



Otago
Regional
Council

Annual Report 2021-2022



Otago Regional Council Annual Report

1 July 2021 to 30 June 2022



Contents

Introduction	2
Message from our Chair and Chief Executive	2
Councillors and their Constituencies	4
Development of Māori Capacity to Contribute to Decision Making	5
Our Strategic Directions	6
Community Outcomes	7
Acknowledgements	7
Our Activities and Performance	8
Overview of our Activities	9
Statement of Service Provision	10
Regional Leadership	11
Environment	23
Safety and Resilience	36
Transport	47
Financial Statements	54
Funding Impact Statements for Otago Regional Council Activities	55
Financial Statements	61
Annual Report Disclosure Statement for year ending 30 June 2022	121
Additional Information	127
The Organisation	128
Directory	128
Office and Depot Locations	129
Statement of Compliance	129
Independent Auditors' Report	130



◆ Chairperson, Andrew Noone and Interim Chief Executive, Dr Pim Borren.

Message from our Chair and Chief Executive

Tēnā koutou, there have been many challenges during the 2021-22 financial year. The most significant being ongoing work to develop our Regional Policy Statement (RPS) and the proposed Land and Water Regional Plan (LWRP). Both pieces of work required enormous workload on the part of staff and governance.

The challenges are due to a range of reasons, not least of all the changing landscape the Otago Regional Council is working within. The proposed Land and Water Regional Plan (LWRP) is challenging partly because ORC

has not reviewed its existing Plan for such a long time and partly because this council is now the first “cab off the rank” in terms of leading the sector to get the new Plan notified on current timelines.

There have been many changes in both legislation and national policy statements (NPS) as central and regional government grapple with the challenges of greater protections for our environment as well as the onset of climate change and the range of added concerns such change creates across all countries.

As a result of ORC stepping up to these significant responsibilities, the Council has increased resourcing to meet this increased work requirement. We appreciate the significant impact this increased commitment placed on our ratepayers but largely feel our communities across the region understand the need for ORC to lift its game.

Another significant achievement has been signing a new formalised MOU with local mana whenua Kāi Tahu and the closer governance partnership manifested through regular Mana to Mana meetings, as well as the contribution of two representatives on our Strategy and Planning Committee. Our relationship with mana whenua continues to evolve in positive and constructive ways and we look forward to continuing progress in the years ahead.

As we take a breath following a busy year, we notice two words, 'ramping up,' mentioned repeatedly throughout this report describing the Otago Regional Council's 2021-22 performance.

Additional to our increased activity, we have also shared with the rest of NZ the challenges and delays caused by the Covid-19 pandemic. Notwithstanding these challenges our workload increased during this financial year, as did public-facing engagement, public transport work and governance and accountability across the board.

Much of this year's growth, such as in consents arising from stricter on-farm grazing requirements, reflects relatively recent Government policy coming into effect for the first time. Also, community aspirations for how waterways should be safeguarded from pollutants. Other work streams, such as managing plant and animal pests like wallabies and rabbits and moving to protect our nationally important wetlands such as Lake Tuakitoto near Kaitangata, which literally brims with indigenous bird and plant biodiversity, also reflected the consulted pathway Otago people set for us.

Moving to online public consultation due to Covid-19 meant we could still press ahead with plans to help safeguard Otago's environment and manage the jewels in Otago's crown, our rivers and lakes. This occurred for public consultation for the LWRP.

We are proud that despite the complex, multi-layered and often controversial nature of this task, the dedication across ORC teams has been second to none as we move steadily towards notifying our draft LWRP at the end of 2023.

We are committed and on track to deliver a robust, high-quality plan that will help to manage our precious freshwater resource in the face of climate change and population growth and provide for the commercial and recreational needs of Otago in the years to come.

Challenges this year especially affected quarter one, with Covid-19 alert level 4 (lockdown) restricting fieldwork activities and impacting planned programmes for flood protection, biosecurity, environmental monitoring and some regulatory work.

Although we completed a review of our flood protection bylaw required after 10 years and gazetted a new 2022 version. We also kept up maintenance on our flood and drainage infrastructure – although our schemes did not need testing in what was a dry 12 months.

Covid-19, illness and driver shortages also played havoc

with our public transport services in Dunedin and Queenstown, reducing patronage numbers and driver availability in the latter part of the year.

Despite all these challenges, the Council as a whole nevertheless delivered and met 65% of our service targets for the year. Also, we saw a massive effort put in by our staff at the Environment Court as new provisions were rigorously tested and validated, in most cases.

We would like to thank all ORC staff for their dedicated mahi, and our public for their support of our work. Community engagement levels with the council have continued to be strong, for positive and for negative, and this is testament to the interest in us our communities throughout Otago maintain.

It's important here to acknowledge compliance of new rules and regulations – especially landowners and farming communities. The pace of change has been demanding, with the ORC needing to respond to Central Government reforms, all the while balancing community expectations. We are delighted that communities we represent clearly care as much for our environment as we do.

We would especially like to acknowledge our Council members for their ongoing commitment to our communities across the region. At the end of this triennium we will farewell Michael Deaker after seven terms and Hilary Calvert after one term and would like to acknowledge their contribution to ORC. During the year we also farewell Sarah Gardner, Chief Executive and acknowledge her significant contribution to ORC. We wish all of them well for their futures.

Next year will be another big year for ORC, and the words 'ramping up' will come back to this report we have no doubt. Keep an eye out for major restoration projects of Lake Hayes and the Te Hikapupu/Pleasant River – the latter courtesy of significant funding from the Ministry for the Environment. Also, our new Land and Water Regional Plan!

Kā mihi nui,



Andrew Noone
CHAIRPERSON



Dr Pim Borren
INTERIM CHIEF EXECUTIVE

Councillors and their Constituencies

Your elected Otago Regional Councillors represent the region's four constituencies – Dunedin, Dunstan, Moeraki and Molyneux.

Chair – Andrew Noone. **Deputy Chair** – Michael Laws (July-March), Kevin Malcolm (April-June)

Dunedin constituency

Six councillors represent the Dunedin constituency.

Six Councillors represented the Dunedin constituency for the first four months of the financial year; Cr Marian Hobbs resigned from her position on 01 November 2021 and was not replaced. Dunedin is comprised of central Dunedin and the Waikouaiti Coast, West Harbour, Otago Peninsula and Saddle Hill community board areas located within the Dunedin City territorial area.

Cr Hilary Calvert, Cr Gretchen Robertson, Cr Bryan Scott, Cr Michael Deaker, Cr Andrew Noone

Dunstan constituency

Three councillors represent the Dunstan constituency.

Dunstan is comprised of the Central Otago District and Queenstown Lakes District territorial areas.

Cr Alexa Forbes, Cr Gary Kelliher, Cr Michael Laws

Moeraki constituency

One councillor represents the Moeraki constituency.

Moeraki is comprised of the Otago portion of Waitaki District territorial area, being part of the Ahuriri and Corriedale wards, and the entirety of the Oamaru and Waihemo wards.

Cr Kevin Malcolm

Molyneux constituency

Two councillors represent the Molyneux constituency.

Molyneux is comprised of the Clutha District territorial area and the Mosgiel-Taieri and Strath-Taieri community board areas located within the Dunedin City territorial area.

Cr Carmen Hope, Cr Kate Wilson



Cr Andrew Noone

CHAIR



Cr Kevin Malcolm

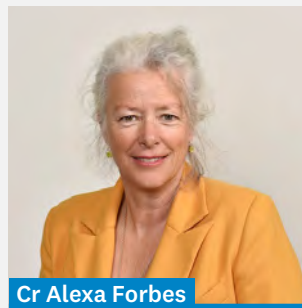
DEPUTY CHAIR



Cr Hilary Calvert



Cr Michael Deaker



Cr Alexa Forbes



Cr Carmen Hope



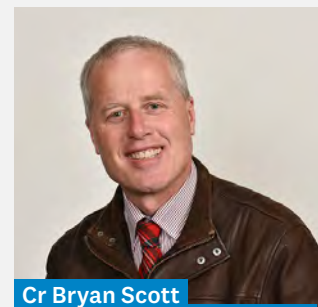
Cr Gary Kelliher



Cr Michael Laws



Cr Gretchen Robertson



Cr Bryan Scott



Cr Kate Wilson

Development of Māori Capacity to Contribute to Decision Making

He Mahi Rau Rika, Council's Significance, Engagement and Māori Participation policy, expresses our intentions to go beyond our minimum statutory responsibilities through engagement with Māori. This includes actively seeking to provide for meaningful engagement with mana whenua, based on the principles of partnership in Te Tiriti o Waitangi. He Mahi Rau Rika, was adopted in October, replacing the 2017 Significance and Engagement policy.

Over 2021-22 we have worked with our iwi partners and their resource consultancy arms (Aukaha and Te Ao Marama) to give effect to the Treaty of Waitangi partnership, strengthen it and acknowledge the unique, enduring relationship mana whenua have with this land.

The acknowledged practice of Te Rūnanga o Ngāi Tahu is that consultation in the first instance is with Papatipu Rūnanga. There are four Kāi Tahu ki Otago Rūnanga:

- Te Rūnanga Moeraki
- Kati Huirapa Rūnanga ki Puketeraki
- Te Rūnanga o Ōtākou
- Hokonui Rūnanga

There are three Ngāi Tahu ki Murihiku Rūnanga with interests in the region as well, which are:

- Awarua Rūnanga
- Waihopai Rūnanga
- Ōraka-Aparima Rūnanga

This year saw more engagement with Southland Rūnanga, and representatives were invited to join Mana to Mana and the Land and Water Regional Plan Governance Group.

We are committed to supporting and facilitating mana whenua participation in our workstreams and decision making, and building the work we do in partnership.

At the governance level this is reflected in the Mana to Mana group which enables councillors and Rūnaka Chairs/Upoko to regularly meet to identify and agree key areas for engagement and to review the development of the partnership. In June 2022 refreshed Terms of Reference for Mana to Mana were signed at Puketeraki Marae, as a commitment to the partnership.

At an operational level there has been increasing, active engagement on a range of issues, including land, water and air quality, biodiversity, natural hazards infrastructure, compliance and consenting, climate change and emergency management.

For 2021-2022 key opportunities included:

- Implementation of He Mahi Rau Rika (Significance, Engagement and Māori Participation Policy)
- Strengthening governance engagement in the partnership, via four meetings of Mana to Mana (and refreshed Terms of Reference)
- Iwi representation on the Strategy and Planning Committee (two iwi seats with full voting rights)
- Implementation of the Strategic Directions 2021-31
- Rūnaka feedback on ORC values translations and graphic development
- Development of Integrated Catchment Management and Catchment Action Plan frameworks
- Land and Water Regional Plan Governance Group (ongoing)
- Members of the Land and Water Regional Plan project team, including chapter development, community consultation and the Māori economy work programme (ongoing)
- Partnership with rūnaka in 'Jobs for Nature' funded projects, such as Te Hakaupupu/Pleasant River restoration project
- Engagement in Council's 'Whare Rūnaka Dunedin' project
- Ongoing working relationships in the consenting, compliance and regulatory teams
- 'Te Mana o Taiari' governance, alongside Iwi and the Department of Conservation (ongoing)
- Biodiversity Regional Hui cooperation (ongoing)
- Development of improved social procurement processes and policies
- Direct engagement between Civil Defence Emergency Management, Rūnaka and Iwi

We recognised the need to invest in building the bicultural competence of our staff. ORC entered into an agreement with the Otago Polytech to provide bicultural competency training which includes modules on Te Reo, Tikaka, and the Treaty of Waitangi. There has been strong interest and uptake amongst staff this year.

Strategic Directions

Our strategic directions help to set the direction for us as a regional council and guide us to deliver on our priorities for the good of the region.

Our strategic directions were updated in 2021.

Our Values

Ō MĀTAU UARA

- Accountable
- Caring
- Creative
- Collaborative
- Trustworthy
- Open and honest

Our Mission

TE KAUPAPA

Enriching life in a way that ensures positive relationships between environment, people and place, now and for our future.

Whakahaumakohia te ao kia whiria te taura ora ki waeka i te taiao, i te tai-takata, i te tai-whenua mō nāianeī, mō te āpōpō hoki.

Vision for ORC – TE WHĀIKA KI ORC

Otago's communities, through engagement, trust us to make well-informed decisions and enable solutions.

What we will do – KA AHA MĀTAU

Protect, Connect, Enhance, Enable

Ka tāwharau, ka whakahono, ka whakaniko, ka whakamana

The wellbeing of Otago's communities – now and in the future – is at the heart of what we do. We strive to ensure communities can rely on the Otago Regional Council for knowledge about the region's environment and communities; to lead environmental management in Otago in partnership with mana whenua; to collaborate to create resilient and sustainable communities; and to advocate for Otago communities on issues affecting the region.







Community Outcomes

Our Vision for Otago – TĀ MĀTAU WHAIKA KI ŌTĀKOU

	Communities that connect with, and care for, Otago’s environment		An environment that supports healthy people and ecosystems
	Communities that are resilient in the face of natural hazards, climate change and other risks		Te Ao Māori and Mātauranga Kāi Tahu are embedded in Otago communities
	Sustainable, safe and inclusive transport		A sustainable way of life for everyone in Otago


ORC’s Community Outcomes describe what is valued as important for a good quality of life in Otago. In our 2021-31 Long-term Plan the Otago Regional Council identified these six Community Outcomes which the Council seeks to achieve through the delivery of our activities. We aspire to improve the wellbeing (social, economic, environmental and cultural) of our region through our work in these four groups of activities.

This matrix shows the four groups of activities and the Community Outcomes to which they most strongly align:

						
Regional Leadership	✓	✓	✓	✓	✓	✓
Environment	✓	✓	✓	✓		✓
Safety and Resilience			✓			✓
Transport					✓	✓

Acknowledgements

We thank the district and city councils, other institutions, urban and rural industries, Kāi Tahu and the communities of Otago for working constructively with us to ensure the best possible outcomes for our region and its people.


Andrew Noone
 CHAIRPERSON


Dr Pim Borren
 INTERIM CHIEF EXECUTIVE

Our Activities and Performance



Overview of our Activities

Otago Regional Council's ten activities are arranged into four groups of activities:



Regional Leadership

- Governance and Community Engagement
- Regional Planning
- Regulatory

Our Regional Leadership work supports informed decision making and an engaged community. Our democratic decision-making process and community-elected councillors ensure everyone's voices around Otago are heard and that leadership is provided to benefit Otago. Our regional plans set out objectives, policies and rules for the sustainable use of natural and physical resources in Otago, and our regulatory work supports the sustainable management of water, land, air and coast. We also need organisational and functional strategies and plans to support regional regulation and implementation, promote regional wellbeing and build community capacity and resilience.



Environment

- Land and Water
- Biodiversity and Biosecurity
- Air

Environmental management is at the heart of what Otago Regional Council does. We have a responsibility to lead and work with communities in our natural environment. We facilitate the sustainable use of water, land, air and coasts. We do this in part by protecting our unique biodiversity, managing pests, and monitoring the state of the environment. We are also reviewing our regional plans and transitioning towards an integrated catchment management approach to protect freshwater, land, coastal environment, and ecosystems.



Safety and Resilience

- Natural Hazards and Climate Change
- Flood Protection, Drainage and River Management
- Emergency Management

Risk management and building resilience is a key focus for Otago Regional Council. We identify and monitor natural hazards and work to support communities to understand the implications of risk and to make informed decisions. Climate change is a critical issue; our work includes gathering information to better understand the challenges and risks to the region, as well as looking at adaptation planning. Our flood protection schemes help protect people and properties from floods; and our drainage schemes help maintain the productive capability of the land and waterways. We also respond to flood events and support Otago Civil Defence and Emergency Management.



Transport

- Transport (including Regional Transport and Public Passenger Transport)

Otago Regional Council is responsible for public transport in Otago and through contracted operators we provide public passenger transport services in Dunedin and Queenstown. We also provide a regionwide Total Mobility scheme to assist eligible people who are unable to use public transport. We facilitate wider transport projects in Otago and prepare a Regional Land Transport Plan in collaboration with Environment Southland. We are also responsible for the servicing and maintaining three of Otago's nine stock truck effluent disposals (STEDs).

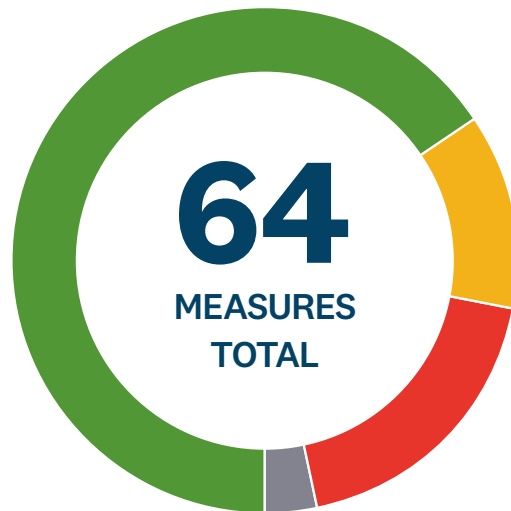
Statement of Service Provision

This section reports on Council’s performance against service measures adopted in the Long-term Plan 2021-31.

The Long-term Plan contains 36 Level of Service statements, 64 measures and 72 targets; of these, 64 relate to activities delivered in the 2021-22 year. Performance against these service measures and targets is reported by groups of activities and quarterly updates have been presented to Council’s Finance Committee.

Funding Impact Statements, that identify the costs and funding associated with each group are included in the financial section of this Annual Report.

Performance results:



Regional Leadership

This group of activities includes the following council activities:

- Governance and Community Engagement
- Regional Planning and Urban Development
- Regulatory

Performance results



Community Outcomes

Our Regional Leadership activities contribute to:



Governance and Community Engagement

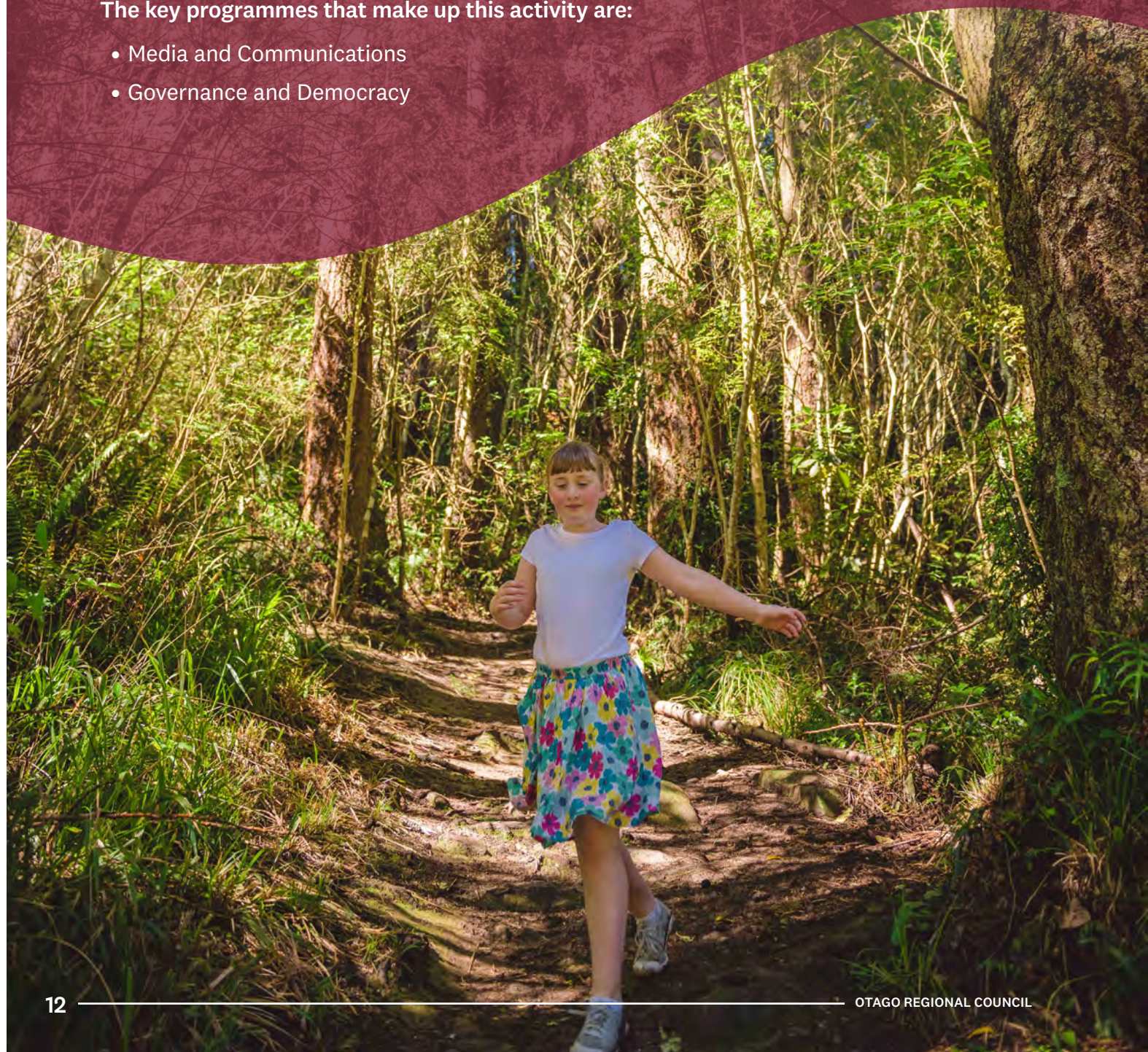
Connecting our communities in a timely and meaningful way to the work of the Regional Council is vital.

Through our elected representatives and communication and engagement activities, the many diverse voices from around Otago can be heard and be part of our decision-making processes. In turn, we share the stories about our work, to raise awareness of the results of the investment Otago people make in us.

We aim to provide quality leadership that benefits our region and our work in this activity supports Otago's elected Regional Council representatives to carry out their duties.

The key programmes that make up this activity are:

- Media and Communications
- Governance and Democracy



Performance and Delivery

Media and Communications

We have a dedicated team providing easy-to-understand communication that encourages and drives engagement with communities in Otago. This year our work crucially provided information people needed to keep doing business with ORC during Covid-19 restrictions.

We also promoted and drove participation in the online consultation process for the pivotal first phase of engagement leading to a new Land and Water Regional Plan - a priority for ORC, and the 2022-23 Annual Plan. We maintained our media presence, responding to media enquiries and telling the positive stories about ORC's work and programmes wherever possible. Our media releases and promotion of council papers assisted ORC's profile in a dynamic year.

Our responsibility under the Local Government Official Information and Meetings Act is to provide the public with transparency about our work. This year we responded to 244 media enquiries and issued 103 releases to media. We received 124 requests under LGOIMA and fulfilled 121 (97.5%) within the statutory time frame.

We conducted Council's inaugural community perceptions survey to understand community awareness, perceptions and expectations of the Council. This will provide a baseline for understanding community perceptions of the organisation, the work we do and the impact it is having for the Otago communities and the environment. The research consultants recommended four key considerations and a subsequent action plan was developed and is being implemented.

Enviroschools

Council coordinates the Enviroschools programme in Otago, which aims to foster a generation of young people who instinctively think and act sustainably. Our support of over 100 schools and Early Childhood Centres throughout Otago continued this year, although Covid-19 restrictions limited the number and types of events we were able to run.

Customer Experience

Although there were challenges from the pandemic and Council's in-person customer service points were closed during Covid-19 alert levels three and four, we continued to provide services and respond to enquiries online and via phone. Our two public facing offices at Queenstown and Dunedin reopened to the public in September. Over the year, general enquiries continued at a steady rate with over 57,000 enquiries via phone, email, social media and in person. As in other years, the main focus for our customer interactions continued to be transport, rates, and consents.

Governance and Democracy

The year saw a sustained pace of governance work to support Council priorities, we held 17 Council meetings,

33 committee meetings, plus four subcommittee meetings. There was change around the council table during the year with Councillor Marian Hobbs resigning on 1 November 2021 and after considered options under the Local Government Act, the Council decided not to fill the vacancy. Councillor Michael Laws resigned as Deputy Chair in May, with Councillor Kevin Malcolm voted in as the new Deputy Chair. Council also reviewed its Code of Conduct, adopting a new version, which added mediation as a requirement and established an independent person to run the process.

The Council also kept an eye on Local Government reform driven by Central Government. This meant briefings, submissions and engagement on Three Waters, Resource Management and the Future for Local Government Review. ORC continued to submit six-monthly reports to the Minister for the Environment, David Parker on progress towards achieving his November 2019 recommendations related to the Land and Water Regional Plan.

In December Council initiated an independent inquiry into demolition material deposited into the Clutha Mata-Au River in March 2021. Sir Graham Panckhurst was appointed to lead this and in June, following a review of the relevant information and interviews, he delivered his findings. The inquiry resulted in learnings for the organisation.

Iwi Engagement


We are particularly proud of our committed support of mana whenua participation in ORC workstreams, in our decision-making, and building the work we do in partnership. This year there were 19 projects or outputs from the Council's partnership with iwi. More detail on our partnership work is included earlier in this Annual Report.


An important aspect of working in partnership is building bicultural competency. Bicultural competence is the ability to work alongside Te Ao Māori (Māori worldview) with confidence and understand how it is relevant to Council's work. Biculturally competent people can relate to varied ideas and people in a more flexible and adaptable manner. So in addition to working towards a greater relationship between Council and mana whenua, it is also a fantastic soft skill for our staff.

Council entered into an agreement with Otago Polytechnic to provide bicultural competency training over three years. This includes training modules on Te Reo, Tikaka, and the Treaty of Waitangi, with associated assessment and micro-credentials to demonstrate learning. Interest and uptake has been strong this year with 57 participants, some enrolled in multiple courses.

Performance Results


LEVEL OF SERVICE: Provide and promote governance processes and democratic decision making that is robust and transparent for the community.

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of council agendas that are publicly available two working days or more before a meeting.	100%	100% 

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of official information requests responded to within 20 working days of being logged.	100%	97.5% 



NOTE: 124 requests received and 121 responded to within the statutory time frame. Three requests fell outside of 20 days due to issues with internal processes; to address these issues we have initiated a LGOIMA training programme for staff.

LEVEL OF SERVICE: Develop and deliver robust and effective corporate planning and reporting.



PERFORMANCE MEASURE	TARGET	RESULT
Deliver our statutory requirements with acceptable process and deliverables to decision-makers and the community.	Unmodified audit reports received.	



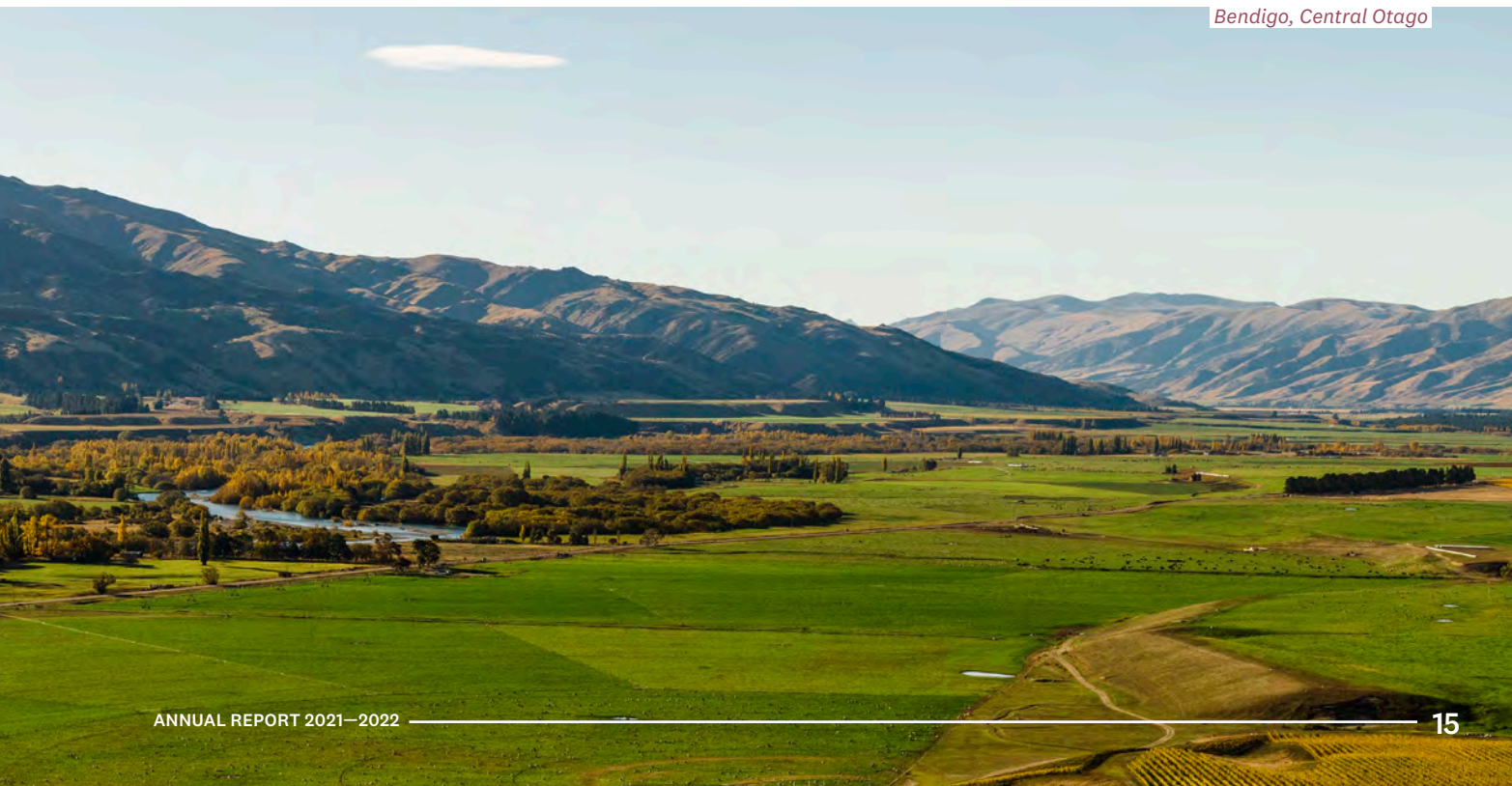
LEVEL OF SERVICE: Build mana whenua participation in Council decision making through a treaty-based partnership approach in our engagement.

