Council [as outlined in note 31(i)] remains uncertain until the relevant water services entity's establishment date is known, and the allocation schedule of assets, liabilities, and other matters to be transferred is approved.

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 assurance services relating to reporting under trust deed, a registry audit, and a regulatory disclosure audit, that are consistent with our role as auditor. Other than these engagements we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.

M Hawken

25 October 2023

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

29

