



ANNUAL REPORT 2014/15

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# **Annual Report**

**For the Period**

**1 July 2014 to 30 June 2015**



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# **Mission Statement, Goals, Objectives & Guiding Philosophies**

## **Mission Statement**

“To promote the sustainable development and enhancement of Otago’s resources.”

## **Goals**

1. Sustainable development of the region’s resources through the sharing of knowledge and information.
2. Community participation in planning and managing the use, enhancement and conservation of Otago’s resources.
3. The economic, social and cultural needs of Otago people are met, and the principles of the Treaty of Waitangi are acknowledged.
4. Otago’s position on matters significant to our region are understood and appreciated.
5. The Council’s objectives are achieved in a transparent, accountable, cost effective and efficient manner; and costs are apportioned fairly and equitably.

## **Objectives**

1. To maintain and enhance Otago’s coastal, river and lake environments having regard to regional social, cultural, economic and ecosystem needs.
2. To promote the sustainable management of land for social, economic and conservation purposes.
3. To reduce resource use practices that are damaging to human health, environmental quality and biological diversity.
4. To mitigate man-made and natural risks and hazards to Otago communities.
5. To plan regional land transport needs and promote passenger transport services that integrate social, economic and environmental requirements.
6. To integrate sustainable development of Otago’s diverse resources with maintenance of its unique natural environment.
7. To provide appropriate services to fulfil all the statutory responsibilities of the Council.

## **Guiding Philosophies**

1. Through the sharing of knowledge the community will be supported in valuing its resources and using them in sustainable ways.
2. Alternatives to regulatory instruments will be encouraged.
3. The Council will strive to minimise transaction costs.
4. User pays concepts will be used where appropriate, equitable and practicable.
5. Natural justice will be observed.

## Overview from the Chairperson and Chief Executive

It is with pleasure that we bring to you the Otago Regional Council's Annual Report for the year ended 30 June 2015. Presented here to you are some of the highlights and significant events of the year.

### **Water**

The availability of water is critical to us all, and especially to those that rely on it for their farming and other business and recreational activities. We, as a council, have made it one of our priorities to work towards ensuring that water is managed efficiently so that our people and our communities have access to suitable supplies of water, but at the same time, making sure that aquatic ecosystems, our rivers natural characters and their cultural values are protected.

Achieving this balance is not easy, and it was certainly not helped by the severe drought that Otago experienced during the months of January to March this year. The affect it had on landholders and their operations reliant on irrigation water was significant. We committed a lot of time to monitoring water levels, meeting with landholders and others with an interest in water, and keeping our community informed of the situation as it developed. We were extremely impressed and grateful for the response from our community to the drought, and for the responsible decisions made and actions taken by landholders in how they managed the allocation of water during this difficult time. The management of the drought with the co-operation of landholders was outstanding, and we thank you.

In 2021, existing mining privileges will expire. Holders of these privileges will need to replace these with resource consents (water permits) if they wish to continue taking water after 2021. Work continued this year on establishing minimum flows and setting allocation limits on a number of rivers in Otago. We note that our 2015-25 Long Term Plan has a programme in place to complete this work over the next few years. We have also been meeting with various water users, giving advice to develop awareness of water use, and providing options for forming groups with a view to group consents replacing individual mining privileges for taking water.

Considerable work was undertaken this year to raise awareness of the rural water quality provisions in our Water Plan, and to provide information on options and best practice for meeting the water quality thresholds by 2020. A survey was undertaken during the year, and we were pleased to learn that 78% of landholders are aware of the water quality provisions. Our aim however is 100% awareness.

During the year, we produced a fact pack which provided information on the rules, and covered subjects such as effluent ponding, stock access to waterways, and silage and compost. Around 1,900 fact packs were provided to properties throughout Otago, and drop in sessions were also held, where farmers could discuss water quality with staff. Our 2015-25 Long Term Plan has a programme in place to continue assisting with the implementation of these water quality provisions.

### **Air quality**

The National Environmental Standard for Air Quality (NESAQ) sets a standard for how clean our air should be, and this standard is to be met by 2016. This year, and over many past years, we have worked to improve air quality, including undertaking our clean heat, clean air initiative of installing subsidised clean heating appliances, holding expo's and producing brochures on clean heating and air quality.

We know that in some of our towns, we are not going to be able to achieve meeting the standard. Research has shown that in some parts of Otago, even with the use of the most compliant wood burners,

we will still not meet the air quality standard. Council is of the view that clean air should not be achieved at the expense of warm homes. With this in mind, our 2015-25 Long Term Plan includes the development of an Air Strategy for Otago, and input will be sought from key stakeholders. We will also be seeking central government support to help us address the air quality issues we have in parts of Otago

### **Regional Policy Statement**

The Regional Policy Statement (RPS) provides for managing our natural and physical resource, and sets the context and direction for all regional and district planning in Otago. Over the past two years, we have undertaken a review of the original RPS, and we have held workshops throughout the region, working with territorial authorities, councillors from across Otago, iwi and other key stakeholders. This work has resulted in the development of a new draft RPS which was publicly notified in May 2015. Submissions closed on 25 July. We now have to hold hearings, invite further submissions and hear those, and it is then our aim to release decisions on the RPS by December 2015. Following that, we hope to make the new RPS operative early in the 2016 year.

### **Leith flood protection scheme**

The construction of the Leith flood protection scheme continued during the year. The St David Street to Union Street section was completed, and we are extremely proud of the beautification and functionality of the works through the university area. Enabling works have been completed for the Dundas to St David Street section, and civil construction is scheduled to be undertaken over the coming summer months. Investigations have commenced for the Union street to Leith or Clyde Street section.

### **Other activities**

Our ongoing work programmes were undertaken during the year and included the following:

- natural hazards work such as investigating seismic hazards in certain parts of Otago, undertaking a flood awareness campaign in Queenstown and Wanaka, and producing a report on the morphology of the South Otago coastline;
- pest plant and pest animal work including undertaking property inspections of rabbit populations and pest plant infestations, undertaking enforcement action where our rules in the Pest Management Plan have not been complied with, and taking rabbit serum samples to determine the effectiveness of RHD as a control tool on rabbits. Our work on this showed that there is an average immunity rate of 62% to the virus;
- processing consent applications (decisions on 354 consent applications were made during the year), variations to consents, and transfers, and undertaking monitoring to ensure consent conditions are being complied with;
- keeping our rivers and waterways free of obstructions; and
- continuing our work on transport planning and providing public passenger transport services to the Dunedin and Queenstown areas.

### **Financial position**

The Council's reported operating result for the year ended 30 June 2015 is a surplus of \$3.261 million compared to a budgeted surplus of \$3.314 million.

Total equity in the Council as at 30 June 2015 was \$560 million compared to \$520 million at 30 June 2014. The difference in equity relates to the surplus of \$3.2 million and to a revaluation of Council's shares held in Port Otago Limited. These shares were revalued by \$36.8 million this year, bringing the valuation of the shares to \$407 million.



**Acknowledgements**

We want to extend our thanks to the people of Otago, who have supported our efforts, and have been working with us toward the common goal of protecting and promoting the sustainable use of our environment. We also wish to thank our elected regional councillors and the staff of the Council for their support, dedication and commitment given during the year towards our goals. The successful outcomes enjoyed have been a result of the combined efforts of all.

Stephen Woodhead  
**Chairperson**

Peter Bodeker  
**Chief Executive**

## Statement of Compliance

In accordance with Part 3 of Schedule 10, Clause 34 of the Local Government Act 2002, the Council and management of the Otago Regional Council confirm that all the statutory requirements in relation to the Annual Report have been complied with.



Stephen Woodhead  
**Chairperson**



Peter Bodeker  
**Chief Executive**

## **Opportunities for Māori to Contribute to Decision-making Processes**

Council has a programme with Māori to engage, develop capacity, and contribute to decision making. These are:

1. For Kāi Tahu ki Otago, Council has scheduled meetings with Kaiwhakahaere of the Takiwa Rūnanga.
2. Council is a member of Te Roopu Taiao groups in Otago and Southland. The groups provide a forum for more effective coordination of workload and work programmes for Kai Tahu ki Otago and Te Ao Marama.
3. For both Kāi Tahu ki Otago and Southland (Murihiku), Council is seeking to establish agreed joint work (resource research) programmes on topics of mutual priority and concern.
4. Council is engaging with wider Runaka members on plan and policy changes through Hui on Marae.

Council had 13 meetings during the year, including five Mana to Mana meetings, three Hui, and three with Kāi Tahu ki Otago.

### **Port Otago Limited**

The Council is the 100% shareholder of Port Otago Limited. The Council views its shareholding role as one of trustee for the people of Otago, a position widely supported throughout the region.

Each year Port Otago Limited produces a Statement of Corporate Intent, which is then formally approved by Council. As its owner, the Council does not participate in the management and operation of the company; this is left in the care of the Directors of Port Otago Limited and its management. Port Otago Limited reports to Council on a six monthly basis its performance results for the period. The results of Port Otago Limited for the year ended 30 June 2015 have been incorporated into the Group results included within these financial statements.

## Introduction to Service & Financial Statements

The financial statements on pages 73 to 144 report the results of the Otago Regional Council as a separate entity and the consolidated results of the group comprising the Council and Port Otago Limited.

### Group Activities

The Council's Group activities are reported on pages 12 to 72. These pages contain performance information including levels of service, targeted and actual measures of achievement along with funding impact statements.

Performance measures are those identified in the 2014/15 Annual Plan. The funding impact statements identify the costs and funding associated with each activity.

Matters affecting the quality of performance achieved include:

**(a) Preparation of Regional Plans**

Quality processes include consultation with the public and affected parties, peer review, and compliance with requirements of relevant legislation.

**(b) Preparation of Internal Reports**

Internal reports are prepared by suitably qualified and experienced staff. Significant reports are subject to peer review process/consultation review.

**(c) Capital Works**

Capital works are constructed to design specifications. Inspections of works are undertaken by suitably qualified and experienced engineers.

**(d) Maintenance Works**

Maintenance works are undertaken by employees or by contract under the supervision of suitably qualified and experienced engineers and monitored thereafter in accordance with the maintenance programme.

## Group Activity Funding Impact Statements

### *Expenditure*

Operating expenditure includes costs directly attributable to an activity such as payments to staff and suppliers and finance costs, and charges for the consumption of internal resources (e.g. motor vehicles, computer and hydrology services). A share of Council's overhead costs is allocated on the basis of direct salary cost incurred on the activity.

Capital expenditure relating to assets utilised within the group activity is also included.

### *Sources of Funding*

The sources of funding activity expenditure are as follows:

**General Rates** – The general rate including a uniform annual general charge (UAGC), is a charge on all rateable properties in the Otago region.

**Targeted Rates** – Targeted rates have been set for the following activities of Council:

- Flood protection schemes in Lower Clutha, Lower Taieri and Dunedin Urban areas.
- Drainage schemes in West Taieri, East Taieri, Lower Clutha and Tokomairiro.
- Rating Districts for maintenance and enhancement works of waterways within each of the territorial districts.
- Transport for the public transport service in the Dunedin metropolitan and Queenstown areas.

**Subsidies and Grants** – Central government subsidies and grants are received for particular functions performed by the Council.

**Fees and Charges** – Charges for services performed are made in accordance with Council policy, and rentals are charged where Council property is leased to external parties.

**Reserves** – Funding is provided from rating district reserves for related activities, and from general reserves where the expenditure generates a public benefit.

**Fines, Infringement Fees and Other Receipts** – Fines and infringement fees are charged in accordance with the Schedule of Fees and Charges set out in the Council Long Term Plan / Annual Plan. Also included is an allocation of corporate revenue including dividends from Port Otago Limited and interest and investment income.

# Group Activities

## Water Resource

Water is a precious resource in Otago and its availability and quality is critical to all. The work programmes undertaken within this activity all focus on ensuring the efficient use of the water resource in Otago, and that the water quality is of a standard that benefits the whole community.

The Regional Plan: Water for Otago sets out objectives and policies which aim to protect our aquifers, rivers, lakes and wetlands.

### Water Quality

On 1 May 2014 new rural water quality provisions (Plan Change 6A) in the Regional Plan: Water became operative. Instead of controlling land use activities through consenting processes, the focus is now on controlling contaminants discharging from land to water through permitted activity rules. In other words, Council is not interested in controlling land use activities through issuing resource consents. It is however concerned with the discharges from land and how they will impact water quality.

Maximum discharge thresholds have been set for common rural contaminants and discharges from land must achieve those thresholds. Prohibited activity rules have also been established to control the effects of discharges from poor land management practices on water quality.

Compliance with the water quality thresholds must be achieved by 2020. Council has embarked on a programme to assist the implementation of the plan change provisions. Education is a fundamental part of that programme, ensuring awareness of the provisions, and considering options and best practice for achieving compliance. All types of activities are being covered, and include the agricultural industry and forestry.

Council is aware that there are other contaminant discharges affecting our water quality, from septic tanks, storm water discharges, industrial and trade waste, and hazardous substances. Our 2015-25 Long Term Plan is addressing these issues through a series of proposed plan changes to the Regional Plan:Water, and this work will start in 2016/17.

### Water Quantity

Council needs to ensure a balance between environmental protection and meeting the needs of its community when allowing the taking of water. In 2021, existing mining privileges will expire. These need to be replaced with resource consents to take water, and this process has commenced. Water is precious and in limited supply.

Work on a programme of plan changes to the Regional Plan: Water, to introduce minimum flow levels and allocation of surface water to a number of rivers in Otago, and groundwater levels and allocations for various aquifers, continued during the year. Some of the minimum flow plan changes proposed in the 2014/15 Annual Plan were not achieved, and this was due in part to addressing matters raised by the affected communities, and needing more technical information in order to set a minimum flow. Our minimum flow work is scheduled to continue in the 2015-25 Long Term Plan through to 2017/18.

Determining minimum flow levels takes a minimum of two years. Data is collected and analysed, and the minimum level at which a river or its tributaries can flow whilst still ensuring the protection of its aquatic habitats and natural character is determined. Community consultation identifies economic, social and cultural values to water bodies. Consideration is also given to the need for establishing water rationing protocols and water allocation committees. These are necessary where the potential take from rivers for irrigation purposes may result in the minimum flow levels set for those rivers not being maintained.

Proposed plan change (4B) on groundwater allocation was publicly notified on 17 May 2014 and 16 submissions were received. A call for further submissions was made on 28 June 2014. Work on this plan change continued through the 2014/15 year, and the plan change will now become operative on 1 September 2015.



Other proposed plan changes worked on during the year to establish minimum flows on a number of rivers and connected aquifers included the Pomahaka and Waiwera Rivers, and the Lindis River and aquifers. Work continues on these.

### Monitoring

Monitoring of both water quality and water quantity is undertaken by Council. Water quantity is monitored for a number of purposes including flood risk management, minimum flow establishment and compliance, and for ensuring the effectiveness of Council's flood and drainage schemes.

Water quality is monitored for the purposes of understanding the health status of Otago's rivers and lakes, and to ensure appropriate management of these resources. Over 100 monitoring sites have been established by Council, and are sampled for one or more of biological, chemical or trophic information. Biological sampling looks at invertebrates, algae and fish, chemical sampling looks at the quality of our water and trophic sampling on lakes measures their nutrient status. Long term data is required before trends on water quality can be determined, and so the monitoring undertaken in our Surface Water Quality Monitoring project is ongoing. As trends are established, reports on the health of Otago's waterways are published and made available by Council through State of the Environment reporting every five years, the last being completed in 2012. If however, monitoring results show an obvious deterioration of water quality, compliance work is undertaken to investigate its cause and remedy the situation.

This activity contributes to the following community outcomes:

- Sustainable development of the region's resources through the sharing of knowledge and information.
- Community participation in planning and managing the use and enhancement of Otago's resources.
- The environmental, economic, social and cultural needs of Otago people are met.

## What we achieved

### Water Quality

Level of Service - Maintain or improve water quality																																			
<b>Measure 1</b> Water quality limits for surface and groundwater have been set in Schedule 15 of the Regional Plan: Water (Plan Change 6A). Contaminants measured are:																																			
<b>Rivers</b> <ul style="list-style-type: none"> <li>• Nitrite-nitrate nitrogen</li> <li>• Dissolved reactive phosphorous</li> <li>• Ammoniacal nitrogen</li> <li>• Ecoli</li> <li>• Turbidity</li> </ul>		<b>Lakes</b> <ul style="list-style-type: none"> <li>• Total nitrogen</li> <li>• Total phosphorous</li> <li>• Ammoniacal nitrogen</li> <li>• Ecoli</li> <li>• Turbidity</li> </ul>																																	
Target Measures of Success	Actual Measure at 30 June 2015																																		
All monitoring to be compliant with Schedule 15 of the Regional Plan: Water.	The results of samples taken for 78 State of the Environment sites measuring the 5 contaminant levels for each site are shown below: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>2010-15</th> <th>2009-14</th> <th>2008-13</th> </tr> </thead> <tbody> <tr> <td>All comply</td> <td>24</td> <td>19</td> <td>20</td> </tr> <tr> <td>4 out of 5 levels comply</td> <td>21</td> <td>17</td> <td>19</td> </tr> <tr> <td>3 out of 5 levels comply</td> <td>13</td> <td>9</td> <td>9</td> </tr> <tr> <td>2 out of 5 levels comply</td> <td>11</td> <td>6</td> <td>7</td> </tr> <tr> <td>1 out of 5 levels comply</td> <td>8</td> <td>7</td> <td>3</td> </tr> <tr> <td>None met</td> <td>1</td> <td>1</td> <td>0</td> </tr> <tr> <td><b>Total</b></td> <td><b>78</b></td> <td><b>59</b></td> <td><b>58</b></td> </tr> </tbody> </table>				2010-15	2009-14	2008-13	All comply	24	19	20	4 out of 5 levels comply	21	17	19	3 out of 5 levels comply	13	9	9	2 out of 5 levels comply	11	6	7	1 out of 5 levels comply	8	7	3	None met	1	1	0	<b>Total</b>	<b>78</b>	<b>59</b>	<b>58</b>
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None met	1	1	0																																
<b>Total</b>	<b>78</b>	<b>59</b>	<b>58</b>																																

	Most of the sites with excellent water quality are in Central Otago and the upper Clutha, where land use tends to be low intensity farming and/or is dominated by tussock lands. Poorer water quality is found in river catchments with higher intensity farming or in streams draining urban environments.
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### ***Activities undertaken to achieve the level of service for water quality***

Activities	Achievement to 30 June 2015
<p><b><i>Implementation of Regional Plan: Water – Plan Change 6A Water Quality</i></b></p> <p>1. Report on the existing land use and water quality of Otago at a regional scale for future comparison to measure the effectiveness of Plan Change 6A and develop a monitoring programme that will track progress made in implementing the plan change.</p>	<p>Trends of current water quality continue to be worked on. 500 water quality samples were taken from around the region to assist establishing baseline water quality results, expected for 2016. Work on mapping layers for land use types is also in progress, and will be linked to the water quality samples taken.</p>
<p>2. Undertake region-wide promotion and education about Plan Change 6A to ensure that all landholders, consultants and agricultural industry representatives have a good understanding of the plan change and how to meet it.</p>	<p><b><i>Initiatives undertaken to date include:</i></b></p> <ul style="list-style-type: none"> <li>• 420 farm visits were undertaken during the year.</li> <li>• Nine drop-in sessions held across Otago were attended by 200 farmers.</li> <li>• Fact packs were provided to 1,898 properties throughout Otago.</li> <li>• Staff attended a Beef and Lamb field day, a Landcare Kakanui Community Catchment meeting, and visited an Invermay Deer focus farm.</li> <li>• A survey was completed to gather data on farmer’s knowledge of water quality in relation to 6A. The survey showed that 78% of farmers were aware of the new water quality rules.</li> </ul>
<p>3. Undertake focused communication and extension activities in both high risk catchments with poor water quality and those catchments highly vulnerable to degradation of good water quality to poor water quality. Extension activities will focus on ensuring prohibited activities are not undertaken, meeting permitted activity rules, and best practice for improving water quality, on topics including land use activities and management practices, climate, soil types and topography.</p>	<p>Approximately 150 people were spoken to at events about water quality.</p> <p>An external Overseer group meeting was held with representatives from the deer industry and are part of a 5 year focus group which has been established.</p> <p>Resource material was developed (fact packs) and distributed to landholders in high risk catchments, along with drop in centres for landholders, to discuss water quality matters.</p> <p>Funding support was provided to Landcare NZ for work done in the Pomahaka area.</p>
<p>4. Identify tools and develop techniques to enable landowners to measure water quality.</p>	<p>Work is ongoing with AgHub to develop tools to assist landowners. One monitor farm has been established with work on another two properties underway. This work will establish whether the methodology can be used by farmers to measure water quality.</p>

<p>5. In co-operation with dairy companies in Otago, visit all farms planning a dairy conversion to assist knowledge of land compliance with the Regional Plan: Water requirements.</p>	<p>There were a total of eight dairy farm conversions for the year, compared to 10 in 2013/14. All were visited.</p>
<p>6. Liaise with the forestry industry and forestry landowners to identify key water quality issues and identify and encourage implementation of best practice. Liaison will include:</p> <ul style="list-style-type: none"> <li>• Holding a forestry forum.</li> <li>• Setting up a liaison group.</li> <li>• Attending/holding at least four farm forestry field days.</li> <li>• Visiting all forestry companies in Otago.</li> </ul>	<ul style="list-style-type: none"> <li>• A forestry forum was held in February with 55 people attending, including Otago forestry companies such as Rayonier and Wenita.</li> <li>• A liaison group has been established, and a working group has been set up to help forestry companies with the consent process for discharges.</li> <li>• Staff attended three field days and discussed plan change 6A. A fourth field day is being developed in conjunction with the forestry industry and will be held in the next financial year.</li> <li>• A total of three out of six forestry companies were visited during the year, noting that the three not visited attended the forestry forum.</li> </ul>
<p>7. Monitor water quality and stream health changes as a result of forestry harvesting, and report results. Work with the forestry industry to improve mitigation measures to protect water quality.</p>	<p>Equipment is in place and monitoring is on-going. Harvesting at sample sites is scheduled to continue until the end of 2016, after which reporting will take place.</p>
<p>8. Investigate the benefits that constructed wetlands may have to improving water quality discharging from open and tile drains.</p>	<p>This activity has not been undertaken as a decision was made to not provide for this long term work in the 2015-25 Long Term Plan. The focus changed from this type of activity, to other initiatives considered to have greater effectiveness.</p>
<p>9. Carry out investigations and report on water quality in the Lindis and Cardrona catchments.</p>	<p>The Lindis report has been completed. The report shows water quality in the Lindis catchment is very good except at sites in the lower catchment where low flows and groundwater inputs have resulted in reduced water quality.</p> <p>The Cardona report is 40% complete with sampling continuing until the end of September 2015. Reporting will be done in 2015/16.</p>
<p>10. Establish monitor farms to measure compliance with Plan Change 6A, identify practices that protect and enhance water quality, and share the results with the community.</p>	<p>Equipment has been installed in one location with monitoring ongoing. Analysis and reporting will be completed in 2015/16.</p>
<p>11. Model Kakanui groundwater surface water interaction, including the effects of abstraction on nitrate concentrations in the lower Kakanui. Monitor and report on the health of the Kakanui estuary.</p>	<p>A proposal has been received from Lincoln Agritech to undertake modelling, however this work is on hold pending bore installation in the Kauru-Gemmels basin. Monitoring is underway for the Five Forks and Kauru sub-basins.</p>
<p>12. Carry out an investigation into nitrate loss in the Queenstown Lakes area to validate the Overseer model in high rainfall</p>	<p>Monitoring equipment is in place and the project is progressing well with six drainage events sampled to date. This project is</p>

environments.	expected to run through 2015/16.
<p>13. Undertake audits of Prohibited and Permitted Activities relating to:</p> <ul style="list-style-type: none"> <li>• Commercial and farm forestry operations.</li> <li>• Mechanical disturbance of waterways by aerial surveillance and follow-up with ground-based inspections.</li> <li>• Land disturbance activities by aerial surveillance and follow-up with ground-based inspections.</li> <li>• Aerial surveillance of any potential stock pugging of waterways in Otago and follow-up with ground-based inspections.</li> </ul>	<p>Two farm forestry inspections are being carried out. Liaison with Blakey Pacific on a joint monitoring operation is underway in North Otago and liaison and joint inspections with Wenita in South Otago are occurring.</p> <p>No work has been completed in this period for any aerial surveillance of mechanical disturbance of waterways, land disturbance activities or potential stock pugging of waterways. This work was delayed due to the work undertaken instead of delivering fact packs to landholders across Otago, and dealing with the drought. The work is now scheduled to be undertaken in the 2015/16 year.</p>
<p><b>Water Quality Monitoring – State of the Environment</b></p> <p>14. Undertake State of the Environment monitoring of surface and groundwater quality, and prepare report cards.</p>	<p>A full calendar year has been monitored and will be reported on by end of August 2015.</p>
<p>15. Undertake water quality monitoring for marine and freshwater sites, and report for contact recreational purposes.</p>	<p>A report card presenting the results of the annual contact recreational monitoring was published on the ORC website in March. The results showed that all sampling sites were suitable for swimming, at the time of sampling. This applied to coastal, inland lakes and rivers. Site trends are reported through State of the Environment reporting every five years, the last being completed in 2012.</p>

## Water Quantity

<b>Level of Service - Ensure water is managed to meet Otago's environmental, social, cultural and economic needs.</b>	
<p><b>Measure 1</b> Sustainable environmental flows and allocation limits set on rivers and streams to protect their environmental, economic, social and cultural values.</p>	
Target Measures of Success	Actual Measure at 30 June 2015
<p>No violation of minimum flows due to abstraction at any minimum flow site as set out in the Regional Plan: Water.</p>	<p>Five violations involving two consented activities at Waipiata occurred during the 12 month period. These both related to drought conditions and appropriate action was taken. (2013/14 &amp; 2012/13: nil)</p>
<p>No violation of groundwater or lake minimum levels and allocation limits due to abstraction at any minimum level site as set out in the Regional Plan: Water.</p>	<p>There were no violations of groundwater abstraction levels during the period. (2013/14 &amp; 2012/13: nil)</p>

## **Activities undertaken to achieve the level of service for water quantity**

<b>Activities</b>	<b>Achievement to 30 June 2015</b>
<p><b>Policy Development – Regional Plan: Water</b></p> <p>1. Complete hearings and release decisions of proposed plan changes on flow/level and allocation regimes for the Waikouaiti River, Waiwera River, Pomahaka River and aquifer, and Bengier Burn and Ettrick aquifers by 30 September 2014.</p>	<p><b>Waikouaiti River</b> - three community workshops were held during the year. Further technical work on the estuary is planned for 2015/16 with a plan change to be notified in 2016/17.</p> <p><b>Waiwera River</b> – the plan change was notified in November 2014. A hearing was held in April. Recommendations are going to Council in July.</p> <p><b>Pomahaka</b> – this plan change became operative on 1 May 2015.</p> <p><b>Bengier Burn and Ettrick aquifers</b> – these plan changes have been deferred until 2016/17 as further science work is required. Two community workshops have been held to date.</p>
<p>2. Complete hearings and release decisions of proposed plan changes on flow/level and allocation regimes for the Cardrona River and aquifers by 31 December 2014, and the Lindis River and aquifers by 31 March 2015.</p>	<p><b>Lindis River and aquifers</b> – The proposed plan change will be notified in August 2015, the delay resulting from a request by the community for the notification be placed on hold.</p> <p><b>Cardrona</b> – this has been deferred to 2015/16.</p>
<p>3. Complete hearings and release decisions of proposed plan changes for groundwater management, clarification of supplementary allocation, and the location of use of taken water by 30 September 2014.</p>	<p>Plan Change 4B is to be made Operative on 1 September 2015. Clarification of supplementary allocation is now to be done by individual plan changes for each river/aquifer. The location of use of taken water is no longer required as consent conditions are addressing this issue.</p>
<p>4. Release consultation drafts of proposed plan changes for allocation regimes for the Hawea Basin aquifer, Papakaio Aquifer, Cromwell Terrace aquifer, Dunstan Flats aquifer and Earnsclough aquifer by 31 August 2014, notify the proposed plan changes by 30 November 2014, and release decisions by 30 April 2015.</p>	<p><b>Hawea Basin aquifer</b> - has been deferred due to more technical science work being required.</p> <p><b>Papakaio aquifer</b> – this is no longer a priority and has been deferred in the 2015-25 Long Term Plan.</p> <p><b>Cromwell Terrace Aquifer</b> - mediated agreement is going to council, and the plan change is expected to become operative on 1 September 2015.</p> <p><b>Dunstan and Earnsclough aquifers</b> - both plan changes have been deferred to 2015/16.</p>
<p>5. Release the consultation of a proposed plan change for flow/level and allocation for the Manuherikia catchment and aquifers by 30 June 2015.</p>	<p>This plan change is currently on hold, whilst awaiting progress from the Manuherikia Water Strategy group, as they investigate infrastructure requirements for a water scheme. See also 14 below.</p>
<p><b>Implementation of Regional Plan: Water – Plan Change 1C Water Quantity</b></p> <p>6. Liaise with iwi, communities, irrigator groups, irrigation companies and stakeholders to develop community awareness of water use, and options for group formation.</p>	<p>A Geographic Information System (GIS) layer to show permit positions has been developed. Project planning is underway with the Luggate group which is putting in a pre-application for consent. Several meetings have been held with Last Chance Irrigation.</p>

<p>7. Explain regulatory requirements around water allocation and aid the development of protocols for effective water utilisation.</p>	<p>A guide, "Preparing a resource consent application to take surface water, including replacing a deemed permit" has been produced, and is available on Council's website.</p>
<p>8. Actively facilitate options for replacing existing consents and deemed permits (mining privileges) in the following catchments and areas: Arrow, Etrick, Manuherikia, Upper Taieri, Cardrona/Wanaka Plains, Lowburn/Pisa, Bannockburn and Lindis catchments, Teviot/Roxburgh, Pisa/Queens-berry, and Hawea.</p>	<p>Work on developing the implementation programme has been undertaken, e.g. how to prioritise work. Enquiries are being dealt with as received and meetings with groups are being held.</p>
<p>9. Undertake monitoring programmes for setting residual flows and catchment water management as required in the Pig Burn, Gimmer Burn, and the Pisa Queensberry area.</p>	<p>Equipment has been installed at all sites, and monitoring is ongoing.</p>
<p>10. Carry out investigations and report on groundwater resource management for the Maniototo and Roxburgh aquifers.</p>	<p><b>Maniototo &amp; Roxburgh</b>- water level and quality surveys have been completed. Report is still to be produced.</p>
<p>11. Undertake and report on catchment studies for minimum flow and allocation limits in the Alpha Burn, 12 Mile Creek, Kaihikiu Stream, Old Man and Obelisk Range.</p>	<p><b>Alpha Burn</b> – no progress made as property access for monitoring has not been granted.</p> <p><b>12 Mile Creek</b> - monitoring has been completed, and a report has been published to the ORC website</p> <p><b>Kaihiku Stream</b> – monitoring has been undertaken and a report is underway.</p> <p><b>Old Man and Obelisk Ranges</b> - monitoring has been completed. Data is still to be analysed and reported on.</p>
<p>12. Ensure compliance with water measuring regulations and consents and report on outcomes.</p>	<p>19 out of 815 consents for water takes over 20 litres per second have not installed equipment. These consent holders were issued with abatement notices prohibiting the taking of water. 28 out of 111 consents for takes between 10 and 20 litres per second are yet to advise council of the installation of their equipment. These consents holders will be issued with a final warning.</p>
<p>13. Provide support to existing water user groups and advice to water users outside the mining privilege catchments on Plan Change 1C provisions.</p>	<p>Assistance is being given when requested.</p>
<p>14. Provide technical and funding support for community led investigations of infrastructure requirements for bulk rural water.</p>	<p>Funding support continued to be provided to the Manuherikia group for feasibility studies in relation to an irrigation scheme.</p>



<p><b><i>Water Quantity Monitoring – State of the Environment</i></b></p> <p>15. Undertake surface water quantity and groundwater quantity State of the Environment monitoring, at selected sites, and prepare report cards.</p>	<p><b>Water quality</b> - a full calendar year has been monitored and will be reported by the end of August 2015.</p> <p><b>Water quantity</b> - a full irrigation season has been monitored. Reporting is planned to be completed by the end of August 2015.</p>
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## Water Resource

Funding Impact Statement for the year ended 30 June 2015.

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Long Term Plan * 2014/15 \$000	Long Term Plan * 2013/14 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	1,491	1,531	1,425	1,952
Targeted rates (other than a targeted rate for water supply)	-	-	-	-
Subsidies & grants for operating purpose	50	-	-	-
Fees, charges and targeted rates for water supply	-	-	-	1,820
Internal charges & overheads recovered	611	467	610	596
Local authorities fuel tax, fines, infringement fees & other receipts	2,956	3,026	2,474	3,836
<b>Total operating funding (A)</b>	<b>5,108</b>	<b>5,024</b>	<b>4,509</b>	<b>8,204</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	2,756	2,965	2,306	4,925
Finance costs	-	-	-	-
Internal charges & overheads applied	2,628	1,925	1,916	3,918
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>5,384</b>	<b>4,890</b>	<b>4,222</b>	<b>8,843</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(276)</b>	<b>134</b>	<b>287</b>	<b>(639)</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	43	-	-	79
- to replace existing assets	158	187	120	-
Increase (decrease) in reserves	(477)	(53)	167	(718)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(276)</b>	<b>134</b>	<b>287</b>	<b>(639)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>276</b>	<b>(134)</b>	<b>(287)</b>	<b>639</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

\* Figures differ from those disclosed in the 2012-2022 LTP due to a reclassification of compliance and consent activities (previously included within this activity) to the "Regulatory" activity (refer page 40). All budgeted income and expenses associated with compliance and consents have been reclassified.

## Air

Within Otago, there are certain areas where winter air emissions from home heating cause air quality to exceed standards set for healthy living.

A National Environmental Standard (NESAQ) for Air Quality, established by the Government, sets a maximum allowable daily concentration for PM<sub>10</sub> of 50 micrograms per cubic metre of air. PM<sub>10</sub> refers to particulate matter less than 10 microns in diameter, and is measured in micrograms per cubic metre of air. The NESAQ will allow up to three exceedences per year of the PM<sub>10</sub> standard by 2016, and full compliance (no more than one exceedence per year) by 2020.

In 2006, Council established air zones (grouping towns with similar particulate pollution levels) for monitoring and establishing programmes to reduce pollutants where necessary.

Air monitors have been installed in all the Air Zone 1 towns, and in other areas to measure air quality. Air Zone 1, which consists of Alexandra, Arrowtown, Clyde and Cromwell, records the poorest air quality in Otago. Milton, which is in Air Zone 2, is also showing evidence of unacceptable levels of particulate pollution.

Council is working in Air Zone 1 and Milton to improve air quality. It issues newsletters, which include information on clean heating practices, and it holds expos on air quality issues. A programme involving the provision of clean heating appliances in homes has been run for a number of years, and continues.

Council has set the Air Zone 1 towns and Milton's annual targets of PM<sub>10</sub> level to meet the National Environmental Standard by 2013, of no more than one reading per annum greater than 50.

Air quality monitoring results indicate a wide range of ambient air quality throughout the region, particularly during winter months when weather conditions are calm and cold. Emissions from solid-fuel burners used for domestic heating are the major contributor of PM<sub>10</sub> in most areas of Otago, with industry playing a role in Central Dunedin and Mosgiel.

During winter, PM<sub>10</sub> concentrations regularly rise to high levels in Central Otago towns and Milton, leading to numerous exceedences of the NESAQ each winter. Programmes to improve insulation and upgrade wood burners in these towns have resulted in over 1,000 new (Ministry for the Environment compliant) appliances being installed. Trend analyses do show some slight reductions in PM<sub>10</sub> in Clyde, Arrowtown and Alexandra, but not to the extent that was originally predicted in work done for Otago's original air quality management strategy.

We know that in some areas of Otago we will not be able to comply with the NES for air quality. Our 2015-25 Long Term Plan includes the development of an Air Strategy for Otago to assist in dealing with this issue, and input from key stakeholders will be sought. We also intend seeking central government support for addressing the issues we have in parts of Otago.