<p>PERFORMANCE MEASURE Work done in partnership with iwi; increase the number of outputs and groups working together on projects.</p>	<p>TARGET Establish baseline.</p>	<p>RESULT 19 </p>
<p>PERFORMANCE MEASURE Build the bicultural competency of ORC staff and Councillors.</p>	<p>TARGET ≥50 participants in programme per year.</p>	<p>RESULT 57 </p>

LEVEL OF SERVICE: Provide relevant, timely and accessible communications and engagement activities which enable the community to understand and participate in ORC's programmes and decision making.

<p>PERFORMANCE MEASURE Annual survey is conducted to understand and improve community awareness, perceptions and expectations of ORC.</p>	<p>TARGET Survey completed to establish baselines and a report made public.</p>	<p>RESULT 9 December 2021 Council Meeting </p>
<p>PERFORMANCE MEASURE Customers express high levels of satisfaction with customer service provision.</p>	<p>TARGET Determine methodology and conduct benchmarking of customer satisfaction.</p>	<p>RESULT </p>

NOTE: Project was not progressed and has been deferred until the next financial year due to staff turnover and prioritisation.



Bendigo, Central Otago

Regional Planning

We set strategic direction on Otago’s natural resources through a robust resource planning framework that guides how people interact with the environment. Our regional plans set out objectives, policies and rules for sustainably using natural and physical resources in Otago, including water, land, air, and the coast.

The Otago Regional Council also needs organisational and functional strategies and plans to support regulation, on-ground action and community capacity-building. Strategic direction and collaboration on important regional issues, such as climate change and community wellbeing, help support better outcomes for Otago communities.

Another important component of this activity is working with Otago’s city and district councils on resource management and urban development.

The key programme that makes up this activity is:

- Regional Planning



Performance and Delivery

The Regional Policy Statement (RPS) identifies the significant resource management issues for Otago and explains how national direction on resource management will be applied. It sets out what we want for Otago, what's stopping us achieving this, and how we will solve those problems.

In recent years much work was done to review the RPS, with a draft notified at the end of 2020-21. However, the next steps in the processes were put on hold after interested parties made procedural challenges. Council subsequently brought proceedings in the High Court to determine whether the proposed RPS was a freshwater planning instrument, in its entirety, in terms of the Resource Management Act.

Although the hearings process was suspended awaiting the outcome of the High Court declaratory proceedings, an RPS Hearings Panel was appointed in January. In April the Panel directed parties to undertake pre-hearing discussions to resolve or narrow points of difference. ORC led this process with interested parties and pre-hearing discussions started in June. At the end of 2021-22 the High Court decision was still pending and the RPS Hearings were expected to start in September 2022.

Plan Changes

Our wider planning programme progressed this year with continued work on a range of plan changes. In May the Environment Court endorsed Plan Change 1 provisions and Council subsequently ratified proposed changes to the Regional Plan: Waste, set to become operative in July 2022. This was the result of a constructive mediation process and has meant a good environmental and policy outcome. Plan Change 7 to the Water Plan is operative and the rural provisions of Plan Change 8 to the Water Plan have also taken effect.

Urban Development

There has been important work in urban development with the Housing Bottom Lines for Queenstown and Dunedin added to the partially operative RPS in April. Staff provided support for QLDC and DCC Future Development Strategies (FDS).

Partnership agreements have progressed and these are expected to be formalised in July 2022. Support was also provided to the Waitaki District Council on an urban focused growth strategy.

Responding to Issues

It has been a busy year for our staff responding to potential issues arising from new government standards and legislation. Council has lodged submissions on a range of central government proposed policies and laws, including the National Environmental Standards for

Drinking Water, Environmental Monitoring and Reporting Act, the National Waste Strategy, and proposed changes to the Emissions Trading Scheme. Also, the Council was involved in two district plan reviews and concluded a complex appeal process involving significant natural hazard risk management matters.

Strategy Work

Our strategy team has provided oversight to ORC responses to legislative reforms, including Council briefings, and led collaborative work with district councils responding to Resource Management Act reform. With approval of the Council's Strategic Directions in October, work began to incorporate these across the organisation.

Strategy work on the Land and Water Regional Plan focused on improving understanding of the interaction between natural resources and the economy. This work has multiple workstreams including a farmer/grower workstream to develop a baseline economic report on Otago's primary industries, plus establishing an Industry Advisory Group; a "catchment stories" project to understand how Otago's communities manage land and water; a project in partnership with Aukaha and Te Ao Marama to understand the Māori economy; and an economic profile of land and water in Otago. Reports from these workstreams will feed into the economic impact assessment of the Land and Water Regional Plan.

We have been working collaboratively on a wellbeing framework for Otago with Kāi Tahu, Te Ao Marama, District Councils, and others including the Southern District Health Board and Kāinga Ora. The work will inform development of community wellbeing indicators and although a planned report on the project was not available before the end of the year, it is expected in September 2022.

Climate Change


Climate change is a major focus for the Council and a Principal Advisor Climate Change was appointed this year. Work has included programme development and workshops with local councils. An inventory of local government climate change initiatives is complete, and a Council stocktake underway, all of which support development of a climate change road map expected early in the new financial year. We also submitted on the draft National Adaptation Plan and the Emissions Reduction Plan.

Integrated Catchment Management

Good progress has been made towards our integrated catchment management framework. Six key work areas for developing Catchment Action Plans (CAPs) were identified and ongoing development is underway to finalise this framework and collaboration options with the community.

Performance Results

LEVEL OF SERVICE: Support Otago’s councils and communities to manage environmentally sustainable urban growth.


PERFORMANCE MEASURE	TARGET	RESULT
Develop an integrated planning framework that enables well managed urban growth across Otago.	Establish partnership agreements with DCC and QLDC by 30 June 2022.	

NOTE: Partnership agreements, although significantly progressed by 30 June, were formalised at the Strategy and Planning Committee on 13 July 2022. Council endorsed an interim governance structure, to work in partnership with Dunedin City Council (DCC) to deliver the FDS for Dunedin, following a workshop on 26 May 2022. Council also endorsed the use of the existing Grow Well Whaiora Partnership to deliver the Future Development Strategy (FDS) in partnership with QLDC. ORC had been invited by QLDC to join the partnership in October 2021 and ORC committed to it in January 2022.


LEVEL OF SERVICE: Develop and maintain an environmental planning framework that aligns with national directions and enables sustainable management of natural and physical resources.

PERFORMANCE MEASURE	TARGET	RESULT
Complete review of existing Regional Policy Statement (RPS).	Respond to hearing recommendations within specified timeframes.	

NOTE: Hearings were delayed and therefore no recommendations were confirmed for ORC to respond to, however Council completed every task set by the panel since notification including the summary of submissions, preparation of S.42a reports, and conducting pre-hearing discussions. Hearings are scheduled to commence in 2022-23.

PERFORMANCE MEASURE	TARGET	RESULT
Lead the development, implementation and review of Integrated Catchment Plans (ICP), in collaboration with iwi and community.	Commence development of an Integrated Catchment Planning programme and report to Council on progress by 30 June.	

LEVEL OF SERVICE: Collect information on Otago regional wellbeing (economic, social, cultural, and environmental) and identify significant issues.

PERFORMANCE MEASURE	TARGET	RESULT
Report on community wellbeing indicators.	Develop baseline wellbeing indicators and report to Council.	

NOTE: A draft of the wellbeing framework has been developed but not yet finalised. Progress was slower than anticipated due to taking a collaborative approach and accounting for the impacts of Covid-19, and the capacity and availability of ORC and our partners. A final report is expected to be presented in September 2022.

Regulatory

As a Regulatory authority, ORC supports the sustainable management of water, land, air and the coast. We process resource consents, develop rules for how natural resources are used and managed, monitoring them and ensuring the rules are applied. We investigate activities that don't comply, providing services to ensure activities in Otago are consistent with both national and regional rules in the Resource Management Act.

Regulation is not the only way to get results. ORC has an educational and awareness-raising role, collaborating with Otago communities on campaigns to increase knowledge and understanding of environmental matters.

We are also responsible for maritime activity and navigational safety on lakes, rivers and harbours and for the regulation of ports under the Maritime Transport Act. In Queenstown and Wānaka, navigational safety is delegated to the Queenstown Lakes District Council.

The key programmes that make up this activity are:

- Consent Processing
- Compliance Monitoring and Contaminated Sites
- Incident Response, Investigation and Enforcement
- Harbours and Waterway Management



Performance and Delivery

Regulatory work ramped up this year, processing more consents and exceeding targets for compliance monitoring audits. The quality of our regulatory processes was endorsed by the Courts, which ruled in ORC's favour on some notable cases related to consent conditions and enforcement.

Consent Processing

This year saw an increase in both consent applications and number of consents processed. ORC received 603 consent applications, compared to 587 in 2020-21, and we processed 55 resource consents each month on average. Despite the high workload, our Consent team met performance targets, processing 100% of resource consents within legislative timeframes. Decisions were issued on 665 consents, up from 404 the year before.

The higher volume of consents issued largely resulted from Plan Change 8, requiring consents for activities such as residential earthworks and discharges from dairy farms. Most applications that were related to deemed permits had been lodged in the previous year, but decisions came this financial year following the Plan Change 7 outcome. Since the Court approved this plan change, we issued decisions on 40 related applications to replace 58 deemed permits.

New consent requirements resulting from the National Environmental Standard for Freshwater (NES-FW) also contributed to a busy year. In preparation for the new requirement of consent applications for intensive winter grazing (IWG), the team developed information, held public workshops on dairy farm storage and provided landowners with advice. We also had a strong focus on staff training to prepare for the changes and meet demands.

The team received more than 200 enquiries a month on average, responding to over 80% within two working days and resolving 99% within seven working days. This is the first year we tracked response times and results will inform future baseline targets. We also provided more information on our website about the consents process and made copies of consent documents available online.

The quality of our consent processing was endorsed following a High Court appeal on consent duration for water takes by the Clutha District Council. The court found in ORC's favour and supported our approach to these types of applications. Our investigation and enforcement work was similarly recognised when the Court of Appeal dismissed an application by Wānaka developer Northlake Investments to overturn a 2017 conviction and fine for polluting the Clutha River. The win is not only important for ORC but for others involved in resource management compliance and enforcement.

Compliance Monitoring

As with other areas, compliance monitoring and enforcement also increased this year. We exceeded

compliance monitoring targets and graded 6,945 performance monitoring returns. Compliance monitoring included 1,097 onsite audits and site inspections, 243 dairy inspections, and 37 forestry inspections. All non-compliance found was followed up by staff and appropriate action taken, or investigations are ongoing.

Investigations and Enforcement

Significant investigations and enforcement followed pollution incidents or breaches of consent conditions. These ranged from sediment discharge and outdoor burning to aerial spraying, waste and septic discharge. This year ORC issued 104 formal enforcement actions and an interim enforcement order relating to a domestic wastewater discharge across a neighbouring property. We completed one prosecution, with six prosecutions ongoing. Standard operating procedures for incident responses were developed, improving consistency of service delivery and prioritisation of incident responses.

Incident Response

High demand for our incident response service continues, with 1,454 service requests through the Pollution Hotline related to 1,206 incidents. Water pollution (326), outdoor burning (278), and odour (174) were the most common issues reported. Our response to all incidents ranged from phone calls and desktop assessments to on-site investigations. Staffing for incident response has increased to better reflect high demand and provide coverage across Otago. Our ability to respond to oil spills has been maintained, with 20 responders attending two training exercises this year. A plan for responders to attend three exercises was untenable this year due to Covid-19 impacting training availability.


Harbour and Waterway Management


Managing our harbours and waterways involved upgrades to navigation aids and signage across Otago's waters, including in Otago Harbour and Lake Dunstan. Education and engagement included five days on the water for safety campaigns such as the national 'No Excuses' campaign, as well as time spent on the water around Otago interacting with recreational boating users. Educational presentations were made to various groups, and we improved our media campaign around boating safety. The Harbourmaster and/or Deputy Harbourmaster responded to all major and serious incidents within an hour of notification, however these incidents have not yet been formally reported to Council.

ORC has improved the infringement and enforcement process to support the navigational bylaws, and this is with the Minister for Transport for final approval. We maintained compliance with the Port and Harbour Marine Safety Code and completed an internal review in May, which found safety management systems were fully compliant.


Performance Results


LEVEL OF SERVICE: Provide effective, efficient and customer centric consenting processes under the Resource Management Act (RMA) 1991 to enable the lawful use of natural and physical resources.


PERFORMANCE MEASURE	TARGET	RESULT
Percentage of resource consent applications processed within Resource Management Act 1991 legislative timeframes.	≥98%	100% 

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of public enquiries for consent information completed within 7 working days.	Establish baseline.	Baseline: 99% 

LEVEL OF SERVICE: Provide effective and efficient compliance monitoring, investigations and enforcement services and take appropriate actions to ensure the lawful use of natural and physical resources.


PERFORMANCE MEASURE	TARGET	RESULT
Percentage of performance monitoring returns completed each year, as per the Compliance Audit and Performance Monitoring Schedule targets.	≥90%	116% 

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of programmed inspections/audits completed each year, as per the Compliance Audit and Performance Monitoring Schedule targets.	≥85%	116% 

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of significant non-compliances identified where action is taken in accordance with Compliance Policy.	100%	100% 

LEVEL OF SERVICE: Provide effective and efficient environmental response services to pollution incidents or notifications of non-compliant activities.

PERFORMANCE MEASURE	TARGET	RESULT
Maintain 24-hour/7-day-a-week response for environmental incidents.	Pollution hotline staff available/on call 24/7.	

PERFORMANCE MEASURE	TARGET	RESULT
Maintain 20 appropriately trained responders for maritime oil pollution incidents.	20 responders attend 3 exercises per year.	

NOTE: We maintained 20 appropriately trained responders who have been re-validated throughout the year by Maritime New Zealand (MNZ) when attending two exercises; the plan for three exercises was untenable due to Covid-19 impacts and MNZ agreed that two exercises only were required this year.

LEVEL OF SERVICE: Develop and maintain robust regulations and procedures to enable safe use and navigation of our region's ports, harbours, coastal areas and inland waterways.

PERFORMANCE MEASURE

Maintain compliance with Port and Harbour Marine Safety Code.

TARGET

Annual self-review is completed by ORC and POL and signed off by the Chief Executives.

RESULT



LEVEL OF SERVICE: Promote and encourage safe use of ports, harbours, coastal areas and inland waterways and take appropriate action in response to non-compliance and incidents.

PERFORMANCE MEASURE

Major incidents on Otago's harbours and waterways will be responded to.

TARGET

Major incidents and ORC's response are reported to Council quarterly.

RESULT



NOTE: Major incidents occurred in March and June and were responded to but not yet reported to Council.

PERFORMANCE MEASURE

On-water engagement, education of recreational users and safety campaigns are documented and reported annually.

TARGET

Report to Council by 30 June.

RESULT



Karitane, North Otago

Environment

This group of activities includes the following council activities:

- Land and Water
- Biodiversity and Biosecurity
- Air

Performance results



Community Outcomes

Our Environmental activities contribute to:



Land and Water

Our role involves working with Otago communities to manage water quality and quantity. To do this well we need robust, integrated and consistent regional plans and strategies. Our current work includes an ambitious planning programme to develop a new Land and Water Regional Plan by 2023.

We also assess water quality and quantity through our network of monitoring sites across the region, and this data informs planning and future decision-making. Our water monitoring and science programmes have expanded to include monitoring estuaries, the coast, groundwater, biomonitoring, land-use and soil monitoring.

We collaborate with communities to protect Otago's water resource through education, engagement and action. Our implementation programme includes education and support for landowners and catchment groups, as well as involvement in community-led projects and remediation works.

The key programmes which make up this activity are:

- Land and Water Planning
- Land and Water Science and Monitoring
- Land and Water Implementation



Performance and Delivery

Land and Water Planning

Our planning programme this year has focused on developing a new Land and Water Regional Plan (LWRP). This is due to be publicly notified by the end of 2023, so we are working steadily towards this deadline. This important task to replace an outdated water plan has involved a huge volume and wide range of tasks. We are working in a partnership approach with iwi, which at staff level involves a close working relationship with Aukaha and Te Ao Marama. At a governance level, the partnership is evident through the establishment of the Land and Water Governance Group, which includes Councillors and iwi representatives.

As part of the work to build the LWRP, an economic impact assessment took place, with phase one completed in June and a resulting regional economic profile underway. Work to understand the Māori economy, including a socio-economic narrative on the impacts of freshwater management in Otago on Kāi Tahu, has been scoped.

LWRP development has been split across two key workstreams: developing specific provisions for Freshwater Management Units (FMU), and developing region-wide plan provisions. Work on the region-wide provisions is ongoing, with the bulk of the tasks, including engagement with internal and external stakeholders and drafting the provisions, anticipated to be completed by December 2022.

Public Engagement

In October 2021 we launched an advertising and engagement campaign as the first public step towards developing the new Land and Water Regional Plan.

In this first stage of consultation we wanted to find out what the public and stakeholders knew about land and water, and what they valued most about lakes, rivers, streams, wetlands and groundwater in their areas. We appreciated that people all over Otago engaged with us and gave their time and feedback.

Over the year the Council's approach to developing FMU specific provisions pivoted, and the initial target to complete proposed management options for three FMUs was revisited. Rather than working through the multi-staged consultation process with FMUs in sequence, we instead completed the first stage of consultation in all FMUs in parallel. This change was intended to achieve greater efficiency in the science modelling work while also limiting the impacts of Covid-19 on the roll-out of the public consultation. This resulted in the completion of the first round of engagement in all of Otago's five FMUs, including the five rohe (sub-areas) of the Clutha/Mata-au FMU.

Science modelling work to support the second round of engagement is progressing well and the consultation will take place in the new financial year.

Science work related to the Manuherekia catchment in Central Otago has continued throughout the year, with the Technical Advisory Group (TAG) contracting additional studies. The results will be presented to Council in the new financial year and will also inform development of provisions in the LWRP.

Interim Planning Provisions

As well as developing a new LWRP, we have also worked to strengthen the Council's existing policy framework. This has included bringing in interim provisions to the operative Regional Plan: Water for Otago (Water Plan) and the Regional Plan: Waste for Otago (Waste Plan).

Plan Change 7 to the Water Plan and Plan Change 1 to the Waste Plan were made operative in March and July respectively, while Plan Change 8 which affects the Water Plan is scheduled to be fully operative in September 2022. These plan changes are intended to facilitate the transition from the existing Water and Waste Plans to a new fit-for-purpose Land and Water Regional Plan.

Science and Monitoring

The Council's science team has grown, and this year carried out an enormous amount of work to build the knowledge required for development of the Land and Water Regional Plan. This covered a wide range of areas including hydrology modelling, wetlands mapping, bio-monitoring and developing an urban water work programme.

Our land work has involved contaminant reduction scenarios, collecting groundwater and surface water data, and learning more about land use and soil attributes. As well supporting the LWRP process, we have also continued our State of the Environment (SOE) monitoring and expanded our network.

Our water monitoring programme covers 107 river and eight lake sites across Otago and measures indicators such as rainfall, flow, water level, groundwater as well as water quality attributes and macroinvertebrates.

Our monthly SOE testing was conducted via our network of monitoring sites which measure water quality state and trends across the region. SOE monitoring results are based on five years of data. Current water quality results show that most sites retained the same quality grade as the prior year, with nine sites improving and eight sites degrading.

During the summer months we also carried out weekly recreational water quality monitoring at 25 popular swimming spots around Otago.

We have continued to grow our environmental monitoring programmes. This year we carried out extensive estuary monitoring; however, a planned report was not finalised due to a delay in macrofauna processing. This report will be available in the new financial year.

Our coastal monitoring programme advanced, and a marine mapping project was completed which will inform further development of our coastal state of the environment monitoring programme. A report was presented to Council in June 2021 outlining the draft programme and a follow-up report is expected in the new financial year.

Our groundwater monitoring programme progressed with 95% of sites sampled during the year and additional bores added to the existing network.

The development of a land-use monitoring programme is underway, and a soil SOE monitoring network was established, which includes soil mapping, monitoring and nutrient base load mapping.

Land and Water Implementation

Our science and monitoring work feeds not only into planning but also into our environmental implementation programmes. These ramped up this year with an expanded team and extensive community education, engagement and remediation works.

Additional staff were recruited in biodiversity, biosecurity, freshwater and integrated catchment management which has enabled us to do more across the region.

We supported landowners and community-led projects reinforcing best-practice land management and intensive winter grazing practices. We also supported catchment groups and continued grant funding to the Otago Catchment Community.

Water Quality Remediation Projects

We made significant progress this year on key restoration programmes and met the target to deliver 90% of priority actions. Key restoration programmes focused on Tomahawk Lagoon, Lake Tuakitoto and Lake Hayes. In order to make informed decisions and implement high-value actions we developed a strategic framework to assist in prioritisation, before starting on-the-ground restoration works. We engaged with the community about Tomahawk Lagoon in Dunedin, resulting in options being developed and prioritised. Community engagement for Lake Tuakitoto in the Clutha district, which was initially delayed due to Covid-19 impacts, has commenced along with an ecological assessment of the catchment.

The work programme to restore water quality in Wai Whakaata (Lake Hayes) has progressed. A cultural values assessment for the project has been commissioned and will inform a refreshed Lake Hayes strategy. Preparatory work detailing the proposed lake levels and the target range for the lake was completed, along with surveying works and preliminary geotechnical investigation for the culvert site at State Highway 6. Consenting and design of the culvert is underway, with the project expected to be completed in the new financial year.




Through the Jobs for Nature scheme we have received funding for a multi-year remediation programme for Te Hakaupupu/Pleasant River. This exciting initiative will see us working in partnership with Kāti Huirapa Rūnaki ki Puketeraki and also working closely with the local community and other stakeholders.



Bob's Cove, Queenstown

Performance Results


LEVEL OF SERVICE: Monitor the state of Otago's freshwater resources and coastal environment and make accurate, relevant and timely information publicly available.

PERFORMANCE MEASURE	TARGET	RESULT
Implement a regional coastal environment monitoring programme.	Develop regional coastal monitoring programme and report to Council.	
NOTE: Regional coastal monitoring programme was defined and developed, however a report was not presented to Council during the financial year. Report will be presented to Council in the new financial year.		
Implement freshwater and estuarine environment monitoring programmes.	Annual report on monitoring programme completed and reported to Council.	
NOTE: Estuarine monitoring conducted but report was not presented by 30 June. Report will be presented to Council in the new financial year.		
Percentage of data from the water monitoring network that is captured quarterly.	≥95% data capture achieved.	98% 

LEVEL OF SERVICE: Monitor Otago's land use and make accurate, relevant and timely information on sustainable land-use publicly available.

PERFORMANCE MEASURE	TARGET	RESULT
Develop and implement a regional land-use monitoring programme.	Develop regional land-use monitoring programme and report to Council.	Public briefing 8 December 2021 

LEVEL OF SERVICE: Provide a robust and integrated environmental planning framework for Otago's land, water and coast resources.

PERFORMANCE MEASURE	TARGET	RESULT
Complete the Land and Water Regional Plan (LWRP).	Report to Council on proposed management options for 3 Rohe or FMUs by 30 June.	
NOTE: A change of approach has meant consultation was conducted in all Freshwater Management Units (FMUs) across the region in parallel, rather than working through the process with FMUs in sequence. As a result, stage one consultation has been completed in all of Otago's FMUs, including the five rohe (sub-areas) of the Clutha/Mata-au.		

LEVEL OF SERVICE: Support Catchment Groups in Otago to deliver their environmental outcomes and objectives.

PERFORMANCE MEASURE	TARGETS	RESULT
‘Otago Catchment Communities’ is supported to meet deliverables and targets of funding agreement.	Funding is administered as per agreement.	
	Report to Council on deliverables and targets achieved by 30 June.	

LEVEL OF SERVICE: Promote and enable best practice land management for soil conservation, water quality preservation, the efficient use of water and to enhance Otago’s biodiversity and ecosystems.

PERFORMANCE MEASURE	TARGET	RESULT
Landowner/community led projects promoting best practice land management for soil conservation, water quality and the efficient use of water are identified and supported.	Three or more projects supported per year.	3

LEVEL OF SERVICE: Collaborate with iwi, communities and landowners to develop and deliver a programme of actions to improve water quality and indigenous biodiversity in selected degraded water bodies.

PERFORMANCE MEASURE	TARGETS	RESULT
At least three site specific action plans for selected degraded water bodies are developed, prioritised, and implemented.	Projects confirmed and priority actions identified by 30 September.	9 priority actions
	90% of priority actions undertaken as scheduled.	100%

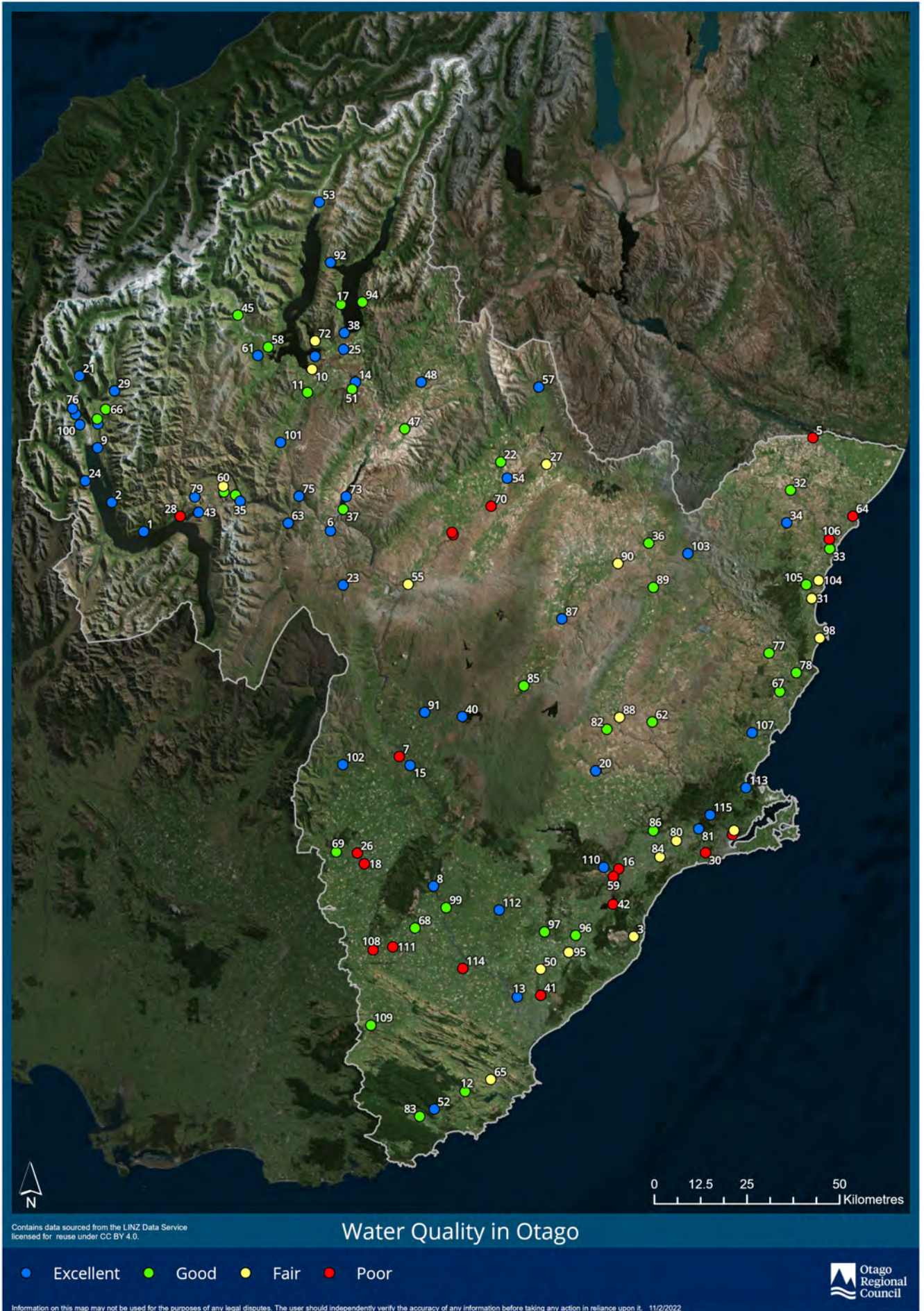
Supporting information:

Water quality

Summary of results showing variation in water quality grades across three five-year periods.

Rivers	2014-19	2015-20	2016-21	Lakes	2014-19	2015-20	2016-21
Excellent	37	37	41	Excellent	3	3	4
Good	32	34	32	Good	2	3	2
Fair	18	19	17	Fair	0	0	0
Poor	19	16	17	Poor	3	2	2
TOTAL	106	106	107	TOTAL	8	8	8

Results of the State of Environment water-quality monitoring 2016-2021:



Biodiversity and Biosecurity

Otago is home to unique species that we need to look after. Our Regional Pest Management Plan (Pest Plan) sets out the framework for how pest plants and animals will be managed in Otago. It is supported by a Biosecurity Strategy that looks at how we will work with other organisations and the community to achieve the goals set out in the pest plan.

Our biosecurity work supports the control of prolific pests, such as feral rabbits. We do this by educating our communities, facilitating compliance and through funding projects. Council also plays a lead role in facilitating government funding and overseeing projects such as wilding conifer removal and wallaby eradication.

Council's biodiversity work programme is growing and our monitoring programme is under development. We are strengthening partnerships across the region and we encourage and empower communities to take local action through our Ecofunding round.

The key programmes which make up this activity are:

- Biodiversity Science and Monitoring
- Biodiversity Implementation
- Biosecurity (Pest Management)
- Wilding Conifers



Performance and Delivery

Biodiversity Science and Monitoring

This year important steps were taken towards developing a monitoring framework and increasing our knowledge of indigenous biodiversity. We established an approach for prioritising ecosystems, an important step that will help focus our resources and actions in order to support biodiversity effectively across Otago. Habitat modelling in waterways began, however, was not completed due to weather and water-flow conditions. A biomonitoring programme to help assess environmental health was established and includes monitoring of macroinvertebrates at 33 sites around Otago. Further development of our biodiversity monitoring programme is ongoing and will feed into our environmental implementation work.

