

Annual Report

For the Period

1 July 2015 to 30 June 2016

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Vision Statement, Goals and Measurements

VISION: For our Future - A prosperous and sustainable future for Otago.

Goal One

To achieve:
Active resource stewardship

Measurement

Optimal water use – efficiency, irrigation

Sustainable land use and water quality

Ethical mineral use

Evidence-based decision making

Effective enforcement of plans, consents and rules

Goal Two

To achieve:
Active regional partnerships

Measurement

Active and regular engagement with stakeholders

A well connected ORC working closely with stakeholders and partners

Strong connections with the Territorial Local Authorities and Ngai Tahu in the region

Partnerships and common projects with nearby regions, e.g. Southland, West Coast and Canterbury

Goal Three

To achieve:
Realisation of new opportunities

Measurement

An active programme of enablement by ORC around new resource opportunities

Active interest of private sector parties in opportunities in the region

Active collaboration with regional TLAs and Ngai Tahu on opportunity identification and advancement

Goal Four

To achieve:
The emergence of a “Brand Otago”

Measurement

A growing distinctiveness associated with Otago both domestically and internationally

Association in the public mind of Otago with quality – products, experiences, lifestyle, etc

Ultimately, that premium value is attached to things “Otago”



Cr Stephen Woodhead
Chairperson

Overview from the Chairman and Chief Executive



Peter Bodeker
Chief Executive

It is with pleasure that we bring to you the Otago Regional Council's Annual Report for the year ended 30 June 2016. In this report we bring to you some of the highlights and significant events of the year.

Water

Over many years we have discussed with you the work we have been doing on water quality and the availability of water. This year is no exception, as we work towards achieving significant targets in both water quality and quantity.

Raising awareness of the rural water quality provisions in our Water Plan has been a priority. These provisions set out the level of water quality that we want to have in our rivers, lakes and groundwater, and we have a target to meet those levels of water quality in 2025. We also have rules which come into effect in 2020 that limit the level of contaminants that may enter waterways from land use discharges.

We alone cannot achieve these targets. We can only engage, educate, monitor, and encourage those in our community whose activities can have a direct impact on the quality of our waterways. From a survey undertaken, we know that 91% of landholders are aware of our water quality provisions, and that is great. We do however need to ensure that awareness includes understanding. We need to ensure that landholders understand their responsibilities for water quality, how their activities may impact on water quality, and what the quality of water coming off their farms and entering waterways actually is. We have been working with our rural communities, stakeholder groups such as Dairy NZ, Federated Farmers, Beef and Lamb, and the forestry industry, to get key messages out about water quality, options and best practice, so that together we can achieve the limits for the level of contaminants discharged, and ultimately achieve the water quality that we want in Otago.

When it comes to water allocation, we want to ensure that we get the balance right between the amount of water people are allowed to take for irrigation and other purposes, and protecting the aquatic habitats and natural character of our rivers. We have continued our programme of work for setting minimum flows for certain rivers around Otago, including the Lindis, Clutha, Cardrona and Manuherikia.

We have also been working with those who hold mining privileges, as they will need to replace them with resource consents to take water, before they expire in 2021. We are encouraging those with mining privileges to form groups where practicable, and seeking group resource consents to take water, as there will be many efficiencies to be gained, resulting in more sustainable water use. Our work includes producing a Water User's Manual and video, writing to all mining privilege holders, and holding meetings including with groups of affected landholders, rural professionals, stakeholders and lawyers.

South Dunedin

In recent months there has been a lot of attention given to South Dunedin, and the natural hazard risk facing this area. The predominant risk is an increased likelihood of surface flooding associated with sea level rise. This is because South Dunedin was built on reclaimed land from a coastal wetland, and many homes lie less than 50cm above sea level. This area is home to around 10,000 people and has a number of schools and other infrastructure important to our city.

In July 2016 we released a report "Natural Hazards of South Dunedin" which provided information and analysis gathered over the past seven years, and we continue to undertake groundwater and sea level monitoring. We have established a programme of community engagement activities to provide information to the community about the risks, the changing nature of the environment, and the need to plan for further change. We are working closely with the Dunedin City Council, ensuring the provision of good information so that residents and civic leaders can make informed decisions about the future of this area.

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. We took a review of the original RPS, and developed a draft new RPS which was publicly notified in May 2015. Submissions closed on 25 July, and 156 submissions were received. A "Summary of Decisions Requested" was notified in September 2015, and 42 further submissions were received. Hearings of submissions were completed during the year and deliberations concluded. Considerable work has gone into this process, and we thank everyone who has contributed to this most valuable process. We are pleased to note that recommendations on the final RPS will be made to Council in September 2016, and decisions released in October 2016. We will make the RPS operative as soon as possible, but this will depend on whether or not any appeals are received on the decisions made.

Pest animals and pest plants

This year we had the unfortunate situation where Velvet Leaf was found on South Island properties. Velvet leaf is a serious broad leafed weed. It is prolific and once established, hard to control. It is dominant over other vegetation, as it grows to 2.5 meters high. We were contracted by the Ministry of Primary Industries to work with them to establish how widespread the problem was in Otago, and to contain and remove this invasive weed. This work went well, with properties identified and plants removed. Awareness and workshop programmes have also been run, so that farmers will be aware of land management and surveillance options for the upcoming planting and growing seasons, as it is likely that not all plants were identified and removed.

Wallabies have also become an issue in Otago, with a number of reported sightings during the year. The impact these animals have on the rural economy and local biodiversity is significant. We are working on this problem, and to date, our work has included carrying out a targeted awareness campaign, designed to encourage reporting sightings and confirmed kills. Several staff attended a wallaby training day with Environment Canterbury where they were educated about wallaby sign, habitat and behaviour, and bait stations have been installed at a number of locations. We will continue our work to deal with this problem, with help from the community.

Given the numbers of wallabies in our region, we are concerned that these will almost certainly be the result of illegal releases. We note that anyone caught releasing wallaby will likely face prosecution, which is allowable under the Biosecurity Act.

Leith flood protection scheme

The construction of the Leith flood protection scheme continued during the year. Construction works for the Dundas Street to St David Street section was completed, and landscaping works for this area will be completed in the 2016/17 year. Investigations have commenced for the Union street to Leith Street section, and at Dundas Street bridge.

Public passenger transport

During the year, we commenced a three year project to construct a central bus hub in Dunedin. A consultant has been engaged, and design work has commenced. We had also planned to implement a national electronic bus ticketing system during the year, in conjunction with New Zealand Transport Agency and other local government public transport providers. Unfortunately delays in purchasing a national ticketing system have meant that we were unable to progress our own implementation project.

The implementation of PTOM (New Zealand Transport Agency's public transport operating model) in Dunedin continued during the year. In 2014, we reviewed our Regional Passenger Transport Plan (RPTP), and we are now progressively rolling out a new Dunedin network under PTOM contracts in accordance with the RPTP. The first of five contracting units commenced on 1 July 2015, and the second contracting unit commenced on 15 August 2016. The remaining three units will be rolled out in future years.

In addition to the work in Dunedin, we are progressing a review of the Wakatipu network to define the PTOM framework for this area.

Other activities

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

- commencing work on an Air Strategy for Otago, including completing an international stock take of existing and emerging heating technologies, and investigating geo-engineering options for improving air quality in some areas of poorer quality;

- 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;
- providing information through our web site, video's, brochures, and social media etc.;
- processing consent applications (approximately 525 applications were received 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
- responding to environmental incidents (approximately 1,400 received during the year).

Financial position

The Council's reported operating result for the year ended 30 June 2016 is a surplus of \$1.869 million compared to a budgeted deficit of \$2.383 million. Reasons for the actual surplus achieved include:

- Procurement of the national electronic ticketing system and commencing the development of the bus hub has been delayed, resulting in an under spend of approximately \$1.8 million. Note is made that the bus hub is a three year project and the under expenditure is a matter of timing.
- Other gains relating to the fair value of assets held (unrealised gains) were approximately \$1.6 million greater than that budgeted.

Total equity in the Council as at 30 June 2016 was \$573 million compared to \$560 million at 30 June 2015. The difference in equity relates to the surplus of \$1.8 million and to a revaluation of Council's shares held in Port Otago Limited. These shares were revalued by \$10.9 million this year, bringing the valuation of the shares to \$418 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

Development of Maori Capacity to Contribute to Decision Making

Council has in place a “Memorandum of Understanding and Protocol between Otago Regional Council, Te Rūnanga o Ngāi Tahu and Kāi Tahu ki Otago for Effective Consultation and Liaison”. The memorandum and protocol were first established in 2001, and are reviewed and updated as appropriate.

Te Rūnanga o Ngāi Tahu is the tribal representative body of Ngāi Tahu Whānui, a body corporate established 24 April 1996. The takiwā (area) of Ngāi Tahu Whānui includes the entire area of Otago Region.

It is the acknowledged practice of Te Rūnanga o Ngāi Tahu that consultation in the first instance is with the Papatipu Rūnanga. In the Otago Region there are four Papatipu Rūnanga being:

- Te Rūnanga Moeraki;
- Kati Huirapa Rūnanga ki Puketeraki;
- Te Rūnanga o Ōtākou; and
- Hokonui Rūnaka.

Council has statutory responsibilities to consult with Iwi and Maori on relevant management issues in the region and to take into account the principles of the Treaty of Waitangi. These obligations are primarily under the RMA 1991, the Ngāi Tahu Claims Settlement Act 1998, the Ngāi Tahu Claims Settlement (Resource Management Consent Notification) Regulations 1999, the Biosecurity Act 1993, and the Local Government Act 2002.

Consultation is required on the development, review and implementation of the Council’s regulatory plans, policies and strategies under the LGA, RMA and Biosecurity Act. For such plans, policies and strategies, consultation and building of knowledge is mutually supported and facilitated through specific consultancy agreements between the Council and Kāi Tahu ki Otago Limited.

Meetings are held each year with representatives from the four Papatipu Rūnanga, Te Rūnanga o Ngāi Tahu, and Te Ao Marama, and discussions include Council’s work programmes and plans.

Consent approvals and other regulatory permissions, wherever required by statute or plans, when impacting Iwi / Maori interests and understandings, will involve consultation with Iwi / Maori.

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 2016 have been incorporated into the Group results included within these financial statements.

Introduction to Service & Financial Statements

The financial statements on pages 48 to 112 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 11 to 47. 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 first year of the 2015-25 Long Term 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.

Significant Activities

Environment

Water

Water is a precious resource in Otago. The quality of our water and its availability are critical to our way of life.

Our Regional Plan: Water sets out policies and rules that aim to protect both the quality and availability of water in our aquifers, rivers, lakes and wetlands.

Water Quality

For water quality we do not set out rules on how land use activities should be undertaken, but we do have rules around what level of contaminants may be discharged into our waterways. In other words, we are not interested in controlling land use activities by issuing resource consents, but we are concerned about how the discharges from land will impact water quality.

We are currently in a transition phase for meeting the water quality standards set out in Schedule 15 and 16 of our Regional Plan: Water which came into effect on 1 May 2014.

Landholders need to ensure that their discharges from land to water do not exceed the maximum discharge thresholds by 2020. This requires a change in behaviour and current land use practices primarily by our rural community.

We have a project in place to assist with this transition. It includes a programme of education and liaison with the community and key stakeholders, and undertaking science and monitoring work.

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

The availability of water and its allocation for irrigation is a major issue, especially in times of drought. In the Regional Plan: Water we have set limits on how low the flow of certain rivers may get (minimum flows), whilst still protecting the aquatic habitats and natural character of the rivers. Economic, cultural and social values are taken into consideration when setting minimum flows, and these flows determine the amount of water that may be available for use.

During the year our work has continued on developing minimum flows for a number of rivers, and allocation levels for various aquifers. This programme of work will continue through to 2017/18.

Resource consents allow landholders to take water within agreed limits. Mining privileges will expire in 2021, which means that those landholders with mining privileges will need to obtain resource consent if they wish to continue taking water.

There are approximately 450 mining privileges currently issued in Otago. Our Regional Plan: Water has provisions to assist transitioning these from mining privileges to resource consents, through the formation of groups. Group management of our water resource will help achieve efficient and sustainable water use.

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.

Water Quality

Level of service – Maintain or improve water quality	Achievement
Measure – State of the Environment monitoring.	
Performance target – Water quality that meets thresholds set out in the Regional Plan: Water continues to be met.	

Target mostly met. Water quality thresholds for surface and groundwater have been set in Schedule 15 of the Regional Plan: Water.

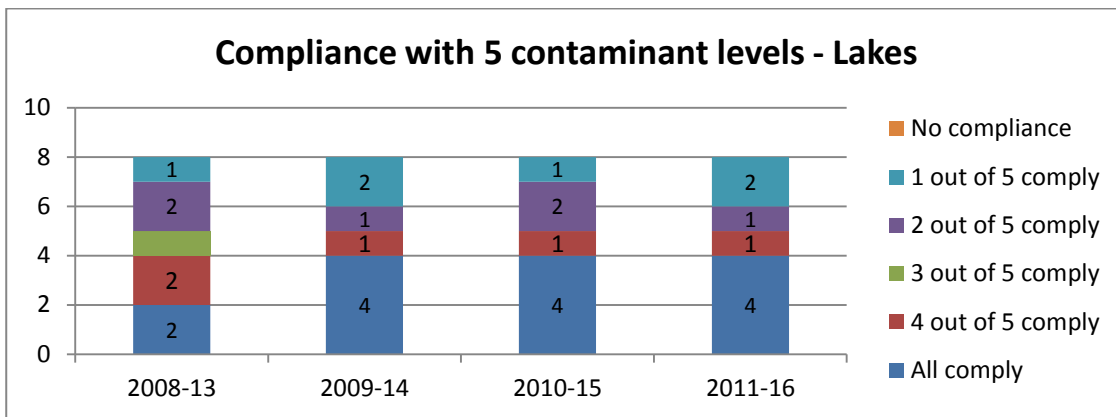
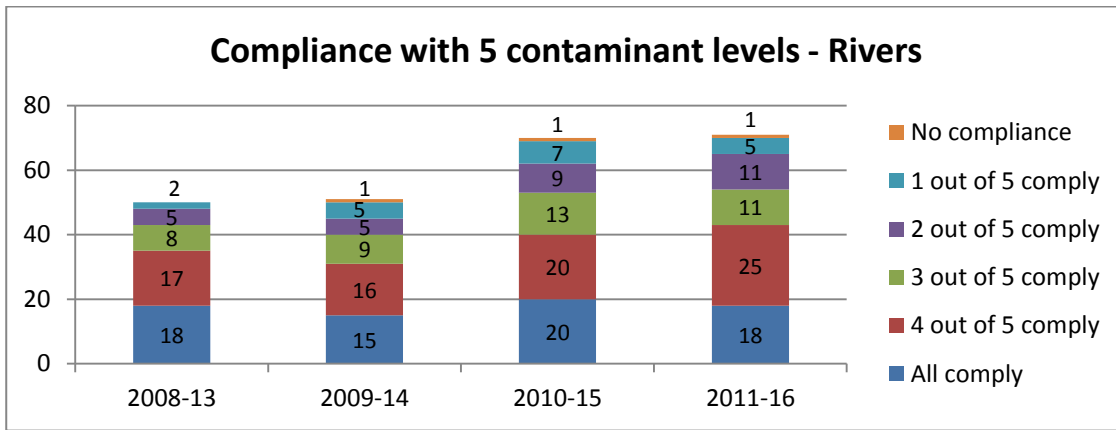
The contaminants measured for rivers are:

- Nitrite-nitrate nitrogen
- Dissolved reactive phosphorous
- Ammoniacal nitrogen
- Ecoli
- Turbidity

The contaminants measured for lakes are:

- Total nitrogen
- Total phosphorous
- Ammoniacal nitrogen
- Ecoli
- Turbidity

For rivers, water quality is measured as a five year 80th percentile (when flow is at median or below median flow), and lakes are measured as a five year 80th percentile, at State of Environment monitoring sites. The results from our monitoring are shown below.

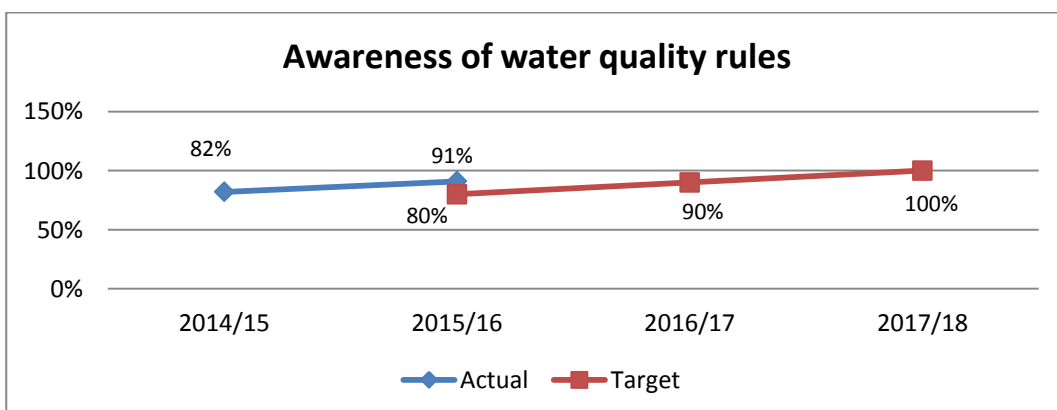


In 2014/15, 70 river sites were monitored. Of those sites, 59 have remained in the same category of contaminant levels, five have improved, and six have degraded one grade.

Of the eight lake sites monitored, seven sites have remained in the same category, and one site has degraded one grade. A report “Water quality and ecosystem health in Otago” can be found on our website, providing details of the sites monitored.


Level of service – Maintain or improve water quality	Achievement
Measure – Awareness survey.	
Performance target – Landholder awareness of Regional Plan: Water rules at 80% in 2015/16, increasing to 100% by 2017/18.	

Target met. An awareness survey was undertaken in the last reporting period, and results are shown below.

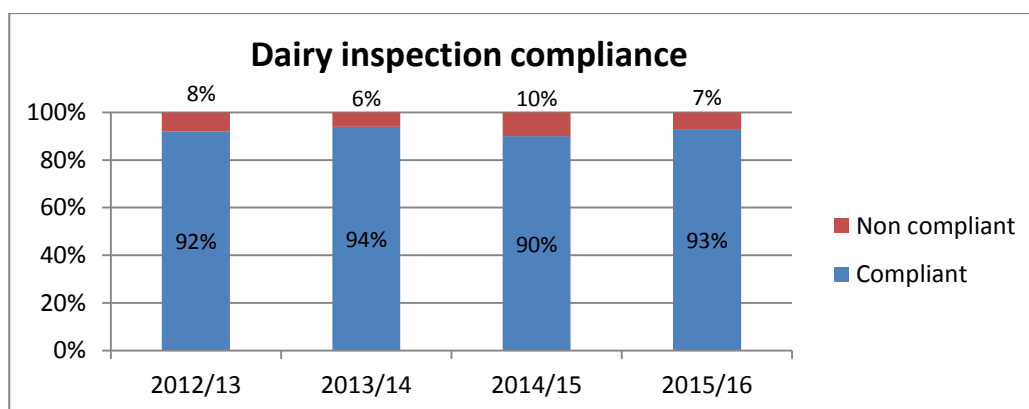


Activities undertaken to promote awareness of the rules included:

- Regular contact with stakeholders including Dairy NZ, Federated Farmers, Otago Contractors Federation, Kakanui catchment steering group, beef and lamb industry, and NZ Landcare Trust.
- Participation in field days and working groups including NOIC and WIC group meetings, working with contractors who work in waterways, and working with forestry contractors.
- Completion of fact sheet “What is a River”.

Level of service – Maintain or improve water quality	Achieved?
Measure – Dairy inspection and other farm monitoring.	
Performance target – 100% compliance with prohibited activity rules in the Regional Plan: Water.	

Target not met. 373 dairy inspections were undertaken (out of approximately 450). Compliance results compared to previous years are as follows:




Work is underway on the non-compliant dairy farms, and where appropriate, enforcement action is being undertaken. To date, enforcement involves two prosecutions, and issuing 13 infringement notices.

Other farm monitoring has included flyovers of winter crops, and some farm forestry monitoring. Some non-compliance was identified, such as stock pugging, and follow up work has been undertaken.


Other initiatives undertaken to promote water quality include:

- Reports on the health of the Kakanui Estuary and the Cardrona catchment, were completed.
- Schedule 16 monitoring has been undertaken to increase knowledge of the relationship between land use types and practices and the water quality in particular areas.
- A liaison group with commercial farm foresters has been established.
- A forestry forum was held with 90 people in attendance.
- Working with the dairy industry on a dairy effluent plan.
- Water quality data collection is in progress for the Waiwera catchment, and completed for the Washpool and Crookston Burn. This data will inform compliance with water quality thresholds.
- Work has commenced on the development of comprehensive Water Quality Strategy focussing on non-rural water quality contaminants. This is a two year project.

Water Quantity

Level of service – Water is managed to meet the needs of the Otago community	Achievement
Measure – Sustainable environmental flows and allocation limits set on rivers and streams.	
Performance target – No violation of minimum flows due to abstraction at any site as set out in the Regional Plan: Water.	

Target not met. During the period there were 204 breaches of minimum flow conditions. All but one of these was minor and related to water takes for stock and domestic use, which is allowable. A formal warning was issued for a significant breach of a minimum flow in the Shag River.

Level of service - Water is managed to meet the needs of the Otago community	Achievement
Measure – Sustainable environmental flows and allocation limits set on groundwater resources.	
Performance target – No violation of groundwater minimum levels and allocation limits due to abstraction at any site as set out in the Regional Plan: Water.	

Target met. There were no violations of groundwater minimum levels and allocation limits during the year. The Momona bore went into 25% restriction level and all consent holders were advised of this in writing.

Specific areas of work

1. Commence and complete plan changes for minimum flows, allocation regimes and aquifer regimes.

Work on plan changes for minimum flow and aquifer regimes are planned for the Clutha River/Mata Au, Lindis, Cardrona, Manuherikia and Hawea this financial year.