This activity contributes to the following community outcomes:

- Sustainable development of the region's resources through the sharing of knowledge and information.
- Community participation in planning and managing the use and enhancement of Otago's resources.
- The environmental, economic, social and cultural needs of Otago people are met.

## What we achieved

Level of Service – Improve air quality.																																																																																																																	
Measure 1 PM <sub>10</sub> micrograms per cubic metre in a 24 hour period.																																																																																																																	
Target Measure of Success	Actual Measure at 30 June 2015																																																																																																																
No more than one reading of PM <sub>10</sub> per annum (winter months) in all Air Zones in Otago, to be higher than 50 micrograms per cubic metre.	<p>For the winter of 2014, the breaches and highest readings in all Air Zones in Otago were as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><b>Target Reading</b></th> <th style="text-align: center;"><b>2014 No. Days Over</b></th> <th style="text-align: center;"><b>Highest Reading</b></th> </tr> </thead> <tbody> <tr><td>Alexandra</td><td style="text-align: center;">50</td><td style="text-align: center;">51</td><td style="text-align: center;">106</td></tr> <tr><td>Arrowtown</td><td style="text-align: center;">50</td><td style="text-align: center;">48</td><td style="text-align: center;">148</td></tr> <tr><td>Balclutha</td><td style="text-align: center;">50</td><td style="text-align: center;">3</td><td style="text-align: center;">55</td></tr> <tr><td>Clyde</td><td style="text-align: center;">50</td><td style="text-align: center;">22</td><td style="text-align: center;">84</td></tr> <tr><td>Cromwell</td><td style="text-align: center;">50</td><td style="text-align: center;">49</td><td style="text-align: center;">112</td></tr> <tr><td>Dunedin</td><td style="text-align: center;">50</td><td style="text-align: center;">0</td><td style="text-align: center;">40</td></tr> <tr><td>Milton</td><td style="text-align: center;">50</td><td style="text-align: center;">14</td><td style="text-align: center;">133</td></tr> <tr><td>Mosgiel</td><td style="text-align: center;">50</td><td style="text-align: center;">5</td><td style="text-align: center;">107</td></tr> <tr><td>Palmerston</td><td style="text-align: center;">50</td><td style="text-align: center;">0</td><td style="text-align: center;">50</td></tr> </tbody> </table> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><b>Target Reading</b></th> <th style="text-align: center;"><b>2013 No. Days Over</b></th> <th style="text-align: center;"><b>Highest Reading</b></th> </tr> </thead> <tbody> <tr><td>Alexandra</td><td style="text-align: center;">50</td><td style="text-align: center;">47</td><td style="text-align: center;">130</td></tr> <tr><td>Arrowtown</td><td style="text-align: center;">50</td><td style="text-align: center;">17</td><td style="text-align: center;">77</td></tr> <tr><td>Balclutha</td><td style="text-align: center;">50</td><td style="text-align: center;">4</td><td style="text-align: center;">88</td></tr> <tr><td>Clyde</td><td style="text-align: center;">50</td><td style="text-align: center;">10</td><td style="text-align: center;">66</td></tr> <tr><td>Cromwell</td><td style="text-align: center;">50</td><td style="text-align: center;">33</td><td style="text-align: center;">107</td></tr> <tr><td>Dunedin</td><td style="text-align: center;">50</td><td style="text-align: center;">0</td><td style="text-align: center;">46</td></tr> <tr><td>Milton</td><td style="text-align: center;">50</td><td style="text-align: center;">44</td><td style="text-align: center;">139</td></tr> <tr><td>Mosgiel</td><td style="text-align: center;">50</td><td style="text-align: center;">5</td><td style="text-align: center;">62</td></tr> </tbody> </table> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><b>Target Reading</b></th> <th style="text-align: center;"><b>2012 No. Days Over</b></th> <th style="text-align: center;"><b>Highest Reading</b></th> </tr> </thead> <tbody> <tr><td>Alexandra</td><td style="text-align: center;">68</td><td style="text-align: center;">8</td><td style="text-align: center;">93</td></tr> <tr><td>Arrowtown</td><td style="text-align: center;">68</td><td style="text-align: center;">7</td><td style="text-align: center;">147</td></tr> <tr><td>Balclutha</td><td style="text-align: center;">50</td><td style="text-align: center;">13</td><td style="text-align: center;">75</td></tr> <tr><td>Clyde</td><td style="text-align: center;">54</td><td style="text-align: center;">5</td><td style="text-align: center;">65</td></tr> <tr><td>Cromwell</td><td style="text-align: center;">60</td><td style="text-align: center;">11</td><td style="text-align: center;">91</td></tr> <tr><td>Dunedin</td><td style="text-align: center;">50</td><td style="text-align: center;">1</td><td style="text-align: center;">71</td></tr> <tr><td>Lawrence</td><td style="text-align: center;">50</td><td style="text-align: center;">2</td><td style="text-align: center;">68</td></tr> <tr><td>Milton</td><td style="text-align: center;">51</td><td style="text-align: center;">26</td><td style="text-align: center;">144</td></tr> </tbody> </table> <p>Air quality is impacted each year by variable climatic conditions, and emissions to air. Long term trends are needed to determine the success of Council's initiatives and policies for improving air quality.</p>		<b>Target Reading</b>	<b>2014 No. Days Over</b>	<b>Highest Reading</b>	Alexandra	50	51	106	Arrowtown	50	48	148	Balclutha	50	3	55	Clyde	50	22	84	Cromwell	50	49	112	Dunedin	50	0	40	Milton	50	14	133	Mosgiel	50	5	107	Palmerston	50	0	50		<b>Target Reading</b>	<b>2013 No. Days Over</b>	<b>Highest Reading</b>	Alexandra	50	47	130	Arrowtown	50	17	77	Balclutha	50	4	88	Clyde	50	10	66	Cromwell	50	33	107	Dunedin	50	0	46	Milton	50	44	139	Mosgiel	50	5	62		<b>Target Reading</b>	<b>2012 No. Days Over</b>	<b>Highest Reading</b>	Alexandra	68	8	93	Arrowtown	68	7	147	Balclutha	50	13	75	Clyde	54	5	65	Cromwell	60	11	91	Dunedin	50	1	71	Lawrence	50	2	68	Milton	51	26	144
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## **Activities undertaken to achieve the level of service for air quality**

<b>Activities</b>	<b>Achievement to 30 June 2015</b>
<b>Policy Development – Regional Plan: Air</b>	
1. Notify a plan change which updates the National Environmental Standard for Air Quality requirements relating to airshed compliance, reclassifies Milton and Lawrence, and addresses additional sources impacting urban air quality by 30 September 2014. Release the decision by 31 March 2015.	This has now been deferred to 2021. A decision was made during the preparation of the 2015-25 LTP, that Council would produce an Air Strategy for Otago before making these plan changes. Work on the strategy is scheduled to commence in 2015/16.
<b>Implementation</b>	
2. Review and update the Air Strategy, taking account of air quality monitoring results from the winter of 2014, by November 2014.	The development of an Air Strategy for Otago in the 2015/16 year has replaced the need for this target.
3. Produce at least two fact sheets on Regional Plan: Air requirements, for example, good practice when using wood as a heating product, compliant burners etc.	Two fact sheets were produced - one for Outdoor Burning and one for Using Your Wood Burner.
4. Work with community groups in Alexandra, Cromwell and Milton, to encourage community responsibility for finding solutions to local air quality issues.	This activity has been deferred due to the upcoming development of an Air Strategy for Otago.
5. Coordinate the replacement of approved clean heating appliances in 160 homes in Airzone 1 and Milton.	76 Clean Heat Clean Air subsidies were provided for during the year. This scheme is being operated without the support of an insulation package. The incentive may not be sufficient to encourage remaining home owners to change.
6. Run up to three expos on clean heating appliances in Airzone 1 and Milton.	A Cosy Homes expo was held in Alexandra on 16 May 2015.
7. Undertake enforcement action in line with the provisions of the air strategy.	The current internal air strategy does not provide guidance for enforcement. All complaints were responded to as received.
<b>Monitoring</b>	
8. Continuously measure PM <sub>10</sub> at sites in Dunedin, Mosgiel and Alexandra.	Measuring has been continuous, with all sites operational.
9. During the winter months, continuously measure PM <sub>10</sub> at sites in Arrowtown, Palmerston, Clyde, Cromwell, Milton and Balclutha. If necessary, amend the monitoring programme as a result of studies undertaken in 2013/14.	All sites have been operational since 1 April 2015.

<p><b>Reporting</b></p> <p>10. Report on winter results of air quality and progress made towards meeting the NES for air quality by 30 November 2014.</p>	<p>Winter air quality results were reported to the October meeting of the Technical Committee. See Measure 1 above for a summary of the results.</p>
<p>11. Report air quality measurements:</p> <p>a) As collected on Council’s website;</p> <p>b) In weekly summary reports;</p> <p>c) By weekly public notices of breaches of the NESAQ; and</p> <p>d) Publishing an annual report card on the state and trends in air quality at the measurement sites by 1 December.</p>	<p>Reporting undertaken as follows:</p> <ul style="list-style-type: none"> <li>• All data was reported on the Council’s website.</li> <li>• Weekly reports were produced and distributed.</li> <li>• Monthly public notices of all breaches were published.</li> <li>• An annual report card was completed and published to the website.</li> </ul>
<p>12. Undertake and report studies that define the winter spatial distribution of particulate air quality in Cromwell and Alexandra, by 30 April 2015.</p>	<p>A report on the results of spatial studies in Cromwell and Clyde was presented to the April committee. This study concluded that Alexandra and Cromwell PM<sub>10</sub> monitors are located appropriately.</p>
<p>13. Produce a State of the Environment air quality report tracking changes and trend over the last five years, by May 2015.</p>	<p>A report has been completed presenting the results of SoE air quality monitoring for 2005-2014 and will be presented to the July committee.</p>



## Air Quality

Funding Impact Statement for the year ended 30 June 2015.

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Long Term Plan * 2014/15 \$000	Long Term Plan * 2013/14 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	118	162	269	269
Targeted rates (other than a targeted rate for water supply)	89	89	89	236
Subsidies & grants for operating purpose	-	-	315	836
Fees, charges and targeted rates for water supply	-	50	347	1,093
Internal charges & overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	235	321	523	687
<b>Total operating funding (A)</b>	<b>442</b>	<b>622</b>	<b>1,543</b>	<b>3,121</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	304	563	1,211	2,663
Finance costs	-	-	-	-
Internal charges & overheads applied	153	167	320	441
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>457</b>	<b>730</b>	<b>1,531</b>	<b>3,104</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(15)</b>	<b>(108)</b>	<b>12</b>	<b>17</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	-	10	-	-
Increase (decrease) in reserves	(15)	(118)	12	17
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(15)</b>	<b>(108)</b>	<b>12</b>	<b>17</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>15</b>	<b>108</b>	<b>(12)</b>	<b>(17)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

*\* Figures differ from those disclosed in the 2012-2022 LTP due to a reclassification of compliance and consent activities (previously included within this activity) to the "Regulatory" activity – refer page 40. All budgeted income and expenses associated with compliance and consents have been reclassified.*

## Land

Landholders are responsible for managing animal and plant pests on their land. Pests cause considerable damage to the environment.

The Pest Management Strategy for Otago promotes a regionally co-ordinated approach to address the biosecurity impacts of both pest animals and pest plants.

The Strategy includes rabbits, hares and rooks as pest animals. With respect to rabbits, the Strategy requires landowners to meet the MAL 3 level of compliance. MAL refers to the Modified MacLeans Scale, which is a nationally recognised 1 to 8 scale, measuring rabbit density. Considerable work has been undertaken, and will continue to be undertaken to achieve compliance with this level as soon as possible. Properties exceeding MAL 3 are required to prepare and implement a property management plan. Once MAL 3 is reached, secondary control methods must be implemented and will manage rabbit populations. These will include best practice night shooting, fumigation (with Magtoxin), helicopter shooting, gun and dog, with the support of rabbit proof fencing.

The Pest Management Strategy has a list of 19 plants declared to be pests, and includes Gorse, Broom, Lagarosiphon and Ragwort. The Strategy has rules for landowners to destroy pest plants found on their land.

Council undertakes monitoring inspections of known sites, and will undertake control work (removal of plants) where necessary. Recovery of costs from the land owner will be sought. Where appropriate, enforcement action is undertaken.

Council also offers support for the control of pests by giving advice and assisting community groups to establish control programmes.

Council's contracting arm 'Regional Services' undertakes external contract work mainly for animal and plant pests within Otago. This work, which is fully funded by those contracting these services, involves giving advice, and carrying out control works that are cost effective and beneficial for Otago land occupiers.

During the year this Council, in conjunction with other South Island councils, started developing a South Island approach to pest management, providing a collaborative approach to dealing with pest animals and plants common throughout the South Island.

A review of the biodiversity initiatives undertaken by Council was also undertaken during the year, and this work will assist the preparation of a Biodiversity Strategy for Otago planned for 2015/16.

This activity will contribute to the following community outcomes:

- Sustainable development of the region's resources through the sharing of knowledge and information.
- Community participation in planning and managing the use and enhancement of Otago's resources.
- The environmental, economic, social and cultural needs of Otago people are met.

## What we achieved

### Pest Animals and Plants

Level of Service – Require control of pest animals and pest plants																																														
<b>Measure 1</b> Level of rabbit populations in rabbit prone areas.																																														
Target Measure of Success	Actual Measure at 30 June 2015																																													
All properties inspected have either rabbit numbers under MAL3 or have property management plans in place to achieve MAL3.	175 properties were inspected for compliance. 74 were found to be compliant. The 101 properties found to be non-compliant have been asked to prepare rabbit management plans. 62 plans have been received, 17 are in progress, and 22 are overdue. These are being followed up.  In total, 312 property management plans are in place.																																													
<b>Measure 2</b> Levels of pest plants found at known sites throughout Otago.																																														
Target Measure of Success	Actual Measure at 30 June 2015																																													
80% of properties inspected have eradicated and/or controlled the pest plant infestations through control works undertaken by the land occupier.	Work undertaken during the year included the following:  <b>Old Man's Beard:</b> <table style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><b>2014/15</b></th> <th style="text-align: center;"><b>2013/14</b></th> </tr> </thead> <tbody> <tr> <td>Inspections</td> <td style="text-align: center;">499</td> <td style="text-align: center;">125</td> </tr> <tr> <td>Compliant</td> <td style="text-align: center;">230 (46%)</td> <td style="text-align: center;">37 (30%)</td> </tr> <tr> <td>Non-compliant minor</td> <td style="text-align: center;">237 (47%)</td> <td style="text-align: center;">68 (54%)</td> </tr> <tr> <td>Non-compliant major</td> <td style="text-align: center;">32 (7%)</td> <td style="text-align: center;">20 (16%)</td> </tr> </tbody> </table> <b>Bomarea:</b> <table style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><b>2014/15</b></th> <th style="text-align: center;"><b>2013/14</b></th> </tr> </thead> <tbody> <tr> <td>Inspections</td> <td style="text-align: center;">153</td> <td style="text-align: center;">338</td> </tr> <tr> <td>Compliant</td> <td style="text-align: center;">27 (18%)</td> <td style="text-align: center;">251 (74%)</td> </tr> <tr> <td>Non-compliant minor</td> <td style="text-align: center;">121 (79%)</td> <td style="text-align: center;">86 (25%)</td> </tr> <tr> <td>Non-compliant major</td> <td style="text-align: center;">5 (3%)</td> <td style="text-align: center;">1 (1%)</td> </tr> </tbody> </table> <b>Boneseed</b> <table style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><b>2014/15</b></th> <th style="text-align: center;"><b>2013/14</b></th> </tr> </thead> <tbody> <tr> <td>Inspections</td> <td style="text-align: center;">36</td> <td style="text-align: center;">22</td> </tr> <tr> <td>Compliant</td> <td style="text-align: center;">22 (61%)</td> <td style="text-align: center;">13 (60%)</td> </tr> <tr> <td>Non-compliant minor</td> <td style="text-align: center;">13 (36%)</td> <td style="text-align: center;">8 (36%)</td> </tr> <tr> <td>Non-compliant major</td> <td style="text-align: center;">1 (3%)</td> <td style="text-align: center;">1 (4%)</td> </tr> </tbody> </table> All non-compliance has been followed up. See activity 5 below.		<b>2014/15</b>	<b>2013/14</b>	Inspections	499	125	Compliant	230 (46%)	37 (30%)	Non-compliant minor	237 (47%)	68 (54%)	Non-compliant major	32 (7%)	20 (16%)		<b>2014/15</b>	<b>2013/14</b>	Inspections	153	338	Compliant	27 (18%)	251 (74%)	Non-compliant minor	121 (79%)	86 (25%)	Non-compliant major	5 (3%)	1 (1%)		<b>2014/15</b>	<b>2013/14</b>	Inspections	36	22	Compliant	22 (61%)	13 (60%)	Non-compliant minor	13 (36%)	8 (36%)	Non-compliant major	1 (3%)	1 (4%)
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## **Activities undertaken to achieve the level of service for pest animals and plants**

<b>Activities</b>	<b>Achievement to 30 June 2015</b>																				
<p><b>Policy Development – Pest Management Plan</b></p> <p>1. Prepare a South Island Pest Management Plan in conjunction with other councils in the South Island.</p>	<p>The top 20 pests across the South Island have been identified and cost benefit analysis is to be completed for these. A draft plan template has been developed nationally. A national policy direction is still to come.</p>																				
<p><b>Implementation</b></p> <p>2. Respond to complaints about pest animals and total control pest plants within 10 working days. Where necessary, require control plans for pest animals to be developed within 30 working days of response, or as defined by Council policies, and for pest plants, require control works to be undertaken by the land occupier.</p>	<p>Complaints received were responded to within 10 working days as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><b>2014/15</b></th> <th style="text-align: center;"><b>2013/14</b></th> <th style="text-align: center;"><b>2012/13</b></th> </tr> </thead> <tbody> <tr> <td>Pest Plants</td> <td style="text-align: center;">48</td> <td style="text-align: center;">69</td> <td style="text-align: center;">74</td> </tr> <tr> <td>Rabbits</td> <td style="text-align: center;">7</td> <td style="text-align: center;">13</td> <td style="text-align: center;">9</td> </tr> <tr> <td>Wallabies</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>56</b></td> <td style="text-align: center;"><b>82</b></td> <td style="text-align: center;"><b>83</b></td> </tr> </tbody> </table>		<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	Pest Plants	48	69	74	Rabbits	7	13	9	Wallabies	1	0	0	<b>Total</b>	<b>56</b>	<b>82</b>	<b>83</b>
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<p>3. Promote public awareness through field days, in conjunction with other activities, and publications, encouraging landholders / community groups to identify the presence of pest plants, to advocate fresh water pest control, and to identify the presence of pest animals.</p>	<p>Two rabbit field days were held where staff from other councils and government departments were trained in rabbit monitoring techniques.</p> <p>Two Nassella Tussock field days were held, one in Cardrona and one in the Roxburgh area.</p> <p>An Education Strategy is currently being worked on.</p>																				
<p>4. Monitor, collect, redistribute and report on the establishment, spread and persistence of biological plant control agents in Otago.</p>	<p>Biological plant control work has not been undertaken, as it is not intended to continue with this work.</p>																				
<p>5. Undertake enforcement action where there is failure by land occupiers to meet their obligations under the Regional Pest Management Plan.</p>	<p>Ten notices of directions were issued to land occupiers during the year in respect of Old Man's Beard.</p> <p><i>(2013/14: 2 notices of direction issued; 2012/13: 2 prosecutions were authorised).</i></p>																				
<p><b>Monitoring</b></p> <p>6. Inspect five known nurseries for any potential sale of plants identified in the national pest plant accord list of banned plant species. (Note: during the year Council amended this measure, from that disclosed in the annual Plan).</p>	<p>No work was undertaken this period due to time instead being spent on the drought.</p>																				
<p>7. Undertake inspection works as follows:</p> <ul style="list-style-type: none"> <li>• All known properties that have, and have previously had, infestation of plants that are identified for eradication in the Regional Pest Management Plan.</li> </ul>	<p>See Measure 2 above re Old Man's Beard. Other inspections include:</p> <p><b>Contorta Pine inspections:</b> 14 properties were inspected in Central Otago, specifically looking at control and removal.</p>																				

<ul style="list-style-type: none"> <li>• All known properties where low incident plants have been identified in the Regional Pest Management Plan</li> <li>• Plants which may present a high risk of unwanted spread throughout Otago.</li> <li>• Rabbit and rook populations in Otago.</li> </ul>	<p><b>Nassella inspections:</b> Three inspections were completed in the Cardrona Valley. Three field days were held in Roxburgh and 294 plants were found on farmland and removed.</p> <p><b>Spartina inspections:</b> Inspections and control work were undertaken at Waikouaiti and Pleasant estuaries.</p> <p>See Measure 2 above regarding Boneseed and Bomarea</p> <p>Three plants were identified - Banana Passionfruit, Darwins Barberry and Chilean Flame Creeper – inspections of these are in progress.</p> <p>All rookeries and rook sites were inspected between October and November 2014. The latest count of rooks is in the mid 50's. See 9 below for rabbit inspections.</p>
<p>8. Undertake RHD biannual sampling to determine the effectiveness of RHD as a biocontrol tool on rabbits.</p>	<p>Rabbit serum samples were collected from the monitor sites. Sampling showed continuing high RHD immunity levels, with an average of 62% immunity over a range of 21% to 87% immunity.</p>
<p><b>Reporting</b></p> <p>9. Report on rabbit and rook populations in Otago, and report on areas of risk including MAL being exceeded.</p>	<p>Rabbit inspections are underway with the focus on properties that currently have control plans in place. A steady increase in the rabbit population has been identified over the year. Rook numbers are slowly reducing.</p>
<p>10. Provide to Council an annual compliance report for the previous year by 31 October on the effectiveness of implementing the Regional Pest Management Plan.</p>	<p>Six weekly reports to committees were prepared during the year in place of one annual report. Reports are available on Council's web site.</p>

## Biodiversity

### *Activities undertaken to achieve the level of service for biodiversity*

Activities	Achievement to 30 June 2015
<p>1. Undertake a review of the biodiversity activities undertaken by Council.</p>	<p>A draft report on the biodiversity activities of Council has been completed and is currently being reviewed.</p>
<p>2. Undertake monitoring and report on the state of Otago's regionally significant wetlands.</p>	<p>Monitoring has been completed for the year. Refinement of the wetlands project is currently underway with a 'risk ranking' model being developed. This work will be looked at as part of the development of a Biodiversity Strategy for Otago.</p>
<p>3. Administer the Honda Tree Fund for Otago.</p>	<p>18 applications were received and processed during the year.</p>

<p>4. Prepare a wilding tree discussion paper for Council.</p>	<p>A discussion paper that included funding options was presented at a council workshop. Further reports have been developed to discuss aligning the Otago Pest Management Plan with the national non regulatory wilding strategy. Further work is to be done and this is planned for in the 2015-25 LTP.</p>
<p>5. Assist community groups where appropriate with information and field day support on biodiversity topics.</p>	<p>Assistance was given at an East Otago biodiversity group meeting.</p>



## Land

Funding Impact Statement for the year ended 30 June 2015.

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Long Term Plan 2014/15 \$000	Long Term Plan 2013/14 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	285	302	322	221
Targeted rates (other than a targeted rate for water supply)	-	-	-	-
Subsidies & grants for operating purpose	-	-	-	-
Fees, charges and targeted rates for water supply	866	1,780	1,613	-
Internal charges & overheads recovered	22	-	-	1,562
Local authorities fuel tax, fines, infringement fees & other receipts	529	597	559	440
<b>Total operating funding (A)</b>	<b>1,702</b>	<b>2,679</b>	<b>2,494</b>	<b>2,223</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	904	1,478	1,342	1,165
Finance costs	-	-	-	-
Internal charges & overheads applied	897	1,036	1,043	957
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,801</b>	<b>2,514</b>	<b>2,385</b>	<b>2,122</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(99)</b>	<b>165</b>	<b>109</b>	<b>101</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	15	-	-	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	(114)	165	109	101
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(99)</b>	<b>165</b>	<b>109</b>	<b>101</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>99</b>	<b>(165)</b>	<b>(109)</b>	<b>(101)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Regulatory

Resource consents are issued by Council allowing the use of our natural resources, or discharging into water, air, coast and land resources. Council strives to meet the processing timeframes in which consents should be processed as set out in the Resource Management Act 1991.

After resource consents are issued, Council audits and monitors resource use to ensure that consent conditions are being complied with. Consent conditions often include the need for monitoring to be undertaken by the consent holder, and for the monitoring information to be sent in to Council for review. In addition, certain consents will require an audit of consent conditions by Council. Whilst audits cover all the conditions of consent, the monitoring to be undertaken by the consent holder may only be required to cover some of the conditions of consent. As such, the resulting levels of non-compliance will vary between audits and performance monitoring data.

Permitted activities are activities that are allowed to be undertaken without the need for resource consent, for example, dairying. Council's Regional Plan: Water does however provide rules that must be complied with when undertaking such an activity.

Compliance checks with permitted activity rules are carried out to ensure Otago's resources such as land and water are being looked after. Over the past few years Council has been focusing specifically on dairy farms, ensuring that the rules for discharging dairy effluent are being complied with, and Council does this by inspecting all farms. This work continued in 2014/15.

For both consents and permitted activities, a grading system for measuring compliance is in place as follows:

Grade 1: Compliant

Grade 2: Non-compliant – minor (no actual or potential adverse effects)

Grade 3: Non-compliant – significant (no actual or potential adverse effects)

Grade 4: Non-compliant – minor (actual or potential adverse effects)

Grade 5: Non-compliant – significant (actual or potential adverse effects more than minor)

Where it is found that that consent conditions and permitted activity rules are not being complied with (Grade 4 or 5), enforcement action may be undertaken. This may involve issuing infringement notices, abatement notices or prosecuting.

Council's activities in respect of dam safety include having an adopted policy on Dangerous Dams, Earthquake Prone and Flood Prone Dams, maintaining a register for dams in Otago, and processing building consent applications for building associated with dams. Potential Impact Classifications are submitted to the Council by owners of dams. This Council is accredited and registered as a Building Consent Authority. In addition to Otago, Council undertakes certain dam safety and building control functions for dams in the Southland and West Coast regions under transfer agreements.

Council is also responsible for harbour safety and navigation in the Otago and Karitane harbours, and includes ensuring a prompt response to harbour incidents, and notifying relevant authorities if required. A review and update of the Otago Harbour Bylaws is underway.

This activity contributes to the following community outcomes:

- Sustainable development of the region's resources through the sharing of knowledge and information.
- Community participation in planning and managing the use and enhancement of Otago's resources.
- The environmental, economic, social and cultural needs of Otago people are met.

## *What we achieved*

### Resource Consents

<b>Level of Service – Process resource consent applications and Certificates of Compliance for discharges to air, land and water; for the use of water, disturbance of land, lake or riverbeds and for coastal activities, in a timely manner.</b>	
<b>Measure 1</b> Process applications in compliance with statutory procedures and timeframes set out in the Resource Management Act.	
Target Measure of Success	Actual Measure at 30 June 2015
Process 100% of consent applications within the statutory timeframes.	All applications were processed within the statutory time frames.  <i>(2013/14, 2012/13: all processed within statutory time frames).</i>
Meet and maintain audit requirements of Verification New Zealand (ISO accreditation).	An ISO audit was completed in December 2014 and passed with no actions being identified.
<b>Measure 2</b> Annual customer satisfaction survey.	
Target Measure of Success	Actual Measure at 30 June 2015
Achieve at least 80% satisfaction over areas controlled by Consents.	A satisfaction survey was not undertaken this year, but will be done on a biannual basis in accordance with the ISO 4000 requirements. The next survey is due 2015/16.

## **Activities undertaken to achieve the level of service for resource consents**

Activities	Achievement to 30 June 2015
<p><b>Resource consent processing</b></p> <p>1. Process 100% of consent applications, surrenders, transfers, lapsing, cancellations, S417 certificates and expiries in accordance with the Council's Consents Procedure Manual and the Resource Management Act 1991.</p>	<p>All applications were processed in accordance with the council's consents procedure manual and the RMA. Checklists are in place to ensure compliance.</p>
<p><b>Reviews of consents</b></p> <p>2. Where necessary, review consents within two months of an air quality standard being set.</p>	<p>No work required as no new plan changes were made setting new air quality standards.</p>
<p>3. Where necessary, review consents for a catchment, sub-catchment or an aquifer within two months of a minimum flow being operational.</p>	<p>A review of the Waianakarua catchment was completed. The Waitahuna catchment is currently underway, and the Pomahaka is still to commence.</p>
<p>4. Analyse compliance reports for water takes in over-allocated catchments. Begin a review of consents where water used is less than the amount consented.</p>	<p>Regulations require that data is to be provided by 31 July. Current analysis of data is due for completion during 2015/16.</p>

## **Compliance Monitoring**

<b>Level of Service – Ensure consent conditions for the use of Otago's air, water and coastal resources are complied with.</b>																			
<b>Measure 1</b>																			
Performance monitoring (self-monitoring) returns on consents requiring self-monitoring to show compliance with consent conditions.																			
Target Measure of Success	Actual Measure at 30 June 2015																		
<p>100% of performance monitoring returns to show compliance with consent conditions (non-compliance measure is in respect of grade 4 and 5 non-compliance only).</p>	<p>Performance monitoring data processed during the period was as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><b>2014/15</b></th> <th style="text-align: center;"><b>2013/14</b></th> <th style="text-align: center;"><b>2012/13</b></th> </tr> </thead> <tbody> <tr> <td>Data processed</td> <td style="text-align: center;">3,616</td> <td style="text-align: center;">4,146</td> <td style="text-align: center;">3,416</td> </tr> <tr> <td>Compliant</td> <td style="text-align: center;">3,469 (96%)</td> <td style="text-align: center;">3,899 (94%)</td> <td style="text-align: center;">3,070 (90%)</td> </tr> <tr> <td>Non-compliant</td> <td style="text-align: center;">147 (4%)</td> <td style="text-align: center;">247 (6%)</td> <td style="text-align: center;">346 (10%)</td> </tr> </tbody> </table>				<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	Data processed	3,616	4,146	3,416	Compliant	3,469 (96%)	3,899 (94%)	3,070 (90%)	Non-compliant	147 (4%)	247 (6%)	346 (10%)
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<b>Measure 2</b> Audits of consents of all high risk sites to show compliance with consent conditions.			
<b>Target Measure of Success</b>		<b>Actual Measure at 30 June 2015</b>	
90% or more of audits of consent conditions show compliance with consent conditions (non-compliance measure is in respect of grade 4 and 5 non-compliance only).		Audits undertaken during the year were as follows:	
		<b>2014/15</b>	<b>2013/14</b>
		<b>2012/13</b>	
Data processed		420	344
Compliant		327 (78%)	272 (79%)
Non-compliant		93 (22%)	72 (21%)
		612	416 (68%)
		196 (32%)	

### ***Activities undertaken to achieve the level of service for compliance monitoring***

<b>Activities</b>	<b>Achievement to 30 June 2015</b>
<p><b><i>Monitoring compliance with resource consent conditions</i></b></p> <p>1. Uphold compliance of resource consents and rules by processing all performance monitoring returns, 90% of which will be processed, including auditing of data quality, within one month of receipt.</p>	<p>3,616 returns (100%) were processed within one month of receipt.</p> <p><i>(2013/14: 4,146 returns all processed within one month, 2012/13: 3,416 returns all processed within one month).</i></p>
<p>2. Follow-up on the non-return of performance monitoring information and/or with poor data quality with the consent holder within two months of the due date.</p>	<p>1,432 consents with 2,166 performance monitoring conditions remain overdue. There has been an increase in consents being granted with more consents requiring measuring relating to the regulations which is reflected in the increase of consents. All non returns of data are being followed up within two months of the due date.</p>
<p>3. Using a risk based approach, undertake audits of minor consented activities relating to:</p> <p>a) 150 audits of minor discharge to land and water consents.</p> <p>b) 35 minor air discharge consents (that have no other consented activity);</p> <p>c) 100% of newly installed water metering installations (consented and water meter regulation requirements);</p> <p>d) 250 of all surface water consented takes;</p> <p>e) 75 of groundwater takes of greater than 10 litres per second;</p> <p>f) Monitor residual flow conditions on surface water takes in critical over-allocated catchments in Otago;</p> <p>g) 100% of operational gravel extractions;</p> <p>h) 30% of all closed landfills in the region.</p> <p>(Note: during the year Council amended this measure, from that disclosed in the annual Plan).</p>	<p>a) 179 minor discharge to land and water consents were audited.</p> <p>b) 63 minor air discharge consents were audited</p> <p>c) 211 (100%) newly installed water metering installations were audited. These are audited when notification of completion is received.</p> <p>d) 119 surface water takes were audited</p> <p>e) 34 ground water takes were audited.</p> <p>f) No monitoring has occurred but a residual flow protocol that defines monitoring during dry weather conditions has been established.</p> <p>g) 7 (100%) operational gravel extraction consents were audited during the year.</p> <p>h) 22 out of 55 (40%) closed landfills were audited during the year.</p>

<p>4. Undertake audits of the following significant consented activities:</p> <ul style="list-style-type: none"> <li>a) Oceana Gold-Macraes Mine;</li> <li>b) Alliance Pukeuri;</li> <li>c) Ravensdown;</li> <li>d) PPCS Finegand;</li> <li>e) Fonterra Stirling;</li> <li>f) All active landfills;</li> <li>g) All local authority wastewater treatment facilities;</li> <li>h) 20% of all irrigation companies;</li> <li>i) 30% of all electricity generation companies.</li> </ul>	<p>All audit targets were met with the exception of the following:</p> <ul style="list-style-type: none"> <li>• 20 out of 26 (77%) local authority waste water treatment facilities were audited.</li> <li>• Three out of 18 (17%) irrigation companies were audited.</li> </ul>																
<p><b>Monitoring compliance with permitted activity rules</b></p> <p>5. Undertake audits of 100% of animal waste collection systems.</p>	<p>100% of dairy farms were inspected and results were as follows:</p> <table border="1" data-bbox="715 792 1412 920"> <thead> <tr> <th></th> <th>2014/15</th> <th>2013/14</th> <th>2012/13</th> </tr> </thead> <tbody> <tr> <td>Inspections</td> <td>465</td> <td>435</td> <td>417</td> </tr> <tr> <td>Compliant</td> <td>417 (90%)</td> <td>407 (94%)</td> <td>382 (92%)</td> </tr> <tr> <td>Non-compliant</td> <td>48 (10%)</td> <td>28 (6%)</td> <td>35 (8%)</td> </tr> </tbody> </table>		2014/15	2013/14	2012/13	Inspections	465	435	417	Compliant	417 (90%)	407 (94%)	382 (92%)	Non-compliant	48 (10%)	28 (6%)	35 (8%)
	2014/15	2013/14	2012/13														
Inspections	465	435	417														
Compliant	417 (90%)	407 (94%)	382 (92%)														
Non-compliant	48 (10%)	28 (6%)	35 (8%)														
<p>6. Undertake and investigate compliance with permitted activity rules for urban stormwater discharges into Lake Dunstan (Cromwell) and the Clutha River/Mata-Au (Alexandra/Clyde).</p>	<p>A draft report is in progress, and results will be available in the next financial year. This report will assist to inform water plan changes for urban water quality.</p>																
<p>7. Complete investigation of compliance with permitted activity rules for urban stormwater discharges into the Silver Stream.</p>	<p>A draft report is in progress, and results will be available in the next financial year. This report will assist to inform water plan changes for urban water quality.</p>																
<p><b>Enforcement</b></p> <p>8. Investigate and undertake enforcement action on breaches of resource consent conditions and Regional Plan rules.</p>	<p>19 infringement notices were issued during the year for discharging contaminants to land in breach of a regional rule – effluent.</p> <p><i>(2013/14: 21 infringement notices issued; 2012/13: 25 infringement notices issued).</i></p> <p>Six prosecutions were authorised during the period for discharging contaminants to land in breach of a regional rule – effluent.</p> <p><i>(2013/14: 9 prosecutions authorised; 2012/13: 3 prosecutions authorised)</i></p> <p>Two abatement notices were issued, both requiring resource consent holders to cease taking water in breach of water meter regulations.</p> <p><i>(2013/14: 8 abatement notices issued; 2012/13: nil)</i></p>																

## Dam Safety

<b>Level of Service – Manage the risks to people, property and the environment associated with dams.</b>	
<b>Measure</b>	
The number of known dams complying with the registration, classification and certification requirements of the Building Act 2004 and regulations.	
<b>Target Measure of Success</b>	<b>Actual Measure at 30 June 2015</b>
All classifiable and referable dams in Otago, Southland and West Coast are managed by their owners in accordance with the dam safety scheme set out in the Building Act 2004 and the Building (Dam Safety) Regulations 2008.	The regulations were never implemented and were revoked by the government in June 2015.
All dams constructed in Otago after 1 July 1992 comply with the building code (Building Regulations 1992).	Refer to activity 2 below.
All large dams constructed in Southland and West Coast after 1 July 2008 comply with the building code (Building Regulations 1992).	Refer to activity 2 below.