Biodiversity Implementation

The biodiversity implementation programme this year focused on a regional partnership approach to maintain and enhance indigenous biodiversity in Otago. Our leadership role in the region included facilitating and coordinating regional biodiversity hui in November and April. We engaged with key partners and participated in a National Biodiversity Working group and a sub-group for the National Policy Statement on Indigenous Biodiversity (NPSIB) response. Our commitment to mana whenua saw the Council assisting landowners from Ōtākou rūnaka with their application to Ngā Whenua Rahui, a contestable fund for protection of indigenous ecosystems on Māori land. Our continued involvement in partnerships projects, such as the government-funded Jobs for Nature projects including (DOC led) Ngā Awa Taiari (Taiari) and Te Hākapupu (Pleasant River catchment) Restoration, are set to benefit Otago.

Our EcoFund continued to foster community-led projects that protect and enhance our flora, fauna and environment across Otago. We had 53 applications, with groups asking for \$1,108,239 — a new high for the fund. More money was on offer than usual as the pool was increased to target community rabbit initiatives, water quality enhancement as well as native planting following wilding pine removal. This brought total funding available to \$470,000. In all, 25 groups had funding applications approved, with projects from Dunedin and Oamaru to Mt Aspiring and Queenstown, and onwards to Tautuku and the Catlins in the south. Initiatives will benefit a range of environmental objectives such as water quality, predator control, native revegetation and environmental education. As well as the EcoFund, Council contributed financially to Predator Free Dunedin.

We are working to meet our Biodiversity Action plan targets; however, some work is on hold to ensure alignment with the National Policy Statement for Indigenous Biodiversity (NPSIB) once finalised. Work has been initiated to develop a common platform to share biodiversity and biosecurity information, and

we continued to build on initiatives to develop and implement large, landscape scale programmes. We participated in regional and national level engagement, while our community-based outreach included work to integrate education and awareness of biodiversity into our farm support programmes.

Biosecurity

This year we have also increased the resourcing and delivery of biosecurity education, engagement and enforcement. Our work programme has ramped up with more pest inspections along with additional monitoring and support for local rabbit control groups. There have been 2389 pest plant inspections, 66 rook inspections, and 800 rabbit inspections undertaken this financial year. Staff also surveyed 880 freshwater users as part of Council's delivery of the national Check, Clean, Dry campaign, which aims to prevent the spread of invasive freshwater pests.

While we've implemented our Biosecurity Operational Plan and exceeded inspection targets in some areas, we didn't fully meet all targets due to Covid-19 impacts and ongoing development of processes. The Biosecurity Operational Plan includes five priority areas: rabbits, wallaby wilding conifers, lagarosiphon and the exclusion pest programme. This year we completed, or mostly achieved, 35 of our 37 targets in these areas. Additionally, we are leading work to establish community-led responses to rabbit management, using our resources to facilitate eight community-led responses in places such as Gibbston, Lake Hayes, Moeraki, Queensberry and the Otago Peninsula. More broadly, we attended 22 community events to provide pest-specific advocacy and education.

Wallaby Eradication


Our wallaby eradication programme accelerated this year with additional national funding. Wallaby control progressed across seven management units with four ground-based contractors using a range of surveillance methods. The successful wallaby search and eradication programme covered around 300,000 hectares. The public reported 38 sightings of wallaby, of which 24 were confirmed and followed up by contractors, with eight destroyed. Wallaby sightings occurred across the region, with most sightings in North Otago.

Wilding Conifers

Our wilding conifer programme has also received ongoing Government investment and continued activity. Despite delays due to Covid-19 restrictions and contractor pressures, we enabled control operations across 68,000 hectares in Otago, funded through the National Wilding Conifer Control Programme.

Performance Results


LEVEL OF SERVICE: Collaborate with iwi, DOC and other key organisations to develop, coordinate and deliver a programme of actions to enhance indigenous biodiversity.

PERFORMANCE MEASURE	TARGET	RESULT
Actions listed in the Biodiversity Action Plan (BAP) are prioritised and progressed.	Priority actions achieved within timeframes specified in annual work plan.	
<p>NOTE: The Biodiversity Action Plan (2019-2024) consists of 15 actions. Five of these actions are ongoing and work is underway across all of them. Completed actions include employment of a Biodiversity Programme Leader and initial biodiversity mapping and prioritisation. Two actions are collaborative and need to be progressed through the Otago Biodiversity Forum. There are three actions which are reliant on the National Policy Statement for Indigenous Biodiversity (NPSIB), which is yet to be finalised. Remaining actions are due for completion in 2024-25 and work has commenced on the majority of these.</p>		


PERFORMANCE MEASURE	TARGETS	RESULT
Partnerships established in line with the Biodiversity Action Plan and joint projects developed.	Establish baseline number of partnership engagement activities and events, and report to Council.	
	Joint projects scoped and milestones identified and reported to Council.	

LEVEL OF SERVICE: Provide support and funding to selected initiatives and organisations across the region which deliver biosecurity, biodiversity and environmental outcomes that align with our strategic objectives.

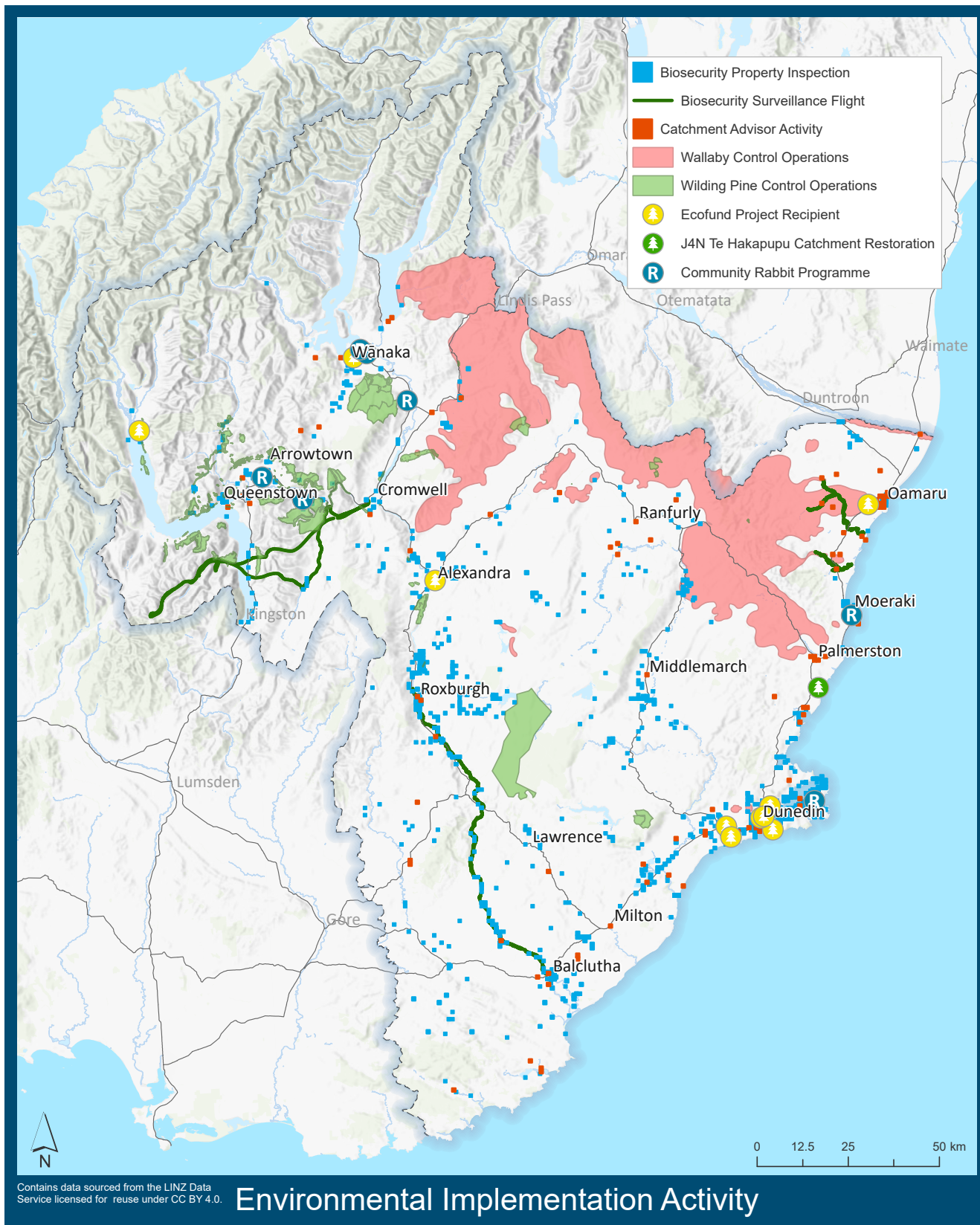
PERFORMANCE MEASURE	TARGET	RESULT
Complete a report on the initiatives and organisations supported and the key deliverables achieved.	Report to Council by 30 June.	

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of funding administered as per agreements.	100%	

LEVEL OF SERVICE: Develop and deliver practices and programmes that give effect to the Regional Pest Management Plan (RPMP).

PERFORMANCE MEASURE	TARGET	RESULT
Priority targets within the Biosecurity Operational Plan (BOP) are identified and achieved.	Priority actions achieved within timeframes specified in annual work plan.	
<p>NOTE: Some Biosecurity Operational Plan targets were exceeded; however, not all were fully met. Over 85% of priority targets were fully or substantially achieved however, Covid-19 restriction and process issues impacted on results. A significant system change will roll out in the new financial year which will assist with processes.</p>		

Supporting information:



Air

Good air quality is necessary for health and well-being. We are responsible for making sure our region complies with the government’s National Environmental Standard for Air Quality and, under the Resource Management Act, for controlling the discharge of contaminants into the air.

Meeting air quality standards is especially challenging in areas with extremely cold winter weather and temperature inversions. Otago’s air quality often degrades during winter when domestic heating emissions increase with cold and calm weather and inversion layers occur.

We monitor air quality at sites across Otago, including Milton, Mosgiel, Dunedin, Alexandra, Clyde, Cromwell and Arrowtown. These sites measure the concentration of particles in the air and capture a mixture of PM10 and PM2.5 pollutants*.

ORC also contributes to clean air and healthy homes as a Trustee of the Cosy Homes Trust.

The key programme which makes up this activity is:

- **Air Science and Monitoring***

* PM¹⁰ are solid or liquid particles in the air, smaller than 10 micrometres, and although they include vehicle and industry emissions, and natural sources such as dust and pollen, the main source in Otago is from home heating emissions. PM^{2.5} (particles smaller than 2.5 micrometres) is a more direct indicator of the smaller particles that are emitted during combustion.



Performance and Delivery

ORC’s air science and monitoring this year focused on monitoring site upgrades and region-wide monitoring in winter, the results of which will help inform the review of our Regional Plan Air.

Our monitoring programme operated across four continuous sites in Alexandra, Arrowtown, Dunedin and Mosgiel, and two winter-monitoring sites in Cromwell and Milton. We met our target of 95% data-capture for all sites. The data is publicly available on the LAWA website and all air quality exceedances were reported through news media during the winter months as required.

We made good progress on upgrades to air quality monitoring sites and equipment, despite challenges with availability of consultants, contractors, and consent delays. The upgrades represent a significant improvement to our monitoring network after many years of deferred work and will enable full-year

monitoring and data collection at all locations, once completed.

Four new instruments for the year-round monitoring of particulate matter in the air, PM^{2.5} were installed at Arrowtown, Clyde, Cromwell and Milton. This will help us understand emissions and particulate matter sources in Otago, as well as prepare for upcoming amendments to the National Environment Standards for Air Quality (NESAQ). The remaining upgrades to the network are scheduled for 2022-23.

The State of the Environment (SOE) State and Trends 2010-2019 report was released this year. The PM¹⁰ trends for this time indicate improving air quality at most monitored sites. However, more work is required to reduce emissions from home heating and meet the NESAQ.

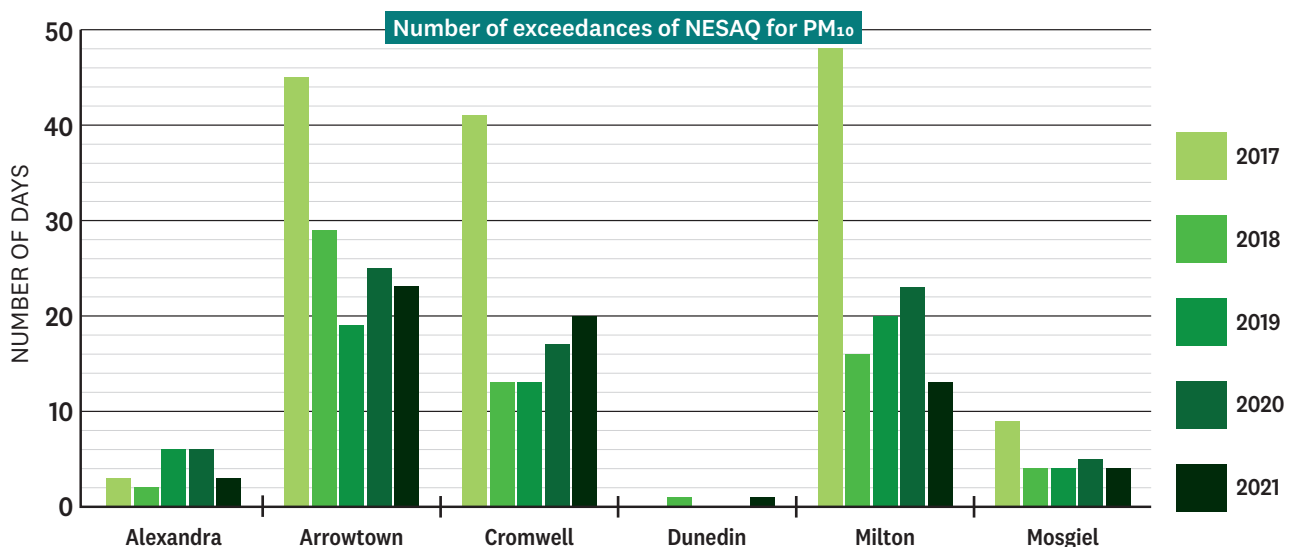
As well as our standard SOE air monitoring programme, Council undertook a PM^{2.5} monitoring campaign in winter 2021 with data collected from 14 airsheds around Otago. This information will help inform the Air Plan review.

Performance Results

LEVEL OF SERVICE: Monitor Otago’s air quality and make accurate, relevant and timely information publicly available.

PERFORMANCE MEASURE	TARGET	RESULT
Implement regional air monitoring programme.	Annual report on monitoring programme completed and reported to Council.	Data and Information Committee 9 March 2022
Percentage of data from the air monitoring network that is captured quarterly.	≥95% data capture achieved.	97%

Supporting information:



Safety and Resilience

This group of activities includes the following council activities:

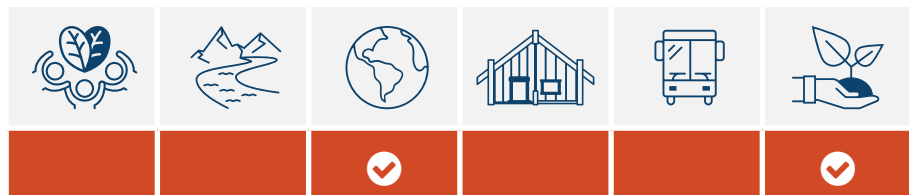
- Natural Hazards and Climate Change
- Flood Protection, Drainage and River Management
- Emergency Management

Performance results



Community Outcomes

Our Safety and Resilience activities contribute to:



Natural Hazards and Climate Change

We set direction on the management of natural hazard risks in Otago. We support decision making to mitigate, or reduce the effects of natural hazards, climate change, and other risks.

We identify, monitor, and investigate natural hazards to provide intelligence that supports community resilience and the ability to adapt to environmental change. Our work includes monitoring rainfall, river and lake levels, and providing public information on water levels and flows, all of which help inform responses to flood events.

We engage with people, communities, iwi partners, and other stakeholders in Otago to develop partnerships and implement projects to address hazard risks, as well as increasing awareness and understanding.

We're working to understand more about the future impacts of climate change on natural hazards so we can collaborate with territorial authorities and communities to prepare and adapt. We're developing a comprehensive spatial approach to natural hazards to inform future priorities, at the same time as undertaking projects for the risks we already know about.

The key programmes that make up this activity are:

- Natural Hazards
- Flood and Low Flow Risk Management
- Climate Change

Performance and Delivery

We have worked closely with communities across Otago to provide hazard information, technical support and guide adaption to natural hazards. Work started on a natural hazard risk assessment and prioritisation approach to help inform adaptation planning and actions. This year we defined the problem, scoped the resource requirement, and drafted an initial programme plan.

The natural hazard and climate change adaptation programme in 2021-22 focused on South Dunedin, the Head of Lake Whakatipu in the Glenorchy area, and the Clutha Delta, with excellent progress. Planned natural hazard investigation and management for Roxburgh and Henley progressed more slowly than expected. Delays were due to internal resourcing, prioritising extra Head of Lake Whakatipu work, and providing technical assistance to unplanned Environment Court appeals. The work in Roxburgh and Henley is expected to be completed in the new financial year.

South Dunedin

Our team continued to lead the South Dunedin climate change adaptation project, the South Dunedin Future programme (SDF) in partnership with the Dunedin City Council (DCC). A programme manager for SDF was appointed by the DCC and part-funded by Otago Regional Council.

We progressed with a technical programme to better understand South Dunedin's physical environment and expected changes, with additional groundwater monitoring bores installed and potential sites for vertical ground movement assessment identified. We also initiated a Dynamic Adaptive Pathways Planning (DAPP) process along with DCC. Groundwater modelling was part of the NZ SeaRise research programme; however, due to the complexity of the modelling and Covid-19 related delays, the scope was adjusted and therefore not sufficiently progressed for further interrelated modelling to be commissioned. This is now expected to take place in the new financial year.

A comprehensive update on the South Dunedin Future programme was made public in June and approved by DCC and ORC in July 2022.

Glenorchy and Head of Lake Whakatipu

We conducted a large body of work to better understand natural hazards around the head of Lake Whakatipu and Glenorchy. Technical studies assessed the liquefaction

and flood hazards, as well as flood mitigation options. The liquefaction investigation was not planned but was prioritised given the potential significance of this hazard for Glenorchy, along with its importance to the development of the natural hazard adaptation strategy. The results of the liquefaction investigation confirmed the severity of this hazard for parts of Glenorchy.

Community engagement sessions were held in April and June, and a Dynamic Adaptive Pathways Planning approach begun to support community engagement and develop the way forward.

Clutha Delta

Clutha Delta natural hazard and climate change adaptation work progressed well. Work focused on establishment of an initial groundwater monitoring network to better understand the geological and groundwater characteristics of the area. This work complemented a coastal hazards investigation presented to the ORC Data and Information Committee in December.

Flood Response

We operated a 24-hour flood management and response system during the year. Although no significant flood events occurred, our monitoring helped provide timely forecasts, warnings and relevant weather, flow and water level information to Emergency Management Otago, district and city councils and the public. The information also helped inform decisions on the preparedness and management of flood protection schemes.



We expanded our monitoring, installing additional flow recorders in the Lower Clutha and Rees Rivers and a new rain gauge in the Mt Teviot area in collaboration with NIWA. Using radar data in our flood forecasting models also progressed.

Capturing Data





We continued to progress our LiDAR mapping programme as planned. This year we captured elevation data across about 4,000 sq. km of the Otago coast, including Dunedin and Mosgiel urban areas. Much of this information is now available to the public and the remainder is undergoing further processing, and will be available early in the new financial year.

Performance Results

LEVEL OF SERVICE: Provide information on natural hazards and risks, including the effects of climate change, so that communities and stakeholders can make informed decisions.

PERFORMANCE MEASURE	TARGET	RESULT
Relevant and up to date natural hazards information is available via the web-based Otago Natural Hazards Database.	Database information is checked and updated monthly.	
Percentage of flood warnings that are issued in accordance with the flood warning manual.	100%	100% 

LEVEL OF SERVICE: Collaborate with communities and stakeholders to develop and deliver natural hazards adaptation strategies.

PERFORMANCE MEASURE	TARGET	RESULT
Complete regional natural hazards risks assessment (NHRA) and develop a regional approach for prioritising adaptation* to inform adaptation planning and implementation.	Commence natural hazard risk assessment and investigation of prioritisation approach.	
Implement prioritised natural hazard risks adaptation works.	TARGETS Work in priority areas* is delivered as per plan by 30 June.	
	The Head of Lake Whakatipu natural hazards adaptation strategy progresses as per annual work plan.	
	Collaboration framework for South Dunedin and Harbourside natural hazards adaptation strategy is defined by 30 June 2022.	

NOTE: Work progressed well in South Dunedin, the head of Lake Whakatipu and the Clutha Delta. Due to the high degree of risk additional work around the head of Lake Whakatipu/Glenorchy was prioritised. Planned natural hazard investigation and management work for Roxburgh and Henley therefore progressed more slowly than originally anticipated.

* Priority areas are: Head of Lake Whakatipu, South Dunedin/Harbourside, Clutha Delta, Roxburgh, and Henley

Flood Protection, Drainage and River Management

Otago has large, developed areas situated on low-lying river flats often close to sea-level. Our flood protection schemes help protect people and their livelihoods in adverse weather events, and our drainage schemes help maintain the productive capability of land.

Around 43,000ha of rural and urban land in Otago has council-provided flood protection and drainage infrastructure. Three flood protection schemes, three drainage schemes and one combined flood protection and drainage scheme are council owned and managed. We also own but commission external management for parts of the Lower Waitaki River Control Scheme.

Under the Soil Conservation and Rivers Control Act 1941, the council also has important responsibilities. We conduct river and waterway management works to maintain channel capacity, channel stability and environmental outcomes in scheduled rivers and waterways.

Looking after our rivers and waterways sustainably is more than simply managing the risk of floods. It's also about meeting community expectations for the safe, enjoyable, and respectful use of rivers and streams. Working together with communities, our goal is to prepare for future environmental challenges and retain the characteristics of our rivers and waterways that make Otago such a great place to live for everyone.

The key programmes which make up this activity are:

- Alexandra flood protection
- Leith flood protection
- Lower Clutha flood and drainage
- Lower Taieri flood protection
- West Taieri drainage
- East Taieri drainage
- Tokomairiro drainage
- Shotover River delta
- Designations and bylaws
- Dunedin rivers and waterways
- Clutha rivers and waterways
- Central Otago rivers and waterways
- Whakatipu rivers and waterways
- Wānaka rivers and waterways
- Waitaki rivers and waterways
- Lower Waitaki river control scheme (Environment Canterbury)

Performance and Delivery

Flood Protection Works

2021-22 has been a mixed year delivering our flood protection works. We achieved most of our planned maintenance for flood protection and drainage and met our performance target of 80%.

Schemes have continued to perform to their constructed design standards, with no breaches. Pumps were available as specified in our outage plan, with 100% compliance.

However, our planned capital renewals programme was not fully delivered. Although we actioned priority works our renewals did not progress as planned and most projects did not fully meet targets. The team focused on projects with a high priority and known scope, where positive progress could be made. The remaining projects required further investigations into scope and delivery requirements. Where consenting or more detailed scoping have prevented full delivery, the projects will be prioritised for the new financial year.

We are pleased our schemes remained resilient in weather events, and we monitor this as part of our maintenance work. The deferral of some renewal works is not critically detrimental to scheme performance.

Climate Resilience Projects

A priority has been delivering the Climate Resilience programme, and we have made considerable progress. These multi-year projects are part-funded through a national programme, led by the Ministry of Business, Innovation and Employment (MBIE), which is investing in infrastructure to support New Zealand's economic recovery from Covid-19.

Four projects make up our Climate Resilience programme; two located within the Lower Clutha flood protection scheme (Robson's Lagoon and Riverbank Rd) and two within the Lower Taieri flood protection scheme (Outram and Contour Channel).

Work largely progressed as planned. The Riverbank Rd project was completed in December 2021, with major instream structures for Robson's Lagoon completed ahead of schedule. The Contour Channel stages 5 and 6 flood-bank works were also finished.

The Outram Climate Resilience project has progressed slowly due to further design considerations along with a lengthy consenting process, which required diligent landowner negotiations and permissions. While the project has progressed, this has been slower than anticipated, resulting in some of the programme being deferred to the new financial year.

Taieri Scheme Review

The Taieri scheme review has been under development for several years and was officially launched in June 2021. The first phase of the project involved scoping and assessing scheme performance and reviewing existing information and modelling data. We engaged with the community on this, with a successful workshop in November. However, the scheme review has faced some delays, which is being addressed by a focused project management resource.

A risk analysis and assessment are scheduled for completion early in the new financial year.

New Flood Protection Bylaw

A 2022 Flood Protection Management Bylaw was adopted in June after community consultation and hearings. This replaces the 2012 bylaw and helps the Council manage, regulate and protect the effective operation of flood protection works. The bylaw controls activities which may affect the integrity or operation of flood protection works, such as plantings and earthworks and will take effect from September 2022.

River Management Works

The Council's river and waterway management programmes also faced challenges. In order to support fish-passage and biodiversity in waterways, our maintenance programme has a narrow time frame when work can occur. The Covid-19 alert level four restrictions in quarter one reduced this operating window. There were also delays to the heavily committed programme in some catchments due to weather and river conditions, low-flows, accessibility, gravel consent requirements, contractor availability and staff shortages. This resulted in 78% of our planned programme being delivered, below the 90% target for the year.

After multiple years of weather events resulting in flooding, this year proved stable with no significant events. This meant less unplanned work than previous years, contributing in part to reduced expenditure. However, unplanned action was still required, with 33 reactive works prioritised due to risk. Reactive works may take place following erosion, or gravel build-up, or blockages, which can occur at any time but especially during higher flow or weather events such as high winds. Reactive work is often identified through staff inspections or public information.

We responded to all 103 public enquiries relating to blockages and obstructions in rivers and waterways, assessing 94% of these within 20 days.

Work Programme Progress




AREA	PROGRESS/PERFORMANCE
ALEXANDRA FPS	100% of planned maintenance completed. No capital works projects.
LEITH FPS	100% of planned maintenance completed. Two capital works projects; neither progressed as planned, further scoping and investigation is required.
LOWER CLUTHA FP&DS	68% of planned maintenance completed. 13 capital works projects; four progressed as planned, others experienced delays.
LOWER TAIERI FPS	39% of planned maintenance completed. Six capital works projects; two progressed as planned, others experienced delays.
WEST TAIERI DS	85% of planned maintenance completed. Seven capital works projects; two progressed as planned, others experienced delays.
EAST TAIERI DS	100% of planned maintenance completed. Nine capital works projects; one progressed as planned, others experienced delays.
TOKOMAIRO DS	74% of planned maintenance completed. One capital works project; progressed as planned.
DUNEDIN RIVERS AND WATERWAY MANAGEMENT	92% of planned works completed.
CLUTHA RIVERS AND WATERWAY MANAGEMENT	72% of planned works completed.
CENTRAL OTAGO RIVERS AND WATERWAY MANAGEMENT	80% of planned works completed.
WHAKATIPU RIVERS AND WATERWAY MANAGEMENT	100% of planned works completed.
WĀNAKA RIVERS AND WATERWAY MANAGEMENT	89% of planned works completed.
WAITAKI RIVERS AND WATERWAY MANAGEMENT	52% of planned works completed.

FPS: Flood Protection Scheme

DS: Drainage Scheme


Performance Results

LEVEL OF SERVICE: Provide the standard of flood protection and control agreed upon with communities.

PERFORMANCE MEASURE	TARGETS	RESULT
Major flood protection and control works are maintained, repaired, and renewed to the key standards defined in relevant planning documents.	≥80% of planned maintenance programme completed.	80% 
	Schemes function to their constructed design standards.	
	≥90% of renewals programme completed.	30% 


NOTE: The renewals programme did not progress as planned and the majority of projects have not fully met their targets, due to challenges with scoping, consenting and prioritisation. The team focused on projects with a high priority and known scope, where positive progress could be made.

LEVEL OF SERVICE: Respond efficiently and effectively to damage from natural hazard events.

PERFORMANCE MEASURE	TARGETS	RESULT
Damage identified, prioritised and a repair programme communicated with affected communities in a timely manner.	Programme developed and communicated within 3 months of the event.	

NOTE: Not able to be measured as there were no flood events in 2021-22 which required a repair programme to be developed.

LEVEL OF SERVICE: Maintain channel capacity and stability, while balancing environmental outcomes and recognising mana whenua values in rivers.

PERFORMANCE MEASURE	TARGETS	RESULT
Percentage of identified and reported issues that have been investigated and appropriate action determined and communicated to affected landholders within 20 working days.	100%	94% 

NOTE: 97 of 103 customer issues were responded to within the 20 days. Six issues were responded to outside of target time frame in the first half of the year. Processes were revised and all subsequent issues have been responded to within target time frame; quarters 3-4 achieved 100%.

PERFORMANCE MEASURE	TARGETS	RESULT
Percentage of planned maintenance actions achieved each year.	≥90%	78% 

NOTE: 105 of the planned 135 river maintenance actions were completed. Performance was affected by Covid-19 restrictions, staff shortages, delays with global consent renewals, weather and river conditions.

Emergency Management

Maintaining and improving our communities' resilience to emergencies is the fundamental reason for ORC's work in emergency management.

Together with territorial authorities we have responsibilities under the Civil Defence Emergency Management Act 2002 to ensure Otago's exposure to hazards is reduced, that we are prepared to respond to emergencies, and can recover effectively. ORC administers and coordinates the work of the Otago CDEM Group, operating through a shared service agreement with councils across Otago, while the Coordinating Executive Group (CEG) and the Otago CDEM Joint Committee oversee governance and operations.

Our programmes across the region are centred on national CDEM priorities of reduction, readiness, response, and recovery.

The key programme that makes up this activity is:

- Emergency Management



Performance and Delivery

This year we embedded a new operational structure, created and implemented a new community engagement framework, and participated in national sector reform. We clarified and reaffirmed shared service partnership arrangements between all Otago’s councils.

We have delivered a Regional Coastal Tsunami Plan and integrated Alpine Fault preparations into our annual planning. We developed and delivered a regional solution that will support welfare registration and needs assessments during emergencies. We supported national education campaigns such as the ‘Shake Out’ earthquake drill and tsunami hīkoi in October and also delivered the Clued-up Kids programme to primary school-age children in Queenstown Lakes, Waitaki and Clutha districts.