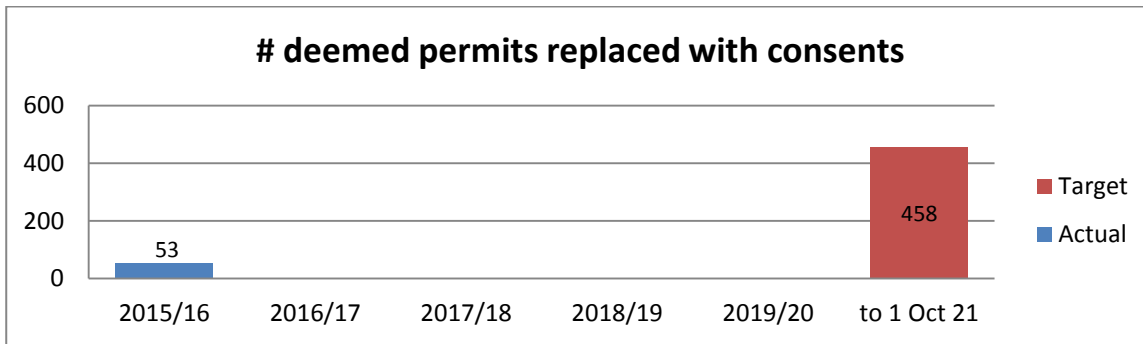
- Clutha – science work is underway. NIWA hydraulic modelling is near completion.
- Lindis – submissions closed 4 September 2015 and hearings commenced on 31 March 2016. Commissioner’s recommendations will be presented to Council in August 2016.
- Cardrona – pre feasibility work has been completed. Further consultation with the community is to be undertaken.
- Manuherikia – IFIM is close to completion. Consultation to commence in August 2016.
- Hawea – science assessment is underway.

2. Provide technical and funding support for community led investigations of infrastructure for bulk rural water.

Funding support of approximately \$142,000 was provided to the Manuherikia group for feasibility studies for an irrigation scheme, and \$17,500 to the Strath Taieri irrigation scheme.

Other initiatives undertaken to manage water quantity include:

- A Water User’s Manual has been published, a video has been produced, waterlines brochures published, and letters have been sent to all permit holders.
- Meetings were held with 15 priority groups, rural professionals, stakeholders, developers and lawyers, including Strath Taieri, Lowburn and the Pig Burn areas.
- Priority and non-priority catchments have been identified and progress of groups is being tracked.
- Ecological and flow information is being provided to groups and individuals as requested.
- Work is continuing on encouraging the replacement of deemed permits, which expire in 2021, into consents, and supporting group formations. Results to date are as follows:



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 PM₁₀ of 50 micrograms per cubic metre of air. PM₁₀ 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 exceedances per year of the PM₁₀ standard by 2016, and full compliance (no more than one exceedance per year) by 2020. We are responsible for ensuring compliance with the NESAQ. Under the RMA we are also responsible for controlling the discharge of contaminants to air and our Regional Plan: Air sets out rules for this.

Air monitors have been installed in selected Otago towns, so that we can measure air quality. Alexandra, Arrowtown, Clyde and Cromwell, record the poorest air quality in Otago, and Milton is also showing evidence of unacceptable levels of particulate pollution.

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 PM₁₀ in most areas of Otago, with industry playing a role in Central Dunedin and Mosgiel.

During winter, PM₁₀ concentrations regularly rise to high levels in Central Otago towns and Milton, leading to numerous exceedances 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.

Research has shown that in some parts of Otago, even with the use of the most compliant of wood burners, we will still not meet the air quality standards. Further, Council is of the view that clean air should not be achieved at the expense of warm homes. We therefore need to find new solutions that will ensure people have warm homes while achieving clean air, and we plan to invest in further research on this. Our 2015-25 Long Term Plan also includes the development of an Air Strategy for Otago to assist in dealing with this issue, and input from key stakeholders will be sought.

This activity contributes to the following community outcomes:

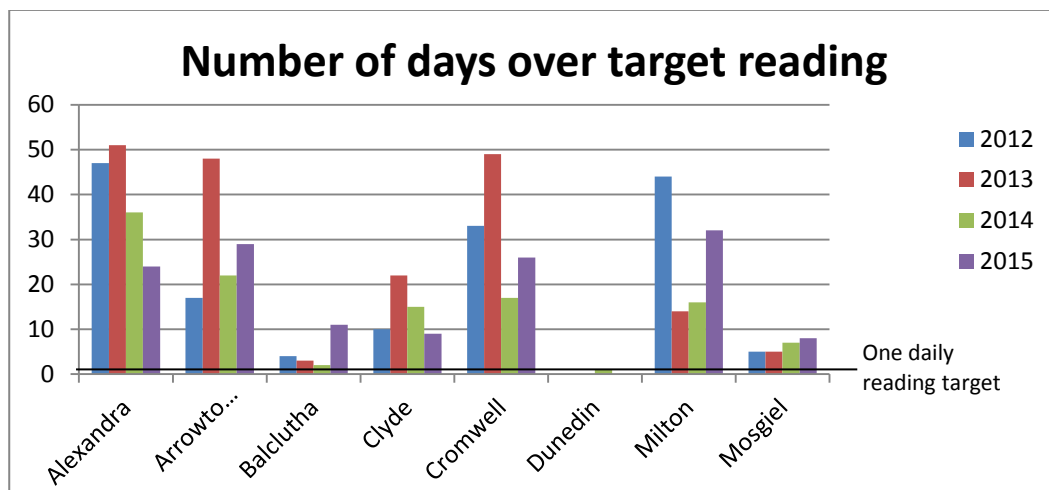
- Sustainable development of the region’s resources through the sharing of knowledge and information.
- Community participation in planning and managing the use and enhancement of Otago’s resources.
- The environmental, economic, social and cultural needs of Otago people are met.

Level of service – Improve air quality	Achievement
Measure – Ambient (PM ₁₀) air quality in targeted towns.	
Performance target – No more than one daily average reading of PM ₁₀ per annum to be higher than 50 micrograms per cubic metre (50 mg/m ³).	

Target not met. Ambient air quality has been monitored for the winter of 2015 (April to September) in the following targeted towns:

- Alexandra
- Arrowtown
- Balclutha
- Clyde
- Cromwell
- Dunedin
- Milton
- Mosgiel
- Palmerston

The target was not achieved in any location expect for Dunedin, which had no readings above 50 mg/m³. The graph below shows the number of days where the daily average reading of PM₁₀ was higher than 50 mg/m³, for the last four years.



Specific areas of work

1. *Develop an Air Strategy for Otago (to be completed by 30 June 2017).*

Science work has been completed and involved completing an international stocktake of existing and emerging heating technologies, and investigating geo-engineering options for improving air quality in Airzone 1 and Milton. A survey has been undertaken on home heating in Airzone 1, Milton and Dunedin, and an emissions inventory survey has been completed. This work will assist with the development of the Air Strategy.

2. *Support through funding, the Cosy Homes Otago Trust, to subsidise the installation of clean heating appliances in targeted towns.*

ORC has continued to provide subsidies directly, rather than through the Trust, as ORC's focus is Airzone 1 and Milton. Clean heating appliances were installed in 69 homes in targeted towns during the year.

Land

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

Council's Pest Management Strategy for Otago promotes a regionally co-ordinated approach to address the 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.

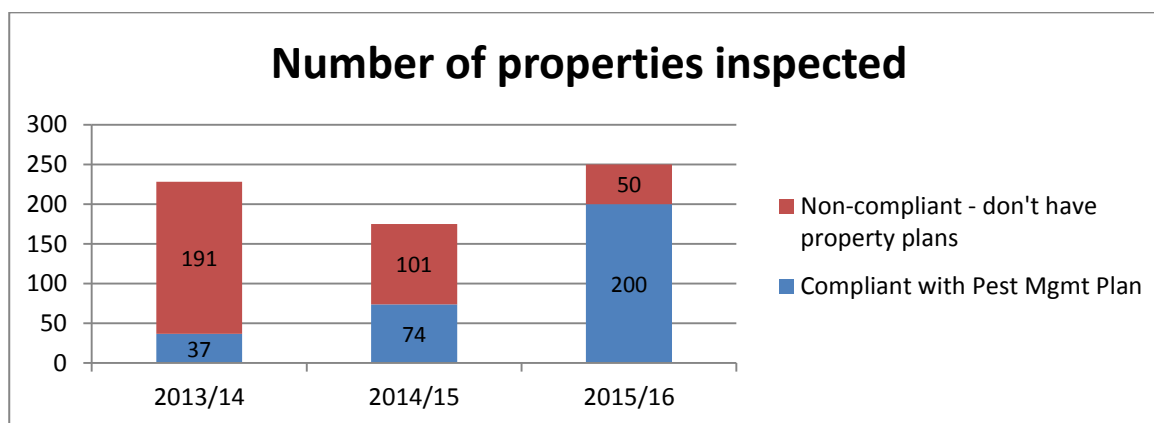
Council’s contracting arm ‘Regional Services’ undertakes external contract work mainly for animal and plant pests within Otago. This work, which is fully funded by those contracting these services, involves giving advice, and carrying out control works that are cost effective and beneficial for Otago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

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.

Level of service – Require control of pest animals and pest plants	Achievement
Measure – Level of rabbit populations in rabbit prone areas.	
Performance target – All properties inspected have either rabbit numbers under MAL 3 or have property management plans in place to achieve MAL 3.	

Target not met. The graph below shows the number of properties inspected and their results:



Approximately 250 inspections were undertaken, with follow up inspections and enforcement action being taken where appropriate. Property management plans were requested, or amendments to existing property plans, from the 50 non-compliant inspections.

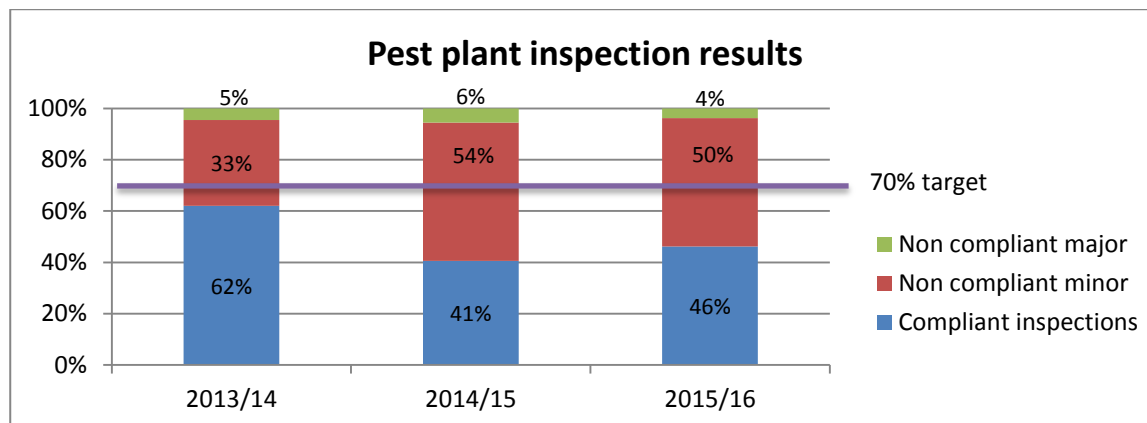
Level of service - Require control of pest animals and pest plants	Achievement
Measure – Level of pest plants found at known sites.	
Performance target – 70% of properties inspected have either no pest plant infestations found or have undertaken control work to remove pest plants.	

Target not met. During the period the following inspections were undertaken:

	2015/16	2014/15	2013/14
Bomarea	447	153	338
Old Man's Beard	1,140	499	125
Contorta	61	14	0
Boneseed	0	36	22
Total number of properties inspected	1,648	702	535

The increase in the number of inspections undertaken resulted from additional resource being dedicated to this activity during the year, than for previous years, given the low level of compliance in prior years.

Results of inspections are shown below.



Re-inspections on non-compliant properties continued, and by June 2016, 245 properties became compliant. 68 re-inspections of Bomarea resulted in nine properties requiring enforcement action. 10 notices of direction were issued in respect of the Contorta inspections. Re-inspections of these properties are in progress.

In addition to the above work, 1,500 ha were inspected for Nassella, with minor non-compliance found, and 90,000 ha inspected for gorse and broom. The gorse and broom inspections resulted in 22 letters being sent out requesting control works to be undertaken.

Specific areas of work

1. *Develop a Biodiversity Strategy for Otago.*

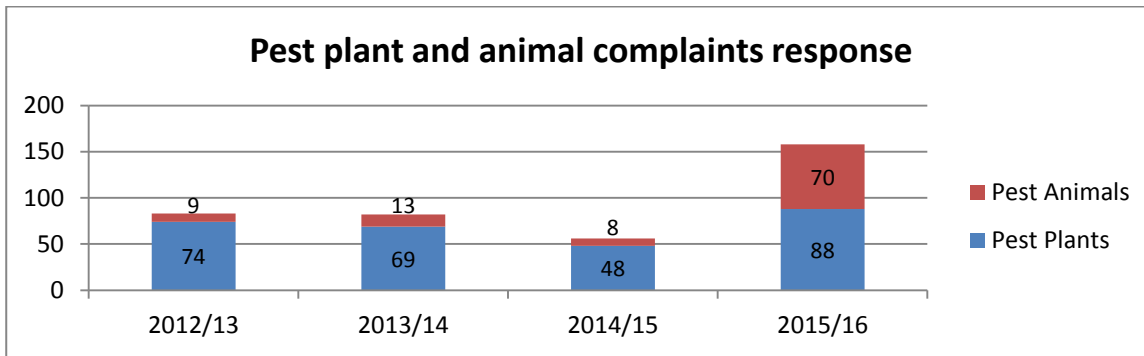
An initial stocktake of ORC's role in biodiversity was completed. A workshop was held and it was agreed that the 2016/17 Annual Plan is to include development of the strategy.

2. *Prepare the Otago Pest Management Plan, based on the South Island approach to pest management, to be completed by June 2017.*

This target has been deferred until 2017/18. The work was programmed to commence in 2015/16, but the funding for the work was provided for in 2017/18. The work will therefore commence in 2017/18.

Other initiatives undertaken include:

- Staff responded to pest complaints as follows:



Complaints received related to the following:

	2015/16	2014/15	2013/14	2012/13
Pest plants	88	48	69	74
Rabbits	41	7	13	9
Wallabies	25	1	-	-
Rooks	2	-	-	-
Possums	2	-	-	-

Pest plant complaints related to old man's beard (32), gorse and broom (29), others (27).

The increase in complaints can be attributed to the community being encouraged to report on pests in the region, and particularly report on sightings of wallabies.


Rivers and 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.

Level of service – Ensure waters can flow without obstruction	Achievement
Measure – Time taken to investigate and action reported blockages.	
Performance target – Investigate all reported blockages obstructing scheduled rivers within 10 working days and action appropriately.	

Target met. All reported blockages were investigated and obstructions removed within 10 working days.

Specific areas of work

1. *Develop River Morphology and Riparian Management Plans for the Pomahaka and Strath Taieri.*

River Morphology plans have been developed for the Pomahaka and Strath Taieri, which set out river values, management objectives, methods, and the respective roles of the ORC, landholders and other stakeholders.

2. Undertake a stocktake of condition assessment of non-flood scheme assets, prepare maintenance strategies, and implement those strategies (through to June 2018). For 2015/16, to look at Waitaki Plains floodways and Albert Town rockwork.

Geosolve undertook analysis work for the Albert Town rockwork, and work has been completed in this area. Site visits are planned for the Waitaki plains floodways.

Other initiatives undertaken include:

- Standard work programmes for river management operations and maintenance, including willow control programme and channelization works have been completed where possible.
- Analysis of the river morphology for the Cardrona River has been completed, and a report prepared.
- Survey work for the Clutha, Strath Taieri and the Pomahaka has been completed, which reports on trends and changes in river morphology.


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. Enforcement action is undertaken where adverse effects on the environment have occurred that support such action.

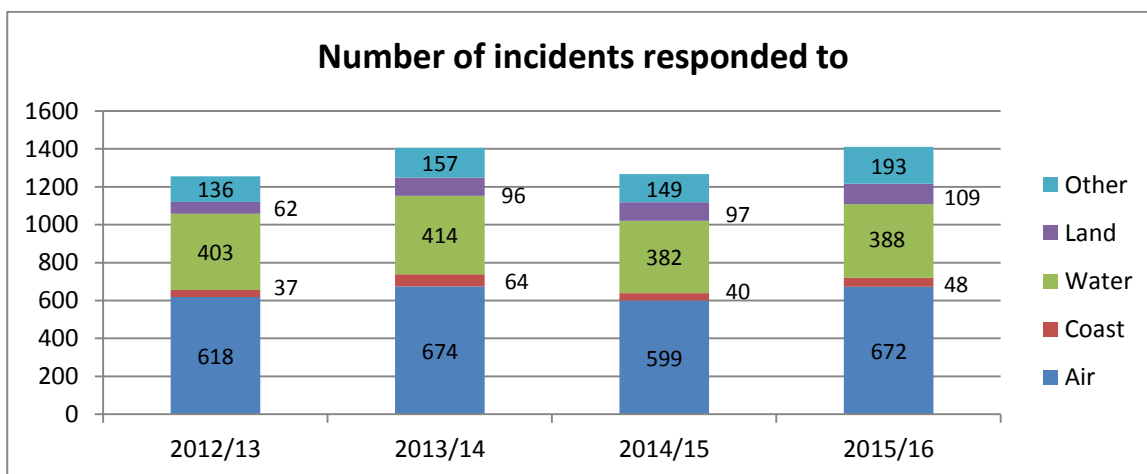
The management of contaminated sites involves the investigation and management of historic and active industrial and trade use sites, which manufacture, use or store hazardous substances, and may be contaminated. Where necessary, enforcement and clean up or remedial work is also undertaken.

This activity contributes to the following community outcomes:

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

Level of service – Council will be ready and able to respond to all environmental incidents	Achievement
Measure – Time taken to respond.	
Performance target – Acknowledge and assess the necessary actions of reported incidents within 0.5 hours of receipt.	

Target met. Council responded to all incidents within 0.5 hours of receipt during the period as follows:



Specific areas of work

1. *Establish and manage a central contaminated sites database for regional use.*

A contaminated sites regional liaison group, made up of with representatives from the territorial authorities and ORC staff, is looking at shared services for contaminated sites enquiries, and scoping requirements for a shared database.

Funding Impact Statement - Environment

Funding Impact Statement for the year ended 30 June 2016

	Actual 2015/16 \$000	Long Term Plan 2015/16 \$000	Actual 2014/15 \$000	Long Term Plan 2014/15 \$000	Annual Plan 2014/15 \$000
Sources of operating funding					
General rates, uniform annual general charge & rate penalties	2,608	2,587	2,228	2,237	2,194
Targeted rates (other than a targeted rate for water supply)	1,838	1,751	1,137	1,124	1,134
Subsidies & grants for operating purpose	19	13	124	367	47
Fees, charges and targeted rates for water supply	243	919	903	2,023	1,888
Internal charges & overheads recovered	882	747	633	610	467
Local authorities fuel tax, fines, infringement fees & other receipts	5,257	4,734	4,456	3,969	4,624
Total operating funding (A)	10,847	10,751	9,481	10,330	10,354
Applications of operating funding					
Payments to staff & suppliers	6,037	7,722	5,365	6,013	6,287
Finance costs	-	-	-	-	-
Internal charges & overheads applied	5,015	4,096	4,530	3,835	3,772
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	11,052	11,818	9,895	9,848	10,059
Surplus (deficit) of operating funding (A-B)	(205)	(1,067)	(414)	482	295
Sources of capital funding					
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	-	-	-	-	-
Total sources of capital funding (C)	-	-	-	-	-
Application of capital funding					
<i>Capital expenditure:</i>					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	132	-	58	-	-
- to replace existing assets	71	303	158	120	197
Increase (decrease) in reserves	(408)	(1,370)	(630)	362	98
Increase (decrease) of investments	-	-	-	-	-
Total applications of capital funding (D)	(205)	(1,067)	(414)	482	295
Surplus (deficit) of capital funding (C-D)	205	1,067	414	(482)	(295)
Funding balance ((A-B) + (C-D))	-	-	-	-	-

The accompanying notes form part of these financial statements. The Long Term Plan 2015/2016 amounts provided for expenditure of \$450,000 in respect of water plan compliance work within the Regulatory Funding Impact Statement, however the actual cost and work performed, in relation to that budget, is reported upon in the Funding Impact Statement, and in the activities reported upon, within the Environment activity.

Community

Democracy, Public Information and Awareness

Council's democratic process involves providing effective representation on behalf of the Otago community. Our 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, we provide regular information to the media about our activities, and make information publicly available through newsletters, web-based information, social media, public events and so on.


If there are any matters raised by government or other agencies that require a regional response, we will submit as appropriate. For example, government policies and legislation, district plans, conservation plans etc. may affect our responsibilities and functions, and so require an Otago Regional Council response.

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 include 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.

Level of service – Effective, open and transparent democratic council processes	Achievement
Measure – Completion of statutory public accountability processes.	
Performance target – Complete all planning and reporting within statutory timeframes and requirements.	

Target met to date. Council's Annual Report was completed and adopted by Council at its meeting on 16 September 2015. The 2016/17 Annual Plan was adopted by Council at its meeting on 22 June 2016.

Level of service – Provide information to enable the public to be informed of council and committee meetings.	Achievement
Measure – Time for making meeting agendas available to the public.	
Performance target –All meeting agendas to be available at least two working days prior to each meeting.	

Ten council and 42 committee meetings were held during the year. All meeting agendas were made available at least two working days prior to each meeting.

Specific areas of work

1. *Hold at least two meetings each year with Iwi representatives.*

Three meetings were held with Iwi representatives during the year.

2. *Respond to issues, activities and queries on matters that require a regional perspective or impact on regional resource management functions.*

Work included giving feedback to the QLDC and DCC on their district plan reviews, making a submission on the NES for Plantation Forestry, and submitting on special housing areas, urban development and freshwater management.

Other initiatives undertaken for our community include:

- Information has been made available to the public through issuing media releases, producing newsletters and pamphlets such as Otagowide and Waterlines, social media postings and keeping the ORC website updated.
- Financial contributions were made to the Otago Rescue Helicopter and to TBfree.

Funding Impact Statement – Community

Funding Impact Statement for the year ended 30 June 2016.

	Actual 2015/16 \$000	Long Term Plan 2015/16 \$000	Actual 2014/15 \$000	Long Term Plan 2014/15 \$000	Annual Plan 2014/15 \$000
Sources of operating funding					
General rates, uniform annual general charge & rate penalties	1,359	1,361	1,242	1,324	1,117
Targeted rates (other than a targeted rate for water supply)	141	145	718	164	714
Subsidies & grants for operating purpose	-	-	-	-	-
Fees, charges and targeted rates for water supply	-	131	1	132	130
Internal charges & overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	2,347	2,405	2,311	2,299	2,207
Total operating funding (A)	3,847	4,042	4,272	3,919	4,168
Applications of operating funding					
Payments to staff & suppliers	3,013	3,071	2,565	2,805	2,665
Finance costs	-	-	-	-	-
Internal charges & overheads applied	1,464	973	1,254	1,114	953
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	4,477	4,044	3,819	3,919	3,618
Surplus (deficit) of operating funding (A-B)	(630)	(2)	453	-	550
Sources of capital funding					
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	-	-	-	-	-
Total sources of capital funding (C)	-	-	-	-	-
Application of capital funding					
<i>Capital expenditure:</i>					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	11	-	-
- to replace existing assets	-	-	-	-	-
Increase (decrease) in reserves	(630)	(2)	442	-	550
Increase (decrease) of investments	-	-	-	-	-
Total applications of capital funding (D)	(630)	(2)	453	-	550
Surplus (deficit) of capital funding (C-D)	630	2	(453)	-	(550)
Funding balance ((A-B) + (C-D))	-	-	-	-	-

The accompanying notes form part of these financial statements.