### ***Activities undertaken to achieve the level of service for dam safety***

<b>Activities</b>	<b>Achievement to 30 June 2015</b>
1. Undertake Building Act functions for dams in Otago, Southland and West Coast in accordance with the quality standards and timeframes prescribed in the Act.	During the year five applications for building consent and two dam certificates of acceptance were lodged. Three building consents and one dam certificate of acceptance were granted. Three Code Compliance Certificates were lodged with all three being declined.
2. Investigate dams in Otago likely to be non-compliant with the building code and undertake enforcement action where necessary.	Five Notices to Fix were issued with respect to earth embankment dams in the Otago region. The Notices were issued for building work that did not comply with the New Zealand Building Code, and required that the dams be repaired or removed.
3. Receive Potential Impact Classifications (PICs) for Classifiable Dams, and request and receive PICs for Referable Dams in Otago, Southland and West Coast.	Not applicable as regulations were not implemented by central government.
4. Work with owners of dams in Otago to implement Council's policy on Dangerous Dams.	The policy was not operative as the necessary supporting regulations were not promulgated by the government.

## Harbour Safety

Level of Service – Safe recreational use and navigation for all users of Otago’s harbours.	
Measure	
Number of harbour incidents.	
Target Measure of Success	Actual Measure at 30 June 2015
No major harbour incidents.	One serious incident occurred during the period, and was investigated by Council and Maritime NZ.

### *Activities undertaken to achieve the level of service for harbour safety*

Activities	Achievement to 30 June 2015
1. Complete the Port Harbour Safety Code.	Work is in progress, in conjunction with Port Otago Limited.
2. Review and update of the Otago Harbour bylaws.	A first draft of the new bylaw has been completed and is currently being reviewed.



## Regulatory

Funding Impact Statement for the year ended 30 June 2015.

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Long Term Plan ** 2014/15 \$000	Long Term Plan ** 2013/14 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	376	521	554	107
Targeted rates (other than a targeted rate for water supply)	-	-	-	-
Subsidies & grants for operating purpose	-	-	-	284
Fees, charges and targeted rates for water supply	1,202	1,873	2,485	65
Internal charges & overheads recovered	4	5	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	878	729	1,349	232
<b>Total operating funding (A)</b>	<b>2,460</b>	<b>3,128</b>	<b>4,388</b>	<b>688</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	1,159	1,726	2,333	424
Finance costs	-	-	-	-
Internal charges & overheads applied	1,301	1,293	1,947	253
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,460</b>	<b>3,019</b>	<b>4,280</b>	<b>677</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>-</b>	<b>109</b>	<b>108</b>	<b>11</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>	-	-	-	-
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	-	109	108	11
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>-</b>	<b>109</b>	<b>108</b>	<b>11</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>-</b>	<b>(109)</b>	<b>(108)</b>	<b>(11)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

*\*\* Figures differ from those disclosed in the 2012-2022 LTP due to a reclassification of compliance and consent activities (previously included within Water, Air and Coast groups of activities) into the Regulatory Group of activities. All budgeted income and expenses associated with compliance and consents have been reclassified into the Regulatory Group of Activities.*

## Regional Policy Statement

The Otago Regional Policy Statement provides an overview of the resource management issues of the Otago region and the ways of achieving the integrated management of its natural and physical resources. It provides a framework within which the various regional and district plans sit. As these plans must give effect to the provisions of the Otago Regional Policy Statement, the statement sets the context and direction for all regional and district planning in Otago.

A full review of the Regional Policy Statement has been undertaken and a new statement was notified for public consultation in May 2015.

This activity contributes to the following community outcomes:

- Sustainable development of the region’s resources through the sharing of knowledge and information.
- Community participation in planning and managing the use and enhancement of Otago’s resources.
- The environmental, economic, social and cultural needs of Otago people are met.

### *What we achieved*

#### Policy Development

Level of Service – Develop policy that will achieve effective management of the natural and physical resources of the Otago region.	
Target Measure of Success	Actual Measure at 30 June 2015
Measure of success will be assessed within each of the other activities in the Annual Plan.	Not applicable.

#### *Activities undertaken to achieve the level of service for policy development*

Activities	Achievement to 30 June 2015
1. Release the consultation draft of the Regional Policy Statement review by 15 August 2014.	The consultation draft was released in November 2014.
2. Notify the proposed review of the Regional Policy Statement by 15 December 2014.	The Regional Policy Statement was notified on 23 May 2015.
3. Release Council’s decision on the Regional Policy Statement by 30 June 2015.	Submissions close on 25 July 2015. Decisions are now planned to be released in December 2015.

## Regional Policy Statement

Funding Impact Statement for the year ended 30 June 2015.

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Long Term Plan 2014/15 \$000	Long Term Plan 2013/14 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	422	302	289	127
Targeted rates (other than a targeted rate for water supply)	-	-	-	-
Subsidies & grants for operating purpose	-	-	-	-
Fees, charges and targeted rates for water supply	-	-	-	-
Internal charges & overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	820	597	502	246
<b>Total operating funding (A)</b>	<b>1,242</b>	<b>899</b>	<b>791</b>	<b>373</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	634	515	391	187
Finance costs	-	-	-	-
Internal charges & overheads applied	608	384	400	186
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,242</b>	<b>899</b>	<b>791</b>	<b>373</b>
<b>Surplus (deficit) of operating funding (A-B)</b>		-	-	-
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	-	-	-	-
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	-	-	-	-
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	-	-	-	-
<b>Surplus (deficit) of capital funding (C-D)</b>	-	-	-	-
<b>Funding balance ((A-B) + (C-D))</b>	-	-	-	-

The accompanying notes form part of these financial statements.

## Governance and Community

Council's democratic process involves providing effective representation on behalf of the Otago community. These processes include holding meetings of Council and Council committees, and these meetings are open to the public. Many opportunities are given to the public to provide input into Council's decision making, and include Council inviting submissions on specific proposals, and participation in public forums at Council meetings.

Council undertakes a number of activities to educate, consult and encourage community participation in decision making, and to promote awareness of our plans, policies and activities. To help promote community participation, public forums and seminars are held each year on topics of environmental significance.

Council actively works with Kāi Tahu ki Otago, and encourages Māori participation in natural resource management. Council seeks to consult and liaise on the activities of Council, and provide assistance on initiatives of mutual specific interest.

Council contributes funding towards initiatives undertaken by community groups and others that promote the sustainable use of resources in Otago, such as the implementation of the TBfree New Zealand's Pest Management Strategy for Bovine Tb. Funding contributions also included PhD studentships in research fields of benefit to the Otago community, and supporting the Otago Emergency Rescue Helicopter.

This activity contributes to the following community outcomes:

- Sustainable development of the region's resources through the sharing of knowledge and information.
- Community participation in planning and managing the use and enhancement of Otago's resources.
- The environmental, economic, social and cultural needs of Otago people are met.

### *What we achieved*

#### Public Awareness

Level of Service – Effective, open and transparent democratic Council processes.	
<b>Measure 1</b> Completion of statutory public accountability processes.	
<b>Target Measure of Success</b>	<b>Actual Measure at 30 June 2015</b>
Completion of statutory planning and reporting documents, (LTP and Annual Report) within statutory requirements.	Target met. The Annual Report and the Long Term Plan were completed within the statutory timeframes and requirements.
<b>Measure 2</b> All Council meetings conducted in compliance with statutory requirements.	
<b>Target Measure of Success</b>	<b>Actual Measure at 30 June 2015</b>
Public notices to be given for all meetings of Council and Committees, and agendas for all Council and Committee meetings to be made available on the Council's website prior to the meeting.	Ten Council meetings and 37 Committee meetings were held during the year. Public notice was given for all meetings, and agendas were made available on the Council's website prior to all the meetings.

## **Activities undertaken to achieve the level of service for public awareness**

Activities	Achievement to 30 June 2015
1. Provide regular information to the media about the activities of Council.	63 media releases, 68 public notices on the website and 245 social media releases on both Facebook and Twitter were made during the year about the activities of Council.
<p>2. Make available to the public, environmental and resource management information and Council performance through the production of:</p> <ul style="list-style-type: none"> <li>• Newsletters, pamphlets and info sheets;</li> <li>• Media releases;</li> <li>• Science reports;</li> <li>• Presentations to interest groups;</li> <li>• Web-based information.</li> </ul> <p>Information provided to include:</p> <ul style="list-style-type: none"> <li>• Compliance with consents and permitted activity rules;</li> <li>• Pollution problems;</li> <li>• Policy and plan information;</li> <li>• Resource consent processes.</li> </ul>	<p>Information produced included the following:</p> <p><b>Newsletters, pamphlets and info sheets:</b></p> <ul style="list-style-type: none"> <li>• One issue of Otagowide</li> <li>• Two issues of Waterlines</li> <li>• Three issues of Leaders Brief</li> <li>• A Gypsy Day brochure,</li> <li>• Seven fact sheets completed,</li> <li>• Bus brochures.</li> </ul> <p><b>Media Releases:</b></p> <ul style="list-style-type: none"> <li>• 63 media releases and 68 public notices were issued.</li> </ul> <p><b>Science reports and summaries:</b></p> <ul style="list-style-type: none"> <li>• Nine science report and seven natural hazards SOE reports published for the year.</li> </ul> <p><b>Web based information:</b></p> <ul style="list-style-type: none"> <li>• 376 website updates made (including 245 on Facebook and Twitter).</li> </ul> <p><b>Consents and permitted activity information:</b></p> <ul style="list-style-type: none"> <li>• Two brochures were produced.</li> </ul> <p><b>Pollution problems:</b></p> <ul style="list-style-type: none"> <li>• Two brochures were produced.</li> </ul> <p><b>Policy and plan information:</b></p> <ul style="list-style-type: none"> <li>• Draft and Final Long Term Plan</li> <li>• Regional Policy Statement</li> <li>• Regional Land Transport Plan</li> <li>• Six transport planning reports.</li> </ul> <p><b>Resource consent processes:</b></p> <ul style="list-style-type: none"> <li>• A full stocktake has been completed and consent forms are being updated in a consistent style.</li> </ul>
3. Respond to requests for field days, talks, presentations etc. on Council's activities, plans and policies, for example, school visits, university presentations.	<p>Responses included the following:</p> <ul style="list-style-type: none"> <li>• Waitaki Boys High School and Millers Flat for an exercise in stream monitoring.</li> <li>• Clinton school pupils and parents on water quality, planting trees and invertebrates.</li> <li>• Attending the Ballance Farm Awards in Milton.</li> </ul>
4. Review and update the <i>Environmental Considerations</i> booklets.	The Environmental Considerations booklets were replaced by water quality fact sheets.

<p>5. Hold at least two meetings each year with iwi representatives, and attend all Te Rōpū Taiao meetings.</p>	<p>Four meetings with Iwi representatives and two meetings with Te Rōpū Taiao were held during the year.</p>
<p>6. Provide funding assistance for projects undertaken by external parties, including:</p> <ul style="list-style-type: none"> <li>• Otago Rescue Helicopter;</li> <li>• Animal Health Board;</li> <li>• Ballance Environment Awards.</li> </ul>	<p>Contributions made include the following:</p> <ul style="list-style-type: none"> <li>• Otago Rescue Helicopter - \$350,000</li> <li>• TbFree - \$150,000</li> <li>• Farm awards \$13,000</li> <li>• Central Otago Wilding Conifer Group \$10,000</li> </ul>
<p>7. Sponsor the completion of the graduate research project on Landscape Management.</p>	<p>The postgraduate project has been completed and reported to Council.</p>
<p>8. Submit on the following, where they affect Council's responsibilities and functions:</p> <ul style="list-style-type: none"> <li>• National policies and significant legislation;</li> <li>• Regional and district plans and policies, plan changes and consent applications;</li> <li>• Conservation plans and strategies;</li> <li>• Codes of practice, standards and guidelines.</li> </ul>	<p>Submissions made included the following:</p> <ul style="list-style-type: none"> <li>• An appeal with the Clutha District Council on Proposed Plan Change 28 regarding building in a flood prone area to give better effect to the Milton 2060 Strategy. This was resolved through mediation with other parties and an agreement was reached with the Clutha District Council to classify residential structures within critical areas of the floodway corridors.</li> <li>• Statistics NZ to advocate for data collection for informing local government strategy, policy and plans.</li> </ul>

## Governance and Community

Funding Impact Statement for the year ended 30 June 2015.

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Long Term Plan 2014/15 \$000	Long Term Plan 2013/14 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	1,242	1,117	1,324	1,137
Targeted rates (other than a targeted rate for water supply)	718	714	164	2,716
Subsidies & grants for operating purpose	-	-	-	10
Fees, charges and targeted rates for water supply	1	130	132	116
Internal charges & overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	2,311	2,207	2,299	2,065
<b>Total operating funding (A)</b>	<b>4,272</b>	<b>4,168</b>	<b>3,919</b>	<b>6,044</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	2,565	2,665	2,805	2,660
Finance costs	-	-	-	555
Internal charges & overheads applied	1,254	953	1,114	826
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>3,819</b>	<b>3,618</b>	<b>3,919</b>	<b>4,041</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>453</b>	<b>550</b>	<b>-</b>	<b>2,003</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	(10,000)
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	11	-	-	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	442	550	-	(7,997)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>453</b>	<b>550</b>	<b>-</b>	<b>(7,997)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(453)</b>	<b>(550)</b>	<b>-</b>	<b>(2,003)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Flood Protection & Control Works

Large developed areas of Otago are low-lying river flats, often close to sea level. The continued safe occupation and use of these areas is important to the wellbeing of its communities, and so protection from flooding is important. In some locations, the productive use of land relies on drainage and control of groundwater levels.

Council operates and maintains a number of flood protection and drainage schemes throughout Otago, with the aim of protecting people and properties from flooding, and with adequate drainage, maintaining the productive capability of land within the drainage scheme areas.

Flood protection works undertaken by Council include constructing and maintaining flood banks, swales, bunds and spillways. Some works are necessary so as to ensure the safety and integrity of the scheme.

Sections of the Water of Leith have insufficient channel capacity to convey flood flows. To address this issue, Council embarked on a major project to construct the Leith Flood Protection Scheme. A construction programme over eight stages was planned as follows:

Stage 1	Pre 2012/13	Cumberland Street to Dundas Street	Completed.
Stage 2	2012/13	Leith Street to Forth Street	Major construction works completed; minor finishing works are outstanding.
Stage 3	2013/14	St David Street to Union Street	Completed.
Stage 4	2014/15	Dundas Street to St David Street	Completed enabling works (underground services). Civil construction contract still to be awarded. Construction planned for summer 2015/16.
Stage 5	2015/16	Union Street to Leith Street or Clyde Street	Investigations have commenced.
Stage 6	2016/17	ITS building/bend	
Stage 7	2017/18	Dundas Street bridge	
Stage 8	2018/19	Forth Street to Harbour	

Drainage scheme works undertaken by Council include reviewing and maintaining drainage pumps and outfall structures.

A number of drainage pumping stations are at or nearing the end of their useful lives and require replacement so that communities can continue to enjoy the use of their land. A long term programme is in place to replace or refurbish some of the pumps on the West Taieri and East Taieri drainage schemes, and the Lower Clutha.

This activity contributes to the following community outcomes:

- The environmental, economic, social and cultural needs of Otago people are met.



## What we achieved

### Flood and Drainage Schemes

Level of Service – Reduce the flood risk to people and property by maintaining flood protection works to agreed standards.	
<p><b>Measure 1</b></p> <ul style="list-style-type: none"> <li>• New flood mitigation works are designed and built to agreed performance standards.</li> <li>• Existing flood mitigation works perform to agreed standards.</li> <li>• Existing flood mitigation works are monitored and maintained to agreed standards.</li> </ul>	
Target Measures of Success	Actual Measure at 30 June 2015
<p><b>Alexandra Flood Protection Scheme</b></p>	
Convey all floods with no failure of any scheme floodbank.	No failure of the Alexandra floodbank network occurred during the period.
Contain all floods up to 142.75m (above mean sea level) at Alexandra Bridge with 0.5m freeboard, corresponding with a flood flow of approximately 4,350 cubic metres per second and being equivalent to the greatest recorded flood (in 1878) but with the Lake Hawea control gates closed.	Target met. The highest level reached by the Clutha River over the period was 134.13m above mean sea level, recorded on 3 August 2014.
Target Measures of Success	Actual Measure at 30 June 2015
<p><b>Leith Flood Protection Scheme</b></p>	
By 2018/19, increase capacity to 171 cubic metres per second (measured at St David Street footbridge). Represents 1 in 100 year flood with freeboard (through to 2018/19). Currently standard of protection varies through the scheme area, but minimum standard at various locations is 1 in 20 year flood.	Work has continued on the construction of the Leith Flood Protection Scheme.  The scheme works performed well during the 3 June flood event. Some minor works were required to remedy flood damage.
Target Measures of Success	Actual Measure at 30 June 2015
<p><b>Lower Taieri Flood Protection Scheme</b></p>	
Convey all floods with no failure of any scheme floodbank.	No failure of the Lower Taieri Flood protection scheme occurred during the period.
No flooding of the East Taieri upper ponding area from Taieri River flows up to 800 cubic metres per second or Silver Stream flows up to 160 cubic metres per second.	No flooding occurred in the Upper Ponding area arising from the Taieri River and Silver Stream flows. The highest recorded flow in the Taieri River (as measured at Outram) reached 745m <sup>3</sup> /s on 4 June 2015.  The highest recorded flow in the Silver Stream (as measured at the Gordon Road bridge) reached 129m <sup>3</sup> /s on 3 June 2015 with water lapping the true left bank between Gordon and Riccarton Roads.

No flooding of West Taieri from Taieri River flows up to 2,500 cubic metres per second. No flooding of Mosgiel from Silver Stream flows up to 260 cubic metres per second (Taieri River flows measured at Outram, Silver Stream flows measured at Gordon Road), being equivalent to the 1980 flood, nominally a 100 year event.	No flooding occurred during the period. The highest recorded flow in the Taieri River (as measured at Outram) reached 745m <sup>3</sup> /s on 4 June 2015. The highest recorded flow in the Silver Stream (as measured at the Gordon Road bridge) reached 129m <sup>3</sup> /s on 3 June 2015 with water lapping the true left bank between Gordon and Riccarton Roads.
<b>Target Measures of Success</b>	<b>Actual Measure at 30 June 2015</b>
<b>Shotover River Delta</b> Surface of Shotover River delta is consistent with target profile.	Analysis is being undertaken to compare existing profiles with target profile.
<b>Target Measures of Success</b>	<b>Actual Measure at 30 June 2015</b>
<b>Lower Clutha Flood &amp; Drainage Scheme</b> Convey all floods with no failure of any scheme floodbank.	No breaches occurred during the year.
No flooding of Barnego in all flows up to 2,850 cubic metres per second, Kaitangata, Inch Clutha and Paretai up to 4,000 cubic metres per second and Balclutha up to 5,400 cubic metres per second (all flows measured at Balclutha) based on past observed floods.	No breaches occurred during the year. The highest level reached was 1,621m <sup>3</sup> /s, measured at Balclutha on 4 June 2015.
Provide drainage modulus of 7.5mm per day pumped drainage capacity for Matau District, 9mm per day for Inch Clutha and 10mm per day for Paretai District.	The moduli were provided for over the period. Daily rainfall (as measured at Balclutha) exceeded <ul style="list-style-type: none"> <li>• 7.5mm per day on 28 occasions for Matau District,</li> <li>• 9mm per day on 20 occasions for the Inch Clutha District</li> <li>• 10mm per day on 15 occasions for the Paretai District.</li> </ul>
<b>Target Measures of Success</b>	<b>Actual Measure at 30 June 2015</b>
<b>East Taieri Drainage Scheme</b> Provide drainage modulus of 8mm per day pumped drainage capacity for East Taieri upper ponding area, and 18mm per day for East Taieri lower ponding area.	The moduli were provided for over the period. Daily rainfall (as measured at Riccarton Road) exceeded 8mm on 15 occasions.
<b>Target Measures of Success</b>	<b>Actual Measure at 30 June 2015</b>
<b>West Taieri Drainage Scheme</b> Provide drainage modulus of 10mm per day pumped drainage capacity.	The modulus was provided for over the period. Daily rainfall (as measured at Riccarton Road) exceeded 10mm per day on nine occasions.

Target Measures of Success	Actual Measure at 30 June 2015
<p><b>Tokomairiro Drainage Scheme</b></p> <p>The drains and channel flow paths within the scheme are maintained to ensure hydraulic capacity.</p>	<p>Drains were maintained during the year. Two drains were cleaned out and a full spray programme was completed.</p>

**Activities undertaken to achieve the levels of service for flood and drainage schemes**

Activities	Achievement to 30 June 2015
<p><b>Alexandra Flood Protection Scheme</b></p> <p>1. Inspect, operate and maintain scheme assets in accordance with scheme Asset Management Plan and Operations and Maintenance Manual.</p>	<p>Scheme assets were inspected and maintained in accordance with the Operations and Maintenance manual.</p>
<p>2. Make decisions on applications for approvals under the Otago Flood Protection Management Bylaw within 15 working days of receiving the application.</p>	<p>One application was received and processed within three days.</p>
<p><b>Leith Flood Protection Scheme</b></p> <p>3. Undertake flood hazard mitigation work for the Water of Leith between Dundas Street and St David Street by 30 June 2015.</p>	<p>Enabling works contract was completed, involving underground services. A contract is still to be awarded for the civil construction of flood hazard mitigation works between Dundas Street and St David Street, and investigations are being finalised. Construction is planned for completion in the summer of 2015/16.</p>
<p>4. Commence investigation and design of the flood hazard mitigation work for the Water of Leith between the Union Street and Leith Street bridges.</p>	<p>Investigations have commenced.</p>
<p>5. Inspect and clear debris from boulder traps within two weeks following a flood event.</p>	<p>Debris traps at Woodhaugh and Malvern Streets were cleared within eight days of the June flood event.</p>
<p>6. Make decisions on applications for approvals under the Otago Flood Protection Management Bylaw within 15 working days of receiving the application.</p>	<p>One application was received for the Leith Street Footbridge. This is awaiting a technical review. Due to the need for a technical review, the time frame has not been met.</p>
<p><b>Lower Taieri Flood Protection Scheme</b></p> <p>7. Form a weighting blanket beside the Taieri River right flood bank at Otokia so as to reduce the likelihood of foundation piping and flood bank failure at that location.</p>	<p>Further investigation of floodbank failure risks were undertaken during the year. Construction is now scheduled for 2015/16.</p>

8. Investigate seismic damage potential to the Waipori River flood bank between the Waipori pump station and the Taieri River confluence and identify potential mitigation measures.	Geotechnical field investigations are expected to be completed by August 2015, with reporting to be completed by September.
9. Conduct an information meeting for landholders within the scheme area to explain scheme performance, activities and planned work programmes.	An information meeting was held in Mosgiel in April, attended by approximately 40 people. A briefing to the Mosgiel-Taieri Community Board about scheduled drains was held on 29 April.
10. Inspect, operate and maintain flood and drainage scheme assets in accordance with the scheme Asset Management Plan and Operations Manual.	Scheme assets were inspected and maintained in accordance with the Operations and Maintenance manual.
11. Make decisions on applications for approvals under the Otago Flood Protection Management Bylaw within 15 working days of receiving the application.	One application was received for the year, and is in progress.
<b>Lower Clutha Flood and Drainage Scheme</b>	
12. Construct a new outfall for the Paretai drainage network to the Koau branch of the Clutha River/Mata-Au River so as to improve drainage within the Paretai area.	Initial design work has been completed. Further design work has been deferred to 2020/21 pending the outcome of an investigation into sea level rise and shoreline retreat in 2015/16.
13. Refurbish the Smith Road pump station by 30 June 2015 so as to improve the reliability of the station.	Tender evaluation is in progress. Work is expected to be completed over the summer months (January 2016).
14. Replace Council owned culvert crossings on an as required basis, based on inspection and condition assessment information.	Culverts were maintained as required with one culvert upgrade made in Kaitangata for the year.
15. Conduct an information meeting for landholders within the scheme area to explain scheme performance, activities and planned work programmes.	An information meeting was held in Balclutha on 21 April, attended by approximately 40 people.
16. Inspect, operate and maintain flood and drainage scheme assets in accordance with the scheme Asset Management Plan and Operations Manual.	Scheme assets were inspected and maintained in accordance with the Operations and Maintenance manual.
17. Make decisions on applications for approvals under the Otago Flood Protection Management Bylaw within 15 working days of receiving the application.	One application has been received but not processed within the time frame due to an official determination of the outfall canal at Puerua. Multiple applications for whitebait stands have been received but these are currently on hold until unresolved civil matters come to a resolution. As a result, these will not be processed within the 15 day time frame.

<p><b>East Taieri Drainage Scheme</b></p> <p>18. Conduct an information meeting for landholders within the scheme area to explain scheme performance, activities and planned work programmes.</p>	<p>An information meeting was held in Mosgiel on 23 April attended by approximately 40 people. A briefing to the Mosgiel-Taieri Community Board about scheduled drains was held on 29 April.</p>
<p>19. Inspect, operate and maintain drainage scheme assets in accordance with the scheme Asset Management Plan and Operations Manual.</p>	<p>Scheme assets were inspected and maintained in accordance with the Operations and Maintenance manual.</p>
<p>20. Make decisions on applications for approvals under the Otago Flood Protection Management Bylaw within 15 working days of receiving the application.</p>	<p>Three applications were received for the year, two were completed and one is still being processed.</p>
<p><b>West Taieri Drainage Scheme</b></p> <p>21. Upgrade contour channel bridge number 12 to a 0.85 HN (lightly trafficked rural bridge) traffic standard.</p>	<p>Contour bridge number 11 was upgraded for quad bike and stock only, strengthening channels are still to be fitted.</p> <p>Bridge number 12 has been deferred to 2018/19.</p>
<p>22. Conduct an information meeting for landholders within the scheme area to explain scheme performance, activities and planned work programmes.</p>	<p>An information meeting was held in Mosgiel on 23 April attended by approximately 40 people. A briefing of the Mosgiel-Taieri Community Board about scheduled drains was held on 29 April.</p>
<p>23. Inspect, operate and maintain drainage scheme assets in accordance with the scheme Asset Management Plan and Operations Manual.</p>	<p>Scheme assets were inspected and maintained in accordance with the Operations and Maintenance manual. Additional drain cleaning was undertaken early in the year to take advantage of the drought conditions.</p>
<p>24. Make decisions on applications for approvals under the Otago Flood Protection Management Bylaw within 15 working days of receiving the application.</p>	<p>Four bylaw applications were received for the year, with three completed and one still being processed.</p>
<p><b>Tokomairiro</b></p> <p>25. Conduct an information meeting for landholders within the scheme area to explain scheme performance, activities and planned work programmes, and to agree levels of service.</p>	<p>This target was deferred to the 2015/16 year.</p>
<p>26. Inspect, operate and maintain the Tokomairiro land drainage works in accordance with the scheme Operations and Maintenance Manual.</p>	<p>Scheme assets were inspected and maintained in accordance with the Operations and Maintenance manual.</p>
<p>27. Make decisions on applications for approvals under the Otago Flood Protection Management Bylaw within 15 working days of receiving the application.</p>	<p>One application has been received for the year. This is currently on hold awaiting further information from the applicant.</p>

## Flood Protection & Control Works

Funding Impact Statement for the year ended 30 June 2015.

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Long Term Plan 2014/15 \$000	Long Term Plan 2013/14 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	70	193	76	66
Targeted rates (other than a targeted rate for water supply)	3,379	3,392	3,289	2,932
Subsidies & grants for operating purpose	-	-	-	-
Fees, charges and targeted rates for water supply	158	92	38	39
Internal charges & overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	805	274	362	377
<b>Total operating funding (A)</b>	<b>4,412</b>	<b>3,951</b>	<b>3,765</b>	<b>3,414</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	1,484	1,332	1,279	1,075
Finance costs	-	-	532	267
Internal charges & overheads applied	935	580	578	553
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,419</b>	<b>1,912</b>	<b>2,389</b>	<b>1,895</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>1,993</b>	<b>2,039</b>	<b>1,376</b>	<b>1,519</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	4,199	(400)
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>4,199</b>	<b>(400)</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	2,981	5,161	5,002	5,878
- to replace existing assets	150	362	244	198
Increase (decrease) in reserves	(1,138)	(3,484)	329	(4,957)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>1,993</b>	<b>2,039</b>	<b>5,575</b>	<b>1,119</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(1,993)</b>	<b>(2,039)</b>	<b>(1,376)</b>	<b>(1,519)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Rivers & Waterway Management

River and waterway management works are undertaken to maintain river and stream channel capacity. Such works include willow maintenance, vegetation control and the removal of obstructions and blockages. The primary purpose of this work is to prevent the loss of any channel capacity, so that should a flood event occur, waters can flow without undue obstruction.

Council also undertakes a programme of river monitoring which involves surveying the stability and alignment of particular rivers, and investigating river changes and erosion.

This activity contributes to the following community outcomes:

- Sustainable development of the region’s resources through the sharing of knowledge and information.
- The environmental, economic, social and cultural needs of Otago people are met.

### *What we achieved*

#### River Management

Level of Service – Ensure waters can flow without undue obstruction.	
<b>Measure</b>	
Time taken to investigate reported blockages	
Target Measure of Success	Actual Measure at 30 June 2015
Investigate all reported blockages obstructing scheduled rivers within 10 working days and action appropriately.	All reported blockages were investigated and obstructions removed within 10 working days.

#### *Activities undertaken to achieve the level of service for river management*

Activities	Achievement to 30 June 2015
1. Complete annual inspections on all rivers specified in Table 1, and undertake maintenance work on those rivers as necessary.	Annual inspections were carried out on rivers as required during the period.
2. Undertake inspections and maintenance work on the rivers specified in Table 2 as necessary, following a flood event or on receipt of a complaint.	Inspections were undertaken as required and all complaints were responded to.
3. Actively develop the implementation of the Kakanui/Kauru River Morphology and Riparian Management Plan.	Consultation with the community and the Waitaki District Council was undertaken in May. The strategy is being amended as a result of the feedback received.
4. Work with Environment Canterbury, landholders and other stakeholders to implement the Lower Waitaki River Riparian Management Plan.	A proposed Lower Waitaki River Riparian Management Plan was drafted and presented to the community. The Plan was endorsed by Council and staff are currently working with Environment Canterbury to implement it.

<p>5. Publish reports describing changes in the channel morphology of the Shag and Waianakarua Rivers in November 2014. Explain the findings of these reports, and their implications for river management and natural hazards to the Waitaki District Council and the local community in early 2015.</p>	<p>Reports have been published and will be present to the community in early 2015/16. The Shag River is showing signs of changing from a state of overall degradation to one of aggradation/stability, although it is still experiencing areas of bank erosion and channel incision.</p> <p>Noticeable bank erosion is occurring in the Waianakarua, with the largest changes observed in the South Branch.</p>
<p>6. Provide an update on recent changes in the channel morphology of the Kakanui and Kauru Rivers, based on repeat cross-section survey data collected in 2013/14, to the local community and the Waitaki District Council.</p>	<p>Reports have been published and distributed.</p>

**TABLE 1 – RIVERS INSPECTED ANNUALLY**

<b>Dunedin SRD</b>	
Taieri River	Daisybank – Hyde Ngapuna – Sutton Outram – Waipori River confluence
Waipori River	Lake Waipori – Taieri River confluence
Silver Stream	Three Mile Hill Road – Taieri River confluence
Waitati River	SH No. 1 Bridge – Blueskin Bay
Waikouaiti River	Orbells Crossing – Karitane
Water of Leith	Rockside Road – Otago Harbour
Lindsay Creek	Bethunes Gully – Water of Leith confluence
Kaikorai Stream	Brockville Road intersection – Green Island – Waldronville Road Bridge
<b>Wanaka SRD</b>	
Stoney Creek/Waterfall Creek	Headwaters to lake
<b>Clutha SRD</b>	
Clutha River/Mata-Au	Barnego – Clydevale
Pomahaka River	Kelso – Dusky
Heriot Burn River	At Heriot township
Tuapeka River	From confluence with the Clutha River/Mata-Au upstream for 4 km
Waitahuna River	From confluence with the Clutha River/Mata-Au upstream for 4 km
Tokomairiro North	Upstream of Milton for 5 km
Tokomairiro East	Upstream of Milton for 5 km
<b>Queenstown SRD</b>	
Kawarau River	From the lake downstream to Smith Falls
Shotover River	From the confluence with the Kawarau to the lower Shotover Gorge
Mill Creek	From Lake Hayes upstream for 2.5 km
Arrow River	Around Arrowsmith
Horn Creek	Through Queenstown with QLDC
Bucklerburn River	Upstream to the Road Bridge
Hayes Creek	From Lake Hayes downstream to the Kawarau River
Kingston Creek	At Kingston
<b>Central Otago SRD</b>	
Taieri River	Hores Bridge – Kokonga
Manuherikia River	Galloway Bridge – Clutha River/Mata-Au confluence



<b>Waitaki SRD</b>	
Pleasant River	Mt Royal – Goodwood
Shag River	Waynestown – SH No. 1 Bridge
Kakanui River	Clifton Falls Bridge – Kakanui township
Waikoura Creek	SH No. 83 Bridge – Waitaki River confluence

**TABLE 2 – RIVERS INSPECTED FOLLOWING EVENTS**

<b>Dunedin SRD</b>	
Waitati River	McIntosh Road – SH No. 1 Bridge
Silver Stream	Scout Camp – Three Mile Hill Road
Waikouaiti River	Bucklands Crossing – Orbells Crossing
March Creek	SH No. 87 Bridge – Cemetery
<b>Central Otago SRD</b>	
Taieri River	Styx Basin
Kyeburn	Danseys Pass Hotel – Taieri River confluence
Sowburn	Through Patearoa
Hogburn	Through Naseby
Idaburn	Through Oturehua
Manuherikia River	Loop Road – Galloway
Dunstan Creek	Loop Road – Manuherikia River confluence
Fraser River	Fraser Domain – Clutha River/Mata-Au confluence
Lindis River	Morven Hills – Clutha River/Mata-Au confluence
<b>Waitaki SRD</b>	
Hilderthorpe Floodway	Gray Road – Steward Road
Henderson Creek	SH No. 83 Bridge – Waikoura Creek confluence
Muddy Creek (Oamaru)	Kennilworth Road – Pacific Ocean (especially outfall)
Oamaru Creek	Oamaru Gardens – Pacific Ocean
Waiareka Creek	Ngapara – Kakanui River confluence
Kauru River	Kauru Hill Road Bridge – Kakanui River confluence
Waianakarua River	North branch from Cosy Dell, south branch from O’Connors confluence
Island Stream	Kurihika – Kakanui River confluence
Big Kuri Creek	Upstream and downstream of SH 1
Pleasant River	Mount Royal – Goodwood
<b>Clutha SRD</b>	
Clutha River/Mata-Au	Barnego – Clydevale
Pomahaka River	Kelso – Dusky
Heriot Burn River	At Heriot township
Tuapeka River	From the confluence with the Clutha River/Mata-Au upstream for 4 km
Waitahuna River	From the confluence with the Clutha River/Mata-Au upstream for 4 km
Tokomairiro North	Upstream of Milton for 5 km
Tokomairiro East	Upstream of Milton for 5 km
<b>Queenstown SRD</b>	
Kawarau River	From the lake downstream to Smith Falls
Shotover River	From the confluence with the Kawarau to the lower Shotover Gorge
Mill Creek	From Lake Hayes upstream for 2.5 km
Arrow River	Around Arrowtown
Horn Creek	Through Queenstown with QLDC
Bucklerburn River	Upstream to the Road Bridge
<b>Wanaka SRD</b>	
Cardrona River	Entire length
Stoney Creek	Entire length

## Rivers & Waterway Management

Funding Impact Statement for the year ended 30 June 2015.