However, Covid-19 restrictions impacted planned community engagement activities, meaning a 50% reduction in delivery. This allowed for extra work to overhaul our community response group framework with refreshed resilience plans, community emergency hub guides and community response plans.

Readiness outcomes have historically been difficult to quantify, but as an outcome of our work this year, we can more objectively measure community groups’ capability across all Otago’s districts.

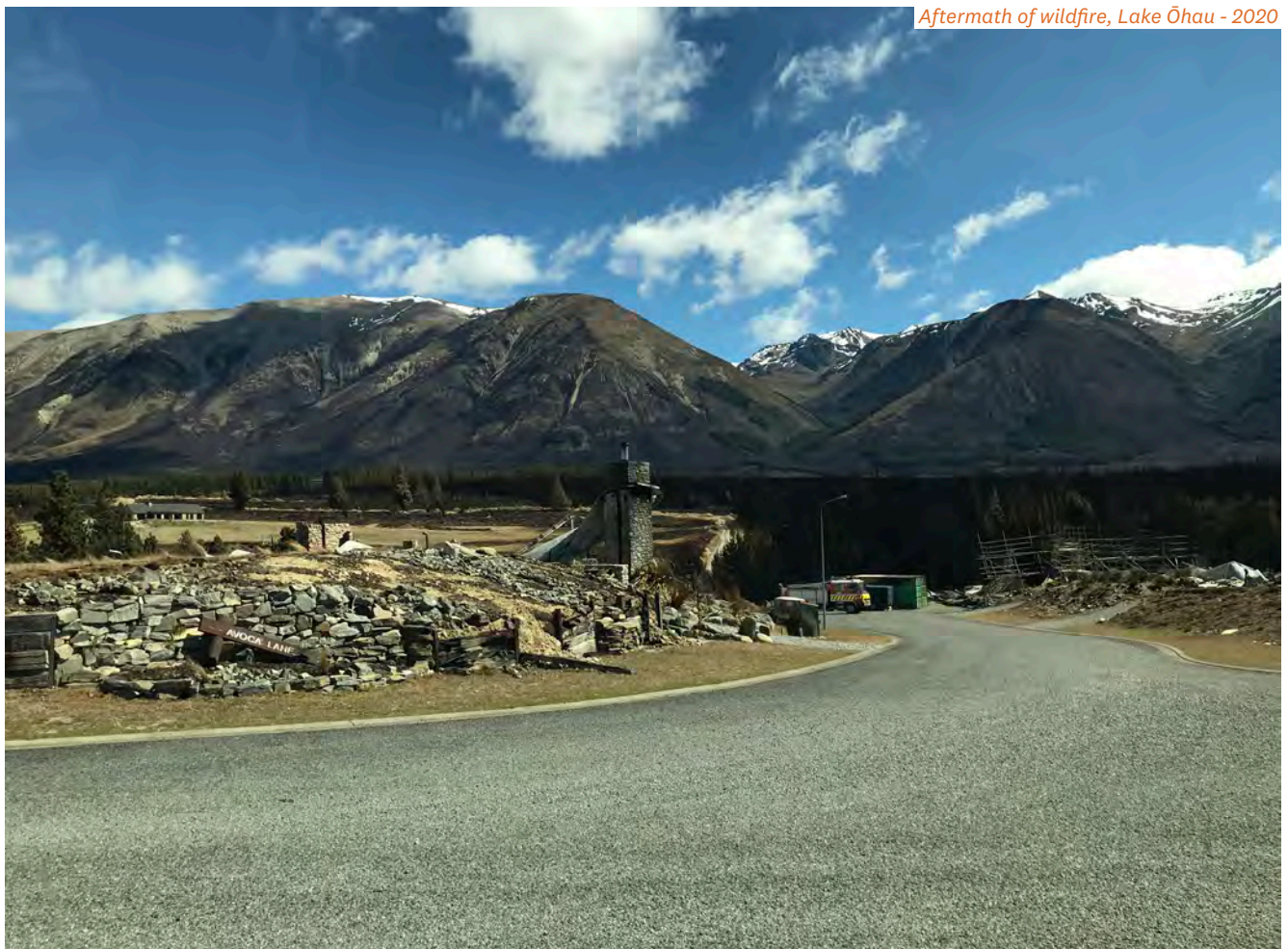
Emergency Events

There were no emergency events this year that required the regional Emergency Coordination Centre (ECC) to be activated. However, we now have the resources and processes for any activation of the ECC to be instantaneous and connected online.

We also enabled operational collaboration between all the regions council’s through funding and providing a common operating platform, D4H.

Staff Training


It has been challenging to build staff capability through training as Covid-19 restrictions prevented many planned activities. Staff turn-over and recruitment challenges further impacted the number of trained staff. ECC trained staff were below target numbers for fully trained Function Leads and Team Members; however, we exceeded targets for fully trained controllers.



Aftermath of wildfire, Lake Ōhau - 2020

Performance Results

LEVEL OF SERVICE: Support the Otago CDEM Group in improving the resilience of Otago to civil defence emergencies.

PERFORMANCE MEASURE	TARGET	RESULT
Support is provided to the Otago CDEM Group as per the CDEM Act and Otago CDEM Partnership Agreement.	Fulfil all requirements as the administering authority.	

LEVEL OF SERVICE: Provide resources to coordinate an efficient and effective region-wide response to a civil defence emergency.

PERFORMANCE MEASURE	TARGETS	RESULT
An adequate Emergency Coordination Centre (ECC) facility and staffing are available.	Adequate staff who are trained and available for any activation of the ECC.	
	An appropriate facility is available for activation at all times.	

NOTE: Due to staff turnover and Covid-19 restrictions impacting training availability, the number of trained staff was below target. Adequate staffing consists of staff who are trained (two staff trained as leads across each of the six functions) and available (a minimum of four staff per function) for any activation of the ECC.

PERFORMANCE MEASURE	TARGET	RESULT
ECC activated in a timely manner.	ECC activated within 1 hour of Group Controller’s decision to activate.	

NOTE: No emergency events which required the ECC to be activated; time frame not able to measured.

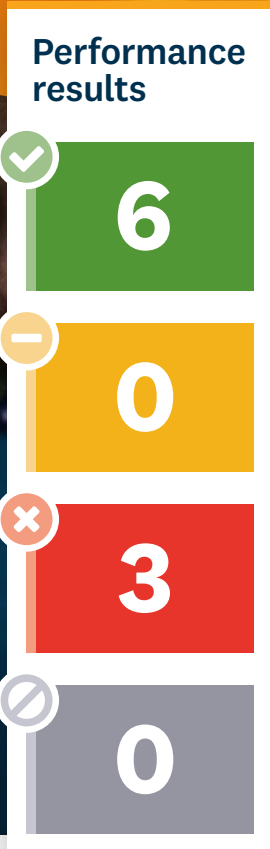


Multi-purpose shelter deployment training exercise, Dunedin Army Hall

Transport

This group of activities includes the following council activity:

- Transport Planning and Public Passenger Transport



Community Outcomes

Our **Transport** activities contribute to:



Transport Planning and Public Passenger Transport

ORC aims to provide efficient, reliable public transport services to meet community needs. Together with partner agencies, we are responsible for preparing a Regional Public Transport Plan (RPTP) – a blueprint to deliver public transport in Dunedin and Queenstown. We contract bus operators and provide a region-wide Total Mobility Scheme to subsidise travel for eligible people unable to use public transport due to impairment.

ORC has strategic oversight, in partnership with Waka Kotahi (NZTA), on land transport matters. We coordinate regional land transport activities and produce a Regional Land Transport Plan (RLTP) in partnership with Environment Southland, NZTA and city and district councils. The RLTP outlines proposed transport network improvements for the next six years, and forms the basis of funding applications to the National Land Transport Fund on a three-yearly cycle.

There is one activity also named Transport. It includes the key work programmes of:

- Regional Land Transport Plan
- Public Transport Dunedin
- Public Transport Queenstown
- Regional Total Mobility Service



Performance and Delivery

Like elsewhere in New Zealand, this has been a challenging year to provide public transport. Driver shortages, coupled with seasonal illness and Covid-19, affected service reliability, particularly in the last quarter of the year. Covid-19 negatively influenced patronage rates and affected Total Mobility scheme uptake. The Government's introduction of half-price fares in April, along with easing border restrictions, resulted in some recovery from these impacts. An extra challenge was a delay in Waka Kotahi adopting the National Land Transport Plan (NLTP) with flow-on effects for the timing and implementation of the approved Regional Land Transport Plan (RLTP). Despite the challenges in 2021-22, we've achieved a great deal towards sustainable, safe and inclusive transport for Otago.

Public transport services were delivered in Dunedin and Queenstown throughout the year, along with customer experience initiatives such as free travel to key events, allowing pets on buses (off-peak and enclosed in carriers), continuation of the \$2-fare trial, improvements to our Transit app which shows bus movements, and installing an e-stop at Arthurs Point, Queenstown. The Council also continued to contract a ferry service on Lake Whakatipu. Ferry service patronage for the 2021-22 year topped 60,000 users, a 12% increase on 2020-21.

E-bus Trial

Steps were taken to reduce our carbon footprint. In October 2021 Council trialled an electric 'e-bus'. The trial, a collaboration between the Otago Regional Council and Go Bus Transport, tested the viability of the e-bus on Dunedin's public transport routes, including some of our steeper hills, the city centre and motorways. The e-bus travelled 3,148km and carried over 3,000 passengers, proving popular with passengers. It is estimated to have saved 2,511kg of CO2 emissions over the course of the trial. The trial results will support scoping a path to transition to a zero-emission public transport fleet in future.

Our current fleet was 100% compliant with Regional Passenger Transport Vehicle quality standards at the annual audit. With a specialist accessibility advisor we conducted an extra set of accessibility inspections to ensure the standard of public transport we were providing was consistently high.

Feedback

Council is proud of its responsiveness to community feedback, particularly when we stepped in extending Orbus services to fill the gap when a commercial company ceased operating services to Dunedin schools, affecting some Mosgiel, Taieri, Brighton and Green Island students. Also in response to community demand, and to the delight of bus travellers, a new weekend bus service was introduced between Palmerston and Dunedin in May.

Positive results of annual passenger surveys show high levels of satisfaction. In Queenstown overall passenger satisfaction was 98%. Dunedin had 89% passenger satisfaction, a reduction from 91% in 2021 and slightly below target for this year. It was great to see that more than 97% of respondents across the network thought catching the bus was value for money. Staff also initiated a new survey to understand users' perceptions of the Total Mobility scheme, with 87% overall satisfaction with the service.

Challenges

Bus services were punctual and reliable for most of the year, with increasing challenges in quarter four as cancelled services escalated following driver illness and driver shortages. Just 92% of trips operated in April-June. In March, Council approved services to run on a reduced timetable if reliability rates dropped below 90% for three consecutive weekdays. Although this wasn't required in the 2021-22 financial year, this threshold was triggered in July 2022, the new financial year.

The higher level of missed services has had a minor impact on patronage rates. However, in the first half of the year major factors hit patronage, mostly related to the Covid-19 pandemic. Despite some recovery, the network and the region remain impacted with annual patronage rates below target. Queenstown patronage was down by 9% to 806,820 compared to 2020-21; and Dunedin patronage was down by 13% to 2,367,099 compared to 2020-21. Half-price fares from central government in April led to a slight increase in patronage, but not sufficient to counteract the patronage shortfall from earlier in the year.

This was the first year of the Council's 2021-31 Regional Land Transport Plan (RLTP). The RLTP enables Waka Kotahi NZ Transport Agency to provide financial assistance to regional and district councils for qualifying transport activities, such as public transport. Throughout the year, the Otago and Southland Regional Transport Committees continued to meet productively.

Performance Results

LEVEL OF SERVICE: Advocate for Otago's regional transport planning priorities and aspirations at a national level.

PERFORMANCE MEASURE	TARGETS	RESULT
The Regional Land Transport Plan (RLTP) is reviewed and submitted in line with the Land Transport Management Act 2003 and any guidance issued by the New Zealand Transport Agency (NZTA).	RLTP implementation progress is reported annually to Regional Transport Committee.	


LEVEL OF SERVICE: Provide efficient, reliable and accessible public transport services that meet community needs.


PERFORMANCE MEASURE	TARGETS	RESULT
Annual public transport boardings in Queenstown per capita.	Increase (from prior year).	Decreased 9% 

NOTE: Covid-19 has impacted patronage and in Queenstown in 2021-22 there were 806,820 boardings; a decrease of 9% when compared to 2020-21. On a boardings per capita basis this is a decrease from 56 trips per person to 52.

PERFORMANCE MEASURE	TARGETS	RESULT
Annual public transport boardings in Dunedin per capita.	Increase (from prior year).	Decreased 13% 

NOTE: Covid-19 has impacted on patronage and in Dunedin in 2021-22 there were 2,367,099 boardings; a decrease of 13% when compared to 2020-21. On a boardings per capita basis this is a decrease from 26 trips per person to 23.

PERFORMANCE MEASURE	TARGETS	RESULT
Overall passenger satisfaction with Whakatipu public transport system at annual survey.	97%	98% 

PERFORMANCE MEASURE	TARGETS	RESULT
Overall passenger satisfaction with Dunedin public transport system at annual survey.	93%	89% 

NOTE: Dunedin had 89% passenger satisfaction, which is a reduction from 91% in 2021, but an increase from 88% in 2019 (survey not conducted in 2020 due to Covid-19).

PERFORMANCE MEASURE

Percentage of scheduled services delivered (reliability).**

TARGETS

95%

RESULT

98%



PERFORMANCE MEASURE

Percentage of scheduled services on-time (punctuality – to five minutes).***

TARGETS

95%

RESULT

96%



PERFORMANCE MEASURE

Percentage of users who are satisfied with the provision of timetable and services information.

TARGETS

Establish baseline.

RESULT

Dunedin: 70%
Queenstown: 88%



PERFORMANCE MEASURE

Percentage of users who are satisfied with the overall service of the Total Mobility scheme.

TARGETS

Establish baseline.

RESULT

87%



**Reliability is based on scheduled trips completed in full. A service trip leaving the origin stop >59 seconds early or >9 minutes and 59 seconds late is deemed not to have operated.

***Punctuality is based on scheduled service trips leaving origin stop between 59 seconds before and four minutes and 59 seconds after the scheduled departure time.

E-bus Open Day, Dunedin



Public Transport Satisfaction Survey Dunedin

Survey taken from 7 July to 10 July 2022

Overall satisfaction

89 %

The overall level of satisfaction with the Dunedin public transport system has decreased from 2021.



▼ 94 % in 2021 ▲ 88 % in 2019

Passenger satisfaction

Participants

22 % aged 18-24
aged 45 - 59

22% of participants were aged 18-24 and 45-59 followed by 13% aged 35-44 years.



19 % supergold cardholders

19% of participants were supergold card holders.



45 % travelling to work

45% of participants used the bus to get to work. 19% used the bus for shopping and 15% used for other.



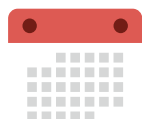
86 % would recommend using bus

86% of participants would likely or very likely recommend public transport to friends or colleagues



28 % use the bus for 2 to 4 trips per week

28% of participants use the bus for 2 to 4 trips per week. 27% use the bus for 2 or more trips per day.



89 % exterior of the bus
▼ 92 % in 2021 / 91 % in 2019

91 % interior of the bus
▼ 93 % in 2021 / 92 % in 2019

73 % bus is on time
▼ 89 % in 2021 / 79 % in 2019

82 % how often the services run
▼ 85 % in 2021 / 86 % in 2019

97 % value for money of fare
▲ 94 % in 2021 / 82 % in 2019

93 % having enough seats available
▼ 97 % in 2021 / 94 % in 2019

95 % ease of getting on and off the bus
▲▲ 95 % in 2021 / 94 % in 2019

94 % comfort of inside temperature
▲▶ 92 % in 2021 / 94 % in 2019

91 % helpfulness and attitude of driver
▼▶ 92 % in 2021 / 91 % in 2019

96 % personal security during trip
▲ 95 % in 2021 / 95 % in 2019

96 % satisfaction with current trip
▼▲ 98 % in 2021 / 95 % in 2019

70 % information about services and delays
▼▶ 81 % in 2021 / 70 % in 2019

90 % travel time
▼▲ 92 % in 2021 / 85 % in 2019

95 % convenience of paying
▲▲ 95 % in 2021 / 84 % in 2019

86 % ease of getting route information
▼▲ 90 % in 2021 / 85 % in 2019

Public Transport Satisfaction Survey Whakatipu

Survey taken from 7 July to 10 July 2022

Overall satisfaction

98 %

The overall level of satisfaction with the Whakatipu public transport system has increased from 2021.

▲ 96% in 2021 ▲ 97% in 2019



Passenger satisfaction

96 % exterior of the bus
▲ 88% in 2021 / 95% in 2019

93 % interior of the bus
▼ 98% in 2021 / 97% in 2019

80 % bus is on time
▼ 86% in 2021 / 81% in 2019

75% how often the services run
▲▼ 72% in 2021 / 84% in 2019

98 % value for money of fare
▲ 89% in 2021 / 95% in 2019

98% having enough seats available
▼▶ 100% in 2021 / 98% in 2019

98 % ease of getting on and off the bus
▲▶ 96% in 2021 / 98% in 2019

98 % comfort of inside temperature
▲ 96% in 2021 / 92% in 2019

93 % helpfulness and attitude of driver
▼ 94% in 2021 / 94% in 2019

96 % personal security during trip
▼ 99% in 2021 / 99% in 2019

98 % satisfaction with current trip
▲▼ 96% in 2021 / 99% in 2019

88 % information about services and delays
▲ 70% in 2021 / 75% in 2019

93 % travel time
▼ 94% in 2021 / 96% in 2019

97 % convenience of paying
▲ 86% in 2021 / 89% in 2019

96 % ease of getting route information
▲ 88% in 2021 / 93% in 2019

Participants

48 % aged 25-34

48% of participants were aged 25-34 followed by 18% aged 18-24 years.



93 % non supergold cardholders

93% of participants were not supergold card holders.



51 % travelling to work

51% of participants used the bus to get to work.



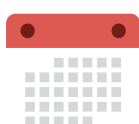
96 % would recommend using bus

96% of participants would likely or very likely recommend public transport to friends or colleagues



30 % use the bus for 5 or more trips per week

30% of participants use the bus for 5 or more trips per week, followed by 24% using the bus 2 or more times per day.



Financial Statements



Funding Impact Statements for Otago Regional Council Activities

The council is required to include Funding Impact statements 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 or some of the terms used in this statement.

Council Funding Impact Statement for the year ended 30 June 2022

\$000s	Annual Plan 2020/21	Actual 2020/21	Long Term Plan 2021/22	Actual 2021/22
SOURCES OF OPERATING FUNDING				
General rates, uniform annual general charge and rate penalties	11,180	11,768	19,577	20,386
Targeted rates (other than a targeted rate for water supply)	15,777	15,814	20,462	20,555
Subsidies and grants for operating purpose	11,474	19,007	18,856	21,691
Fees, charges and targeted rates for water supply	5,050	2,748	11,231	4,150
Interest and dividends from investments	11,100	10,576	6,158	13,813
Local authorities fuel tax, fines, infringement fees and other receipts	11,702	12,060	13,750	6,234
TOTAL OPERATING FUNDING (A)	66,282	71,973	90,034	86,829
APPLICATIONS OF OPERATING FUNDING				
Payments to staff and suppliers	68,732	81,443	88,217	85,886
Finance costs	104	-	350	224
Other operating funding applications	651	-	465	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	69,487	81,443	89,032	86,110
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	(3,204)	(9,470)	1,002	719
SOURCES OF CAPITAL FUNDING				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	15,000
Gross proceeds from sale of assets	410	1,610	410	255
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	410	1,610	410	15,255
APPLICATIONS OF CAPITAL FUNDING				
<i>Capital expenditure:</i>				
— to meet additional demand	-	-	-	-
— to improve the level of service	1,965	2,660	1,995	3,543
— to replace existing assets	4,936	2,886	6,050	1,011
Increase (decrease) in reserves	(9,695)	(16,626)	(6,633)	11,420
Increase (decrease) of investments	-	-	-	-
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	(2,794)	(11,080)	1,412	15,974
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	3,204	9,470	(1,002)	(719)
FUNDING BALANCE ((A-B) + (C-D))	-	-	-	-

Reconciliation of Council Funding Impact Statement to Statement of Comprehensive Revenue and Expense for the year ended 30 June 2022

\$000s	Annual Plan 2020/21	Actual 2020/21	Long Term Plan 2021/22	Actual 2021/22
SURPLUS/(DEFICIT) OF OPERATING FUNDING IN FUNDING IMPACT STATEMENT	(3,204)	(9,470)	1,002	719
ADD/(DEDUCT):				
Increase /(Decrease) in the fair value of investment property	-	1,542	-	305
Increase /(Decrease) in the fair value of investment portfolio	-	2,458	-	(2,412)
Gain/(Loss) on disposal of assets	417	834	740	196
Depreciation and amortisation	(2,967)	(3,360)	(3,574)	(3,949)
Impairment (loss)/reversal on property plant and equipment	-	121	-	(42)
Write-off of property plant and equipment work in progress	-	-	-	-
Other	586	(579)	400	(106)
SURPLUS/(DEFICIT) BEFORE TAXATION IN STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	(5,168)	(8,454)	(1,433)	(5,289)

Schedule of Capital Expenditure

\$000s	Annual Plan 2020/21	Actual 2020/21	Long Term Plan 2021/22	Actual 2021/22
REGIONAL LEADERSHIP				
Compliance	-	-	30	1
Harbour Management	30	45	20	2
ENVIRONMENTAL				
Water monitoring sites	525	480	1,295	629
Pest management	5	20	-	-
Biodiversity	-	-	90	48
Air monitoring	60	110	45	150
SAFETY AND RESILIENCE				
Climate Change	-	-	-	163
Emergency Management	-	-	-	20
Hazards	-	-	470	-
Alexandra flood protection	-	-	-	-
East Taieri drainage	218	94	380	-
Leith flood protection	680	-	-	-
Lower Clutha flood and drainage	740	1,306	1,000	607
Lower Taieri flood protection	1,600	264	1,865	996
Tokomairiro drainage	80	-	30	-
West Taieri drainage	563	106	350	34
Whakatipu river management	-	-	-	2
Wānaka river management	-	797	-	-
Sundry	-	21	-	-
TRANSPORT				
Transport	600	849	-	3
CORPORATE				
Property	100	346	100	261
Motor vehicles	675	332	675	972
Computers and software	955	715	1,625	625
Plant	20	23	20	41
Sundry	50	37	50	-
TOTAL	6,901	5,545	8,045	4,554

Funding Impact Statement: Regional Leadership

Funding Impact Statement for the year ended 30 June 2022

\$000s	Long Term Plan 2020/21*	Actual 2020/21*	Long Term Plan 2021/22	Actual 2021/22
SOURCES OF OPERATING FUNDING				
General rates, uniform annual general charge and rate penalties	5,388	5,037	15,706	16,125
Targeted rates (other than a targeted rate for water supply)	-	188	188	191
Subsidies and grants for operating purpose	202	129	75	43
Fees, charges and targeted rates for water supply	2,679	2,751	5,300	4,156
Internal charges and overheads recovered	-	43	-	40
Local authorities fuel tax, fines, infringement fees and other receipts	4,372	5,333	260	167
TOTAL OPERATING FUNDING (A)	12,641	13,481	21,529	20,722
APPLICATIONS OF OPERATING FUNDING				
Payments to staff and suppliers	3,138	13,893	15,230	14,428
Finance costs	-	-	-	-
Internal charges and overheads applied	9,412	6,261	6,352	7,874
Other operating funding applications	6	-	8	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	12,556	20,154	21,590	22,302
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	85	(6,673)	(61)	(1,580)
SOURCES OF CAPITAL FUNDING				
Subsidies and 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	21	51	30	3
— to replace existing assets	21	-	20	-
Increase (decrease) in reserves	43	(6,724)	(111)	(1,583)
Increase (decrease) of investments	-	-	-	-
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	85	(6,673)	(61)	(1,580)
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(85)	6,673	61	1,580
FUNDING BALANCE ((A-B) + (C-D))	-	-	-	-

* Due to the re-grouping of activities, as part of the Long Term Plan 2021/31 process, the prior year period amounts noted above will not agree to the prior period signed Annual Report, as they have been reclassified to match the 2021/31 classifications.

Funding Impact Statement: Environment

Funding Impact Statement for the year ended 30 June 2022

\$000s	Long Term Plan 2020/21*	Actual 2020/21*	Long Term Plan 2021/22	Actual 2021/22
SOURCES OF OPERATING FUNDING				
General rates, uniform annual general charge and rate penalties	4,902	5,125	13,938	14,309
Targeted rates (other than a targeted rate for water supply)	1,840	891	3,373	3,386
Subsidies and grants for operating purpose	55	6,204	3,877	6,160
Fees, charges and targeted rates for water supply	381	-	200	(29)
Internal charges and overheads recovered	-	288	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	4,948	5,297	964	134
TOTAL OPERATING FUNDING (A)	12,126	17,805	22,352	23,960
APPLICATIONS OF OPERATING FUNDING				
Payments to staff and suppliers	4,674	18,081	19,472	19,052
Finance costs	-	-	-	-
Internal charges and overheads applied	8,227	4,336	4,412	5,242
Other operating funding applications	-	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	12,901	22,417	23,884	24,294
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	(775)	4,612	(1,532)	(334)
SOURCES OF CAPITAL FUNDING				
Subsidies and 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	176	462	1,090	521
— to replace existing assets	311	148	340	306
Increase (decrease) in reserves	(1,262)	4,002	(2,962)	(1,160)
Increase (decrease) of investments	-	-	-	-
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	(775)	4,612	(1,532)	(334)
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	775	(4,612)	1,532	334
FUNDING BALANCE ((A-B) + (C-D))	-	-	-	-

* Due to the re-grouping of activities, as part of the Long Term Plan 2021/31 process, the prior year period amounts noted above will not agree to the prior period signed Annual Report, as they have been reclassified to match the 2021/31 classifications.

Funding Impact Statement: Safety and Resilience

Funding Impact Statement for the year ended 30 June 2022

\$000s	Long Term Plan 2020/21*	Actual 2020/21*	Long Term Plan 2021/22	Actual 2021/22
SOURCES OF OPERATING FUNDING				
General rates, uniform annual general charge and rate penalties	981	1,283	3,116	3,199
Targeted rates (other than a targeted rate for water supply)	8,673	8,867	9,611	9,668
Subsidies and grants for operating purpose	-	732	1,700	1,230
Fees, charges and targeted rates for water supply	208	(4)	408	30
Internal charges and overheads recovered	-	-	-	524
Local authorities fuel tax, fines, infringement fees and other receipts	1,051	2,065	245	349
TOTAL OPERATING FUNDING (A)	10,913	12,943	15,081	15,000
APPLICATIONS OF OPERATING FUNDING				
Payments to staff and suppliers	4,363	8,157	9,338	8,558
Finance costs	-	-	-	-
Internal charges and overheads applied	4,909	2,650	2,565	3,633
Other operating funding applications	-	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	9,272	10,807	11,903	12,191
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	1,641	2,136	3,177	2,809
SOURCES OF CAPITAL FUNDING				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	1,522	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING (C)	-	1,522	-	-
APPLICATION OF CAPITAL FUNDING				
<i>Capital expenditure:</i>				
— to meet additional demand	-	-	-	-
— to improve the level of service	583	351	100	1,345
— to replace existing assets	2,381	2,256	3,995	478
Increase (decrease) in reserves	(1,323)	1,051	(918)	986
Increase (decrease) of investments	-	-	-	-
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	1,641	3,658	3,177	2,809
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	(1,641)	(2,136)	(3,177)	(2,809)
FUNDING BALANCE ((A-B) + (C-D))	-	-	-	-

* Due to the re-grouping of activities, as part of the Long Term Plan 2021/31 process, the prior year period amounts noted above will not agree to the prior period signed Annual Report, as they have been reclassified to match the 2021/31 classifications.

Funding Impact Statement: Transport

Funding Impact Statement for the year ended 30 June 2022

\$000s	Long Term Plan 2020/21*	Actual 2020/21*	Long Term Plan 2021/22	Actual 2021/22
SOURCES OF OPERATING FUNDING				
General rates, uniform annual general charge and rate penalties	275	323	745	765
Targeted rates (other than a targeted rate for water supply)	5,722	5,869	7,290	7,309
Subsidies and grants for operating purpose	8,888	11,093	13,203	14,239
Fees, charges and targeted rates for water supply	139	-	250	-
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	8,853	9,673	8,517	4,522
TOTAL OPERATING FUNDING (A)	23,877	26,958	30,005	26,835
APPLICATIONS OF OPERATING FUNDING				
Payments to staff and suppliers	23,965	28,513	31,573	27,988
Finance costs	-	-	-	-
Internal charges and overheads applied	1,039	712	727	710
Other operating funding applications	-	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	25,006	29,225	32,300	28,698
SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B)	(1,129)	(2,267)	(2,294)	(1,863)
SOURCES OF CAPITAL FUNDING				
Subsidies and grants for capital expenditure	-	849	-	-
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)	-	849	-	-
APPLICATION OF CAPITAL FUNDING				
<i>Capital expenditure:</i>				
— to meet additional demand	-	-	-	-
— to improve the level of service	-	846	-	-
— to replace existing assets	-	3	-	3
Increase (decrease) in reserves	(1,129)	(2,267)	(2,294)	(1,866)
Increase (decrease) of investments	-	-	-	-
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	(1,129)	(1,418)	(2,294)	(1,863)
SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D)	1,129	2,267	2,294	1,863
FUNDING BALANCE ((A-B) + (C-D))	-	-	-	-

* Due to the re-grouping of activities, as part of the Long Term Plan 2021/31 process, the prior year period amounts noted above will not agree to the prior period signed Annual Report, as they have been reclassified to match the 2021/31 classifications.

Financial Statements



This section reports 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.

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 2022 have been incorporated into the Group results included within these financial statements.

Overview of Financial Performance

Statement of Comprehensive Revenue and Expenses

The total comprehensive revenue and expense gain of \$82.771 million comprises an operating deficit for the year of \$5.189 million and a revaluation gain of \$87.960 million. The deficit of \$5.189 million is \$3.756 million greater than the budgeted deficit of \$1.433 million.