Regulatory

The Otago Regional Policy Statement (RPS) 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 RPS, the statement sets the context and direction for all regional and district planning in Otago.

A review and update of the RPS commenced in 2013/14 and was consulted on during the 2015/16 year. If any appeals are received, they will be addressed in the 2016/17 year.

Resource consents are issued by Council allowing the use of our natural resources, or discharging into water, air, coast and land resources. We strive 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, we audit and monitor 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 2015/16.

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. We are also responsible for responding to any oil spills that may occur in the Otago area.

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.


Policy Development

Specific areas of work

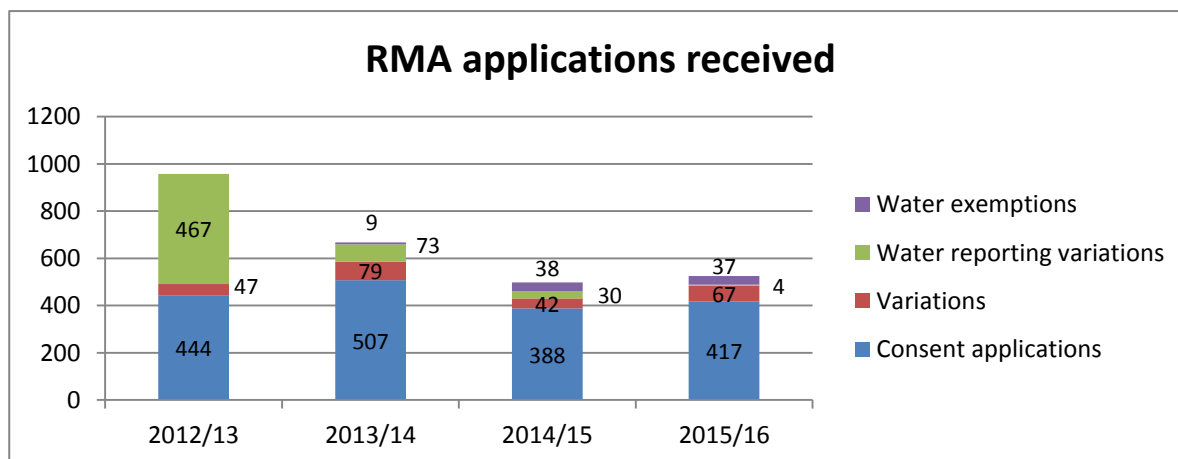
1. Address any appeals made on the Regional Policy Statement and make operative.

Hearings of submissions on the Regional Policy Statement have been completed and deliberations are in progress. Recommendations are expected to be made to Council in September 2016.

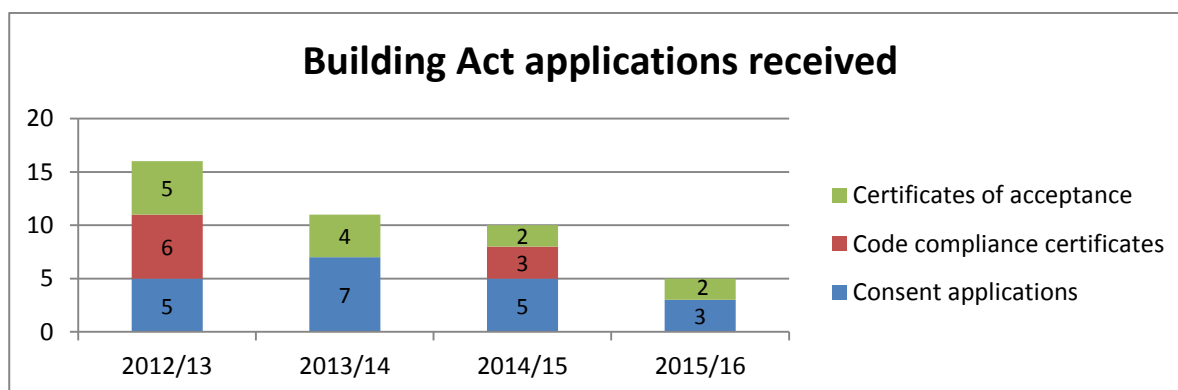
Consents & Compliance


Level of service – Process resource consent applications in a timely manner.	Achievement
Measure – RMA and Building Act statutory time frames.	
Performance target – 100% of consents are processed within the statutory timeframes.	

Target met. All applications received were processed within the statutory time frames. The graph below shows the trend in numbers of RMA applications received.



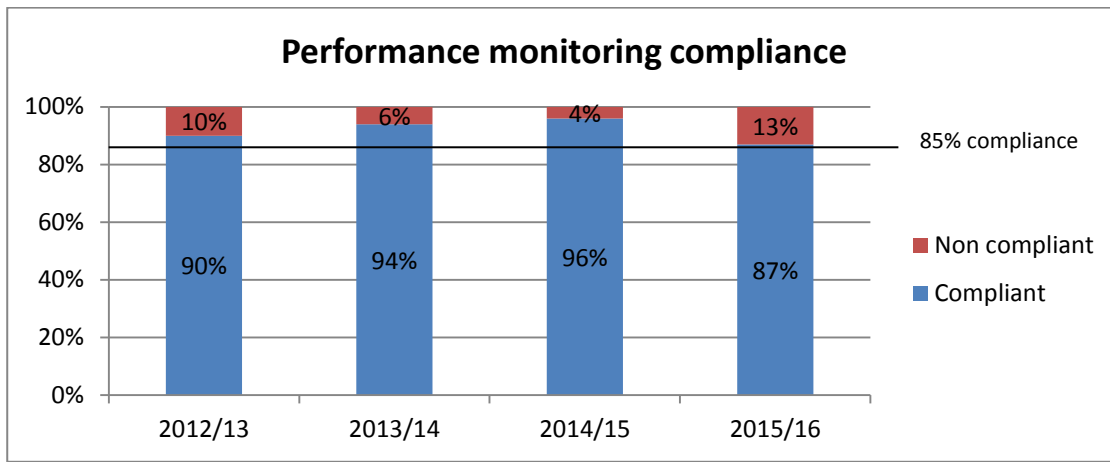
The graph below shows the number of Building Act applications received.




Level of service – Ensure consent conditions for the use of Otago’s air, water and coastal resources are complied with	Achievement
Measure – Performance monitoring returns show compliance with consent conditions.	
Performance target – 85% or more of performance monitoring returns show compliance with consent conditions (non-compliance measured as Grade 4 and 5 only).	

Target met. For the year 4,086 performance monitoring returns were assessed (2014/15: - 3,616 returns; 2013/14: - 4,146 returns; 2012/13: - 3,416 returns).

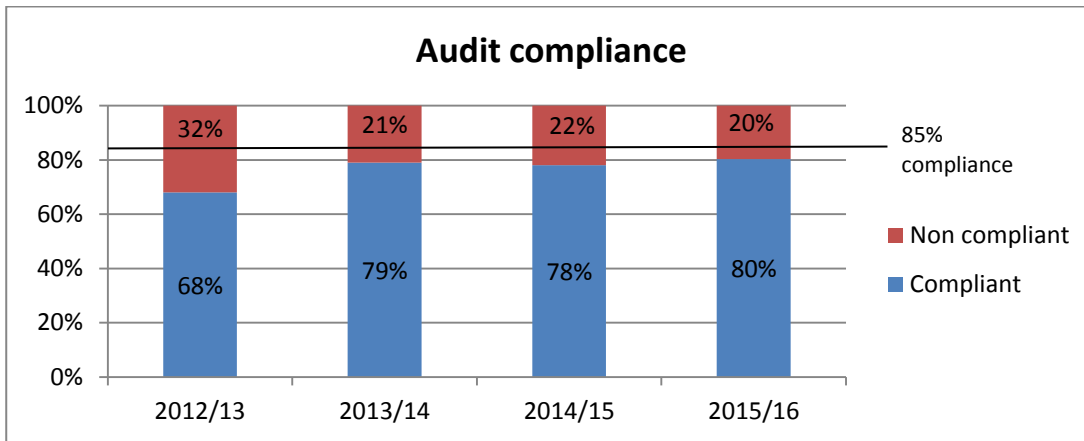
The graph below shows the level of compliance with consent conditions in respect of performance monitoring returns.



The decrease in performance monitoring compliance is largely around the level of non-compliance with water metering regulations, and the requirement for all water take consent holders to install water metering devices. Follow up work is being undertaken to encourage compliance with the regulations.

Level of service – Ensure consent conditions for the use of Otago’s air, water and coastal resources are complied with.	Achievement
Measure – Audit of consents show compliance with consent conditions.	
Performance target – 85% or more audits show compliance with consent conditions (non-compliance measured as Grade 4 and 5 only).	

Target not met. For the year 1,099 audits were undertaken (2014/15: - 420 audits; 2013/14: - 344 audits; 2012/13: - 612 audits). The graph below shows the level of compliance with consent conditions in respect of audits undertaken.



Specific areas of work

1. *Review consents for a catchment, subcatchment or aquifer within two months of a minimum flow or water quality standard being operational to implement the plan change.*

A review of 29 consents was undertaken for the Pomahaka catchment, resulting in variations being made to two consents. The review of consents commenced within two months of the minimum flow becoming operational, being 1 May 2015.

A review of the Waiwera consents commenced in March 2016 and is in progress.

2. *Investigate and undertake enforcement action on breaches of resource consent conditions and Regional Plan rules.*

Non-compliant audits and performance monitoring are being followed up, and where appropriate, enforcement action is being undertaken. During the year 14 infringement notices were issued for discharging contaminants to land, and three legal proceedings were authorised, one for the disturbance of a river bed, and two for the discharge of effluent to land. Enforcement action compared to previous years was as follows:

	2015/16	2014/15	2013/14	2012/13
Infringement notices	14	19	21	25
Prosecutions	3	6	9	3
Abatement notices	-	2	8	-


3. *Investigate dams in Otago likely to be non-compliant with the Building Code and undertake enforcement action where necessary.*

During the year, ten notices to fix were issued, relating to earth embankment dams. Action was taken to remove or repair the dams. (2014/15: five notices to fix).

Harbour Management

Level of service – Safe recreational use and navigation for all users of the Otago harbour.	Achievement
Measure – Number of harbour incidents.	
Performance target – No major (collision) harbour incidents.	

Target met. There were no major harbour incidents during the period (2014/15: one major incident occurred).

Level of service – Council will be ready to respond to oil spills and ensure restoration.	Achievement
Measure – Respond to oil spills in a timely manner.	
Performance target –Respond within 1.5 hours of notification.	

Target met. There was one oil spill during the period, which was responded to within 1.5 hours, and 11 minor incidents were responded to. No maritime response was required. (2014/15: - 7 incidents, no maritime response required).

Specific areas of work

1. *Complete Port Harbour Safety Code.*

Preparation of the code is on hold pending the appointment of a harbour master, the position of which is currently being advertised.

2. *Hold one desk top and one field exercise for marine oil incident response.*

One desk top and one field exercise were held in June 2016.

Funding Impact Statement – Regulatory

Funding Impact Statement for the year ended 30 June 2016.

	Actual 2015/16 \$000	Long Term Plan 2015/16 \$000	Actual 2014/15 \$000	Long Term Plan 2014/15 \$000	Annual Plan 2014/15 \$000
Sources of operating funding					
General rates, uniform annual general charge & rate penalties	403	519	798	843	823
Targeted rates (other than a targeted rate for water supply)	90	187	-	-	-
Subsidies & grants for operating purpose	53	35	-	-	-
Fees, charges and targeted rates for water supply	1,452	2,240	1,202	2,485	1,873
Internal charges & overheads recovered	-	131	4	-	5
Local authorities fuel tax, fines, infringement fees & other receipts	893	1,003	1,698	1,851	1,326
Total operating funding (A)	2,891	4,115	3,702	5,179	4,027
Applications of operating funding					
Payments to staff & suppliers	1,741	2,509	1,793	2,724	2,241
Finance costs	-	-	-	-	-
Internal charges & overheads applied	1,965	1,761	1,909	2,347	1,677
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	3,706	4,270	3,702	5,071	3,918
Surplus (deficit) of operating funding (A-B)	(815)	(155)	-	108	109
Sources of capital funding					
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	-	-	-	-	-
Total sources of capital funding (C)	-	-	-	-	-
Application of capital funding					
<i>Capital expenditure:</i>					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	-	60	-	-	-
Increase (decrease) in reserves	(815)	(215)	-	108	109
Increase (decrease) of investments	-	-	-	-	-
Total applications of capital funding (D)	(815)	(155)	-	108	109
Surplus (deficit) of capital funding (C-D)	815	155	-	(108)	(109)
Funding balance ((A-B) + (C-D))	-	-	-	-	-

The accompanying notes form part of these financial statements. The Long Term Plan 2015/2016 amounts provided for expenditure of \$450,000 in respect of water plan compliance work within the Regulatory Funding Impact Statement, however the actual cost and work performed, in relation to that budget, is reported upon in the Funding Impact Statement, and in the activities reported upon, within the Environment activity.

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) and construction works.
Stage 5	2015/16	Union Street to Leith Street or Clyde Street	Preliminary design work completed. Modelling work commenced. Construction planned to start November 2016.
Stage 6	2016/17	ITS building/bend	Preliminary design work completed. Modelling work commenced. Construction planned to start November 2016.
Stage 7	2017/18	Dundas Street bridge	Investigations commenced.
Stage 8	2018/19	Forth Street to Harbour	

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


This activity contributes to the following community outcomes:

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


Alexandra flood protection

Level of service – Reduce the flood risk to people and property by maintaining, repairing and renewing flood protection works to agreed standards.	Achievement
Measure – Respond to flood events or damage.	
Performance target – Flood damage identified, prioritised and repaired.	


No flood events occurred during the period.

Measure – Maintain and renew flood mitigation works to ensure design standards are met.	
Performance target – 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 m ³ /s 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 during the period was 133.25m above mean sea level, on 17 May 2016.

Level of service – Pumps will be available 100% of the time.	Achievement
Measure – Reliable and constant power supply.	
Performance target – Standby generation always available.	

Options were considered, but the costs to have standby generation available 100% of the time proved to be prohibitive. Hire options are available when needed. Connectivity to generators has been confirmed.

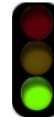
Measure – Reliable pump control system.	
Performance target – Arrangements in place with supplier for maintenance and on standby in the event of an operation.	

Identification and specification of spare part requirements has been completed. Availability has been confirmed, and safe storage determined. Purchasing is still to be completed.

Measure – Reliable pump control system.	
Performance target – Undertake 24/7 monitoring of control systems.	


Target being met. Pumps are telemetered and if a pump should switch off or fail, a text message is sent to ORC.

Leith flood protection


Level of service – Reduce the flood risk to people and property by maintaining, repairing and renewing flood protection works to agreed standards.	Achievement
Measure – New flood mitigation works are designed and built to agreed performance standards.	
Performance target – By 2019/20, increase capacity to 171 m ³ /s (measured at St David Street footbridge). Represents 1 in 100 year flood with freeboard.	

For 2015/16, council is to undertake flood hazard mitigations works between Dundas Street and St David Street. This target has been achieved, with civil works having been completed. Landscaping will be completed for this reach early in the next financial year. Investigation of works in the Union to Leith Street reach and at Dundas Street Bridge is in progress.


Lower Clutha flood and drainage

Level of service – Reduce the flood risk to people and property by maintaining, repairing and renewing flood protection works to agreed standards.	Achievement
Measure – Respond to flood events or damage.	
Performance target – Flood damage identified, prioritised and repaired.	


No flood events occurred during the period.

Measure – Maintain and renew flood mitigation works to ensure design standards are met.	
Performance target – No flooding of Barnego in all flows up to 2,850 m ³ /s, Kaitangata, Inch Clutha and Paretai up to 4,000 m ³ /s, and Balclutha up to 5,400 m ³ /s (all flows measured at Balclutha) based on past observed floods.	

Target met. Flow in the Clutha River (as measured at Balclutha) peaked at 1,410m³/s in May 2016.


Level of service –Improve the productive capability of land by maintaining, repairing and renewing land drainage works to agreed standards.	Achievement
Measure – Respond to events or damage.	
Performance target –Damage identified, prioritised and repaired.	

No flood events occurred during the period.


Measure – Maintain and renew drainage works to ensure design standards are met.	
Performance target – 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 over the period. Daily rainfall (as measured at Balclutha) exceeded:

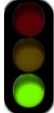
- 7.5mm per day on 25 occasions over the period for Matau district;
- 9mm per day on 13 occasions over the period for Inch Clutha; and
- 10mm per day on 12 occasions over the period for Paretai.

Level of service –Flood pump capacity will be available at each station 363 out of 365 days per annum, and duty pumps will be available to operate 360 out of 365 days per annum.	Achievement
Measure – Reliable power supply.	
Performance target –Standby power generation will be available within 48 hours of a power failure.	


Options were considered, but the costs to have standby generation available proved to be prohibitive. Hire options are available when needed. Connectivity to generators has been confirmed.

Measure – Reliable pumps.	
Performance target – Arrangements in place with supplier to access spare parts.	

Identification and specification of spare part requirements has been completed. Availability has been confirmed, and safe storage determined. Purchasing is still to be completed.

Measure – Reliable pump control system.	
Performance target – Arrangements in place with supplier for control systems maintenance.	

Arrangements are in place with a supplier for control system maintenance.


Measure – Reliable pump control system.	
Performance target – Undertake 24/7 monitoring of telemetered pump alarm system.	

Target being met. Pumps are telemetered and if a pump should switch off or fail, a text message is sent to ORC.


Other initiatives undertaken on the Lower Clutha flood and drainage scheme include:

- Hydraulic design work has been completed for altering the drainage infrastructure of Lake Tuakitoto/Robsons Lagoon so as to improve wetland ecosystem values. The next stage is to consult with affected parties.
- A consultant has been engaged to undertake design work to improve the Koau right floodbank at Factory Road (Paretai), to reduce the risk of floodbank failure at that location. A geotechnical assessment has commenced.

Lower Taieri flood protection

Level of service – Reduce the flood risk to people and property by maintaining, repairing and renewing flood protection works to agreed standards.	Achievement
Measure – Respond to flood events or damage.	
Performance target – Flood damage identified, prioritised and repaired.	

No flood events occurred during the period.

Measure – Maintain and renew flood mitigation works to ensure design standards are met.	
<p>Performance target – No flooding of the East Taieri upper ponding area from Taieri River flows up to 800 m³/s or Silver Stream flows up to 160 m³/s.</p> <p>No flooding of the East Taieri lower ponding area from Taieri River flows up to 2,500 m³/s or Silver Stream flows up to 260 m³/s.</p> <p>No flooding of West Taieri from Taieri River flows up to 2,500 m³/s.</p> <p>No flooding of Mosgiel from Sliver Stream flows up to 260 m³/s</p> <p>(Taieri River flows measured at Outram, Silver Stream flows measured at Gordon Road), being equivalent to the 1980 flood, nominally a 100 year event.</p>	


Target met. There was no flooding during the period. The highest recorded flow in the Taieri River (as measured at Outram) was 202 m³/s in May 2016.

The highest recorded flow in the Silver Stream (as measured at the Gordon Road Bridge) was 36 m³/s in May 2016.


Other initiatives undertaken on the Lower Taieri flood protection scheme include:

- Investigation work has commenced on constructing new upper/lower pond link spillways or the alternative option of relocating the floodbank(s) through the shute of the Taieri River and associated works (rebuilding the cut-off bank and improving drainage through the cut-off bank).


West Taieri drainage

Level of service –Improve the productive capability of land by maintaining, repairing and renewing land drainage works to agreed standards.	Achievement
Measure – Respond to events or damage.	
Performance target –Damage identified, prioritised and repaired.	


No flood events occurred during the period.

Measure – Maintain and renew drainage works to ensure design standards are met.	
Performance target – Provide drainage modulus of 10mm per day pumped drainage capacity.	


The modulus of 10mm per day was provided over the period. Daily rainfall (as measured at Riccarton Road) exceeded 10mm per day on 15 days over the period.

Level of service –Duty pump will operate 363 out of 365 days per annum; flood pump capacity will be available for Waipori 360 out of 365 days per annum; flood pump capacity will be available at Ascog and Henley 355 out of 365 days per annum.	Achievement
Measure – Reliable power supply.	
Performance target –Standby power generation will be available within 48 hours of a power failure.	


Options were considered, but the costs to have standby generation available proved to be prohibitive. Hire options are available when needed. Connectivity to generators has been confirmed.

Measure – Reliable pumps.	
Performance target – Arrangements in place with supplier to access spare parts.	

Identification and specification of spare part requirements has been completed. Availability has been confirmed, and safe storage determined. Purchasing is still to be completed.

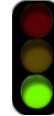
Measure – Reliable pump control systems.	
Performance target – Arrangements in place with supplier for control systems maintenance.	

Arrangements are in place with a supplier for control system maintenance.

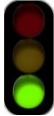
Measure – Reliable pump control systems.	
Performance target – Undertake 24/7 monitoring of telemetered pump alarm system.	

Target being met. Pumps are telemetered and if a pump should switch off or fail, a text message is sent to ORC.

East Taieri drainage


Level of service – Improve the productive capability of land by maintaining, repairing and renewing land drainage works to agreed standards.	Achievement
Measure – Respond to events or damage.	
Performance target –Damage identified, prioritised and repaired.	

No flood events occurred during the period.


Measure – Maintain and renew drainage works to ensure design standards are met.	
Performance target – 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 of 8mm and 18 mm for the upper and lower ponds were provided for over the period. Daily rainfall (as measured at Riccarton Road) exceeded:


- 8 mm on 18 occasions during the period for the East Taieri upper ponding area;
- 18mm on 5 occasions during the period for the East Taieri lower ponding area.

Level of service – Duty pump will operate 363 out of 365 days per annum; flood pump capacity will be available 355 out of 365 days per annum.	Achievement
Measure – Reliable power supply.	
Performance target –Standby power generation will be available within 48 hours of a power failure.	


Options were considered, but the costs to have standby generation available proved to be prohibitive. Hire options are available when needed. Connectivity to generators has been confirmed.

Measure – Reliable pumps.	
Performance target – Arrangements in place with supplier to access spare parts.	

Identification and specification of spare part requirements has been completed. Availability has been confirmed, and safe storage determined. Purchasing is still to be completed.

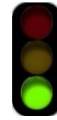
Measure – Reliable pump control systems.	
Performance target – Arrangements in place with supplier for control systems maintenance.	