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Long Term Plan 2014/15 \$000	Long Term Plan 2013/14 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	10	8	11	11
Targeted rates (other than a targeted rate for water supply)	1,048	1,045	1,035	1,282
Subsidies & grants for operating purpose	-	-	-	-
Fees, charges and targeted rates for water supply	-	-	-	54
Internal charges & overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	19	15	19	19
<b>Total operating funding (A)</b>	<b>1,077</b>	<b>1,068</b>	<b>1,065</b>	<b>1,366</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	807	758	786	870
Finance costs	-	-	-	-
Internal charges & overheads applied	294	206	205	221
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,101</b>	<b>964</b>	<b>991</b>	<b>1,091</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(24)</b>	<b>104</b>	<b>74</b>	<b>275</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	(24)	104	74	275
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(24)</b>	<b>104</b>	<b>74</b>	<b>275</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>24</b>	<b>(104)</b>	<b>(74)</b>	<b>(275)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Environmental Incident Response

Council operates a 24 hour Pollution Hotline. Pollution incidents, oil spills and other resource management complaints are investigated and action is taken to ensure appropriate remedial measures are undertaken.

The management of contaminated sites involves the investigation and management of historic and active industrial and trade use sites, which manufacture, use or store hazardous substances, and may be contaminated. Where necessary, enforcement and clean up or remedial work is also undertaken.

This activity contributes to the following community outcomes:

- The environmental, economic, social and cultural needs of Otago people are met.

### *What we achieved*

#### Environmental Incidents

Level of Service – Council will be ready and able to respond to all environmental incidents including oil spills, and ensure restoration as required.																													
Measure																													
Respond to incidents in a timely manner.																													
Target Measure of Success	Actual Measure at 30 June 2015																												
Respond to incidents throughout the region within 0.5 hours of receipt of notice.	<p>Council responded to all incidents within 0.5 hours of receipt, during the year as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">2014/15</th> <th style="text-align: center;">2013/14</th> <th style="text-align: center;">2012/13</th> </tr> </thead> <tbody> <tr> <td>Air</td> <td style="text-align: center;">599</td> <td style="text-align: center;">674</td> <td style="text-align: center;">618</td> </tr> <tr> <td>Coast</td> <td style="text-align: center;">40</td> <td style="text-align: center;">64</td> <td style="text-align: center;">37</td> </tr> <tr> <td>Land</td> <td style="text-align: center;">97</td> <td style="text-align: center;">96</td> <td style="text-align: center;">62</td> </tr> <tr> <td>Water</td> <td style="text-align: center;">382</td> <td style="text-align: center;">414</td> <td style="text-align: center;">403</td> </tr> <tr> <td>Other</td> <td style="text-align: center;">149</td> <td style="text-align: center;">157</td> <td style="text-align: center;">136</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>1,267</b></td> <td style="text-align: center;"><b>1,405</b></td> <td style="text-align: center;"><b>1,256</b></td> </tr> </tbody> </table>		2014/15	2013/14	2012/13	Air	599	674	618	Coast	40	64	37	Land	97	96	62	Water	382	414	403	Other	149	157	136	<b>Total</b>	<b>1,267</b>	<b>1,405</b>	<b>1,256</b>
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Other	149	157	136																										
<b>Total</b>	<b>1,267</b>	<b>1,405</b>	<b>1,256</b>																										
Respond to reported marine oil spills in accordance with the Otago Marine Oil Spill Contingency Plan within 1.5 hours of receiving the report.	<p>During the period seven marine oil spills were reported, however a full maritime response was not required. (2013/14: 20 incidents, no maritime response required).</p>																												

#### *Activities undertaken to achieve the level of service for environmental incidents*

Activities	Achievement to 30 June 2015
<p><b>Pollution incidents, oil spills</b></p> <p>1. Operate a 24 hour incidents hotline throughout Otago.</p>	Council continued to operate a 24 hour pollution hotline response system.
<p>2. Hold one desktop and one field exercise per year for marine oil and pollution incident response, and one equipment training day involving the use of the pollution</p>	One equipment and marine pollution exercise was held and two pollution desktop exercises were held in the 12 month period, one each in Alexandra and Dunedin.

equipment, vehicles and people.																																																																	
<p>3. Undertake enforcement action where adverse effects on the environment have occurred that supports such action.</p>	<p>Infringement notices were issued for the following offences during the year:</p> <table border="0" data-bbox="715 338 1377 595"> <thead> <tr> <th></th> <th style="text-align: center;"><b>2014/15</b></th> <th style="text-align: center;"><b>2013/14</b></th> <th style="text-align: center;"><b>2012/13</b></th> </tr> </thead> <tbody> <tr> <td>Discharges:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>- to air</td> <td style="text-align: center;">5</td> <td style="text-align: center;">15</td> <td style="text-align: center;">10</td> </tr> <tr> <td>- to land</td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">2</td> </tr> <tr> <td>Disturbing:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>- bed of river</td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">4</td> </tr> <tr> <td>Other</td> <td style="text-align: center;">0</td> <td style="text-align: center;">4</td> <td style="text-align: center;">1</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>7</b></td> <td style="text-align: center;"><b>23</b></td> <td style="text-align: center;"><b>17</b></td> </tr> </tbody> </table> <p>Prosecutions were initiated for the following offences:</p> <table border="0" data-bbox="715 663 1377 920"> <thead> <tr> <th></th> <th style="text-align: center;"><b>2014/15</b></th> <th style="text-align: center;"><b>2013/14</b></th> <th style="text-align: center;"><b>2012/13</b></th> </tr> </thead> <tbody> <tr> <td>Discharges:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>- to air</td> <td style="text-align: center;">4</td> <td style="text-align: center;">3</td> <td style="text-align: center;">0</td> </tr> <tr> <td>- to land</td> <td style="text-align: center;">3</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> </tr> <tr> <td>Disturbing:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>- bed of river</td> <td style="text-align: center;">3</td> <td style="text-align: center;">2</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Other</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>10</b></td> <td style="text-align: center;"><b>7</b></td> <td style="text-align: center;"><b>4</b></td> </tr> </tbody> </table> <p>Seven water shortage directions were issued during the drought period. The directions suspended or restricted permit/consent holders from taking, using, damming or diverting water from the main stem of the Taieri River.</p>		<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	Discharges:				- to air	5	15	10	- to land	1	2	2	Disturbing:				- bed of river	1	2	4	Other	0	4	1	<b>Total</b>	<b>7</b>	<b>23</b>	<b>17</b>		<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	Discharges:				- to air	4	3	0	- to land	3	2	3	Disturbing:				- bed of river	3	2	0	Other	0	0	1	<b>Total</b>	<b>10</b>	<b>7</b>	<b>4</b>
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<p><b>Contaminated sites</b></p> <p>4. Register the findings of contaminated site investigations with the appropriate TLA within 10 working days of completing the assessment, and update the shared electronic register accordingly.</p>	<p>22 contaminated site investigations were assessed, the Database of Selected Land Uses was updated, and the relevant TLA notified of status updates. On all but three occasions this occurred within 10 working days.</p>																																																																
<p>5. Complete three preliminary site investigations for priority sites/activities and present the findings to the land owners and TLA.</p>	<p>No preliminary site investigations were completed to date. This target has been removed from the 2015-25 LTP.</p>																																																																
<p>6. Monitor 10 previously identified sites, in accordance with their site specific monitoring plans and present the findings to the landowner and TLA.</p>	<p>Ten previously identified contaminated sites were monitored during the period. Eight of the sites continue to be appropriately managed to prevent adverse effects due to residual contaminants in the soil. One site requires further assessment by the land owner and the district council.</p>																																																																
<p>7. Complete applications to the Contaminated Sites Remediation Fund (CSRF) on behalf of eligible land owners, and assist with the implementation of those projects.</p>	<p>No applications were required to be completed.</p>																																																																

## Environmental Incidents Response

Funding Impact Statement for the year ended 30 June 2015

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Long Term Plan 2014/15 \$000	Long Term Plan 2013/14 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	324	191	210	198
Targeted rates (other than a targeted rate for water supply)	-	-	-	-
Subsidies & grants for operating purpose	74	47	52	50
Fees, charges and targeted rates for water supply	37	58	63	61
Internal charges & overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	717	665	394	365
<b>Total operating funding (A)</b>	<b>1,152</b>	<b>961</b>	<b>719</b>	<b>674</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	594	523	368	346
Finance costs	-	-	-	-
Internal charges & overheads applied	558	438	351	328
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,152</b>	<b>961</b>	<b>719</b>	<b>674</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	-	-	-	-
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Natural Hazards

Natural hazard identification work involves assessing the scale and significance of natural hazards in Otago, including seismic, tsunami, and flooding. The information obtained is published in the Otago Natural Hazards database which is maintained by Council.

Assistance is given to the territorial authorities with the management of natural hazards in their areas through collaborative initiatives such as the Wakatipu/Wanaka Flood Study and the Milton 2060 Strategy.

This activity includes implementing the coastal erosion management programme as required by the conditions of Contact Energy Limited's consent for Roxburgh Dam.

Flood events are a key focus for Council. It has systems in place to continually monitor and provide warnings and information on rainfall and river levels. In the case of an event, interested and potentially affected parties are provided directly with information in a timely manner.

This activity contributes to the following community outcomes:

- Sustainable development of the region's resources through the sharing of knowledge and information.
- The environmental, economic, social and cultural needs of Otago people are met.

### *What we achieved*

## Natural Hazards

Level of Service – Provision of adequate and timely information, policy and regulatory framework on natural hazards to enable communities to make informed decisions about the risks associated with those hazards.	
<b>Measure 1</b> Information to be available on Natural Hazards in Otago, increased awareness that such information exists.	
Target Measure of Success	Actual Measure at 30 June 2015
Provide natural hazards information to the public via an effective web-based Otago Natural Hazards Database.	The database continued to be used by a wide range of people with a total of 3,600 visits being made to the site for the period for the year.  <i>(2013/14: approximately 3,000 visits for the year).</i>

### *Activities undertaken to achieve the level of service for natural hazards*

Activities	Achievement to 30 June 2015
1. Undertake specific investigations of seismic hazard in Dunedin, Wanaka, and the Alexandra and Wakatipu Basins, based on the findings of work undertaken in 2013/14 to collate and report on existing information.	Work is progressing and reporting is planned for the 2015/16 year. Work in Wanaka has been completed and results will be reported in September 2015.

<p>2. Undertake a joint Otago Regional Council/-Queenstown Lakes District Council flood awareness campaign in Queenstown and Wanaka in October 2014.</p>	<p>A flood awareness campaign was completed. Approximately 200 businesses in Queenstown and Wanaka were contacted, and four information evenings with approximately 60 people attending were held.</p>
<p>3. Publish a report describing the flood and erosion hazard of the Arrow River at Arrowtown in August 2014. Present the findings of that report to the Queenstown Lakes District Council and at a public meeting in Arrowtown in October 2014.</p>	<p>A report was completed and presented in May. The study found that much of the recreational area on the true right side of the floodplain at Arrowtown is vulnerable to inundation and erosion hazard during large flood events, with water depths of 1m or more possible. Arrowtown itself is elevated sufficiently to avoid being flooded by the Arrow River.</p>
<p>4. Finalise an action plan to prepare for and reduce the impacts of flood events in Milton in September 2014. Work with the Clutha District Council and lifeline utilities to implement that plan.</p>	<p>This was delayed due to the June flood event. The incident readiness and response part of plan was implemented during the June flood event.</p>
<p>5. Publish reports describing the natural hazards of the Lower Clutha delta, and changes in the morphology of the South Otago coastline in August 2014. Present the findings of these reports to the Clutha District Council, Contact Energy Limited, and to the local community in late 2014.</p>	<p>A morphology report of the South Otago coastline was published. A Natural Hazards report of the Clutha Delta is due to be completed. This will incorporate work on shoreline retreat and sea level rise planned in 2015/16 before being released.</p>
<p>6. Monitor the risks posed by the following natural hazards and work with territorial authorities and other agencies to manage those risks.</p> <ul style="list-style-type: none"> <li>• Pipson Creek - Alluvial fan - Makarora</li> <li>• Young River Dam - Landslide dam - Makarora</li> <li>• Buckler Burn/Bible Stream - Landslide dam/alluvial fan - Glenorchy</li> <li>• Brewery Creek/Reavers Lane - Alluvial fan - Queenstown</li> <li>• Abbotsford Lake - Land instability/dam failure - Green Island</li> </ul>	<p><b>Pipson Creek, Young River Dam, Buckler Burn/Bible Stream, Brewery Creek / Reavers Lane</b> - monitoring of the risks have been completed and draft risk assessments have been prepared. Further work is planned with other agencies to identify options to manage risks.</p> <p><b>Abbotsford Lake</b> - no monitoring of this site was undertaken during the period.</p>

## Flood Warning

Level of Service – Provision of accurate and timely flood warnings.	
<p><b>Measure</b> Warnings of flood events in a timely manner to potentially affected persons.</p>	
<p><b>Target Measure of Success</b></p>	<p><b>Actual Measure at 30 June 2015</b></p>
<p>Rainfall and river flow information is disseminated to the public when flood levels reach alarm status.</p>	<p>Information was passed onto the public as required. There was one flood warning in South Otago which did not require a response. No other actions were required for the period.</p>

### ***Activities undertaken to achieve the level of service for flood warning***

<b>Activities</b>	<b>Achievement to 30 June 2015</b>
1. Operate a 24 hour flood management and response system throughout the year.	Council continued to operate a 24 hour flood management and response system during the period.
2. Continually update and/or improve flood forecasting models, utilising appropriate software packages.	A model forecasting flows in the Pomahaka River has been developed.



## Natural Hazards

Funding Impact Statement for the year ended 30 June 2015.

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Long Term Plan 2014/15 \$000	Long Term Plan 2013/14 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	380	349	372	562
Targeted rates (other than a targeted rate for water supply)	-	-	-	-
Subsidies & grants for operating purpose	-	-	-	-
Fees, charges and targeted rates for water supply	7	-	-	5
Internal charges & overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	706	691	645	1,035
<b>Total operating funding (A)</b>	<b>1,093</b>	<b>1,040</b>	<b>1,017</b>	<b>1,602</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	504	431	335	669
Finance costs	-	-	-	-
Internal charges & overheads applied	747	609	682	925
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,251</b>	<b>1,040</b>	<b>1,017</b>	<b>1,594</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(158)</b>	<b>-</b>	<b>-</b>	<b>8</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	(158)	-	-	(8)
Increase (decrease) of investments	-	-	-	8
<b>Total applications of capital funding (D)</b>	<b>(158)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>158</b>	<b>-</b>	<b>-</b>	<b>(8)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Emergency Management

Council, in conjunction with the Otago territorial authorities and emergency services, plans and provides for civil defence emergency management to ensure continued public safety in the region through effective reduction, readiness, response and recovery. Work includes identifying and reducing risks, maintaining communication links, holding training exercises and implementing the Otago Civil Defence Emergency Management Group Plan.

This activity contributes to the following community outcomes:

- The environmental, economic, social and cultural needs of Otago people are met.

### *What we achieved*

Level of Service – Be ready to respond to civil defence emergencies, assist with recovery after such events, and to coordinate and promote reduction of risk through Group strategies and plans.	
Measure	
Timeliness in response to a civil defence event / emergency.	
Target Measure of Success	Actual Measure at 30 June 2015
The Group Emergency Coordination Centre (GECC) can be fully operational within one hour of activation.	The Group Emergency Coordination Centre was in a state of readiness to be activated at all times.
Respond immediately upon notification of a civil defence event / emergency.	Activation occurred in a monitoring role during the 3 June flood event. Staff participated in a MCDEM-led event debrief on 25 June.

### *Activities undertaken to achieve the level of service for emergency management*

Activities	Achievement to 30 June 2015
1. Upgrade and maintain the Otago CDEM Group website to contain relevant and up to date information about civil defence and emergency management in the Otago CDEM Group area.	The website was updated and the alpine fault added. The website was very active during the June flood event.
2. Test the Group warning system at least once during the year.	The Group Warning System was tested on 11 March as part of the National warning system.
3. Complete the upgrade of the GECC/EOC (Emergency Operations Centre) radio network.	This is now scheduled for the 2015/16 year.
4. Facilitate a workshop with Otago lifeline utilities on their interdependences and emergency response priorities and report that information to the Coordinating Executive Group.	The recommendation to form Otago Lifelines Group has been endorsed by Co-ordinating Executive Group (CEG) and the Risk Reduction Committee with the Terms of Reference presented to CEG.

5. Develop an Alpine Fault Earthquake Response Plan.	This has now been deferred to 2015/16. Preparation is underway for Exercise Shakeout.
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## Emergency Management

Funding Impact Statement for the year ended 30 June 2015.

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Long Term Plan 2014/15 \$000	Long Term Plan 2013/14 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	64	139	113	106
Targeted rates (other than a targeted rate for water supply)	-	-	-	-
Subsidies & grants for operating purpose	-	-	16	16
Fees, charges and targeted rates for water supply	55	-	-	-
Internal charges & overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	124	276	197	196
<b>Total operating funding (A)</b>	<b>243</b>	<b>415</b>	<b>326</b>	<b>318</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	163	264	173	161
Finance costs	-	-	-	-
Internal charges & overheads applied	80	149	153	157
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>243</b>	<b>413</b>	<b>326</b>	<b>318</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	-	2	-	-
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>-</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Transport

The development of the Otago Regional Land Transport Plan is the responsibility of the Regional Transport Committee. This Committee has representation from organisations throughout Otago involved in transport, including the New Zealand Transport Agency, the territorial authorities and others representing environmental, economic, accessibility, health and Tangata Whenua interests. The Otago Regional Council is responsible for supporting the committee in its strategic, policy and priority setting roles, and implementing provisions of the strategy that sit with Council.

With respect to public passenger transport in Dunedin, Council has continued to work on its vision to attract a substantial and sustained increase in patronage, including the planned implementation of a new bus ticketing system. The 2015-25 Long Term Plan includes further initiatives such as the construction of a central city bus hub in 2015/16 and implementing real time tracking in 2016/17.

Council has some responsibilities in Queenstown for public transport such as managing the electronic ticketing system. The buses are run on a commercial basis.

This activity contributes to the following community outcomes:

- The environmental, economic, social and cultural needs of Otago people are met.

### *What we achieved*

## Regional Transport Planning

Level of Service – Develop a Regional Land Transport Plan that will contribute to an effective, efficient and safe land transport system in Otago.	
<b>Measure</b>	
Clear priorities set for local and central government transport expenditure in the region during 2015-18, and an effective schema for measuring and reporting progress towards desired outcomes.	
Target Measures of Success	Actual Measure at 30 June 2015
Completion of a Regional Land Transport Plan that meets statutory requirements	The Regional Land Transport Plan was adopted in April.

### *Activities undertaken to achieve the level of service for regional transport planning*

Activities	Achievement to 30 June 2015
1. Complete Investment Logic Mapping (ILM) with the Regional Transport Committee to identify transport priorities for the next six years by September 2014.	Target met and transport priorities have been identified.
2. Prepare a spatial information system for the region's transport network, drawing together economic network and safety information undertaken in Otago districts and linking to planning of the Southland network by June 2015.	This initiative was ceased, as no funding has been provided in the 2015-25 Long Term Plan for the development of the system.

3. Prepare the 2015-21 Regional Land Transport Plan.	The Regional Land Transport Plan was adopted in April.
4. Make submissions on applications for resource consents, designations and plan changes, and input to territorial authorities reviews of district plans and their transport strategies and business cases, to ensure the policy direction in the Regional Land Transport Strategy and transport sections of the Regional Policy Statement are implemented.	Input has been made to the QLDC business cases with submissions being made on the convention centre. The work is ongoing on an 'as needs' basis.  Legislation has changed. The Regional Land Transport Plan now replaces the Regional Land Transport Strategy.

## Public Passenger Transport

Level of Service – Provide a passenger transport service that meets passengers' needs.	
<b>Measure 1</b> Public satisfaction.	
Target Measures of Success	Actual Measure at 30 June 2015
1. Public satisfaction survey shows that at least 85% of bus users are satisfied with the overall standard of service and the following levels of satisfaction with these service attributes are achieved: <ul style="list-style-type: none"> <li>• Vehicle quality – 85% of bus users.</li> <li>• Reliability – 90%.</li> <li>• Accessibility of the service – 90%.</li> <li>• Value for money – 80%.</li> </ul>	A survey was completed with an overall satisfaction result of 86%. <ul style="list-style-type: none"> <li>• Vehicle quality - 95%</li> <li>• Reliability - 93%</li> <li>• Accessibility of the service - 97%</li> <li>• Value for money - 86%</li> </ul> This is a new survey undertaken, and will form a baseline for comparison in future years.
2. Patronage to grow by at least 1% in 2014/15 in Dunedin.	Patronage declined by 0.8% over the previous year. However, this could be attributed to a reduction in the number of week day services and the unseasonal climatic events that occurred during the year.
<b>Measure 2</b> Fare box recovery.	
Target Measures of Success	Actual Measure at 30 June 2015
1. Set fares to ensure that fare revenue covers 50% of the cost of running the Dunedin network service and 100% of the Wakatipu Basin network.	Farebox recovery for the Dunedin network is 48%.  Farebox recovery for Wakatipu is 100%.

## **Activities undertaken to achieve the level of service for public passenger transport**

<b>Activities</b>	<b>Achievement to 30 June 2015</b>
1. Monitor departure times of all buses to determine compliance with Regional Passenger Transport Plan standards.	NZTA's survey methodology did not accommodate monitoring departure times. Departure times will be specifically monitored twice during the 2015/16 year.
2. Install a minimum of 10 new bus shelters on Dunedin routes.	A total of 24 bus shelters were installed during the year. There was some catch up from the previous year.
3. Ensure the installation of bike racks on all buses operating in Dunedin and Wakatipu Basin networks by 1 July 2015.	Implementation is occurring as new contracts are being entered into. No new buses come in that do not meet the standard.
<p>4. Undertake the following enhancements and developments:</p> <p>a) Add the Queenstown network to the journey planner by August 2014.</p> <p>b) Add fare calculator to journey planner by August 2014.</p> <p>c) Complete the procurement of and commence the implementation of a new ticketing system for Dunedin and Wakatipu by November 2014; to go live in 2015/16.</p> <p>d) Investigate and subject to NZTA endorsement, commence procurement and implementation of a real time system for Dunedin and Wakatipu by June 2015.</p> <p>e) Redesign signage for all bus stops in Dunedin; using an accessible format, upgrade the on-street timetable and route information displayed at the main central bus stands in Dunedin by June 2015.</p>	<p>a) This has been delayed. It will be implemented with the Real Time system in August 2015.</p> <p>b) This was investigated but found to not be practical to implement.</p> <p>c) Procurement process is ongoing.</p> <p>d) A Realtime system will commence for the Wakatipu by end of August 2015.</p> <p>e) Signage for the new bus route has been updated along with the upgrade of the new timetables. No redesign is being planned until the planned central city hub is up and running.</p>
5. Plan and procure Dunedin bus services to replace the southern bus routes contract expiring 30 June 2015, optimising these services for Mosgiel, Fairfield, Brighton, Green Island and Abbotsford, and creating an interchange at Green Island to facilitate this in time for new services to commence on 1 July 2015.	The Regional Passenger Transport Plan became operative on 24 December 2014 and approval for the new procurement strategy was received at end of February. The new Southern routes contract commenced on 1 July 2015.
6. Plan the introduction of integrated fare system for Dunedin.	The procurement process is continuing.

7. Develop, in conjunction with bus operators and disability groups, an information system for the wheelchair accessibility of all buses in the two networks by 31 March 2015.	By July 2016 all buses in the Dunedin network will be wheelchair accessible.
8. Administer the Total Mobility scheme in Otago.	The scheme continued to be administered throughout the year.

### Stock Truck Effluent Disposal

Level of Service – Cleaner, safer Otago roads.	
<b>Measure 1</b> Number of complaints received about effluent spillage.	
<b>Target Measures of Success</b>	<b>Actual Measure at 30 June 2015</b>
Reduction in the number of complaints received.	No complaints were received during the period.
<b>Measure 2</b> Amount of effluent removed from stock truck effluent disposal sites.	
<b>Target Measures of Success</b>	<b>Actual Measure at 30 June 2015</b>
Increase in the amount of effluent removed from each site.	There has been a steady increase in the amount of effluent being removed.

### *Activities undertaken to achieve the level of service for stock truck effluent disposal*

Activities	Achievement to 30 June 2015
1. Upgrade the Raes Junction stock truck effluent disposal site.	The site was upgraded during the year with the installation of an additional tank at the existing site.
2. Construct two new stock truck effluent disposal sites in the following locations. <ul style="list-style-type: none"> <li>• Springvale Road (Alexandra).</li> <li>• Cromwell or Victoria Flats.</li> </ul>	A decision was made during the year to not proceed with this target.



## Transport

Funding Impact Statement for the year ended 30 June 2015.

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Long Term Plan 2014/15 \$000	Long Term Plan 2013/14 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	202	208	197	153
Targeted rates (other than a targeted rate for water supply)	3,280	3,276	3,219	3,226
Subsidies & grants for operating purpose	5,482	5,983	5,361	4,997
Fees, charges and targeted rates for water supply	-	22	23	15
Internal charges & overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	776	636	342	281
<b>Total operating funding (A)</b>	<b>9,740</b>	<b>10,125</b>	<b>9,142</b>	<b>8,672</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	9,503	9,303	9,139	8,512
Finance costs	-	-	-	-
Internal charges & overheads applied	530	406	434	386
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>10,033</b>	<b>9,709</b>	<b>9,573</b>	<b>8,898</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(293)</b>	<b>416</b>	<b>(431)</b>	<b>(226)</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	58	900	-	-
- to replace existing assets	-	500	-	-
Increase (decrease) in reserves	(351)	(984)	(431)	(226)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(293)</b>	<b>416</b>	<b>(431)</b>	<b>(226)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>293</b>	<b>(416)</b>	<b>431</b>	<b>226</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Financial Statements

### *Funding Impact Statement for the Year Ended 30 June 2015 (Whole of Council)*

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Actual 2013/14 \$000	Annual Plan 2013/14 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	5,267	5,129	5,236	4,974
Targeted rates (other than a targeted rate for water supply)	8,514	8,516	10,731	10,728
Subsidies & grants for operating purpose	5,660	6,030	5,109	4,284
Fees, charges and targeted rates for water supply	1,323	3,852	1,304	4,173
Interest & dividends from investments	10,339	9,537	9,532	8,285
Local authorities fuel tax, fines, infringement fees & other receipts	3,163	1,749	3,275	1,624
<b>Total operating funding (A)</b>	<b>34,266</b>	<b>34,813</b>	<b>35,187</b>	<b>34,068</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	30,251	29,848	28,462	29,192
Finance costs	-	71	492	581
Other operating funding applications	-	53	-	58
<b>Total applications of operating funding (B)</b>	<b>30,251</b>	<b>29,972</b>	<b>28,954</b>	<b>29,831</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>4,015</b>	<b>4,841</b>	<b>6,233</b>	<b>4,237</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	(10,000)	(10,000)
Gross proceeds from sale of assets	-	-	479	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>(9,521)</b>	<b>(10,000)</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	3,534	6,061	5,099	6,213
- to replace existing assets	742	2,538	1,055	1,044
Increase (decrease) in reserves	(261)	(3,758)	(9,442)	(13,020)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>4,015</b>	<b>4,841</b>	<b>(3,288)</b>	<b>(5,763)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(4,015)</b>	<b>(4,841)</b>	<b>(6,233)</b>	<b>(4,237)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

### *Schedule of Internal Borrowing*

<b>Council 2015</b>	<b>Amount borrowed as at 30 June 2014 \$000</b>	<b>Funds borrowed during the year \$000</b>	<b>Funds repaid during the year \$000</b>	<b>Interest charged \$000</b>	<b>Amount borrowed as at 30 June 2015 \$000</b>
Governance and community	-	-	-	-	-
Flood protection and control works	6,109	3,821	(2,235)	318	8,013
Rivers and waterways	683	26	(252)	26	483
	<b>6,792</b>	<b>3,847</b>	<b>(2,487)</b>	<b>344</b>	<b>8,496</b>

<b>Council 2014</b>	<b>Amount borrowed as at 30 June 2013 \$000</b>	<b>Funds borrowed during the year \$000</b>	<b>Funds repaid during the year \$000</b>	<b>Interest charged \$000</b>	<b>Amount borrowed as at 30 June 2014 \$000</b>
Flood protection and control works	2,531	5,058	(1,657)	177	6,109
Rivers and waterways	857	48	(254)	32	683
	<b>3,388</b>	<b>5,106</b>	<b>(1,911)</b>	<b>209</b>	<b>6,792</b>

**Schedule of Capital Expenditure for the Year Ended 30 June 2015**

	<b>Actual 2014/15 \$000</b>	<b>Annual Plan 2014/15 \$000</b>	<b>Actual 2013/14 \$000</b>
<b>Flood Protection and Control Works</b>			
Leith flood protection	2,968	4,588	4,271
Lower Clutha flood and drainage	82	666	234
East Taieri drainage	7	20	-
Lower Taieri flood protection	-	145	26
West Taieri drainage	75	104	180
Tokomairiro drainage	-	-	-
<b>Water</b>			
Monitoring site upgrades	201	189	101
<b>Air</b>			
Monitoring site upgrades	-	10	-
<b>Transport</b>			
Dunedin/Wakitipu	20	500	-
Stock truck effluent disposal sites	37	900	
<b>Biosecurity</b>	-	-	1
<b>Environmental response</b>	-	-	2
<b>Corporate</b>			
Dunedin office	77	185	54
Other offices	132	-	834
Cars and stationwagons	417	400	153
Furniture and equipment	16	20	67
Computers	18	185	84
Network enhancements	12	50	-
Software	156	560	147
Plant	58	63	-
Sundry	-	15	-
<b>Total</b>	<b>4,276</b>	<b>8,600</b>	<b>6,154</b>

**Reconciliation of Whole of Council Funding Impact Statement to  
Statement of Comprehensive Revenue and Expense for the Year Ended 30 June  
2015**

	Actual 2014/15 \$000	Annual Plan 2014/15 \$000	Actual 2013/14 \$000	Annual Plan 2013/14 \$000
<b>Surplus/(deficit) of Operating Funding in Funding Impact Statement</b>	4,015	4,841	6,233	4,237
<b>Add/(deduct)</b>				
Increase in the fair value of investment property	100	294	478	241
Increase in the fair value of investment portfolio	918	-	425	-
Gain in fair value of financial instruments	-	-	138	-
Profit/(Loss) on disposal of assets	(146)	-	(100)	-
Depreciation and amortisation	(1,677)	(1,515)	(1,281)	(1,341)
Increase in provision for doubtful debts	-	-	(78)	-
Write-off of property plant and equipment work in progress	(47)	-	(751)	-
Other		(306)	-	20
<b>Surplus before taxation in Statement of Comprehensive Revenue and Expense</b>	<b>3,163</b>	<b>3,314</b>	<b>5,064</b>	<b>3,157</b>

**Statement of Comprehensive Revenue and Expense  
for the Year Ended 30 June 2015**

	Notes	Council 2015 \$000	Council Budget \$000	Council * 2014 \$000	Group 2015 \$000	Group* 2014 \$000
<b>Revenue from non-exchange transactions</b>						
Rates revenue	2(a)	13,551	13,543	15,650	13,527	15,650
Grant revenue and subsidies		5,660	6,030	5,109	5,660	5,109
Other revenue	2(a)	1,529	2,212	1,586	1,529	1,849
<b>Revenue from exchange transactions</b>						
Dividends	2(a)	8,400	7,400	7,100	3,165	316
Interest and investment revenue		1,939	2,137	2,431	2,684	2,928
Other revenue	2(a)	3,187	3,391	3,310	79,928	79,880
<b>Total revenue</b>		<b>34,266</b>	<b>34,713</b>	<b>35,186</b>	<b>106,493</b>	<b>105,732</b>
<b>Expenditure</b>						
Employee benefits expense	2(c)	(11,796)	(11,198)	(11,315)	(39,057)	(36,986)
Depreciation and amortisation expense	2(d)	(1,621)	(1,515)	(1,281)	(10,359)	(8,936)
Finance costs	2(e)	-	(1)	(492)	(4,972)	(6,623)
Other expenses	2(f)	(18,503)	(18,979)	(17,975)	(36,014)	(35,966)
<b>Total operating expenditure</b>		<b>(31,920)</b>	<b>(31,693)</b>	<b>(31,063)</b>	<b>(90,402)</b>	<b>(88,511)</b>
Share of surplus from associates		-	-	-	324	250
Other gains/(losses)	2(b)	817	294	941	37,134	17,917
<b>Surplus/(deficit) before tax</b>		<b>3,163</b>	<b>3,314</b>	<b>5,064</b>	<b>53,549</b>	<b>35,388</b>
Income tax benefit/(expense)	3(a)	98	-	103	(6,160)	(5,497)
<b>Surplus for the year</b>		<b>3,261</b>	<b>3,314</b>	<b>5,167</b>	<b>47,389</b>	<b>29,891</b>
<b>Other comprehensive revenue and expenses</b>						
Items that may be reclassified to surplus/(deficit)						
<i>Available-for-sale financial assets:</i>						
Revaluation gain/(loss) – shares in subsidiary	31	36,758	6,176	9,271	-	-
Available-for sale financial asset gains reclassified to surplus/(deficit) during the year		-	-	-	(13,696)	-
Unrealised increase/(decrease) in the value of share investments		-	-	-	-	5,539
<i>Cashflow hedges:</i>						
Unrealised movement in hedging interest rate swaps		-	-	-	33	369
Income tax relating to components of other comprehensive revenue and expense		-	-	-	(9)	(103)
<b>Total other comprehensive revenue and expense</b>		<b>36,758</b>	<b>6,176</b>	<b>9,271</b>	<b>(13,672)</b>	<b>5,805</b>
<b>Total comprehensive revenue and expense</b>		<b>40,019</b>	<b>9,490</b>	<b>14,438</b>	<b>33,717</b>	<b>35,696</b>

The accompanying notes form part of these financial statements.

\* Certain amounts here do not correspond to the 2014 Financial Statements and reflect adjustments made due to the first time adoption of Public Benefit Entity (PBE) standards.