The following major items contributed to this variance:

- Grants revenue and subsidies is \$2.835 million greater than budgeted revenue of \$18.856 million due to the following two main factors.
 - Additional grant funding from the Ministry of Primary Industries (MPI) for the wilding conifer and wallaby pest control programs from budget of \$1.896 million.
 - Additional grant funding from Waka Kotahi NZTA of \$0.557 million for Dunedin and \$0.757 million for Whakatipu transport to fund the 50% fare revenue discount scheme that was introduced in April 2022.
- Other revenue is \$5.976 million below budgeted revenue of \$12.649 million due to the following major factors
 - The first being public transport fare revenue which was \$2.171 million and \$1.591 million below budget for Dunedin and Whakatipu. This decrease in fare revenue was caused by the continuation of \$2 fares, the funding of 50% of the fare revenue in grant funding from Waka Kotahi NZTA and reduced patronage numbers compared to budget.
 - Public transport revenue for totally mobility and RTPT planning was \$597,000 below budgeted revenue.
 - Budgeted funds of \$0.600 million for the Lakes Hayes remediation work were not received.
 - Consent processing revenue was \$0.414 million below budgeted revenue of \$3.599 million.
 - Compliance monitoring revenue was \$0.585 million below budgeted revenue of \$1.535 million.
- Employee benefits expense is \$1.725 million below budget due to vacancies in budgeted positions.
- Other gains and losses is \$2.693 million above budget due to poor share market conditions and low interest rates affecting the performance of the managed fund with a loss of \$2.412 million made in the current year.

Revaluation Gain

The revaluation gain of \$87.960 million reflects the gain on the revaluation of the Council's shareholding in the Port Otago Limited Group at 30 June 2022 and is greater than the gain of \$20.935 million provided for in the budget by \$67.025 million. The budgeted increase is a nominal estimate only, as the major factors contributing to the valuation are not able to be forecast with any significant degree of accuracy. The quantum of the gain does not impact directly on the operations of the Council during the year.

Statement of Financial Position

TOTAL ASSETS

Total assets at \$964.325 million exceeds the budgeted amount of \$738.648 million by \$225.677 million.

The following major items contributed to this variance:

- Cash and cash equivalents and other financial assets (our managed investment fund) have a combined amount of \$36.677 million and are \$5,811 million below the budget amount of \$42.488 million.
- Shares in subsidiary: The valuation of the Council shareholding in Port Otago Limited at 30 June 2022 of \$700.290 million, exceeded the budgeted amount of \$564.299 million by \$135.991 million.
- Intangible assets is \$1.450 million and is \$5.237 million below the budgeted amount of \$6.687 million. This variance from budget is caused by the re classification as expenditure of some software projects.
- Investment property of \$16.795 million is \$1.276 million great than budget of \$15.519 million due to the increased valuation of Council's investment property.
- In the current year Council borrowed funds from the New Zealand Local Government Funding Agency (NZLGFA) of \$15.196 million to fund deficit reserves for Council and \$99.960 million to provide loan facilities for Port Otago Limited. Borrowings are held as current borrowing of \$67.956 million and non current borrowing of \$47.200 million in the Statement of Financial Position. Borrowing with the NZLGFA was budgeted to be \$25 million for Council only.

The loan facilities lent to Port Otago Limited of \$99.960 million are classified as a non current related party receivable due to the Council and Port Otago Limited loan agreement allowing settlement after giving 24 months notice. It is intended that the borrowing with Port Otago Limited will continue as roll over financing.

All other assets and liabilities are in line with budget.

EQUITY

Public equity and reserves at \$828.565 million exceed the budgeted amount of \$699.515 million by \$212.05 million. The major factor in the variance is the Available for Sale revaluation reserve, which records the accumulated revaluation gains on the annual revaluations of the Council's shareholding in Port Otago Limited.

The budgeted balance of the reserve at 30 June 2022 was \$592.330 million, whereas the actual balance is \$544.299 million, a variance of \$48.03 million.

Statement of Comprehensive Revenue and Expense for the year ended 30 June 2022

\$000s	NOTES	Council 2022	Council Budget	Council 2021	Group 2022	Group 2021
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
Rates revenue	1	40,211	40,039	27,015	40,106	26,957
Grant revenue and subsidies		21,691	18,856	19,007	21,691	19,007
Other revenue	1	6,673	12,649	12,014	6,673	12,014
REVENUE FROM EXCHANGE TRANSACTIONS						
Dividends	16	13,469	13,000	10,439	469	339
Interest and investment revenue		344	750	138	209	138
Other revenue	1	4,441	4,740	3,361	92,397	93,182
TOTAL REVENUE		86,829	90,034	71,974	161,545	151,637
EXPENDITURE						
Employee benefits expense	2	(25,692)	(27,417)	(21,956)	(56,845)	(54,109)
Depreciation and amortisation expense	3	(3,949)	(3,574)	(3,360)	(15,924)	(15,395)
Finance costs	22	(224)	(250)	-	(3,012)	(2,608)
Other expenses	4	(60,300)	(60,964)	(60,067)	(82,903)	(83,533)
TOTAL OPERATING EXPENDITURE		(90,165)	(92,206)	(85,383)	(158,684)	(155,645)
Share of surplus from equity accounted joint ventures		-	-	-	-	-
Other gains/(losses)	5	(1,953)	740	4,955	59,115	86,980
SURPLUS/(DEFICIT) BEFORE TAX		(5,289)	(1,433)	(8,454)	61,976	82,972
Income tax benefit/(expense)	6	100	-	100	(9,757)	(6,942)
SURPLUS/(DEFICIT) FOR THE YEAR		(5,189)	(1,433)	(8,354)	52,219	76,030
OTHER COMPREHENSIVE REVENUE AND EXPENSES						
Items that may be reclassified to surplus/(deficit):						
Available-for-sale financial assets:						
Revaluation gain/(loss) - shares in subsidiary	16	87,960	20,935	75,966	-	-
Available for sale financial asset gains reclassified to surplus/(deficit) during the year		-	-	-	-	-
Cashflow hedges:						
Unrealised movement in hedging interest rate swaps		-	-	-	2,385	1,598
Income tax relating to components of other comprehensive revenue and expenses		-	-	-	-	-
TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE		87,960	20,935	75,966	2,385	1,598
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		82,771	19,502	67,612	54,604	77,628

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2022

\$000s	NOTES	Council 2022	Council Budget	Council 2021	Group 2022	Group 2021
CURRENT ASSETS						
Cash and cash equivalents	7	13,243	8,466	4,380	13,323	4,621
Trade and other receivables	8	11,140	11,398	8,318	22,690	19,131
Investment property inventories	13	-	-	-	16,428	21,495
Other financial assets	15	23,434	34,022	25,313	23,434	25,313
Property held for sale	17	-	-	-	2,060	-
Other financial instruments		-	-	-	1,128	1,021
Other current assets		883	514	698	3,593	4,955
TOTAL CURRENT ASSETS		48,700	54,400	38,709	82,656	76,536
NON-CURRENT ASSETS						
Shares in subsidiary	16	700,290	564,299	612,330	-	-
Property, plant and equipment	11	97,032	97,646	96,236	321,706	316,317
Intangible assets	14	1,450	6,687	1,888	5,698	7,267
Non Current related party receivable	16	99,960	-	-	-	-
Investment property	12	16,795	15,519	16,490	588,980	495,780
Other financial instruments		-	-	-	3,153	-
Borrower notes	21	-	-	-	1,210	-
Income tax receivable		-	-	-	-	1,004
Deferred tax asset	33	98	98	98	-	-
TOTAL NON-CURRENT ASSETS		915,625	684,248	727,042	920,747	820,368
TOTAL ASSETS		964,325	738,648	765,751	1,003,403	896,904
CURRENT LIABILITIES						
Trade and other payables	9	18,196	11,918	17,031	27,017	23,980
Provisions		-	-	783	-	783
Borrowings	21	67,956	-	-	76,206	5,240
Employee entitlements	10	2,408	2,215	2,143	7,145	6,315
Other financial instruments	23	-	-	-	-	636
Tax payable		-	-	-	848	-
TOTAL CURRENT LIABILITIES		88,560	14,133	19,957	111,216	36,954
NON-CURRENT LIABILITIES						
Employee entitlements	10	-	-	-	903	956
Borrowings	21	47,200	-	-	47,200	73,850
Deferred tax liabilities	33	-	-	-	21,357	16,404
Other financial instruments	23	-	25,000	-	-	619
TOTAL NON-CURRENT LIABILITIES		47,200	25,000	-	69,460	91,829
TOTAL LIABILITIES		135,760	39,133	19,957	180,676	128,783
NET ASSETS		828,565	699,515	745,794	822,727	768,121
EQUITY						
Reserves	18	723,546	577,330	635,622	449,811	387,695
Public equity	19	105,019	122,185	110,172	372,916	380,426
TOTAL EQUITY		828,565	699,515	745,794	822,727	768,121

The accompanying notes form part of these financial statements.

Statement of Changes in Net Assets/Equity for the year ended 30 June 2022

\$000s	NOTES	TOTAL COUNCIL 2022					Council Budget
		Opening Balance 1 July 2021	Other Comprehensive Revenue and Expense	Transfers In	Transfers Out	Closing Balance 30 June 2022	
EQUITY							
General Rate Equity		63,761	(5,189)	56,963	(54,314)	61,221	77,676
Targeted Rate Equity		46,411	-	50,704	(53,317)	43,798	44,509
TOTAL PUBLIC EQUITY		110,172	(5,189)	107,667	(107,631)	105,019	122,185
RESERVES:							
Asset Replacement Reserve		2,937	-	2,514	(2,911)	2,540	2,316
Asset Revaluation Reserve		14,429	-	305	-	14,734	13,458
Available for Sale Revaluation Reserve		592,330	87,960	-	-	680,290	544,299
Building Reserve		13,573	-	267	-	13,840	7,235
Emergency Response Reserve		4,476	-	87	-	4,563	4,059
Hedging Reserve		-	-	-	-	-	-
Water Management Reserve		905	-	18	(239)	684	-
Kuriwao Endowment Reserve		6,962	-	197	(303)	6,856	6,003
Environmental Enhancement Reserve		9	-	472	(443)	38	(40)
TOTAL RESERVES		635,622	87,960	3,860	(3,896)	723,546	577,330
TOTAL EQUITY AND RESERVES		745,794	82,771	111,527	(111,527)	828,565	699,515

\$000s	NOTES	TOTAL GROUP 2022				
		Opening Balance 1 July 2021	Other Comprehensive Revenue and Expense	Transfers In	Transfers Out	Closing Balance 30 June 2022
EQUITY						
General Rate Equity		334,091	52,219	56,963	(114,079)	329,194
Targeted Rate Equity		46,335	-	50,704	(53,317)	43,722
TOTAL PUBLIC EQUITY		380,426	52,219	107,667	(167,396)	372,916
RESERVES:						
Asset Replacement Reserve		2,937	-	2,514	(2,911)	2,540
Asset Revaluation Reserve		359,270	-	60,070	-	419,340
Available for Sale Revaluation Reserve		-	-	-	-	-
Building Reserve		13,573	-	267	-	13,840
Emergency Response Reserve		4,476	-	87	-	4,563
Hedging Reserve		(438)	2,387	-	-	1,949
Water Management Reserve		906	-	18	(239)	684
Kuriwao Endowment Reserve		6,962	-	197	(303)	6,856
Environmental Enhancement Reserve		9	-	472	(443)	38
TOTAL RESERVES		387,695	2,387	63,625	(3,896)	449,811
TOTAL EQUITY AND RESERVES		768,121	54,606	171,292	(171,292)	822,727

The accompanying notes form part of these financial statements.

Statement of Changes in Net Assets/Equity for the year ended 30 June 2021

\$000s	NOTES	COUNCIL 2021					Council Budget
		Opening Balance 1 July 2020	Other Comprehensive Revenue and Expense	Transfers In	Transfers Out	Closing Balance 30 June 2021	
EQUITY							
General Rate Equity		72,647	(8,354)	52,919	(53,451)	63,761	71,770
Targeted Rate Equity		47,884	-	48,510	(49,983)	46,411	45,600
TOTAL PUBLIC EQUITY		120,531	(8,354)	101,429	(103,434)	110,172	117,370
RESERVES:							
Asset Replacement Reserve		3,756	-	1,736	(2,555)	2,937	3,811
Asset Revaluation Reserve		12,887	-	1,542	-	14,429	12,262
Available for Sale Revaluation Reserve		516,364	75,966	-	-	592,330	528,235
Building Reserve		13,440	-	133	-	13,573	13,768
Emergency Response Reserve		3,901	-	575	-	4,476	4,544
Water Management Reserve		897	-	8	-	905	354
Kuriwao Endowment Reserve		6,397	-	946	(381)	6,962	6,266
Environmental Enhancement Reserve		8	-	251	(250)	9	4
TOTAL RESERVES		557,650	75,966	5,191	(3,186)	635,622	569,244
TOTAL EQUITY AND RESERVES		678,181	67,612	106,620	(106,620)	745,794	686,614

\$000s	NOTES	GROUP 2021				
		Opening Balance 1 July 2020	Other Comprehensive Revenue and Expense	Transfers In	Transfers Out	Closing Balance 30 June 2021
EQUITY						
General Rate Equity		340,758	76,030	53,169	(135,866)	334,091
Targeted Rate Equity		47,884	-	48,434	(49,983)	46,335
TOTAL PUBLIC EQUITY		388,642	76,030	101,603	(185,849)	380,426
RESERVES:						
Asset Replacement Reserve		3,756	-	1,736	(2,555)	2,937
Asset Revaluation Reserve		275,488	-	83,782	-	359,270
Available for Sale Revaluation Reserve		-	-	-	-	-
Building Reserve		13,440	-	133	-	13,573
Emergency Response Reserve		3,901	-	575	-	4,476
Water Management Reserve		897	-	9	-	906
Hedging Reserve		(2,036)	1,598	-	-	(438)
Kuriwao Endowment Reserve		6,397	-	946	(381)	6,962
Environmental Enhancement Reserve		8	-	251	(250)	9
TOTAL RESERVES		301,851	1,598	87,432	(3,186)	387,695
TOTAL EQUITY AND RESERVES		690,493	77,628	189,035	(189,035)	768,121

The accompanying notes form part of these financial statements.

Cash Flow Statement for the year ended 30 June 2022

\$000s	NOTES	Council 2022	Council Budget	Council 2021	Group 2022	Group 2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from non-exchange transactions						
Receipts from customers		38,086	40,039	25,147	91,242	113,737
Grant income and subsidies		21,691	18,856	19,007	21,691	19,007
Other receipts		6,673	17,396	12,014	6,673	12,014
Receipts from exchange transactions						
Interest and investment income		153	750	138	153	138
Rental income		1,145	-	1,022	32,519	1,022
Subvention payment		100	-	100	-	-
Dividends		13,000	13,000	10,439	-	339
Other receipts		2,613	-	5,290	2,613	5,290
Payments to suppliers and employees		(85,085)	(88,382)	(72,761)	(132,766)	(129,430)
Interest and other costs of finance paid		(224)	(250)	-	(3,135)	(2,562)
Income tax received/(paid)		-	-	-	(3,878)	(6,596)
Donations		(350)	-	(350)	(350)	(350)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		(2,198)	1,409	46	14,762	12,609
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest capitalised		-	-	-	(159)	(190)
Proceeds from sale of property, plant and equipment		255	410	1,399	569	1,646
Sale of held for sale assets		-	-	-	-	-
Sale of investment property		-	-	-	214	2,433
Advances (to)/from joint operations		-	-	-	-	27
Proceeds from other financial assets		-	(10,000)	581	-	581
Purchase of/improvements to investment property		-	-	-	(29,912)	(14,144)
Purchase of property in development		-	-	-	-	-
Purchase of property, plant and equipment		(4,315)	(6,224)	(5,376)	(19,792)	(12,259)
Purchase of intangible assets		(75)	(1,525)	(168)	(86)	(1,087)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		(4,135)	(17,339)	(3,564)	(49,166)	(22,993)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings		115,156	25,000	-	223,411	59,600
Lending to Port Otago Ltd		(99,960)	-	-	-	-
Repayment of borrowings		-	-	-	(180,305)	(52,800)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		15,196	25,000	-	43,106	6,800
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8,863	9,070	(3,518)	8,702	(3,584)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		4,380	(604)	7,898	4,621	8,205
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		13,243	8,466	4,380	13,323	4,621

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.

Reconciliation of Surplus for the year to Net Cash Flows from Operating Activities

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
SURPLUS/(DEFICIT) FOR THE YEAR	(5,189)	(8,354)	52,219	76,030
ADD/(LESS) NON-CASH ITEMS:				
Depreciation and amortisation	3,949	3,360	15,924	15,396
(Gain)/loss on sale of property, plant and equipment	(196)	(834)	(296)	(865)
Write off of intangible assets	-	686	-	686
Provision for doubtful debts	(12)	10	(12)	9
(Gain)/loss on revaluation of investment property	(305)	(1,542)	(60,070)	(83,782)
Loss/(gain) on disposal of investment property	-	-	-	-
Net change in fair value of derivative financial instruments	-	-	(1,203)	(602)
Net change in fair value of financial assets	2,412	(2,458)	2,412	(2,458)
Share of surpluses retained by joint ventures	-	-	-	-
Movement in non-current employee entitlements	-	-	53	(101)
Deferred tax	-	-	4,026	2,035
Impairment of property plant and equipment	42	(121)	42	727
Write-off of property plant and equipment work in progress	-	564	-	564
	701	(8,689)	13,095	7,639
MOVEMENT IN WORKING CAPITAL:				
Trade and other receivables	(2,822)	1,094	3,559	5,392
Inventories	-	-	(5,067)	6,059
Other current assets	(185)	(184)	(1,362)	(3,005)
Trade and other payables	1,165	6,713	3,037	5,490
Provisions	(783)	784	(783)	555
Employee entitlements	265	328	830	(1,185)
Tax Payable	-	-	848	(1,594)
Movement in working capital items classified as investing activities	(539)	-	605	(6,742)
	(2,899)	8,735	1,667	4,970
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(2,198)	46	14,762	12,609

Notes to the Financial Statements

for the year ended
30 June 2022



Basis of Reporting

This section contains the significant accounting policies of the Otago Regional Council that relate to the financial statements as a whole. Significant accounting policies relating to specific account balances are also included in the related note disclosures.

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 16. 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 2022 and were authorised for issue by Council on 28 September 2022.

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

All mandatory new or amended accounting standards and interpretations were adopted in the current year. None had a significant impact on these financial statements.

Standards and interpretations issued and not yet adopted

The following are new, revised, or amended standards that are applicable to the Group which are in issue but are not yet required to be adopted for the year end 30 June 2022.

- PBE IPSAS 41: Financial Instruments effective for periods commencing 1 January 2022
- PBE FRS 48: Service Performance Reporting effective for periods commencing 1 January 2022

Council expects to adopt the above standard in the period in which they become mandatory. Council anticipates that the above standard 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 35 Consolidated Financial Statements*. A list of controlled entities appears in Note 16 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements incorporate the financial statements of the Council and entities controlled by the Council and its subsidiaries. Control is achieved when the Council:

- Has power over the other entity
- Has exposure, or rights, to variable benefits from its involvement with the other entity
- Has the ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity

The Group financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council and its subsidiaries as defined by *PBE IPSAS 35: Consolidated Financial Statements*. Consistent accounting policies are employed in the preparation and presentation of the Group 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, 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 12
- Estimate of Fair Value of Shares in Subsidiary – refer to Note 16
- Property, Plant and Equipment – refer to Note 11
- Classification of Property – refer to Note 11

The Group makes estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results and are continually being evaluated based on historical experience and other factors, including expectations of future events that are expected to be reasonable under the circumstances. Other than the COVID-19 impacts, referred to below, there are no estimates or assumptions in the view of Council that have a risk of causing a significant adjustment to the carrying amounts of assets or liabilities within the next financial year.

Further information about significant areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is disclosed in the relevant notes:

- Fair value measurements of property portfolio assets refer to Note 12
- Property, plant and equipment refer to Note 11

Notes to the Financial Statements:

Results for the Year



This section focuses on the financial performance of the Otago Regional Council and Group during the year. It outlines significant accounting policies adopted in the recognition of revenue and expenditure and provides detail about rates and other revenue, as well as significant expenditure such as employee benefits, goods and services purchased, depreciation, amortisation, and other costs.

The notes in this section are as follows:

1. Revenue
2. Employee Benefits Expense
3. Schedules of Depreciation and Amortisation
4. Other Expense
5. Other Gains/Losses
6. Income Taxes

1. Revenue

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

Revenue from non-exchange Transactions	
TYPE	RECOGNITION AND MEASUREMENT
Rates revenue	Rates revenue is recognised as income when levied. 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.
Grants and subsidies	Grants and subsidies are recognised upon entitlement, as conditions pertaining to expenditure have been fulfilled.
Other fee income	Other fee income from non-exchange transactions is recognised when the supplies and services have been rendered.

Revenue from exchange Transactions	
TYPE	RECOGNITION AND MEASUREMENT
Dividend income	Dividend income is recognised on the date of the dividend declaration.
Interest revenue	Interest revenue is recognised on a time proportionate basis using the effective interest method.
Revenue from port services	Revenue from port services is recognised in the accounting period in which the actual service is provided.
Revenue from the rendering of services	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	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	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 and plant contract work, grazing leases and licenses and enforcement work.

Other Revenue

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
REVENUE FROM EXCHANGE TRANSACTIONS				
Port revenue	-	-	56,582	60,238
Consents and regulatory fees	3,296	2,338	3,296	2,338
Investment property rental income	810	673	32,184	27,822
Other property rental income	335	350	335	2,784
	4,441	3,361	92,397	93,182
REVENUE FROM NON-EXCHANGE TRANSACTIONS				
Consents and regulatory fees	962	904	962	904
Other activity fees and charges	5,711	11,110	5,711	11,110
	6,673	12,014	6,673	12,014

Rates Revenue

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
RATES REVENUE COMPRISES:				
General rates	19,656	11,201	19,627	11,143
Targeted rates	20,555	15,814	20,479	15,814
	40,211	27,015	40,106	26,957

2. Employee Benefits Expense

Employee entitlements for salaries and wages, annual leave, long service leave and other similar benefits are recognised as expenditure and liabilities when they accrue to employees.

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
Salaries and wages	24,187	20,886	55,340	51,487
Defined contribution plans	1,077	916	1,077	2,468
Termination benefits	428	154	428	154
	25,692	21,956	56,845	54,109

3. Schedule of Depreciation and Amortisation

Depreciation is provided on all property, plant and equipment except for land, endowment land, capital work in progress, floodbanks, protection works, drains and culverts. Depreciation is calculated to write down the cost or revalued amount of the assets on a straight-line basis over their useful economic lives.

Amortisation is provided on intangible assets, except rights to acquire, and is calculated to write down the cost of the assets on a straight-line basis over their useful economic lives.

\$000s	NOTES	Council 2022	Council 2021	Group 2022	Group 2021
Depreciation of property, plant and equipment	11	3,450	3,025	14,118	14,138
Amortisation of intangible assets	14	499	335	1,641	1,136
Amortisation of leasing costs		-	-	165	121
		3,949	3,360	15,924	15,395

Depreciation and Amortisation by Activity (Council Only)

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014, the Council's depreciation and amortisation by group of activities is as follows:

\$000s	NOTES	Actual 2021/2022	Long Term Plan 2021/2022	Actual 2020/2021	Annual Plan 2020/2021
Environment		277	350	235	271
Regional Leadership		166	121	175	206
Safety and Resilience		948	1,011	882	911
Transport		786	580	700	282
Corporate		1,772	1,512	1,368	1,297
		3,949	3,574	3,360	2,967

4. Other Expenses

\$000s	NOTES	Council 2022	Council 2021	Group 2022	Group 2021
Net bad and doubtful debts		(12)	16	(12)	16
Donations		350	350	612	544
Operating lease rental expenses: - Minimum lease payments		651	454	1,923	1,239
Company Directors' remuneration		-	-	500	387
Purchased materials and services		58,750	58,311	75,680	77,988
Fuel and electricity		443	372	4,082	2,795
Other		118	-	118	-
Write-off of property, plant and equipment		-	564	-	564
		60,300	60,067	82,903	83,533

2021: Included in the write-off of property, plant and equipment work in progress are assets which were vested to Dunedin City Council and the Otago community.

Remuneration of Auditors

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
Audit fees for financial statement audit	120	125	125	125
Audit fees for audit of Annual Plan/Long-Term Plan	-	70	-	70
Other services- Debenture Trust Reporting	6	-	6	-
Fees for tax and advisory services - Council	-	-	-	-
	126	195	126	195
Audit fees to other auditors for audit of financial statements of group entities	-	-	223	127
Audit fees to the other auditors for other services to group activities	-	-	62	-
	-	-	285	127
	126	195	411	322

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

5. Other Gains/(Losses)

Gains or losses on the sale of investment property and property, plant and equipment are recognised when an unconditional contract is in place, 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.

\$000s	NOTES	Council 2022	Council 2021	Group 2022	Group 2021
Unrealised net change in value of investment property and property in development	12	305	1,542	60,070	83,782
Gain/(loss) on disposal of investment property		-	-	-	-
Gain/(loss) on disposal of property, plant and equipment		154	834	254	865
Net change in fair value of financial assets carried at fair value through surplus or deficit		(2,412)	2,458	(2,412)	2,458
Impairment of Property, plant and equipment	11	-	121	-	(727)
Net change in fair value of derivative financial instruments classified at fair value through surplus or deficit (interest rate swaps)		-	-	1,203	602
TOTAL OTHER GAINS/(LOSSES)		(1,953)	4,955	59,115	86,980
GAINS		459	4,955	61,527	87,707
LOSSES		(2,412)	-	(2,412)	(727)

6. Income Taxes

Income Tax Recognised in Statement of Comprehensive Revenue and Expense

\$000s	NOTES	Council 2022	Council 2021	Group 2022	Group 2021
INCOME TAX (EXPENSE)/BENEFIT COMPRISES:					
Current year – current tax		-	-	(5,816)	(4,914)
Current year – deferred tax		100	100	(4,026)	(2,035)
Prior period adjustment current tax		-	-	85	7
Prior period adjustment deferred tax		-	-	-	-
INCOME TAX (EXPENSE)/BENEFIT REPORTED IN THE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE		100	100	(9,757)	(6,942)
The prima facie income tax expense on pre-tax accounting surplus reconciles to the income tax expense in the financial statements as follows:					
Surplus/(deficit) before income tax		(5,289)	(8,454)	61,976	82,972
Imputation credits		-	-	-	-
		(5,289)	(8,454)	61,976	82,972
Income tax expense (credit) calculated at 28%		(1,481)	(2,367)	17,353	23,232
Non-deductible expenses		25,146	23,807	25,182	23,856
Non-assessable income		(20,125)	(18,712)	(20,154)	(40,348)
Unrealised change in investment property		-	-	(13,146)	(100)
Deferred tax expense relating to the origination and reversal of temporary differences		-	-	505	92
Prior period adjustment		-	-	15	210
Imputation credits utilised		(3,640)	(2,828)	-	-
INCOME TAX EXPENSE (CREDIT)		(100)	(100)	9,757	6,942

Council entered into an agreement for the Council to transfer 2021 tax year losses to its subsidiary Port Otago Limited. In conjunction with the tax loss transfer of \$257,364 (2021 tax year: \$257,857), by way of a tax loss offset, Port Otago Limited made a subvention payment of \$100,086 (2021 tax year: \$100,278) 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.

Imputation Credit Account Balances

\$000s	Group 2022	Group 2021
BALANCE AT END OF YEAR	47,211	47,693

Imputation credit balances available directly and indirectly to the Council through subsidiaries are \$47,309,000 as at 30 June 2022 and \$47,791,000 as at 30 June 2021.

Notes to the Financial Statements:

Working Capital



This section provides information about the operating assets and liabilities available for the Otago Regional Council and Group's day-to-day activities.

The notes in this section are as follows:

7. Cash and Cash Equivalents
8. Trade and Other Receivables
9. Trade and Other Payables
10. Employee Entitlements

7. Cash and Cash Equivalents

Cash and cash equivalents include 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 are reconciled to the related items in the Statement of Financial Position as follows:

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
CASH AND CASH EQUIVALENTS:				
Cash at bank and on hand	13,243	4,380	13,323	4,621
Term deposits with maturities less than 3 months	-	-	-	-
	13,243	4,380	13,323	4,621

8. Trade and Other Receivables

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).

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS				
Trade receivables (i)	2,277	2,270	14,207	13,329
Provision for doubtful debts	(75)	(103)	(455)	(348)
	2,202	2,167	13,752	12,981
Sundry accruals	-	-	-	-
Goods and Services Tax receivable	975	298	975	298
	3,177	2,465	14,727	13,279
TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS				
Trade receivables (i)	4,774	4,754	4,774	4,753
Provision for doubtful debts	(28)	(12)	(28)	(12)
	4,746	4,742	4,746	4,741
Accrued Income	3,217	1,111	3,217	1,111
Goods and Services Tax receivable	-	-	-	-
	7,963	5,853	7,963	5,852
TOTAL	11,140	8,318	22,690	19,131

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

9. Trade and Other Payables

Trade payables and other accounts payable are recognised when the Council and Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
Trade payables for Exchange transactions (i)	10,867	11,519	19,688	14,042
Other accrued charges	7,329	5,512	7,329	9,938
Property deposits received	-	-	-	-
	18,196	17,031	27,017	23,980

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

10. Employee Entitlements

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.

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
Accrued salary and wages	395	266	1,342	933
Annual leave	2,002	1,855	5,659	5,230
Long service leave	-	-	866	919
Retiring allowances	11	22	48	59
Sick leave	-	-	133	130
	2,408	2,143	8,048	7,271
Disclosed in the financial statements as:				
Current	2,408	2,143	7,145	6,315
Non-current	-	-	903	956
	2,408	2,143	8,048	7,271

Notes to the Financial Statements:

Investments and Long-term Assets

This section provides information about the investments the Otago Regional Council and Group have made in investments and long-term assets.