Arrangements are in place with a supplier for control system maintenance.


Measure – Reliable pump control systems.	
Performance target – Undertake 24/7 monitoring of telemetered pump alarm system.	

Target being met. Pumps are telemetered and if a pump should switch off or fail, a text message is sent to ORC.

Tokomairiro drainage

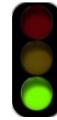
Level of service –Improve the productive capability of land by maintaining, repairing and renewing land drainage works to agreed standards.	Achievement
Measure – Respond to events or damage.	
Performance target –Damage identified, prioritised and repaired.	

No flood events occurred during the period.

Measure – Existing land drainage works perform to agreed standards, and drainage works are monitored and maintained to agreed standards.	
Performance target – The drains and channel flow paths within the scheme are maintained to ensure hydraulic capacity.	

The drain maintenance programme was completed for the year.

Shotover River Delta

Level of service –Ensure waters can flow without undue obstruction.	Achievement
Measure – Difference between actual and target profiles for surface.	
Performance target –Surface of Shotover river delta is consistent with the target profile.	

The surface of the Shotover River delta is being managed through gravel extraction to ensure consistency with the target profile.

Funding Impact Statement – Flood Protection & Control Works

Funding Impact Statement for the year ended 30 June 2016.

	Actual 2015/16 \$000	Long Term Plan 2015/16 \$000	Actual 2014/15 \$000	Long Term Plan 2014/15 \$000	Annual Plan 2014/15 \$000
Sources of operating funding					
General rates, uniform annual general charge & rate penalties	102	101	70	76	193
Targeted rates (other than a targeted rate for water supply)	3,658	3,665	3,379	3,289	3,392
Subsidies & grants for operating purpose	-	-	-	-	-
Fees, charges and targeted rates for water supply	98	244	158	38	92
Internal charges & overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	596	520	805	362	274
Total operating funding (A)	4,454	4,530	4,412	3,765	3,951
Applications of operating funding					
Payments to staff & suppliers	1,676	2,140	1,484	1,279	1,332
Finance costs	-	-	-	532	-
Internal charges & overheads applied	1,032	952	935	578	580
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	2,708	3,092	2,419	2,389	1,912
Surplus (deficit) of operating funding (A-B)	1,746	1,438	1,993	1,376	2,039
Sources of capital funding					
Subsidies & grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	-	-	-	4,199	-
Gross proceeds from sale of assets	851	605	-	-	-
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
Total sources of capital funding (C)	851	605	-	4,199	-
Application of capital funding					
<i>Capital expenditure:</i>					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	1,257	4,514	2,981	5,002	5,161
- to replace existing assets	596	599	150	244	362
Increase (decrease) in reserves	744	(3,070)	(1,138)	329	(3,484)
Increase (decrease) of investments	-	-	-	-	-
Total applications of capital funding (D)	2,597	2,043	1,993	5,575	2,039
Surplus (deficit) of capital funding (C-D)	(1,746)	(1,438)	(1,993)	(1,376)	(2,039)
Funding balance ((A-B) + (C-D))	-	-	-	-	-

The accompanying notes form part of these financial statements.


Safety and Hazards

Emergency Management


Council, along 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.

<p>Level of service – Be ready and able to respond to civil defence emergencies, assist with recovery after such events, and to co-ordinate and promote reduction through group strategies and plans.</p>	<p>Achievement</p>
<p>Measure – Timeliness in response to a civil defence event/emergency.</p>	
<p>Performance target – The Group Emergency Co-ordinating Centre can be fully operational within one hour of activation.</p>	

A re design of the Emergency Co-ordinating Centre operation layout has been completed. New fixtures and fittings have been installed. A test run for set up was successfully undertaken in August 2016.

<p>Measure – Timeliness in response to a civil defence event/emergency.</p>	
<p>Performance target – Respond immediately upon notification of a civil defence event / emergency.</p>	

No emergency events occurred during the period.

Specific areas of work

1. *Complete the development of the Group Risk Reduction Strategy and implement it (through to June 2018).*

This strategy development has been delayed pending the completion of a review of the Otago Group Operational structure. It will now be completed in conjunction with the next five year Group Plan, due for completion in April 2017.

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.

Level of service – Work proactively with communities to improve understanding of the risks posed by natural hazards so that informed decisions and responses can be made.	Achievement
Measure – Information to be available.	
Performance target – Provide natural hazards information to the public via an effective web based Otago Natural Hazards database.	

Target being met. Information is continually being provided to the public. An upgrade of the website was completed, and went live in March.

Level of service – Provision of accurate and timely flood warnings.	Achievement
Measure – Warnings of flood events when alarm status is reached.	
Performance target – Provide rainfall and river flow information to the public when flood levels reach alarm status.	

No events occurred during the period, to trigger alarm status.

Specific areas of work

1. *Collate existing information and investigate to assist describing the location and characteristics of known active geological faults in Otago.*

This work is being undertaken by GNS. It is expected to be completed by November 2016.

2. *Lead the development of a Natural Hazards Risk Management Strategy for South Dunedin, investigate and assess options for mitigation of groundwater and liquefaction hazards.*

ORC is working with the DCC to scope the issues associated with natural hazards in South Dunedin, and is monitoring four bore locations in the area. A technical report has been completed, and presented to the community.

3. *Undertake a joint ORC / QLDC flood awareness campaign in Queenstown and Wanaka.*

The joint flood awareness campaign was completed in October.

Funding Impact Statement – Safety and Hazards

Funding Impact Statement for the year ended 30 June 2016.

	Actual 2015/16 \$000	Long Term Plan 2015/16 \$000	Actual 2014/15 \$000	Long Term Plan 2014/15 \$000	Annual Plan 2014/15 \$000
Sources of operating funding					
General rates, uniform annual general charge & rate penalties	611	614	444	485	488
Targeted rates (other than a targeted rate for water supply)	-	-	-	-	-
Subsidies & grants for operating purpose	-	-	-	-	-
Fees, charges and targeted rates for water supply	5	-	62	16	-
Internal charges & overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	1,053	1,053	830	842	967
Total operating funding (A)	1,669	1,667	1,336	1,343	1,455
Applications of operating funding					
Payments to staff & suppliers	889	1,155	667	508	695
Finance costs	-	-	-	-	-
Internal charges & overheads applied	1,109	894	827	835	758
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	1,998	2,049	1,494	1,343	1,453
Surplus (deficit) of operating funding (A-B)	(329)	(382)	(158)	-	2
Sources of capital funding					
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	-	-	-	-	-
Total sources of capital funding (C)	-	-	-	-	-
Application of capital funding					
<i>Capital expenditure:</i>					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	15	-	-	-	-
- to replace existing assets	2	-	-	-	-
Increase (decrease) in reserves	(346)	(382)	(158)	-	2
Increase (decrease) of investments	-	-	-	-	-
Total applications of capital funding (D)	(329)	(382)	(158)	-	2
Surplus (deficit) of capital funding (C-D)	329	382	158	-	(2)
Funding balance ((A-B) + (C-D))	-	-	-	-	-

The accompanying notes form part of these financial statements.

Transport

The development of the 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.

Public passenger transport services are provided for in Dunedin and Queenstown, and Council contracts the provision of those services. It aims to ensure a viable, affordable, quality service that will attract patronage growth that will assist in reducing the reliance on public subsidy over the long term.




New initiatives planned for Dunedin passenger transport include the development of a central bus hub, and implementing a new electronic ticketing system during 2015/16 and 2016/17. These projects will be partly funded from NZTA and the remainder through the Dunedin transport reserve.

Council also administers the Total Mobility scheme in Otago to meet the transport needs of those unable to use public transport.

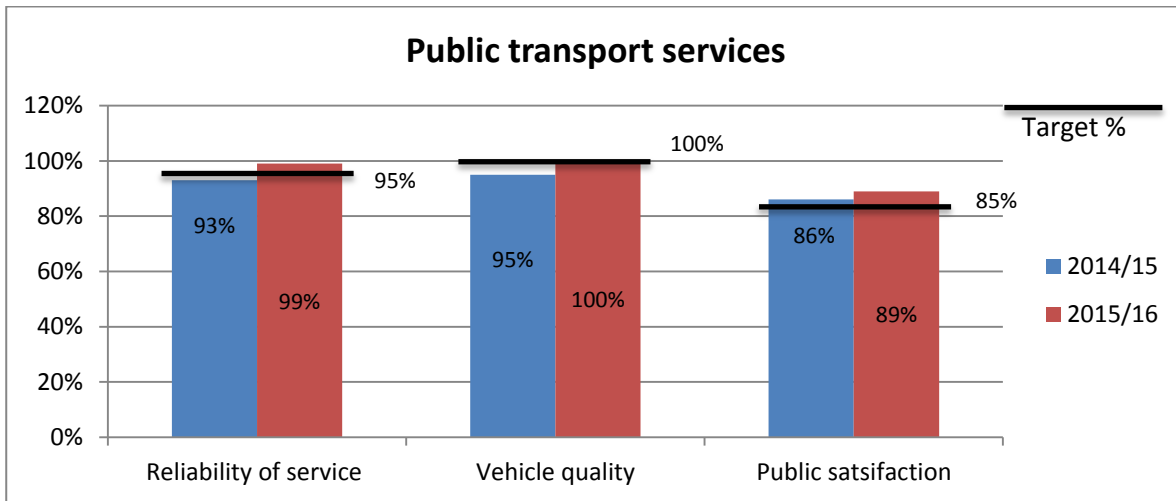
This activity contributes to the following community outcomes:

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

Regional transport planning & public passenger transport

Level of service –Provide passenger transport services that meet community need.	Achievement
Measure - Reliability of service.	
Performance target – In Dunedin, 95% of services monitored depart from the terminus on time.	
Measure – Vehicle quality.	
Performance target –In Dunedin 100% of vehicles (PTOM contracts) comply with Regional Passenger Transport Plan Vehicle Quality standards.	
Measure – Public satisfaction.	
Performance target –In Dunedin, survey shows at least 85% of bus users are satisfied with overall standard of service.	

The graph below shows the results for the 2014/15 year.



Measure – Patronage growth.	
Performance target –In Dunedin, 3% growth.	

This target was not achieved. Patronage dropped by 4% on the previous year. This is consistent with trends in other networks of a similar size.

Specific areas of work

1. *Construct a central bus hub in Dunedin, to be completed in 2017/18.*

BECA has been engaged, and design works have commenced for a bus hub and super stops.

2. *Implement a replacement ticketing system, including a new fare structure.*

The replacement ticketing system is currently delayed (NZTA issue). The existing ticketing system provider has been engaged to modify our existing systems to accommodate a new fare structure.

Other initiatives undertaken for transport include:

- A review of the Wakatipu network has been completed, and is currently being peer reviewed.
- Total mobility continues to be supported throughout Otago.

Transport

Funding Impact Statement for the year ended 30 June 2016.

	Actual 2015/16 \$000	Long Term Plan 2015/16 \$000	Actual 2014/15 \$000	Long Term Plan 2014/15 \$000	Annual Plan 2014/15 \$000
Sources of operating funding					
General rates, uniform annual general charge & rate penalties	170	169	202	197	208
Targeted rates (other than a targeted rate for water supply)	3,353	3,345	3,280	3,219	3,276
Subsidies & grants for operating purpose	4,731	8,212	5,482	5,361	5,983
Fees, charges and targeted rates for water supply	1	30	-	23	22
Internal charges & overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	1,279	553	776	342	636
Total operating funding (A)	9,534	12,309	9,740	9,142	10,125
Applications of operating funding					
Payments to staff & suppliers	8,537	13,861	9,503	9,139	9,303
Finance costs	-	-	-	-	-
Internal charges & overheads applied	354	302	530	434	406
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	8,891	14,163	10,033	9,573	9,709
Surplus (deficit) of operating funding (A-B)	643	(1,854)	(293)	(431)	416
Sources of capital funding					
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	-	-	-	-	-
Total sources of capital funding (C)	-	-	-	-	-
Application of capital funding					
<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	643	(1,854)	(351)	(431)	(984)
Increase (decrease) of investments	-	-	-	-	-
Total applications of capital funding (D)	643	(1,854)	(293)	(431)	416
Surplus (deficit) of capital funding (C-D)	(643)	1,854	293	431	(416)
Funding balance ((A-B) + (C-D))	-	-	-	-	-

The accompanying notes form part of these financial statements.

Financial Statements

Funding Impact Statement for the Year Ended 30 June 2016 (Whole of Council)

	Actual 2015/16 \$000	Long Term Plan 2015/16 \$000	Actual 2014/15 \$000	Annual Plan 2014/15 \$000
Sources of operating funding				
General rates, uniform annual general charge & rate penalties	5,546	5,554	5,267	5,129
Targeted rates (other than a targeted rate for water supply)	9,078	9,092	8,514	8,516
Subsidies & grants for operating purpose	4,802	8,259	5,660	6,030
Fees, charges and targeted rates for water supply	1,800	3,565	1,323	3,852
Interest & dividends from investments	8,824	9,386	10,339	9,537
Local authorities fuel tax, fines, infringement fees & other receipts	3,166	1,934	3,163	1,749
Total operating funding (A)	33,216	37,790	34,266	34,813
Applications of operating funding				
Payments to staff & suppliers	31,690	37,952	30,251	29,848
Finance costs	3	71	-	71
Other operating funding applications	-	51	-	53
Total applications of operating funding (B)	31,693	38,074	30,251	29,972
Surplus (deficit) of operating funding (A-B)	1,523	(284)	4,015	4,841
Sources of capital funding				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	2,033	605	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding (C)	2,033	605	-	-
Application of capital funding				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	2,254	4,515	3,534	6,061
- to replace existing assets	1,122	2,323	742	2,538
Increase (decrease) in reserves	180	(6,517)	(261)	(3,758)
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	3,556	321	4,015	4,841
Surplus (deficit) of capital funding (C-D)	(1,523)	284	(4,015)	(4,841)
Funding balance ((A-B) + (C-D))	-	-	-	-

The accompanying notes form part of these financial statements.

**Reconciliation of Whole of Council Funding Impact Statement to
Statement of Comprehensive Revenue and Expense
for the Year Ended 30 June 2016**

	Actual 2015/16 \$000	Long Term Plan 2015/16 \$000	Actual 2014/15 \$000	Annual Plan 2014/15 \$000
Surplus/(deficit) of Operating Funding in Funding Impact Statement	1,523	(284)	4,015	4,841
Add/(deduct)				
Increase in the fair value of investment property	661	310	100	294
Increase in the fair value of investment portfolio	1,051	-	918	-
Profit/(Loss) on disposal of assets	148	-	(146)	-
Depreciation and amortisation	(1,752)	(1,751)	(1,677)	(1,515)
Write-off of property plant and equipment work in progress		-	(47)	-
Other	162	(658)		(306)
Surplus before taxation in Statement of Comprehensive Revenue and Expense	1,793	(2,383)	3,163	3,314

Schedule of Capital Expenditure

	Actual 2015/16 \$000	Long Term Plan 2015/16 \$000	Actual 2014/15 \$000
Flood Protection and Control Works			
Alexandra flood	6	25	-
Leith flood protection	1,639	4,514	2,968
Lower Clutha flood and drainage	187	258	82
East Taieri drainage	-	25	7
Lower Taieri flood protection	19	266	-
West Taieri drainage	2	25	75
Environmental			
Monitoring site upgrades – water	130	298	201
Pest management	6	5	-
Compliance monitoring	65	60	-
Transport			
Dunedin/Wakatipu	-	-	20
Stock truck effluent disposal sites	-	-	37
Corporate			
Property	228	554	209
Cars and stationwagons	329	101	417
Furniture and equipment	-	-	16
Computers & software	735	605	174
Network enhancements	-	-	12
Plant	6	50	58
Sundry	5	50	-
Total	3,375	6,836	4,276

**Statement of Comprehensive Revenue and Expense
for the Year Ended 30 June 2016**

	Notes	Council 2016 \$000	Council Budget \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Revenue from non-exchange transactions						
Rates revenue	3	14,424	14,446	13,551	14,388	13,527
Grant revenue and subsidies		4,802	8,259	5,660	4,802	5,660
Other revenue	3	2,525	2,554	1,529	2,525	1,529
Revenue from exchange transactions						
Dividends	2	7,250	7,300	8,400	-	3,165
Interest and investment revenue		1,574	2,086	1,939	1,906	2,684
Other revenue	3	2,641	3,145	3,187	80,948	79,928
Total revenue		33,216	37,790	34,266	104,569	106,493
Expenditure						
Employee benefits expense	22	(12,382)	(12,041)	(11,796)	(41,674)	(39,057)
Depreciation and amortisation expense	11	(1,753)	(1,751)	(1,621)	(9,879)	(10,359)
Finance costs	15	(3)	(1)	-	(2,526)	(4,972)
Other expenses	19	(19,236)	(26,690)	(18,503)	(37,328)	(36,014)
Total operating expenditure		(33,374)	(40,483)	(31,920)	(91,407)	(90,402)
Share of surplus from equity accounted joint ventures		-	-	-	279	324
Other gains/(losses)	4	1,951	310	817	22,014	37,134
Surplus/(deficit) before tax		1,793	(2,383)	3,163	35,455	53,549
Income tax benefit/(expense)	18	76	-	98	(6,734)	(6,160)
Surplus for the year		1,869	(2,383)	3,261	28,721	47,389
Other comprehensive revenue and expenses						
Items that may be reclassified to surplus/(deficit)						
<i>Available-for-sale financial assets:</i>						
Revaluation gain/(loss) – shares in subsidiary	2	10,946	10,000	36,758	-	-
Available for sale financial asset gains reclassified to surplus/(deficit) during the year		-	-	-	-	(13,696)
<i>Cashflow hedges:</i>						
Unrealised movement in hedging interest rate swaps		-	-	-	(475)	33
Income tax relating to components of other comprehensive revenue and expenses		-	-	-	133	(9)
Total other comprehensive revenue and expense		10,946	10,000	36,758	(342)	(13,672)
Total comprehensive revenue and expense		12,815	7,617	40,019	28,379	33,717

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2016

	Notes	Council 2016 \$000	Council Budget \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Current assets						
Cash and cash equivalents		2,540	7,786	4,228	3,633	24,971
Trade and other receivables	12	3,298	3,222	3,461	15,800	12,374
Property held for sale	8	1,284	320	2,365	3,330	4,411
Property in development	9	-	-	-	20,618	13,409
Other financial assets	5	56,198	37,053	52,560	56,198	52,560
Finance leases	26	-	-	-	155	189
Other current assets		207	154	227	1,424	1,326
Total current assets		63,527	48,535	62,841	101,158	109,240
Non-current assets						
Shares in subsidiary	2	418,239	386,711	407,293	-	-
Joint ventures accounted for using the equity method	27	-	-	-	1,475	1,358
Other financial assets	5	-	-	-	52	71
Derivative financial instruments		-	-	-	-	-
Property, plant and equipment	6	84,138	94,704	83,850	263,321	242,492
Intangible assets	10	1,800	2,490	1,553	7,238	7,932
Investment property	7	10,785	10,627	10,124	284,110	258,934
Finance leases	26	-	-	-	-	155
Deferred tax asset	18	98	-	98	-	-
Total non-current assets		515,060	494,532	502,918	556,196	510,942
Total assets		578,587	543,067	565,759	657,354	620,182
Current liabilities						
Trade and other payables	13	4,134	4,493	4,252	10,645	11,795
Employee entitlements	14	1,483	1,331	1,352	5,756	5,275
Other financial instruments	31	-	-	-	623	713
Tax payable		-	-	-	1,411	1,092
Total current liabilities		5,617	5,824	5,604	18,435	18,875
Non-current liabilities						
Employee entitlements	14	-	-	-	1,419	1,312
Borrowings	15	-	-	-	62,400	54,700
Deferred tax liabilities	18	-	-	-	17,359	16,614
Other financial instruments	31	-	-	-	1,207	526
Total non-current liabilities		-	-	-	82,385	73,152
Total liabilities		5,617	5,824	5,604	100,820	92,027
Net assets		572,970	537,243	560,155	556,534	528,155
Equity						
Reserves	16	435,765	402,034	419,731	206,644	181,941
Public equity	17(a)	137,205	135,209	140,424	349,890	346,214
Total equity		572,970	537,243	560,155	556,534	528,155

The accompanying notes form part of these financial statements.