## Statement of Financial Position as at 30 June 2015

	Notes	Council 2015 \$000	Council Budget \$000	Council * 2014 \$000	Group 2015 \$000	Group * 2014 \$000
<b>Current assets</b>						
Cash and cash equivalents	27(a)	4,228	5,646	3,911	24,971	4,479
Trade and other receivables from exchange transactions	6	1,008	-	1,171	9,921	10,897
Trade and other receivables from non-exchange transactions	6	2,453	4,121	2,065	2,453	2,065
Inventories – other		65	65	65	1,157	802
Property held for sale	7	2,365	320	320	4,411	17,838
Property in development	8	-	-	-	13,409	6,295
Other financial assets	9	52,560	42,869	52,053	52,560	102,695
Finance leases	23(d)	-	-	-	189	171
Other current assets		162	180	89	169	674
<b>Total current assets</b>		<b>62,841</b>	<b>53,201</b>	<b>59,674</b>	<b>109,240</b>	<b>145,916</b>
<b>Non-current assets</b>						
Shares in subsidiary		407,293	374,860	370,535	-	-
Joint ventures accounted for using the equity method	13	-	-	-	1,358	1,159
Other financial assets	9	-	-	-	71	90
Derivative financial instruments		-	-	-	-	205
Property, plant and equipment	12	83,850	93,021	83,810	242,492	243,689
Intangible assets	11	1,553	2,067	1,820	7,932	7,581
Investment property	14	10,124	10,081	10,024	258,934	242,683
Finance leases	23(d)	-	-	-	155	344
Property held for sale	7	-	-	-	-	8,023
Deferred tax asset	3(b)	98	98	98	-	-
<b>Total non-current assets</b>		<b>502,918</b>	<b>480,127</b>	<b>466,287</b>	<b>510,942</b>	<b>503,774</b>
<b>Total assets</b>		<b>565,759</b>	<b>533,328</b>	<b>525,961</b>	<b>620,182</b>	<b>649,690</b>
<b>Current liabilities</b>						
Trade and other payables	15	4,252	5,379	4,493	11,795	10,653
Employee entitlements	16	1,352	1,245	1,331	5,275	4,908
Other financial instruments	31	-	-	-	713	772
Provisions	10	-	-	-	-	260
Tax payable		-	-	-	1,092	1,143
Borrowings (secured)	17	-	-	-	-	11,852
<b>Total current liabilities</b>		<b>5,604</b>	<b>6,624</b>	<b>5,824</b>	<b>18,875</b>	<b>29,588</b>
<b>Non-current liabilities</b>						
Employee entitlements	16	-	-	-	1,312	1,124
Borrowings	17	-	-	-	54,700	107,730
Deferred tax liabilities	3(b)	-	-	-	16,614	16,764
Other financial instruments	31	-	138	-	526	45
<b>Total non-current liabilities</b>		<b>-</b>	<b>138</b>	<b>-</b>	<b>73,152</b>	<b>125,663</b>
<b>Total liabilities</b>		<b>5,604</b>	<b>6,762</b>	<b>5,824</b>	<b>92,027</b>	<b>155,251</b>
<b>Net assets</b>		<b>560,155</b>	<b>526,566</b>	<b>520,137</b>	<b>528,155</b>	<b>494,439</b>
<b>Equity</b>						
Reserves	19	419,731	387,206	379,169	181,941	200,865
Public equity	20(a)	140,424	139,360	140,968	346,214	293,574
<b>Total equity</b>		<b>560,155</b>	<b>526,566</b>	<b>520,137</b>	<b>528,155</b>	<b>494,439</b>

The accompanying notes form part of these financial statements.

\* Certain amounts here do not correspond to the 2014 Financial Statements and reflect adjustments made due to the first time adoption of Public Benefit Entity (PBE) standards.

## Statement of Changes in Net Assets/Equity for the Year ended 30 June 2015

Notes	TOTAL COUNCIL 2015					TOTAL GROUP 2015				
	Opening Balance 1 July 2014 \$000	Other Comprehensive Revenue and Expense \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2015 \$000	Opening Balance 1 July 2014 \$000	Other Comprehensive Revenue and Expense \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2015 \$000
<b>Equity</b>										
General Rate Equity	79,913	3,261	16,862	(22,378)	77,658	232,519	47,389	50,292	(46,752)	283,448
Targeted Rate Equity	61,055	-	17,408	(15,697)	62,766	61,055	-	17,408	(15,697)	62,766
<b>Total Public Equity</b>	<b>140,968</b>	<b>3,261</b>	<b>34,270</b>	<b>(38,075)</b>	<b>140,424</b>	<b>293,574</b>	<b>47,389</b>	<b>67,700</b>	<b>(62,449)</b>	<b>346,214</b>
<b>Reserves:</b>										
Asset Replacement Reserve	4,403	-	1,628	(1,166)	4,865	4,403	-	1,628	(1,166)	4,865
Asset Revaluation Reserve	7,963	-	100	-	8,063	167,518	-	10,778	(19,732)	158,564
Available for Sale Revaluation Reserve	350,535	36,758	-	-	387,293	13,698	(13,698)	-	-	-
Building Reserve	5,214	-	2,858	-	8,072	5,214	-	2,858	-	8,072
Emergency Response Reserve	3,571	-	168	-	3,739	3,571	-	168	-	3,739
Hedging Reserve	-	-	-	-	-	(1,022)	24	-	-	(998)
Water Management Reserve	1,463	-	69	-	1,532	1,463	-	69	-	1,532
Kuriwao Endowment Reserve	6,020	-	397	(250)	6,167	6,020	-	397	(250)	6,167
<b>Total Reserves</b>	<b>379,169</b>	<b>36,758</b>	<b>5,220</b>	<b>(1,416)</b>	<b>419,731</b>	<b>200,865</b>	<b>(13,672)</b>	<b>15,898</b>	<b>(21,148)</b>	<b>181,941</b>
<b>Total Equity and Reserves</b>	<b>520,137</b>	<b>40,019</b>	<b>39,490</b>	<b>(39,491)</b>	<b>560,155</b>	<b>494,439</b>	<b>33,717</b>	<b>83,598</b>	<b>(83,599)</b>	<b>528,155</b>



	Notes	TOTAL COUNCIL 2014					TOTAL GROUP 2014				
		Opening Balance 1 July 2013 \$000	Other Comprehensive Revenue and Expense \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2014 \$000	Opening Balance 1 July 2013 \$000	Other Comprehensive Revenue and Expense \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2014 \$000
<b>Equity</b>											
General Rate Equity		76,218	5,167	6,596	(8,067)	79,913	216,468	29,891	30,403	(44,243)	232,519
Targeted Rate Equity		66,968	-	20,967	(26,880)	61,055	66,968	-	20,967	(26,880)	61,055
<b>Total Public Equity</b>		<b>143,186</b>	<b>5,167</b>	<b>27,562</b>	<b>(34,947)</b>	<b>140,968</b>	<b>283,436</b>	<b>29,891</b>	<b>51,370</b>	<b>(71,123)</b>	<b>293,574</b>
<b>Reserves:</b>											
Asset Replacement Reserve		4,633	-	202	(432)	4,403	4,633	-	202	(432)	4,403
Asset Revaluation Reserve		7,485	-	478	-	7,963	154,672	-	15,455	(2,609)	167,518
Available for Sale Revaluation Reserve		341,264	9,271	-	-	350,535	8,159	5,539	-	-	13,698
Building Reserve		-	-	5,214	-	5,214	-	-	5,214	-	5,214
Emergency Response Reserve		3,425	-	146	-	3,571	3,425	-	146	-	3,571
Hedging Reserve		-	-	-	-	-	(1,288)	266	-	-	(1,022)
Irrigation Grant Reserve		206	-	1,257	-	1,463	206	-	1,257	-	1,463
Kuriwao Endowment Reserve		5,500	-	770	(250)	6,020	5,500	-	770	(250)	6,020
<b>Total Reserves</b>		<b>362,513</b>	<b>9,271</b>	<b>8,067</b>	<b>(682)</b>	<b>379,169</b>	<b>175,307</b>	<b>5,805</b>	<b>23,044</b>	<b>(3,291)</b>	<b>200,865</b>
<b>Total Equity and Reserves</b>		<b>505,699</b>	<b>14,438</b>	<b>35,629</b>	<b>(35,629)</b>	<b>520,137</b>	<b>458,743</b>	<b>35,696</b>	<b>74,414</b>	<b>(74,414)</b>	<b>494,439</b>

## Cash Flow Statement for the Year ended 30 June 2015

	Notes	Council 2015 \$000	Council Budget \$000	Council* 2014 \$000	Group 2015 \$000	Group* 2014 \$000
<b>Cash flows from operating activities</b>						
<i>Receipts from non-exchange transactions</i>						
Receipts from customers		13,163	14,860	18,165	13,139	82,107
Grant income and subsidies		5,661	6,030	5,109	5,661	5,109
<i>Receipts from exchange transactions</i>						
Interest and investment income		1,939	2,137	2,403	2,701	2,890
Rental income		1,228	921	1,015	15,172	15,452
Subvention payment		98	-	103	-	-
Dividends		8,400	7,400	7,100	3,165	317
Other receipts		4,257	3,373	2,295	68,930	1,101
Payments to suppliers and employees		(30,844)	(29,825)	(29,012)	(73,630)	(73,418)
Interest and other costs of finance paid		-	(1)	(492)	(4,612)	(6,597)
Income tax received/(paid)		(3)	-	-	(6,277)	(6,736)
Donations		(350)	(350)	(350)	(350)	(350)
Net cash inflow/(outflow) from operating activities	27(b)	3,549	4,545	6,336	23,899	19,875
<b>Cash flows from investing activities</b>						
Interest capitalised		-	-	-	(207)	(582)
Proceeds from sale of property, plant and equipment		486	-	479	1,018	662
Property deposits received		-	-	-	-	-
Sale of held for sale assets		166	-	-	61,823	-
Sale of investment property		-	-	-	33,746	9,566
Advances (to)/from subsidiaries		-	-	-	(163)	(188)
Proceeds from other financial assets		9,900	5,000	11,217	9,900	11,217
Advances repaid		-	-	-	-	-
Investments in associates		-	-	-	-	-
Purchase of/improvements to investment property		-	-	-	(24,165)	(31,748)
Purchase of other financial assets		(9,492)	-	-	(9,492)	-
Purchase of property, plant and equipment		(4,179)	(8,040)	(5,698)	(9,572)	(21,417)
Purchase of intangible assets		(113)	(560)	(316)	(1,583)	(316)
Repayment of lease improvements		-	-	-	171	154
Net cash inflow/(outflow) from investing activities		(3,232)	(3,600)	5,682	61,476	(32,652)
<b>Cash flows from financing activities</b>						
Proceeds from borrowings		-	-	-	40,933	49,747
Repayment of borrowings		-	-	(10,000)	(105,816)	(35,614)
Net cash inflow/(outflow) from financing activities		-	-	(10,000)	(64,883)	14,133
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>317</b>	<b>945</b>	<b>2,018</b>	<b>20,492</b>	<b>1,356</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>3,911</b>	<b>4,701</b>	<b>1,893</b>	<b>4,479</b>	<b>3,123</b>
<b>Cash and cash equivalents at the end of the financial year</b>		<b>4,228</b>	<b>5,646</b>	<b>3,911</b>	<b>24,971</b>	<b>4,479</b>

The accompanying notes form part of these financial statements.

\* Certain amounts here do not correspond to the 2014 Financial Statements and reflect adjustments made due to the first time adoption of Public Benefit Entity (PBE) standards.

# Notes to the Financial Statements For the Year ended 30 June 2015

## 1. Summary of Accounting Policies

### Reporting Entity

The Council is a regional local authority governed by the Local Government Act 2002.

The Council Group (Group) consists of the Council and its subsidiary Port Otago Limited (100% owned). The Port Otago Limited Group consists of Port Otago Limited, its subsidiaries, associates and joint ventures.

The primary objective of the Council is to provide goods or services for the community or social benefit rather than making a financial return. The principal activities of the Group entities are described in Note 24. Accordingly, the Council has designated itself and the Group as public benefit entities for financial reporting purposes.

The Financial Statements of Council are for the year ended 30 June 2015, and were authorised for issue by Council on 16 September 2015.

### Statement of Compliance

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements comply with Public Benefit Entity (PBE) standards. The financial statements have been prepared in accordance with Tier 1 PBE standards.

### Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments (including derivative financial instruments). Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements are presented in thousands of New Zealand dollars. New Zealand dollars are the Council's and Group's functional currency.

### Adoption of New and Revised Standards and Interpretations

#### Effect of first-time adoption of PBE standards on accounting policies and disclosures

A new suite of standards (PBE International Public Sector Accounting Standards) were approved for PBEs on 23 May 2013 and are applicable to the public sector for reporting periods beginning on or after 1 July 2014. This is the first set of financial statements of the Council and Group that is presented in accordance with these standards.

The accounting policies adopted in these financial statements are consistent with those of the previous financial year, except for instances when the accounting or reporting requirements of a PBE standard are different to requirements under NZ IFRS (PBE) as outlined below.

The changes to accounting policies and disclosure caused by the first time application of PBE accounting standards are as follows:

**PBE IPSAS 1: Presentation of Financial Statements**

There are minor difference between PBE IPSAS 1 and the equivalent NZ IFRS (PBE) standard. These differences have an effect on disclosure only. The main changes in disclosure resulting from the application of PBE IPSAS 1 are the following:

Receivables from exchange and non-exchange transactions

In the financial statements of the previous financial year, receivables were presented as a single total in the statement of financial position. However, PBE IPSAS 1 requires receivables from non-exchange transactions and receivables from exchange transactions to be presented separately. This requirement affected the presentation of both current and comparative receivables figures.

**PBE IPSAS 9: Revenue from exchange transactions**

In the financial statements of the previous financial year, revenue types were presented as a single total in the statement of comprehensive revenue and expense. However, PBE IPSAS 9 requires revenue from exchange transactions and revenue from non-exchange transactions to be presented separately. This requirement affected the presentation of both current and comparative revenue figures.

## ***Significant Accounting Policies***

### **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the group and the revenue can be reliably measured, regardless of when the payment is being made.

#### **Revenue from Non Exchange Transactions**

##### **Rates Revenue**

Rates are recognised as income when levied.

##### **Grant Revenue and Subsidies**

Grants and subsidies are recognised upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

##### **Other Revenue - subsidised**

###### **(a) Rendering of Services**

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Fees and charges are recognised as income when supplies and services have been rendered.

Revenue relating to contracts and consent applications that are in progress at balance date is recognised by reference to the stage of completion at balance date.

#### **Revenue from Exchange Transactions**

##### **Interest Revenue**

Interest revenue is recognised on a time proportionate basis using the effective interest method.

##### **Dividend Revenue**

Dividend revenue is recognised when the right to receive payments is established on a receivable basis.

##### **Rental Income**

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

##### **Other Revenue – full cost recovery**

###### **(a) Rendering of Services**

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Revenue from port services is recognised in the accounting period in which the actual service is provided to the customer.

Fees and charges are recognised as income when supplies and services have been rendered.

Revenue relating to contracts and consent applications that are in progress at balance date is recognised by reference to the stage of completion at balance date.

Fees received from the following activities are recognised as revenue from exchange transactions:

- Resource consent processing
- Pest animal contract work
- Grazing leases and license
- Enforcement work
- Dividends, interest and rental income

## **Other Gains and Losses**

### **(a) Sale of Investment Property, Property, Plant and Equipment, Property Held for Sale and Financial Assets**

Net gains or losses on the sale of investment property, property plant and equipment, property intended for sale and financial assets are recognised when an unconditional contract is in place and it is probable that the Council and/or Group will receive the consideration due.

### **(b) Assets Acquired for nil or Nominal Consideration**

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in the Council are recognised as revenue when control over the asset is obtained.

## **Grant Expenditure**

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Council's decision.

## **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### **(a) Council and/or Group as Lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

### **(b) Council and/or Group as Lessee**

Assets held under finance leases are recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

### **(c) Lease Incentives**

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

## **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax, except to the extent that it relates to items recognised directly in equity, in which case the tax expense is also recognised in equity.

Tax currently payable is based on taxable profit for the period. Taxable profit differs from net surplus/(deficit) before tax as reported in the Statement of Comprehensive Revenue and Expense because it excludes items of income or expense that are taxable in other years and it further excludes items that are never taxable or deductible. The Council's and Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Council and Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised as an expense or income in the surplus/(deficit), except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

## **Goods & Services Tax**

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## **Statement of Cash Flows**

For the purpose of the Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

The following terms are used in the Statement of Cash Flows:

- operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities;
- investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents; and
- financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

## Financial Instruments

Financial assets and financial liabilities are recognised in the Council's or Group's Statement of Financial Position when the Council and/or Group becomes a party to contractual provisions of the instrument.

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through surplus or deficit which are initially valued at fair value.

### Financial Assets

Financial Assets are classified into the following specified categories: financial assets 'at fair value through surplus or deficit', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### (a) Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### (b) Financial Assets at Fair Value Through Surplus or Deficit

Financial assets are classified as financial assets at fair value through surplus or deficit where the financial asset:

- Has been acquired principally for the purpose of selling in the near future;
- Is a part of an identified portfolio of financial instruments that the Council and Group manages together and has a recent actual pattern of short-term profit-taking; or
- Is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through surplus or deficit are stated at fair value, with any resultant gain or loss recognised in the Statement of Comprehensive Revenue and Expense. The net gain or loss is recognised in the Statement of Comprehensive Revenue and Expense and incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described later in this note.

The Council and Group have classified their managed funds as financial assets at fair value through surplus or deficit. This fund includes cash, bonds and equities. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the surplus/(deficit).

#### (c) Held-to-Maturity Investments

Investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The Council and Group do not hold any financial assets in this category.

#### (d) Available-for-Sale Financial Assets

Shares in subsidiary (Port Otago Limited) and certain equity investments held by the Council and Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described later in this note. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, with the exception of impairment losses which are recognised directly in the surplus/(deficit). Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the surplus/(deficit) for the period.



Dividends on available-for-sale equity instruments are recognised in the surplus/(deficit) when the Council's and Group's right to receive payments is established.

**(e) Loans and Receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council or Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is expensed in the surplus/(deficit).

Deposits are included within this classification.

**(f) Impairment of Financial Assets**

Financial assets, other than those at fair value through surplus or deficit, are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus/(deficit).

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the surplus/(deficit) to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**Financial Liabilities**

**(a) Trade & Other Payables**

Trade payables and other accounts payable are recognised when the Council and Group becomes obliged to make future payments resulting from the purchase of goods and services.

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

**(b) Borrowings**

Borrowings are recorded initially at fair value, net of transaction costs. Borrowing costs attributable to qualifying assets are capitalised as part of the cost of those assets.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the surplus/(deficit) over the period of the borrowing using the effective interest method.

## **Derivative Financial Instruments**

The Council and Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 31 to the financial statements.

The Council and Group does not hold derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates hedges of highly probable forecast transactions as cash flow hedges. Changes in the fair value of derivatives qualifying as cash flow hedges are recognised in other comprehensive revenue and expense and transferred to the cash flow hedge reserve in equity. The ineffective component of the fair value changes on the hedging instrument is recorded directly in the surplus/(deficit).

When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the surplus/(deficit). When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the surplus or deficit. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the surplus/(deficit).

For qualifying hedge relationships, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The net differential paid or received on interest rate swaps is recognised as a component of interest expense over the period of the swap agreement.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

### **(a) Fair Value Estimation**

The fair value of financial instruments traded in active markets (such as available-for-sale equities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Council and Group is the current bid price; the appropriate quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council and Group uses a variety of methods and makes assumptions that are based on market conditions existing as each balance date. The fair value of Shares in Port Otago Limited is determined by a valuation performed at each balance date by an independent professional firm with the relevant expertise and experience in performing such valuations. Quoted market prices or dealer quotes for similar instruments are used for long-term investment and debt instruments held. The fair value of interest rate swaps is the estimated amount that the Council and Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

## **Inventories**

### **Other Inventories**

Inventories are valued at the lower of cost and net realisable value. Stores and materials are valued at cost, on a weighted average basis, with an appropriate allowance for obsolescence and deterioration.

Work in progress is valued at the lower of cost and net realisable value and includes the cost of direct material, direct labour and a proportion of overheads. Work in progress reflects the unbilled cost of resource consent applications and Regional Services contracts.

### **Property held for Sale**

Property classified as held for sale is measured at:

- Fair value for items transferred from investment property, and
- Carrying value for items transferred from property, plant and equipment.

Property is classified as held for sale if the carrying amount will be recovered through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the property is available for immediate sale in its present state. There must also be an expectation of completing the sale within one year from the date of classification.

### **Property in Development**

Property is classified as in development where an investment property undergoes a change in use evidenced by commencement of development. A property's deemed cost for subsequent accounting as investment property in development is its fair value as at the date of change of use. Further costs directly incurred through development activities are capitalised to the cost of the property in development. Property in development is valued annually and is measured at the lower of carrying and fair value. Where cost exceeds the fair value of property in development the resulting losses are included in the surplus/(deficit) in the period in which they arise.

## **Property, Plant & Equipment**

Property, plant and equipment consist of:

### **Operational Assets**

Operational assets include:

- Council owned land, endowment land, buildings, and plant and vehicles; and
- Port owned land, buildings and improvements, wharves and berths dredging, and plant, equipment and vehicles.

### **Infrastructural Assets**

Infrastructural assets deliver benefits direct to the community and are associated with major flood protection and land drainage schemes. Infrastructural assets include floodbanks, protection works, structures, drains, bridges and culverts.

## Restricted Assets

Endowment land is vested in the Council by the Otago Regional Council (Kuriwao Endowment Lands) Act. The Act restricts disposition of this land to freeholding initiated by lessees.

### (a) Cost

Land and Buildings are recorded at cost or deemed cost less accumulated depreciation and any accumulated impairment losses.

Other property, plant and equipment is recorded at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Where an asset is acquired for no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition. When significant, interest costs incurred during the period required to construct an item of property, plant and equipment are capitalised as part of the asset's total cost.

### (b) Depreciation

Operational assets with the exception of land, are depreciated on a straight-line basis to write-off the cost of the asset to its estimated residual value over its estimated useful life.

Infrastructural assets including floodbanks, protection works and drains and culverts are constructions or excavations of natural materials on the land and have substantially the same characteristics as land, in that they are considered to have unlimited useful lives and in the absence of natural events, these assets are not subject to ongoing obsolescence or deterioration of service performance, and are not subject to depreciation. Other infrastructural assets are depreciated on a straight-line basis to write off the cost of the asset to its estimated residual values over its estimated useful life.

Expenditure incurred to maintain these assets at full operating capability is charged to the surplus/(deficit) in the year incurred.

The following estimated useful lives are used in the calculation of depreciation:

Asset	Life
<b>Operational Assets</b>	
Buildings – Council	10-50 years
Plant and vehicles – Council	3-20 years
Buildings and improvements – Port	10-50 years
Wharves and berths dredging – Port	15-70 years
Plant, equipment and vehicles - Port	3-30 years

Asset	Life
<b>Infrastructural Assets</b>	
Floodbanks	Unlimited
Protection works	Unlimited
Drains	Unlimited
Culverts	Unlimited
Structures	33-100 years
Bridges	33-100 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

### (c) Disposal

An item of property, plant and equipment is derecognised upon disposal or recognised as impaired when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus/(deficit) in the period the asset is derecognised.

## **Investment Property**

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the Statement of Financial Position date. Fair value is determined annually by independent valuers. Revaluation gains or losses arising from changes in the fair value of investment property are reported in the surplus/(deficit) in the period in which they arise.

## **Intangible Assets**

### **Computer Software**

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the Council and Group, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

### **Other Intangible Assets**

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins from the date the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus/(deficit). For computer software the amortisation periods range from 1-10 years. For resource consents the amortisation periods range from 10-25 years. Where the periods of expected benefit or recoverable values have diminished, due to technological change or market conditions, amortisation is accelerated or the carrying value is written down.

## **Impairment of Non-Financial Assets**

At each reporting date, the Council and Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Council and Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential. In assessing value in use for cash-generating assets, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the surplus/(deficit) immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the surplus/(deficit) immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Employee Benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Council and Group in respect of services provided by employees up to reporting date.

### **Defined Contribution Schemes**

Contributions to defined contribution superannuation schemes are expensed when incurred.

### **Superannuation Schemes**

#### **Defined Benefit Schemes**

The Council belongs to the Defined Benefit Plan Contributors Scheme (the Scheme), which is managed by the Board of Trustees of the National Provident Fund. The Scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting as it is not possible to determine from the terms of the Scheme the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The Scheme is therefore accounted for as a defined contribution scheme.

### **Provisions**

Provisions are recognised when the Council and Group have a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

## **Principles of Consolidation**

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council entity and its controlled entities as defined in PBE *IPSAS 6 Consolidated and Separate Financial Statements*. A list of controlled entities appears in Note 24 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a controlled entity are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Council obtains control and until such time as the Council ceases to control the entity.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Group are eliminated in full.

The Council's investment in Port Otago Limited is carried at valuation in the Council entity's own parent entity financial statements.

## **Subsidiaries**

Subsidiaries are entities that are controlled, either directly or indirectly, by the Council. The results of subsidiaries acquired or disposed of during the period are included in the consolidated surplus/(deficit) from the effective date of acquisition or up to the effective date of disposal, as appropriate.

## **Joint Ventures**

Joint ventures are contractual arrangements with other parties in which the Group has several liability in respect of costs and liabilities.

## **Jointly Controlled Entities**

Interests in jointly controlled entities are reported in the financial statements by including the consolidated Group's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

In certain circumstances, interests in jointly controlled entities are reported in the financial statements using the equity method of where the Group considers this better reflects the substance of the economic reality of the Group's interest in the joint controlled entity.

## **Equity**

Equity is the community's interest in the Council and Group and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

## **Restricted & Council Created Reserves**

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Restricted reserves are those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

## **Foreign Currency**

### **Foreign Currency Transactions**

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in the surplus/(deficit) in the period in which they arise.

## **Budget Amounts**

The budget amounts are those approved by the Council at the beginning of the year in the Long Term Plan / Annual Plan. The budget amounts have been prepared using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements. The budget figures are for Council only and do not include budget information relating to subsidiaries.

## **Allocation of Overheads**

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on the cost drivers and related activity/usage information.

## **Critical Accounting Estimates and Assumptions**

In preparing these financial statements the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:



## **Estimate of Fair Value of Investment Property**

At each balance date the Group obtains annual valuations of investment property, determined by registered independent valuers, in accordance with the accounting policy stated in the Statement of Accounting Policies.

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information recent sales prices of similar properties in less active markets are used with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

Changes in property values, including changes arising from alterations to proposed and existing planning rules, may result in the fair values of investment property being different from previous estimates. The carrying amount of investment property is detailed in Note 14.

## **Estimate of fair value of shares in subsidiary**

At each balance date the Council obtains an annual valuation of the Council's shareholding in its subsidiary Port Otago Limited. The Port Otago group consists of Port Otago Limited, its subsidiaries, associates and joint ventures.

The annual valuation is determined by an independent firm of chartered accountants and business advisors.

In assessing the valuation, the valuers adopt methodologies appropriate for the components of the Port Otago Limited group, employing the discounted cashflow methodology for Port Otago port operations and net tangible assets approach for Chalmers Properties Limited. In 2014 the valuers also utilised the market value as listed on the NZ Stock Exchange for shares held in Lyttleton Port Company Ltd.

Changes in forecast cashflows and property values and other factors that the fair value assessment is based on may result in the fair value of the shares in the subsidiary being different from previous estimates.

## **Property, Plant and Equipment**

At each balance date, the Group reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful lives and residual value estimates of property, plant and equipment requires the Group to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life of residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the surplus/(deficit), and carrying amount of the asset in the statement of financial position. The Group minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programs;
- Analysis of prior asset sales.

The Group has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amount of plant and equipment is disclosed in Note 12.

## Critical Judgements

Management has exercised the following critical judgements in applying the Council's and Group's accounting policies for the year ended 30 June 2015:

### Classification of Property

**(a) Council and Group**

The Council owns a number of properties that are held for service delivery objectives as part of the Council's various flood protection schemes. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are accounted for as property, plant and equipment.

**(b) Group only**

Port Otago Limited owns a number of properties that are classified and accounted for as property, plant and equipment. This classification is utilised as such property is held for any of the following reasons:

- To meet the strategic purposes of the port, or
- To form part of buffer zones to port activity, or
- To assist the provision of port services, or
- To promote or encourage the import or export of goods through the port.

## 2. Surplus from Operations

**(a) Revenue**

Revenue consisted of the following items:

	Notes	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
<b>Revenue from non-exchange transactions</b>					
<b>Rates revenue</b>					
General rates		5,037	4,919	5,013	4,919
Targeted rates		8,514	10,731	8,514	10,731
		13,551	15,650	13,527	15,650
<b>Other revenue</b>					
<i>Fees and charges:</i>					
Consents and regulatory		116	349	116	503
Other		1,413	1,237	1,413	1,346
		1,529	1,586	1,529	1,849

	Notes	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
<b>Revenue from exchange transactions</b>					
<b>Dividend revenue</b>					
Subsidiaries		8,400	7,100	-	-
Other dividends		-	-	3,165	316
		8,400	7,100	3,165	316
<b>Other revenue</b>					
Port revenue		-	-	62,753	63,214
<i>Fees and charges:</i>					
Consents and regulatory		1,047	1,029	1,047	875
Regional services		912	1,266	912	1,101
<i>Rental revenue:</i>					
Investment property		696	512	14,684	14,187
Other		532	503	532	503
		3,187	3,310	79,928	79,880

**(b) Other Gains/(Losses)**

	Notes	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Gain/(loss) on revaluation of investment property		100	478	10,778	16,052
Gain/(loss) on disposal of investment property		-	-	1,074	628
Gain/(loss) on disposal of property, plant & equipment		(146)	(100)	358	(142)
Net change in fair value of financial assets carried at fair value through surplus or deficit		919	425	919	425
Impairment of held for sale assets		(56)	-	(56)	
Net foreign exchange gain/(loss)		-	-	3	8
Net change in fair value of derivative financial instruments classified at fair value through surplus or deficit (interest rate swaps)		-	138	(653)	1,803
Gain/(loss) on future value of investment property sale		-	-	-	(260)
Gain/(loss) on available for sale assets		-	-	24,711	-
Impairment loss property in development		-	-	-	(597)
		817	941	37,134	17,917
Gains		1,019	1,041	37,843	18,916
Losses		(202)	(100)	(709)	(999)

**(c) Employee Benefits Expense**

	Notes	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Salaries and wages		11,312	10,862	37,361	35,369
Defined contribution plans		484	453	1,696	1,617
		11,796	11,315	39,057	36,986

**(d) Depreciation and Amortisation Expense**

	Notes	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Depreciation of property, plant and equipment	12	1,241	1,052	9,056	8,348
Amortisation of intangible assets	11	380	229	1,234	501
Amortisation of leasing costs		-	-	69	87
		1,621	1,281	10,359	8,936

**(e) Finance Costs**

	Notes	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Interest on loans		-	492	5,178	7,205
Capitalised borrowing costs	18	-	-	(206)	(582)
		-	492	4,972	6,623

**(f) Other Expenses**

	Notes	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Net bad and doubtful debts		2	78	7	78
Donations		350	350	385	374
Operating lease rental expenses:					
- Minimum lease payments		122	117	122	1,012
Operating expenses of investment properties		-	117	921	117
Company Directors' remuneration		-	-	312	343
Purchased materials and services		17,561	16,125	30,839	29,554
Fuel and electricity		411	437	3,371	3,737
Write-off of property plant and equipment work in progress		57	751	57	751
		18,503	17,975	36,014	35,966

The Council fuel and electricity cost of \$411,000 (2014: \$437,000) includes the cost of operating drainage scheme pump stations and water and air monitoring equipment.

The number of kilometres travelled by Council vehicles was 1,010,545 (2014: 970,401).

### 3. Income Taxes

#### (a) Income Tax Recognised in Statement of Comprehensive Revenue and Expense

	Notes	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
<b>Income tax (expense)/benefit comprises:</b>					
Current year – current tax		-	-	(6,452)	(5,944)
Current year – deferred tax		103	98	307	442
Prior period adjustment current tax		98	103	134	5
Prior period adjustment deferred tax		(103)	(98)	(149)	-
<b>Income tax (expense)/benefit reported in the Statement of Comprehensive Revenue and Expense</b>		<b>98</b>	<b>103</b>	<b>(6,160)</b>	<b>(5,497)</b>
<i>The prima facie income tax expense on pre-tax accounting surplus reconciles to the income tax expense in the financial statements as follows:</i>					
Surplus/(deficit) before income tax		3,163	5,064	53,549	35,388
Imputation credits		-	-	1,231	174
		3,163	5,064	54,780	35,562
Income tax expense (credit) calculated at 28%		886	1,418	15,338	9,958
Non-deductible expenses		8,839	8,600	9,718	9,024
Non-assessable income		(7,471)	(8,128)	(14,607)	(8,275)
Unrealised change in investment property		-	-	(1,619)	(4,329)
Deferred tax expense relating to the origination and reversal of temporary differences		-	-	(1,459)	(702)
Prior period adjustment		-	(5)	20	(5)
Imputation credits utilised		(2,352)	(1,988)	(1,231)	(174)
Income tax expense (credit)		(98)	(103)	6,160	5,497

**(b) Deferred Tax Balances Comprise:**

Taxable and deductible temporary differences arising from the following:

COUNCIL 2015	Council Opening Balance \$000	Council Charged to Surplus/(Deficit) \$000	Council Charged to other Comprehensive Revenue & Expense \$000	Council Closing Balance \$000
<b>Gross deferred tax asset:</b>				
Other financial assets	-	-	-	-
Property, plant and equipment	-	-	-	-
Investment property	-	-	-	-
Tax losses	98	-	-	98
	98	-	-	98

COUNCIL 2014	Council Opening Balance \$000	Council Charged to Surplus/(Deficit) \$000	Council Charged to other Comprehensive Revenue & Expense \$000	Council Closing Balance \$000
<b>Gross deferred tax asset:</b>				
Other financial assets	-	-	-	-
Property, plant and equipment	-	-	-	-
Investment property	-	-	-	-
Tax losses	98	-	-	98
	98	-	-	98

GROUP 2015	Group Opening Balance \$000	Group Charged to Surplus/(Deficit) \$000	Group Charged to other Comprehensive Revenue & Expense \$000	Group Closing Balance \$000
<b>Gross deferred tax liability:</b>				
Other financial assets	(154)	(184)	9	(329)
Property, plant and equipment	14,280	(265)	-	14,015
Investment property	4,366	168	-	4,534
Other	(1,728)	122	-	(1,606)
	16,764	(159)	9	16,614

GROUP 2014	Group Opening Balance \$000	Group Charged to Surplus/(Deficit) \$000	Group Charged to other Comprehensive Revenue & Expense \$000	Group Closing Balance \$000
<b>Gross deferred tax liability:</b>				
Other financial assets	(737)	479	104	(154)
Property, plant and equipment	14,895	(615)	-	14,280
Investment property	4,760	(394)	-	4,366
Other	(1,816)	88	-	(1,728)
	17,102	(442)	104	16,764

(c) **Imputation Credit Account Balances**

	<b>Group 2015 \$000</b>	<b>Group 2014 \$000</b>
Balance at end of year	24,210	19,841

Imputation credit balances available directly and indirectly to the Council through subsidiaries are \$24,210,000 as at 30 June 2015 (2014: \$19,841,000).

#### **4. Key Management Personnel Compensation**

The compensation of the Councillors, Chief Executive and Directors of the Council, and of the Directors and other senior management of the Port Otago Limited Group was as follows:

	<b>Council 2015 \$000</b>	<b>Council 2014 \$000</b>	<b>Group 2015 \$000</b>	<b>Group 2014 \$000</b>
Short-term employee benefits	1,866	1,775	3,746	3,541
Post-employment benefits	77	80	77	80
Directors' fees	-	-	312	343
Termination benefits	-	158	-	158
	1,943	2,013	4,135	4,122

#### **5. Remuneration of Auditors**

	<b>Council 2015 \$000</b>	<b>Council 2014 \$000</b>	<b>Group 2015 \$000</b>	<b>Group 2014 \$000</b>
Audit fees for financial statement audit	88	85	88	85
Audit fees for audit of Long Term Plan	63	-	63	-
Other assurance services	-	8	-	8
Fees for tax and advisory services - Council	10	11	10	11
Fees for tax compliance and advisory services – entities not audited by Deloitte	-	-	63	89
	161	104	224	193
Audit fees to other auditors for audit of financial statements of group entities	-	-	132	124
	-	-	132	124
	161	104	356	317

The auditor for and on behalf of the Controller and Auditor-General, of the Otago Regional Council, is Deloitte, and of the Port Otago Limited Group is Audit New Zealand.

#### **6. Trade & Other Receivables**

	<b>Council 2015 \$000</b>	<b>Council 2014 \$000</b>	<b>Group 2015 \$000</b>	<b>Group 2014 \$000</b>
<b>Trade and other receivables from exchange transactions</b>				
Trade receivables (i)	-	-	7,527	9,399
Allowance for doubtful debts	-	-	-	-
		-	7,527	9,399

Sundry accruals	603	828	1,992	1,155
Goods and Services Tax receivable	402	343	402	343
	1,005	1,171	9,924	10,897
<i>Disclosed in the financial statements as:</i>				
Current	1,005	1,171	9,921	10,897
Non-current	-	-	-	-
	1,005	1,171	9,921	10,897

(i) Trade receivables are non-interest bearing and generally on monthly terms.