The notes in this section are as follows:

11. Property Plant and Equipment
12. Investment Property
13. Investment Property Inventories
14. Intangible Assets
15. Other Financial Assets
16. Shares in Subsidiary and Dividend Income
17. Property Held for Sale

11. Property, Plant and Equipment

Council 2022

\$000s	Cost 1 July 2021	Additions	Disposals	Transfers	Reclass	Cost 30 June 2022
COUNCIL OPERATIONAL ASSETS						
Land	12,550	-	-	-	-	12,550
Endowment land	780	-	-	-	-	780
Buildings	7,287	188	-	66	-	7,542
Plant and vehicles	10,890	2,482	(1,968)	107	-	11,511
Capital work in progress	515	101	-	(173)	(82)	361
TOTAL OPERATIONAL ASSETS	32,022	2,772	(1,968)	-	(82)	32,744
COUNCIL INFRASTRUCTURAL ASSETS						
Floodbanks	28,432	32	-	6	-	28,470
Protection works	9,741	-	-	-	-	9,741
Structures	43,265	140	-	38	-	43,443
Drains	3,760	-	-	-	-	3,760
Bridges	1,455	-	-	-	-	1,455
Culverts	1,320	456	-	189	-	1,965
Transport Infrastructure & hardware	5,299	-	(64)	-	-	5,235
Capital work in progress	822	1,023	-	(233)	-	1,612
TOTAL INFRASTRUCTURAL ASSETS	94,094	1,651	(64)	-	-	95,681
TOTAL COUNCIL PROPERTY, PLANT AND EQUIPMENT	126,116	4,423	(2,033)	-	(82)	128,425

Council 2021

\$000s	Cost 1 July 2020	Additions	Disposals	Transfers	Reclass	Cost 30 June 2021
COUNCIL OPERATIONAL ASSETS						
Land	12,550	-	-	-	-	12,550
Endowment land	1,495	-	(715)	-	-	780
Buildings	7,172	111	(3)	7	-	7,287
Plant and vehicles	9,540	1,483	(272)	116	23	10,890
Capital work in progress	337	365	(64)	(123)	-	515
TOTAL OPERATIONAL ASSETS	31,094	1,959	(1,054)	-	23	32,022
COUNCIL INFRASTRUCTURAL ASSETS						
Floodbanks	27,548	884	-	-	-	28,432
Protection works	9,741	-	-	-	-	9,741
Structures	41,796	615	-	854	-	43,265
Drains	3,760	-	-	-	-	3,760
Bridges	1,509	-	(54)	-	-	1,455
Culverts	1,278	48	(6)	-	-	1,320
Transport Infrastructure & hardware	2,723	640	(2)	-	1,938	5,299
Capital work in progress	746	1,230	(300)	(854)	-	822
TOTAL INFRASTRUCTURAL ASSETS	89,101	3,417	(362)	-	1,938	94,094
TOTAL COUNCIL PROPERTY, PLANT AND EQUIPMENT	120,195	5,376	(1,416)	-	1,961	126,116

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. Capital work in progress reclassified (to prepayments) relates to a deposit paid in the 2021 financial year for the purchase of lake buoys, which will now be leased.

Accumulated Depreciation and Impairment Charges 1 July 2021	Impairment recovery/ (losses) Charged in Profit or Loss	Depreciation Expense	Accumulated Depreciation Reversed on Disposal	Accumulated Depreciation and Impairment Charges 30 June 2022	Book Value 30 June 2022
-	-	-	-	-	12,550
-	-	-	-	-	780
(2,135)	-	(384)	-	(2,519)	5,023
(6,338)	-	(1,335)	1,925	(5,748)	5,763
-	-	-	-	-	361
(8,473)	-	(1,719)	1,925	(8,267)	24,477
(44)	-	-	-	(44)	28,426
-	-	-	-	-	9,741
(19,190)	-	(916)	-	(20,106)	23,337
-	-	-	-	-	3,760
(1,085)	-	(43)	-	(1,128)	327
-	-	-	-	-	1,965
(1,088)	-	(772)	13	(1,847)	3,387
-	-	-	-	-	1,612
(21,407)	-	(1,731)	13	(23,126)	72,555
(29,880)	-	(3,450)	1,938	(31,392)	97,032
Accumulated Depreciation and Impairment Charges 1 July 2020	Impairment recovery/ (losses) Charged in Profit or Loss	Depreciation Expense	Accumulated Depreciation Reversed on Disposal	Accumulated Depreciation and Impairment Charges 30 June 2021	Book Value 30 June 2021
-	-	-	-	-	12,550
-	-	-	-	-	780
(1,816)	-	(320)	1	(2,135)	5,152
(5,440)	-	(1,124)	226	(6,338)	4,552
-	-	-	-	-	515
(7,256)	-	(1,444)	227	(8,473)	23,549
(165)	121	-	-	(44)	28,388
-	-	-	-	-	9,741
(18,340)	-	(850)	-	(19,190)	24,075
-	-	-	-	-	3,760
(1,087)	-	(45)	47	(1,085)	370
-	-	-	-	-	1,320
(402)	-	(686)	-	(1,088)	4,211
-	-	-	-	-	822
(19,994)	121	(1,581)	47	(21,407)	72,687
(27,250)	121	(3,025)	274	(29,880)	96,236

IPSAS 21 Impairment of a non-cash generating assets requires an impairment assessment if there is any indication that an asset may be impaired. During the February 2020 flood, flood protection assets in the Clutha and Queenstown regions were damaged. In 2020 the book value of the damaged flood assets was impaired using the restoration cost approach. During the 2021 financial year the assets were repaired, and the impairment was reversed.

Group 2022

\$000s	Cost 1 July 2021	Additions	Disposals	Transfers	Reclass	Cost 30 June 2022
OPERATIONAL ASSETS						
Land – Council	12,550	-	-	-	-	12,550
Endowment land – Council	780	-	-	-	-	780
Buildings – Council	7,287	188	-	66	-	7,541
Plant and vehicles – Council	10,890	2,482	(1,968)	107	-	11,511
Capital work in progress – Council	515	101	-	(173)	(82)	361
Land – Port	36,300	-	(95)	-	-	36,205
Buildings and improvements – Port	88,855	-	(675)	2,707	-	90,887
Wharves and berths dredging – Port	91,335	-	-	-	-	91,335
Plant, equipment and vehicles – Port	120,706	-	(1,289)	3,170	-	122,587
Capital work in progress – Port	3,752	15,485	-	(5,888)	-	13,349
TOTAL OPERATIONAL ASSETS	372,970	18,256	(4,027)	(11)	(82)	387,106
COUNCIL INFRASTRUCTURAL ASSETS						
Floodbanks	28,432	32	-	6	-	28,470
Protection works	9,741	-	-	-	-	9,741
Structures	43,265	140	-	38	-	43,443
Drains	3,760	-	-	-	-	3,760
Bridges	1,455	-	-	-	-	1,455
Culverts	1,320	456	-	189	-	1,965
Transport Infrastructure & hardware	5,299	-	(64)	-	-	5,235
Capital work in progress	822	1,023	-	(233)	-	1,612
TOTAL INFRASTRUCTURAL ASSETS	94,094	1,651	(64)	-	-	95,681
TOTAL GROUP PROPERTY, PLANT AND EQUIPMENT	467,064	19,907	(4,091)	(11)	(82)	482,787

Group 2021

\$000s	Cost 1 July 2020	Additions	Disposals	Transfers	Reclass	Cost 30 June 2021
OPERATIONAL ASSETS						
Land – Council	12,550	-	-	-	-	12,550
Endowment land – Council	1,495	-	(715)	-	-	780
Buildings – Council	7,172	111	(3)	7	-	7,287
Plant and vehicles – Council	9,540	1,483	(272)	116	23	10,890
Capital work in progress – Council	337	365	(64)	(123)	-	515
Land – Port	36,300	-	-	-	-	36,300
Buildings and improvements – Port	86,256	3,359	(760)	-	-	88,855
Wharves and berths dredging – Port	91,030	305	-	-	-	91,335
Plant, equipment and vehicles – Port	116,884	4,101	(279)	-	-	120,706
Capital work in progress – Port	4,845	-	(1,093)	-	-	3,752
TOTAL OPERATIONAL ASSETS	366,409	9,724	(3,186)	-	23	372,970
COUNCIL INFRA-STRUCTURAL ASSETS						
Floodbanks	27,548	884	-	-	-	28,432
Protection works	9,741	-	-	-	-	9,741
Structures	41,796	615	-	854	-	43,265
Drains	3,760	-	-	-	-	3,760
Bridges	1,509	-	(54)	-	-	1,455
Culverts	1,278	48	(6)	-	-	1,320
Transport Infrastructure & hardware	2,723	640	(2)	-	1,938	5,299
Capital work in progress – Council	746	1,230	(300)	(854)	-	822
TOTAL INFRASTRUCTURAL ASSETS	89,101	3,417	(362)	-	1,938	94,094
TOTAL GROUP PROPERTY, PLANT AND EQUIPMENT	455,510	13,141	(3,548)	-	1,961	467,064

Accumulated Depreciation and Impairment Charges 1 July 2021	Impairment recovery/ (losses) Charged in Profit or Loss	Depreciation Expense	Accumulated Depreciation Reversed on Disposal	Transfers	Accumulated Depreciation and Impairment Charges 30 June 2022	Book Value 30 June 2022
-	-	-	-	-	-	12,550
-	-	-	-	-	-	780
(2,135)	-	(384)	-	-	(2,519)	5,023
(6,338)	-	(1,335)	1,925	-	(5,748)	5,763
-	-	-	-	-	-	361
-	-	-	-	-	-	36,205
(29,032)	-	(3,001)	530	-	(31,503)	59,384
(27,174)	-	(1,839)	-	-	(29,013)	62,322
(64,661)	-	(5,828)	1,315	-	(69,174)	53,413
-	-	-	-	-	-	13,349
(129,340)	-	(12,387)	3,770	-	(137,957)	249,149
(44)	-	-	-	-	(44)	28,426
-	-	-	-	-	-	9,741
(19,190)	-	(916)	-	-	(20,106)	23,337
-	-	-	-	-	-	3,760
(1,085)	-	(43)	-	-	(1,128)	327
-	-	-	-	-	-	1,965
(1,088)	-	(772)	14	-	(1,847)	3,389
-	-	-	-	-	-	1,612
(21,407)	-	(1,731)	14	-	(23,126)	72,557
(150,747)	-	(14,118)	3,784	-	(161,081)	321,706

Accumulated Depreciation and Impairment Charges 1 July 2020	Impairment Losses Charged in Profit or Loss	Depreciation Expense	Accumulated Depreciation Reversed on Disposal	Transfers	Accumulated Depreciation and Impairment Charges 30 June 2021	Book Value 30 June 2021
-	-	-	-	-	-	12,550
-	-	-	-	-	-	780
(1,816)	-	(320)	1	-	(2,135)	5,152
(5,440)	-	(1,124)	226	-	(6,338)	4,552
-	-	-	-	-	-	515
-	-	-	-	-	-	36,300
(26,590)	-	(3,197)	755	-	(29,032)	59,823
(24,327)	(848)	(1,999)	-	-	(27,174)	64,161
(59,022)	-	(5,917)	278	-	(64,661)	56,045
-	-	-	-	-	-	3,752
(117,195)	(848)	(12,557)	1,260	-	(129,340)	243,630
(165)	121	-	-	-	(44)	28,338
-	-	-	-	-	-	9,741
(18,340)	-	(850)	-	-	(19,190)	24,075
-	-	-	-	-	-	3,760
(1,087)	-	(45)	47	-	(1,085)	370
-	-	-	-	-	-	1,320
(402)	-	(686)	-	-	(1,088)	4,211
-	-	-	-	-	-	822
(19,994)	121	(1,581)	47	-	(21,407)	72,687
(137,189)	(727)	(14,138)	1,307	-	(150,747)	316,317

Property, Plant and 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, culverts, bus hubs and shelters.

Transport infrastructure assets and hardware deliver benefits to the transport bus network in Whakatipu and Dunedin.

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:

Operational Assets	Life	Infrastructural Assets	Life
Buildings – Council	10-50 years	Floodbanks	Unlimited
Plant and vehicles – Council	3-20 years	Protection works	Unlimited
Buildings and improvements – Port	10-50 years	Drains	Unlimited
Wharves – Port	15-70 years	Culverts	Unlimited
Vessels and Floating Plant – Port	5-30 years	Structures	8-100 years
Plant, equipment and vehicles – Port	3-30 years	Bridges	33-100 years
		Transport infrastructure and hardware	5-15 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 or 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.

12. Investment Property

\$000s	NOTES	Council 2022	Council 2021	Group 2022	Group 2021
BALANCE AT BEGINNING OF YEAR		16,490	14,948	495,780	393,437
Acquisitions		-	-	-	-
Subsequent capital expenditure		-	-	28,661	10,328
Interest capitalised		-	-	110	190
Disposals		-	-	-	-
Net movement in incentives		-	-	376	121
Net movement in prepaid leasing costs		-	-	512	171
Transfer to investment property inventories	13	-	-	5,531	7,751
Transfer to non-current assets held for sale	17	-	-	(2,060)	-
Transfer from investment property inventories	13	-	-	-	-
Net gain/(loss) from fair value adjustments	5	305	1,542	60,070	83,782
BALANCE AT END OF YEAR		16,795	16,490	588,980	495,780

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
Valuation Analysis				
VALUED AT 30 JUNE BALANCE DATE AS DETERMINED BY:				
Jones Lang LaSalle	-	-	65,936	55,371
Bayleys Valuations Limited	-	-	248,755	-
CVAS (NZ) Limited (Colliers)	-	-	209,350	182,075
Savills (NZ) Limited (Savills)	-	-	-	208,725
CBRE Limited (CBRE)	-	-	31,900	31,900
Tay and Tay Limited	16,795	16,490	16,795	16,490
	16,795	16,490	572,736	494,561
Plus: investment property under construction and carried at cost	-	-	16,244	1,219
	16,795	16,490	588,980	495,780

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 2022 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)	4.5%	6.0%	4.0%	9.0%
Market rental (\$ per Sqm) (ii)	\$48	\$245	\$12	\$396
Discount rate (%) (iii)	6.5%	8.0%	6.1%	9.5%
Rental growth rate (%) (iv)	2%	25%	1.0%	25%
Terminal capitalisation rate (%) (v)	5.0%	6.5%	4.1%	9.3%
Profit and risk rate (vi)	N/A	N/A	5.0%	5.0%
Development sell down period (years) (vii)	N/A	N/A	0.25-0.5 years	0.75 years

- (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 valuer assessment of the net market income that 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 providing 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.

13. Investment Property Inventories

\$000s	NOTES	Council 2022	Council 2021	Group 2022	Group 2021
BALANCE AT BEGINNING OF YEAR		-	-	21,495	27,554
Transfer (to) from investment property	12	-	-	-	-
Transfer to investment property	12	-	-	(5,531)	(7,751)
Land acquired from joint venture partner		-	-	-	2,499
Disposals		-	-	-	(1,640)
Subsequent capital expenditure		-	-	464	833
Interest capitalised		-	-	-	-
BALANCE AT END OF YEAR		-	-	16,428	21,495

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
COMPRISING:				
Developed land for sale	-	-	16,428	21,371
Units and warehouse developments	-	-	-	124
	-	-	16,428	21,495

Transfers to investment property from investment property inventories occur when there is a change in use evidenced by the commencement of a development with a view to sale. Future development stages that have not yet commenced and are being held for capital appreciation are accounted for in investment property.

Investment property inventories are accounted for as inventory and initially recognised at deemed cost represented by the fair value at the time of commencement of the development. Further costs directly incurred through development activities are capitalised to the cost of the investment property inventories.

Investment property inventories are valued annually and are measured at the lower of cost and fair value. Where costs exceed the fair value of the investment property inventories the resulting impairments are included in the Income Statement in the period in which they arise.

Developed Land for Sale

The \$16.4 million carrying value at balance date reflects the cost of 7.3 hectares of developed land for sale. In their June 2022 valuation, Jones Lang LaSalle stated a net realisable value of \$42.1 million for this land on hand. At June 2021, the \$21.5 million carrying value of developed land reflected the Groups 10.4 hectare share of the developed land. Jones Lang LaSalle stated a net realised value for the Groups share of developed land on hand at June 2021 of \$33.2 million.

14. Intangible Assets

\$000s	Council Computer Software	Council Total	Group Computer Software	Group Resource Consents	Group Total
GROSS CARRYING AMOUNT					
Balance at 30 June 2020	8,358	8,358	16,090	5,645	21,735
Additions	1,070	1,070	1,984	5	1,988
Capital WIP additions	40	40	40	-	40
Capital WIP write off	-	-	-	-	-
Transfer to complete asset	(941)	(941)	(941)	-	(941)
Transfer to Property plant and equipment	(1,961)	(1,961)	(1,961)	-	(1,961)
Write off to statement of comprehensive income	(686)	(686)	(686)	-	(686)
BALANCE AT 30 JUNE 2021	5,880	5,880	14,526	5,650	20,175
Additions	75	75	75	-	75
Capital WIP additions	-	-	-	-	-
Capital WIP write off	-	-	-	-	-
Transfer to Property plant and equipment	(14)	(14)	(3)	-	(3)
Disposals	-	-	-	-	-
BALANCE AT 30 JUNE 2022	5,941	5,941	14,598	5,650	20,248
ACCUMULATED AMORTISATION AND IMPAIRMENT					
Balance 30 June 2020	(3,659)	(3,659)	(10,087)	(1,687)	(11,774)
Amortisation expense	(335)	(335)	(881)	(255)	(1,136)
Disposals	2	2	-	-	2
BALANCE AT 30 JUNE 2021	(3,992)	(3,992)	(10,966)	(1,942)	(12,908)
Amortisation expense	(499)	(499)	(1,386)	(255)	(1,641)
Disposals	-	-	-	-	-
BALANCE AT 30 JUNE 2022	(4,491)	(4,491)	(12,352)	(2,198)	(14,549)
NET BOOK VALUE					
AS AT 30 JUNE 2022	1,450	1,450	2,246	3,452	5,698
AS AT 30 JUNE 2021	1,888	1,888	3,560	3,707	7,267

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 consents which will allow Port Otago Limited to deepen to 15 metres 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. An additional 25 year consent was granted in June 2017 to undertake maintenance dredging and disposal of dredge spoil.

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.

15. Other Financial Assets

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
HELD FOR TRADING - CARRIED AT FAIR VALUE				
Current:				
Managed funds – cash (i)	1,713	2,113	1,713	2,113
Managed funds – bonds (i)(ii)	10,340	10,108	10,340	10,108
Managed funds – equities (i)	11,381	13,092	11,381	13,092
	23,434	25,313	23,434	25,313

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. 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 2022-2038.

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
2022								
Financial assets at FVTSD¹:								
Other financial assets	23,434	-	-	23,435	23,434	-	-	23,435
2021								
Financial assets at FVTSD¹:								
Other financial assets	25,313	-	-	25,313	25,313	-	-	25,313

¹ FVTSD: Fair Value through the surplus or deficit

16. 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 net tangible assets approach based on information provided by the entity and investment property valuations. The fair value of the shares in subsidiaries at 30 June 2022 was based on cashflows discounted using a weighted average cost of capital of 8.6% (2021: 7.6%), terminal growth rate 3% (2021: 3%) and discount for lack of marketability 3% (2021: 5%). Refer to Note 12 for revaluation inputs associated with the investment properties.

Sensitivity to WACC

- A decrease of 0.5% in WACC to 8.1% would result in a \$27.53 million increase in fair value
- An increase of 0.5% in WACC to 9.1% would result in a \$22.972 million decrease in fair value

Sensitivity to terminal growth rate

- A decrease of 0.5% in the terminal growth rate to 2.5% would result in a \$14.85 million decrease in fair value
- An increase of 0.5% in the terminal growth rate to 3.5% would result in a \$17.76 million increase in fair value

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
Balance at beginning of year	612,330	536,364	-	-
Gain/(loss) recognised in other Comprehensive Revenue and Expense	87,960	75,966	-	-
BALANCE AT END OF YEAR	700,290	612,330	-	-

Related party transactions

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

\$000s	Council 2022	Council 2021
REVENUE TRANSACTIONS		
Dividend payment made to Council	13,000	10,100
Rates	104	59
Other	46	116
Interest on borrowings	134	-
EXPENDITURE TRANSACTIONS		
Harbour Control Centre and other costs	60	60
Finance costs	45	-

During the year Council and Port Otago Limited, entered into an agreement whereby Council will provide an unsecured related party loans facility of up to a maximum of \$100 million. The related party loan amounts, interest rates and repayment dates match loans provided by the New Zealand Local Government Funding Agency (LGFA) to Council. Port Otago Limited pays all reasonable costs and expenses incurred by Council in connection with the establishment of its LGFA facility and ongoing fees associated with related party borrowing. Council or Port Otago Limited may terminate the related party loan agreement by giving 24 months notice to the other party. All related party loans under the agreement are unsecured.

As at 30 June 2022 Otago Regional Council had advanced loans of \$99,960,000 to Port Otago Limited (2021: \$Nil). Related party loans are classified as non current due to the Council and Port Otago loan agreement requiring 24 months notice for termination of the facility. Related party loan repayment will match the LGFA loan outlines at Note 21.

Group Subsidiaries

Otago Regional Council is the head entity within the consolidated group. Port Otago Limited (100% owned) 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	
		2022 %	2021 %
SUBSIDIARIES			
Chalmers Properties Limited	Property investment	100	100
Te Rapa Gateway Limited	Property investment	100	100
Fiordland Pilot Services Limited	Shipping services	100	100

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.

17. Property Held for Sale

	NOTES	Council 2022	Council 2021	Group 2022	Group 2021
BALANCE AT BEGINNING OF YEAR		-	-	-	-
Transfer from (to) investment property	12	-	-	2,060	-
Disposals		-	-	-	-
BALANCE AT END OF YEAR		-	-	2,060	-

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 nor amortised while it is classified as held for sale.

Notes to the Financial Statements:

Council Funding

This section contains analysis of the net assets of the group and the council, accumulated funds and restricted reserves.

The notes in this section are as follows:

18. Reserves
19. Public Equity
20. Public Equity Targeted Rates – Reserve Movements
21. Borrowing
22. Finance Costs

18. Reserves

Restricted and 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).

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.

Council

\$000s	Available for Sale Revaluation Reserve	Asset Replacement Reserve	Emergency Response Reserve	Kuriwao Endowment Reserve
OPENING BALANCES 30 JUNE 2020	516,364	3,756	3,901	6,397
TRANSFERS IN:				
Transfers from general rate equity	-	1,702	-	878
Transfers from targeted equity	-	-	535	-
Interest received	-	34	40	68
Revaluation gain	75,966	-	-	-
	75,966	1,736	575	946
TRANSFERS OUT:				
Transfers to general rate equity	-	(2,555)	-	(131)
Transfers to targeted rate equity	-	-	-	(250)
	-	(2,555)	-	(381)
CLOSING BALANCES 30 JUNE 2021	592,330	2,937	4,476	6,962
TRANSFERS IN:				
Transfers from general rate equity	-	2,465	-	63
Interest received	-	49	87	134
Revaluation gain	87,960	-	-	-
	87,960	2,514	87	197
TRANSFERS OUT:				
Transfers to general rate equity	-	(2,911)	-	(53)
Transfers to targeted rate equity	-	-	-	(250)
	-	(2,911)	-	(303)
CLOSING BALANCES 30 JUNE 2022	680,290	2,540	4,563	6,856
CLOSING BALANCES 30 JUNE 2021	592,330	2,937	4,476	6,962

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.

Asset Revaluation Reserve	Water Management Reserve	Building Reserve	Environmental Enhancement Reserve	Total Reserves
12,887	897	13,440	8	557,650
-	-	-	250	2,830
-	-	-	-	535
-	8	133	1	285
1,542	-	-	-	77,508
1,542	8	133	251	81,158
-	-	-	(250)	(2,936)
-	-	-	-	(250)
-	-	-	(250)	(3,186)
14,429	905	13,573	9	635,622
-	-	-	470	2,998
-	18	267	2	557
305	-	-	-	88,265
305	18	267	472	91,820
-	(239)	-	(443)	(3,646)
-	-	-	-	(250)
-	(239)	-	(443)	(3,896)
14,734	684	13,840	38	723,545
14,429	905	13,573	9	635,622

Group**\$000s**

	Available for Sale Revaluation Reserve	Asset Replacement Reserve	Emergency Response Reserve	Kuriwao Endowment Reserve
OPENING BALANCES AT 1 JULY 2020	-	3,756	3,901	6,397
TRANSFERS IN:				
Transfers from general rate equity	-	1,702	-	878
Transfers from targeted rate equity	-	-	535	-
Interest received	-	34	40	68
Revaluation gain	-	-	-	-
Change in fair value of interest rate swaps	-	-	-	-
		1,736	575	946
TRANSFERS OUT:				
Transfers to general rate equity	-	(2,555)	-	(131)
Transfers to targeted rate equity	-	-	-	(250)
Deferred tax arising on fair value movement	-	-	-	-
	-	(2,555)	-	(381)
CLOSING BALANCES 30 JUNE 2021	-	2,937	4,476	6,962
TRANSFERS IN:				
Transfers from general rate equity	-	2,465	-	63
Interest received	-	49	87	135
Revaluation gain	-	-	-	-
Change in fair value of interest rate swaps	-	-	-	-
	-	2,514	87	198
TRANSFERS OUT:				
Transfers to general rate equity	-	(2,911)	-	(53)
Transfers to targeted rate equity	-	-	-	(250)
Deferred tax arising on fair value movement	-	-	-	-
Realised on sale of assets	-	-	-	-
	-	(2,911)	-	(303)
CLOSING BALANCES 30 JUNE 2022	-	2,450	4,563	6,856
CLOSING BALANCES 30 JUNE 2021	-	2,937	4,476	6,962

Asset Revaluation Reserve	Water Management Reserve	Building Reserve	Environmental Enhancement Reserve	Hedging Reserve	Total Reserves
275,488	897	13,440	8	(2,036)	301,851
-	-	-	250	-	2,830
-	-	-	-	-	535
-	8	133	1	-	285
83,782	-	-	-	-	83,782
-	-	-	-	2,200	2,200
83,782	8	133	251	2,220	89,652
-	-	-	(250)	-	(2,936)
-	-	-	-	-	(250)
-	-	-	-	(622)	(622)
-	-	-	(250)	(622)	(3,808)
359,270	905	13,573	9	(438)	387,695
-	-	-	470	-	2,998
-	18	267	2	-	557
60,070	-	-	-	-	60,070
-	-	-	-	2,388	2,388
60,070	18	267	472	2,388	66,013
-	(239)	-	(443)	-	(3,646)
-	-	-	-	-	(250)
-	-	-	-	-	-
-	-	-	-	-	-
-	(239)	-	(443)	-	(3,896)
419,340	684	13,840	38	1,950	449,811
359,270	905	13,573	9	(438)	387,695

19. Public Equity

Public Equity – General Rates

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
BALANCE AT BEGINNING OF YEAR	63,761	72,647	334,015	340,758
NET SURPLUS	(5,189)	(8,354)	52,219	76,030
TRANSFERS IN				
Transfer from Public Equity Targeted Rates	53,317	49,983	53,317	49,983
Kuriwao endowment reserve	53	131	53	131
Asset replacement reserve	2,911	2,555	2,911	2,555
Asset revaluation reserve	-	-	-	-
Water Management Reserve	239	-	239	-
Environmental Enhancement Reserve	443	250	443	250
Building Reserve	-	-	-	-
	56,963	52,919	56,963	52,919
TRANSFER OUT				
Transfer to Public Equity Targeted Rates	(50,454)	(48,260)	(50,454)	(48,260)
Kuriwao endowment reserve	(197)	(946)	(197)	(946)
Asset replacement reserve	(2,514)	(1,736)	(2,514)	(1,736)
Emergency response reserve	(87)	(575)	(87)	(575)
Asset revaluation reserve	(305)	(1,542)	(60,070)	(83,783)
Water management reserve	(18)	(9)	(18)	(9)
Building Reserve	(267)	(133)	(267)	(133)
Environmental Enhancement Reserve	(472)	(250)	(472)	(250)
	(54,314)	(53,451)	(114,079)	(135,692)
BALANCE AT END OF YEAR	61,221	63,761	329,118	334,015

Public Equity – Targeted Rates

BALANCE AT BEGINNING OF YEAR	46,411	47,884	46,411	47,884
TRANSFERS IN				
Transfer from Public Equity General Rates	50,454	48,260	50,454	48,260
Kuriwao endowment reserve	250	250	250	250
Emergency response reserve	-	-	-	-
	50,704	48,510	50,704	48,510
TRANSFERS OUT				
Transfer to Public Equity General Rates	(53,317)	(49,983)	(53,317)	(49,983)
	(53,317)	(49,983)	(53,317)	(49,983)
BALANCE AT END OF YEAR – REFER NOTE 17 (B)	43,798	46,411	43,798	46,411

Total Public Equity

BALANCE AT BEGINNING OF YEAR	110,172	120,531	380,426	388,642
NET SURPLUS	(5,189)	(8,354)	52,219	79,064
Transfers	35	(2,005)	(59,729)	(84,246)
BALANCE AT END OF YEAR	105,019	110,172	372,916	380,426

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.