Statement of Changes in Net Assets/Equity for the Year ended 30 June 2016

	Notes	TOTAL COUNCIL 2016					TOTAL GROUP 2016				
		Opening Balance 1 July 2015 \$000	Other Comprehensive Revenue and Expense \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2016 \$000	Opening Balance 1 July 2015 \$000	Other Comprehensive Revenue and Expense \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2016 \$000
Equity											
General Rate Equity		77,658	1,869	16,855	(23,426)	72,956	283,448	28,721	16,855	(43,383)	285,641
Targeted Rate Equity		62,766	-	16,617	(15,134)	64,249	62,766	-	16,617	(15,134)	64,249
Total Public Equity		140,424	1,869	33,472	(38,560)	137,205	346,214	28,721	33,472	(58,517)	349,890
Reserves:											
Asset Replacement Reserve		4,865	-	2,645	(1,523)	5,987	4,865	-	2,645	(1,523)	5,987
Asset Revaluation Reserve		8,063	-	661	-	8,724	158,564	-	20,618	-	179,182
Available for Sale Revaluation Reserve		387,293	10,946	-	-	398,239	-	-	-	-	-
Building Reserve		8,072	-	2,925	-	10,997	8,072	-	2,925	-	10,997
Emergency Response Reserve		3,739	-	152	-	3,891	3,739	-	152	-	3,891
Hedging Reserve		-	-	-	-	-	(998)	(342)	-	-	(1,340)
Water Management Reserve		1,532	-	62	(161)	1,433	1,532	-	62	(161)	1,433
Kuriwao Endowment Reserve		6,167	-	365	(261)	6,271	6,167	-	365	(261)	6,271
Environmental Enhancement Reserve		-	-	260	(37)	223	-	-	260	(37)	223
Total Reserves		419,731	10,946	7,070	(1,982)	435,765	181,941	(342)	27,027	(1,982)	206,644
Total Equity and Reserves		560,155	12,815	40,542	(40,542)	572,970	528,155	28,379	60,499	(60,499)	556,534

	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
Equity											
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
Total Public Equity		140,968	3,261	34,270	(38,075)	140,424	293,574	47,389	67,700	(62,449)	346,214
Reserves:											
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
Total Reserves		379,169	36,758	5,220	(1,416)	419,731	200,865	(13,672)	15,898	(21,148)	181,941
Total Equity and Reserves		520,137	40,019	39,490	(39,491)	560,155	494,439	33,717	83,598	(83,599)	528,155

Cash Flow Statement for the Year ended 30 June 2016

	Notes	Council 2016 \$000	Council Budget \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Cash flows from operating activities						
<i>Receipts from non-exchange transactions</i>						
Receipts from customers		14,438	14,446	13,163	14,402	13,139
Grant income and subsidies		4,801	8,259	5,661	4,801	5,661
Other receipts		-	2,554	-	-	-
<i>Receipts from exchange transactions</i>						
Interest and investment income		1,574	2,087	1,939	1,906	2,701
Rental income		1,078	1,101	1,228	14,413	15,172
Subvention payment		98	98	98	-	-
Dividends		7,250	7,300	8,400	-	3,165
Other receipts		4,109	2,049	4,257	65,539	68,930
Payments to suppliers and employees		(30,696)	(38,381)	(30,844)	(78,947)	(73,630)
Interest and other costs of finance paid		(3)	(1)	-	(1,614)	(4,612)
Income tax received/(paid)		(22)	-	(3)	(5,639)	(6,277)
Donations		(350)	(350)	(350)	(350)	(350)
Net cash inflow/(outflow) from operating activities		2,277	(838)	3,549	14,511	23,899
Cash flows from investing activities						
Interest capitalised		-	-	-	(854)	(207)
Proceeds from sale of property, plant and equipment		612	605	486	2,382	1,018
Sale of held for sale assets		1,386	-	166	1,386	61,823
Sale of investment property		-	-	-	2,293	33,746
Advances (to)/from subsidiaries		-	-	-	(316)	(163)
Proceeds from other financial assets		3,740	10,000	9,900	3,740	9,900
Purchase of/improvements to investment property		-	-	-	(12,013)	(24,165)
Purchase of other financial assets		(6,327)	-	(9,492)	(6,327)	(9,492)
Purchase of property, plant and equipment		(2,690)	(6,352)	(4,179)	(32,812)	(9,572)
Purchase of intangible assets		(686)	(484)	(113)	(1,217)	(1,583)
Repayment of lease improvements		-	-	-	189	171
Net cash inflow/(outflow) from investing activities		(3,965)	3,769	(3,232)	(43,549)	61,476
Cash flows from financing activities						
Proceeds from borrowings		-	-	-	17,650	40,933
Repayment of borrowings		-	-	-	(9,950)	(105,816)
Net cash inflow/(outflow) from financing activities		-	-	-	7,700	(64,883)
Net increase/(decrease) in cash and cash equivalents		(1,688)	2,931	317	(21,338)	20,492
Cash and cash equivalents at the beginning of the financial year		4,228	4,855	3,911	24,971	4,479
Cash and cash equivalents at the end of the financial year		2,540	7,786	4,228	3,633	24,971

The accompanying notes form part of these financial statements

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.

(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 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
<i>Cash and cash equivalents:</i>				
Cash at bank and on hand	2,540	4,228	3,633	24,971
Term deposits with maturities less than 3 months	-	-	-	-
	2,540	4,228	3,633	24,971

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 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Surplus/(deficit) for the year	1,869	3,261	28,721	47,389
<i>Add/(less) non-cash items:</i>				
Depreciation and amortisation	1,752	1,621	9,879	10,359
(Gain)/loss on sale of property, plant and equipment	(148)	146	(316)	(358)
Provision for doubtful debts	(128)	-	(128)	-
(Gain)/loss on revaluation of investment property	(661)	(100)	(20,618)	(10,778)
Loss/(gain) on disposal of investment property	-	-	(597)	(1,074)
Net change in fair value of derivative financial instruments	-	-	122	653
Net change in fair value of financial instruments	(1,051)	(919)	(1,051)	(919)
Non-current employee entitlements	-	-	108	187
Share of surpluses retained by joint ventures	-	-	(279)	(324)
Gain on sale of available for sale investments	-	-	-	(24,711)
Deferred tax	76	98	856	(155)
Write-off of property plant and equipment work in progress	-	57	-	57
	1,709	4,164	16,697	20,326
<i>Movement in working capital:</i>				
Trade and other receivables	163	381	(3,350)	1,642
Inventories	-	-	(124)	(353)
Other current assets	20	(73)	20	(73)
Trade and other payables	(118)	(537)	(947)	834
Employee entitlements	131	(286)	479	62
Income tax	-	-	220	47
Movement in working capital items classified as investing activities	372	(100)	1,516	1,414
	568	(615)	(2,186)	3,573
Net cash inflow/(outflow) from operating activities	2,277	3,549	14,511	23,899

Notes to the Financial Statements For the Year ended 30 June 2016

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 27. 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 2016, and were authorised for issue by Council on 28 September 2016.

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 Public Sector (PBE (PS)) 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.

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

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.

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

The financial statements are stated exclusive of GST, except for receivables and payables in the Statement of Financial Position which are recognised inclusive of GST. 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 in the Cash Flow Statement.

The budget amounts in these financial statements are for Council only and are those approved by the Council in the Long Term Plan / Annual Plan and have been prepared using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

Adoption of New and Revised Standard and Interpretations

There have been no new accounting standards adopted in the current financial year.

Standards and interpretations issued and not yet adopted

Council has not yet assessed the impact of the following new standards and interpretations on issue which have yet to be adopted:

- 2015 omnibus amendments to PBE (PS) standards
- Amendments to PBE standards and authoritative notice as a consequence of XRB1 and other amendments
- Donated goods (amendments to PBE IPSAS 23)

Council expects to adopt the above standards in the period in which they become mandatory. Council anticipates that the above standards are not expected to have a material impact on the financial statements in the period of initial application, however a detailed assessment has yet to be performed.

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 27 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.

Accounting Policies

Accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the accompanying notes.

The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements.

Critical Estimates and Assumptions and Judgements

In preparing these financial statements the Council has made estimates, assumptions and judgements concerning the future. These estimates, assumptions and judgements 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, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

Estimate of Fair Value of Investment Property – refer to Note 7

Estimate of fair value of shares in subsidiary – refer to Note 2

Property, Plant and Equipment – refer to Note 6

Classification of Property – refer to Note 7

Comparatives

Certain prior period revenue and expenditure has been reclassified between functional categories for consistency with the current period.

2. Shares in Subsidiary and Dividend Income

Port Otago Limited is a 100% subsidiary of the Council.

Recognition and measurement

The Council's investment in Port Otago Limited is carried at fair value in the Council entity's financial statements. 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. 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. The fair value is a level 3 fair value measurement as the valuation technique includes inputs that are not based on observable market data (unobservable inputs).

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

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 2016 was based on cashflows discounted using a weighted average cost of capital of 7.6% (2015 7.8%), terminal growth rate 2% (2015: 2.5%) and discount for lack of marketability 5% (2015: 5%).

Sensitivity to WACC

- A decrease of 0.5% in WACC to 7.1% would result in a \$22.8m increase in fair value
- An increase of 0.5% in WACC to 8.1% would result in a \$19.1m decrease in fair value

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Balance at beginning of year	407,293	370,535	-	-
Purchases	-	-	-	-
Gain/(loss) recognised in surplus/(deficit)	-	-	-	-
Gain/(loss) recognised in other Comprehensive Revenue and Expense	10,946	36,758	-	-
Balance at end of year	418,239	407,293	-	-

Related party transactions

During the year the following receipts / (payments) were made (to)/from Port Otago Limited:

	Council 2016 \$000	Council 2015 \$000
Dividend payment made to Council	7,250	8,400
Harbour Control Centre and other costs	(69)	(99)
Other expenses	36	24

3. Revenue

Recognition and measurement

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 exchange transactions

Dividend income is recognised when the right to receive payment is established, being the declaration date of the dividend.

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

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

Revenue from the rendering of services including relating to contracts and consent application that are in progress at balance date 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.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Fees and charges are recognised as income when supplies and services have been rendered. Fees received from the following activities are recognised as revenue from exchange transactions: resource consent processing, pest animal contract work, grazing leases and licenses, enforcement work, dividends, interest and rental income.

All other fee income is recognised as revenue from non-exchange transactions.

Revenue from non-exchange transactions

Rates revenue is recognised as income when levied.

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

Other fee income from non-exchange transactions is recognised when the supplies and services have been rendered.

Rates Revenue

	Notes	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Rates revenue comprises:					
General rates		5,346	5,037	5,310	5,013
Targeted rates		9,078	8,514	9,078	8,514
		14,424	13,551	14,388	13,527

Council levies general rates for those functions that are assessed as providing benefits to all ratepayers within each of the constituent districts and city, and levies targeted rates where functions benefit a defined group of ratepayers.

Other Revenue

	Notes	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Revenue from exchange transactions					
Port revenue		-	-	63,737	62,753
Consents and regulatory fees		825	1,047	825	1,047
Regional services revenue		738	912	738	912
Investment property rental income		625	696	14,598	14,684
Other property rental income		453	532	1,050	532
		2,641	3,187	80,948	79,928
Revenue from non-exchange transactions					
Consents and regulatory fees		1,211	116	1,211	116
Other activity fees and charges		1,314	1,413	1,314	1,413
		2,525	1,529	2,525	1,529

4. Other Gains/(Losses)

	Notes	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Unrealised net change in value of investment property and property in development	7	661	100	20,816	9,701
Gain/(loss) on disposal of investment property		-	-	-	1,074
Impairment and impairment reversals of property in development	9	-	-	(198)	1,077
Gain/(loss) on disposal of property, plant & equipment	6	148	(146)	376	358
Net change in fair value of financial assets carried at fair value through surplus or deficit		1,051	919	1,051	919
Impairment of held for sale assets	8	91	(56)	91	(56)
Net foreign exchange gain/(loss)		-	-	-	3
Net change in fair value of derivative financial instruments classified at fair value through surplus or deficit (interest rate swaps)		-	-	(122)	(653)
Gain/(loss) on future value of investment property sale		-	-	-	-
Gain/(loss) on available for sale assets		-	-	-	24,711
		1,951	817	22,014	37,134
Gains		1,951	1,019	22,334	37,843
Losses		-	(202)	(320)	(709)

Gains or losses on the sale of investment property and property, plant and equipment are recognised when an unconditional contract is in place and it is probable that the Group will receive the consideration due and significant risks and rewards of ownership of assets have been transferred to the buyer.

5. Other Financial Assets

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Held for trading – carried at fair value				
<i>Current:</i>				
Managed funds – cash (i)	879	620	879	620
Managed funds – bonds (i)(ii)	11,163	11,253	11,163	11,253
Managed funds – equities (i)	6,956	6,687	6,956	6,687
	18,998	18,560	18,998	18,560
Loans and receivables carried at amortised cost				
<i>Current:</i>				
Short-term deposits with maturities of 4-12 months	37,200	34,000	37,200	34,000
<i>Non-current:</i>				
Prepaid lease costs	-	-	52	71
	37,200	34,000	37,252	34,071
	56,198	52,560	56,250	52,631
<i>Disclosed in the financial statements as:</i>				
Current	56,198	52,560	56,198	52,560
Non-current	-	-	52	71
	56,198	52,560	56,250	52,631

Other financial Assets are classified on initial recognition at fair value through surplus of deficit or loans and receivables.

Loans and Receivables at Amortised Cost

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial Assets at Fair Value through Surplus of 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 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. 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).
- The Group holds fixed interest bonds via its managed fund portfolio, the maturity dates range between 2017–2034.

Fair Value

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 – 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				GROUP			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
2016								
<i>Financial assets at FVTPL:</i>								
Other financial assets	1,743	16,314	941	18,998	1,743	16,314	941	18,998
2015								
<i>Financial assets at FVTPL:</i>								
Other financial assets	1,580	16,039	940	18,560	1,580	16,039	940	18,560

6. Property Plant and Equipment

COUNCIL ONLY – 2016

	Cost 1 July 2015 \$000	Additions \$000	Disposals \$000	Transfers \$000	Cost 30 June 2016 \$000	Accumulated Depreciation and Impairment Charges 1 July 2015 \$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 2016 \$000
Council operational assets												
Land	13,049	-	(330)	(174)	12,545	-	-	-	-	-	-	12,545
Endowment land	1,495	-	-	-	1,495	-	-	-	-	-	-	1,495
Buildings	6,071	181	(75)	(16)	6,161	(768)	-	(172)	15	11	(914)	5,247
Plant and vehicles	8,167	583	(2,120)	-	6,630	(6,281)	-	(499)	2,063	-	(4,717)	1,913
Capital work in progress	35	43	-	(35)	43	-	-	-	-	-	-	43
Total operational assets	28,817	807	(2,525)	(225)	26,874	(7,049)	-	(671)	2,078	11	(5,631)	21,243
Council infrastructural assets												
Floodbanks	27,526	-	-	34	27,560	-	-	-	-	-	-	27,560
Protection works	4,617	-	-	3,632	8,249	-	-	-	-	-	-	8,249
Structures	32,164	18	(80)	2,134	34,236	(14,713)	-	(598)	64	-	(15,247)	18,989
Drains	3,288	-	-	-	3,288	-	-	-	-	-	-	3,288
Bridges	1,542	-	-	-	1,542	(889)	-	(45)	-	-	(935)	607
Culverts	1,267	-	-	-	1,267	-	-	-	-	-	-	1,267
Capital work in progress	7,280	1,865	(410)	(5,800)	2,935	-	-	-	-	-	-	2,935
Total infrastructural assets	77,684	1,883	(490)	-	79,077	(15,602)	-	(643)	64	-	(16,182)	62,895
Total Council property, plant and equipment	106,501	2,690	(3,015)	(225)	105,951	(22,651)	-	(1,314)	2,142	11	(21,813)	84,138

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.

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
Council operational assets												
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
Total operational assets	31,226	1,014	(865)	-	(2,558)	28,817	(7,051)	(642)	352	292	(7,049)	21,768
Council infrastructural assets												
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
Total infrastructural assets	74,828	3,165	(309)	-	-	77,684	(15,193)	(599)	190	-	(15,602)	62,082
Total Council property, plant and equipment	106,054	4,179	(1,174)	-	(2,558)	106,501	(22,244)	(1,241)	542	292	(22,651)	83,850

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.

GROUP – 2016

	Cost 1 July 2015 \$000	Additions \$000	Disposals \$000	Transfers \$000	Cost 30 June 2016 \$000	Accumulated Depreciation and Impairment Charges 1 July 2015 \$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 2016 \$000
Operational assets												
Land – Council	13,049	-	(330)	(174)	12,545	-	-	-	-	-	-	12,545
Endowment land – Council	1,495	-	-	-	1,495	-	-	-	-	-	-	1,495
Buildings – Council	6,071	181	(75)	(16)	6,161	(768)	-	(172)	15	11	(914)	5,247
Plant and vehicles - Council	8,167	583	(2,120)	-	6,630	(6,281)	-	(499)	2,063	-	(4,717)	1,913
Capital work in progress - Council	35	43	-	(35)	43	-	-	-	-	-	-	43
Land – Port	34,395	396	(449)	-	34,342	-	-	-	-	-	-	34,342
Buildings and improvements – Port	49,156	14,199	(81)	-	63,274	(14,762)	-	(1,995)	25	-	(16,732)	46,542
Wharves and berths dredging – Port	55,303	6,017	-	-	61,320	(15,724)	-	(1,642)	-	-	(17,366)	43,954
Plant, equipment and vehicles – Port	93,530	2,525	(2,823)	-	93,232	(45,342)	-	(4,172)	1,561	-	(47,953)	45,279
Capital work in progress – Port	2,086	6,980	-	-	9,066	-	-	-	-	-	-	9,066
Total operational assets	263,287	30,924	(5,878)	(225)	288,108	(80,877)	-	(8,480)	3,664	11	(87,682)	200,426
Council infrastructural assets												
Floodbanks	27,526	-	-	34	27,560	-	-	-	-	-	-	27,560
Protection works	4,617	-	-	3,632	8,249	-	-	-	-	-	-	8,249
Structures	32,164	18	(80)	2,134	34,236	(14,713)	-	(598)	64	-	(15,247)	18,989
Drains	3,288	-	-	-	3,288	-	-	-	-	-	-	3,288
Bridges	1,542	-	-	-	1,542	(889)	-	(45)	-	-	(935)	607
Culverts	1,267	-	-	-	1,267	-	-	-	-	-	-	1,267
Capital work in progress – Council	7,280	1,865	(410)	(5,800)	2,935	-	-	-	-	-	-	2,935
Total infrastructural assets	77,684	1,883	(490)	-	79,077	(15,602)	-	(643)	64	-	(16,182)	62,895
Total Group property, plant and equipment	340,971	32,807	(6,368)	(225)	367,185	(96,480)	-	(9,123)	3,728	11	(103,864)	263,321

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
Operational assets														
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
Total operational assets	259,453	7,618	(1,226)	-	(2,558)	263,287	(75,399)	-	(8,457)	687	292	-	(82,877)	180,410
Council infrastructural assets														
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
Total infrastructural assets	74,828	3,165	(309)	-	-	77,684	(15,193)	-	(599)	190	-	-	(15,602)	62,082
Total Group property, plant and equipment	334,281	10,783	(1,535)	-	(2,558)	340,971	(90,592)	-	(9,056)	877	292	-	(98,480)	242,492

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
Operational Assets	
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
Infrastructural Assets	
Floodbanks	Unlimited
Protection works	Unlimited
Drains	Unlimited
Culverts	Unlimited
Structures	8-100 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.

Critical judgements and assumptions

(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 rather than investment property if the property is held 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.

Impairment

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. An impairment loss is recognised in the surplus or deficit whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount.

Useful lives and residual values

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 programmes and analysis of prior asset sales. The Group has not made significant changes to past assumptions concerning useful lives and residual values.

7. Investment Property

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Balance at beginning of year	10,124	10,024	258,934	242,683
Acquisitions	-	-	6,077	9,867
Subsequent capital expenditure	-	-	2,935	5,794
Interest capitalised	-	-	471	113
Disposals	-	-	-	(8,926)
Net movement in incentives	-	-	101	27
Net movement in prepaid leasing costs	-	-	182	(83)
Transfer to property receivable	-	-	-	(242)
Transfer (to)/from property in development (Note 9)	-	-	(5,406)	-
Net gain/(loss) from fair value adjustments	661	100	20,816	9,701
Balance at end of year	10,785	10,124	284,110	258,934

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Valuation analysis				
<i>Valued at 30 June balance date as determined by:</i>				
Colliers International	-	10,124	90,370	91,109
CBRE Limited	-	-	182,955	167,825
Tay and Tay Limited	10,785	-	10,785	-
	10,785	10,124	284,110	258,934

Investment property is property held to earn rentals and/or for capital appreciation. Investment property is measured initially at cost and subsequently at fair value. 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.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The fair value of investment property reflects the Director's assessment of the highest and best use of each property and amongst other things, rental income, from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects the cash outflows that could be expected in respect of the property.

No depreciation or amortisation is provided for on investment properties. However, for tax purposes, depreciation is claimed on building fit-out and a deferred tax liability is recognised where the building component of the registered building exceeds the tax book value of the building. The deferred tax liability is capped at the amount of depreciation that has been claimed on each building. Gains or losses on the disposal of investment properties are recognised in the surplus/(deficit) in the period in which the risks and rewards of the investment property have been fully transferred to the purchaser.

Borrowing costs are capitalised if they are directly attributable to the acquisition or construction of a qualifying property. Capitalisation of borrowing costs will continue until the asset is substantially ready for its intended use. The rate at which borrowing costs are capitalised is determined by reference to the weighted average borrowing costs and the average level of borrowings.

Critical Judgements

Fair value of property portfolio assets (includes investment property, property held for sale and property in development)

The fair value of the Council's and Group's investment property at 30 June 2016 requires estimation and judgement and has been arrived at on the basis of valuations carried out at that date by independent registered 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.

The fair value was determined using valuation techniques via a combination of the following approaches:

- **Direct Capitalisation:** The subject property rental is divided by a market derived capitalisation rate to assess the market value of the asset. Further adjustments are then made to the market value to reflect under or over renting, additional revenue and required capital expenditure.
- **Discounted Cash Flow:** Discounted cash flow projections for the subject property are based on estimates of future cash flows, supported by the terms of any existing lease and by external evidence such as market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.
- **Sales Comparison:** The subject property is related at a rate per square metre as a means of comparing evidence. In applying this approach a number of factors are taken into account such as but not limited to, size, location, zoning, contour, access, development potential / end use, availability of services, profile and exposure, current use of surrounding properties, geotechnical and topographical constraints.

Significant inputs used together with the impact on fair value of a change in inputs:

	Council		Group	
	Range of significant unobservable inputs		Range of significant unobservable inputs	
Market capitalisation rate (%) (i)	6.25%	6.75%	5.3%	8.8%
Market rental (\$ per Sqm) (ii)	\$15	\$240	\$8	\$246
Discount Rate (5) (iii)	8.0%	8.5%	7.0%	14.0%
Rental growth rate (%) (iv)	1.0%	2%	1.0%	3.0%
Terminal capitalisation rate (%) (v)	5.75%	7%	5.5%	8.5%
Profit and risk rate (vi)	N/A	N/A	20.0%	20.0%
Development sell down period (years) (vii)	N/A	N/A	11	11

- (i) The capitalisation rate applied to the market rental to assess a property's value, determined through similar transactions taking into account location, weighted average lease term, size and quality of the property.
- (ii) The valuers assessment of the net market income which a property is expected to achieve under a new arm's length leasing transaction.
- (iii) The rate applied to future cash flows relating transactional evidence from similar properties.
- (iv) The rate applied to the market rental over the future cash flow projection.
- (v) The rate used to assess the terminal value of the property.
- (vi) The rate provides an allowance for the risks and uncertainties associated with similar activities in conjunction with current market conditions.
- (vii) The length of time in years anticipated to complete the sell down of developed land.

8. Property held for sale

	Note	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Balance at beginning of year		2,365	320	4,411	25,861
Transfer from property, plant and equipment		214	2,266	214	2,266
Acquisitions		-	-	-	1,023
Subsequent capital expenditure		-	-	-	269
Unrealised change in the value of property held for sale		91	(55)	91	(55)
Disposals		(1,386)	(166)	(1,386)	(24,953)
Balance at end of year		1,284	2,365	3,330	4,411
<i>Disclosed in the Financial Statements as:</i>					
Current		1,284	2,365	3,330	4,411
Non-current		-	-	-	-
		1,284	2,365	3,330	4,411

Property classified as held for sale is measured at:

- Fair value for items transferred from investment property, and
- Fair value less estimated costs of disposal, measured at time of transfer, 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 is not depreciated or amortised while it is classified as held for sale.

Group:

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

Note 28 contains details of the contract terms to sell 10% of the original Newby 1 block to a related party, the former Chalmers Properties Limited Chief Executive Officer. This land is classified as property held for sale since the land is to be recovered through a sales transaction rather than through continuing use. The remaining property held for sale under the related party contract is \$2.05 million (2015: \$2.05 million).