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
<b>Trade and other receivables from non- exchange transactions</b>				
Trade receivables (i)	1,881	1,693	1,881	1,693
Allowance for doubtful debts	(301)	(330)	(301)	(330)
	1,580	1,363	1,580	1,363
Sundry accruals	873	702	873	702
Goods and Services Tax receivable	-	-	-	-
	2,453	2,065	2,453	2,065
<i>Disclosed in the financial statements as:</i>				
Current	2,453	2,065	2,453	2,065
Non-current	-	-	-	-
	2,453	2,065	2,453	2,065

(i) Trade receivables are non-interest bearing and generally on monthly terms.

## 7. Property held for sale

	Note	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Balance at beginning of year		320	320	25,861	3,310
Transfer from investment property	14	-	-	-	22,306
Transfer from property plant and equipment		2,266	-	2,266	-
Acquired on partition		-	-	1,023	-
Development costs		-	-	269	4
Unrealised change in the value of property held for sale		(55)	-	(55)	2,208
Property sold		(166)	-	(24,953)	(1,967)
Balance at end of year		2,365	320	4,411	25,861
<i>Disclosed in the Financial Statements as:</i>					
Current		2,365	320	4,411	17,838
Non-current		-	-	-	8,023
		2,365	320	4,411	25,861

### Council:

The Council has approved for sale properties identified as surplus to operational requirements, and expects to realise a sale of the properties within 12 months from 30 June 2015. The properties are located in the Tarras, Dunback and Dunedin Leith areas.



## Group:

### Sale of 10% of the original Newby 1 block to the former Chalmers Properties Limited Chief Executive

The Hamilton Joint Venture (HJV) contracted to sell 10% of the original Newby 1 block to a related party. Note 22 contains details of the contract terms. This land is classified as property held for sale since the land is to be sold in the ordinary course of business. During the period the Group negotiated and settled a partition agreement whereby the joint venture partners 50% interest in the original Newby 1 block was acquired. The Group's 100% share of the remaining property held for sale under the related party contract is \$2.05 million (last year: 50% share - \$1.02 million).

## 8. Property in Development

	Note	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Balance at beginning of year		-	-	6,295	6,150
Transfer (to) from investment property	14	-	-	-	(455)
Property purchased		-	-	6,507	-
Property sold		-	-	-	(1,734)
Development costs		-	-	(470)	2,748
Capitalised borrowing costs		-	-	-	183
Unrealised change in the value of investment property		-	-	480	-
Impairment of inventory		-	-	597	(597)
<b>Balance at end of year</b>		-	-	<b>13,409</b>	<b>6,295</b>

### Impairment adjustments

As a result of the valuation at 30 June 2015 impairment adjustments of \$597,000 relating to the previous year were reversed. The original impairment adjustment was to record the inventories at their net realisable value which was lower than the inventories cost.

### Developed land for sale

The Group previously held a 50% interest in the Hamilton Joint Venture (HJV). During the year the group acquired the remaining 50% interest in HJV. The developed land on hand totalling 4.3 hectares (2014: 4.3 hectares) is being actively marketed for sale. The carrying value of the land of \$6.70 million (2014: Group 50% share \$2.9 million) reflects the cost of the developed land. Colliers in their June 2015 valuation stated a net realisable value of \$6.87 million which is based upon \$160/m<sup>2</sup> (2014: Seagars \$135/m<sup>2</sup>).

The Group previously held a 33.3% interest in the Hamilton Porter JV (HPJV). During the year the group acquired a further 33.3% interest in HPJV. The developed land on hand totalling 5.2 hectares (2014: 5.2 hectares) is being actively marketed for sale. The carrying value of the land of \$8.13 million (Group 66.6% share \$5.42 million (2014: \$7.07 million Group 33.3% share \$2.4 million) reflects the cost of the developed land. Colliers in their June 2015 valuation stated a net realisable value of \$8.36 million which is based upon \$160/m<sup>2</sup> (2014: Seagars \$135/m<sup>2</sup>).

### Land in development

Land in development comprises the Group's 66.6% share of 2.4 hectares of land within HPJV which is subject to further work prior to its completion. Once complete a further 2.2 hectares of land will be available for sale. In their valuation at 30 June 2015 the Colliers valuation of the investment property in development is based upon \$74/m<sup>2</sup> (30 June 2014: Seagars \$135/m<sup>2</sup>).

## 9. Other Financial Assets

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
<b>Held for trading – carried at fair value</b>				
<i>Current:</i>				
Managed funds – cash (i)	620	1,832	620	1,832
Managed funds – bonds (i)(ii)	11,253	3,470	11,253	3,470
Managed funds – equities (i)	6,687	2,851	6,687	2,851
	18,560	8,153	18,560	8,153
<b>Available-for-sale investments carried at fair value</b>				
<i>Current:</i>				
Shares in listed companies	-	-	-	50,642
	-	-	-	50,642
<b>Loans and receivables carried at amortised cost</b>				
<i>Current:</i>				
Short-term deposits with maturities of 4-12 months	34,000	43,900	34,000	43,900
<i>Non-current:</i>				
Prepaid lease costs	-	-	71	90
	34,000	43,900	34,071	43,990
	52,560	52,053	52,631	102,785
<i>Disclosed in the financial statements as:</i>				
Current	52,560	52,053	52,560	102,695
Non-current	-	-	71	90
	52,560	52,053	52,631	102,785

- (i) Classified as held for trading. The Group holds a portfolio of floating and fixed interest deposits, bonds and equity securities that is managed externally. This classification has been determined as all assets within this category are available for trading at any point should the Fund manager determine it is in the Council's best investment interests to do so.
- (ii) The Group holds fixed interest bonds via its managed fund portfolio, the maturity dates range between 2015–2034.

## 10. Provisions

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Balance at beginning of the year	-	-	260	-
Provision for future sales contract	-	-	(260)	260
Balance at end of year	-	-	-	260

The provision for future sales contract resulted from the difference between the present value of the sales price and fair value of an unconditional contract for the sale of 9.2 hectares of bare land which settled during the year.

## 11. Intangible Assets

	Council Computer Software \$000	Council Resource Consents \$000	Council Total \$000	Group Computer Software \$000	Group Resource Consents (ii) \$000	Other Intangibles \$000	Group Total \$000
<b>Gross carrying amount</b>							
Balance at 1 July 2013	3,129	-	3,129	8,690	3,905	-	12,595
Additions	156	-	156	388	1,298	-	1,686
Disposals	(123)	-	(123)	(767)	-	-	(767)
Balance at 30 June 2014	3,162	-	3,162	8,311	5,203	-	13,514
Additions	113	-	113	333	31	1,221	1,585
Disposals	-	-	-	-	-	-	-
Balance 30 June 2015	3,275	-	3,275	8,644	5,234	1,221	15,099
<b>Accumulated amortisation and impairment</b>							
Balance at 1 July 2013	(1,236)	-	(1,236)	(6,199)	-	-	(6,199)
Amortisation expense (i)	(229)	-	(229)	(501)	-	-	(501)
Disposals	123	-	123	767	-	-	767
Balance at 1 July 2014	(1,342)	-	(1,342)	(5,933)	-	-	(5,933)
Amortisation expense (i)	(380)	-	(380)	(635)	(268)	(331)	(1,234)
Disposals	-	-	-	-	-	-	-
Balance 30 June 2015	(1,722)	-	(1,722)	(6,568)	(268)	(331)	(7,167)
<b>Net book value</b>							
As at 30 June 2014	1,820	-	1,820	2,378	5,203	-	7,581
As at 30 June 2015	1,553	-	1,553	2,076	4,966	890	7,932

- (i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the Statement of Comprehensive Revenue and Expenses.
- (ii) Resource consents relate to the granting of the Next Generation consents which will allow Port Otago to deepen and widen the channel in Otago Harbour so larger ships will be able to call at Port Chalmers. Consents were granted in January 2013 and were activated in March 2015. Amortisation of the carrying amounts commenced on the activation of the consents and will be amortised over the life of the consents which is either 3 or 20 years.

## 12. Property Plant and Equipment

### COUNCIL ONLY 2015

	Cost 1 July 2014 \$000	Additions \$000	Disposals \$000	Transfers out of Work in Progress \$000	Transfers to Held for sale assets \$000	Cost 30 June 2015 \$000	Accumulated Depreciation And Impairment Charges 1 July 2014 \$000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers to Held for sale assets \$000	Accumulated Depreciation And Impairment Charges 30 June 2015 \$000	Book Value 30 June 2015 \$000
<b>Council operational assets</b>												
Land	14,244	-	(200)	-	(995)	13,049	-	-	-	-	-	13,049
Endowment land	1,495	-	-	-	-	1,495	-	-	-	-	-	1,495
Buildings	7,804	-	(273)	103	(1,563)	6,071	(944)	(167)	51	292	(768)	5,303
Plant and vehicles	7,683	867	(383)	-	-	8,167	(6,107)	(475)	301	-	(6,281)	1,886
Capital work in progress	-	147	(9)	(103)	-	35	-	-	-	-	-	35
<b>Total operational assets</b>	<b>31,226</b>	<b>1,014</b>	<b>(865)</b>	<b>-</b>	<b>(2,558)</b>	<b>28,817</b>	<b>(7,051)</b>	<b>(642)</b>	<b>352</b>	<b>292</b>	<b>(7,049)</b>	<b>21,768</b>
<b>Council infrastructural assets</b>												
Floodbanks	27,526	-	-	-	-	27,526	-	-	-	-	-	27,526
Protection works	4,617	-	-	-	-	4,617	-	-	-	-	-	4,617
Structures	29,006	37	(230)	3,351	-	32,164	(14,328)	(558)	173	-	(14,713)	17,451
Drains	3,288	-	-	-	-	3,288	-	-	-	-	-	3,288
Bridges	1,488	-	(22)	76	-	1,542	(865)	(41)	17	-	(889)	653
Culverts	1,253	7	-	7	-	1,267	-	-	-	-	-	1,267
Capital work in progress	7,650	3,121	(57)	(3,434)	-	7,280	-	-	-	-	-	7,280
<b>Total infrastructural assets</b>	<b>74,828</b>	<b>3,165</b>	<b>(309)</b>	<b>-</b>	<b>-</b>	<b>77,684</b>	<b>(15,193)</b>	<b>(599)</b>	<b>190</b>	<b>-</b>	<b>(15,602)</b>	<b>62,082</b>
<b>Total Council property, plant and equipment</b>	<b>106,054</b>	<b>4,179</b>	<b>(1,174)</b>	<b>-</b>	<b>(2,558)</b>	<b>106,501</b>	<b>(22,244)</b>	<b>(1,241)</b>	<b>542</b>	<b>292</b>	<b>(22,651)</b>	<b>83,850</b>

Council infrastructural assets represent Flood protection and Control Works as defined in the Local Government (Financial Reporting and Prudence) Regulations 2014. All infrastructure assets acquired during the year were constructed by Council. There were no infrastructural assets transferred to the Council from External entities.

**COUNCIL ONLY – 2014**

	Cost 1 July 2013 \$000	Additions \$000	Disposals \$000	Transfers \$000	Cost 30 June 2014 \$000	Accumulated Depreciation And Impairment Charges 1 July 2013 \$000	Impairment Losses Charged in Profit or Loss \$000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers \$000	Accumulated Depreciation And Impairment Charges 30 June 2014 \$000	Book Value 30 June 2014 \$000
<b>Council operational assets</b>												
Land	14,244	-	-	-	14,244	-	-	-	-	-	-	14,244
Endowment land	1,675	-	(180)	-	1,495	-	-	-	-	-	-	1,495
Buildings	7,042	887	(125)	-	7,804	(820)	-	(147)	23	-	(944)	6,860
Plant and vehicles	7,513	400	(230)	-	7,683	(5,811)	-	(455)	159	-	(6,107)	1,576
Capital work in progress	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total operational assets</b>	<b>30,474</b>	<b>1,287</b>	<b>(535)</b>	<b>-</b>	<b>31,226</b>	<b>(6,631)</b>	<b>-</b>	<b>(602)</b>	<b>182</b>	<b>-</b>	<b>(7,051)</b>	<b>24,175</b>
<b>Council infrastructural assets</b>												
Floodbanks	27,526	-	-	-	27,526	-	-	-	-	-	-	27,526
Protection works	4,617	-	-	-	4,617	-	-	-	-	-	-	4,617
Structures	27,669	373	(870)	1,834	29,006	(14,563)	-	(409)	644	-	(14,328)	14,678
Drains	3,288	-	-	-	3,288	-	-	-	-	-	-	3,288
Bridges	1,488	-	-	-	1,488	(824)	-	(41)	-	-	(865)	623
Culverts	1,253	-	-	-	1,253	-	-	-	-	-	-	1,253
Capital work in progress	5,899	4,336	(751)	(1,834)	7,650	-	-	-	-	-	-	7,650
<b>Total infrastructural assets</b>	<b>71,740</b>	<b>4,709</b>	<b>(1,621)</b>	<b>-</b>	<b>74,828</b>	<b>(15,387)</b>	<b>-</b>	<b>(450)</b>	<b>644</b>	<b>-</b>	<b>(15,193)</b>	<b>59,635</b>
<b>Total Council property, plant and equipment</b>	<b>102,214</b>	<b>5,996</b>	<b>(2,156)</b>	<b>-</b>	<b>106,054</b>	<b>(22,018)</b>	<b>-</b>	<b>(1,052)</b>	<b>826</b>	<b>-</b>	<b>(22,244)</b>	<b>83,810</b>

Council infrastructural assets represent Flood Protection and Control Works as defined in the Local Government (Financial Reporting and Prudence) Regulations 2014. All infrastructural assets acquired during the year were constructed by Council. There were no infrastructural assets transferred to the Council from External entities.

**GROUP – 2015**

	Cost 1 July 2014 \$000	Additions \$000	Disposals \$000	Transfers \$000	Transfers to held for sale \$000	Cost 30 June 2015 \$000	Accumulated Depreciation And Impairment Charges 1 July 2014 \$000	Impairment Losses Charged in Profit or Loss \$000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers to held for sale \$000	Transfers \$000	Accumulated Depreciation And Impairment Charges 30 June 2015 \$000	Book Value 30 June 2015 \$000
<b>Operational assets</b>														
Land – Council	14,244	-	(200)	-	(995)	13,049	-	-	-	-	-	-	-	13,049
Endowment land – Council	1,495	-	-	-	-	1,495	-	-	-	-	-	-	-	1,495
Buildings – Council	7,804	-	(273)	103	(1,563)	6,071	(944)	-	(167)	51	292	-	(768)	5,303
Plant and vehicles - Council	7,683	867	(383)	-	-	8,167	(6,107)	-	(475)	301	-	-	(6,281)	1,886
Capital work in progress - Council	-	147	(9)	(103)	-	35	-	-	-	-	-	-	-	35
Land – Port	34,222	173	-	-	-	34,395	-	-	-	-	-	-	-	34,395
Buildings and improvements – Port	46,630	2,526	-	-	-	49,156	(12,980)	-	(1,782)	-	-	-	(14,762)	34,394
Wharves and berths dredging – Port	54,877	426	-	-	-	55,303	(14,112)	-	(1,612)	-	-	-	(15,724)	39,579
Plant, equipment and vehicles – Port	81,699	3,479	(361)	8,713	-	93,530	(41,256)	-	(4,421)	335	-	-	(45,342)	48,188
Capital work in progress – Port	10,799	-	-	(8,713)	-	2,086	-	-	-	-	-	-	-	2,086
<b>Total operational assets</b>	<b>259,453</b>	<b>7,618</b>	<b>(1,226)</b>	<b>-</b>	<b>(2,558)</b>	<b>263,287</b>	<b>(75,399)</b>	<b>-</b>	<b>(8,457)</b>	<b>687</b>	<b>292</b>	<b>-</b>	<b>(82,877)</b>	<b>180,410</b>
<b>Council infrastructural assets</b>														
Floodbanks	27,526	-	-	-	-	27,526	-	-	-	-	-	-	-	27,526
Protection works	4,617	-	-	-	-	4,617	-	-	-	-	-	-	-	4,617
Structures	29,006	37	(230)	3,351	-	32,164	(14,328)	-	(558)	173	-	-	(14,713)	17,451
Drains	3,288	-	-	-	-	3,288	-	-	-	-	-	-	-	3,288
Bridges	1,488	-	(22)	76	-	1,542	(865)	-	(41)	17	-	-	(889)	653
Culverts	1,253	7	-	7	-	1,267	-	-	-	-	-	-	-	1,267
Capital work in progress – Council	7,650	3,121	(57)	(3,434)	-	7,280	-	-	-	-	-	-	-	7,280
<b>Total infrastructural assets</b>	<b>74,828</b>	<b>3,165</b>	<b>(309)</b>	<b>-</b>	<b>-</b>	<b>77,684</b>	<b>(15,193)</b>	<b>-</b>	<b>(599)</b>	<b>190</b>	<b>-</b>	<b>-</b>	<b>(15,602)</b>	<b>62,082</b>
<b>Total Group property, plant and equipment</b>	<b>334,281</b>	<b>10,783</b>	<b>(1,535)</b>	<b>-</b>	<b>(2,558)</b>	<b>340,971</b>	<b>(90,592)</b>	<b>-</b>	<b>(9,056)</b>	<b>877</b>	<b>292</b>	<b>-</b>	<b>(98,480)</b>	<b>242,492</b>

**GROUP – 2014**

	Cost 1 July 2013 \$000	Additions \$000	Disposals \$000	Transfers \$000	Cost 30 June 2014 \$000	Accumulated Depreciation And Impairment Charges 1 July 2013 \$000	Impairment Losses Charged in Profit or Loss \$000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers \$000	Accumulated Depreciation And Impairment Charges 30 June 2014 \$000	Book Value 30 June 2014 \$000
<b>Operational assets</b>												
Land – Council	14,244	-	-	-	14,244	-	-	-	-	-	-	14,244
Endowment land – Council	1,675	-	(180)	-	1,495	-	-	-	-	-	-	1,495
Buildings – Council	7,042	887	(125)	-	7,804	(820)	-	(147)	23	-	(944)	6,860
Plant and vehicles - Council	7,513	400	(230)	-	7,683	(5,811)	-	(455)	159	-	(6,107)	1,576
Capital work in progress - Council	-	-	-	-	-	-	-	-	-	-	-	-
Land – Port	34,304	-	(82)	-	34,222	-	-	-	-	-	-	34,222
Buildings and improvements – Port	38,915	7,258	(191)	648	46,630	(10,727)	-	(1,654)	49	(648)	(12,980)	33,650
Wharves and berths dredging – Port	51,680	2,973	-	224	54,877	(12,297)	-	(1,591)	-	(224)	(14,112)	40,765
Plant, equipment and vehicles – Port	80,316	4,476	(3,104)	11	81,699	(40,274)	-	(4,051)	3,079	(10)	(41,256)	40,443
Capital work in progress – Port	11,117	-	-	(318)	10,799	-	-	-	-	-	-	10,799
<b>Total operational assets</b>	<b>246,806</b>	<b>15,994</b>	<b>(3,912)</b>	<b>565</b>	<b>259,453</b>	<b>(69,929)</b>	<b>-</b>	<b>(7,898)</b>	<b>3,310</b>	<b>(882)</b>	<b>(75,399)</b>	<b>184,054</b>
<b>Council infrastructural assets</b>												
Floodbanks	27,526	-	-	-	27,526	-	-	-	-	-	-	27,526
Protection works	4,617	-	-	-	4,617	-	-	-	-	-	-	4,617
Structures	27,669	373	(870)	1,834	29,006	(14,563)	-	(409)	644	-	(14,328)	14,678
Drains	3,288	-	-	-	3,288	-	-	-	-	-	-	3,288
Bridges	1,488	-	-	-	1,488	(824)	-	(41)	-	-	(865)	623
Culverts	1,253	-	-	-	1,253	-	-	-	-	-	-	1,253
Capital work in progress – Council	5,899	4,336	(751)	(1,834)	7,650	-	-	-	-	-	-	7,650
<b>Total infrastructural assets</b>	<b>71,740</b>	<b>4,709</b>	<b>(1,621)</b>	<b>-</b>	<b>74,828</b>	<b>(15,387)</b>	<b>-</b>	<b>(450)</b>	<b>644</b>	<b>-</b>	<b>(15,193)</b>	<b>59,635</b>
<b>Total Group property, plant and equipment</b>	<b>318,546</b>	<b>20,703</b>	<b>(5,533)</b>	<b>565</b>	<b>334,281</b>	<b>(85,316)</b>	<b>-</b>	<b>(8,348)</b>	<b>3,954</b>	<b>(882)</b>	<b>(90,592)</b>	<b>243,689</b>

### 13. Joint ventures accounted for using the equity method

	Note	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Balance at beginning of year		-	-	1,159	1,039
Share of profit from joint ventures recognised in the Statement of Comprehensive Revenue and Expense		-	-	324	250
Distributions from joint venture		-	-	(125)	(130)
Balance at end of year		-	-	1,358	1,159

The Group has a 50% shareholding in Icon Logistics Limited (2014: 50%). Icon Logistics limited is consolidated using the equity method of consolidation due to this better reflecting the substance of the economic reality of the Group's interest in the joint controlled entity Icon Logistics Limited. Harbour Logistics Limited holds the remaining 50% shareholding in Icon Logistics Limited.

### 14. Investment Property

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Balance at beginning of year	10,024	9,546	242,683	226,756
Acquisitions	-	-	9,867	27,358
Property improvements during the period	-	-	5,794	1,479
Capitalised borrowing costs	-	-	113	214
Property sold	-	-	(8,926)	(5,300)
Net movement in incentives	-	-	27	122
Net movement in prepaid leasing costs	-	-	(83)	61
Transfer to property held for sale (Note 7)	-	-	-	(22,306)
Transfer to property receivable	-	-	(242)	-
Transfer (to)/from property in development (Note 8)	-	-	-	455
Net gain/(loss) from fair value adjustments	100	478	9,701	13,844
Balance at end of year	10,124	10,024	258,934	242,683

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
<b>Valuation analysis</b>				
<i>Valued at 30 June balance date as determined by:</i>				
Colliers International	10,124	10,024	91,109	166,194
Seagar & Partners (Manukau) Limited	-	-	167,825	18,073
CBRE Limited	-	-	-	58,416
	10,124	10,024	258,934	242,683

The fair value of the Council's and Group's investment property at 30 June 2015 has been arrived at on the basis of valuations carried out at that date by independent registered valuers not related to the Group.

Fair value reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of the current market conditions.



All valuations were completed by registered independent valuers who conform with the New Zealand Property Institute Practice Standards. The valuers have extensive market knowledge in the types of investment properties owned by the Council and Group.

All investment properties were valued based on open market evidence including market rentals, land sales and yield information available to the valuers.

Included within the gross values for investment properties are capitalised leasing costs and capitalised rental incentives. These costs represent expenditure incurred by the Group in relation to letting of property. These costs are initially recorded as an asset and amortised over the life of the lease they relate to. At balance date \$220,000 (2014: \$302,000) of capitalised leasing costs and \$400,000 (2014: \$301,000) of capitalised leasing incentives are included in the gross balance of investment properties.

There were no significant contractual obligations of a capital and/or maintenance nature relating to the current investment property portfolio at balance date (2014: none).

The following assumptions and inputs were applied in the valuation models:

	<b>Council 2015 \$000</b>	<b>Council 2014 \$000</b>	<b>Group 2015 \$000</b>	<b>Group 2014 \$000</b>
<b>Otago Region</b>				
Lease term	1.47-5.76 years	2.47-6.76 years	0-21 years	0-21 years
Capitalisation rate	5.93%-6.75%	6.00%-6.75%	5.5%-9.25%	0%-9.5%
Occupancy rate	100%	100%	83%-100%	0%-100%
<b>Auckland Region</b>				
Lease term	-	-	1-13 years	3-14 years
Capitalisation rate	-	-	6.25%-9.25%	6.3%-9.5%
Occupancy rate	-	-	100%	78%-100%

## **15. Trade & Other Payables**

	<b>Council 2015 \$000</b>	<b>Council 2014 \$000</b>	<b>Group 2015 \$000</b>	<b>Group 2014 \$000</b>
Trade payables (i)	2,809	3,203	9,280	7,429
Other accrued charges	1,421	1,290	2,465	2,575
Property deposits received	22	-	50	649
	4,252	4,493	11,795	10,653

(i) The average credit period on purchases is 30 days.

## 16. Employee Entitlements

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Accrued salary and wages	178	255	783	727
Annual leave	1,152	1,054	4,416	4,111
Long service leave	-	-	819	731
Retiring allowances	22	22	155	176
Sick leave	-	-	56	49
Related party incentives (Note 25)	-	-	358	238
	1,352	1,331	6,587	6,032
<i>Disclosed in the financial statements as:</i>				
Current	1,352	1,331	5,275	4,908
Non-current	-	-	1,312	1,124
	1,352	1,331	6,587	6,032

## 17. Borrowings

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
<b>Secured – at amortised cost</b>				
Bank borrowings	-	-	54,700	119,582
	-	-	54,700	119,582
<i>Analysed as:</i>				
Current	-	-	-	11,852
Non-current	-	-	54,700	107,730
	-	-	54,700	119,582

The Group has a \$100 million (2014: \$130 million) committed facility with ANZ National Bank Limited. The Group may draw funding for terms ranging from call to the termination of the agreement, which is 31 December 2017. The security for the facility is a cross guarantee between Port Otago Limited and Chalmers Properties Limited in favour of the lender, general security agreement over the assets of Port Otago Limited Group and registered first ranking mortgage over land.

### Hamilton Joint Venture Facility

The Group had a 50% interest in The Hamilton Joint Venture (HJV) which had an \$18 million committed facility with ANZ Bank New Zealand Limited with the Group's 50% share amounting to \$9 million. Under a partition agreement entered into during the year between the joint venture partners, the \$18 million facility was repaid (Group's 50% share: \$9 million), the facility terminated and the first registered mortgage over the joint venture land holdings, general security agreement and guarantees provided by the owners of the joint venture participants were released.

### Hamilton Porter Joint Venture Facility

The Group had a 33.3% interest in the Hamilton Porter Joint Venture (HPJV) which had a \$7.5 million committed facility with ANZ Bank New Zealand Limited. Under a partition agreement entered into during the year, the Group increased the interest to 66.6% and the \$7.5 million (Group's 33.3% share: \$2.5 million) facility was repaid and the facility terminated. The first registered mortgage over the joint venture land holdings, general security agreement and guarantees provided from the owners of the joint venture participants were released.

In addition, the HPJV had a \$6.5 million short term advances facility with the ANZ Bank New Zealand Limited. During the year the drawn borrowings were repaid and the facility was terminated. The first registered mortgage over the joint venture land holdings, general security agreement and guarantees provided from the owners of the joint venture participants were released.

## 18. Capitalised Borrowing Costs

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Borrowing costs capitalised during the financial year	-	-	206	582
Weighted average capitalisation rate on funds borrowed generally	-	-	5.81%	5.59%

## 19. Reserves

COUNCIL	Available for Sale Revaluation Reserve \$000	Asset Replacement Reserve \$000	Emergency Response Reserve \$000	Kuriwao Endowment Reserve \$000	Asset Revaluation Reserve \$000	Water Manage- ment Reserve \$000	Building Reserve \$000	Total Reserves \$000
<b>Opening balances 1 July 2013</b>	<b>341,264</b>	<b>4,633</b>	<b>3,425</b>	<b>5,500</b>	<b>7,485</b>	<b>206</b>	<b>-</b>	<b>362,513</b>
<b>Transfers in:</b>								
Transfers from general rate equity	-	-	-	524	-	1,200	5,000	6,724
Interest received	-	202	146	246	-	57	214	865
Revaluation gain	9,271	-	-	-	478	-	-	9,749
	<b>9,271</b>	<b>202</b>	<b>146</b>	<b>770</b>	<b>478</b>	<b>1,257</b>	<b>5,214</b>	<b>17,338</b>
<b>Transfers out:</b>								
Transfers to general rate equity	-	(432)	-	-	-	-	-	(432)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	(250)
Revaluation gain/loss	-	-	-	-	-	-	-	-
		<b>(432)</b>	<b>-</b>	<b>(250)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(682)</b>
<b>Closing balances 30 June 2014</b>	<b>350,535</b>	<b>4,403</b>	<b>3,571</b>	<b>6,020</b>	<b>7,963</b>	<b>1,463</b>	<b>5,214</b>	<b>379,169</b>
<b>Transfers in:</b>								
Transfers from general rate equity	-	1,409	-	116	-	-	2,500	4,025
Interest received	-	219	168	281	-	69	358	1,095
Revaluation gain	36,758	-	-	-	100	-	-	36,858
	<b>36,758</b>	<b>1,628</b>	<b>168</b>	<b>397</b>	<b>100</b>	<b>69</b>	<b>2,858</b>	<b>41,978</b>
<b>Transfers out:</b>								
Transfers to general rate equity	-	(1,166)	-	-	-	-	-	(1,166)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	(250)
Revaluation gain/loss	-	-	-	-	-	-	-	-
		<b>(1,166)</b>	<b>-</b>	<b>(250)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,416)</b>
<b>Closing balances 30 June 2015</b>	<b>387,293</b>	<b>4,865</b>	<b>3,739</b>	<b>6,167</b>	<b>8,063</b>	<b>1,532</b>	<b>8,072</b>	<b>419,731</b>

GROUP	Available for Sale Revaluation Reserve \$000	Asset Replacement Reserve \$000	Emergency Response Reserve \$000	Kuriwao Endowment Reserve \$000	Asset Revaluation Reserve \$000	Water Management Reserve \$000	Building Reserve \$000	Hedging Reserve \$000	Total Reserves \$000
<b>Opening balances 1 July 2013</b>	<b>8,159</b>	<b>4,633</b>	<b>3,425</b>	<b>5,500</b>	<b>154,672</b>	<b>206</b>	-	<b>(1,288)</b>	<b>175,307</b>
<b>Transfers in:</b>									
Transfers from general rate equity	-	-	-	524	-	1,200	5,000	-	6,724
Interest received	-	202	146	246	-	57	214	-	865
Revaluation increment	5,539	-	-	-	15,455	-	-	-	20,994
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	370	370
	<b>5,539</b>	<b>202</b>	<b>146</b>	<b>770</b>	<b>15,455</b>	<b>1,257</b>	<b>5,214</b>	<b>370</b>	<b>28,953</b>
<b>Transfers out:</b>									
Transfers to general rate equity	-	(432)	-	-	(2,609)	-	-	-	(3,041)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	(250)
Deferred tax arising on fair value movement	-	-	-	-	-	-	-	(104)	(104)
	-	<b>(432)</b>	-	<b>(250)</b>	<b>(2,609)</b>	-	-	<b>(104)</b>	<b>(3,395)</b>
<b>Closing balances 30 June 2014</b>	<b>13,698</b>	<b>4,403</b>	<b>3,571</b>	<b>6,020</b>	<b>167,518</b>	<b>1,463</b>	<b>5,214</b>	<b>(1,022)</b>	<b>200,865</b>
<b>Transfers in:</b>									
Transfers from general rate equity	-	1,409	-	116	-	-	2,500	-	4,025
Interest received	-	219	168	281	-	69	358	-	1,095
Revaluation increment	-	-	-	-	10,778	-	-	-	10,778
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	32	32
		<b>1,628</b>	<b>168</b>	<b>397</b>	<b>10,778</b>	<b>69</b>	<b>2,858</b>	<b>32</b>	<b>15,930</b>
<b>Transfers out:</b>									
Transfers to general rate equity	-	(1,166)	-	-	-	-	-	-	(1,166)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	(250)
Deferred tax arising on fair value movement	-	-	-	-	-	-	-	(8)	(8)
Realised on sale of assets	(13,698)	-	-	-	(19,732)	-	-	-	(33,430)
	<b>(13,698)</b>	<b>(1,166)</b>	-	<b>(250)</b>	<b>(19,732)</b>	-	-	<b>(8)</b>	<b>(34,854)</b>
<b>Closing balances 30 June 2015</b>	-	<b>4,865</b>	<b>3,739</b>	<b>6,167</b>	<b>158,564</b>	<b>1,532</b>	<b>8,072</b>	<b>(998)</b>	<b>181,941</b>

**Available-for-Sale Revaluation Reserve**

The available-for-sale revaluation reserve arises on the revaluation of the shares in subsidiary (Council only) and shares in listed companies (Group).

The Group available-for-sale revaluation reserve has a balance of \$nil (2014: \$13.698 million). This reflects the reclassification to surplus /(deficit) upon sale of listed shares held by the Group.

**Asset Replacement Reserve**

This reserve represents funds held for the replacement of Council operational assets.

**Emergency Response Reserve**

This reserve is separately funded to enable Council to respond appropriately to emergency situations.

**Kuriwao Endowment Reserve - Restricted**

This reserve represents the accumulation of net income from Kuriwao Endowment land less any distribution of that income. The reserve is available to fund works for the benefit of the Lower Clutha District.

**Asset Revaluation Reserve**

This reserve arises on the revaluation of investment property.

**Water Management Reserve**

The purpose of this reserve is to provide funding for water management initiatives in Otago.

**Hedging Reserve**

This reserve represents changes in the fair value of derivative financial instruments designated as cash flow hedges.

**Building Reserve**

The purpose of this reserve is to set aside funding for a new head office for the Council.

## 20 (a) Public Equity

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
<b>Public Equity – General Rates</b>				
Balance at beginning of year	79,913	76,218	232,519	216,468
Net surplus	3,261	5,167	47,389	29,891
<b>Transfers in</b>				
Transfer from Public Equity Targeted Rates	15,697	27,362	15,697	27,362
Kuriwao endowment reserve	-	-	-	-
Asset replacement reserve	1,166	432	1,166	432
Asset revaluation reserve	-	-	33,429	2,609
	<b>16,863</b>	<b>27,794</b>	<b>50,292</b>	<b>30,403</b>
<b>Transfer out</b>				
Transfer to Public Equity Targeted Rates	(17,159)	(21,199)	(17,159)	(21,199)
Kuriwao endowment reserve	(397)	(770)	(397)	(770)
Asset replacement reserve	(1,628)	(202)	(1,628)	(202)
Emergency response reserve	(168)	(146)	(168)	(146)
Asset revaluation reserve	(100)	(478)	(10,777)	(15,455)
Water management reserve	(69)	(1,257)	(69)	(1,257)
Building Reserve	(2,858)	(5,214)	(2,858)	(5,214)
Available-for-sale asset gains reclassified to surplus/(deficit)	-	-	(13,696)	-
	<b>(22,379)</b>	<b>(29,266)</b>	<b>(46,752)</b>	<b>(44,243)</b>
Balance at end of year	<b>77,658</b>	<b>79,913</b>	<b>283,448</b>	<b>232,519</b>
<b>Public Equity - Targeted Rates</b>				
Balance at beginning of year	61,055	66,968	61,055	66,968
<b>Transfers in</b>				
Transfer from Public Equity General Rates	17,158	21,199	17,158	21,199
Kuriwao endowment reserve	250	250	250	250
	<b>17,408</b>	<b>21,449</b>	<b>17,408</b>	<b>21,449</b>
<b>Transfers out</b>				
Transfer to Public Equity General Rates	(15,697)	(27,362)	(15,697)	(27,362)
	<b>(15,697)</b>	<b>(27,362)</b>	<b>(15,697)</b>	<b>(27,362)</b>
Balance at end of year – refer note 20 (b)	<b>62,766</b>	<b>61,055</b>	<b>62,766</b>	<b>61,055</b>
<b>Total Public Equity</b>				
Balance at beginning of year	<b>140,968</b>	<b>143,186</b>	<b>293,574</b>	<b>283,436</b>
Net surplus	<b>3,261</b>	<b>5,167</b>	<b>33,693</b>	<b>29,891</b>
Transfers	(3,805)	(7,385)	18,947	(19,753)
Balance at end of year	<b>140,424</b>	<b>140,968</b>	<b>346,214</b>	<b>293,574</b>

## 20 (b) Public Equity Targeted Rates - Reserve Movements

	Council and Group - 2015				Council and Group - 2014			
	Opening balance 1 July 2014 \$000	Transfers in \$000	Transfers out \$000	Closing balance 30 June 2015 \$000	Opening balance 1 July 2013 \$000	Transfers in \$000	Transfers out \$000	Closing balance 30 June 2014 \$000
<b>Targeted Rating District Equity</b>								
<b>River Management Reserves</b>								
Central Otago River Management	338	170	(196)	312	335	164	(161)	338
Clutha River Management	385	203	(181)	407	390	201	(206)	385
Dunedin River Management	2,115	246	(207)	2,154	2,059	236	(180)	2,115
Queenstown River Management	332	271	(75)	528	172	261	(101)	332
Waitaki River Management	120	140	(274)	(14)	118	135	(133)	120
Wanaka River Management	288	181	(138)	331	211	178	(101)	288
Shotover Delta Flood Mitigation	(683)	252	(52)	(483)	(858)	254	(79)	(683)
Stoney Creek	123	6	-	129	118	6	(1)	123
<b>Flood and Drainage scheme reserves</b>								
Alexandra Flood Protection	561	188	(107)	642	525	117	(81)	561
East Taieri Drainage	265	380	(308)	337	125	375	(235)	265
Leith Flood Protection	(4,778)	1,687	(3,717)	(6,808)	(1,380)	1,304	(4,702)	(4,778)
Lower Clutha Flood and Drainage	165	983	(996)	152	240	892	(967)	165
Lower Taieri Flood Protection	137	640	(339)	438	38	599	(500)	137
Lower Waitaki Flood Protection	9	166	(167)	8	39	159	(189)	9
Tokomairiro Drainage	167	53	(55)	165	156	52	(41)	167
West Taieri Drainage	(1,331)	548	(422)	(1,205)	(1,151)	353	(533)	(1,331)
<b>Other Reserves</b>								
Clean Heat Clean Air	460	110	(105)	465	288	363	(191)	460
Dunedin Transport Services	4,771	7,350	(7,511)	4,610	4,235	7,372	(6,836)	4,771
Forsyth Barr Stadium	(497)	547	(50)	-	6,737	3,334	(10,568)	(497)
Queenstown Transport Services	66	155	(120)	101	7	230	(171)	66
Infrastructural Assets	58,042	3,132	(677)	60,497	54,564	4,864	(1,386)	58,042
	<b>61,055</b>	<b>17,408</b>	<b>(15,697)</b>	<b>62,766</b>	<b>66,968</b>	<b>21,449</b>	<b>(27,362)</b>	<b>61,055</b>

**River Management Reserves**

Targeted rating is used to fund river management works across the city and districts within Otago.