20. Public Equity Targeted Rates – Reserve Movements

Targeted Rating District Equity \$000s	COUNCIL AND GROUP - 2022				COUNCIL AND GROUP - 2021			
	Opening balance	Transfers in	Transfers out	Closing balance	Opening balance	Transfers in	Transfers out	Closing balance
	1 July 2021			30 June 2022	1 July 2020			30 June 2021
RIVER MANAGEMENT RESERVES								
Central Otago River Management	434	335	(335)	434	460	313	(339)	434
Clutha River Management	183	363	(593)	(46)	183	332	(332)	183
Dunedin River Management	1,380	320	(440)	1,259	1,462	268	(350)	1,380
Queenstown River Management	707	229	(142)	794	745	176	(214)	707
Waitaki River Management	529	422	(150)	802	512	407	(390)	529
Wānaka River Management	(274)	224	(153)	(203)	571	209	(1,054)	(274)
Shotover Delta Flood Mitigation	249	7	-	256	204	84	(39)	249
Stoney Creek	154	5	-	159	152	2	-	154
FLOOD AND DRAINAGE SCHEME RESERVES								
Alexandra Flood Protection	56	122	(266)	(87)	146	96	(186)	56
East Taieri Drainage	454	820	(971)	303	346	658	(550)	454
Leith Flood Protection	(14,976)	1,699	(1,091)	(14,368)	(15,734)	1,614	(856)	(14,976)
Lower Clutha Flood and Drainage	(687)	2,557	(2,501)	(631)	(101)	3,256	(3,842)	(687)
Lower Taieri Flood Protection	1,337	3,065	(2,106)	2,296	955	1,577	(1,195)	1,337
Lower Waitaki Flood Protection	(6)	190	(214)	(30)	4	203	(213)	(6)
Tokomairiro Drainage	243	184	(277)	150	244	144	(145)	243
West Taieri Drainage	(1,909)	1,058	(1,261)	(2,112)	(1,926)	889	(872)	(1,909)
OTHER RESERVES								
Clean Heat Clean Air	-	-	-	-	47	-	(47)	-
Dunedin Transport Services	(6,489)	17,348	(19,645)	(8,788)	(4,504)	18,792	(20,777)	(6,489)
Queenstown Transport Services	(843)	7,704	(8,535)	(1,674)	(359)	8,029	(8,513)	(843)
Rural Water Quality	1,614	734	(1,445)	903	1,189	696	(271)	1,614
Dairy Monitoring	74	193	(253)	14	80	192	(198)	74
Wilding Pines	(289)	4,135	(4,264)	(419)	(205)	6,030	(6,114)	(289)
Emergency Management	(434)	2,997	(2,664)	(101)	(669)	2,852	(2,617)	(434)
Lake Hayes Restoration	(369)	219	(301)	(450)	(365)	-	(4)	(369)
Biosecurity	-	4,135	(4,783)	(648)	-	-	-	-
Infrastructural Assets	65,273	1,639	(928)	65,984	64,447	1,691	(865)	65,273
	46,411	50,704	(53,317)	43,798	47,884	48,510	(49,983)	46,411

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.

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 2022 \$000s	Amount borrowed as at 30 June 2021	Funds borrowed during the year	Funds repaid during the year	Interest charged	Amount borrowed as at 30 June 2022
Flood Protection and Control Works	17,583	4,606	(5,437)	513	17,265
Environment	658	9,440	(8,614)	32	1,516
Safety and Hazards	431	2,656	(2,997)	7	97
Transport	7,332	27,916	(25,050)	263	10,461
	26,004	44,618	(42,098)	815	29,339

Council 2021 \$000s	Amount borrowed as at 30 June 2020	Funds borrowed during the year	Funds repaid during the year	Interest charged	Amount borrowed as at 30 June 2021
Flood Protection and Control Works	17,761	5,590	(5,962)	194	17,583
Environment	570	6,111	(6,030)	7	658
Safety and Hazards	669	2,608	(2,852)	6	431
Transport	4,863	29,224	(26,822)	67	7,332
	23,863	43,533	(41,666)	274	26,004

21. Borrowings**New Zealand Local Government Funding Agency**

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
CURRENT				
Secured borrowings	67,956	-	67,956	-
Unsecured borrowings	-	-	-	-
TOTAL CURRENT BORROWINGS	67,956	-	67,956	-
NON-CURRENT				
Secured borrowings	47,200	-	47,200	-
Unsecured borrowings	-	-	-	-
TOTAL NON-CURRENT BORROWINGS	47,200	-	47,200	-
FIXED RATE BORROWINGS	100,095	-	100,095	-
FLOATING RATE BORROWINGS	15,061	-	15,061	-
TOTAL BORROWINGS	115,156	-	115,156	-

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.

On 21 September 2021 Council entered into the New Zealand Local Government Funding Agency (NZLGFA) as a guarantor. The NZLGFA was incorporated in December 2021 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AAA and a foreign currency rating of AA+. NZLGFA has a local currency rating from Fitch of AA+ and a foreign currency rating of AA.

As at 30 June 2022, Otago Regional Council is one of 30 local authority shareholders and 38 local authority guarantors of the NZLGFA. When aggregated with the uncalled capital of other shareholders, \$20m is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, Otago Regional Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2022, NZLGFA had borrowings totaling \$15,795million (2021: \$13,605million).

Financial reporting standards require Otago Regional Council to recognise the guarantee liability at fair value. However, Otago Regional Council has been unable to determine a sufficiently reliable fair value for the guarantee,

and therefore has not recognised a liability. Otago Regional Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default events in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

When borrowing long-term from LGFA, borrower notes must be subscribed for in an amount of 2.5% of long-term borrowings. Borrower notes are used by LGFA as a source of capital to ensure there is sufficient capital to match the growth in the LGFA's balance sheet. LGFA redeems the borrower notes plus interest when the related borrowings are repaid or no longer owed to LGFA. At 30 June 2022, the Group had subscribed to borrower notes totaling \$1,210,255 (2021: nil). The bond on issue are as follows:

Maturity Date	Amount	Interest Rate
30/11/2023	\$179,000	3.02%
10/06/2029	\$231,000	3.33%
28/01/2024	\$131,000	2.72%
23/03/2025	\$205,000	3.26%
28/01/2026	\$205,000	2.86%
18/03/2026	\$131,000	3.34%
10/06/2029	\$128,000	3.47%

Borrowing - Bank

\$000s

CURRENT

	Council 2022	Council 2021	Group 2022	Group 2021
Secured borrowings	-	-	8,250	5,240
Unsecured borrowings	-	-	-	-
TOTAL CURRENT BORROWINGS	-	-	8,250	5,240
NON-CURRENT				
Secured borrowings	-	-	-	73,850
Unsecured borrowings	-	-	-	-
TOTAL NON-CURRENT BORROWINGS	-	-	-	73,850
FIXED RATE BORROWINGS	-	-	8,250	79,090
FLOATING RATE BORROWINGS	-	-	-	-
TOTAL BORROWINGS	-	-	8,250	79,090

The Group has a \$31 million (2021: \$81 million) Short Term Advances Facility with ANZ Bank New Zealand Limited (ANZ) which the Group may draw from for terms ranging from call to the termination of the agreement, which is 1 July 2024. In addition the Group has a revolving \$29 million (2021: \$29 million) Commercial Flexi Facility with ANZ which is subject to an annual review. The next review is due on 30 November 2022 (2021: 30 June 2021).

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

22. Finance Costs

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
Interest on loans	223	-	3,171	2,798
Capitalised borrowing costs	-	-	(159)	(190)
Other	1	-	-	-
	224	-	3,012	2,608

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.

Notes to the Financial Statements:

Financial Risk Management

This section provides details Council and Group's borrowings - a major source of financing used to deliver services to the people of Otago. It also includes information about the group's financial instruments that are used to manage the risks associated with borrowings and details Council and Group's exposure to a variety of financial risks and how these risks are managed.

The notes in this section are as follows:

- 23. Financial Instruments
- 24. Market Risk
- 25. Equity Price Risk
- 26. Credit Risks
- 27. Liquidity Risk

23. 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 for Financial Instruments

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

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

Financial Assets 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 of Financial Instruments

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 2022.

	COUNCIL				GROUP			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
2022								
Financial assets at FVTSD:								
Other financial instruments	-	-	-	-	-	4,281	-	4,281
Financial liabilities at FVTSD:								
Other financial instruments	-	-	-	-	-	-	-	-
2021								
Financial assets at FVTSD:								
Other financial instruments	-	-	-	-	-	1,021	-	1,021
Financial liabilities at FVTSD:								
Other financial instruments	-	-	-	-	-	(1,255)	-	(1,255)

Council 2022 \$000s

	Loans and Receivables	Fair Value Through Surplus or Deficit – Held for Trading	Fair Value Through Other Comprehensive Revenue and Expense	Financial Liabilities at Amortised Cost	Total
FINANCIAL ASSETS					
Cash and cash equivalents (note 7)	13,243	-	-	-	13,243
Trade and other receivables (note 8)	11,140	-	-	-	11,140
Related party receivable	99,960	-	-	-	99,960
Borrower notes	1,210	-	-	-	1,210
Other financial assets (note 15)	-	23,434	-	-	23,434
Other current assets	883	-	-	-	883
Shares in subsidiary (note 16)	-	-	700,290	-	700,290
TOTAL FINANCIAL ASSETS	126,436	23,434	700,290	-	850,160
FINANCIAL LIABILITIES					
Trade and other payables (note 13)	-	-	-	18,196	18,196
Borrowing	-	-	-	115,156	115,156
Provisions	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	-	-	-	133,352	133,352

Council 2021
\$000s

	Loans and Receivables	Fair Value Through Surplus or Deficit – Held for Trading	Fair Value Through Other Comprehensive Revenue and Expense	Financial Liabilities at Amortised Cost	Total
FINANCIAL ASSETS					
Cash and cash equivalents (note 7)	4,380	-	-	-	4,380
Trade and other receivables (note 8)	8,318	-	-	-	8,318
Other financial assets (note 15)	-	25,313	-	-	25,313
Other current assets	698	-	-	-	698
Shares in subsidiary (note 16)	-	-	612,330	-	612,330
TOTAL FINANCIAL ASSETS	13,396	25,313	612,330	-	651,039
FINANCIAL LIABILITIES					
Trade and other payables (note 9)	-	-	-	17,031	17,031
Provision	-	-	-	783	783
TOTAL FINANCIAL LIABILITIES	-	-	-	17,814	17,814

Group 2022
\$000s

	Loans and Receivables	Fair Value Through Surplus or Deficit – Held for Trading	Fair Value Through Other Comprehensive Revenue and Expense	Financial Liabilities at Amortised Cost	Total
FINANCIAL ASSETS					
Cash and cash equivalents (note 7)	13,323	-	-	-	13,323
Trade and other receivables (note 8)	22,690	-	-	-	22,690
Other current assets	3,593	-	-	-	3,593
Other financial instruments	-	4,281	-	-	4,281
Other financial assets (note 15)	-	23,434	-	-	23,434
Borrower notes	1,210	-	-	-	1,210
TOTAL FINANCIAL ASSETS	40,816	27,715	-	-	68,531
FINANCIAL LIABILITIES					
Other financial instruments	-	-	-	-	-
Trade and other payables (note 9)	-	-	-	27,017	27,017
Borrowings (secured) (note 20)	-	-	-	123,406	123,406
TOTAL FINANCIAL LIABILITIES	-	-	-	150,423	150,423

Group 2021
\$000s

	Loans and Receivables	Fair Value Through Surplus or Deficit – Held for Trading	Fair Value Through Other Comprehensive Revenue and Expense	Financial Liabilities at Amortised Cost	Total
FINANCIAL ASSETS					
Cash and cash equivalents	4,621	-	-	-	4,621
Trade and other receivables (note 12)	19,131	-	-	-	19,131
Other financial instruments	-	1,021	-	-	1,021
Other financial assets (note 5)	-	25,313	-	-	25,313
TOTAL FINANCIAL ASSETS	23,752	26,334	-	-	50,086
FINANCIAL LIABILITIES					
Other financial instruments	-	1,255	-	-	1,255
Trade and other payables (note 9)	-	-	-	23,980	23,980
Borrowings (secured) (note 15)	-	-	-	79,090	79,090
TOTAL FINANCIAL LIABILITIES	-	1,255	-	103,005	104,260

24. 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:

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
Managed funds	8,092	8,340	8,092	8,340
TOTAL MANAGED FUNDS	8,092	8,340	8,092	8,340

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, GBP and EUR 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 2022 would have the impact of increasing the carrying value of the managed funds, and the Council surplus, by \$898,876 (2021: \$926,579), and an unfavourable movement of 10% would impact unfavourably to the extent of \$735,929 (2021: \$758,532).

(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

Council \$000s	2022				2021			
	Profit -100bps	Other Equity -100bps	Profit +100bps	Other Equity +100bps	Profit -100bps	Other Equity -100bps	Profit +100bps	Other Equity +100bps
	FINANCIAL LIABILITIES							
Borrowings	1,335	-	(1,261)	-	-	-	-	-
TOTAL SENSITIVITY TO INTEREST RATE RISK	1,335	-	(1,261)	-	-	-	-	-

Group \$000s	2022				2021			
	Profit -100bps	Other Equity -100bps	Profit +100bps	Other Equity +100bps	Profit -100bps	Other Equity -100bps	Profit +100bps	Other Equity +100bps
	FINANCIAL LIABILITIES							
Borrowings	1,470	-	(1,470)	-	790	-	(790)	-
Derivatives – hedge accounted	-	1,797	-	3,655	-	(2,271)	-	823
Derivatives – non-hedge accounted	1,142	-	1,993	-	(229)	-	923	-
TOTAL SENSITIVITY TO INTEREST RATE RISK	2,612	1,797	523	3,655	561	(2,271)	133	823

25. 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

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
FINANCIAL ASSETS				
Other financial assets	13,575	15,945	13,575	15,945
EXPOSURE TO EQUITY PRICE RISK	13,575	15,945	13,575	15,945

Sensitivity to Equity Price Risk

Council and Group \$000s	2022				2021			
	-10% Profit	-10% Other Equity	+10% Profit	+10% Other Equity	-10% Profit	-10% Other Equity	+10% Profit	+10% Other Equity
	FINANCIAL ASSETS							
Other financial assets	(1,358)	-	1,358	-	(1,595)	-	1,595	-
TOTAL SENSITIVITY EQUITY PRICE RISK	(1,358)	-	1,358	-	(1,595)	-	1,595	-

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.

26. 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.

Council

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 has credit risk exposure to related party for advance of \$99.96 million.

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 Council is exposed to credit risk as a guarantor of all of the NZLGFA's borrowings. Information about this exposure is explained in note 21.

Group

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 counter parties 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:

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
Cash at bank and term deposits	13,243	4,380	13,323	4,380
Trade and other receivables	11,140	8,318	22,690	8,318
Related party receivable	99,960	-	-	-
Other financial assets (Note 5)	23,434	25,313	23,434	25,313
Other financial instrument- asset	-	-	4,281	1,004
Other financial instrument- liability	-	-	-	(1,255)
Shares in subsidiary	700,290	612,330	-	612,330
	848,067	650,341	63,728	650,090

27. Liquidity Risk

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 2022	Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	AGEING OF CASH FLOWS		
				Less Than 1 Year \$000	1-5 Years \$000	Greater than 5 years \$000
FINANCIAL ASSETS						
Cash and cash equivalents	-	13,243	13,243	13,243	-	-
Trade and other receivables	-	11,140	11,140	11,140	-	-
Related party receivable	3.55	99,960	106,374	40,294	48,843	17,737
Managed fund:						
Cash and call deposits	-	1,714	1,714	1,714	-	-
Fixed interest securities	3.15	10,340	10,618	358	5,236	5,024
Equity securities	-	11,381	11,381	11,381	-	-
Shares in subsidiary	-	700,290	700,290	-	-	700,290
TOTAL FINANCIAL ASSETS		848,068	854,960	78,130	54,079	723,051
FINANCIAL LIABILITIES						
Trade and other payables	-	(18,196)	(18,196)	(18,196)	-	-
Borrowing	3.08	(115,156)	(122,100)	(69,052)	(37,736)	(15,312)
Provision	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES		(133,352)	(140,296)	(87,248)	(37,736)	(15,312)

Council 2021	Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	AGEING OF CASH FLOWS		
				Less Than 1 Year \$000	1-5 Years \$000	Greater than 5 years \$000
FINANCIAL ASSETS						
Cash and cash equivalents	-	4,380	4,380	4,380	-	-
Trade and other receivables	-	8,318	8,318	8,318	-	-
Managed fund:						
Cash and call deposits	-	2,113	2,113	2,113	-	-
Fixed interest securities	2.18	10,108	10,620	2,982	-	7,638
Equity securities	-	13,092	13,092	13,092	-	-
Shares in subsidiary	-	612,330	612,330	-	-	612,330
TOTAL FINANCIAL ASSETS		650,341	650,853	30,885	-	619,968
FINANCIAL LIABILITIES						
Trade and other payables	-	(17,031)	(17,031)	(17,031)	-	-
Provision	-	(784)	(784)	(784)	-	-
TOTAL FINANCIAL LIABILITIES		(17,815)	(17,815)	(17,815)	-	-

Group 2022	Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	AGEING OF CASH FLOWS		
				Less Than 1 Year \$000	1-5 Years \$000	Greater than 5 years \$000
FINANCIAL ASSETS						
Cash and cash equivalents	-	13,323	13,323	13,323	-	-
Trade and other receivables	-	22,690	22,690	22,690	-	-
Managed fund:						
Cash and call deposits	-	1,714	1,714	1,714	-	-
Fixed interest securities	3.42	10,340	10,618	358	5,236	5,024
Equity securities	-	11,381	11,381	11,381	-	-
TOTAL FINANCIAL ASSETS		59,448	59,726	49,466	5,236	5,024
FINANCIAL LIABILITIES						
Trade and other payables	-	(27,017)	(27,017)	(27,017)	-	-
Borrowing (secured)	3.08	(123,406)	(122,100)	(69,052)	(37,736)	(15,312)
Provision	-	-	-	-	-	-
Other financial instruments	-	4,281	4,739	1,208	3,223	308
TOTAL FINANCIAL LIABILITIES		(146,142)	(144,378)	(94,861)	(34,513)	(15,004)

Group 2021	Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	AGEING OF CASH FLOWS		
				Less Than 1 Year \$000	1-5 Years \$000	Greater than 5 years \$000
FINANCIAL ASSETS						
Cash and cash equivalents	-	4,621	4,621	4,621	-	-
Trade and other receivables	-	19,131	19,131	19,131	-	-
Managed fund:						
Cash and call deposits	-	2,113	2,113	2,113	-	-
Fixed interest securities	2.18	10,108	10,620	2,982	7,638	-
Equity securities	-	13,092	13,092	13,092	-	-
TOTAL FINANCIAL ASSETS		49,065	49,577	41,939	7,638	-
FINANCIAL LIABILITIES						
Trade and other payables	-	(23,980)	(23,980)	(23,980)	-	-
Borrowings (secured)	2.70	(79,090)	(84,340)	(16,495)	(67,845)	-
Provision	-	(783)	(783)	(783)	-	-
Other financial instruments	-	(234)	(271)	(716)	445	-
TOTAL FINANCIAL LIABILITIES		(104,087)	(109,374)	(41,974)	(67,400)	-

The Council is exposed to liquidity risk as a guarantor of all LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposures is explained in note 21.

Notes to the Financial Statements:

Other Disclosures



The notes in this section are as follows:

- 28. Key Management Personnel Compensation**
- 29. Remuneration (Council Only)**
- 30. Subsequent Events**
- 31. Commitments for Expenditure**
- 32. Contingent Liabilities and Contingent Assets**
- 33. Deferred Tax Balances**
- 34. Leases**
- 35. Related Party Disclosures**

28. Key Management Personnel Compensation

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

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
MANAGEMENT PERSONNEL				
Short-term employee benefits	1,843	1,584	5,544	4,915
Post-employment benefits		-	-	-
	1,843	1,584	5,544	4,915
Full-time equivalent number of key management personnel	6	6	24	24
GOVERNING PERSONNEL				
Councillors remuneration	862	860	862	860
Directors' fees		-	500	387
	862	860	1,362	1,247

29. Remuneration (Council Only)

Employee Staffing Levels

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

	Number of Employees 30 June 2022	Number of Employees 30 June 2021
Full-time employees	259	231
Full-time equivalent number of other employees	20.8	19.8

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 2022	Number of Employees 30 June 2021
Less than \$60,000	35	44
\$60,000 to \$79,999	90	74
\$80,000 to \$99,999	79	76
\$100,000 to \$119,999	48	33
\$120,000 to \$139,999	20	14
\$140,000 to \$159,999	8	8
\$160,000 to \$259,999	8	6
\$260,000 to \$369,999	0	2
\$620,000 to \$639,999	1	0
	289	257

Chief Executive Remuneration

The Chief Executive of the Council is appointed under Section 42 of the Local Government Act 2002.

Sarah Gardner was employed as Chief Executive from 1 July 2021 until 18 May 2022. During the period to 30 June 2022 the Chief Executive Sarah Gardner received salary payments amounting to \$284,252 (2021: \$316,631), and

the total cost including fringe benefit tax of the remuneration package received during that period is calculated at \$316,598 (2021: \$360,026). Sarah Gardner received additional termination payments of \$313,785 including accrued annual leave of \$73,978 and \$25,000 as severance.

On 7 June 2022 Dr Pim Borren was appointing interim CEO and was paid \$43,200 for the period up to 30 June 2022.

Elected Representatives' Remuneration

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

Council Remuneration 2022

COUNCILLOR	Meetings attended /eligible meetings ¹	Remuneration \$	Meeting fees \$	Allowances and mileage \$	Other \$	Total \$
Andrew Noone (Chairperson)	50/52	142,260	-	550	5,937	148,747
Kevin Malcolm (Deputy Chairperson - from 26 May 2022)	52/52	68,118	-	7,614	410	76,142
Michael Laws (Deputy Chairperson - to 25 May 2022)	41/48	85,480	-	5,435	189	91,104
Hilary Calvert	51/52	65,959	-	550	-	66,509
Michael Deaker	41/48	65,959	-	550	-	66,509
Alexa Forbes	48/50	65,959	-	7,916	677	74,551
Marian Hobbs	13/13	20,985	-	275	-	21,260
Carmen Hope	44/48	65,959	-	7,077	-	73,035
Gary Kelliher	48/48	65,959	-	7,445	-	73,404
Gretchen Robertson	42/48	65,959	1,040	755	-	67,754
Bryan Scott	44/48	65,959	-	929	58	66,945
Kate Wilson	52/52	65,959	1,300	678	-	67,937
		844,512	2,340	39,775	7,270	893,896

¹ Eligible meetings include attendance at Council and Committee Meetings and Subcommittee Audit and Risk (for Crs Calvert, Noone, Malcolm and Wilson). Councillors may have been absent on council business.

Council Remuneration 2021

COUNCILLOR	Meetings attended /eligible meetings ¹	Remuneration \$	Meeting fees \$	Allowances and mileage \$	Other \$	Total \$
Andrew Noone (Chairperson)	45/47	140,522	-	550	12,729	153,801
Michael Laws (Deputy Chairperson)	39/43	83,920	-	10,102	324	94,346
Hilary Calvert	46/47	62,239	-	550	-	62,789
Michael Deaker	41/43	62,239	-	1,045	-	63,284
Alexa Forbes	41/43	62,239	2,690	11,849	281	77,059
Marian Hobbs	40/43	62,239	-	3,415	-	65,654
Carmen Hope	37/43	62,239	-	10,701	97	73,037
Gary Kelliher	39/43	62,239	240	11,442	-	73,921
Kevin Malcolm	41/47	62,239	-	13,344	-	75,583
Gretchen Robertson	40/43	62,239	2,050	1,967	19	66,275
Bryan Scott	41/43	62,239	-	2,642	251	65,132
Kate Wilson	44/47	62,239	-	550	-	62,789
		846,832	4,980	68,157	13,701	933,670

¹ Eligible meetings include attendance at Council and Committee Meetings and Subcommittee Audit and Risk (for Crs Calvert, Noone, Malcolm and Wilson). Councillors may have been absent on council business.

Severance Payments

For the year ended 30 June 2022, the Council had four (2021: one) severance payments of; \$10,000, \$10,000, \$21,000 and \$25,000 (2021: \$95,000). Included in these severance payments was \$25,000 made to the CEO.

30. Subsequent Events

On 6 September 2022 the Directors of Port Otago declared a final dividend of \$1.0 million for the year ended 30 June 2022. As the final dividend was approved after balance date, the financial effect of the dividend payable of \$1.0 million has not been recognised in the Balance Sheet.

31. Commitments for Expenditure

Capital Expenditure Commitment

At 30 June 2022 the Group had commitments for capital expenditure of \$47 million (2021: 20.4 million). Included in the above amounts are Council commitments of \$0.3 million (2021: \$0.2 million) relating to property, plant and equipment acquisitions and contracts for capital expenditure. Port Otago Limited had commitments for capital expenditure of \$46.8 million (2021: \$20.2 million) which relates to purchases and refurbishments of port assets and investment property.

Lease Commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 34 to the financial statements.

32. Contingent Liabilities and Contingent Assets

Council Only Contingent Liabilities

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, (2021: \$Nil).

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.

Council Only Contingent Assets

The Council at 30 June has a contingent assets for bus trips which have been paid for but were not performed from the bus operators in June 2022. At 30 June the financial impact of this assets was not able to be quantified.

Group

There are no contingent liabilities or assets at 30 June 2022 (30 June 2021: \$Nil) other than those arising in the normal course of business.

33. Deferred Tax Balances

Deferred tax comprise taxable and deductible temporary differences arising from the following:

Council 2022 \$000	Council Opening Balance	Council Charged to Surplus/(Deficit)	Council Charged to other Comprehensive Revenue and Expense	Council Closing Balance
GROSS DEFERRED TAX ASSET:				
Tax losses	98	-	-	98
	98	-	-	98

Council 2021 \$000	Council Opening Balance	Council Charged to Surplus/(Deficit)	Council Charged to other Comprehensive Revenue and Expense	Council Closing Balance
GROSS DEFERRED TAX ASSET:				
Tax losses	101	(3)	-	98
	101	(3)	-	98

Group 2022 \$000	Group Opening Balance	Group Charged to Surplus/(Deficit)	Group Charged to other Comprehensive Revenue and Expense	Group Closing Balance
GROSS DEFERRED TAX LIABILITIES:				
Other financial assets	(64)	337	927	1,200
Property, plant and equipment	10,759	(510)	-	10,249
Investment property	7,309	4,555	-	11,864
Other	(1,600)	(356)	-	(1,956)
	16,404	4,026	927	21,357

Group 2021 \$000	Group Opening Balance	Group Charged to Surplus/(Deficit)	Group Charged to other Comprehensive Revenue and Expense	Group Closing Balance
GROSS DEFERRED TAX LIABILITIES:				
Other financial assets	(854)	169	622	(64)
Property, plant and equipment	11,365	(606)	-	10,759
Investment property	5,110	2,199	-	7,309
Other	(1,874)	273	-	(1,600)
	13,747	2,035	622	16,404

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.

34. 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

\$000s	Council 2022	Council 2021	Group 2022	Group 2021
Less than 1 year	653	491	1,153	1,029
1 – 2 years	653	412	1,098	938
2 – 3 years	390	218	835	679
3 – 4 years	246	60	691	505
4 – 5 years	161	60	603	505
Longer than 5 years	338	45	1,832	1,984
	2,438	1,351	6,212	5,640

Disclosures for Lessor

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:

\$000s	Group 2022	Group 2021
RENTALS RECEIVABLE		
Within one year	28,766	24,329
After one year but not more than five years	94,126	83,197
More than five years	84,905	86,869
MINIMUM FUTURE LEASE RECEIVABLE	207,797	194,395

35. 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 30 June 2022 year, Councillors as part of a normal customer relationship, were involved in minor arm's length transactions with the Council, such as the payment of rates.

RELATED PARTY ENTITY \$	Relationship to related party entity	Total paid by the entity to Council	Total paid to the entity to Council	Outstanding balance owed by Entity	Outstanding balance owed by Council
Councillor Andrew Noone					
Ravensdown Limited	Shareholder	6,122	50,515	-	9,959
Silver Fern Farms Limited	Shareholder	12,373	-	-	-
Councillor Gary Kelliher					
Springvale Downs Limited	Director/ Shareholder	647	-	97	-
Springvale Water Supply Company Limited	Director	225	-	-	-
Councillor Hilary Calvert					
Auripo Holdings Limited	Shareholder	570	-	-	-
Councillor Kate Wilson					
Strath Taieri Agriculture and Rural Tourism Trust	Trustee	325	-	-	-
Councillor Kevin Malcolm					
J & E Soper Family Trust	Trustee	225	-	-	-
Poltalloch South Trust	Trustee	225	-	-	-

During the 30 June 2021 year, Councillors as part of a normal customer relationship, were involved in minor arm's length transactions with the Council, such as the payment of rates.

RELATED PARTY ENTITY \$	Relationship to related party entity	Total paid by the entity to Council	Total paid to the entity to Council	Outstanding balance owed by Entity	Outstanding balance owed by Council
Councillor Hilary Calvert					
Auripo Holdings Limited	Shareholder	273	-	-	4,862
Councillor Marian Hobbs					
Otago Natural History Trust	Trustee	-	-	-	115,000
Orokonui Ecosanctuary Limited	Director	-	11,885	-	-
Councillor Gary Kelliher					
Springvale Downs Limited	Director/ Shareholder	76	-	-	-
Springvale Water Supply Company Limited	Director	94	-	-	-
Councillor Kevin Malcolm					
J & E Soper Family Trust	Trustee	121	-	-	-
Poltalloch South Trust	Trustee	121	-	-	-
Councillor Andrew Noone					
Ravensdown Limited	Shareholder	26,908	-	-	-
Silver Fern Farms Limited	Shareholder	11,610	-	-	-
Councillor Kate Wilson					
Predator Free Dunedin (Ceased Dec 2020)	Trustee	-	690,000	-	-
Strath Taieri Agriculture and Rural Tourism Trust	Trustee	232	-	-	-

Group

Refer to Note 16 for transactions between Council and Port Otago Limited.

Chalmers Properties Limited has provided an advance to Te Rapa Gateway Limited to fund its share of land acquisition and development expenditure. The current intention of Chalmers Properties Limited is to provide ongoing financial support to Te Rapa Gateway Limited.

Port Otago Limited and Chalmers Properties Limited have a \$300,000 overdraft offset facility arrangement which is included in the Group debt facility detailed in note 20. The purpose of this arrangement is to minimise any interest costs to the two entities.

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.