9. Property in Development

	Note	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Balance at beginning of year		-	-	13,409	6,295
Transfer (to) from investment property	7	-	-	5,406	-
Acquisitions		-	-	649	6,507
Disposals		-	-	(2,260)	-
Subsequent capital expenditure		-	-	3,536	(470)
Interest capitalised		-	-	76	-
Impairment and impairment reversals		-	-	(198)	1,077
Balance at end of year		-	-	20,618	13,409

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Comprising				
Developed land for sale	-	-	10,617	12,126
Impairment and impairment reversals	-	-	10,001	1,283
	-	-	20,618	13,409

Transfers from investment property to property in development occur when there is a change in use evidenced by commencement of development with a view to sale. Property in development is accounted for as inventory and initially recognised at deemed cost, represented by the fair value at the time of commencement of development.

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.

Developed land for sale

The Group previously held a 50% interest in the Hamilton Joint Venture (HJV). During the 2015 year the Group acquired the remaining 50% interest in HJV. The carrying value of the land of \$4.72 million (2015: \$6.70 million) reflects the cost of the remaining developed land. Colliers in their June 2016 valuation stated a net realisable value of \$5.31 million (2015: \$6.87 million).

The Group previously held a 33.3% interest in the Hamilton Porter JV (HPJV). During the 2015 year the Group acquired a further 33.3% interest in HPJV. The carrying value of the land at balance date of \$8.61 million (Group share: \$5.9 million), (2015: \$8.13 million, Group share: \$5.42 million) reflects the cost of the remaining developed land. Colliers in their June 2016 valuation stated a net realisable value of \$9.14 million (2015: Colliers \$8.36 million).

Land in development

During the year the Group commenced development of stage 2 of the industrial subdivision at Te Rapa in Hamilton. Upon completion, stage 2 will yield a further 10.5 hectares of developed land (Group share: 9.0 hectares). The carrying value of land in development at balance date of \$11.94 million (Group share: \$10.00 million) reflects the cost of the land in development. Colliers in their June 2016 valuation stated a net realisable value of \$13.75 million (2015: Colliers \$1.93 million).

Refer to Note 7 for fair value disclosures associated with property in development.

10. Intangible Assets

	Council Computer Software \$000	Council Total \$000	Group Computer Software \$000	Group Resource Consents \$000	Group Other Intangibles \$000	Group Total \$000
Gross carrying amount						
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
Transfer to investment property and property in development	-	-	-	-	(1,219)	(1,219)
Additions	168	168	455	244	-	699
Capital WIP additions	517	517	517	-	-	517
Disposals	(256)	(256)	(277)	-	-	(277)
Balance at 30 June 2016	3,704	3,704	9,339	5,478	-	14,819
Accumulated amortisation and impairment						
Balance at 1 July 2014	(1,342)	(1,342)	(5,933)	-	-	(5,933)
Amortisation expense	(380)	(380)	(635)	(268)	(331)	(1,234)
Disposals	-	-	-	-	-	-
Balance 30 June 2015	(1,722)	(1,722)	(6,568)	(268)	(331)	(7,167)
Amortisation expense	(439)	(439)	(669)	(354)	331	(692)
Disposals	256	256	277	-	-	277
Balance 30 June 2016	(1,905)	(1,905)	(6,960)	(622)	-	(7,582)
Net book value						
As at 30 June 2016	1,800	1,800	2,380	4,856	-	7,238
As at 30 June 2015	1,553	1,553	2,076	4,966	890	7,932

The cost of acquiring an intangible asset is amortised from the date the asset is ready for use on a straight-line basis over the periods of expected benefit.

Computer Software

Computer software assets are stated at cost, less accumulated amortisation and impairment. The amortisation periods range from 1 to 5 years.

Resource Consents

For resource consents the amortisation periods range from 3 to 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.

Resource consents relate to the granting of the Next Generation consents which will allow the Group 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 years or 20 years.

Other Intangible Assets

Other Intangibles represents the excess of the cost of acquisition over the Group's interest in the fair value of the assets of a jointly controlled entity. Other intangibles were reassessed and reclassified to the cost of investment property and investment property inventories.

Impairment

At each reporting date, the Council and Group reviews the carrying amounts of 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.

11. Schedule of Depreciation and Amortisation

	Notes	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Depreciation of property, plant and equipment	6	1,314	1,241	9,123	9,056
Amortisation of intangible assets	10	439	380	692	1,234
Amortisation of leasing costs		-	-	64	69
		1,753	1,621	9,879	10,359

Depreciation and Amortisation by Activity (Council Only)

	Notes	Actual 2015/16 \$000	Long Term Plan 2015/16 \$000	Actual 2014/15 \$000	Annual Plan 2014/15 \$000
Environment		148	131	130	143
Community		3	-	1	-
Regulatory		96	96	97	96
Flood Protection & Control Works		618	703	608	548
Safety and Hazards		3	2	2	2
Transport		8	-	-	10
Corporate		877	819	783	716
		1,753	1,751	1,621	1,515

12. Trade & Other Receivables

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Trade and other receivables from exchange transactions				
Trade receivables (i)	-	-	10,563	7,527
Provision for doubtful debts	-	-	-	-
	-	-	10,563	7,527
Sundry accruals	570	606	2,509	1,992
Goods and Services Tax receivable	417	402	417	402
	987	1,008	13,489	9,921
Trade and other receivables from non- exchange transactions				
Trade receivables (i)	1,728	1,881	1,728	1,881
Provision for doubtful debts	(173)	(301)	(173)	(301)
	1,555	1,580	1,555	1,580
Sundry accruals	756	873	756	873
Goods and Services Tax receivable	-	-	-	-
	2,311	2,453	2,311	2,453
<i>Disclosed in the financial statements as:</i>				
Current	3,298	3,461	15,800	12,374
Non-current	-	-	-	-
	3,298	3,461	15,800	12,374

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

Trade 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.

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 doubtful debts 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).

13. Trade & Other Payables

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Trade payables for Exchange transactions (i)	2,758	2,809	8,311	9,280
Other accrued charges	1,376	1,421	2,118	2,465
Property deposits received	-	22	216	50
	4,134	4,252	10,645	11,795

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

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.

14. Employee Entitlements

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Accrued salary and wages	386	178	1,191	783
Annual leave	1,075	1,152	4,465	4,416
Long service leave	-	-	969	819
Retiring allowances	22	22	155	155
Sick leave	-	-	78	56
Related party incentives (Note 28)	-	-	317	358
	1,483	1,352	7,175	6,587
<i>Disclosed in the financial statements as:</i>				
Current	1,483	1,352	5,756	5,275
Non-current	-	-	1,419	1,312
	1,483	1,352	7,175	6,587

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.

15. Borrowings and Finance Costs

15 (a) Borrowings

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Secured – at amortised cost				
Bank borrowings	-	-	62,400	54,700
	-	-	62,400	54,700
<i>Analysed as:</i>				
Current	-	-	-	-
Non-current	-	-	62,400	54,700
	-	-	62,400	54,700

Borrowings are recognised initially at fair value. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings, using the effective interest method.

The carrying amount of borrowings reflects fair value as the borrowing finance rates approximate market rates.

The Group has a \$80 million (2015: \$100 million) committed facility with ANZ Bank New Zealand Limited. The Group may draw funding for terms ranging from call to the termination of the agreement, which is 31 December 2018.

The security for advances is a cross guarantee between Port Otago Limited and Chalmers Properties Limited in favour of the lender, general security agreement over the assets of the Group and registered first-ranking mortgages over land.

15 (b) Finance Costs

	Notes	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Interest on loans		3	-	3,380	5,178
Capitalised borrowing costs		-	-	(854)	(206)
		3	-	2,526	4,972

Borrowing costs directly attributable to the acquisition and/or construction of property, plant and equipment and long term investment property development projects are capitalised as part of the cost of those assets. Other borrowing costs are expensed in the period in which they are incurred.

16. 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 Management Reserve \$000	Building Reserve \$000	Environmental Enhancement Reserve	Total Reserves \$000
Opening balances 30 June 2014	350,535	4,403	3,571	6,020	7,963	1,463	5,214	-	379,169
Transfers in:									
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
	36,758	1,628	168	397	100	69	2,858	-	41,978
Transfers out:									
Transfers to general rate equity	-	(1,166)	-	-	-	-	-	-	(1,166)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	(250)
	-	(1,166)	-	(250)	-	-	-	-	(1,416)
Closing balances 30 June 2015	387,293	4,865	3,739	6,167	8,063	1,532	8,072	-	419,731
Transfers in:									
Transfers from general rate equity	-	2,426	-	117	-	62	2,500	250	5,355
Interest received	-	219	152	248	-	-	425	10	1,054
Revaluation gain	10,946	-	-	-	661	-	-	-	11,607
	10,946	2,645	152	365	661	62	2,925	260	18,016
Transfers out:									
Transfers to general rate equity	-	(1,523)	-	(11)	-	(161)	-	(37)	(1,732)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	(250)
	-	(1,523)	-	(261)	-	(161)	-	(37)	(1,982)
Closing balances 30 June 2016	398,239	5,987	3,891	6,271	8,724	1,433	10,997	223	435,765

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	Environmental Enhancement Reserve	Hedging Reserve \$000	Total Reserves \$000
Opening balances 30 June 2014	13,698	4,403	3,571	6,020	167,518	1,463	5,214	-	(1,022)	200,865
Transfers in:										
Transfers from general rate equity	-	1,409	-	116	-	-	2,500	-	-	4,025
Interest received	-	219	168	281	-	69	358	-	-	1,095
Revaluation gain	-	-	-	-	10,778	-	-	-	-	10,778
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	-	32	32
		1,628	168	397	10,778	69	2,858	-	32	15,930
Transfers out:										
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)
	(13,698)	(1,166)	-	(250)	(19,732)	-	-	-	(8)	(34,854)
Closing balances 30 June 2015	-	4,865	3,739	6,167	158,564	1,532	8,072	-	(998)	181,941
Transfers in:										
Transfers from general rate equity	-	2,426	-	117	-	62	2,500	250	-	5,355
Interest received	-	219	152	248	-	-	425	10	-	1,054
Revaluation gain	-	-	-	-	20,618	-	-	-	-	20,618
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	-	(475)	(475)
	-	2,645	152	365	20,618	62	2,925	260	(475)	26,552
Transfers out:										
Transfers to general rate equity	-	(1,523)	-	(11)	-	(161)	-	(37)	-	(1,732)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	-	(250)
Deferred tax arising on fair value movement	-	-	-	-	-	-	-	-	133	133
	-	(1,523)	-	(261)	-	(161)	-	(37)	133	(1,849)
Closing balances 30 June 2016	-	5,987	3,891	6,271	179,182	1,433	10,997	223	(1,340)	206,644

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.

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 (2015: Nil). This reflects the reclassification to surplus/(deficit) upon sale of listed shares held by the Group during 2015.

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 comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to interest payments that have not yet occurred.

Building Reserve

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

Environmental Enhancement Reserve

The purpose of this reserve is to provide funding for the maintenance or enhancement of areas of the natural environment within the Otago region.

17 (a) Public Equity

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Public Equity – General Rates				
Balance at beginning of year	77,658	79,913	283,448	232,519
Net surplus	1,869	3,261	28,721	47,389
Transfers in				
Transfer from Public Equity Targeted Rates	15,134	15,697	15,134	15,697
Kuriwao endowment reserve	-	-	-	-
Asset replacement reserve	1,523	1,166	1,523	1,166
Asset revaluation reserve	-	-	-	33,429
Water Management Reserve	161	-	161	-
Environmental Enhancement Reserve	37	-	37	-
	16,855	16,863	16,855	50,292
Transfer out				
Transfer to Public Equity Targeted Rates	(16,367)	(17,159)	(16,367)	(17,159)
Kuriwao endowment reserve	(354)	(397)	(354)	(397)
Asset replacement reserve	(2,645)	(1,628)	(2,645)	(1,628)
Emergency response reserve	(152)	(168)	(152)	(168)
Asset revaluation reserve	(661)	(100)	(20,618)	(10,777)
Water management reserve	(62)	(69)	(62)	(69)
Building Reserve	(2,925)	(2,858)	(2,925)	(2,858)
Environmental Enhancement Reserve	(260)	-	(260)	-
Available-for-sale asset gains reclassified to surplus/- (deficit)	-	-	-	(13,696)
	(23,426)	(22,379)	(43,383)	(46,752)
Balance at end of year	72,956	77,658	285,641	283,448
Public Equity - Targeted Rates				
Balance at beginning of year	62,766	61,055	62,766	61,055
Transfers in				
Transfer from Public Equity General Rates	16,367	17,158	16,367	17,158
Kuriwao endowment reserve	250	250	250	250
	16,617	17,408	16,617	17,408
Transfers out				
Transfer to Public Equity General Rates	(15,134)	(15,697)	(15,134)	(15,697)
	(15,134)	(15,697)	(15,134)	(15,697)
Balance at end of year – refer note 17 (b)	64,249	62,766	64,249	62,766
Total Public Equity				
Balance at beginning of year	140,424	140,968	346,214	293,574
Net surplus	1,869	3,261	28,721	33,693
Transfers	(5,088)	(3,805)	(25,045)	18,947
Balance at end of year	137,205	140,424	349,890	346,214

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.

17 (b) Public Equity Targeted Rates - Reserve Movements

	Council and Group - 2016				Council and Group – 2015			
	Opening balance 1 July 2015 \$000	Transfers in \$000	Transfers out \$000	Closing balance 30 June 2016 \$000	Opening balance 1 July 2014 \$000	Transfers in \$000	Transfers out \$000	Closing balance 30 June 2015 \$000
Targeted Rating District Equity								
River Management Reserves								
Central Otago River Management	312	238	(229)	321	338	170	(196)	312
Clutha River Management	407	237	(481)	163	385	203	(181)	407
Dunedin River Management	2,154	232	(369)	2,017	2,115	246	(207)	2,154
Queenstown River Management	528	224	(116)	636	332	271	(75)	528
Waitaki River Management	(14)	261	(277)	(30)	120	140	(274)	(14)
Wanaka River Management	331	181	(146)	366	288	181	(138)	331
Shotover Delta Flood Mitigation	(483)	252	(39)	(270)	(683)	252	(52)	(483)
Stoney Creek	129	4	-	133	123	6	-	129
Flood and Drainage scheme reserves								
Alexandra Flood Protection	642	129	(110)	661	561	188	(107)	642
East Taieri Drainage	337	419	(267)	489	265	380	(308)	337
Leith Flood Protection	(6,808)	1,546	(2,628)	(7,890)	(4,778)	1,687	(3,717)	(6,808)
Lower Clutha Flood and Drainage	152	1,011	(937)	226	165	983	(996)	152
Lower Taieri Flood Protection	438	719	(404)	753	137	640	(339)	438
Lower Waitaki Flood Protection	8	141	(157)	(8)	9	166	(167)	8
Tokomairiro Drainage	165	66	(86)	145	167	53	(55)	165
West Taieri Drainage	(1,205)	581	(429)	(1,053)	(1,331)	548	(422)	(1,205)
Other Reserves								
Clean Heat Clean Air	465	119	(97)	487	460	110	(105)	465
Dunedin Transport Services	4,610	7,582	(6,769)	5,423	4,771	7,350	(7,511)	4,610
Forsyth Barr Stadium	-	-	-	-	(497)	547	(50)	-
Queenstown Transport Services	101	219	(259)	61	66	155	(120)	101
Rural Water Quality	-	507	(559)	(52)	-	-	-	-
Dairy Monitoring	-	96	(135)	(39)	-	-	-	-
Infrastructural Assets	60,497	1,853	(640)	61,710	58,042	3,132	(677)	60,497
	62,766	16,617	(15,134)	64,249	61,055	17,408	(15,697)	62,766

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 Queenstown 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.

Schedule of Internal Borrowing for Public Equity Targeted Rates - Reserve

Council 2016	Amount borrowed as at 30 June 2015 \$000	Funds borrowed during the year \$000	Funds repaid during the year \$000	Interest charged \$000	Amount borrowed as at 30 June 2016 \$000
Flood protection and control works	8,496	2,750	(2,379)	346	9,213
Environment	14	834	(768)	2	82
Community	(8)	157	(141)	-	8
Regulatory	-	134	(96)	1	39
	8,502	3,875	(3,384)	349	9,342

Council 2015	Amount borrowed as at 30 June 2014 \$000	Funds borrowed during the year \$000	Funds repaid during the year \$000	Interest charged \$000	Amount borrowed as at 30 June 2015 \$000
Flood Protection and Control Works	6,792	3,847	(2,487)	344	8,496
Environment	(120)	274	(138)	(2)	14
Community	497	44	(547)	6	0
Regulatory	0	0	0	0	0
	7,169	4,165	(3,172)	348	8,510

18. Income Taxes

Income Tax Recognised in Statement of Comprehensive Revenue and Expense

	Notes	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Income tax (expense)/benefit comprises:					
Current year – current tax		-	-	(5,838)	(6,452)
Current year – deferred tax		98	103	(877)	307
Prior period adjustment current tax		76	98	(19)	134
Prior period adjustment deferred tax		(98)	(103)	-	(149)
Income tax (expense)/benefit reported in the Statement of Comprehensive Revenue and Expense		76	98	(6,734)	(6,160)
<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		1,793	3,163	35,455	53,549
Imputation credits		-	-	63	1,231
		1,793	3,163	35,518	54,780
Income tax expense (credit) calculated at 28%		502	886	9,945	15,338
Non-deductible expenses		9,247	8,839	9,819	9,718
Non-assessable income		(7,795)	(7,471)	(7,754)	(14,607)
Unrealised change in investment property		-	-	(4,756)	(1,619)
Deferred tax expense relating to the origination and reversal of temporary differences		-	-	(476)	(1,459)
Prior period adjustment		-	-	19	20
Imputation credits utilised		(2,030)	(2,352)	(63)	(1,231)
Income tax expense (credit)		(76)	(98)	6,734	6,160

Council entered into an agreement for the Council to transfer 2015 tax year losses to its subsidiary Port Otago Limited. In conjunction with the tax loss transfer of \$251,953 (2015 tax year: \$244,023), by way of a tax loss offset, Port Otago Limited made a subvention payment of \$97,981 (2015 tax year: \$94,898) to the Council.

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.

Current tax 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 or deductible 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 Balances Comprise:

Taxable and deductible temporary differences arising from the following:

COUNCIL 2016	Council Opening Balance \$000	Council Charged to Surplus/(Deficit) \$000	Council Charged to other Comprehensive Revenue & Expense \$000	Council Closing Balance \$000
Gross deferred tax asset:				
Tax losses	98	-	-	98
	98	-	-	98

COUNCIL 2015	Council Opening Balance \$000	Council Charged to Surplus/(Deficit) \$000	Council Charged to other Comprehensive Revenue & Expense \$000	Council Closing Balance \$000
Gross deferred tax asset:				
Tax losses	98	-	-	98
	98	-	-	98

GROUP 2016	Group Opening Balance \$000	Group Charged to Surplus/(Deficit) \$000	Group Charged to other Comprehensive Revenue & Expense \$000	Group Closing Balance \$000
Gross deferred tax liability:				
Other financial assets	(329)	(34)	(133)	(496)
Property, plant and equipment	14,015	(490)	-	13,525
Investment property	4,534	1,490	-	6,024
Other	(1,606)	(88)	-	(1,694)
	16,614	878	(133)	17,359

GROUP 2015	Group Opening Balance \$000	Group Charged to Surplus/(Deficit) \$000	Group Charged to other Comprehensive Revenue & Expense \$000	Group Closing Balance \$000
Gross deferred tax liability:				
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

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.

Imputation Credit Account Balances

	Group 2016 \$000	Group 2015 \$000
Balance at end of year	27,329	24,210

Imputation credit balances available directly and indirectly to the Council through subsidiaries are \$27,427,000 as at 30 June 2016 and \$24,210,000 as at 30 June 2015.

19. Other expenses

	Notes	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Net bad and doubtful debts		(71)	2	(20)	7
Donations		350	350	385	385
Operating lease rental expenses: - Minimum lease payments		134	122	134	122
Operating expenses of investment properties		-	-	859	921
Company Directors' remuneration		-	-	301	312
Purchased materials and services		18,474	17,561	32,733	30,839
Fuel and electricity		349	411	2,936	3,371
Write-off of property plant and equipment work in progress		-	57	-	57
		19,236	18,503	37,328	36,014

20. 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 2016	Number of Employees 30 June 2015
Full-time employees	130	130
Full-time equivalent number of other employees	6.5	6.4

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 2016	Total Annual Remuneration	Number of Employees 30 June 2015
Less than \$60,000	39	Less than \$60,000	48
\$60,000 to \$79,999	46	\$60,000 to \$79,999	44
\$80,000 to \$99,999	26	\$80,000 to \$99,999	20
\$100,000 to \$119,999	11	\$100,000 to \$119,999	12
\$120,000 to \$139,999	13	\$120,000 to \$139,999	9
\$140,000 to \$239,999	5	\$140,000 to \$239,999	6
\$240,000 to \$299,999	1	\$240,000 to \$299,999	1
	141		140

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 2016, the Chief Executive received salary payments amounting to \$273,507 (2015: \$273,505). The total cost including fringe benefit tax of the remuneration package received by the Chief Executive during the year to 30 June 2016 is calculated at \$299,240 (2015: \$299,240).

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.

Councillor	Council 2016 \$000	Council 2015 \$000
Stephen Woodhead (Chairperson)	125,677	123,533
Gretchen Robertson (Deputy Chairperson)	69,447	62,258
David Shepherd	56,350	53,789
Douglas Brown	47,553	44,803
Louise Croot	47,433	44,570
Michael Deaker	46,958	44,470
Gerrard Eckhoff	47,763	46,027
Trevor Kempton	61,450	53,364
Sam Neill	59,597	53,364
Bryan Scott	56,658	53,364
Graeme Bell	49,023	45,853
Gary Kelliher	49,878	45,730
	717,787	671,125

Severance Payments

For the year ended 30 June 2016, the Council made four severance payments, each of \$55,000, \$50,000, \$45,500 and \$30,000 (2015: one payment of \$10,000).

21. 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:

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Short-term employee benefits	1,867	1,866	4,262	4,135
Post-employment benefits	74	77	74	77
Directors' fees	-	-	301	312
	1,941	1,943	4,637	4,524
Full-time equivalent number of key management personnel	7	7	15	15

22. Employee Benefits Expense

	Notes	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Salaries and wages		11,579	11,302	39,537	37,351
Defined contribution plans		515	484	1,849	1,696
Termination benefits		288	10	288	10
		12,382	11,796	41,674	39,057

Superannuation Schemes

Recognition and measurement

Contributions to defined contribution superannuation schemes are expensed when incurred.

Superannuation scheme contingent liability

The Council is a participating employer in 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. If the other participating employers ceased to participate in the scheme, the Council could be responsible for any 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 any deficit.