**Flood and Drainage Scheme Reserves**

Targeted rating is used to fund the costs associated with maintaining the level of flood and drainage protection provided by these schemes.

**Transport Reserves**

Targeted rating is used in Dunedin and Wakatipu to fund the Council's costs associated with the provision of bus services.

**Forsyth Barr Stadium Reserve**

The purpose of this reserve is to fund the costs associated with the Council's donation of \$37.5 million to the Forsyth Barr Stadium.

**Clean Heat Clear Air Reserve**

The purpose of this reserve is to fund costs associated with the provision of funding associated with the improvement of insulation and heating in homes located within the targeted rating district.

## ***21. Commitments for Expenditure***

**(a) Capital Expenditure Commitment**

At 30 June 2015 the Group had commitments for capital expenditure of \$13.85 million (2014: \$7.12 million). Included in the above amounts are Council commitments of \$0.3 million (2014: \$2.7 million) relating to property, plant and equipment acquisitions and contracts for capital expenditure.

Included within Group capital commitments is capital expenditure of \$13.55 million (2014: \$4.42 million) relating to purchases and refurbishment of port assets.

**(b) Lease Commitments**

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 23 to the financial statements.

## ***22. Contingent Liabilities & Contingent Assets***

### **Council Only**

Consistent with the nature of the Council's activities, the Council is involved in Environment and High Court proceedings resulting from decisions made by the Council as a planning and consenting authority under the Resource Management Act.

The Council has been advised of potential claims in relation to the issue of resource consents. The Council does not expect any material uninsured liability to arise from these potential claims, (2014: \$nil).

The Council is a participating employer in the Defined Benefit Plan Contributors Scheme ("the scheme"), which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the scheme, the Council could be responsible for the entire deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, the Council could be responsible for an increased share of the deficit.

As at 31 March 2015, the date of the latest available information, the scheme had a past service surplus of \$20.9 million (11.4% of the liabilities), (as at 31 March 2013: \$17.4 million). This amount is exclusive of Specified Superannuation Contribution Withholding Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS 25.



The Actuary of the scheme recommended that the employer contributions be suspended with effect from 1 April 2011.

## Group

### Dredging and reclamation works performance security bond

Port Otago has entered into a contract to provide dredging services to Lyttelton Port Company Limited for a five year period. A \$300,000 performance bond has been provided by Port Otago Limited, the principal, to Lyttelton Port Company Limited, the beneficiary, for the due performance of all obligations and liabilities under the contract. The expiry date of the performance bond is 21 December 2017. As at 30 June 2015, no claim under this bond has been received by the Guarantor, ANZ Bank New Zealand Limited.

### Guarantees

The Group has a 50% interest in The Hamilton Joint Venture (HJV). In the prior year as part of funding arrangements the Group had guaranteed joint operation borrowings from ANZ National Bank Limited to a limit of \$21 million. In the current year the facility terminated and the guarantees provided by the Group were released.

The Group has a 33.3% interest in the Hamilton Porter Joint Venture (HPJV). In the prior year as part of funding arrangements the Group had guaranteed joint operation borrowings from ANZ Bank New Zealand Limited to a limit of \$15 million. In the current year the facility terminated and the guarantees provided by the Group were released.

## 23. Leases

### Disclosures for lessees

#### (a) Leasing Arrangements

Operating leases relate to property, vehicles and equipment leases. All operating lease contracts contain market review clauses in the event that the Council/Group exercises its option to renew. The Council/Group does not have an option to purchase the leased asset at the expiry of the lease period.

#### (b) Non-cancellable Operating Lease Payments

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Not longer than 1 year	119	102	369	229
Longer than 1 year and not longer than 5 years	88	119	392	184
Longer than 5 years	-	-	-	-
	207	221	761	413

## Disclosures for Lessor

### (c) Leasing Arrangements

Finance leases relate to the Group funding of tenant improvements to an investment property. A lease commenced in April 2007 for an initial period of 10 years and the finance lease receivable will be recovered over this period. The pre-tax interest rate applicable to the finance lease receivable is 10.2%. Interest income is recognised on a consistent basis to produce a constant rate of return on the net investment.

### (d) Finance Lease Receivable

	Group Minimum Future Lease Payments		Group Present Value of Minimum Future Lease Receivables	
	2015 \$000s	2014 \$000s	2015 \$000s	2014 \$000s
Not longer than 1 year	214	214	189	171
Longer than 1 year and not longer than 5 years	160	374	155	344
Longer than 5 years	-	-	-	-
Minimum future lease payments	374	588	344	515
Less unearned finance income	(30)	(73)	-	-
Present value of minimum lease payments	344	515	344	515
<i>Disclosed in the financial statements as:</i>				
Current			189	171
Non-current			155	344
			344	515

Finance leases relate only to the Port Otago Limited group for the funding of tenant improvements to an investment property.

### (e) Operating Lease Commitments as Lessor

The Group has entered into commercial property leases. These non-cancellable leases have remaining non-cancellable lease terms of up to 21 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

GROUP	2015 \$000	2014 \$000
<b>Rentals receivable</b>		
Within one year	17,195	14,662
After one year but not more than five years	55,517	45,275
More than five years	74,301	77,410
<b>Minimum future lease receivable</b>	<b>147,013</b>	137,347

## 24. Subsidiaries, Associates and Joint Ventures

	Country of Incorporation	Ownership Interest	
		2015 %	2014 %
Council – Otago Regional Council	New Zealand		
Subsidiaries – Port Otago Limited	New Zealand	100	100

Otago Regional Council is the head entity within the consolidated group. Port Otago Limited holds the Group's interest in the other subsidiaries, associates and joint ventures detailed below.

The principal activities of the entities are:

	Principal activities	Ownership Interest	
		2015 %	2014 %
<b>Subsidiaries</b>			
Chalmers Properties Limited	Property investment	100	100
Te Rapa Gateway Limited (previously known as Perpetual Property Limited)	Property investment	100	100
South Freight Limited	Transport investment	100	100
Fiordland Pilot Services Limited	Shipping services	100	100
Hamilton JV Investment Company Limited	Property trustee (non-trading)	100	50
<b>Joint Ventures and Associates</b>			
Hamilton JV (N3) Limited	Property trustee (non-trading)	-	50
Harbourcold Dunedin	Cold store operation	50	50
The Hamilton Joint Venture	Property investment	-	50
Hamilton JV (N3)	Property investment	-	50
Hamilton Porter JV	Property investment	66.7	33.3
Hamilton Porter JV Company Limited	Property trustee (non-trading)	66.7	33.3
ICON Logistics Limited	Container transport and warehousing services	50	50

Joint ventures are joint arrangements with other parties in which the Group has several liabilities in respect of costs and joint and several in respect of liabilities. The Group's share of the assets, liabilities, revenues and expenses of joint ventures is incorporated into the Group's financial statements on a line-by-line basis.

The financial statements include the relevant interest in each joint venture's assets and liabilities at 30 June 2015 along with the share of trading for the relevant period.

With the exception of the investments in Icon Logistics Limited which is accounted for in the Group financial statements using the equity method, as this reflects the substance of the economic reality of the Group's interest in the joint venture controlled entity.

All companies in the Group have 30 June balance dates.

## Jointly Controlled Entities

Summarised financial information of jointly controlled entities:

	Group 2015 \$000	Group 2014 \$000
Current assets	6,894	14,389
Non-current assets	7,023	18,099
	13,917	32,488
Current liabilities	(1,820)	(17,030)
Non-current liabilities	-	(238)
	(1,820)	(17,268)
<b>Net assets</b>	<b>12,097</b>	<b>15,220</b>

Any capital commitments and contingent liabilities arising from the Group's interests in joint ventures are disclosed in Notes 21 and 22 respectively.

## 25. Related Party Disclosures

### Council

Otago Regional Council is the ultimate parent of the Group and controls one entity, being Port Otago Limited including its subsidiaries, associates and joint ventures.

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor arm's length transactions with the Council, such as the payment of rates.

Councillor Douglas Brown is a director of Alliance Group Limited, Councillor Trevor Kempton is a director of Delta Utility Services Limited and Councillor Gerrard Eckhoff is a director of Meenan Wine and Spirits Limited.

In the ordinary course of business and during the financial period covered by this report, services valued at \$nil were provided to Alliance Group Limited (2014: \$4,000), services valued at \$83,000 were purchased from Delta Utility Services Limited (2014: \$380,000) and supplies valued at \$1,200 were purchased from Meenan Wine and Spirits Limited (2014: \$3,600).

As at June 2015, the amount owing to the Council by Alliance Group Limited was \$nil (2014: \$nil), Delta Utility Services Limited \$nil (2014:\$4,900) and to Meenan Wines and Spirits Limited was \$nil (2014: \$180).

### Equity Interests in Related Parties

#### Equity Interests in Subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 24 to the financial statements.

### Transactions with Related Parties

#### Transactions Involving the Council

During the year the following receipts / (payments) were made (to)/from related parties:

## Port Otago Limited

	Council 2015 \$000	Council 2014 \$000
Dividend payment made to Council	8,400	7,100
Harbour Control Centre and other costs	(99)	(67)
Other expenses	24	56

During the year the Council and Port Otago Limited entered into an agreement for the Council to transfer tax losses to the company. In conjunction with the tax loss transfer, Port Otago Limited made a subvention payment of \$94,898 to the Council (2014: \$103,175).

### Other Transactions Involving Related Parties

#### Financial Arrangement – Hamilton Joint Ventures

During the year ended 30 June 2008 the Hamilton Joint Venture agreed to the sale of 10%, (of which the Group's half share amounts to 5%), of a 43.7 hectare block of joint venture land to Mr Andrew Duncan, who ceased employment with the Group during 2012.

During the year ended 30 June 2015, the Group negotiated and settled a partition agreement to purchase the 50% interest in the Hamilton Joint Venture industrial zoned land held by our joint venture partner.

At 30 June 2015 a balance sheet provision (refer Note 16) reflects the Group's 100% share of:

- The difference between the \$2.84 million nominal sale proceeds and the net present value of the sales proceeds, and
- The earned portion of the net present value of incentives to be reimbursed by the Group. The discounted incentives are recognised as earned on a straight-line basis over the period from February 2008 to March 2016 (last year: February 2008 to March 2016).

The terms of the transaction with Mr Duncan are as follows:

- Sale price of \$2.84 million (plus GST if any) with deposits totalling \$0.28 million payable when certain conditions are met and the balance payable on the vendor providing title.
- The Group will pay land development costs of \$0.29 million including payroll taxes
- At 30 June 2015, 2.52 hectares remain to be settled.

There were no other transactions with related parties.

### 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.

## 26. Subsequent Events

### Dividends

On 8 September 2015, the directors of Port Otago Limited declared a final dividend of \$750,000 payable to the Council for the year ended 30 June 2015. Combined with interim dividends totalling \$6,500,000, this brings dividends paid and declared to \$7,250,000 for the full financial year (2014: \$7,100,000).

Dividend revenue of \$8,400,000 reflected in the Council financial statements comprises 2015 interim dividends of \$6,500,000, and the final dividend of \$1,900,000 for the 2014 year received in September 2014.

## 27. Notes to the Cash Flow Statement

### (a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in bank and deposits in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statements is reconciled to the related items in the Statement of Financial Position as follows:

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
<i>Cash and cash equivalents:</i>				
Cash at bank and on hand	4,228	3,911	24,971	4,479
Term deposits with maturities less than 3 months	-	-	-	-
	4,228	3,911	24,971	4,479

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value.

### (b) Reconciliation of Surplus for the Year to Net Cash Flows from Operating Activities

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Surplus/(deficit) for the year	3,261	5,167	47,389	29,891
<i>Add/(less) non-cash items:</i>				
Depreciation and amortisation	1,621	1,281	10,359	8,936
(Gain)/loss on sale of property, plant and equipment	146	100	(358)	142
(Gain)/loss on revaluation of investment property	(100)	(478)	(10,778)	(15,455)
Loss/(gain) on disposal of investment property	-	-	(1,074)	(628)
Net change in fair value of derivative financial instruments	-	(138)	653	(1,803)
Net change in fair value of financial instruments	(919)	(425)	(919)	(425)
Non-current employee entitlements	-	-	187	(400)
Share of surpluses retained by joint ventures	-	-	(324)	(120)
Gain on sale of available for sale investments	-	-	(24,711)	-
Deferred tax	98	103	(155)	(339)
Write-off of property plant and equipment work in progress	57	751	57	751
	4,164	6,361	20,326	20,550
<i>Movement in working capital:</i>				
Trade and other receivables	381	901	1,642	993
Inventories	-	-	(353)	(65)
Other current assets	(73)	91	(73)	81
Trade and other payables	(537)	(886)	834	(873)
Employee entitlements	(286)	86	62	(68)
Income tax	-	-	47	(796)
Movement in working capital items classified as investing activities	(100)	(217)	1,414	53
	(615)	(25)	3,573	(675)
Net cash inflow/(outflow) from operating activities	3,549	6,336	23,899	19,875

## 28. Severance Payments (Council Only)

For the year ended 30 June 2015, the Council made one (2014: one) severance payment of \$10,000 (2014: \$56,250).

## 29. Remuneration (Council Only)

### Employee Staffing Levels

The number of all employees, employed by the Council on the last day of the financial year was as follows:

	Number of Employees 30 June 2015	Number of Employees 30 June 2014
Full-time employees	130	126
Full-time equivalent number of other employees	6.4	8.9

Council regards one full-time equivalent as an employee who works 37.5 hours weekly.

### Employee Remuneration

The following table classifies the number of all employees employed on the last day of the financial year into remuneration bands, calculated as the total annual remuneration (including the value of non-financial benefits) being received as at the last day of the financial year.

Total Annual Remuneration	Number of Employees 30 June 2015	Total Annual Remuneration	Number of Employees 30 June 2014
Less than \$60,000	48	Less than \$60,000	50
\$60,000 to \$79,999	44	\$60,000 to \$79,999	42
\$80,000 to \$99,999	20	\$80,000 to \$99,999	22
\$100,000 to \$119,999	12	\$100,000 to \$119,999	16
\$120,000 to \$139,999	9	\$120,000 to \$179,999	7
\$140,000 to \$239,000	6	\$180,000 to \$279,999	1
\$240,000 to \$299,999	1	-	-
	<b>140</b>		<b>138</b>

### Chief Executive Remuneration

The Chief Executive of the Council, Mr P Bodeker, was appointed under Section 42 of the Local Government Act 2002.

During the year to 30 June 2015, the Chief Executive received salary payments amounting to \$273,505 (2014: \$260,480).

The total cost including fringe benefit tax of the remuneration package received by the Chief Executive during the year to 30 June 2015 is calculated at \$299,240 (2014: \$283,858).

### Elected Representatives' Remuneration

The following table discloses the total annual remuneration (including the value of non-financial benefits) received by or payable to the Chairperson and other Councillors of the Council.

<b>Councillor</b>	<b>Council 2015 \$000</b>	<b>Council 2014 \$000</b>
Stephen Woodhead (Chairperson)	123,533	117,043
Gretchen Robertson (Deputy Chairperson)	62,258	58,911
David Shepherd (Deputy Chairperson until October 2013)	53,789	51,616
Douglas Brown	44,803	41,297
Louise Croot	44,570	45,202
Michael Deaker	44,470	43,955
Gerrard Eckhoff	46,027	41,717
Trevor Kempton	53,364	48,861
Sam Neill	53,364	47,939
Bryan Scott	53,364	50,768
Duncan Butcher	-	13,811
Graeme Bell	45,853	31,106
Gary Kelliher	45,730	30,862
	<b>671,125</b>	<b>623,088</b>

### **30. Explanation of Major Variances from Budget**

Explanation of major variations from Council's estimated figures in the 2014/15 Annual Plan are as follows:

#### **Statement of Comprehensive Revenue and Expenses**

The total comprehensive revenue and expense of \$40,019 million comprises a surplus for the year of \$3,261 million and a revaluation gain of \$36.758 million.

The surplus for the year of \$3.261 million is 1.6% less than the budget of \$3.314 million.

The revaluation gain of \$36.758 million reflects the gain on the revaluation of the Council's shareholding in the Port Otago Limited group at 30 June 2015 and exceeds the amount of the gain provided for in the budget by \$30.582 million.

#### **Statement of Financial Position**

##### **Total Assets**

The amount of total assets at \$565.759 million exceeds the budgeted amount of \$533.328 million by \$32.431 million, primarily due to the valuation of the Council shareholding in Port Otago Limited at 30 June 2015 of \$407.293 million exceeding the budgeted amount of \$374.860 million by \$32.433 million.

Other significant variances are Other Financial Assets at \$52.560 million being up \$9.692 million up on the budget of \$42.869 million, and Property Plant and Equipment at \$83.850 million being down \$9.171 million on the budget of \$93.021 million.

##### **Total Liabilities**

Total liabilities at \$5.604 million are \$1.158 million less than the budgeted amount of \$6.762 million, largely due a decrease in trade and other payables from that budgeted.

##### **Equity**

Public equity and reserves at \$560.155 million exceed the budgeted amount of \$526.566 million by \$33.589 million. The impact of the variances from budget referred to in the above sections of this note relating to the valuation of the Shares in Port Otago Limited is the primary significant factor contributing to the variance in Reserves and equity.



### 31. Financial Instruments

#### Financial Risk Management Objectives

The Council has established a Treasury Management Policy which combines the Local Government Act 2002 requirement for local authorities to adopt a Liability Management Policy and an Investment Policy. These provide a framework for prudent debt management and the management of financial resources in an efficient and effective way.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

#### Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

#### Categories of Financial Instruments

COUNCIL 2015	Loans and Receivables \$000	Fair Value Through Surplus or Deficit – Held for Trading \$000	Fair Value Through Other Comprehensive Revenue and Expense \$000	Financial Liabilities at Amortised Cost \$000	Total \$000
<i>Financial Assets</i>					
Cash and cash equivalents (note 27(a))	4,228	-	-	-	4,228
Trade and other receivables (note 6)	3,458	-	-	-	3,458
Other financial assets (note 9)	34,000	18,560	-	-	52,560
Shares in subsidiary	-	-	407,293	-	407,293
	<b>41,686</b>	<b>18,560</b>	<b>407,293</b>	<b>-</b>	<b>467,539</b>
<i>Financial Liabilities</i>					
Trade and other payables (note 15)	-	-	-	4,252	4,252
Other financial instruments	-	-	-	-	-
Borrowings (secured)	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,252</b>	<b>4,252</b>

COUNCIL 2014	Loans and Receivables \$000	Fair Value Through Surplus or Deficit – Held for Trading \$000	Fair Value Through Other Comprehensive Revenue and Expense \$000	Financial Liabilities at Amortised Cost \$000	Total \$000
<i>Financial Assets</i>					
Cash and cash equivalents (note 27(a))	3,911	-	-	-	3,911
Trade and other receivables (note 6)	3,236	-	-	-	3,236
Other financial assets (note 9)	43,900	8,153	-	-	52,053
Shares in subsidiary	-	-	370,535	-	370,535
	<b>51,047</b>	<b>8,153</b>	<b>370,535</b>	<b>-</b>	<b>429,735</b>
<i>Financial Liabilities</i>					
Trade and other payables (note 15)	-	-	-	4,493	4,493
Other financial instruments	-	-	-	-	-
Borrowings (secured) (note 17)	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,493</b>	<b>4,493</b>

<b>GROUP 2015</b>	<b>Loans and Receivables \$000</b>	<b>Fair Value Through Surplus or Deficit – Held for Trading \$000</b>	<b>Fair Value Through Other Comprehensive Revenue &amp; Expense \$000</b>	<b>Financial Liabilities at Amortised Cost \$000</b>	<b>Total \$000</b>
<i>Financial Assets</i>					
Cash and cash equivalents (note 27(a))	24,971	-	-	-	24,971
Trade and other receivables (note 6)	12,374	-	-	-	12,374
Other financial assets (note 9)	34,000	18,560	-	-	52,560
Finance leases (note 23(d))	344	-	-	-	344
	<b>71,689</b>	<b>18,560</b>	-	-	<b>90,249</b>
<i>Financial Liabilities</i>					
Other financial instruments	-	1,239	-	-	1,239
Trade and other payables (note 15)	-	-	-	11,795	11,795
Borrowings (secured) (note 17)	-	-	-	54,700	54,700
	-	<b>1,239</b>	-	<b>66,495</b>	<b>67,734</b>

<b>GROUP 2014</b>	<b>Loans and Receivables \$000</b>	<b>Fair Value Through Surplus or Deficit – Held for Trading \$000</b>	<b>Fair Value Through Other Comprehensive Revenue &amp; Expense \$000</b>	<b>Financial Liabilities at Amortised Cost \$000</b>	<b>Total \$000</b>
<i>Financial Assets</i>					
Cash and cash equivalents (note 27(a))	4,479	-	-	-	4,479
Trade and other receivables (note 6)	12,962	-	-	-	12,962
Other financial assets (note 9)	43,900	8,153	50,642	-	102,695
Finance leases (note 23(d))	515	-	-	-	515
	<b>61,856</b>	<b>8,153</b>	<b>50,642</b>	-	<b>120,651</b>
<i>Financial Liabilities</i>					
Other financial instruments	-	817	-	-	817
Trade and other payables (note 15)	-	-	-	10,653	10,653
Borrowings (secured) (note 17)	-	-	-	119,582	119,582
	-	<b>817</b>	-	<b>130,235</b>	<b>131,052</b>

## Market Risk

The Group's activities expose it primarily to the financial risks of changes in market prices of other financial assets (principally Managed Funds - Equities and Shares in Listed Companies), foreign currency exchange rates and interest rates.

There has been no change during the year to the group exposure to market risks or the manner in which it manages and measures the risk.

### (a) Currency Risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk in relation to the purchase of certain capital items denominated in foreign currencies. Foreign currency forward purchase contracts are used to manage the Group's exposure to movements in exchange rates on foreign currency denominated liabilities and purchase commitments. The Council is

exposed to currency risk in relation to the investments denominated in foreign currencies forming part of the managed fund portfolio. The policy governing Managed Funds places restrictions on the currencies in which the fund manager may invest, and the amount of exposure to any one currency.

#### Amount of exposure to currency risk

The Group's exposure to foreign currency risk for each class of financial instruments is as follows:

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Managed funds	3,582	1,177	3,582	1,177
	3,582	1,177	3,582	1,177

The only significant sensitivity the group has in relation to changes in foreign currency relates to the Council's Managed funds. The carrying value of investments in equity securities held in AUD, USD and Euro denominated currency may fluctuate with changes in the exchange rate between the New Zealand dollar and the foreign currency.

A favourable movement of 10% in the exchange rates at 30 June 2015 would have the impact of increasing the carrying value of the Managed funds, and the Council surplus, by \$326,000 (2014: \$131,000), and an unfavourable movement of 10% would impact unfavourably to the extent of \$398,000 (2014: \$107,000).

#### (b) Interest Rate Risk

The Council and Group is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the use of floating-to-fixed interest rate swaps contracts. These swaps have the economic effect of converting borrowings from floating rate to fixed rates.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on borrowings. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date.

The Council is also exposed to interest rate risk to the extent that it holds funds on demand, at call or in floating interest rate instruments as part of cash and cash equivalent balances and the managed funds portfolio.

The policy governing management of the managed funds places restrictions on how the funds may be invested, and the amount of exposure to interest rates from funds held at call and on a floating rate basis. Council invests surplus funds with Council approved financial institutions, and holds sufficient funds on call as part of its cash management procedures.

The following table discloses the impact of a movement of plus and minus 100 basis points in interest rates applicable to those instruments.

#### Sensitivity to Interest Rate Risk

GROUP	2015				2014			
	Profit -100bps \$000	Other Equity -100bps \$000	Profit +100bps \$000	Other Equity +100bps \$000	Profit -100bps \$000	Other Equity -100bps \$000	Profit +100bps \$000	Other Equity +100bps \$000
<i>Financial Liabilities</i>								
Borrowings	547	-	(547)	-	1,196	-	(1,196)	-
Derivatives – hedge accounted	-	(229)	-	547	-	(1,105)	-	25
Derivatives – non-hedge accounted	(155)	-	153	-	(386)	-	378	-
<b>Total sensitivity to interest rate risk</b>	<b>392</b>	<b>(229)</b>	<b>(394)</b>	<b>547</b>	<b>810</b>	<b>(1,105)</b>	<b>(818)</b>	<b>25</b>

## Equity Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Group is exposed to equity securities price risk on its investments held in publicly traded securities.

The following information discloses the Group's exposure and sensitivity to equity price risk.

### Exposure to Equity Price Risk

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
<i>Financial Assets</i>				
Other financial assets	6,686	2,647	6,686	53,289
<b>Exposure to equity price risk</b>	<b>6,686</b>	<b>2,647</b>	<b>6,686</b>	<b>53,289</b>

### Sensitivity to Equity Price Risk

COUNCIL	2015				2014			
	-10% Profit \$000	-10% Other Equity \$000	+10% Profit \$000	+10% Other Equity \$000	-10% Profit \$000	-10% Other Equity \$000	+10% Profit \$000	+10% Other Equity \$000
<i>Financial Assets</i>								
Other financial assets	(669)	-	669	-	(265)	-	265	-
<b>Total sensitivity equity price risk</b>	<b>(669)</b>	<b>-</b>	<b>669</b>	<b>-</b>	<b>(265)</b>	<b>-</b>	<b>265</b>	<b>-</b>

GROUP	2015				2014			
	-10% Profit -100bps \$000	-10% Other Equity -100bps \$000	+10% Profit +100bps \$000	+10% Other Equity +100bps \$000	-10% Profit -100bps \$000	-10% Other Equity -100bps \$000	+10% Profit +100bps \$000	+10% Other Equity +100bps \$000
<i>Financial Assets</i>								
Other financial assets	(669)	-	669	-	-	(5,329)	-	(5,329)
<b>Total sensitivity equity price risk</b>	<b>(669)</b>	<b>-</b>	<b>669</b>	<b>-</b>	<b>-</b>	<b>(5,329)</b>	<b>-</b>	<b>(5,329)</b>

The sensitivity analysis shows the impact a movement of plus or minus 10% in the price of equities would have on the fair value of the equities.

## Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

The Council has no significant concentrations of credit risk arising from trade receivables, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Council trade and other receivables mainly arise from the Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings.

The Council Treasury Management Policy details the objectives, policies and restrictions for management of the fund. The policy includes the key objective of capital preservation, placing restrictions on the exposure to credit risk.

The Group is predominantly exposed to credit risk arising from a small number of shipping line and warehouse clients comprising the majority amount of subsidiary trade receivables. Regular monitoring of trade receivables is undertaken to ensure that the credit exposure remains within the Group's normal trading terms of trade.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for impairment, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with credit-ratings assigned by international credit rating agencies.

#### Maximum Exposure to Credit Risk

The Group's maximum exposure for each class of financial instrument is as follows:

	<b>Council 2015 \$000</b>	<b>Council 2014 \$000</b>	<b>Group 2015 \$000</b>	<b>Group 2014 \$000</b>
Cash at bank and term deposits	38,228	47,811	58,971	48,469
Trade and other receivables	3,458	3,236	12,374	12,962
Managed funds (Note 9)	18,560	8,153	18,560	8,153
Finance leases	-	-	344	344
Shares in listed companies	-	-	-	50,642
Shares in subsidiary	407,293	370,535	-	-
	<b>467,539</b>	<b>429,735</b>	<b>90,249</b>	<b>120,570</b>

#### Liquidity Risk Management

Liquidity risk is the risk that the Group will encounter difficulty in raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through adequate committed credit facilities, and the ability to close out market positions.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 17 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

## Contractual Maturity Analysis of Financial Instruments

The following contractual maturity information analyses the Group's financial instruments into the relevant grouping based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate of the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows.

	COUNCIL 2015					COUNCIL 2014				
	Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Ageing of Cash Flows		Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Ageing of Cash Flows	
				Less Than 1 Year \$000	1 Year or Greater \$000				Less Than 1 Year \$000	1 Year or Greater \$000
<b>Financial Assets</b>										
<i>Cash and cash equivalents</i>										
Cash and call deposits	2.40	4,228	4,228	4,228	-	2.97	3,911	3,911	3,911	-
<b>Trade and other receivables</b>	-	3,458	3,458	3,458	-	-	3,236	3,236	3,236	-
<i>Other financial assets</i>										
Term deposits	4.58	34,000	34,679	34,679	-	4.37	43,900	44,583	44,583	-
<i>Managed fund:</i>										
Cash and call deposits	2.40	620	620	620	-	2.97	1,832	1,832	1,832	-
Fixed interest securities	5.68	11,253	13,475	2,306	11,169	5.88	3,470	4,437	800	3,637
Equity securities	-	6,687	6,687	6,687	-	-	2,851	2,851	2,851	-
Other funds	-	-	-	-	-	-	-	-	-	-
<b>Shares in subsidiary</b>		407,293	407,293	-	407,293	-	370,535	370,535	-	370,535
<b>Total financial assets</b>		<b>467,539</b>	<b>470,440</b>	<b>51,978</b>	<b>418,462</b>		<b>429,735</b>	<b>431,385</b>	<b>57,213</b>	<b>374,172</b>
<b>Financial liabilities</b>										
Trade and other payables	-	(4,252)	(4,252)	(4,252)	-	-	(4,493)	(4,493)	(4,493)	-
<b>Total financial liabilities</b>	-	<b>(4,252)</b>	<b>(4,252)</b>	<b>(4,252)</b>	-		<b>(4,493)</b>	<b>(4,493)</b>	<b>(4,493)</b>	-

	GROUP 2015					GROUP 2014				
	Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Ageing of Cash Flows		Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Ageing of Cash Flows	
				Less Than 1 Year \$000	1 Year or Greater \$000				Less Than 1 Year \$000	1 Year or Greater \$000
<b>Financial Assets</b>										
<i>Cash and cash equivalents</i>										
Cash and call deposits	2.40	24,971	24,971	24,971	-	3.25	4,479	4,479	4,479	-
<b>Trade and other receivables</b>	-	12,374	12,374	12,374	-	-	12,962	12,962	12,962	-
<i>Other financial assets</i>										
Shares in listed companies	-	-	-	-	-	-	50,642	50,642	50,642	-
Term deposits	4.58	34,000	34,679	34,679	-	4.37	43,900	44,583	44,583	-
<i>Managed fund:</i>										
Cash and call deposits	2.40	620	620	620	-	3.25	1,832	1,832	1,832	-
Fixed interest securities	5.68	11,253	13,475	2,306	11,169	5.88	3,470	4,437	800	3,637
Equity securities	-	6,687	6,687	6,687	-	-	2,851	2,851	2,851	-
Other funds	-	-	-	-	-	-	203	203	203	-
<i>Other items:</i>										
Property deposit										
Finance leases	10.2	344	374	214	160	12.0	515	588	214	374
Secured advances	-	-	-	-	-	-	-	-	-	-
<b>Total financial assets</b>		<b>90,249</b>	<b>93,180</b>	<b>81,851</b>	<b>11,329</b>	-	<b>120,651</b>	<b>122,374</b>	<b>118,363</b>	<b>4,011</b>
<b>Financial liabilities</b>										
Trade and other payables	-	(11,795)	(11,795)	(11,795)	-	-	(10,653)	(10,653)	(10,653)	-
Secured loans	5.60	(54,700)	(73,515)	(20,227)	(53,288)	5.4	(119,582)	(129,205)	(63,803)	(65,402)
Net settled derivative liabilities	-	(1,239)	(1,388)	(838)	(550)	-	(817)	(715)	(944)	229
<b>Total financial liabilities</b>	-	<b>(67,734)</b>	<b>(86,698)</b>	<b>(32,860)</b>	<b>(53,838)</b>		<b>(131,052)</b>	<b>(140,573)</b>	<b>(75,400)</b>	<b>(65,173)</b>

## Fair Value of Financial Instruments

### ***Fair value measurements recognised in the Statement of Comprehensive Revenue and Expense.***

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	COUNCIL 2015				COUNCIL 2014			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<i>Financial assets at FVTPL:</i>								
Other financial assets	1,580	16,039	940	18,560	2,648	5,302	203	8,153
Shares in subsidiary	-	-	407,293	407,293	-	-	370,535	370,535
	1,580	16,039	408,233	425,853	2,648	5,302	370,738	378,688
<i>Financial liabilities at FVTPL:</i>								
Other financial instruments	-	-	-	-	-	-	-	-

	GROUP 2015				GROUP 2014			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<i>Financial assets at FVTPL:</i>								
Other financial assets	1,580	16,039	940	18,560	2,648	5,302	203	8,153
Shares in listed companies	-	-	-	-	50,642	-	-	50,642
	1,580	16,039	940	18,560	53,290	5,302	203	58,795
<i>Financial liabilities at FVTPL:</i>								
Other financial instruments	-	1,239	-	1,239	-	817	-	817

The following table provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

	Council 2015 \$000	Council 2014 \$000	Group 2015 \$000	Group 2014 \$000
Balance at beginning of year	370,738	361,264	203	-
Purchases	708	203	708	203
Gain/(loss) recognised in surplus/(deficit)	29	-	29	-
Gain/(loss) recognised in other Comprehensive Revenue and Expense	36,758	9,271	-	-
Balance at end of year	408,233	370,738	940	203

The fair values of financial assets and financial liabilities are determined as follows:

- Level 1 – the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Financial assets in this category include managed fund equities and shares in listed companies.



- Level 2 – the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Level 3 – the financial statements include holdings in unlisted shares which are measured at fair value. Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. If the factors applied in the model were higher/lower the carrying amount of the shares would vary accordingly.