Annual Report Disclosure Statement for the year ended 30 June 2022

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

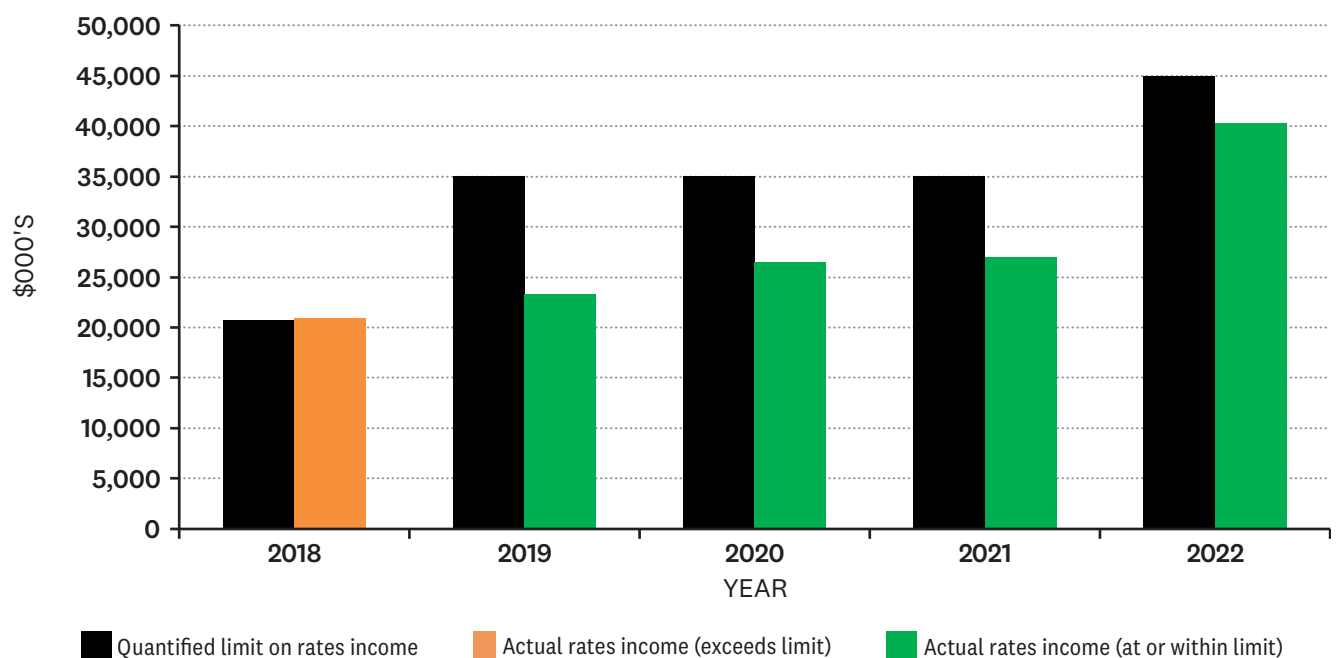
The Council meets the rates affordability benchmark if:

- 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.

Rates (Income) Affordability

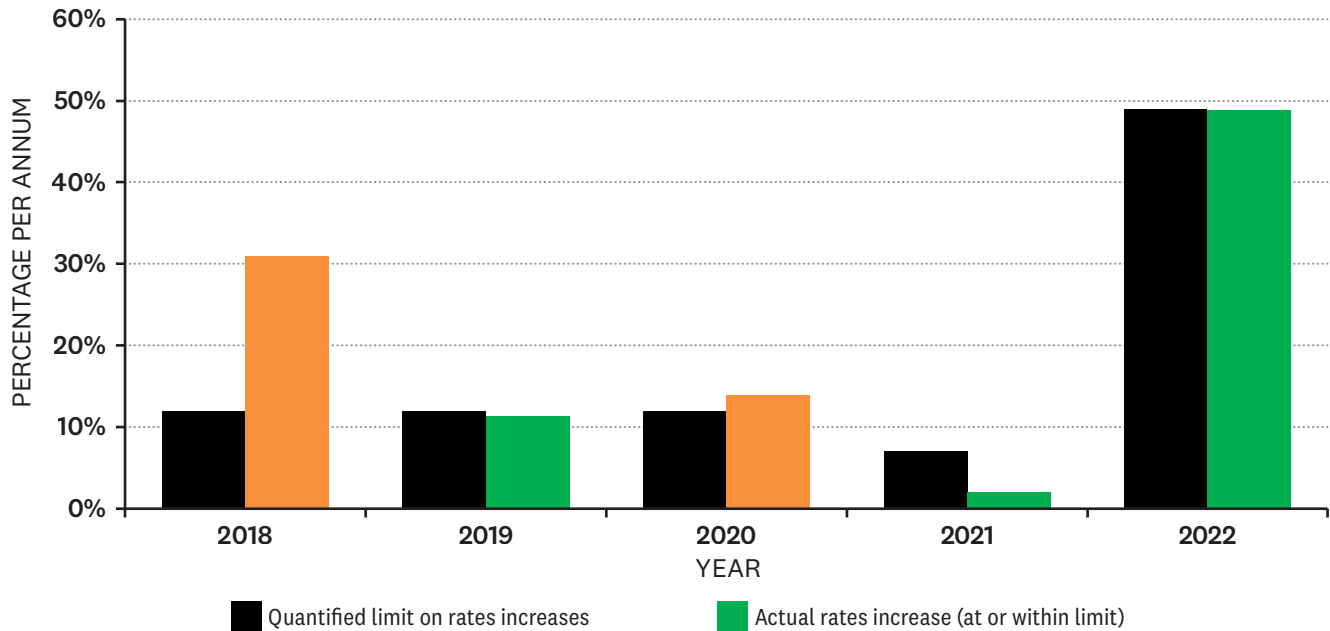
The following graph compares the Council's actual rate income with a quantified limit on rate contained in the financial strategy included in the Council's Long-Term Plan.

The quantified limit is set in the Council financial summary statement and measured in thousands of dollars. The quantified limits for rates are from the long-term plan 2018-2028. The quantified limit for 30 June 2022 is \$45 million or 50% of total revenue.



Rates (Increases) Affordability

The following graph compares the Council’s actual rate increases with a quantified limit on rate increases included in the financial strategy included in the Council’s Long-Term Plan. The quantified limit is an increase of 49% per annum, (2021: 7%, 2018 - 2020: 12%).



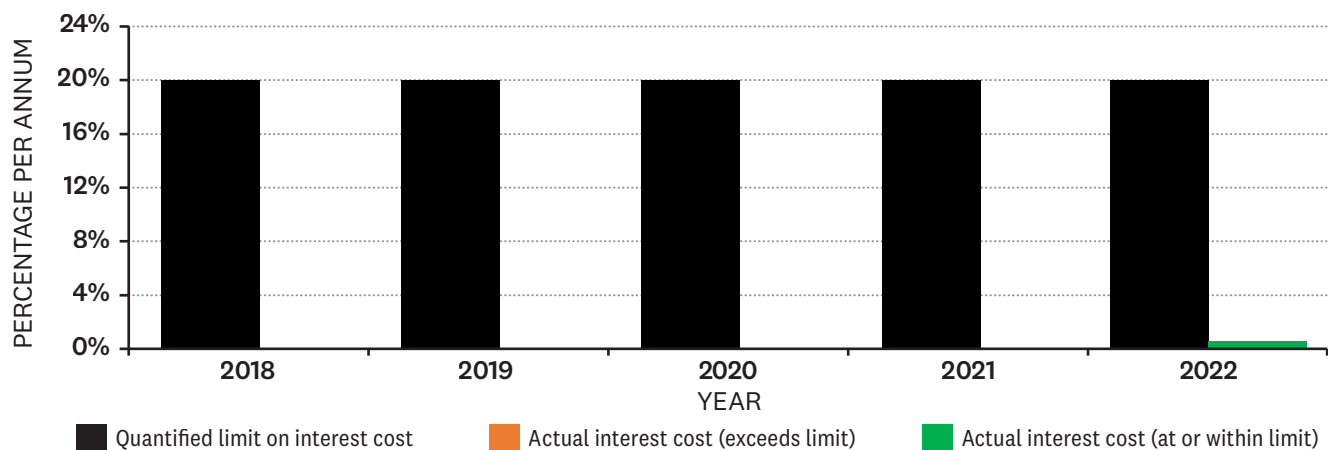
RATES AFFORDABILITY COMMENTARY

The Rates (increases) affordability graph shows the quantified limit was exceeded in 2018 and in the 2020. The quantified limit included in the Long-Term Plan was an increase of 12% in 2018 and 2020, and the actual amount of the increase was 31% and 14%. The Annual Plan 2019/20 provided for additional general rate funded expenditure, primarily in the Environmental activity area and specifically associated with the water programmes.

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 revenue (percentage of rates income in PY).

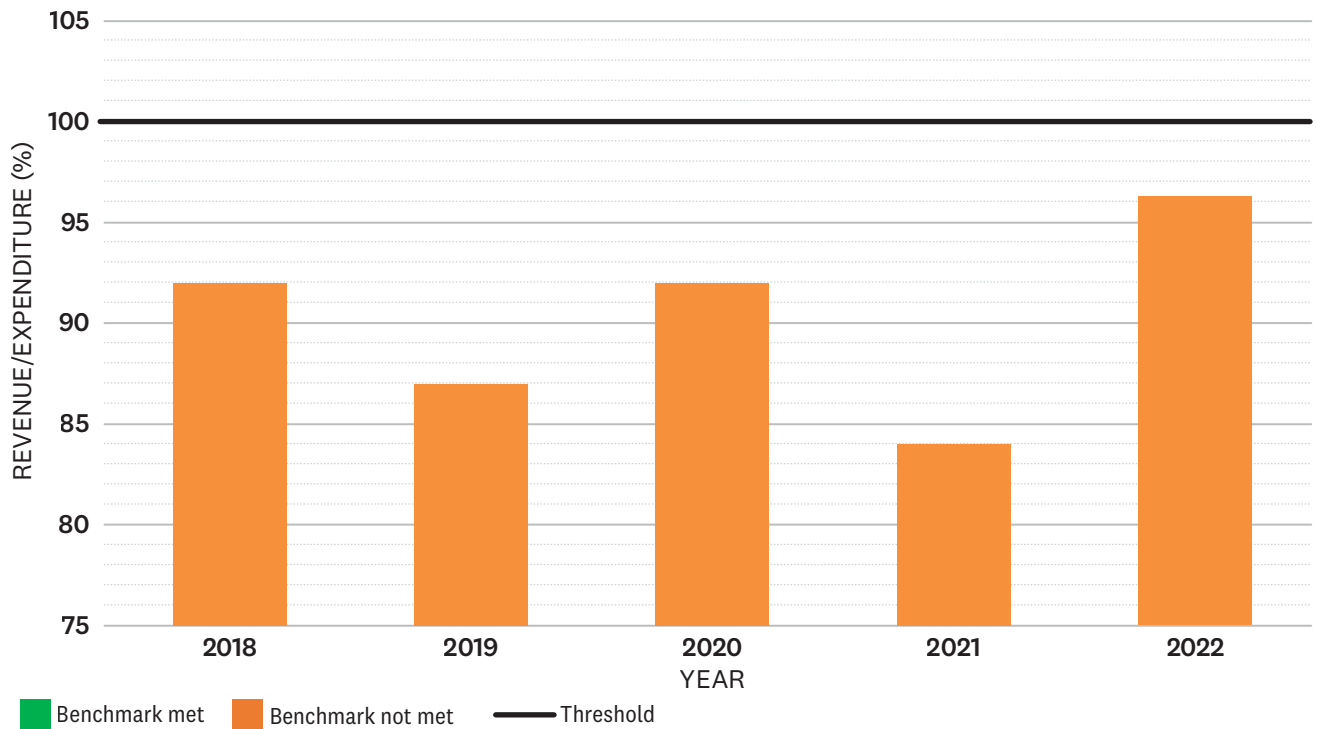
The following graph compares the Council’s actual interest costs as a percentage of borrowing with a quantified limit specified in the financial strategy included in the Council’s Long-Term Plan. The quantified limit is interest costs being a maximum of 20% of rates income, (2018-2021 20%).



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.



BALANCED BUDGET BENCHMARK COMMENTARY

The balanced budget benchmark graph shows that in 2022 - 2018, Council's revenue was less than operating expenses. The Council is required to ensure that estimated revenue is sufficient to cover estimated operating costs unless Council resolves that in any particular year, it is financially prudent to fund a portion of operating costs from other sources, including reserve funds.

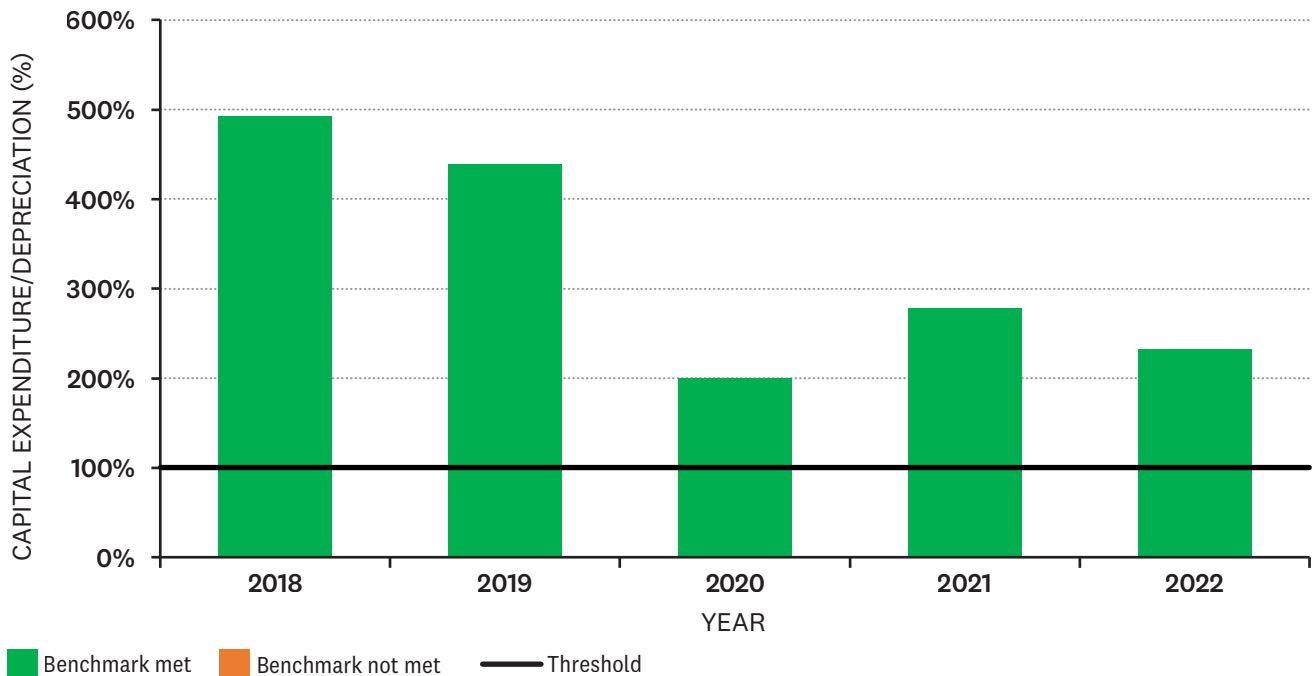
In the 2018-2022 years, Council resolved to fund costs associated with particular activities from reserves, with the activities most affected being the Environmental, Community and Transport activities.

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 river management.

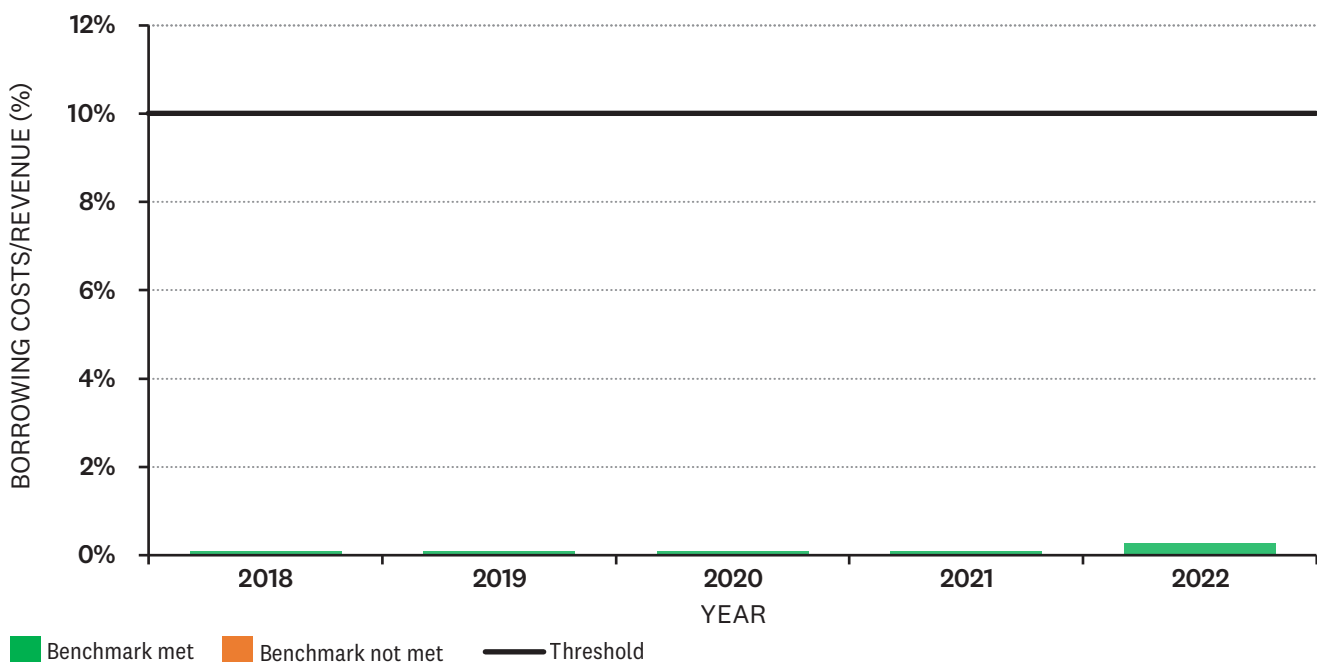
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



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.

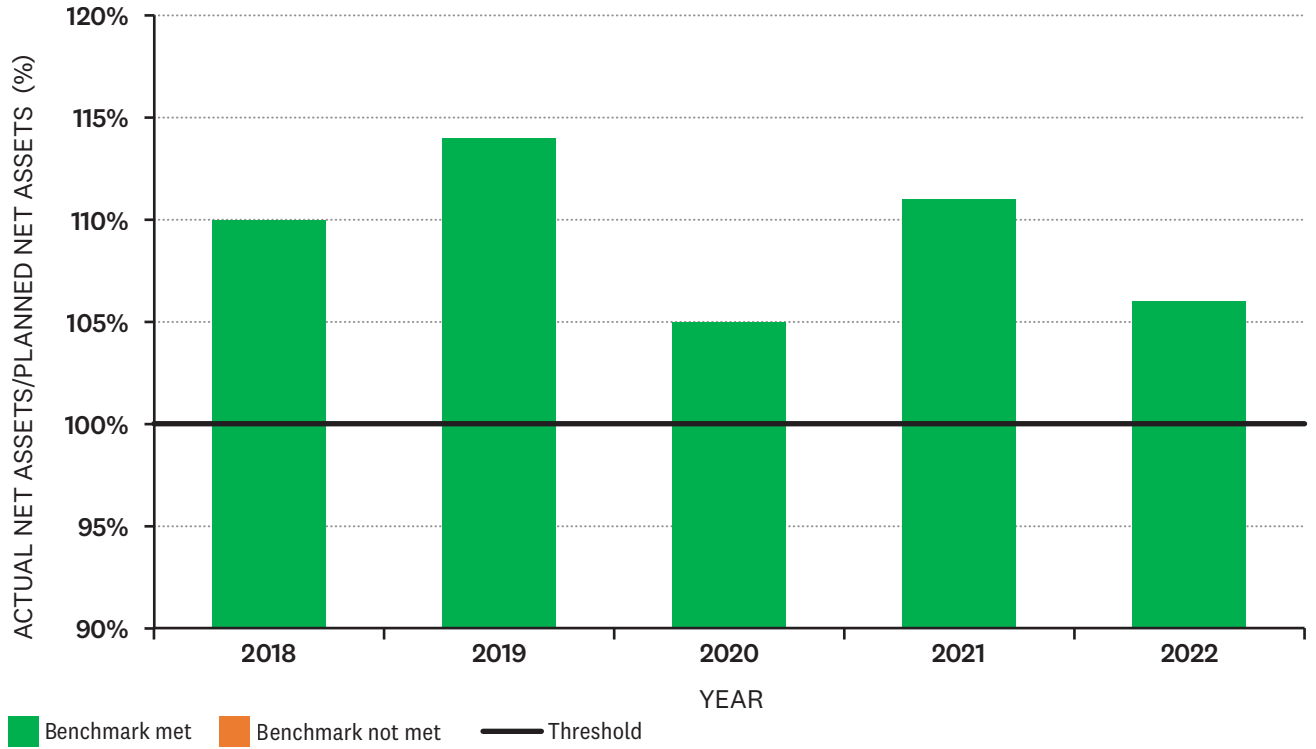


Debt Control Benchmark

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.

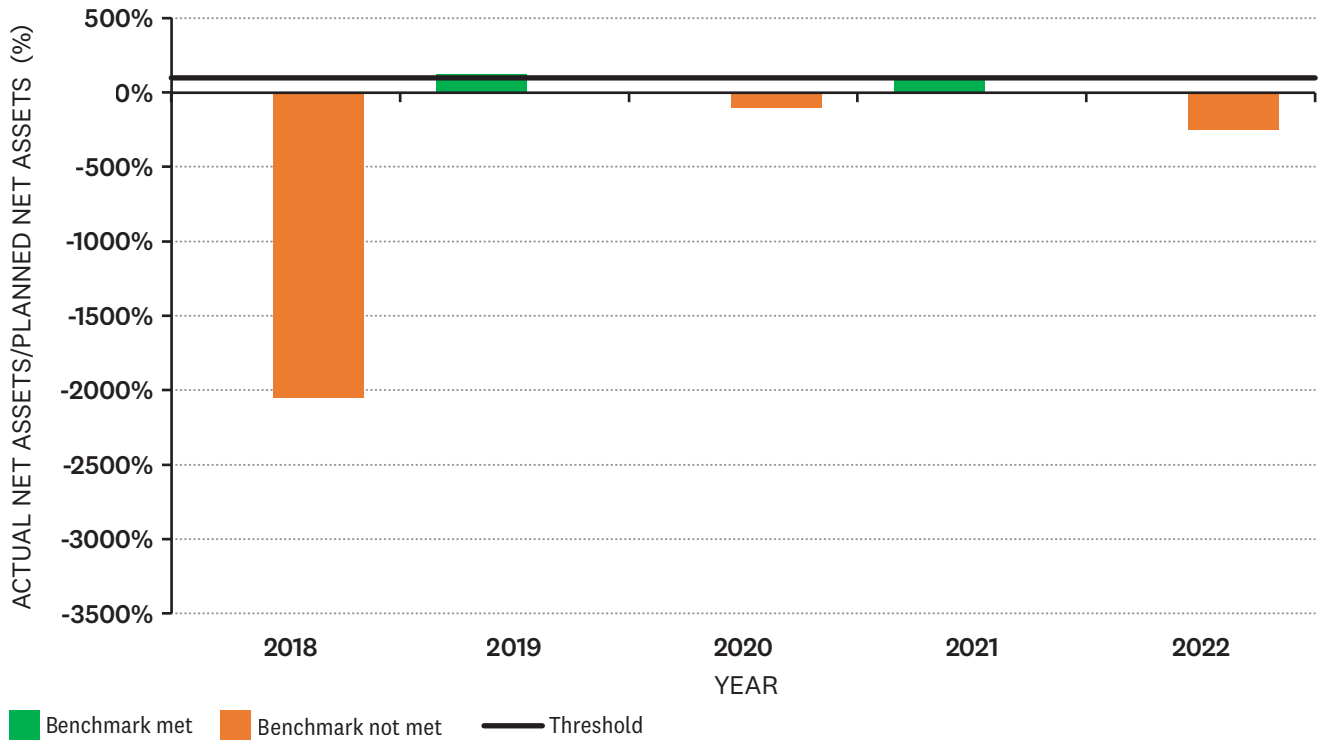
During the period 2017/18 to 2020/21, Council had budgeted net assets rather than net debt. During the 2021/2022 Council borrowed \$15 million.



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.



OPERATIONS CONTROL BENCHMARK COMMENTARY

The Operations Control benchmark graph shows the actual net cash flow from operations as a percentage of the planned net cash flow from operations.

In the 2022 year, the actual cash flow from operations was a new outflow of \$2,198,000 compared to the planned net inflow of \$1,409,000. The major cause of this variance was caused by less fees and charges revenue being received than budgeted.

In the 2021 year, the actual cash flow from operations was a net inflow of \$271,000 compared to the planned net outflow of \$2,661,000. The major cause of this variance was an increase in grant revenue.

In the 2020 year, the actual cash flow from operations was a net outflow of \$2,272,000 compared to the planned net outflow of \$82,000. The major cause of this variance was an increase in service on water policy, science, and our emergency response to the COVID-19 pandemic.

In the 2019 year, the actual cash flow from operations was a net inflow of \$129,000 compared to the planned net outflow of \$1,357,000. The major cause of this variance was an increase in spending on capital projects, investment activities, in the current year.

In the 2018 year, the actual net cash flow from operations was a net outflow of \$5,729,000 compared to the planned net inflow of \$293,000. The major cause of this variance is associated with a lower revenue level than budgeted and an increased level of receivables than budgeted, concentrated on receivables from a small number of major organisations associated with transport projects.

Additional Information

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 2022	Rating Base Information for the Year Ended 30 June 2021
Total number of rating units	120,313	119,591
Total capital value of rating units	\$105,375,181,640	\$92,993,220,030
Total land value of rating units	\$54,940,034,640	\$49,147,606,280

Insurance of Assets

The total carrying value of all assets of the Council as at 30 June 2022 that are covered by insurance contracts amounts to \$17.928 million (2021: 16.978 million) and the maximum amount to which they are insured is \$49.591 million (2021: \$52.751 million).

The total value of all assets of the Council as at 30 June 2022 that are self-insured amounts to \$97.349 million (2021: \$97.637 million).

Included in the value of self-insured assets are flood protection and drainage infrastructural assets of \$65.167 million (2021: \$64.477 million), land of \$29.344 million (2021: \$29.060 million), transport infrastructural assets and hardware of \$1.388 million (2021: \$2.212 million) and software of \$1.450 million (2021: \$1.888 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 2022 the Council had not entered into any financial risk sharing arrangement for any assets held (2021: \$Nil).

Directory

Otago Regional Council councillors

Chairperson	Andrew Noone	Dunedin constituency
Deputy Chairperson	Kevin Malcolm	Moeraki constituency
Regional Councillors	Hilary Calvert	Dunedin constituency
	Michael Deaker	Dunedin constituency
	Alexa Forbes	Dunstan constituency
	Marian Hobbs	(resigned November 2021)
	Carmen Hope	Molyneux constituency
	Gary Kelliher	Dunstan constituency
	Michael Laws	Dunstan constituency
	Gretchen Robertson	Dunedin constituency
	Bryan Scott	Dunedin constituency
	Kate Wilson	Molyneux constituency

Otago Regional Council executive staff

Chief Executive	P Borren
General Manager Corporate Services and Chief Financial Officer	N Donnelly
General Manager Strategy, Policy and Science	G Elsum July 2021 to March 2022 A Dawe March 2022 to current
General Manager Operations	G Palmer
General Manager Regulatory and Communications	R Saunders
General Manager Governance, Culture and Customer	A Vercoe

Otago Regional Council details

Bankers	Bank of New Zealand
Auditors	Deloitte Limited on behalf of the Auditor-General, Wellington
Solicitors	Ross Dowling Marquet and Griffin, PO Box 1144, Dunedin
Principal office	Philip Laing House, Level 2, 144 Rattray Street, Dunedin 9016
Website	www.orc.govt.nz
Phone	0800 474 082 0800 800 033 (Pollution hotline)
Email	customerservices@orc.govt.nz

Port Otago Limited

Chairperson	Paul Rea
Deputy Chairperson	Pat Heslin
Directors	Tom Campbell Tim Gibson Jane Taylor (resigned 31 March 2022) Bob Fulton Becky Lloyd Chris Hopkins (appointed 1 July 2022)
Chief Executive	Kevin Winders

Office and Depot Locations

Offices

Dunedin office - Philip Laing House

Monday to Friday
8.00am to 1pm, 2pm to 4.30pm
Closed on public holidays.

Level 2
144 Rattray Street
Dunedin 9016

Queenstown office

Monday to Friday
8.00am to 1pm, 2pm to 4.30pm
Closed on public holidays.

Terrace Junction
1092 Frankton Road
Queenstown 9300

Depots

We have staff located at depots throughout the region.

Please note that depots do not service general enquiries or accept payments.

Please contact us by email or phone for guidance or general enquiries.

Alexandra

13 Ngapara Street
Alexandra 9340

Cromwell

14 Rogers Street
Cromwell 9310

Oamaru

32 Ribble Street
Oamaru 9400

Taieri

173 Dukes Road North
North Taieri

Balclutha

Hasborough Place
Balclutha 9230

Dunedin

70 Stafford Street
Dunedin 9054

Palmerston

54 Tiverton Street
Palmerston 9430

Wānaka

185 Riverbank Road
Wānaka 9382

Statement of Compliance

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



Dr Pim Borren
INTERIM CHIEF EXECUTIVE



Andrew Noone
CHAIRPERSON



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF OTAGO REGIONAL COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

The Auditor-General is the auditor of Otago Regional Council (the Regional Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Heidi Rautjoki, using the staff and resources of Deloitte Limited, to report on the information in the Regional Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the Regional Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the Regional Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 28 September 2022. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 61 to 120 and 127:
 - present fairly, in all material respects:
 - the Regional Council and Group's financial position as at 30 June 2022;
 - the results of the operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 55, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term;
- the statement of service provision on pages 10 to 53:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2022, 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; and
- the statement about capital expenditure for each group of activities on page 56, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 57 to 60, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.

Report on the disclosure requirements

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 121 to 126, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council and Group's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

The basis for our opinion is explained below and we draw attention to other matters. In addition, we outline the responsibilities of the Council and our responsibilities relating to the audited information, we comment on other information, and we explain our independence.

Basis for our opinion on the audited information

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "*Responsibilities of the auditor for the audited information*" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

Responsibilities of the Council for the audited information

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 enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the Regional Council and the Group or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the Regional Council's Long-term plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service provision, as a reasonable basis for assessing the levels of service achieved and reported by the Regional Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Regional Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional Council and the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the audited information of the entities or business activities within the Group to express an opinion on the consolidated audited information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 2 to 9 and 128 to 129, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Regional Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit, we have carried out an engagement for Debenture Trust Deed Reporting, which is compatible with those independence requirements. Other than these engagements, we have no relationship with, or interests in, the Regional Council or its subsidiaries and controlled entities.



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