The Actuary of the scheme recommended previously that the employer contributions be suspended with effect from 1 April 2011. In the latest report, the Actuary recommended employer contributions remain suspended.

As at 31 March 2016, the scheme had a past service surplus of \$11.9 million (7.4% of the liabilities), (as at 31 March 2015: \$20.9 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.

23. Subsequent Events

On 6 September 2016 the Directors declared a final dividend of \$0.8 million for the year ended 30 June 2016. As the final dividend was approved after balance date, the financial effect of the dividend payable of \$0.8 million has not been recognised in the Balance Sheet.

24. Commitments for Expenditure

Capital Expenditure Commitment

At 30 June 2016 the Group had commitments for capital expenditure of \$12.9 million (2015: \$13.85 million). Included in the above amounts are Council commitments of \$1.43 million (2015: \$0.3 million) relating to property, plant and equipment acquisitions and contracts for capital expenditure.

Included within Group capital commitments is capital expenditure of \$11.47million (2015: \$13.55 million) relating to purchases and refurbishment of port assets.

Lease Commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 26 to the financial statements.

25. Contingent Liabilities & Contingent Assets

Council Only

Consistent with the nature of the Council's activities, the Council is involved in Environment, High and District 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, (2015: \$Nil).

Group

Dredging and reclamation works performance security bond

The Group 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 the Group, 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 2016, no claim under this bond has been received by the Guarantor, ANZ Bank New Zealand Limited.

OneSteel Recycling PTY Limited in receivership

In April 2016 One Steel Recycling PTY Limited, a commercial property tenant in Auckland was placed into voluntary administration. A proof of debt claim has been made for \$692,915 (excluding GST) for rentals and outgoings from April 2016 until the lease expiry of March 2017. A provision for doubtful debts of \$51,438 has been made for the net lease payments outstanding to 30 June 2016. As part of the property is sub leased by One Steel Recycling PTY Limited the estimated net rental loss is \$400,000.

26. Leases

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.

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.

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.

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.

Disclosures for lessees

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.

Non-cancellable Operating Lease Payments

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Not longer than 1 year	54	119	238	369
Longer than 1 year and not longer than 5 years	60	88	256	392
Longer than 5 years	-	-	-	-
	114	207	494	761

Disclosures for Lessor

Leasing Arrangements

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Group has determined that it retains all significant risks and rewards of ownership of the commercial property leases and has therefore classified the leases as operating leases. Property leased out under operating leases is included in investment property and property, plant and equipment in the Balance Sheet.

Finance Lease Receivable

	Group only Minimum Future Lease Payments		Group only Present Value of Minimum Future Lease Receivables	
	2016 \$000s	2015 \$000s	2016 \$000s	2015 \$000s
Not longer than 1 year	160	214	155	189
Longer than 1 year and not longer than 5 years	-	160	-	155
Longer than 5 years	-	-	-	-
Minimum future lease payments	160	374	155	344
Less unearned finance income	(5)	(30)	-	-
Present value of minimum lease payments	155	344	155	344
<i>Disclosed in the financial statements as:</i>				
Current			155	189
Non-current			-	155
			155	344

Finance lease receivables relate to the Group for the funding of tenant improvements to an investment property.

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	2016 \$000	2015 \$000
Rentals receivable		
Within one year	19,273	17,195
After one year but not more than five years	63,782	55,517
More than five years	99,596	74,301
Minimum future lease receivable	182,651	147,013

27. Subsidiaries, Associates and Joint Ventures

	Country of Incorporation	Ownership Interest	
		2016 %	2015 %
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	
		2016 %	2015 %
Subsidiaries			
Chalmers Properties Limited	Property investment	100	100
Te Rapa Gateway Limited	Property investment	100	100
South Freight Limited	Transport investment	100	100
Fiordland Pilot Services Limited	Shipping services	100	100
Joint Ventures and Associates			
Harbourcold Dunedin	Cold store operation	50	50
Hamilton Porter JV	Property investment	66.7	66.7
Hamilton Porter JV Company Limited	Property trustee (non-trading)	66.7	66.7
ICON Logistics Limited	Container transport and warehousing services	50	50

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.

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 2016 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.

Joint ventures accounted for using the equity method

	Note	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Balance at beginning of year		-	-	1,358	1,159
Share of profit from joint ventures recognised in the Statement of Comprehensive Revenue and Expenses		-	-	279	324
Distributions from joint venture		-	-	(162)	(125)
Balance at end of year		-	-	1,475	1,358

The Group has a 50% shareholding in Icon Logistics Limited (2015: 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.

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.

Summarised financial information of jointly controlled entities:

	Group 2016 \$000	Group 2015 \$000
Current assets	10,581	7,871
Non-current assets	6,236	7,979
	16,817	15,850
Current liabilities	(3,183)	(2,317)
Non-current liabilities	(1)	(6)
	(3,184)	(2,323)
Net assets	13,633	13,527

Any capital commitments and contingent liabilities arising from the Group's interests in joint ventures are disclosed in Notes 24 and 25 respectively.

28. 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 \$3,300 were provided to Alliance Group Limited (2015: \$Nil), services valued at \$22,400 were purchased from Delta Utility Services Limited (2015: \$83,000) and supplies valued at \$Nil were purchased from Meenan Wine and Spirits Limited (2015: \$1,200).

As at June 2016, the amount owing to the Council by Alliance Group Limited was \$nil (2015: \$Nil), Delta Utility Services Limited \$Nil (2015:\$Nil) and to Meenan Wines and Spirits Limited was \$Nil (2015: \$Nil).

Group

Financial arrangement - Te Rapa Gateway Limited

During the year ended 30 June 2008 the Hamilton Joint Venture agreed to sell 10% of a 43.7 hectare block of joint operation land to Mr Andrew Duncan. Mr Duncan ceased employment with the Group during 2012. Te Rapa Gateway Limited, a subsidiary of Chalmers Properties Limited, subsequently negotiated and settled a partition agreement in the year ended 30 June 2015 to purchase the 50% interest in the Hamilton Joint Venture industrial zoned land held by our joint venture partner.

The balance sheet provision (refer note 14) reflects the difference between the \$2.84 million nominal sales 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 February 2008 to July 2016.

At 30 June 2016, the remaining terms of the transaction with Mr Duncan are:

- Sale price of \$2.05 million (plus GST if any) for the remaining land under this agreement. Deposits totalling \$0.22 million are held in trust by the Group solicitor.
- The Group will pay land development costs up to \$0.18 million plus tax, which amounts to \$0.26 million after payroll taxes are added.

Transactions with Icon Logistics Limited

Port Otago Limited has a 50% interest in Icon Logistics Limited through its wholly owned subsidiary, South Freight Limited. Icon Logistics Limited is a tenant and purchaser of services from Port Otago Limited. The amount received from Icon Logistics Limited during 2016 for property rentals and sale of services was \$146,893 (2015: \$125,061) with \$1,903 receivable at year end (2015: \$1,364).

Icon Logistics Limited also provides transport services to Port Otago Limited. The amount paid to Icon Logistics Limited during 2016 for the supply of transport services was \$156,363 (2015: \$40,158) with \$3,503 payable at year end (2015: \$4,702).

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.

29. Remuneration of Auditors

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Audit fees for financial statement audit	90	88	90	88
Audit fees for audit of Long Term Plan	-	63	-	63
Other assurance services	16	-	16	-
Fees for tax and advisory services - Council	13	10	13	10
Fees for tax compliance and advisory services – entities not audited by Deloitte	-	-	133	63
	119	161	252	224
Audit fees to other auditors for audit of financial statements of group entities	-	-	131	132
	-	-	131	132
	119	161	383	356

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.

30. Explanation of Major Variances from Budget

Statement of Comprehensive Revenue and Expenses

The total comprehensive revenue and expense of \$12.815 million comprises a surplus for the year of \$1.869 million and a revaluation gain of \$10.946 million.

The surplus of \$1.869 million is \$4.252 million more favourable than the budgeted deficit of \$2.383 million.

The variance is a net result of operating expenditure being \$7.109 million less than budget and income from all revenue sources, other gains and a tax benefit received being \$2.857 million less than budget.

The prime reason for the lower expenditure relates to the transport activity with expenditure being \$5.272 million lower than budget, primarily due to timing issues with a significant proportion of the budgeted transport infrastructural and systems development expenditure being delayed until the following year.

The change in the timing of transport expenditure has a consequential impact on income, as the lower level of transport expenditure that was incurred during the year and that is eligible for government subsidy has also delayed the entitlement to subsidy income until the following year. The transport subsidy variance amounts to \$3.457 million.

The revaluation gain of \$10.946 million reflects the gain on the revaluation of the Council's shareholding in the Port Otago Limited group at 30 June 2016 and exceeds the amount of the gain provided for in the budget by \$0.946 million.

Statement of Financial Position

Total Assets

The amount of total assets at \$578.587 million exceeds the budgeted amount of \$543.067 million by \$35.520 million, primarily due to the valuation of the Council shareholding in Port Otago Limited at 30 June 2016 of \$418.239 million exceeding the budgeted amount of \$386,711 million by \$31.528 million.

Other significant variances are Other Financial Assets at \$56.198 million being up \$19.145 million up on the budget of \$37.053 million, and Property Plant and Equipment at \$84.138 million being down \$10.566 million on the budget of \$94.704 million.

The budget anticipated that a reduction in Other Financial Assets of \$10.0 million would be required, partially to fund the budgeted level of capital expenditure of \$6.8 million, however the lower level of capital expenditure actually incurred and other cash movements negated the necessity to draw down the budgeted \$10.0 million, and contributed to an increase in Other Financial Assets of \$3.638 million on the previous year's level.

Equity

Public equity and reserves at \$572.970 million exceed the budgeted amount of \$537.243 million by \$35.727 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 Council and Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Significant Accounting Policies

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 are classified into the following specified categories: financial assets 'at fair value through surplus or deficit', '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.

Impairment of Financial Assets

Financial assets, other than those at fair value through surplus or deficit, are assessed for indicators of impairment at each reporting 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.

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.

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.

Fair Value

The group carries interest rate derivatives (derivative financial instruments) at fair value. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date,

taking into account current interest rates. These instruments are included in Level 2 of the fair value measurement hierarchy. Interest rate derivative fair values are valued and are calculated using a discounted cash flow model using FRA rates provided by ANZ Bank New Zealand Limited based on the reporting date of 30 June 2016.

	COUNCIL				GROUP			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
2016								
<i>Financial liabilities at FVTPL:</i>								
Other financial instruments	-	-	-	-	-	1,830	-	1,830
2015								
<i>Financial liabilities at FVTPL:</i>								
Other financial instruments	-	-	-	-	-	1,239	-	1,239

Categories of Financial Instruments

COUNCIL 2016	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	2,540	-	-	-	2,540
Trade and other receivables (note 12)	3,298	-	-	-	3,298
Other financial assets (note 5)	37,200	18,998	-	-	56,198
Shares in subsidiary	-	-	418,239	-	418,239
	43,038	18,998	418,239	-	480,275
<i>Financial Liabilities</i>					
Trade and other payables (note 13)	-	-	-	4,134	4,134
	-	-	-	4,134	4,134

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	4,228	-	-	-	4,228
Trade and other receivables (note 12)	3,458	-	-	-	3,458
Other financial assets (note 5)	34,000	18,560	-	-	52,560
Shares in subsidiary	-	-	407,293	-	407,293
	41,686	18,560	407,293	-	467,539
<i>Financial Liabilities</i>					
Trade and other payables (note 13)	-	-	-	4,252	4,252
	-	-	-	4,252	4,252

GROUP 2016	Loans and Receivables \$000	Fair Value Through Surplus or Deficit – Held for Trading \$000	Fair Value Through Other Comprehensive Revenue & Expense \$000	Financial Liabilities at Amortised Cost \$000	Total \$000
<i>Financial Assets</i>					
Cash and cash equivalents	3,633	-	-	-	3,633
Trade and other receivables (note 12)	15,800	-	-	-	15,800
Other financial assets (note 5)	37,200	18,998	-	-	56,198
Finance leases (note 26)	155	-	-	-	155
	56,788	18,998	-	-	75,786
<i>Financial Liabilities</i>					
Other financial instruments	-	1,830	-	-	1,830
Trade and other payables (note 13)	-	-	-	10,742	10,742
Borrowings (secured) (note 15)	-	-	-	62,400	62,400
	-	1,830	-	73,142	74,972

GROUP 2015	Loans and Receivables \$000	Fair Value Through Surplus or Deficit – Held for Trading \$000	Fair Value Through Other Comprehensive Revenue & Expense \$000	Financial Liabilities at Amortised Cost \$000	Total \$000
<i>Financial Assets</i>					
Cash and cash equivalents	24,971	-	-	-	24,971
Trade and other receivables (note 12)	12,374	-	-	-	12,374
Other financial assets (note 5)	34,000	18,560	-	-	52,560
Finance leases (note 26)	344	-	-	-	344
	71,689	18,560	-	-	90,249
<i>Financial Liabilities</i>					
Other financial instruments	-	1,239	-	-	1,239
Trade and other payables (note 13)	-	-	-	11,795	11,795
Borrowings (secured) (note 15)	-	-	-	54,700	54,700
	-	1,239	-	66,495	67,734

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 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Managed funds	1,677	3,582	1,677	3,582
	1,677	3,582	1,677	3,582

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 2016 would have the impact of increasing the carrying value of the Managed funds, and the Council surplus, by \$186,000 (2015: \$326,000), and an unfavourable movement of 10% would impact unfavourably to the extent of \$152,000 (2015: \$398,000).

(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	2016				2015			
	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	624	-	(624)	-	547	-	(547)	-
Derivatives – hedge accounted		2,973	-	991	-	(229)	-	547
Derivatives – non-hedge accounted	(198)	-	212	-	(155)	-	153	-
Total sensitivity to interest rate risk	426	2,973	(412)	991	392	(229)	(394)	547

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 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
<i>Financial Assets</i>				
Other financial assets	6,956	6,686	6,956	6,686
Exposure to equity price risk	6,956	6,686	6,956	6,686

Sensitivity to Equity Price Risk

COUNCIL and GROUP	2016				2015			
	-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	(696)	-	696	-	(669)	-	669	-
Total sensitivity equity price risk	(696)	-	696		(669)	-	669	

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:

	Council 2016 \$000	Council 2015 \$000	Group 2016 \$000	Group 2015 \$000
Cash at bank and term deposits	39,740	38,228	40,833	58,971
Trade and other receivables	3,298	3,461	15,800	12,374
Managed funds (Note 5)	18,998	18,560	18,998	18,560
Finance leases	-	-	155	344
Shares in listed companies	-	-	-	-
Shares in subsidiary	418,239	407,293	-	-
	476,977	467,539	75,786	90,249

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.

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 2016					COUNCIL 2015				
	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
Financial Assets										
<i>Cash and cash equivalents</i>										
Cash and call deposits	0.55	2,540	2,540	2,540	-	2.40	4,228	4,228	4,228	-
Trade and other receivables	-	3,298	3,298	3,298	-	-	3,458	3,458	3,458	-
<i>Other financial assets</i>										
Term deposits	3.59	37,200	37,715	37,715	-	4.58	34,000	34,679	34,679	-
<i>Managed fund:</i>										
Cash and call deposits		879	879	879	-	2.40	620	620	620	-
Fixed interest securities	5.58	11,163	12,846	3,282	9,564	5.68	11,253	13,475	2,306	11,169
Equity securities	-	6,956	6,956	6,956	-	-	6,687	6,687	6,687	-
Other funds		-	-	-	-	-	-	-	-	-
Shares in subsidiary		418,239	418,239	-	418,239		407,293	407,293	-	407,293
Total financial assets		480,275	482,473	54,670	427,803		467,539	470,440	51,978	418,462
Financial liabilities										
Trade and other payables		(4,134)	(4,134)	(4,134)	-	-	(4,252)	(4,252)	(4,252)	-
Total financial liabilities		(4,134)	(4,134)	(4,134)	-	-	(4,252)	(4,252)	(4,252)	-

	GROUP 2016					GROUP 2015				
	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
Financial Assets										
<i>Cash and cash equivalents</i>										
Cash and call deposits	0.55	3,633	3,633	3,633	-	2.40	24,971	24,971	24,971	-
Trade and other receivables	-	15,800	15,800	15,800	-	-	12,374	12,374	12,374	-
<i>Other financial assets</i>										
Short term deposits	3.59	37,200	37,715	37,715	-	4.58	34,000	34,679	34,679	-
<i>Managed fund:</i>										
Cash and call deposits		879	879	879	-	2.40	620	620	620	-
Fixed interest securities	5.58	11,163	12,846	3,282	9,564	5.68	11,253	13,475	2,306	11,169
Equity securities	-	6,956	6,956	6,956	-	-	6,687	6,687	6,687	-
<i>Other items:</i>										
Finance leases	10.20	155	160	160	-	10.2	344	374	214	160
Total financial assets		75,786	77,989	68,425	9,564		90,249	93,180	81,851	11,329
Financial liabilities										
Trade and other payables	-	(10,742)	(10,742)	(10,742)		-	(11,795)	(11,795)	(11,795)	-
Borrowings (secured)	5.10	(62,400)	(71,011)	(24,207)	(46,804)	5.60	(54,700)	(73,515)	(20,227)	(53,288)
Other financial instruments		(1,830)	(2,068)	(784)	(1,284)	-	(1,239)	(1,388)	(838)	(550)
Total financial liabilities		(74,972)	(83,821)	(35,733)	(48,088)	-	(67,734)	(86,698)	(32,860)	(53,838)

Other Disclosures

Local Government (Financial Reporting and Prudence) Regulations 2014

Annual Report Disclosure Statement for year ending 30 June 2016

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

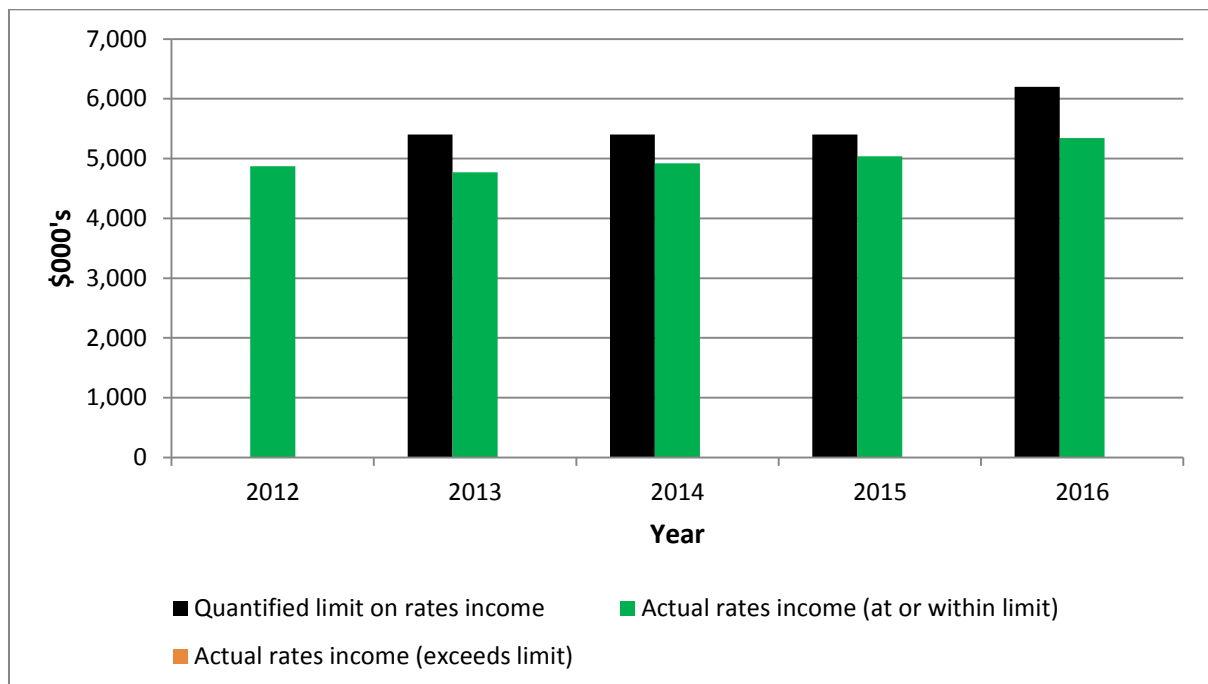
The Council meets the rates affordability benchmark if—

- 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.

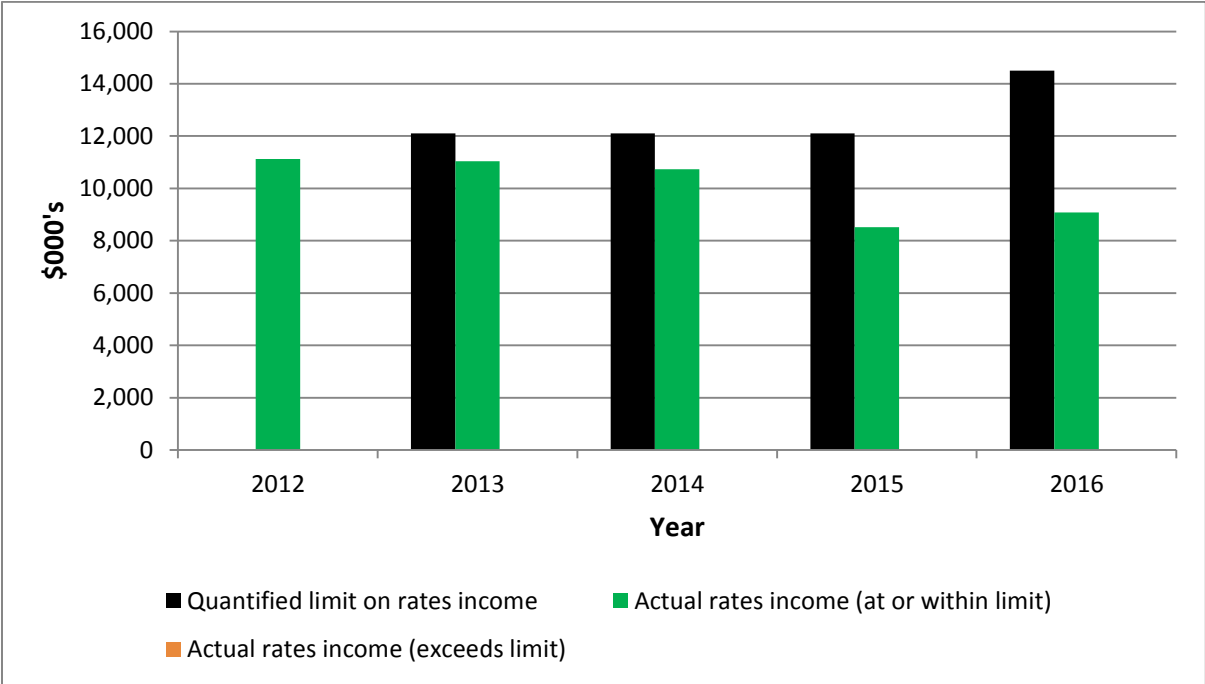
The Council specifies separate quantified limits for general rates and for targeted rates.