### **Significant Assumptions Used in Determining Fair Value of Financial Assets and Financial Liabilities**

#### Shares in subsidiary

The valuation for the shares in Port Otago Limited is a combination of a discounted cashflow and assets approach based on information provided by the entity and investment property valuations. The fair value of the shares in subsidiaries at 30 June 2015 was based on cashflows discounted using a weighted average cost of capital of 7.8% (2014 8.2%), terminal growth rate 2.5% (2014: 2.5%) and discount for lack of marketability 5% (2014: 5%). Sensitivity to WACC – a 0.5% increase(decrease) in WACC would result in a \$22.5m decrease (increase) in fair value.

## **Other Disclosures**

### ***Local Government (Financial Reporting and Prudence) Regulations 2014***

#### **Annual Report Disclosure Statement for year ending 30 June 2015**

##### **Purpose of this statement**

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the **regulations**). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

##### **Rates affordability benchmark**

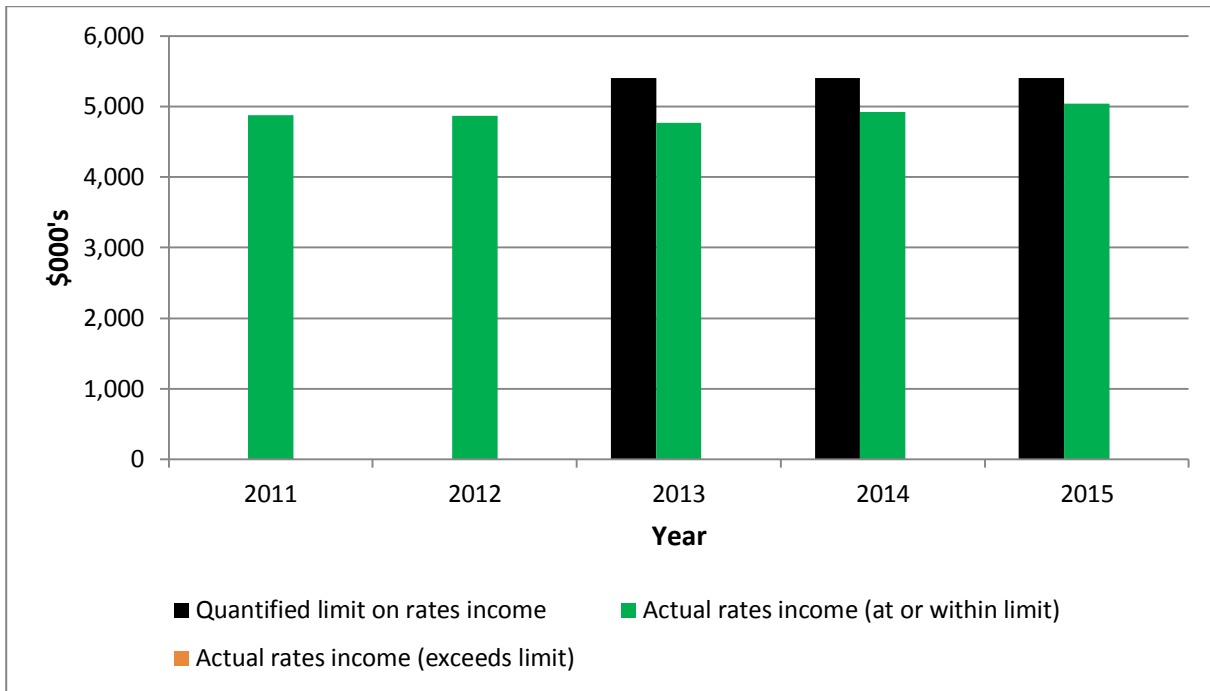
The Council meets the rates affordability benchmark if—

- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

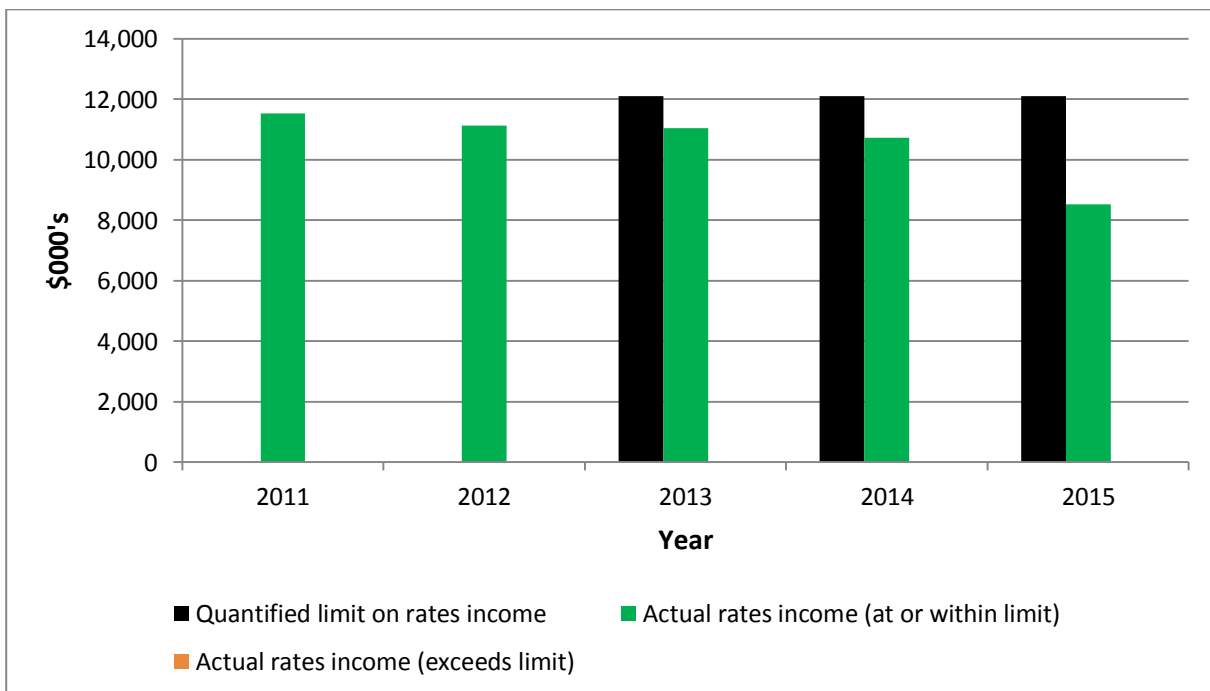
The Council specifies separate quantified limits for general rates and for targeted rates.

**Rates (income) affordability**

The following graph compares the Council's actual general rates income with a quantified limit on general rates contained in the financial strategy included in the Council's Long Term Plan. The quantified limit is \$5,400,000.

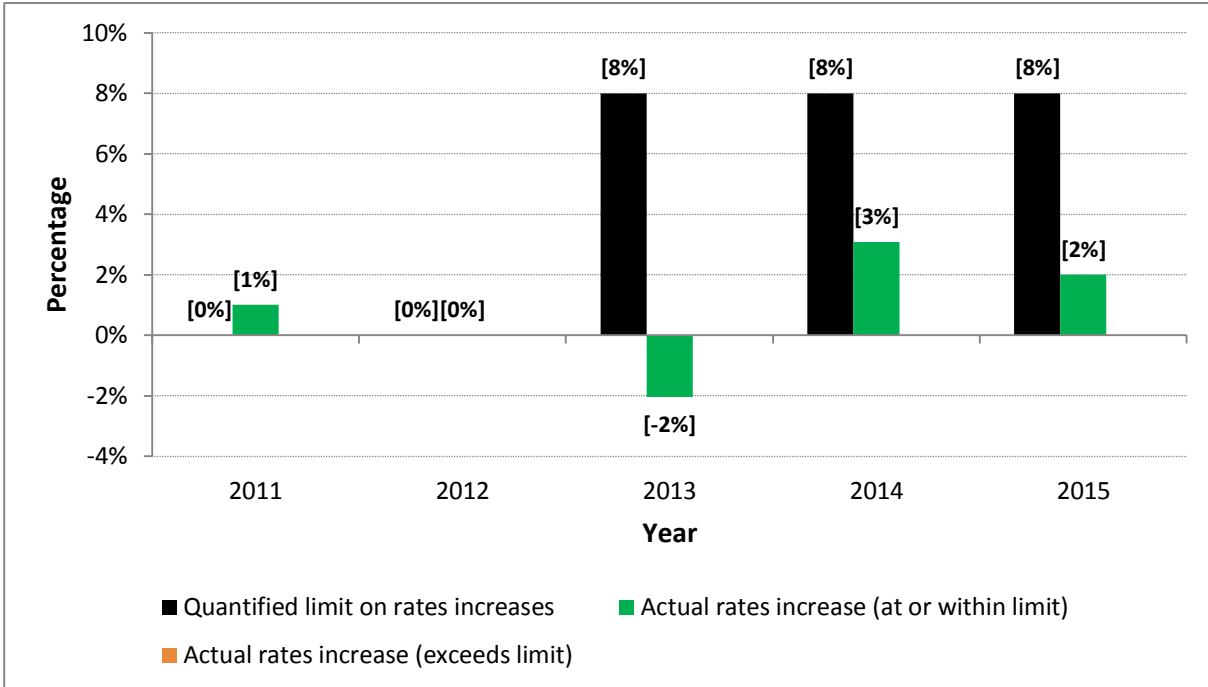


The following graph compares the Council's actual targeted rates income with a quantified limit on targeted rates contained in the financial strategy included in the Council's Long Term Plan. The quantified limit is \$12,100,000.

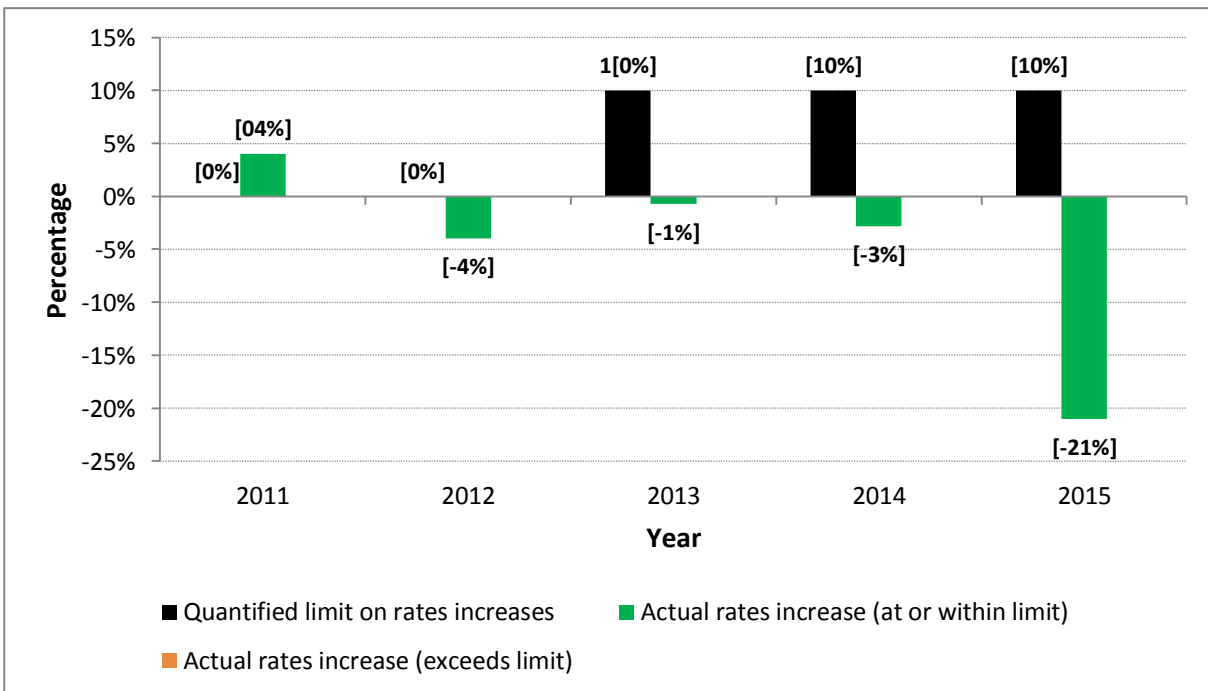


### Rates (increases) affordability

The following graph compares the Council's actual general rates increases with a quantified limit on general rates increases included in the financial strategy included in the Council's Long Term Plan. The quantified limit is an increase of 8% per annum.



The following graph compares the Council's actual targeted rates increases with a quantified limit on targeted rates increases included in the financial strategy included in the Council's Long Term Plan. The quantified limit is an increase of 10% per annum.



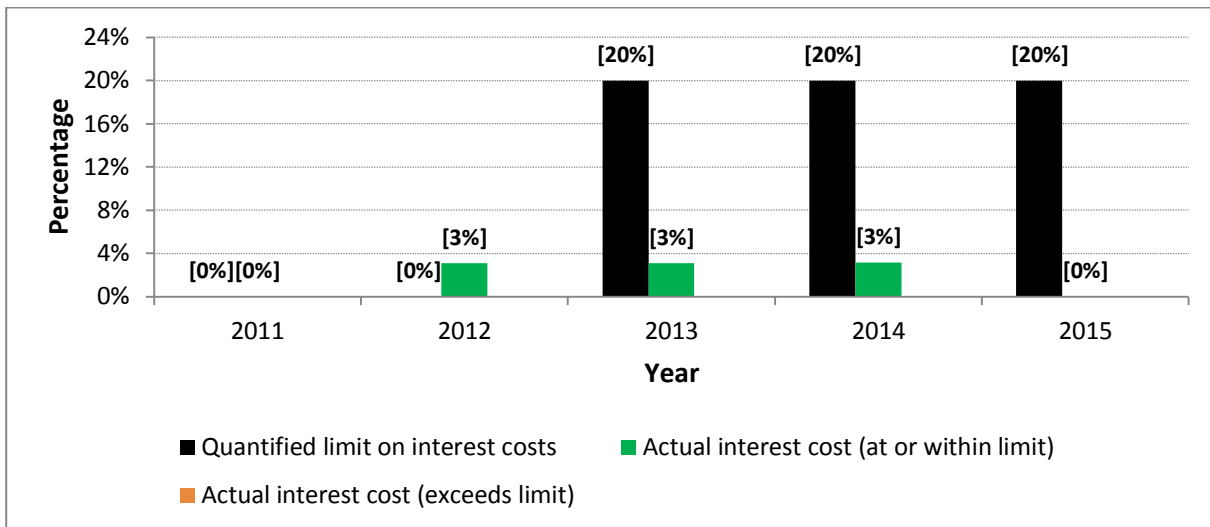
### Debt affordability benchmark

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The Council specifies the quantified limit on borrowing as being the interest cost on borrowing as a percentage of rates income.

The following graph compares the Council’s actual interest costs as a percentage of borrowing with a quantified limit specified in the financial strategy included in the Council’s Long Term Plan.

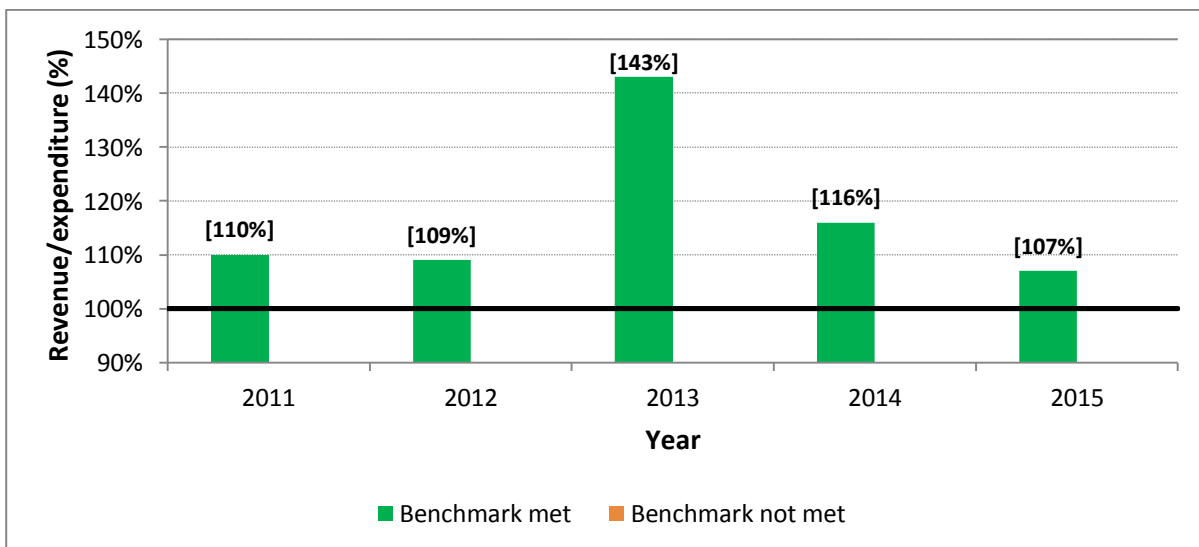
The quantified limit is interest costs being a maximum of 20% of rates income.



### Balanced budget benchmark

The following graph displays the Council’s revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

The Council meets this benchmark if its revenue equals or is greater than its operating expenses.

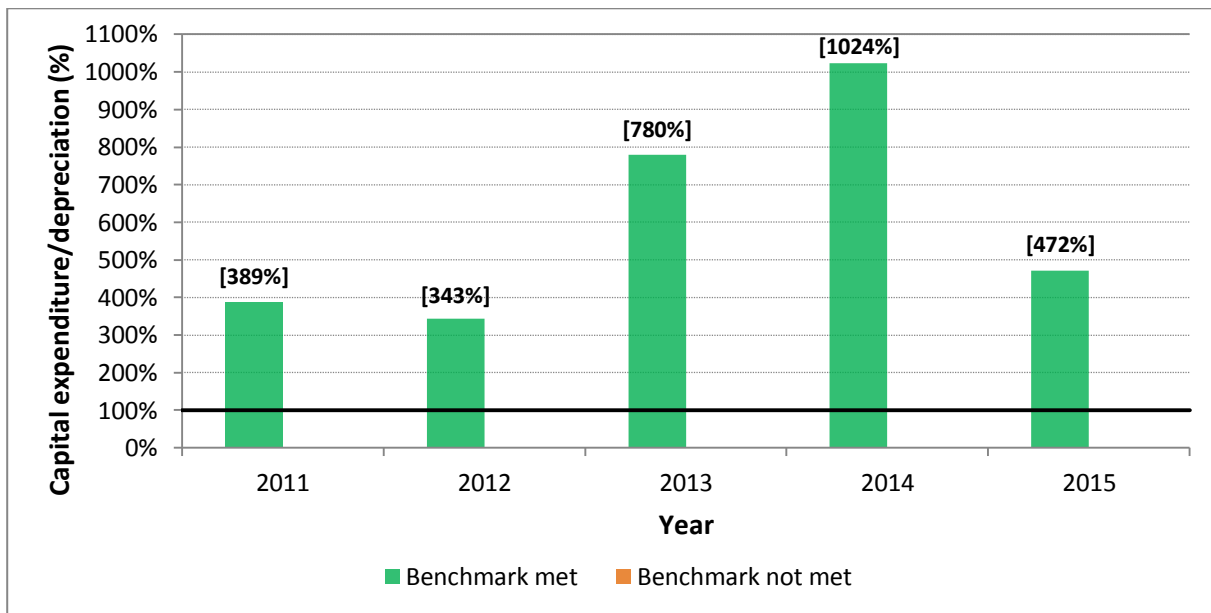


### Essential services benchmark

The following graph displays the Council’s capital expenditure on network services as a proportion of depreciation on network services.

The Council’s network services comprise flood protection and control works.

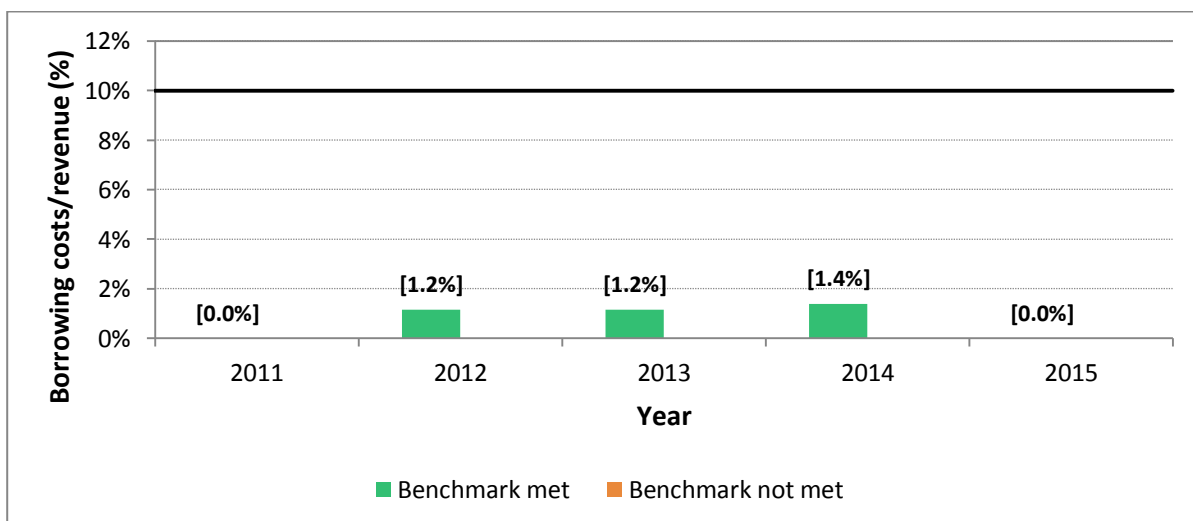
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



### Debt servicing benchmark

The following graph displays the Council’s borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the Council’s population will grow more slowly than the national population growth rate, Council meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.

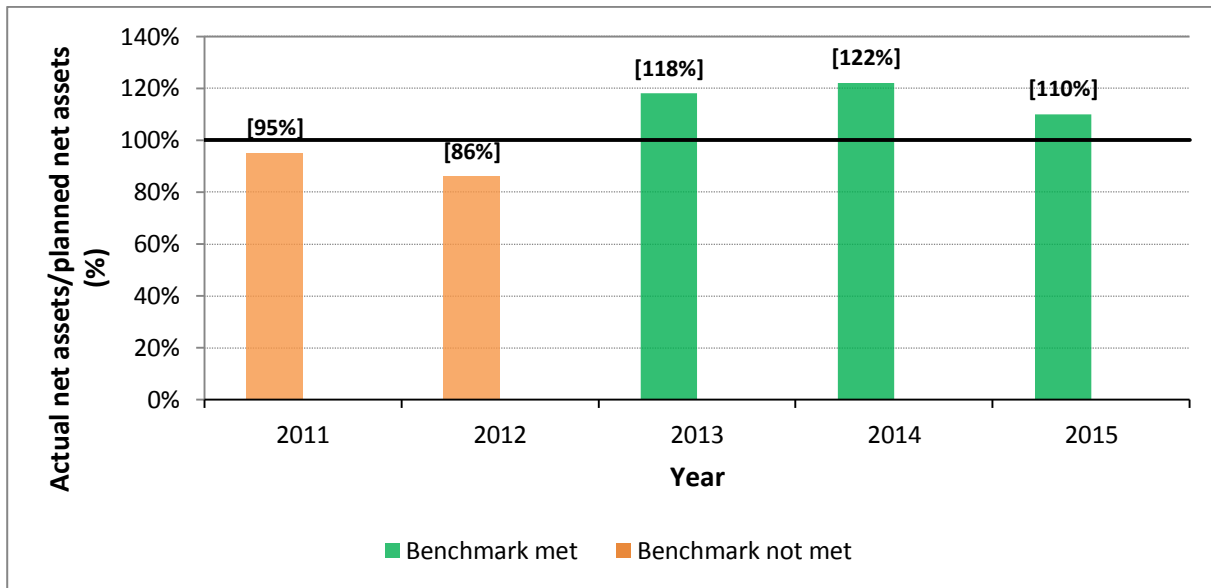


### Debt control benchmark

The following graph displays the Council’s actual net debt as a proportion of planned net debt. In this statement, **net debt** means financial liabilities less financial assets (excluding trade and other receivables).

The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

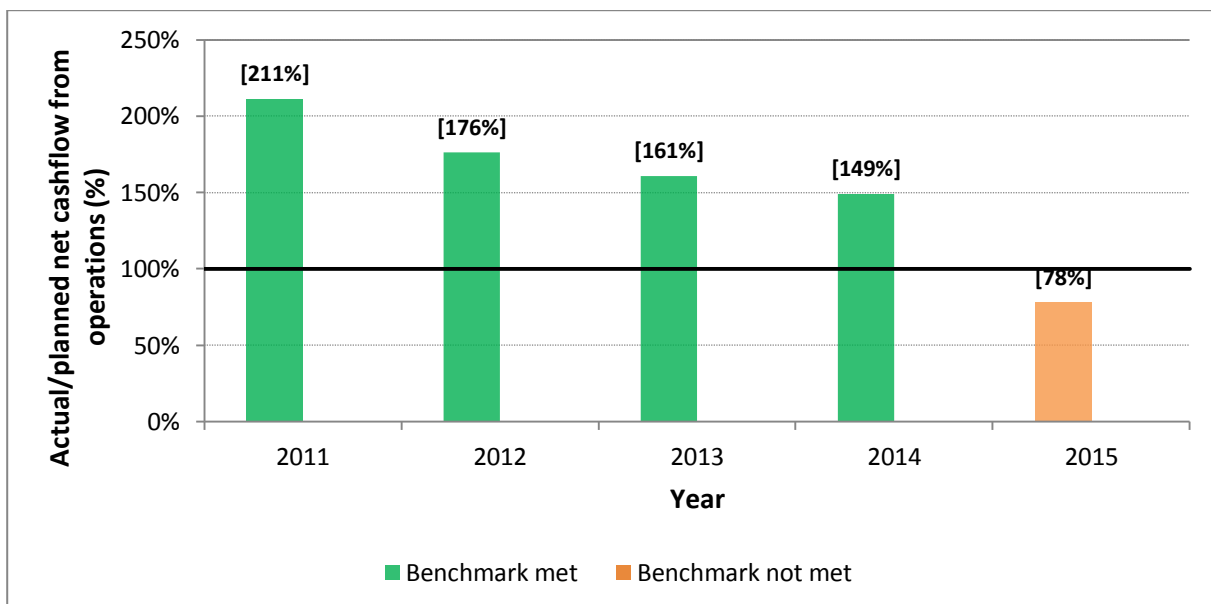
During the period 2010/11 to 2014/15, Council had budgeted net assets rather than net debt. For Council, the debt control benchmark is met if its actual net assets (financial assets/excluding trade and other receivables), less financial liabilities, equals or is more than its planned net assets.



### Operations control benchmark

This graph displays the Council’s actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



## Additional information or comment

### Quantified Limits

The Rates Affordability benchmark and the Debt Affordability benchmark require a comparison of actual performance against quantified limits set in the Council's financial strategy. Quantified limits were not set by the Council for the 2011 and 2012 years. Actual performance only is shown in the graphs for these benchmarks.

### Rates affordability benchmark

The Rates (increases) affordability graph for targeted rates shows a 21% decrease in targeted rates in the 2015 year, due to the decrease in the Forsyth Barr Stadium rate of 21% from the previous year.

### Operations Control benchmark

The Operations Control benchmark graph shows that actual net cash flow from operations was 78% of the planned net cash flow from operations. The planned net cash flow included subsidy income in relation to capital expenditure. Capital expenditure incurred and associated subsidy receipts were less than the level planned, significantly contributing to the lower than planned cash flow from operations. The overall net cash inflow for the year, including investing activities, amounted to \$317,000.

## Rating Base Information

The rating base information in the table below is as at the preceding 30 June to the financial year shown in the table.

Otago Region	Rating Base Information for the year ended 30 June 2015	Rating Base Information For the year ended 30 June 2014
Total number of rating units	112,804	112,171
Total capital value of rating units	\$52,686,265,892	\$51,753,477,942
Total land value of rating units	\$26,739,722,531	\$26,489,676,246

## Insurance of Assets

The total carrying value of all assets of the Council as at 30 June 2015 that are covered by insurance contracts amounts to \$15.600 million (2014: \$16.455 million) and the maximum amount to which they are insured is \$44.344 million (2014: \$42.371 million).

The total value of all assets of the Council as at 30 June 2015 that are self-insured amounts to \$82.282 million (2014: \$79.519 million).

Included in the value of self-insured assets are flood protection and drainage infrastructural assets of \$56.944million (2014: \$52.343 million), land of \$23.794 million (2014: \$25.089 million) and software licences of \$1.553 million (2014: \$1.820 million).

Flood protection and drainage infrastructural assets include floodbanks, protection works and drains and culverts. Assets of this nature are constructions or excavations of natural materials on the land, and have substantially the same characteristics of land, in that they are considered to have unlimited useful lives.

The Council does not maintain separate self-insurance funds, and considers that the level of reserve funds held is sufficient for the purpose of self-insuring assets that are not covered by insurance contracts.

As at 30 June 2015 the Council had not entered into any financial risk sharing arrangement for any assets held (2014: \$nil).

## **Statement of Equal Employment Opportunity**

The Council is committed to the principle of equal opportunity in employment and appointing on merit.

The Council's Equal Opportunity Programme promotes equal opportunity without bias or influence in all practices, from recruitment through to training, development and promotion.

Awareness training is emphasised through induction training for all staff. The guidelines applicable to the recruitment process remind managers of their obligations to be mindful of the EEO Programme when filling vacant positions. Managers have received in-house training in recruitment processes.



# Directory

## Otago Regional Council

<b>Chairperson</b> .....	S Woodhead
<b>Deputy Chairperson</b> .....	G Robertson
<b>Regional Councillors</b> .....	G Bell D Brown L Croot M Deaker G Eckhoff G Kelliher T Kempton S Neill B Scott D Shepherd

## Otago Regional Council Executive Staff

<b>Chief Executive</b> .....	P Bodeker
<b>Director Corporate Services and Chief Financial Officer</b> .....	N Donnelly
<b>Director Policy Planning &amp; Resource Management</b> .....	F McRae
<b>Director Engineering, Hazards &amp; Science</b> .....	G Palmer
<b>Director Environmental Monitoring &amp; Operations</b> .....	J Donaldson
<b>Director Stakeholder Engagement</b> .....	J Leahy

## Otago Regional Council

<b>Bankers</b> .....	Bank of New Zealand
<b>Auditors</b> .....	Deloitte on behalf of the Auditor-General, Wellington
<b>Solicitors</b> .....	Ross Dowling Marquet & Griffin PO Box 1144, Dunedin

## Port Otago Limited

<b>Chairman</b> .....	D Faulkner
<b>Deputy Chairman</b> .....	D R Black
<b>Directors</b> .....	E Johnson J Harvey P Rea
<b>Chief Executive</b> .....	G P Plunket

# Office & Depot Locations & Contact Telephone Numbers

## Principal Office

Regional House, 70 Stafford Street, Private Bag 1954, Dunedin  
Website: [www.orc.govt.nz](http://www.orc.govt.nz)

Ph: (03) 474 0827 Fax: (03) 479 0015 Pollution hotline (0800) 800 033  
Toll free phone: (0800) 474 082

## Regional Offices & Depots

### Alexandra Office

William Fraser Building  
Dunorling Street, PO Box 44  
Alexandra  
Ph: (03) 448 8063 Fax: (03) 448 6112

### Queenstown Office

"The Station"  
Cnr Camp & Shotover Streets, PO Box 958  
Queenstown  
Ph: (03) 442 5681 Fax: (03) 442 5682

### Balclutha Depot

Hasborough Place,  
Balclutha  
Ph: (03) 418 2031 Fax: (03) 418 2031

### Cromwell Depot

14 Rogers Street  
Cromwell  
Ph: (03) 445 0122

### Oamaru Depot

32 Ribble Street  
Oamaru  
Ph: 0800 474 082

### Palmerston Depot

54 Tiverton Street  
Palmerston  
Ph: 0800 474 082

### Taieri Depot

172 Dukes Road North  
East Taieri  
Ph: (03) 474 0827

### Wanaka Depot

185 Riverbank Road  
Wanaka  
Ph: 0800 474 082

## Independent Auditor's Report

### TO THE READERS OF OTAGO REGIONAL COUNCIL AND GROUP'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

The Auditor-General is the auditor of Otago Regional Council (the Regional Council) and group. The Auditor-General has appointed me, B E Tomkins, using the staff and resources of Deloitte to audit:

- the financial statements of the Regional Council and group that comprise:
  - the statement of financial position as at 30 June 2015 on page 78;
  - the statement of comprehensive revenue and expense on page 77, statement of changes in equity on pages 79 to 80 and cash flow statement on page 81 for the year ending 30 June 2015;
  - the funding impact statement of the Regional Council on page 73;
  - the statements about budgeted and actual capital expenditure in relation to each group of activities of the Regional Council on pages 21 to 72; and
  - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 82 to 136;
- the statement of service provision referred to as Service Statements of the Regional Council on pages 13 to 72 and the funding impact statements in relation to each group of activities of the Regional Council on pages 21 to 72; and
- the disclosures of the Regional Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 136 to 142.

In addition, the Auditor-General has appointed me to report on whether the Regional Council and group's annual report complies with the *Other Requirements* of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
  - internal borrowing on page 74;
  - reserve funds on pages 114 to 119;
  - each group of activities carried out by the Regional Council on pages 12 to 72;
  - remuneration paid to the elected members and certain employees of the Regional Council on pages 126 to 127;
  - employee staffing levels and remuneration on page 126;
  - severance payments on page 126;
  - rating base units on page 142; and
  - insurance of assets on page 142;

- a report on the activities undertaken by the Regional Council and group to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 10; and
- a statement of compliance signed by the chairperson of the Council, and by the Regional Council and group's chief executive on page 9; and

## Opinion

### ***Audited information***

In our opinion:

- the financial statements of the Regional Council and group on pages 73 to 136:
  - present fairly, in all material respects:
    - the Regional Council and group's financial position as at 30 June 2015;
    - the results of its operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand.
- the funding impact statement of the Regional Council on page 73, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the Regional Council on pages 21-72, presents fairly, in all material respects, by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the Regional Council's long-term plan or annual plan.
- the Service Statements of the Regional Council on pages 13 to 72:
  - present fairly, in all material respects, the Regional Council's levels of service for the year ended 30 June 2015, including:
    - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
    - the reasons for any significant variances between the actual service and the expected service.
  - comply with generally accepted accounting practice in New Zealand; and
- the funding impact statements in relation to each group of activities of the Regional Council on pages 21 to 72, present fairly, in all material respects, by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's long-term plan.
- the disclosures on pages 136 to 142 represent a complete list of required disclosures and accurately reflects the information drawn from Regional Council's audited information.

## ***Compliance with the other requirements of schedule 10***

The Regional Council and group's annual report complies with the *Other Requirements* of schedule 10 that are applicable to the annual report.

Our audit was completed on 16 September 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

## **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and Service Statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Regional Council and group's preparation of the information we audited in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Regional Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of the disclosures in the information we audited;
- determining the appropriateness of the reported Service Statements within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the *Other Requirements* of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*. As a result we do not express an audit opinion on the Regional Council's compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate evidence to provide a basis for our opinion.

## Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and Service Statements that:
  - comply with generally accepted accounting practice in New Zealand;
  - present fairly the Regional Council and group's financial position, financial performance and cash flows;
  - present fairly its service performance, including achievements compared to forecast;
- a funding impact statement that presents fairly the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan;
- funding impact statements in relation to each group of activities that presents fairly by each group of activities the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's long-term plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that presents fairly by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the Regional Council's long-term plan or annual plan;
- disclosures in accordance with the requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

The Council's responsibilities arise under the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

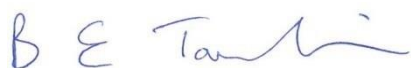
## Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and whether the Council has complied with the *Other Requirements* of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001.

## Independence

When carrying out this audit, which includes our report on the *Other Requirements*, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to this audit, which includes our report on the *Other Requirements*, we have carried out other assurance services and assignments in the areas of conducting and audit of the Regional Council's 2015-2025 Long Term Plan and tax and advisory services which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Regional Council or any of its subsidiaries.



B E Tomkins  
Deloitte  
On behalf of the Auditor-General  
Dunedin, New Zealand