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 \$6,200,000 (2013-2015 \$5,400,000).

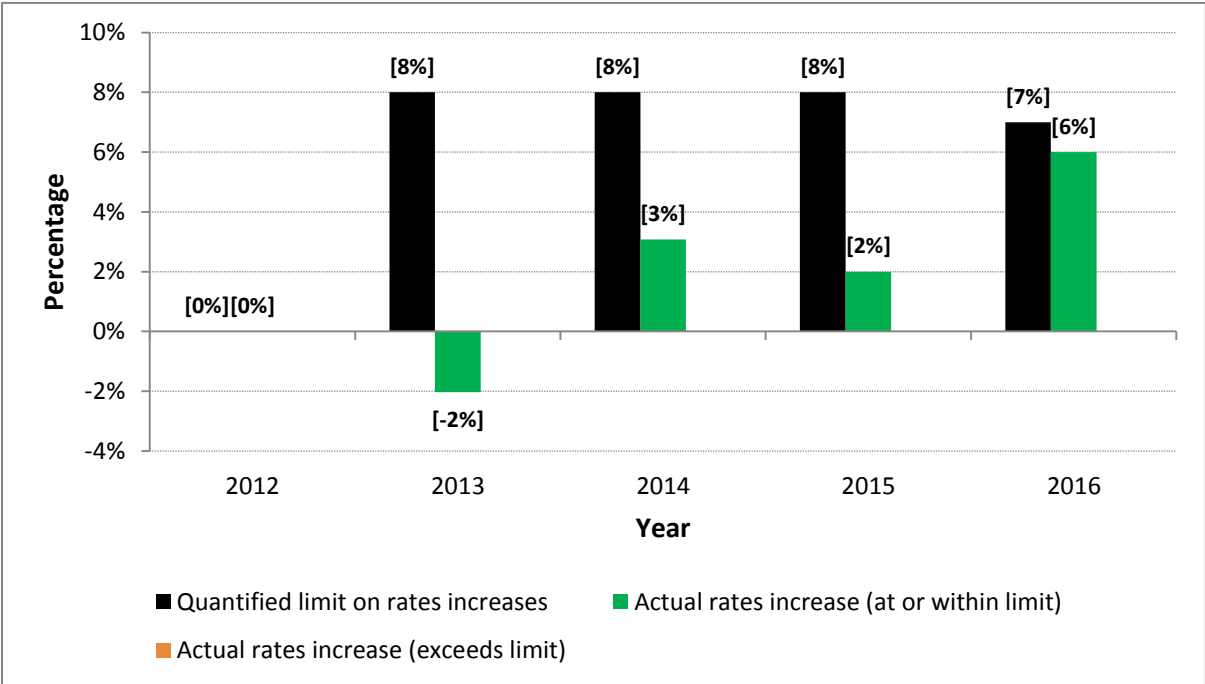


The following graph compares the Council’s actual targeted rates income with a quantified limit on targeted rates contained in the financial strategy included in the Council’s Long Term Plan. The quantified limit is \$14,500,000 (2013-2015 \$12,100,000).

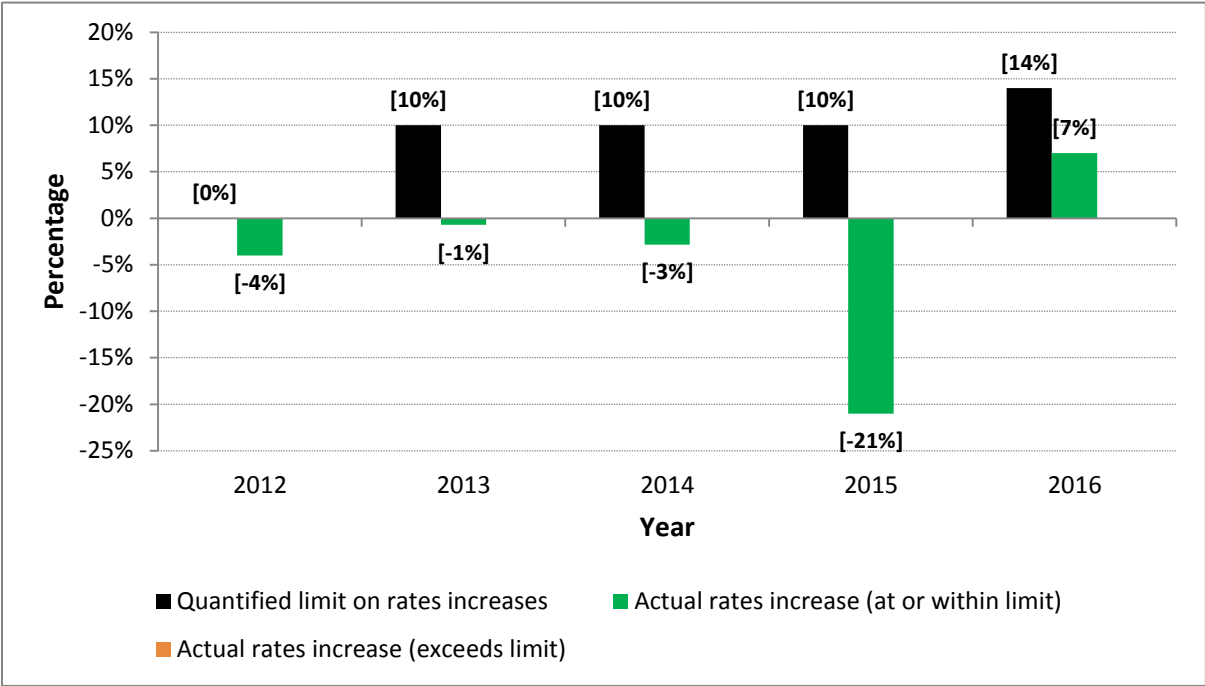


Rates (increases) affordability

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 7% per annum, (2013-2015 8%).



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 14% per annum (2013-2015 10%).



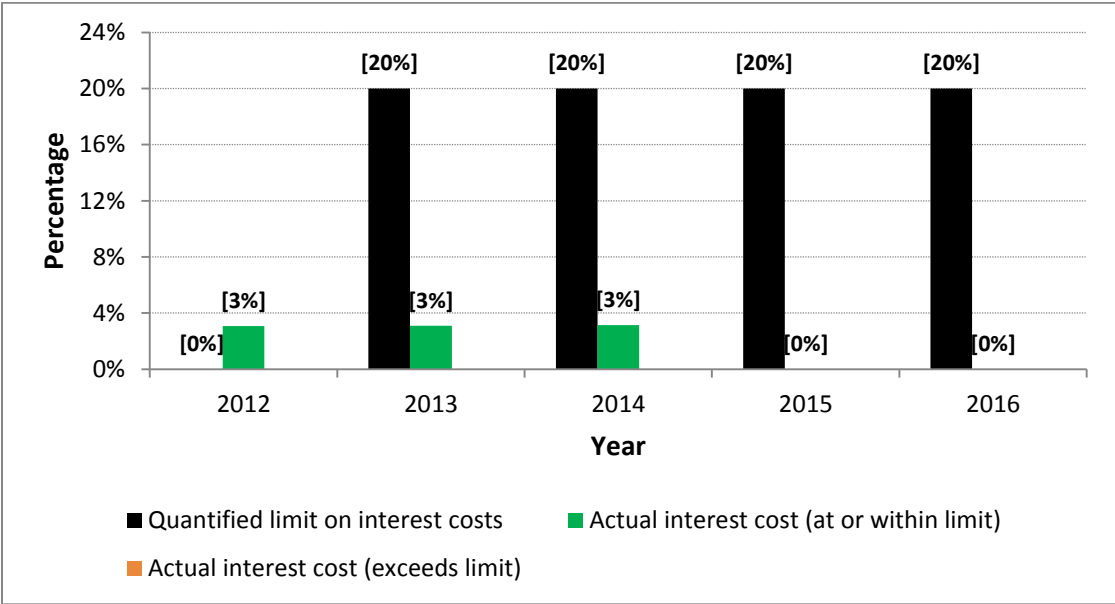
Debt affordability benchmark

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.

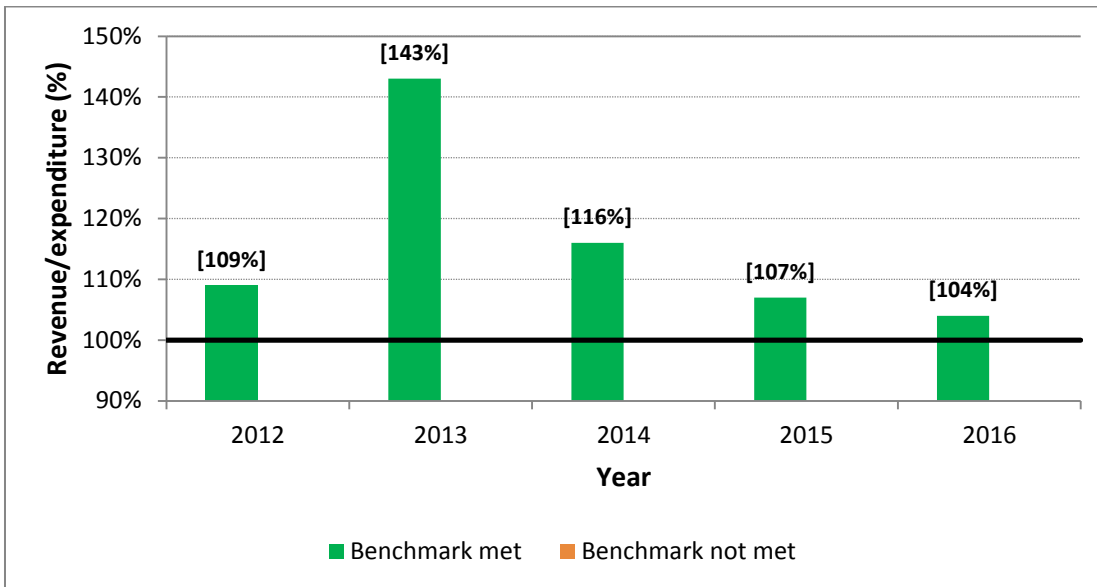
The quantified limit is interest costs being a maximum of 20% of rates income.



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.

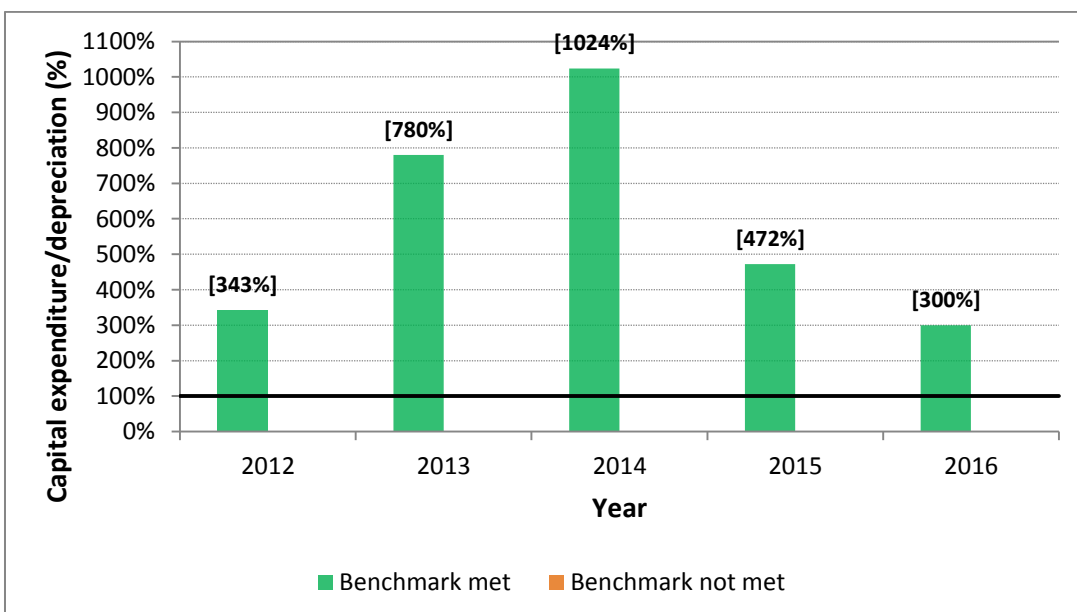


Essential services benchmark

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.

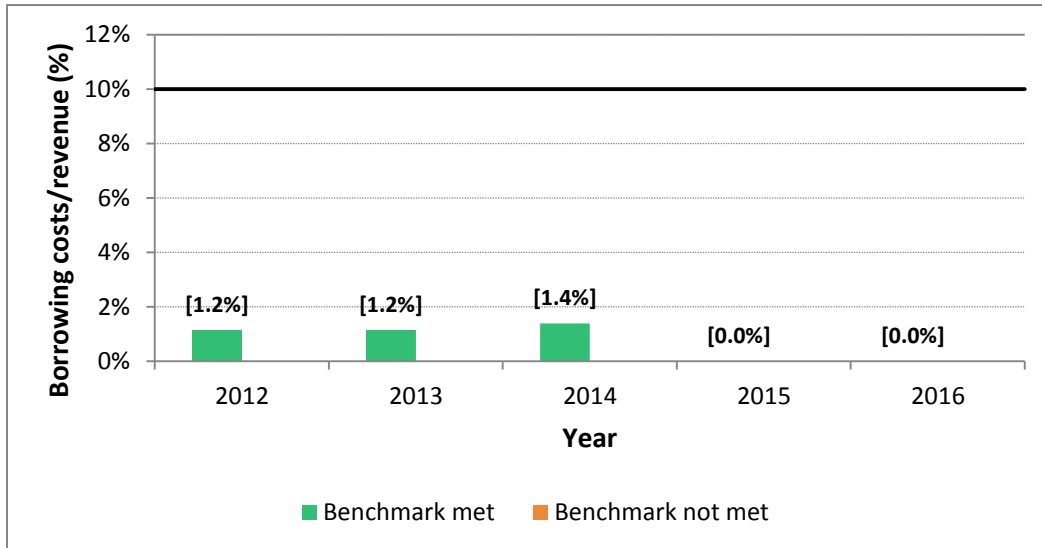
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



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.

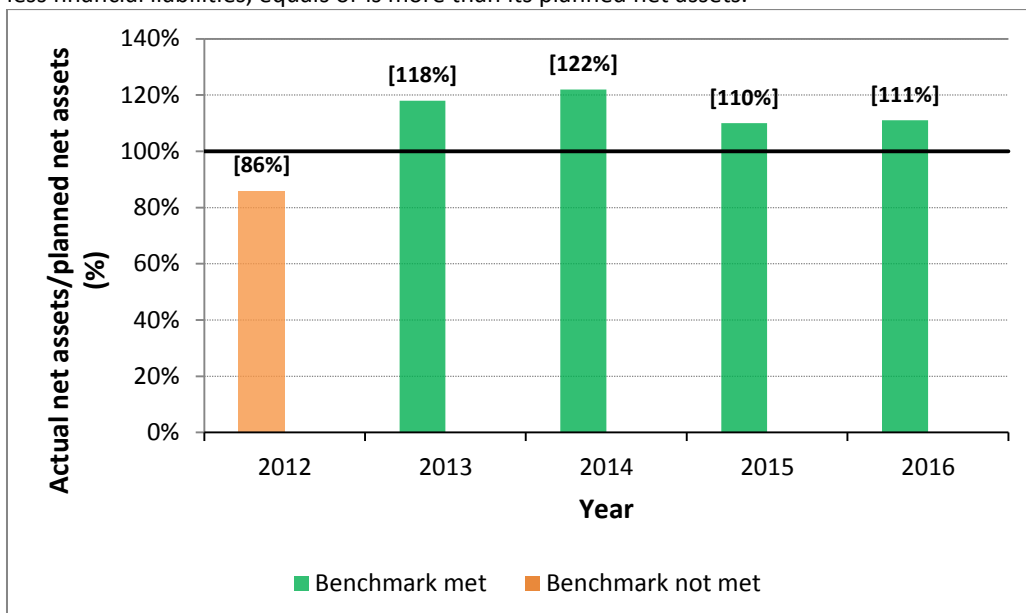


Debt control benchmark

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.

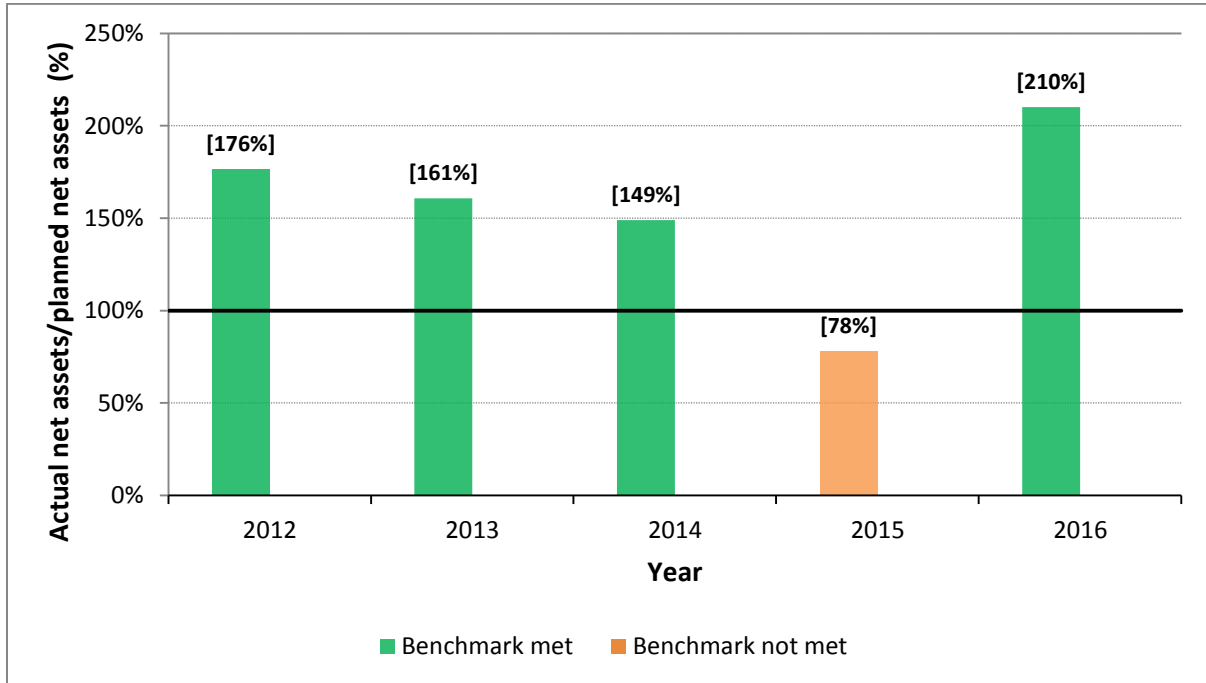
During the period 2011/12 to 2015/16, Council had budgeted net assets rather than net debt. For Council, the debt control benchmark is met if its actual net assets (financial assets/excluding trade and other receivables), less financial liabilities, equals or is more than its planned net assets.



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 2012 year. 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 in the 2015 year 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 2015 year, including investing activities, amounted to \$317,000.

Additional information or comment

Rates Revenue

The rating base information in the table below is as at the preceding 30 June to the financial year shown in the table, and comprises the rating base for the region as a whole.

Otago Region	Rating Base Information for the year ended 30 June 2016	Rating Base Information For the year ended 30 June 2015
Total number of rating units	114,542	112,804
Total capital value of rating units	\$58,303,474,300	\$52,686,265,892
Total land value of rating units	\$27,926,771,350	\$26,739,722,531

Insurance of Assets

The total carrying value of all assets of the Council as at 30 June 2016 that are covered by insurance contracts amounts to \$14.157million (2015: \$15.600 million) and the maximum amount to which they are insured is \$47.493 million (2015: \$44.344 million).

The total value of all assets of the Council as at 30 June 2016 that are self-insured amounts to \$83.189 million (2015: \$82.282 million).

Included in the value of self-insured assets are flood protection and drainage infrastructural assets of \$57.516 million (2015: \$56.944 million), land of \$23.874 million (2015: \$23.794 million) and software licences of \$1.800 million (2015: \$1.553 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 2016 the Council had not entered into any financial risk sharing arrangement for any assets held (2015: \$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

Chairperson.....	S Woodhead
Deputy Chairperson.....	G Robertson
Regional Councillors.....	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

Chief Executive.....	P Bodeker
Director Corporate Services and Chief Financial Officer.....	N Donnelly
Director Policy Planning & Resource Management.....	F McRae
Director Engineering, Hazards & Science.....	G Palmer
Director Environmental Monitoring & Operations.....	S MacLean
Director Stakeholder Engagement.....	C Rowe

Otago Regional Council

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

Port Otago Limited

Chairman.....	D Faulkner
Deputy Chairman.....	P Rea
Directors.....	T Gibson J Harvey P Heslin E Johnson
Chief Executive.....	G P Plunket

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF OTAGO REGIONAL COUNCIL AND GROUP'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

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, on her behalf, to:

- audit the information included in the Regional Council and group's annual report that we are required to audit under the Local Government Act 2002 (the audited information); and
- report on whether the Regional Council and group has complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report and the Local Government (Financial Reporting and Prudence) Regulations 2014.

Opinion on the Audited Information

In our opinion:

- the financial statements on pages 47 to 103:
 - present fairly, in all material respects:
 - the Regional Council and group's financial position as at 30 June 2016;
 - 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 and have been prepared in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 47, 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 and group's Long-term plan;
- the statement of service performance referred to as Significant Activities on pages 11 to 46:
 - presents fairly, in all material respects, the Regional Council's levels of service for each group of activities for the year ended 30 June 2016, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities on pages 23 to 46, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council and group's Long-term plan; and
- the funding impact statement for each group of activities on pages 23 to 46, 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 and group's Long-term plan.

Compliance with Requirements

The Regional Council and group has:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures on pages 104 to 113 which are required by the Local Government (Financial Reporting and Prudence Regulations 2014) which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council and group's audited information.

Our audit was completed on 28 September 2016. 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 audited information. 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 statement of service performance referred to as Significant Activities within the Regional 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 Regional Council and group complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report, we limited our procedures to making sure the annual report included the required information and identifying material inconsistencies, if any, with the information we audited. We carried out this work in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.

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

Responsibilities of the Council

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

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 annual report in accordance with the reporting requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out our audit, 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 assignments in the areas of tax services and advisory services, which are compatible with those independence requirements. Other than 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